NEW ISSUE
BOOK-ENTRY ONLY

RATINGS: See "Bond Ratings" herein

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City and County, 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 Series 2009D Bonds and the Series 2009F Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Series 2009D Bond for any period that such Series 2009D Bond is held by a "substantial user" of the facilities financed by the Series 2009D Bonds or by a "related person" within the meaning of Section 147(a) of the Code. In the further opinion of Bond Counsel, interest on the Series 2009D Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, nor is such interest on the Series 2009D Bonds included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the further opinion of Bond Counsel, interest on the Series 2009F Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. 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. Bond Counsel also observes that interest on the Series 2009E Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. 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, including whether interest on the Series 2009F Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income. See "TAX MATTERS" in this Official Statement.

$241,865,000
CITY AND COUNTY OF HONOLULU
General Obligation Bonds
Series 2009D, Series 2009E Build America Bonds (Taxable), and Series 2009F

Dated: Date of Delivery

Due: September 1, as shown on inside cover

The City and County of Honolulu General Obligation Bonds, Series 2009D, Series 2009E Build America Bonds (Taxable), and Series 2009F (collectively, the "Bonds"), are being issued by the City and County of Honolulu (the "City and County") 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 delivery thereof and will bear interest at the rates shown on the inside cover of this Official Statement, payable on March 1 and September 1 of each year, commencing September 1, 2010 for the Series 2009D Bonds and Series 2009E Bonds, and March 1, 2010 for the Series 2009F Bonds. The Bonds are subject to redemption prior to the stated maturity thereof, as described herein. Proceeds of the Bonds will be used (i) to fund certain capital improvement projects of the City and County, (ii) to refund currently certain general obligation commercial paper notes previously issued to fund such projects, and (iii) to refund certain general obligation bonds previously issued by the City and County.

The Series 2009E Bonds will be issued as bonds designated as "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009, the interest on which is not excluded from gross income for purposes of federal income taxation. See "TAX MATTERS." The City and County expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on such Series 2009E Bonds on or about each interest payment date. See "THE BONDS—Description of the Bonds."

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 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, 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 November 19, 2009.

Merrill Lynch & Co.

Piper Jaffray & Co.

November 3, 2009

MATURITY SCHEDULE
$241,865,000CITY AND COUNTY OF HONOLULU
General Obligation Bonds
Series 2009D, Series 2009E Build America Bonds (Taxable), and Series 2009F

$141,950,000 General Obligation Bonds, Series 2009D

Year (Sept. 1)	Principal Amount	Interest Rate	Yield	Year (Sept. 1)	Principal Amount	Interest Rate	Yield
2014	$1,935,000	2.250%	2.270%	2024	$ 885,000	4.000%	3.940%*
2014	2,265,000	5.000	2.270	2024	5,535,000	5.250	3.940*
2015	2,035,000	2.625	2.650	2025	6,720,000	4.000	4.040
2015	2,320,000	4.500	2.650	2026	2,055,000	4.000	4.090
2016	2,140,000	3.000	2.920	2026	4,970,000	5.250	4.090*
2016	2,375,000	4.000	2.920	2027	570,000	4.125	4.160
2017	2,250,000	3.125	3.130	2027	6,820,000	5.250	4.160*
2017	2,430,000	4.000	3.130	2028	7,780,000	5.250	4.230*
2018	2,365,000	3.375	3.320	2029	455,000	4.250	4.280
2018	2,490,000	4.500	3.320	2029	7,745,000	5.250	4.280*
2019	2,485,000	3.500	3.450	2030	55,000	4.375	4.360*
2019	2,575,000	5.000	3.450	2030	8,585,000	5.250	4.360*
2020	2,610,000	3.625	3.580*	2031	9,105,000	5.250	4.420*
2020	2,675,000	5.000	3.580*	2032	175,000	4.500	4.490*
2021	75,000	3.700	3.700	2032	9,420,000	5.250	4.440*
2021	2,975,000	4.000	3.700*	2033	3,430,000	4.500	4.530
2021	2,470,000	5.000	3.700*	2033	6,670,000	5.250	4.480*
2022	520,000	3.750	3.800	2034	3,385,000	4.550	4.550
2022	5,270,000	5.250	3.780*	2034	7,230,000	5.250	4.490*
2023	6,100,000	5.250	3.850*				

*Priced to call at par on September 1, 2019.

$50,415,000 General Obligation Bonds, Series 2009E Build America Bonds (Taxable)

Year (Sept. 1)	Principal Amount	Interest Rate	Yield	Year (Sept. 1)	Principal Amount	Interest Rate	Yield
2014	$1,385,000	3.270%	3.270%	2025	$2,345,000	5.950%	5.950%
2015	1,435,000	3.950	3.950	2026	2,490,000	6.050	6.050
2016	1,490,000	4.250	4.250	2027	2,640,000	6.100	6.100
2017	1,555,000	4.480	4.480	2028	2,805,000	6.150	6.150
2018	1,630,000	4.580	4.580	2029	2,980,000	6.200	6.200
2019	1,705,000	4.680	4.680	2030	3,170,000	6.220	6.220
2020	1,790,000	4.930	4.930	2031	3,370,000	6.250	6.250
2021	1,880,000	5.160	5.160	2032	3,585,000	6.280	6.280
2022	1,980,000	5.380	5.380	2033	3,815,000	6.300	6.300
2023	2,090,000	5.630	5.630	2034	4,060,000	6.300	6.300
2024	2,215,000	5.780	5.780				

$49,500,000 General Obligation Bonds, Series 2009F

Year (Sept. 1)	Principal Amount	Interest Rate	Yield	Year (Sept. 1)	Principal Amount	Interest Rate	Yield
2014	$6,055,000	5.000%	2.270%	2018	$7,400,000	5.000%	3.320%
2015	6,365,000	5.000	2.650	2019	7,775,000	5.000	3.450
2016	6,695,000	5.000	2.920	2020	8,175,000	5.000	3.580*
2017	7,035,000	5.000	3.130				

*Priced to call at par on September 1, 2019.

City and County of Honolulu

State of Hawaii

(Incorporated 1907)

MAYOR
Mufi Hannemann

CITY COUNCIL

Todd K. Apo
Chair and Presiding Officer

Nestor R. Garcia
Vice-Chair

Ikaika Anderson
Floor Leader

Romy M. Cachola

Donovan M. Dela Cruz

Charles K. Djou

Ann H. Kobayashi

Gary H. Okino

Rod Tam

DIRECTOR OF BUDGET AND FISCAL SERVICES
Rix Maurer III

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.

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City and County of Honolulu
General Obligation Bonds
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INTRODUCTION

This Official Statement, which includes the cover page 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 $241,865,000 aggregate principal amount of General Obligation Bonds, Series 2009D, Series 2009E Build America Bonds (Taxable), and Series 2009F (the "Series 2009D Bonds," "Series 2009E Bonds," and "Series 2009F Bonds," respectively; and collectively, the "Bonds").

AUTHORITY FOR AND PURPOSE OF ISSUANCE

Authority for Issuance

The Bonds are being issued pursuant to and in full compliance with Ordinance Nos. 98-29, 00-24, 01-27, 02-27, 03-08, 04-15, 05-15, 06-34, 07-26, 08-14, 09-13 and 99-11 of the City and County, Resolution No. 09-269 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.

Purpose of Issuance

The Series 2009D Bonds are being issued as reimbursable general obligation bonds to fund a portion of the costs of expanding the City and County's H-Power waste-to-energy facility, as discussed under "DEBT STRUCTURE—H-Power Waste Disposal Facility and Operating Agreement" and "—Reimbursement to General Fund for Debt Service." The Series 2009E Bonds are being issued to fund the costs of other capital improvement projects of the City and County or to refund certain outstanding general obligation commercial paper notes previously issued to fund such costs. The Series 2009F Bonds are being issued to refund certain outstanding general obligation bonds of the City and County. See "THE REFUNDING PLAN" for further information regarding the refunding of outstanding general obligation commercial paper notes and bonds.

THE REFUNDING PLAN

The Series 2009E Bonds are being issued in part to effect the current refunding of $20,000,000 principal amount of the City and County's General Obligation Commercial Paper Notes, Issue W (the "Refunded Notes"). The Series 2009F Bonds are being issued to effect the refunding of the following general obligation bonds of the City and County (the "Refunded Bonds"):

Series	Maturity	Principal Amount	Interest Rate
Series 1993A	01/01/2010	$3,350,000	6.00%
Series 1993A	01/01/2011	2,590,000	6.00
Series 1997B	11/01/2010	2,560,000	5.50
Series 1999C	07/01/2020	27,085,000	5.00
Series 2001A	09/01/2010	5,340,000	5.00
Series 2003A	03/01/2010	845,000	3.30
Series 2003A	03/01/2010	1,530,000	5.00

Series	Maturity	Principal Amount	Interest Rate
Series 2004A	07/01/2010	$2,605,000	3.00%
Series 2005A	07/01/2010	5,460,000	3.25
Series 2005F	07/01/2010	2,100,000	5.00

Upon the issuance of the Series 2009E and Series 2009F Bonds, a portion of the proceeds thereof will be deposited into an escrow fund (the "Escrow Fund") to be established with Wells Fargo Bank, National Association, as escrow agent (the "Escrow Agent"), for the purpose of refunding the Refunded Notes and Refunded Bonds. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein for a discussion of certain computations pertaining to the refunding of the Refunded Bonds.

THE BONDS

Description of the Bonds

The Bonds will be dated as of the date of delivery thereof; will mature serially on September 1 of the years and in the principal amounts shown on the inside cover page hereof; will bear interest at the rates per annum shown on the inside cover hereof (computed on the basis of a 360-day year), payable on March 1 and September 1 of each year, commencing September 1, 2010 for the Series 2009D Bonds and Series 2009E Bonds, and March 1, 2010 for the Series 2009F Bonds; and will be subject to redemption as described herein.

The Director of Budget and Fiscal Services of the City and County will serve as the initial Paying Agent for the Series 2009D Bonds and Series 2009F Bonds. Wells Fargo Bank, National Association, will serve as the initial Paying Agent for the Series 2009E Bonds.

The Series 2009E Bonds will be issued as bonds designated as "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009, signed into law on February 17, 2009 (the "Recovery Act"). The City and County expects to receive a cash subsidy payment from the United States Treasury pursuant to the Recovery Act equal to 35% of the interest payable on such Series 2009E Bonds on or about each interest payment date. The cash payment does not constitute a full faith and credit guarantee of the United States, but is required to be paid by the Treasury under the Recovery Act. The City and County is obligated to make all payments of principal of and interest on the Series 2009E Bonds whether or not it receives cash subsidy payments pursuant to the Recovery Act. The City and County can give no assurances about future changes in legislation or Treasury regulations or the netting of other tax liabilities of the City and County against the expected subsidy payments which may affect the amount or timely receipt of such payments.

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."

Optional Redemption

The Bonds maturing on and after September 1, 2020 are subject to redemption at the option of the City and County on and after September 1, 2019, 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.

Extraordinary Redemption

The Series 2009E Bonds are subject to extraordinary redemption prior to their respective maturities, at the option of the City and County, upon the occurrence of an Extraordinary Event from any source of available funds, as a whole or in part, and if in part shall be selected on a pro rata basis within a maturity, at the "Make-Whole Redemption Price."

The "Make-Whole Redemption Price" means the amount equal to the greater of the following:

> (1) the issue price of the Series 2009E Bonds set forth on the cover page hereof (but not less than 100%) of the principal amount of the Bonds to be redeemed; or
>
> (2) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2009E Bonds to be redeemed to the maturity date of such Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2009E Bonds are to be redeemed, discounted to the date on which the Series 2009E Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate, plus 100 basis points; plus, in each case, accrued interest on the Series 2009E Bonds to be redeemed to the redemption date.

For purpose of determining the Make–Whole Redemption Price, the following definitions apply:

"Treasury Rate" means, with respect to any redemption date for a particular Series 2009E Bond, the yield to maturity as of such redemption date of United State Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation-indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2009E Bonds to be redeemed; provided, however that if the period from the redemption date to the maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

An "Extraordinary Event" will have occurred if the City and County determines that a material adverse change has occurred under Section 54AA or 6431 of the Internal Revenue Code of 1986 (the "Code") (as such Sections were added by Section 1531 of the Recovery Act), or any guidance is published by the Internal Revenue Service or the United States Treasury with respect to such Sections of the Code or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of an act or omission by the City and County to satisfy the requirements to receive the 35% cash subsidy payments from the United States Treasury with respect to the Build America Bonds, and pursuant to which the cash subsidy payments expected to be received from the United States Treasury with respect to the Series 2009E Bonds is eliminated of reduced, as reasonably determined by the Director of Budget and Fiscal Services, which determination shall be conclusive.

Notice of Redemption

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.

