

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 2012A Bonds, Series 2012B Bonds, and Series 2012C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2012A Bonds, Series 2012B Bonds, and Series 2012C Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Bond Counsel is of the opinion that 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 further observes that interest on the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds and Series 2012G Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" in this Official Statement.



\$912,480,000
CITY AND COUNTY OF HONOLULU
General Obligation Bonds

consisting of

\$255,050,000 Series 2012A (Tax-Exempt)	\$290,735,000 Series 2012B (Tax-Exempt)	\$32,145,000 Series 2012C (Tax-Exempt)
\$17,880,000 Series 2012D (Taxable)	\$74,835,000 Series 2012E (Taxable)	\$50,605,000 Series 2012F (Taxable)
		\$191,230,000 Series 2012G (Taxable)

Dated: Date of Delivery

Due: November 1, as shown on inside cover

The City and County of Honolulu General Obligation Bonds, Series 2012A, Series 2012B, Series 2012C, Series 2012D (Taxable), Series 2012E (Taxable), Series 2012F (Taxable) and Series 2012G (Taxable) (herein referred to as the "Series 2012A Bonds," "Series 2012B Bonds," "Series 2012C Bonds," "Series 2012D Bonds," "Series 2012E Bonds," "Series 2012F Bonds" and "Series 2012G Bonds," respectively, and together, 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, payable on May 1 and November 1 of each year, commencing November 1, 2013 in the case of the Series 2012A Bonds and May 1, 2013 in the case of all other Bonds. The Bonds are subject to redemption prior to the stated maturity thereof as described herein.

The Bonds are being issued for the purpose of funding certain capital improvement projects of the City and County and to refund certain outstanding general obligation bonds of the City and County.

It is anticipated that certain of the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, and Series 2012G Bonds may be offered in jurisdictions outside the United States. The distribution of this Official Statement and the offering, sale and delivery of the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, and Series 2012G Bonds in certain of these jurisdictions is restricted by law. To facilitate compliance with these restrictions as currently in effect, the minimum purchase and trading amount for any sale made outside of the United States will be 20 units (20 Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds in an aggregate principal amount of US\$100,000). Foreign investors should become familiar with global clearance procedures; the procedures are not described in this Official Statement. See Appendix E, "Information Concerning Offering Restrictions in Certain Jurisdictions Outside the United States."

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 (other than the Series 2012C Bonds) in definitive form will be available for delivery to DTC, in New York, New York, on or about November 20, 2012. The Series 2012C Bonds are expected to be available for delivery to DTC on or about December 4, 2012.

BofA Merrill Lynch

Piper Jaffray & Co.

\$912,480,000
CITY AND COUNTY OF HONOLULU
General Obligation Bonds

\$255,050,000
Series 2012A Bonds (Tax-Exempt)

Year (November 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670) [†]	Year (November 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670) [†]
2017	\$ 1,370,000	4.000%	0.810%	D99	2026	\$11,085,000	5.000%	2.330%*	F22
2017	5,965,000	5.000	0.810	G62	2027	11,655,000	5.000	2.390*	F30
2018	5,135,000	3.000	1.020	E23	2028	12,250,000	5.000	2.450*	F48
2018	2,515,000	5.000	1.020	Q95	2029	12,880,000	5.000	2.510*	F55
2019	7,950,000	4.000	1.300	E31	2030	3,440,000	3.000	3.020	F63
2020	50,000	3.000	1.530	E49	2030	10,065,000	5.000	2.570*	H20
2020	8,265,000	5.000	1.530	G70	2031	14,165,000	5.000	2.630*	F71
2021	6,825,000	4.000	1.770	E56	2032	14,890,000	5.000	2.690*	F89
2021	1,880,000	5.000	1.770	R29	2033	15,650,000	5.000	2.760*	F97
2022	755,000	3.000	1.920	E64	2034	16,370,000	4.000	3.060*	G21
2022	8,355,000	5.000	1.920	G88	2035	17,040,000	4.000	3.130*	G39
2023	2,685,000	4.000	2.110*	E72	2036	6,510,000	4.000	3.180*	G47
2023	6,870,000	5.000	2.110*	G96	2036	11,280,000	5.000	2.980*	H38
2024	10,030,000	5.000	2.190*	E80	2037	18,575,000	4.000	3.250*	G54
2025	10,545,000	5.000	2.260*	E98					

\$290,735,000
Series 2012B Bonds (Tax-Exempt)

Year (November 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670) [†]	Year (November 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670) [†]
2016	\$15,165,000	5.000%	0.650%	H46	2024	\$22,100,000	5.000%	2.190%*	J44
2017	15,940,000	5.000	0.810	H53	2025	23,235,000	5.000	2.260*	J51
2018	16,760,000	5.000	1.020	H61	2026	24,175,000	3.000	2.810*	J69
2019	17,620,000	5.000	1.300	H79	2027	16,955,000	3.000	2.870*	K34
2020	14,270,000	2.000	1.530	K26	2027	8,000,000	4.000	2.590*	J77
2020	4,030,000	5.000	1.530	H87	2028	20,795,000	3.000	2.930*	J85
2021	19,020,000	5.000	1.770	H95	2028	5,000,000	4.500	2.580*	K42
2022	19,995,000	5.000	1.920	J28	2029	21,655,000	3.000	2.990*	J93
2023	21,020,000	5.000	2.110*	J36	2029	5,000,000	4.500	2.640*	K59

\$32,145,000
Series 2012C Bonds (Tax-Exempt)

Year (November 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670) [†]	Year (November 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670) [†]
2013	\$1,835,000	2.000%	0.300%	K67	2020	\$2,100,000	2.000%	1.550%	L58
2014	1,870,000	2.000	0.420	K75	2021	2,165,000	4.000	1.790	L66
2015	1,910,000	2.000	0.540	K83	2022	2,230,000	2.250	1.970	L74
2016	1,945,000	2.000	0.650	K91	2023	2,285,000	2.250	2.160*	L82
2017	1,985,000	2.000	0.840	L25	2024	2,335,000	2.250	2.340	L90
2018	950,000	1.000	1.040	M57	2025	2,395,000	3.000	2.510*	M24
2018	1,070,000	2.000	1.040	L33	2026	2,470,000	3.000	2.680*	M32
2019	2,060,000	2.000	1.300	L41	2027	2,540,000	2.750	2.840	M40

\$17,880,000
Series 2012D Bonds (Taxable)

Year (November 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670) [†]	Year (November 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670) [†]
2017	\$1,310,000	1.259%	1.259%	M65	2023	\$1,490,000	2.812%	2.812%	N49
2018	1,330,000	1.538	1.538	M73	2024	1,530,000	2.912	2.912	N56
2019	1,355,000	1.838	1.838	M81	2025	1,580,000	3.062	3.062	N64
2020	1,380,000	2.212	2.212	M99	2026	1,625,000	3.162	3.162	N72
2021	1,415,000	2.412	2.412	N23	2027	1,680,000	3.262	3.262	N80
2022	1,450,000	2.512	2.512	N31	2028	1,735,000	3.362	3.362	N98

* Priced to call at par on November 1, 2022.

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

\$74,835,000
Series 2012E Bonds (Taxable)

<u>Year</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>(438670)[†]</u>	<u>Year</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>(438670)[†]</u>
2015	\$24,695,000	0.778%	0.778%	P21	2017	\$25,215,000	1.259%	1.259%	P47
2016	24,925,000	1.059	1.059	P39					

\$50,605,000
Series 2012F Bonds (Taxable)

<u>Year</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>(438670)[†]</u>	<u>Year</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>(438670)[†]</u>
2017	\$9,780,000	1.259%	1.259%	P54	2020	\$10,290,000	2.212%	2.212%	P88
2018	9,915,000	1.538	1.538	P62	2021	10,535,000	2.412	2.412	P96
2019	10,085,000	1.838	1.838	P70					