Any notice of redemption of Bonds may state that such redemption shall be conditional upon the receipt by the City and County on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest with respect to such Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the City and County shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the City and County shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Effect of Redemption

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 (initially, the Director of Budget and Fiscal Services of the City and County for the Series 2009D Bonds and Series 2009F Bonds, and Wells Fargo Bank, National Association, for the Series 2009E Bonds), 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, 2010:

CITY AND COUNTY OF HONOLULU
GENERAL OBLIGATION BONDS,
SERIES 2009D, SERIES 2009E BUILD AMERICA BONDS (TAXABLE) AND SERIES 2009F
DEBT SERVICE REQUIREMENTS

FY Ending June 30	Principal	Interest	Total
2010	-	$ 701,250.00	$ 701,250.00
2011	-	14,832,149.62	14,832,149.62
2012	-	12,103,947.76	12,103,947.76
2013	-	12,103,947.76	12,103,947.76
2014	-	12,103,947.76	12,103,947.76
2015	$11,640,000	11,851,534.26	23,491,534.26
2016	12,155,000	11,332,745.13	23,487,745.13
2017	12,700,000	10,787,732.00	23,487,732.00
2018	13,270,000	10,214,631.25	23,484,631.25
2019	13,885,000	9,601,906.63	23,486,906.63
2020	14,540,000	8,941,510.76	23,481,510.76

FY Ending June 30	Principal	Interest	Total
2021	$15,250,000	$8,236,696.51	$23,486,696.51
2022	7,400,000	7,702,875.26	15,102,875.26
2023	7,770,000	7,330,384.26	15,100,384.26
2024	8,190,000	6,910,076.26	15,100,076.26
2025	8,635,000	6,464,110.51	15,099,110.51
2026	9,065,000	6,032,939.51	15,097,939.51
2027	9,515,000	5,581,890.76	15,096,890.76
2028	10,030,000	5,063,704.51	15,093,704.51
2029	10,585,000	4,501,924.51	15,086,924.51
2030	11,180,000	3,906,090.76	15,086,090.76
2031	11,810,000	3,275,589.38	15,085,589.38
2032	12,475,000	2,606,124.25	15,081,124.25
2033	13,180,000	1,898,024.00	15,078,024.00
2034	13,915,000	1,161,807.50	15,076,807.50
2035	14,675,000	394,686.25	15,069,686.25
Total:	$241,865,000	$185,642,227.16	$427,507,227.16

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 through 2009 and for the Fiscal Year ending June 30, 2010, authorized and appropriated a total of $3,949,163,938 for public improvements to be financed from the proceeds of general obligation bonds or notes. As of September 29, 2009, $1,604,218,440 of general obligation bonds and notes had been issued to finance appropriations for such Fiscal Years, and $557,004,438 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 $1,787,941,060, 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.

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 71% 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, the public service company tax on certain public utilities, the 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 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 2012. The current Mayor is serving his second term, which expires on January 2, 2013. 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, 2013, while the councilmembers for council districts II, IV, VI and VIII were elected to four-year regular terms expiring on January 2, 2011. 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 was 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 revisions 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, 2008, are accessible from the City and County's website at http://www.honolulu.gov/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. Information on the City and County's website other than the audited financial statements is not part of this Official Statement. See "FINANCIAL INFORMATION AND ACCOUNTING – Financial Statements" herein for certain financial information based on the City and County's audited financial statements. See also APPENDIX A hereto for a discussion of certain economic conditions that could potentially impact the City and County's revenues, including conditions relating to the current national and international economic crisis.

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 two-thirds of General Fund revenues, and the allocation of the State transient accommodation tax are described below. See Table 13 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.

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. Real property 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) vacant agricultural, (9) conservation and (10) public service. Beginning July 1, 2008, Ordinance 07-10 combined the improved residential, unimproved residential and apartment classes into one classification called "residential." In determining the value of land 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 value. Real property owned by the respective governments of the United States, the State of Hawaii and the several counties of the State is excluded 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 an 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 a home is exempt from taxation to the extent of $80,000 ($120,000 for persons age 65 and over). In lieu of the exemptions set forth in the previous sentence, qualified low-income taxpayers can receive exemptions that gradually increase based on age, from $140,000 for persons age 75 to $200,000 for persons age 90 and over. In lieu of taxing the real property of public service companies, the City and County collects a public service company tax on the gross income of such companies allocable to operations within the City and County, as discussed below under "Public Service Company Tax."

Under Ordinance 05-026 of the City and County, as amended, real property tax relief is provided in the form of a real property tax credit to homeowners whose combined income of all title holders of the property does not exceed $50,000. Qualified homeowners' taxes are limited to 4% of the combined income of all title holders of the property. Homeowners must apply for the tax credit by September 30 preceding the tax year in which a credit is being sought thereby providing the City and County time to make allowances for it in its budget. Beginning July 1, 2008, Ordinance 07-20 amends the real property tax credit by providing additional relief to homeowners 75 years of age or over by reducing the percentage of combined income of all title holders from 4% to 3%.

Additionally, to encourage agriculture, land dedicated to a specific agricultural use or as vacant agricultural land is classified as agricultural or vacant agricultural, respectively. Dedicated land is assessed based on the term of the dedication period. Land dedicated for a specific agricultural use for one year is assessed at 5% of its fair market value, for five years at 3% and for ten years at 1%. Land dedicated for pasture use for a period of one, five or ten years is assessed at 1% of its fair market value. Vacant agricultural land dedications must be for ten years and are assessed at 50% of their fair market value.

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 assessed valuations of real property in the City and County for Fiscal Years 2009 and 2010 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 and applicable tax rates for each class of property for Fiscal Years 2006 through 2010.

Table 1

ASSESSED VALUATION OF REAL PROPERTY[1]
Fiscal Years 2009 and 2010
(values in thousands)

	2009	2010
Gross assessed valuation	$190,699,156	$191,211,298
Less exemption valuation	(23,481,605)	(23,603,598)
Assessor's net taxable value	167,217,551	167,607,700
Less 50% of valuations on appeal	(879,604)	(1,825,622)
Net assessed valuation for rate purposes	$166,337,947	$165,782,078

(1) At 100% of fair market value.

Table 2

REAL PROPERTY NET ASSESSED VALUES BY CLASSIFICATION AND TAX RATES
Fiscal Years 2006–2010
(values in thousands)

	2006		2007		2008		2009		2010	
Classification	Value	Rate	Value	Rate	Value	Rate	Value	Rate	Value	Rate
Improved Residential[1]	$68,475,274	$ 3.75	$89,283,029	$ 3.59	$100,858,035	$ 3.29	$136,983,348	$3.29	$134,490,385	$3.42
Unimproved Residential[1]	524,508	5.72	754,815	5.72	431,257	5.70				
Apartment[1]	24,671,194	3.75	32,642,928	3.59	38,352,746	3.29				
Hotel/Resort	4,708,327	11.37	5,787,719	11.97	6,872,417	12.40	6,979,025	12.40	7,234,047	12.40
Commercial	9,618,183	11.37	10,814,805	11.97	12,282,509	12.40	13,505,161	12.40	14,312,242	12.40
Industrial	4,972,434	11.37	5,513,282	11.97	6,711,928	12.40	7,249,188	12.40	7,968,538	12.40
Agricultural	735,975	8.57	875,793	8.57	1,054,884	5.70	1,133,318	5.70	1,248,062	5.70
Vacant Agricultural	33,867	8.57	38,547	8.57	111,524	8.50	110,808	8.50	143,153	8.50
Conservation	363,128	9.57	365,292	9.57	349,430	5.70	377,099	5.70	381,713	5.70
Public Service[2]	(10)	0.00	(1,300)	0.00	0	0.00	0	0.00	3,938	0.00
Total All Classes	$114,102,880		$146,074,910		$167,024,730		$166,337,947		$165,782,078	

(1) Ordinance 07-10 combined the Improved Residential, Unimproved Residential and Apartment classifications into a Residential classification effective with the tax year beginning July 1, 2008.

(2) As discussed above and under "Public Service Company Tax" below, the City and County does not currently tax property in the public service category. In lieu of taxing such property, the City and County collects a public service company tax imposed the gross income of public service companies allocable to operations within the City and County.

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, 2006 to 2010 are shown in the table below.

Table 3

STATEMENT OF REAL PROPERTY TAX LEVIES AND COLLECTIONS
SHOWING ASSESSED VALUATIONS AND TAX RATES
Fiscal Years 2006–2010
(values in thousands)

Fiscal Year	Net Valuation for Tax Rate Purposes[1]	Weighted Average Tax Rate Per $1,000	Amount of Levies	Percent of Collections to Levy
2006	$114,102,880	$5.10	$581,801	101.0
2007	146,074,910	4.92	673,960	101.7
2008	167,024,730	4.73	760,409	101.1
2009	166,337,947	4.83	804,120	NA
2010	165,782,078	5.03	836,448	NA

(1) At 100% of fair market value.

The real property tax revenues of $769.4 million (excluding public service company tax) accounted for 65.6% of the General Fund revenues of $1.17 billion for the Fiscal Year ended June 30, 2008. The ten largest real property taxpayers in the City and County for the Fiscal Year ending June 30, 2010 are identified in the following two tables. Table 4 lists the taxpayers according to the assessed value of their real property, and Table 5 lists the taxpayers according to the amount of tax levied on such property.

Table 4

TEN LARGEST REAL PROPERTY TAXPAYERS
BY ASSESSED VALUE
Fiscal Year ending June 30, 2010

Taxpayer	Type of Business	Gross Assessed Valuation[1]	% of Total Assessed Valuation
Bishop Estate	Educational Trust Estate	$1,424,271,500	0.74%
Kyo-ya Co., Ltd.[2]	Hotel/Resort	1,223,150,000	0.64
General Growth Properties	Real Estate Management and Leasing	1,218,931,800	0.64
Hilton Hawaiian Village	Hotel/Resort	994,340,400	0.52
Outrigger Hotels Hawaii	Hotel/Resort	648,896,600	0.34
First Hawaiian Bank	Financial Services	518,909,100	0.27
Ko'Olina Hotel	Hotel/Resort	503,211,000	0.26
James Campbell Estate	Real Estate	440,103,700	0.23
Reynolds/Shidler	Real Estate	435,900,400	0.23
Marriott Ownership Resorts	Hotel/Resort	370,618,500	0.19
		$7,778,333,000	

(1) Assessed valuation as of January 29, 2007 at 100% of market value.
(2) Includes The Royal Hawaiian Hotel, Sheraton Waikiki, Princess Kaiulani, Moana Surfrider and other Starwood properties.

Table 5

TEN LARGEST REAL PROPERTY TAXPAYERS
BY AMOUNT OF TAX LEVIED
Fiscal Year ending June 30, 2010

Taxpayer	Type of Business	Amount of Tax Levied	% of Total Amount Levied
Kyo-ya Co., Ltd.[1]	Hotel/Resort	$15,161,413	1.81%
General Growth Properties	Real Estate Management and Leasing	14,979,748	1.79
Bishop Estate	Educational Trust Estate	12,571,678	1.50
Hilton Hawaiian Village	Hotel/Resort	12,146,341	1.45
Outrigger Hotels Hawaii	Hotel/Resort	7,910,731	0.95
First Hawaiian Bank	Financial Services	6,416,235	0.77
Ko'Olina Hotel	Hotel/Resort	5,579,827	0.67
Reynolds/Shidler	Real Estate	4,931,055	0.59
Marriott Ownership Resorts	Hotel/Resort	4,595,768	0.55
James Campbell Estate	Real Estate	4,436,910	0.53
		$ 88,729,707	

(1) Includes The Royal Hawaiian Hotel, Sheraton Waikiki, Princess Kaiulani, Moana Surfrider and other Starwood properties.

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 rate is 7.25% and is 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, 2008 the City and County received $45.3 million as its allocable share of the State transient accommodation tax, which amount is 3.9% of the General Fund revenues for such year. There can be no assurance that the allocation will continue to be maintained at current levels.

Excise Tax. Under State law, counties electing to do so are allowed to impose a 0.5% surcharge (to be collected and distributed by the State) on the existing 4.0% State general excise tax in order to fund transportation projects. Effective January 1, 2007, the City and County imposed this surcharge on Oahu transactions subject to general excise tax. The surcharge will expire on December 31, 2022. The City and County plans to apply proceeds of the surcharge to fund a new fixed guideway transit system for Oahu. See "DEBT STRUCTURE – High-Capacity Transit Corridor Project" for additional information concerning the proposed transit system. For the Fiscal Year ended June 30, 2008, the City and County received $169.1 million from the general excise tax surcharge, net of administrative fees charged by the State.

Public Service Company Tax. 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 collect a public service company tax on the gross income of the company allocable to operations within that county. The public service company tax is imposed at rates between 1.885% and 4.2%, based on the ratio between each company's net income and gross income. Currently, the City and County does not tax the real property of public service companies, and it included approximately $48.2 million in its budget for the Fiscal Year ending June 30, 2010 for the public service company tax.

Other Revenues. In addition to the real property tax revenues, revenues from the allocation of the State transient accommodation tax, the excise tax surcharge and the public service company 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.

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 1.25 cents per pound and 2.0 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 2008, the City and County collected $71.9 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 2008, the City and County collected $50.6 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 2008, the City and County collected $36.2 million of such taxes.

In the 2009 session of the State Legislature, certain legislative proposals were introduced to reduce projected shortfalls in the State's operating budget by suspending the allocation and transfer of transient accommodation tax collections by the State to the counties and requiring the City and County to return $150 million of amounts received from the general excise tax surcharge to the State in exchange for proceeds of general obligation bonds to be issued by the State. Although these legislative proposals were not enacted, the City and County cannot predict whether or in what form the State Legislature may enact legislation to reduce shortfalls in the State's operating budget by requiring that collections of the transient accommodations tax, the general excise tax surcharge or other tax revenues otherwise due to the City and County be retained by or transferred to the State. However, the power to levy and collect real property taxes (which generally account for approximately two-thirds of the City and County's general fund revenues annually) is conferred on the counties by the State Constitution and, as a result, would not be subject to such actions by the State Legislature.

Revenues and Expenditures

The following table presents 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 Years 2004 through 2008.

Table 6

GENERAL FUND REVENUES AND EXPENDITURES

Fiscal Year	Transfers Out (Dollars in Millions)	Transfers In (Dollars in Millions)
2004	$ 718.5	$ 729.0
2005	802.6	791.3
2006	871.7	850.2
2007	1,064.5	1,007.3
2008	1,264.4	1,254.1

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 and County has adopted debt and financial policies, which have been amended periodically, 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. The most recent amendment, Resolution 06-222, replaced the long-term contingency reserve "rainy day fund" with a reserve for fiscal stability fund that more clearly defines the permitted uses of the fund. See "BUDGET PROCESS AND FINANCIAL MANAGEMENT – Reserve for Fiscal Stability Fund" herein.

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 7% 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 July 1, 2009, and Table 7 sets forth a supplemental summary statement of such funded debt and exclusions as of September 29, 2009. Set forth in Table 8 is a detailed schedule of all outstanding general obligation funded debt of the City and County as of September 29, 2009. Table 9 lists all general obligation funded debt of the City and County as of September 29, 2009.

Table 7

STATEMENT OF FUNDED DEBT
As of September 29, 2009

1.	Gross assessed valuation of real property, January 29, 2009			$ 191,211,298,000
2.	Less exempt valuation			23,603,598,000
3.	Assessor's net taxable value			167,607,700,000
4.	Less valuations on appeal			3,651,244,000
5.	Taxpayers' valuation			163,956,456,000
6.	Add 50% of valuation on appeal			1,825,622,000
7.	Net assessed valuation of real property for rate purposes			$ 165,782,078,000
8.	Limit of funded debt as set by the Constitution of the State of Hawaii			$ 24,867,311,700 [a]
9.	Funded debt:			
	a. General obligation bonds		$ 2,165,151,000	
	b. Revenue bonds		1,567,427,890 [b]	
	c. Notes payable:			
	Federal Government		2,069,873	
	State of Hawaii		157,676,195	
	d. Gross funded indebtedness		$ 3,892,324,958	
	Less exclusions:			
	f. Revenue bonds			
	Self-supporting waterworks	$ 301,395,000		
	Self-supporting wastewater	1,266,032,890		
	g. General obligation bonds issued for H-Power waste disposal facility	39,535,000		
	h. General obligation bonds issued for Housing	77,486,597		
	i. General obligation bonds issued for solid waste	133,688,428		
	j. General obligation bonds issued for sewer projects	13,392,532		
	k. State of Hawaii notes issued for sewer projects	154,961,742	$ 1,986,492,189	
	m. Net funded debt			1,905,832,769
10.	Gross limit of additional funded debt			$ 22,961,478,931

11. Less general obligation bonds authorized and unissued:

Authorizing Ordinance	Total Authorized [c]	Amount Issued	Amount Unissued	
Ordinance No. 98-29	$ 178,672,815	177,199,935	1,472,880	
Ordinance No. 99-28	134,773,412	134,773,412	-	
Ordinance No. 00-24	197,468,415	197,401,602	66,813	
Ordinance No. 01-27	231,126,786	230,258,536	868,250	
Ordinance No. 02-27	157,084,130	155,230,299	1,853,831	
Ordinance No. 03-08	124,293,013	118,538,671	5,754,342	
Ordinance No. 04-15	122,083,577	110,129,273	11,954,304	
Ordinance No. 05-15	156,540,497	134,066,790	22,473,707	
Ordinance No. 06-34	176,028,088	139,727,008	36,301,080	
Ordinance No. 07-26	226,838,989	138,007,717	88,831,272	
Ordinance No. 08-14	379,653,278	68,885,197	310,768,081	
Ordinance No. 09-13	1,307,596,500	-	1,307,596,500	
	$ 3,392,159,500	$ 1,604,218,440	$ 1,787,941,060	1,787,941,060

12. Net limit of additional funded debt — $ 21,173,537,871

[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 include 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 8

GENERAL OBLIGATION FUNDED DEBT
OF THE CITY AND COUNTY OF HONOLULU
As of September 29, 2009

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	1/1/1986	$ 541,000
January 1, 1993 Series A	5.85764%	150,000,000	1/1/97-13	Non-callable	17,120,000
April 1, 1993 Series B	5.43923%	611,335,000	10/1/94-13	Non-callable	115,660,000
September 1, 1993 Series C	4.85624%	28,000,000	9/1/98-18	Non-callable	5,030,000
April 1, 1994 Series A	5.62722%	150,000,000	4/1/98-14	Non-callable	21,110,000
November 1, 1997 Series B	5.09054%	83,000,000	11/1/01-17	Anytime	2,585,000
November 1, 1997 Series C	5.40595%	157,605,000	11/1/99-10	Non-callable	26,260,000
April 1, 1999 Series C	4.91016%	349,215,000	7/1/01-20	Anytime	27,085,000
November 3, 1999 Series D	4.72927%	45,820,000	2/1/01-10	Non-callable	5,555,000
March 1, 2001 Series 2001A	5.09921%	141,500,000	9/1/05-24	9/1/2011	10,935,000
June 21, 2001 TECP Issue W[1]	Variable	150,000,000	Not Applicable	Non-callable	20,000,000
August 8, 2003 Series 2003A	4.85540%	250,000,000	3/1/08-28	3/1/2013	159,855,000
April 14, 2004 Series 2004 A	4.36246%	123,065,000	7/1/05-28	7/1/2014	78,500,000
April 14, 2004 Series 2004 B	3.62613%	192,850,000	7/1/08-17	7/1/2014	161,590,000
May 26, 2005 Series 2005A	3.99266%	186,470,000	7/1/09-29	7/1/2015	181,230,000
May 26, 2005 Series 2005B	3.99266%	27,315,000	7/1/09-19	7/1/2015	25,340,000
May 26, 2005 Series 2005C	3.99266%	76,770,000	7/1/09-21	7/1/2015	72,430,000
May 26, 2005 Series 2005D	3.99266%	81,215,000	7/1/09-23	7/1/2015	77,430,000
December 8, 2004 TECP Issue H[1]	Variable	100,000,000	Not Applicable	Non-callable	0
November 22, 2005 Series E	4.40023%	247,015,000	7/1/06-23	7/1/2015	209,565,000
November 22, 2005 Series F	4.62695%	149,150,000	7/1/10-29	7/1/2015	149,150,000
November 29, 2007 Series A	4.62201%	268,630,000	7/1/12-31	7/1/2017	268,630,000
April 6, 2009 Series 2007B	4.37937%	152,840,000	7/1/13-19	Non-callable	152,840,000
April 28, 2009 Series A	4.68168%	292,045,000	4/1/14-34	4/1/2019	292,045,000
April 28, 2009 Series B	4.96192%	33,980,000	4/1/12-17	Non-callable	33,980,000
April 28, 2009 Series C	1.89110%	50,685,000	4/1/11-13	Non-callable	50,685,000
		$ 4,103,505,000			$ 2,165,151,000
Notes Payable - Federal Government	5.11600%	$ 5,668,313	6/20/84-16	Non-callable	$ 2,069,873
Notes Payable - State of Hawaii	Various	332,761,494	Various	Non-callable	157,676,195
		$ 338,429,807			$ 159,746,068
Total Gross Direct Debt		$ 4,441,934,807			$ 2,324,897,068
Less exclusions:					
Bonds issued for solid waste				$ 133,688,428	
Bonds issued for housing				77,486,597	
Bonds issued for H-Power waste disposal facility				39,535,000	
Bonds issued for sewer projects				13,392,532	
State of Hawaii Notes issued for sewer projects				154,961,742	419,064,299
Net Funded Debt					$ 1,905,832,769

(1) The maximum authorized outstanding principal amount of notes under the City and County's commercial paper program is $250,000,000.

Table 9

CITY AND COUNTY OF HONOLULU
DEBT SERVICE CHARGES ON
OUTSTANDING GENERAL LONG-TERM DEBT
September 29, 2009 to Maturity[1]

FY Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Other Debt[2] Principal	Other Debt[2] Interest [3]	Gross Debt Service Charges	Reimbursable Debt Principal	Reimbursable Debt Interest	Net Debt Service Charges
2010	$ 52,710,000	$ 65,135,621	$ 10,896,805	$ 2,397,358	$ 131,139,784	$ 27,541,652	$ 10,527,129	$ 93,071,003
2011	124,011,000	101,500,093	13,702,024	2,613,057	241,826,174	29,389,047	14,228,814	198,208,313
2012	122,110,000	95,697,945	13,768,799	2,319,629	233,896,373	31,461,203	13,283,476	189,151,694
2013	127,230,000	89,669,590	13,539,704	2,043,753	232,483,047	31,745,489	12,194,222	188,543,336
2014	132,335,000	83,031,333	12,455,316	1,597,441	229,419,090	27,807,956	10,845,150	190,765,984
2015	105,370,000	77,123,334	10,061,589	1,238,843	193,793,766	24,975,732	9,779,228	159,038,806
2016	110,665,000	72,006,896	10,131,923	1,042,844	193,846,663	25,820,966	8,854,986	159,170,711
2017	116,145,000	66,407,152	9,914,391	848,887	193,315,430	26,792,852	7,849,574	158,673,004
2018	115,380,000	60,421,366	9,709,480	672,478	186,183,324	20,728,398	6,782,441	158,672,485
2019	98,135,000	55,184,760	8,747,643	513,917	162,581,320	21,237,193	6,041,224	135,302,903
2020	100,800,000	50,268,611	7,208,645	394,612	158,671,868	18,245,115	5,330,951	135,095,802
2021	108,820,000	45,037,338	6,822,267	318,816	160,998,421	19,634,897	4,655,173	136,708,351
2022	85,950,000	40,150,713	6,684,169	254,783	133,039,665	15,064,022	4,060,211	113,915,432
2023	91,045,000	35,960,780	5,867,118	197,010	133,069,908	14,798,953	3,579,730	114,691,225
2024	95,675,000	31,332,868	5,802,380	151,858	132,962,106	15,285,456	3,078,384	114,598,266
2025	71,480,000	27,153,030	5,831,501	108,213	104,572,744	12,130,272	2,641,367	89,801,105
2026	75,120,000	23,513,553	5,859,960	64,449	104,557,962	12,477,566	2,279,177	89,801,219
2027	78,930,000	19,699,800	3,409,747	25,119	102,064,666	10,359,142	1,907,022	89,798,502
2028	82,945,000	15,691,838	791,122	2,954	99,430,914	8,091,123	1,535,264	89,804,527
2029	67,370,000	11,431,400	-	-	78,801,400	7,078,549	1,158,493	70,564,358
2030	61,860,000	8,183,033	-	-	70,043,033	4,946,036	855,893	64,241,104
2031	38,260,000	5,661,413	-	-	43,921,413	4,443,418	619,072	38,858,923
2032	40,245,000	3,676,563	-	-	43,921,563	4,673,594	388,882	38,859,087
2033	20,760,000	2,128,000	-	-	22,888,000	2,114,861	216,783	20,556,356
2034	21,800,000	1,090,000	-	-	22,890,000	2,220,807	111,040	20,558,153
	$ 2,145,151,000	$ 1,087,157,030	$ 161,204,583	$ 16,806,021	$ 3,410,318,634	$ 419,064,299	$ 132,803,686	$ 2,858,450,649

(1) Excludes commercial paper dated 6/21/2001, self-supporting revenue bonds and state revolving fund notes payable.

(2) Includes:

$ 2,069,873	U.S. Government note payable for City's share of Kaneohe Reservoir Recreation & Fish and Wildlife Development.
157,676,195	State of Hawaii notes payable for various sewer projects, storm dewatering facility and storm water equipment.
1,458,515	Installment purchase contracts for various fixed assets.
$ 161,204,583	

(3) 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.

Table 10

TREND OF GENERAL OBLIGATION INDEBTEDNESS
Fiscal Years 2005–2009

	General Obligation Bonds				
FY Ending June 30	Non-Reimbursable[1]	Reimbursable for Other Purposes[2]	Total General Obligation Bonds	Notes Payable	Total General Obligation Debt
2005	$ 1,620,378,005	$ 412,567,940	$ 2,032,945,945	$ 2,965,738	$ 2,035,911,683
2006	1,718,340,918	303,476,919	2,021,817,837	2,758,245	2,024,576,082
2007	1,745,719,961	270,438,048	2,016,158,009	2,540,136	2,018,698,145
2008	1,838,389,129	249,697,067	2,088,086,196	2,310,869	2,090,397,065
2009	1,944,522,922	272,001,209	2,216,524,131	2,069,873	2,218,594,004

(1) Direct debt.
(2) 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 certain general obligation bonds, such reimbursement to be made from any revenues, user taxes, assessments or other income derived from the facilities or systems funded by the bonds. 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 7 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 and Other Post-Employment Benefits 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 AND OTHER POST-EMPLOYMENT BENEFITS" herein for a discussion of the City and 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 2038. The leases are financed from general resources. Expenditures for such leases approximated $1.9 million for the Fiscal Year ended June 30, 2008, and future expenditures for such leases are projected to be $16.3 million.

Revenue Indebtedness

The Board of Water Supply of the City and County has issued $301,395,000 of outstanding revenue bonds to finance capital improvements for the water system of the Board of Water Supply. Such revenue bonds are payable solely out of the water system 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 or the State.

The City and County has issued senior and junior lien revenue bonds to finance improvements to the City and County's wastewater system and to refund certain reimbursable general obligation bonds of the City and County issued to finance the wastewater system. As of October 1, 2009, the outstanding amounts of senior and junior revenue bonds were $817,900,000 and $448,132,890, 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 or the State. The City and County has adopted a $1.6 billion, five-year capital improvement program (Fiscal Year 2010 to Fiscal Year 2014) to upgrade its wastewater treatment plant and collection system facilities and anticipates issuing additional revenue bonds to finance a portion of the costs associated with the program. See also "PENDING LITIGATION" herein for a discussion of litigation pertaining to the wastewater system.

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

In 1985 and 1990, the City and County issued approximately $195 million and $61 million, respectively, of reimbursable general obligation bonds to finance the acquisition and construction of the H-Power waste disposal facility, a waste-to-energy facility which produces electricity that is sold to the local electric company. The facility 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 pursuant to which the facility was sold to an "Owner Trust" and simultaneously leased to a private operator. In 2008, the City and County exercised an option to purchase the facility at a purchase price of approximately $44 million. The City and County issued general obligation bonds in April 2009 to reimburse the general fund for a temporary advance of funds used to pay the purchase price of the facility.

The City and County is currently engaged in negotiations with the operator of the H-Power facility to expand the facility by adding an additional boiler. New air pollution control equipment mandated by federal law is also being constructed at the facility. Construction is currently scheduled to commence in October 2009 and to be completed in December 2011. The City and County expects to fund some or all of the cost of the expansion, currently estimated at approximately $305,000,000, through the issuance of reimbursable general obligation bonds, including the Series 2009D Bonds.

High-Capacity Transit Corridor Project

The City and County is currently planning a new $5.3 billion, 20-mile fixed guideway transit system to provide rail service along the island's east-west corridor between Kapolei and downtown Honolulu (Ala Moana

Center). Over 60% of the City and County's population currently lives within the area served by this corridor, and this area is projected to continue to grow faster than the rest of Oahu.

Costs related to the construction of the proposed transit system are expected to be funded with proceeds from the 0.5% excise tax surcharge adopted by the City Council in August 2005 and implemented in January 2007, additional general obligation bond issuances, and money received from the U.S. Department of Transportation, Federal Transit Administration. Annual operating costs are expected to be paid from passenger fares and City and County revenues. Reference is made to "CITY AND COUNTY REVENUES - General Fund – Excise Tax" herein for a discussion of the excise tax surcharge imposed by the City and County.

Construction of the proposed transit system is subject to completion of an environmental impact statement, a draft of which has been prepared and is currently under review. Due to the size and cost of the overall project, it is likely to be built in several phases lasting several years. The City and County has awarded a design-build contract for the first 6.5 mile segment of the system and intends to solicit proposals for the design and construction of the next phase of the system later this year.

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 twelve months thereafter, and any part of such appropriations which is not expended or encumbered lapses twelve 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 11

EXPENDITURES FOR CAPITAL IMPROVEMENTS
Fiscal Years 2006–2010
(in millions of 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**
2006[3]	$ 324.1	$ 91.0	$163.7	$ 54.7	$ 65.6	$ 3.8	$ 69.4	$21.4%
2007[3]	597.8	173.2	337.2	510.4	38.1	49.3	87.4	14.6
2008[3]	551.0	227.7	229.8	457.5	18.5	75.0	93.5	17.0
2009[4]	955.0	379.7	202.7	582.4	74.1	298.5	372.6	39.0
2010[4]	1,743.7	1,307.6	157.1	1,464.7	98.7	180.3	279.0	16.0

(1) Inclusive of encumbrances.
(2) Funds from current revenues and surplus.
(3) Adjusted for lapses until September 30, 2009.
(4) Budgeted amounts plus single purpose added in 2010.

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 investment portfolio in accordance with the foregoing statutes and a written investment policy of the City and County. The City and County does not engage in pooled investments, speculate with investments or leverage its investments. The City and County's investment portfolio does not include any derivative financial instruments and has minimal exposure to auction rate securities. The City and County'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 and County totaled $34.1 million in the Fiscal Year ended June 30, 2009 (unaudited), representing an investment yield of 1.84%.

Under the City Charter, the City and County'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.

Reserve for Fiscal Stability Fund

In 2006, the City and County established a special fund known as the Reserve for Fiscal Stability Fund designated for economic and revenue downturns and emergency situations. The fund is maintained outside the General Fund and is available for appropriation only in the event of an emergency or certain economic and revenue triggers, including an increase in unemployment by more than 2% over three fiscal quarters, a decline in net taxable real property value by 2% or more from the preceding fiscal year, a decline in General Fund and Highway Fund revenues of 2% or more from the preceding fiscal year, a decline in Transient Accommodation Tax revenues of 5% or more from the preceding fiscal year, or an increase in nondiscretionary expenditures by more than 5% of the preceding fiscal year's revenues. Deposits to the fund are made from General Fund and Highway Fund surpluses and, by resolution, the fund is targeted to be at least 5% of expenditures, with an optimal target equal to 8% of expenditures. As of June 30, 2009, the fund balance was $26,112,395.42 (unaudited). The City and County's Operating Budget for Fiscal Year 2010 provides for an additional funding of $661,000 for the Reserve for Fiscal Stability Fund funded from salary cuts for the Mayor and his appointed cabinet members and a salary freeze for City managers. No withdrawals from the Reserve for Fiscal Stability Fund have been made as of the date hereof, and none are included in the City and County's Operating Budget for Fiscal Year 2010.

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 basic financial statements of the City and County for the year ended June 30, 2008, as audited by the firm of Nishihama & Kishida, CPAs, Inc., may be found at the City and County's website at http://www.honolulu.gov/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. Nishihama & Kishida has not reviewed this Official Statement and has no responsibility with respect to this Official Statement. Information on the City and County's website other than the basic financial statements is not part of 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, 2004 to 2008, inclusive, and has been summarized from the Director's Annual Financial Reports for the related Fiscal Years.

Table 12

CITY AND COUNTY OF HONOLULU
GENERAL FUND
BALANCE SHEET[(1)]
For Fiscal Years Ended June 30, 2004 through June 30, 2008
(In thousand dollars)

	FY Ended June 30, 2004	FY Ended June 30, 2005	FY Ended June 30, 2006	FY Ended June 30, 2007	FY Ended June 30, 2008
ASSETS:					
Cash and Securities	$45,964	$ 51,723	$ 6,090	$136,752	$196,653
Receivables:					
Real Property Taxes	8,265	6,008	9,341	9,168	12,642
Other	8,897	10,726	9,722	47,328	57,090
Component unit – CASE fees	3,300	6,600	9,900	7,800	--
Due from other funds	21,571	29,939	21,839	22,334	26,793
Total Assets	$87,997	$104,996	$136,892	$223,382	$293,178
LIABILITY AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 5,089	$ 4,796	$ 11,442	$ 8,951	$ 9,964
Due to other funds	2,815	1,152	557	36,689	93,379
Accrued payroll and fringes	3,735	4,262	4,728	5,098	5,025
Deferred revenues	14,041	17,620	21,557	16,842	18,735
Total Liabilities	$25,680	$ 27,830	$ 38,284	$ 67,580	$ 127,103
Fund Balances:					
Reserved for encumbrances	$20,838	$ 19,802	$ 22,004	$ 27,767	$ 58,794
Unreserved-undesignated	41,479	57,364	76,604	128,035	107,281
Total Fund Balances	$62,317	$ 77,166	$ 98,608	$155,802	$166,075
Total Liabilities and Fund Balances	$87,997	$104,966	$136,892	$223,382	$293,178

(1) Fund balances do not include amounts on deposit in the Reserve for Fiscal Stability Fund.

Table 13

CITY AND COUNTY OF HONOLULU
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE[(1)]
For Fiscal Years Ended June 30, 2004 through June 30, 2008
(In thousand dollars)

	FY Ended June 30, 2004	FY Ended June 30, 2005	FY Ended June 30, 2006	FY Ended June 30, 2007	FY Ended June 30, 2008
REVENUES:					
Real property tax	$ 458,116	$ 528,793	$ 621,741	$ 727,015	$ 805,174
Licenses and permits	34,258	35,740	36,219	40,648	36,127
Intergovernmental revenues	35,584	39,056	43,519	92,760	214,530[(2)]
Charges for services	4,650	6,531	5,511	5,752	5,163
Fines and forfeits	417	178	420	557	877
Miscellaneous	89,245	94,749	96,179	111,729	110,424
Total Revenues	$ 622,270	$ 705,047	$ 803,589	$ 978,461	$1,172,295
EXPENDITURES:					
Current:					
General government	$ 94,690	$ 100,462	$ 105,192	$ 115,200	$ 125,323
Public safety	229,602	242,108	249,402	268,521	288,860
Highways and streets	2,076	1,755	1,925	2,239	2,554
Sanitation	0	0	0	2,245	5,536
Health and Human Resources	1,403	1,551	1,654	2,356	2,772
Culture and recreation	42,917	45,947	49,433	51,844	60,512
Miscellaneous	105,914	121,232	135,202	141,236	141,159
Capital outlay	0	0	0	0	2,078
Debt service:					
Principal retirement	1,336	847	1,135	395	693
Interest charges	205	163	153	166	221
Total Expenditures	$ 478,143	$ 514,065	$ 544,096	$ 584,202	$ 629,708
Excess of Revenues over Expenditures	$ 144,127	$ 190,982	$ 259,493	$ 394,259	$ 542,587
OTHER FINANCING SOURCES (USES):					
Capital leases	$ 0	$ 0	$ 0	$ 1,674	$ 865
Sales of capital assets	10,544	35,616	402	74	176
Operating transfer-in	85,686	61,978	67,747	84,300	91,018
Operating transfer-out	(250,856)	(273,727)	(306,200)	(423,113)	(624,373)
Total Other Financing Sources (Uses)	$(154,626)	$(176,133)	$(238,051)	$(337,065)	$(532,314)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	$ (10,499)	$ 14,849	$ 21,442	$ 57,194	$ 10,273
Fund Balance—July 1	72,816	62,317	77,166	98,608	155,802
Residual equity transfer from other fund	0	0	0	0	0
Fund Balance—June 30	$ 62,317	$ 77,166	$ 98,608	$ 155,802	$ 166,075

(1) Fund balances do not include amounts on deposit in the Reserve for Fiscal Stability Fund.

(2) Includes $169.1 million of general excise tax surcharge revenues. See "CITY AND COUNTY REVENUES – Excise Tax" herein.

Table 14

CITY AND COUNTY OF HONOLULU
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR FISCAL YEAR ENDED JUNE 30, 2008 (AUDITED) WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2007 (AUDITED)
(In thousand dollars)

	Governmental Funds					Totals (Memorandum Only)	
Revenues:	General Fund	Highway Fund	General Obligation Bond and Interest Redemption Fund	Transit Fund	Other Governmental Funds	2008	2007
Taxes	$ 805,174	$ 86,808	$ 0	$ 0	$ 0	$ 891,982	$ 815,284
Special assessments	0	0	0	0	28	28	354
Licenses and permits	36,127	75,456	0	0	4,074	115,657	120,802
Intergovernmental	214,530	0	0	0	144,022	358,552	238,926
Charges for services	5,163	4,775	0	0	13,828	23,766	24,754
Fines and forfeitures	877	48	0	0	258	1,183	868
Miscellaneous:							
Reimbursements and recoveries	88,181	543	0	0	7	88,731	87,113
Interest	18,054	0	0	3,724	2,860	24,638	20,959
Other - primarily rents, concessions, trust receipts	4,189	1,797	0	0	17,079	23,065	27,403
Total revenues	1,172,295	169,427	0	3,724	182,156	1,527,602	1,336,463
Expenditures:							
Current:							
General government	125,323	17,505	0	266	10,665	153,759	141,459
Public safety	288,860	25,993	0	0	14,255	329,108	306,161
Highways and streets	2,554	19,695	0	0	1,817	24,066	21,000
Sanitation	5,536	1	0	0	0	5,537	2,674
Health and human resources	2,772	0	0	0	62,372	65,144	60,883
Culture-Recreation	60,512	0	0	0	21,816	82,328	71,084
Utilities or other enterprises	0	2,611	0	638	24,569	27,818	22,917
Miscellaneous:							
Retirement and health benefits	121,398	13,260	0	37	5,766	140,461	137,615
Other	19,761	1,100	0	0	365	21,226	22,832
Capital outlay	2,078	25	0	25,013	170,294	197,410	0
Debt service:							
Principal retirement	693	0	259,987	0	0	260,680	102,794
Interest charges	221	0	100,141	0	0	100,362	103,869
Total expenditures	629,708	80,190	360,128	25,954	311,919	1,407,899	1,180,289
Revenues over (under) Expenditures	542,587	89,237	(360,128)	(22,230)	(129,763)	119,703	156,174
Other financing sources (uses):							
Proceeds of general obligation bonds	0	0	0	0	109,000	109,000	0
Proceeds of tax-exempt commercial paper	0	0	0	0	75,000	75,000	94,000
Proceeds of long-term notes	0	0	0	0	0	0	0
Proceeds of refunding bonds	0	0	140,130	0	0	140,130	0
Payment of refunded bonds	0	0	0	0	0	0	0
Capital leases	865	0	0	0	0	865	1,674
Sales of fixed assets	176	184	0	0	2	362	430
Operating transfers in	91,018	0	219,998	169,114	79,169	559,299	377,590
Operating transfers out	(624,373)	(93,608)	0	(9)	(22,897)	(740,887)	(545,042)
Other	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	(532,314)	(93,424)	360,128	169,105	240,274	143,769	(71,348)
Revenues and Other Sources over (under) Expenditures and Other Uses	10,273	(4,187)	0	146,875	110,511	263,472	84,826
Fund Balances – July 1	155,802	31,782	0	48,046	109,657	345,287	260,461
Fund Balances – June 30	$ 166,075	$ 27,595	$ 0	$ 194,921	$ 220,168	$ 608,759	$ 345,287

Table 15

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, 2004 through June 30, 2008
(In thousand dollars)

	FY Ended June 30, 2004	FY Ended June 30, 2005	FY Ended June 30, 2006	FY Ended June 30, 2007	FY Ended June 30, 2008
REVENUES:					
Taxes	$ 532,804	$ 607,541	$ 705,557	$ 815,284	$ 891,982
Special assessments	56	419	387	354	28
Licenses and permits	74,138	86,649	100,938	120,802	115,657
Intergovernmental revenues	180,846	159,612	169,515	238,926	358,552
Charges for services	22,145	24,346	23,991	24,754	23,766
Fines and forfeitures	657	391	398	868	1,183
Miscellaneous	111,490	116,377	120,353	135,475	136,434
Total Revenues	$ 922,136	$ 995,335	$1,121,439	$1,336,463	$1,527,602
EXPENDITURES:					
Current:					
General government	$ 115,975	$ 122,306	$ 129,387	$ 141,459	$ 153,759
Public safety	256,231	277,867	287,592	306,161	329,108
Highways and streets	14,964	15,731	17,114	21,000	24,066
Sanitation	692	734	1,251	2,674	5,537
Health and human resources	56,994	55,877	57,673	60,883	65,144
Culture-Recreation	59,512	62,971	68,285	71,084	82,328
Utilities or other enterprises	24,336	29,645	23,330	22,917	27,818
Miscellaneous	121,341	137,592	153,422	160,447	161,687
Capital outlay	146,440	198,298	152,602	187,001	197,410
Debt service:					
Principal retirement	258,584	272,856	249,164	102,794	260,680
Interest charges	80,774	83,825	89,630	103,869	100,362
Total Expenditures	$1,135,843	$1,257,702	$1,229,450	$1,180,289	$1,407,899
Revenues over (under) Expenditures	$ (213,707)	$ (262,367)	$ (108,011)	$ 156,174	$ 119,703
OTHER FINANCING SOURCES (USES):					
Proceeds of general obligation bonds	$ 258,793	$ 165,313	$ 0	$ 0	$ 109,000
Proceeds of general obligation refunding bonds	99,264	0	387,324	0	0
Proceeds of tax-exempt commercial paper	13	165,800	168,022	94,000	75,000
Proceeds of long-term notes	13	0	0	0	0
Proceeds of refunding bonds	275,244	145,077	0	0	140,130
Proceeds of refunded bonds	(275,244)	(145,077)	(243,000)	0	0
Capital leases	0	0	0	1,674	865
Sales of fixed assets	10,820	36,369	640	430	362
Operating transfers-in	274,723	254,927	268,137	377,590	559,299
Operating transfers-out	(336,228)	(381,301)	(403,676)	(545,042)	(740,887)
Payment to refunding bond escrow agent	0	0	0	0	0
Insurance Cost	0	0	0	0	0
Expenditures for refunded bonds	0	0	0	0	0
Other	(55,285)	26,487	16,939	0	0
Total Other Financing Sources (Uses)	$ 252,100	$ 267,595	$ 194,386	$ (71,348)	$ 143,769
Revenues and Other Sources over (under) Expenditures and Other Uses	$ 38,393	$ 5,228	$ 86,375	$ 84,826	$ 263,472
Fund Balances—July 1	134,649	168,858	174,086	260,461	345,287
Residual equity transfers from (to) other funds					
Fund Balances—June 30	$ 173,042	$ 174,086	$ 260,461	$ 345,287	$ 608,759

EMPLOYEE RELATIONS; PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

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 of the State Supreme Court 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 and each of the mayors has 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.

The City and County's current collective bargaining contracts for firefighters and police expire on June 30, 2011. The City and County recently reached agreement on new bargaining unit contracts for the period July 1, 2009, to June 30, 2011, for four Hawaii Government Employee Association bargaining units. The City and County's current contracts with the remaining two public bargaining units expired on June 30, 2009, and representatives of the parties are negotiating the terms of new agreements.

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, 2008, the total unfunded actuarial accrued liability for the State Retirement System was estimated to be approximately $5.17 billion. The actuary for the State Retirement System does not provide a breakdown of the unfunded liability for the counties. Historically, the City and County's contribution has been approximately 14.77% 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 $33,300,000 for 2004, $47,700,000 for 2005, $63,300,000 for 2006, $67,500,000 for 2007 and $73,000,000 for 2008, 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 and County'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, 2008, there were 5 pensioners and 9 beneficiaries under these pensions. Such unfunded payments amounted to $49,455 for 2004, $41,511 for 2005, $29,012 for 2006, $19,927 for 2007 and $18,504 for 2008. No estimates have been made of the cost of future benefits.

Other Post-Employment Benefits

In addition to pension benefits, beginning with the Fiscal Year ending June 30, 2008, state and local governments are required to account for and report other post-employment benefits ("OPEBs") under Statement No. 45 ("GASB 45") issued by the Governmental Accounting Standards Board. OPEBs consist of certain health and life insurance benefits provided through the State of Hawaii Employer-Union Health Benefit Trust Fund (the "Trust Fund") to retired State and county employees and their dependents, including retired City and County employees. Employer contributions to the Trust Fund for these benefits are determined by the Trust Fund based on employees' hiring dates and years of service.

In September 2008, the State's independent actuarial consultant estimated the actuarial accrued liabilities and annual OPEB costs under GASB 45 for the State and the counties for the Fiscal Year ending June 30, 2008. These estimates were based on earlier projections (as of July 1, 2007) and address two distinct scenarios: (1) no prefunding of obligations; and (2) full prefunding of obligations. The actuarial accrued liabilities for Trust Fund OPEBs for the City and County were estimated to be approximately $1.95 billion with no prefunding or $1.24 billion with full prefunding for such period. The corresponding annual OPEB costs for the Fiscal Year ended June 30, 2008 were estimated to be approximately $142.3 million with no prefunding or $101.4 million with full prefunding.

In its Fiscal Year 2009 Operating Budget, the City and County appropriated $82.14 million for current Trust Fund requirements, which includes a portion of the OPEB requirement, and $51.89 million to an internally-held reserve fund for future OPEB funding obligations. The City and County transferred $40.11 million to the Trust Fund on June 30, 2009. The City and County's Operating Budget for Fiscal Year 2010 does not provide for additional funding of the internally-held reserve.

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, 2004 through 2008, settlements and judgments against the City and County paid from the General Fund amounted to $3,799,617, $2,542,000, $4,134,130, $7,304,115 and $4,675,408, respectively.

A lawsuit filed as a class action against the City and County in July 2002, 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. As a result of mediation, a settlement has been reached whereby the City and County will pay the plaintiffs $30 million in installment payments over a period of six years until July 31, 2011.

A lawsuit filed by the U.S. Environmental Protection Agency ("EPA") and State Department of Health ("DOH") against the City and County in 1994 resulted in a consent decree which requires the City and County, among other things, to comply with the Clean Water Act, to establish a schedule under which the City and County will implement preventive maintenance and sewer replacement and rehabilitation necessary to reduce and prevent spills, to implement and enforce its pretreatment program to regulate industrial discharges, and to develop and implement an effluent and sludge reuse program. The court has retained continuing jurisdiction over implementation of the consent decree. Pursuant to the consent decree, the City and County has established and is currently implementing a $4.72 billion, 20-year capital improvement plan (Fiscal Year 2000 to Fiscal Year 2019) to upgrade its wastewater collection and treatment system.

In July 2004, the Sierra Club and other environmental groups filed a lawsuit against the City and County seeking injunctive relief and penalties for alleged Clean Water Act violations arising from the City and County's wastewater collection and treatment system. Of plaintiffs' original twelve claims, six have been dismissed. Partial summary judgment has been entered with respect to four of the six remaining claims in this litigation. The court has not addressed the amount of penalties, if any, that would be assessed against the City and County. The outcome of this litigation cannot be predicted at this stage of the proceedings, and any potential liability in this litigation beyond the costs of the 20-year wastewater system capital improvement plan (to be funded out of sewer funds and wastewater revenue bonds) is speculative.

As a result of a March 2006 sewer spill and after one year of negotiations, the EPA, the U.S. Department of Justice, the DOH and the City and County signed a stipulated order that requires the City and County to take certain actions to evaluate, repair, rehabilitate or replace certain force mains and one pump station in its wastewater collection system, and develop site-specific spill contingency plans. This stipulated order, which has been accepted by the court, resolves the entire civil enforcement action that was simultaneously filed with the stipulated order against the City and County with respect to the spill. The estimated cost of the work in the stipulated order is approximately $300 million.

In January 2009, the EPA issued final decisions to deny applications for renewed variances from secondary treatment for the Sand Island and Honouliuli wastewater treatment plants. The City and County is vigorously challenging these decisions and submitted appeals to the Environmental Appeals Board in February and March 2009. If the City and County's appeals are denied, the project costs for secondary treatment at Honouliuli and Sand Island are estimated to be $400 million and $800 million, respectively.

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

Series 2009D Bonds and Series 2009F Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), bond counsel to the City and County, 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 Series 2009D Bonds and the Series 2009F Bonds (collectively, the "Tax-Exempt Bonds") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Series 2009D Bond for any period that such Series 2009D Bond is held by a "substantial user" of the facilities financed by the Series 2009D Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is of the further opinion that interest on the Series 2009D Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is of the further opinion that interest on the Series 2009F Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. The Tax-Exempt

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 expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Tax-Exempt Bonds, including whether interest on the Series 2009F Bonds is included in adjusted current earnings in 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 Tax-Exempt Bonds is less than the amount to be paid at maturity of such Tax-Exempt Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Bonds is the first price at which a substantial amount of such maturity of the Tax-Exempt 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 Tax-Exempt Bonds accrues daily over the term to maturity of such Tax-Exempt 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 Tax-Exempt Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Tax-Exempt Bonds. Beneficial owners of the Tax-Exempt Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Tax-Exempt Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Tax-Exempt Bonds in the original offering to the public at the first price at which a substantial amount of such Tax-Exempt Bonds is sold to the public.

Tax-Exempt 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 Tax-Exempt Bonds. The City and County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Tax-Exempt 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 Tax-Exempt Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Tax-Exempt 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 Tax-Exempt Bonds may adversely affect the value of, or the tax status of interest on, the Tax-Exempt Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and that the Tax-Exempt 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 Tax-Exempt 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 legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Tax-Exempt Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state 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 legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, regulations or litigation, 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 Tax-Exempt 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 County covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Tax-Exempt Bonds ends with the issuance of the Tax-Exempt Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the City and County or the beneficial owners regarding the tax-exempt status of the Tax-Exempt Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and 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 County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Tax-Exempt 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 Tax-Exempt Bonds, and may cause the City and County or the beneficial owners to incur significant expense.

Series 2009E Bonds

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming compliance with certain covenants, interest on the Series 2009E Bonds is exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Interest on the Series 2009E Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Series 2009E Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix B hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series 2009E Bonds that acquire their Series 2009E Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2009E Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire their Series 2009E Bonds pursuant to this offering for the issue price that is applicable to such Series 2009E Bonds (*i.e.*, the price at which a substantial amount of the Series 2009E Bonds are sold to the public) and who will hold their Series 2009E Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a Series 2009E Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Series 2009E Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2009E Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2009E Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2009E Bonds (including their status as U.S. Holders or Non-U.S. Holders).

For U.S. Holders

The Series 2009E Bonds are not expected to be treated as issued with original issue discount (“OID”) for U.S. federal income tax purposes because the stated redemption price at maturity of the Series 2009E Bonds is not expected to exceed their issue price, or because any such excess is expected to only be a *de minimis* amount (as determined for tax purposes).

Prospective investors that are not individuals or regular C corporations who are U.S. persons purchasing the Series 2009E Bonds for investment should consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the Series 2009E Bonds.

Disposition of the Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, defeasance, retirement (including pursuant to an offer by the City and County) or other disposition of a Series 2009E Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2009E Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2009E Bond which will be taxed in the manner described above) and (ii) the U.S. Holder’s adjusted tax basis in the Series 2009E Bond (generally, the purchase price paid by the U.S. Holder for the Series 2009E Bond, decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder of the Series 2009E Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder’s holding period for the Series 2009E Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

For Non-U.S. Holders

Interest. Subject to the discussion below under the heading “Information Reporting and Backup Withholding,” payments of principal of, and interest on, any Series 2009E Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the City and County through stock ownership and (2) a bank which acquires such Series 2009E Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Series 2009E Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading “Information Reporting and Backup Withholding,” or an exemption is otherwise established.

Disposition of the Bonds. Subject to the discussion below under the heading “Information Reporting and Backup Withholding,” any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the City and County) or other disposition of a Series 2009E Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the City and County) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series 2009E Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to such Series 2009E Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. U.S. information reporting and "backup withholding" requirements apply to certain payments of principal of, and interest on the Series 2009E Bonds, and to proceeds of the sale, exchange, redemption, retirement (including pursuant to an offer by the City and County) or other disposition of a Series 2009E Bond, to certain noncorporate holders of Series 2009E Bonds that are United States persons. Under current U.S. Treasury Regulations, payments of principal and interest on any Series 2009E Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Series 2009E Bond or a financial institution holding the Series 2009E Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. If a financial institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will not be required to furnish to the IRS the names of the beneficial owners of the Series 2009E Bonds that are not United States persons and copies of such owners' certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable U.S. Treasury Regulations.

In the case of payments to a foreign partnership, foreign simple trust or foreign grantor trust, other than payments to a foreign partnership, foreign simple trust or foreign grantor trust that qualifies as a withholding foreign partnership or a withholding foreign trust within the meaning of applicable U.S. Treasury Regulations and payments to a foreign partnership, foreign simple trust or foreign grantor trust that are effectively connected with the conduct of a trade or business within the United States, the partners of the foreign partnership, the beneficiaries of the foreign simple trust or the persons treated as the owners of the foreign grantor trust, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from withholding and backup withholding tax requirements. The current backup withholding tax rate is 28% (subject to future adjustment).

In addition, if the foreign office of a foreign "broker," as defined in applicable U.S. Treasury Regulations pays the proceeds of the sale of a Bond to the seller of the Series 2009E Bond, backup withholding and information reporting requirements will not apply to such payment provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are U.S. persons (as defined in U.S. Treasury Regulations Section 1.1441-1(c)(2)) who, in the aggregate hold more than 50% of the income or capital interest in the partnership or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a Series 2009E Bond, will not be subject to backup withholding unless the payer has actual knowledge that the payee is a U.S. person. Principal and interest so paid by the U.S. office of a custodian, nominee or agent, or the payment by the U.S. office of a broker of the proceeds of a sale of a Series 2009E Bond, is subject to backup withholding requirements unless the beneficial owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

Circular 230

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the City and County and its tax advisors are (or may be) required to inform prospective investors that:

i. any advice contained herein is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer;

ii. any such advice is written to support the promotion or marketing of the Bonds and the transactions described herein; and

iii. each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City and County. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix B hereto. 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.

BOND RATINGS

Fitch Ratings, Moody's Investors Service and Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., have assigned to the Bonds ratings of "AA", "Aa2" and "AA", respectively. The ratings referred to above reflect only the views of the organization assigning the rating, 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 Ratings, One State Street Plaza, New York, New York 10004; Moody's Investors Service, 99 Church Street, New York, New York 10007; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating 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.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

In connection with the issuance of the Series 2009F Bonds and the refunding of the Refunded Bonds, Causey, Demgen & Moore, Inc., independent certified public accountants, will verify the mathematical accuracy of: (a) certain computations demonstrating the sufficiency of the Escrow Fund to pay the principal or redemption price of and interest on all Refunded Bonds, when due; and (b) certain computations to be relied upon by Bond Counsel for purposes of its opinion to the effect that the interest on the Bonds is excluded from gross income for federal income tax purposes. Such verification will be based in part on schedules and information provided by the Underwriters with respect to the foregoing computations.

UNDERWRITING

The Bonds are being purchased for reoffering by Merrill Lynch, Pierce, Fenner & Smith Incorporated and Piper Jaffray & Co., as Underwriters. The Underwriters have agreed to purchase the Bonds at an aggregate purchase price of $255,490,021.94 (equal to the principal amount of such Bonds, plus net original issue premium of $14,955,793.05, less an underwriting discount of $1,330,771.11). The bond purchase contract provides that the Underwriters will purchase all of the Bonds if any are purchased. The initial public offering prices are set forth on the inside cover page of this Official Statement. The Underwriters may offer and sell the Bonds to certain dealers (including depositing the Bonds into investment trusts) and others at prices lower than the initial public offering prices stated on the cover page hereof. The public offering prices may be changed from time to time by the Underwriters.

Piper Jaffray & Co. ("Piper") has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings, including the Bonds, allocated to Piper at the original offering prices. Under the Distribution Agreement, Piper will share with AAM a portion of the fee or commission, exclusive of management fees, paid to Piper. Piper also has entered into an agreement with UBS Financial Services Inc., under the terms of which UBS retail customers will have access to the offering at the original issue price. Piper will share a portion of its underwriting compensation for the Bonds with UBS Financial Services Inc.

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 Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), constituting a written agreement for the benefit of the holders of the Bonds to provide to the Municipal Securities Rulemaking Board, 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 Continuing Disclosure Certificate for the Bonds is 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.

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/ Rix Maurer III
Rix Maurer III
Director of Budget and Fiscal Services
City and County of Honolulu

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APPENDIX A

ECONOMIC AND DEMOGRAPHIC FACTORS

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APPENDIX A

ECONOMIC AND DEMOGRAPHIC FACTORS

Introduction

Honolulu is a major metropolitan city, ranked 56th out of 280 metropolitan areas in the United States based on population. As of 2000, the population of the City and County of Honolulu was 876,156 (based on U.S. Census data), or 71% of the population of the State of Hawaii. Honolulu's underlying economy is strong, supported by several diversified areas, which include tourism, the federal government and military operations, State and local governments, manufacturing, construction, real estate, education, research and science, trade and services, communications, finance and transportation.

Honolulu also is viewed as a premier world-class destination, and has received several accolades from the visitor industry. The natural beauty of Oahu, coupled with the security of a U.S. destination, make Honolulu attractive to both domestic and international visitors. Although the visitor industry is being negatively affected by global and national economic conditions, it continues to serve as a critical cornerstone of the City and County's economy, with over 4.194 million people visiting Oahu in 2008. Further description of Honolulu's visitor industry is provided below.

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.

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, 2006 (the most recent date for which data is available), of the total 386,188 acres on Oahu, 100,764 acres, or 26.1%, were classified urban, 156,614 acres, or 40.6%, were classified conservation, and 128,810 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 6.713 million visitors came to the State of Hawaii by air in 2008 compared to 7.497 million visitors in 2007. Domestic arrivals of 4.902 million visitors for the year represented a 12.2% decrease from 2007, while international arrivals of 1.812 million visitors for the year represented a 5.4% decrease from 2007. The average daily visitor census (by air) for 2008 was 172,487, representing an 8.9% decrease from 2007. Hotel occupancy rates averaged 70.4% statewide in 2008 (74.9% on Oahu) compared to 75.0% the prior year (76.8% on Oahu).

In the second quarter of 2009, domestic and international arrivals decreased by 1.6% and 12.9%, respectively, and the average daily visitor census (by air) decreased by 2.1%, from the second quarter of 2008.

Hotel occupancy rates continued to decline in the first quarter of 2009 (the most recent period for which data is available) to 69.0% statewide (72.6% on Oahu) compared to 78.7% statewide (79.5% on Oahu) in the first quarter of 2008.

Additional statistics on the visitor industry are set forth in the table below:

Table I

SELECTED STATE OF HAWAII AND OAHU VISITOR STATISTICS

	Year Ending Dec. 31					**2nd Quarter**	
	2004	**2005**	**2006**	**2007**	**2008**	**2008**	**2009(3)**
Arrivals by Air (1)	6,912	7,417	7,528	7,497	6,713	1,668	1,595
Domestic	4,893	5,313	5,550	5,583	4,902	1,252	1,232
International	2,019	2,103	1,978	1,914	1,812	416	363
Average Daily Visitor Census (1)	171.5	185.4	189.4	189.4	172.5	166.5	163.0
Domestic	132.4	144.4	149.5	151.0	135.2	134.2	130.6
International	39.1	41.0	39.9	38.5	37.2	32.3	32.4
Visitor Expenditures (2)	$10,648	$11,650	$12,243	$12,578	$11,182	$2,734	$2,372
Hotel Occupancy Rate (%)							
State	77.7	81.1	79.5	75.0	70.4	69.0	N/A
Oahu	79.8	85.3	82.5	76.8	74.9	72.9	N/A

(1) In thousands.
(2) In millions of dollars. By persons arriving by air and staying overnight or longer (excludes supplemental business expenditures).
(3) 2009 data are preliminary.
Source: State of Hawaii Department of Business, Economic Development & Tourism.

The City and County of Honolulu continues to attract major investment to support the visitor industry, including hotels, restaurants, and recreation facilities.

Waikiki Beach Walk, an eight-acre complex bordered by Kalakaua Avenue, Lewers Street, Kalia Road, Beach Walk and Saratoga Road, was recently reconstructed as a showcase and gathering place in Waikiki, featuring an outdoor entertainment plaza, 40 new retailers, six restaurants, and four hotels. The Beach Walk project, which represents an investment of approximately $535 million, is part of Outrigger Enterprises' master plan for Waikiki. The project includes the newly constructed Trump International Hotel—a 38-story, 464-unit condominium-hotel—which is scheduled to open in November 2009. Across Kalia Road, Outrigger Enterprises also recently completed a $110 million renovation of its Outrigger Reef on the Beach property, converting 836 rooms into 639 larger rooms.

The success of the Waikiki Beach Walk project has inspired other improvements nearby, such as the $85 million renovation and retenanting of the Royal Hawaiian Shopping Center, providing additional retail and restaurant options for visitors, Ala Moana Shopping Center's addition of approximately 300,000 square feet, including a new Nordstrom department store and retail wing, Hilton Grand Vacation Club's new 38-story Grand Waikikian time-share located between the Hilton Hawaiian Village and Ilikai Hotel, and the new Allure Waikiki on Kalakaua Avenue, a 35-story condominium scheduled to open next spring. In addition, Sheraton Hotels & Resorts has undertaken a $200 million renovation of its Sheraton Waikiki Beach Resort and has plans to follow that project with improvements to its Princess Kaiulani and Moana Surfrider properties.

The Turtle Bay Resort, on Oahu's north shore, recently completed a $50 million renovation. And in November 2008, Disney broke ground on its first Hawaii resort. The $800 million Disney project is currently under construction on 21 acres at Ko'Olina Resort & Marina, and will feature 350 hotel rooms and 480 Disney Vacation Club time-share villas. The project is scheduled to open in 2011.

Hawaii also experienced growth in cruise ship passenger arrivals in recent years. From 2006 to 2007, the number of cruise ship visitor arrivals increased 20.6% from 415,967 to 501,698. However, as described in the next paragraph, two cruise ships were redeployed away from the Hawaii market during the first half of 2008, significantly reducing capacity.

Norwegian Cruise Lines America ("NCLA") homeported three cruise ships in Hawaii—the Pride of Hawaii, the Pride of America and the Pride of Aloha—providing the State with year-round inter-island service until February 2008, when NCLA withdrew the Pride of Hawaii from Hawaii service to operate in Europe as the Norwegian Jade. In May 2008, NCLA deployed the Pride of Aloha to Asia, leaving only the Pride of America to serve the Hawaii market. NCLA and other foreign cruise ships utilize the new cruise passenger terminal constructed at Pier 2, Honolulu Harbor.

Employment

The following table sets forth certain employment statistics for the City and County for the five years ending December 31, 2004 through 2008, and the quarters ending June 30, 2008 and 2009. As indicated below, the unemployment rate for the City and County increased to 6.3% in the second quarter of 2009 from 3.4% in the same period last year. By comparison, the unemployment rates for the State of Hawaii and the United States as a whole increased to 7.4% and 9.5% from 3.6% and 5.6%, respectively, during the same period.

Table II

EMPLOYMENT STATISTICS
CITY AND COUNTY OF HONOLULU[1]

	Year Ending Dec. 31					2nd Quarter	
	2004	2005	2006	2007	2008	2008	2009[2]
Civilian Labor Force	433,050	441,850	448,050	447,800	454,050	455,250	450,400
Annual Average Civilian Employment	419,500	430,100	437,300	436,650	438,050	439,850	422,350
Unemployment	13,550	11,750	10,750	11,150	15,950	15,450	28,050
Unemployment Rate	3.1%	2.7%	2.4%	2.5%	3.5%	3.4%	6.3%
Total Job Count	431,900	444,650	453,650	456,000	456,450	455,950	446,000

(1) Data from 2004-2006 reflect 2000-based geography, new model controls, 2000 census inputs and methodological changes. Data benchmarked by the State of Hawaii Department of Labor & Industrial Relations in March 2009.
(2) 2009 data are preliminary.
Source: State of Hawaii Department of Labor & Industrial Relations and Department of Business, Economic Development & Tourism.

Federal Government and Military

The Federal government plays an important role in Hawaii's economy as the second largest industry behind tourism. According to the most recent data available, total federal direct expenditures or obligations in Hawaii reached $14.1 billion in the federal fiscal year ending September 30, 2007, an increase of 4.2% over the previous year. Between federal fiscal years 1997 and 2007, the annual average growth rate for federal expenditures was about 5.6%. Overall, the federal government accounted for about 13.6% of State GDP in Hawaii in 2006, much of which is defense related.

The large military establishment maintained in Hawaii is almost entirely on the Island of Oahu. Members of the armed services on Oahu totaled 45,920 as of September 30, 2007. Civilian dependents of these military personnel totaled approximately 48,500. In addition to uniformed personnel and their dependents, the military agencies in Hawaii provided employment for some 16,403 civilians as of September 30, 2007. 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. The command stretches from the West Coast of the Americas to the Indian Ocean and from the North Pole to the South Pole. In July 2009, the USS Hawaii became the first Virginia-Class submarine to be home-ported in Pearl Harbor. By the end of this year, eighteen attack submarines are expected to be berthed in Pearl Harbor, two more than currently assigned.

Military spending for construction in Hawaii for the federal fiscal year 2009, which began on October 1, 2008, would total $544 million under the $3.1 trillion budget request President Bush unveiled on February 4, 2008 and is about the same as the federal fiscal year 2008 allotment. Appropriations for federal fiscal year 2008 defense projects in Hawaii total nearly $742 million. This includes a military construction program of $533.6 million, and $208 million for defense-related projects. In addition, $5.5 million is to be provided to improve infrastructure and educational programs for Hawaii's public schools with high enrollments of military children. Further, the federal education budget includes $48.2 million in impact aid funding for Hawaii's public schools.

Under the American Recovery and Reinvestment Act of 2009, Hawaii also expects to receive $184 million for the U.S. Department of Defense for facilities, sustainment, restoration, and modernization projects, including $19.4 million for the Child Development Center at Marine Corps Base Hawaii; $137 million from the U.S. General Services Administration for energy improvements to transform the Prince Kuhio Kalanianaole Federal Building in Honolulu into a high-performance green building; $1 million from the U.S. Department of Veterans Affairs for repairs, facility upgrades and a green energy project at the Spark M. Matsunaga VA Medical Center at Tripler Medical Center and the National Memorial Cemetery of the Pacific; and approximately $41 million for public transportation investments for the City and County. In addition, the City and County's Department of Environmental Services and Board of Water Supply expect to receive approximately $7.4 million and $5.0 million, respectively, under the American Recovery and Reinvestment Act.

Ongoing programs to privatize construction, renovation and operation of military housing is expected to contribute an estimated $3 billion over the next decade. 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, call for nearly $2 billion in bonds coupled with approximately $8 million from developers to be spent over the next ten 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. 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.

Sporting Events

Honolulu is a popular venue for sporting events. Aloha Stadium, located minutes from downtown Honolulu, hosts the University of Hawaii's football team each year. The National Football League's Pro Bowl game has been held at Aloha Stadium annually since 1980. The Pro Bowl is scheduled to be relocated to Miami, Florida in 2010, but the State and the NFL have negotiated arrangements for the return of the Pro Bowl to Honolulu in 2011 and 2012.

The Waialae Country Club in East Honolulu is home to the Sony Hawaiian Open Golf Tournament on the PGA tour. Other major golf tournaments on the island include the Pearl Open and Pro-Am, Mid-Pacific Open, PGA Classic, Turtle Bay Resort Match Play Championship, and the Governor's Cup.

The Men's & Women's OP Pro Hawaii surfing competitions, the O'Neill World Cup surfing competition, and the Billabong Pipeline Masters are all held on Oahu. The Honolulu Marathon, one of the largest in the world, has been held in City each December since 1973.

Several South Korean League baseball teams hold their spring camps in Hawaii, some at Aloha Stadium. Hawaii is considered a premier destination for spring training, as it is significantly warmer than the harsh temperatures of South Korea.

Entertainment

The Neal Blaisdell Center in downtown Honolulu includes a concert hall, arena, exhibition hall, and conference rooms and hosts a wide variety of attractions, including musical performances, trade shows, business meetings and sporting events. The Diamond Head Theatre is another live theatre venue in the City. The theatre is Hawaii's oldest performing arts center and typically seats over 40,000 patrons each year.

Honolulu Academy of Arts, founded in 1927, has a collection of over 50,000 works of art and administers the Academy Art Center at Linekona. The Arts of Paradise Gallery, located in Waikiki, features the art of more than 40 of local artists. The Bishop Museum, located in downtown Honolulu, was founded in 1889 by a member of the Hawaiian royal family. The museum primarily focuses on history and science, and is home to the world's largest collection of Polynesian cultural and scientific artifacts. The Mission Houses Museum, established in 1920, provides a glimpse into 19th century Hawaii life. The museum hosts a wide variety of events including lectures, gallery talks, public programs, demonstrations and workshops.

Hawaii's newest art museum, the Hawaii State Art Museum (HiSAM) exhibits the work of Hawaii Artists. Located in Honolulu's downtown Capitol District, HiSAM has three galleries, a 70-seat events room and a café.

Film and Television

Hawaii is a premier location for filming both television series and major motion pictures. In addition to the lush tropical setting, Hawaii offers a one-stop process to obtain State permits, tax incentives and the only state-owned and operated film studio in the country.

State and County Governments

With Honolulu as the State capital, most State government activity is concentrated on the Island of Oahu. As of December 2008, the State government generated 77,450 jobs, of which approximately 76.8% were located on Oahu. The largest number of employees work in public education and the State university system, with approximately 80% of these employed in Oahu. The City and County government generated approximately 12,150 jobs in 2008.

Construction

The value of new building permits issued by the City and County in 2008 decreased 11.6% from 2007, the first year-over-year decline in total permit value since 2001. The decline continued in 2009 with a 40.2% decrease in value of new building permits in the second quarter of 2009 compared to the same period in the prior year. Table III shows the estimated value of construction authorizations for private buildings for the City and County and for the State as a whole for the last ten years and for the second quarter of 2008 and 2009.

<u>Table III</u>

ESTIMATED VALUE OF BUILDING PERMITS

Year	State[(1)]	% Change from Prior Year	City & County of Honolulu[(1)]	% Change from Prior Year
1999	$1,320,218	25.2	$706,358	13.2
2000	1,512,601	14.6	694,224	-1.7
2001	1,585,739	4.8	682,660	-1.7
2002	1,772,027	11.7	876,051	28.3

Year	State[1]	% Change from Prior Year	City & County of Honolulu[1]	% Change from Prior Year
2003	$2,351,762	32.7	$1,109,568	26.7
2004	2,726,537	15.9	1,320,552	19.0
2005	3,491,965	28.1	1,364,029	3.3
2006	3,770,051	8.0	1,625,328	19.2
2007	3,585,447	-4.9	1,676,232	3.1
2008	2,906,578	-18.9	1,481,272	-11.6
Q2 2008	1,048,550	-3.4	528,685	-2.2
Q2 2009	470,698	-55.1	316,321	-40.2

(1) In thousands of dollars.
Source: State of Hawaii Department of Business, Economic Development and Tourism (compiled from data collected by county building departments).

See also "Visitor Industry" above for a description of certain construction projects related to the visitor industry, and "Transportation" below for a description of the State of Hawaii's multi-year improvement programs for the airports and harbors systems and the City and County's proposed fixed guideway transit system.

Diversified Manufacturing and Agriculture

Manufacturing is a relatively small sector in the State's and the City and County's economy. This sector 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.

Education, Research and Science

The main campus of the University of Hawaii is located on Oahu, at Manoa, as is a smaller campus of the University in West Oahu. There are also four community colleges, three private universities, and one private college on Oahu. The federally funded East-West Center is adjacent to the Manoa Campus of the University of Hawaii.

The University of Hawaii at Manoa is a research university of international standing. It has a Carnegie classification of Research University/very high research activity (RU/VH), the top classification for doctoral/research universities, and the closest to the old "Carnegie Research I University" classification no longer in use. Students have special opportunities for Hawaiian, Asian, and Pacific educational experiences and involvement in research activities, learning community service, and co-curricular activities. The University is one of 39 universities or consortia in the United States designated as a land, sea and space grant college. As a major research university, the University of Hawaii at Manoa has the capability of serving not only the State but the nation and the international community as well. The University at Manoa has widely recognized strengths in tropical agriculture, tropical medicine, oceanography, astronomy, electrical engineering, volcanology, evolutionary biology, comparative philosophy, comparative religion, Hawaiian studies, Asian studies, Pacific Islands studies, and Asian and Pacific region public health. The University at Manoa offers instruction in more languages than any United States institution outside the United States Department of State. In addition to the University faculty expertise in benthic and pelagic oceanography, the Hawaii Institute of Marine Biology leads global research in coral reefs and zooxanthellae.

The University of Hawaii at Manoa is the University's flagship research campus and was recently ranked 29th out of all public universities in the United States in research expenditures. The University has research partnerships with local, mainland and international universities, research institutions and business organizations. The University has also been designated as the fifth Naval University Affiliated Research Center, which is expected to generate at least $10 million in additional funding per year beginning in 2009. The University also secures research funding from various other sources, including the State, the National Science Foundation, National Institutes of Health, Department of Defense, Department of Agriculture, National Aeronautics and Space

Administration, Department of Energy and the Environmental Protection Agency. The University was also awarded one of eight Regional Biocontainment Laboratory grants from the National Institutes of Health, valued at $32.5 million.

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. Another reason for the high volume of trade and service activity is the above-average per capita personal income of the resident population, which in 2008 grew by approximately 4.0% over the prior year. According to the State's Department of Taxation, the State's general excise tax base for trade and service activities exceeded $44 billion in 2008, with retail, wholesale and service activities accounting for the majority. Of the State's 603,600 non-agricultural jobs as of June 2009, retail and wholesale trade together accounted for 85,400 jobs, or 14% of the total, and professional and business services, educational services, food services and other services together accounted for 170,500 jobs, or 28% of the total.

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, 2008, total assets of all State of Hawaii chartered financial institutions, including banks, trust companies and savings and loan associations, were reported at $29.8 billion. The five state chartered banks (197 branches) in Hawaii had combined assets of some $29.1 billion. In addition, a state chartered financial services company with 15 branches within the State has assets of approximately $690 million.

Transportation

All parts of the City and County 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 (TheBus). Ridership has grown from 30 million passengers per year to approximately 71 million today. TheBus is now the 20th most utilized transit system in the country and the 13th most utilized bus fleet. Additionally, on a per-capita basis, the City and County has the sixth highest transit ridership in the country.

The City and County also is planning a new $5.3 billion, 20-mile fixed guideway transit system to provide rail service along the island's east-west corridor between Kapolei and downtown Honolulu (Ala Moana Center). Over 60% of the City and County's population currently lives within the area served by this corridor, and this area is projected to continue to grow faster than the rest of Oahu. Construction of the proposed transit system is subject to completion of an environmental impact statement, a draft of which has been prepared and is currently under review. Due to the size and cost of the overall project, it is likely to be built in several phases lasting several years. The City and County has awarded a design-build contract for the first 6.5 mile segment of the system and intends to solicit proposals for the design and construction of the next phase of the system later this year.

State law allows counties to impose a 0.5% surcharge (to be collected and distributed by the State) on the existing 4.0% State general excise tax in order to fund transportation projects. The City and County began imposing this surcharge on January 1, 2007 and plans to apply proceeds of the surcharge to fund the proposed fixed guideway transit system described above. For the fiscal year ended June 30, 2008, the City and County received $169.1 million from the general excise tax surcharge, net of administrative fees charged by the State.

Honolulu is the hub of air and sea transportation for the entire Pacific. Honolulu International Airport (HNL) 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 60th in the world and 25th in the United States in total passengers serviced in 2007. Approximately 60 aircraft can be handled at one time at the terminal complex, including 36 wide-bodied aircraft. In fiscal year 2009, HNL recorded 276,272 aircraft operations as compared to 304,839 for fiscal year 2008. In addition, HNL passenger counts for fiscal year 2009 decreased from 20,808,838 in fiscal year 2008 to 17,806,225. The decreases are a reflection of the worldwide economic downturn.

Until March 31, 2008, inter-island air travel in Hawaii was primarily served by Aloha Airlines and Hawaiian Airlines. In June 2006, Mesa Air Group began inter-island service as go! Airlines. On March 20, 2008, Aloha Airlines, Inc. filed a petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court of the District of Hawaii. On March 31, 2008, Aloha Airlines ceased all passenger operations. On April 29, 2008, Aloha Airlines, which had handled approximately 85% of Hawaii's inter-island air cargo, ceased all air cargo operations and well as maintenance cleaning services. Almost immediately thereafter, such operations were taken over by Aeko Kula, Inc. (cargo) and Aloha Contract Services LLC (maintenance services). Both the bankruptcy of Aloha Airlines and the rising cost of fuel have led to decreased statewide enplanement activities of 10%, comparing May 2007 and 2008. In October 2008, Mokulele Airlines expanded its inter-island service utilizing a portion of the former Aloha Airlines hold rooms and baggage areas. Effective October 15, 2009, go! Airlines and Mokulele Airlines consolidated their operations and are operating as go! Mokulele Airlines.

The Airports Division is in the process of implementing a modernization program which will include significant capital improvements for several of the major airports in the State, including Honolulu, Kahului, Kona and Lihue. The program is currently estimated to cost in excess of $2.0 billion through 2021, $1.7 billion of which is allocable to HNL, and will be paid for from a variety of sources including cash, grants, passenger facility charges and revenue bonds.

Honolulu Harbor is the hub of the Statewide Commercial Harbors System. It serves as a major distribution point of overseas cargo to the neighbor islands and is the primary consolidation center for the export of overseas cargo. Overseas and inter-island cargo tonnage handled through Honolulu Harbor was 9.8 million short tons in fiscal year 2006, 10.2 million short tons in fiscal year 2007 and 10.1 million short tons in fiscal year 2008. The State manages, maintains and operates the statewide harbors system to provide for the efficient movement of cargo and passengers.

Hawaii Superferry, Inc. ("HSF"), a private ferry operator, operated for approximately two years until March 19, 2009 a large-capacity roll on/roll off high-speed daily ferry service for the transport of passengers and vehicles, including cars, trucks and commercial vehicles between Honolulu and Kahului Harbors. After HSF commenced service in 2007, the Hawaii Supreme Court ruled that an environmental assessment must be performed with respect to certain improvements at Kahului Harbor intended for use by HSF. On March 16, 2009, the Hawaii Supreme Court held unconstitutional a law enacted in 2007 subsequent to the 2007 Hawaii Supreme Court decision that allowed large-capacity ferry vessel companies, such as HSF, to operate under certain conditions while the required environmental reviews are conducted. HSF halted operations as of March 19, 2009, and removed its vessel from Hawaii. On May 30, 2009, HSF and its parent, HSF Holding Inc., filed Chapter 11 bankruptcy petitions in the United States Bankruptcy Court, District of Delaware, and announced their plan to liquidate.

Act 200, SLH 2008, was enacted to authorize a statewide Harbors Modernization Plan to address harbor infrastructure improvements to Kahului Harbor on Maui, Nawiliwili Harbor on Kauai, Hilo and Kawaihae Harbors on Hawaii, and Honolulu and Kalaeloa Harbors on Oahu. In addition to the six commercial harbors included in the plan, the law placed Hana Harbor on Maui under the jurisdiction of the Harbors System and included appropriations for its upgrade. Act 200 also designated the Aloha Tower Development Corporation as the entity responsible for the management and implementation of the Harbors Modernization Plan under the direction of the Department of Transportation. The Act authorizes the Department of Transportation to issue harbor revenue bonds to finance the improvements. The cost of the Plan is estimated at $618 million, $318 million of which is allocable to Honolulu Harbor.

APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

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APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

_______, 2009

City and County of Honolulu
Honolulu, Hawaii

Re: City and County of Honolulu, Hawaii
General Obligation Bonds,
Series 2009D, Series 2009E Build America Bonds (Taxable), and Series 2009F
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City and County of Honolulu (the "City") in connection with the issuance of $_________ aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2009D (the "Series 2009D Bonds"), $_________ aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2009E Build America Bonds (Taxable) (the "Series 2009E Bonds") and $_________ aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2009F (the "Series 2009F Bonds" and, together with the Series 2009D Bonds and the Series 2009E Bonds, 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 _________, 2009 (the "Certificate"), and bond authorizing ordinances and a 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.

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. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. 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 Series 2009D Bonds and the Series 2009F 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, choice of venue, 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 general 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 Series 2009D Bonds and the Series 2009F Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, except that no opinion is expressed as to the status of interest on any Series 2009D Bond for any period that such Series 2009D Bond is held by a "substantial user" of the facilities financed by the Series 2009D Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Interest on the Series 2009D Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings in calculating corporate alternative minimum taxable income. Interest on the Series 2009F Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. 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 Series 2009E Bonds is not excludable from gross income for federal income tax purposes. 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, including whether interest on the Series 2009F Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX C

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

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PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE OF THE DIRECTOR OF BUDGET AND FISCAL SERVICES OF THE CITY AND COUNTY OF HONOLULU, HAWAII

This Continuing Disclosure Certificate is executed and delivered in connection with the issuance by the City and County of Honolulu (the "City and County") of $241,865,000 aggregate principal amount of its General Obligation Bonds, Series 2009D, Series 2009E Build America Bonds (Taxable), and Series 2009F (collectively, the "Bonds"). The Bonds are being issued under Part I of Chapter 47, Hawaii Revised Statutes, as amended, the Revised Charter of the City and County, certain proceedings of the City Council of the City and County and a Certificate of the undersigned Director of Budget and Fiscal Services 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, has determined that it is advisable to amend and restate the Master Continuing Disclosure Certificate in order to conform to the amended requirements of Rule 15c2-12.

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 Official Statement under the headings "DEBT STRUCTURE," "CITY AND COUNTY REVENUES," "FINANCIAL INFORMATION AND ACCOUNTING," "EMPLOYEE RELATIONS; PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS," 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.

"*Counsel*" means a firm of nationally recognized bond counsel or counsel expert in federal securities laws.

"*Director*" means any duly appointed director or deputy director of budget and fiscal services 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.

"*Official Statement*" means the "final official statement," as defined in paragraph (f)(3) of the Rule. As used with respect to the Bonds, such term means the Official Statement dated November 3, 2009 issued by the City and County in connection with the issuance and sale of the Bonds.

"Repository" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to 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.

"*State*" means the State of Hawaii.

"*Supplemental Certificate*" means any certificate executed by the Director 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 Bonds who is required to comply with the Rule.

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, 2009, by no later than eight months after the end of the respective Fiscal Year, to the Repository. Such Annual Financial Information shall be submitted in electronic format, accompanied by such identifying information as is prescribed by the Repository, and may be provided by specific reference to documents either provided to the Repository or filed with the SEC. 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. If the City and County is unable to provide to the Repository an Annual Report by the date specified above, the City and County shall send a notice regarding such inability to the Repository in substantially the form attached as Exhibit A hereto.

(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 the Repository.

(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 Official Statement under the heading "CITY AND COUNTY REVENUES -- Financial Statements," and (ii) Audited Financial Statements, when and if available, to the Repository.

(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 the Repository 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 the Repository.

(b) Upon any legal defeasance of any Bonds, the Material Event Notice with respect thereto 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 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 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 the Repository.

Section 3.2. *Amendment.* (a) This Certificate may be amended by a Supplemental Certificate of the Director, 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, 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, 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 the Repository.

(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, 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 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 the Repository.

(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 the Repository.

Section 3.3. *Benefit; Third-Party Beneficiaries; Enforcement.* (a) This Certificate shall inure solely to the benefit of the 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 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, 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 may appoint one or more agents to disseminate such information and notices.

Dated this ___ day of November, 2009.

____
Rix Maurer III
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 ___ day of November, 2009.

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

EXHIBIT A

FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	City and County of Honolulu, Hawaii
Name of Bond Issue:	General Obligation Bonds, Series 2009D, Series 2009E Build America Bonds (Taxable), and Series 2009F
Date of Issuance:	November 19, 2009

NOTICE IS HEREBY GIVEN that the City and County of Honolulu, Hawaii (the "City and County") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated November 19, 2009, executed by the City and County for the benefit of the holders and beneficial owners of the above-referenced Bonds. The City and County anticipates that the Annual Report will be filed by _____________.

Dated: ___________________________

CITY AND COUNTY OF HONOLULU, HAWAII

By: ______________________________________
Authorized Signatory

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APPENDIX D

BOOK-ENTRY SYSTEM

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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.

Global Clearance Procedures

The information that follows pertains only to the Series 2009E Bonds. Such information is based solely on information provided by the Euroclear Operator. No representation is made as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

Clearstream International and Clearstream. Clearstream International is the product of the merger of Deutsche Borse and Cedel International, the European international clearing depository founded in 1970, and a number of its subsidiaries including Cedelbank. Clearstream International is registered in Luxembourg and has two subsidiaries: Clearstream Banking and Clearstream Services. Clearstream Banking ("Clearstream") contains the core clearing and settlement business and consists of Clearstream Banking Luxemborg, Clearstream Banking Frankfurt and six regional offices in Dubai, Hong Kong, London, New York, São Paulo and Tokyo. Clearstream holds securities for its participating organizations ("Clearstream Participants") and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. As a professional depository, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Participant, either directly or indirectly.

Euroclear System. The Euroclear System ("Euroclear") was created in 1968 to hold securities for its participants and to clear and settle transactions between its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. The Euroclear System is owned by Euroclear plc and operated through a license agreement by Euroclear Bank S.A./N.V., a bank incorporated under the laws of the Kingdom of Belgium (the "Euroclear Operator").

The Euroclear Operator holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries.

The Euroclear Operator provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services.

Non-Participants of Euroclear may hold and transfer book-entry interests in the Securities through accounts with a direct Participant of Euroclear or any other securities intermediary that holds a book-entry interest in the Securities through one or more securities intermediaries standing between such other securities intermediary and the Euroclear Operator

The Euroclear Operator is regulated and examined by the Belgian Banking and Finance Commission and the National Bank of Belgium.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with Persons holding through Euroclear participants.

Distribution of Series 2009E Bonds through Clearstream or Euroclear. Distributions with respect to the Series 2009E Bonds held through Clearstream or Euroclear are to be credited to the cash accounts of Clearstream Participants or Euroclear Participants, as applicable, in accordance with the relevant system's rules and procedures, to the extent received by its Depository (as defined below). Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an Owner of Series 2009E Bonds on behalf of a Clearstream Participant or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the relevant Depositary's ability to effect such actions on its behalf through DTC. Owners of Series 2009E Bonds may hold their Bonds through DTC (in the United States) or Clearstream or Euroclear (in Europe) if they are participants of such systems, or indirectly through organizations which are participants in such systems.

The Series 2009E Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear may hold omnibus positions in Series 2009E Bonds on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositaries which in turn are to hold such positions in customers' securities accounts in the depositaries' names on the books of DTC. Citibank, N.A. acts as depositary for Clearstream and the Euroclear Operator acts as depositary for Euroclear (in such capacities, individually, the "Depositary" and, collectively, the "Depositaries").

Transfers of Series 2009E Bonds between DTC Participants are to occur in accordance with DTC Rules. Transfers of Series 2009E Bonds between Clearstream Participants and Euroclear Participants are to occur in accordance with their respective rules and operating procedures. Because of time-zone differences, credits of securities received in Clearstream or Euroclear as a result of a transaction with a Participant may be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such securities settled during such processing would be reported to the relevant Euroclear or Clearstream Participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream Participant or Euroclear Participant to a Participant are to be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlements in DTC.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Participants or Euroclear Participants, on the other, are to be effected in DTC in accordance with DTC Rules on behalf of the relevant European international clearing system by its Depositary; however, such cross-market transactions require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system if the transaction meets its settlement requirements, is to deliver instructions to its Depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream Participants and Euroclear Participants may not deliver instructions to the Depositaries.

THE CITY AND COUNTY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2009E BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE CITY AND COUNTY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR, EUROCLEAR PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO ANY

BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON THE SERIES 2009E BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE INDENTURE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SERIES 2009E BONDS.

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