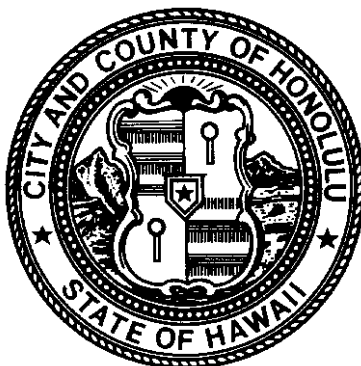
\$191,230,000
Series 2012G Bonds (Taxable)

<u>Year</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>(438670)[†]</u>	<u>Year</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>(438670)[†]</u>
2017	\$25,800,000	1.259%	1.259%	Q20	2021	\$27,785,000	2.412%	2.412%	Q61
2018	26,160,000	1.538	1.538	Q38	2022	28,480,000	2.512	2.512	Q79
2019	26,605,000	1.838	1.838	Q46	2023	29,250,000	2.812	2.812	Q87
2020	27,150,000	2.212	2.212	Q53					

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

City and County of Honolulu

State of Hawaii
(Incorporated 1907)



MAYOR

Peter B. Carlisle

CITY COUNCIL*

Ernest Y. Martin
Chair and Presiding Officer

Ikaika Anderson
Vice Chair

Romy M. Cachola[†]
Floor Leader

Tom Berg

Stanley Chang

Nestor R. Garcia

Breene Harimoto

Ann H. Kobayashi

DIRECTOR OF BUDGET AND FISCAL SERVICES

Michael R. Hansen

CORPORATION COUNSEL

Robert Carson Godbey[‡]

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

* The City Council currently has one vacancy which will be filled by special election on November 6, 2012. An additional vacancy will result from Mr. Cachola's resignation (see below).

[†] Mr. Cachola has tendered his resignation from the City Council, effective October 31, 2012.

[‡] Mr. Godbey has tendered his resignation as Corporation Counsel, effective November 30, 2012.

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 City and County is not responsible for the information in Appendix E, “Information Concerning Offering Restrictions in Certain Jurisdictions Outside the United States” or any information regarding global clearance procedures.

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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OFFICIAL STATEMENT

\$912,480,000

City and County of Honolulu

General Obligation Bonds

**Series 2012A (Tax-Exempt), Series 2012B (Tax-Exempt), Series 2012C (Tax-Exempt),
Series 2012D (Taxable), Series 2012E (Taxable), Series 2012F (Taxable) and
Series 2012G (Taxable)**

INTRODUCTION

This Official Statement, which includes the cover page hereof and the appendices hereto, is provided for the purpose of presenting certain information relating to the City and County of Honolulu (the “City and County,” the “City,” “Honolulu” or “Oahu”), and its \$912,480,000 aggregate principal amount of General Obligation Bonds, Series 2012A, Series 2012B, Series 2012C, Series 2012D (Taxable), Series 2012E (Taxable), Series 2012F (Taxable), and Series 2012G (Taxable) (herein referred to as the “Series 2012A Bonds,” “Series 2012B Bonds,” “Series 2012C Bonds,” “Series 2012D Bonds,” “Series 2012E Bonds,” “Series 2012F Bonds,” and “Series 2012G Bonds,” respectively, and together, 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, 10-13, 11-12, 12-21 and 99-11 of the City and County, Resolution No. 12-205 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 proceeds of the Bonds will be used to provide funds (i) to pay the costs of certain capital improvement projects of the City and County, and (ii) to refund certain outstanding general obligation bonds of the City and County, as described below under “The Refunding Plan,” and (iii) to pay certain costs of issuance relating to the Bonds.

The Refunding Plan

The Series 2012B Bonds, Series 2012C Bonds, Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds and Series 2012G Bonds are being issued to refund the general obligation bonds of the City and County identified in Appendix G (the “Refunded Bonds”). Upon the issuance thereof, a portion of the proceeds of such Bonds will be deposited into an escrow fund or funds (collectively, the “Escrow Fund”) to be established with U.S. Bank National Association, as escrow agent (the “Escrow Agent”), for the purpose of effecting the refunding of the Refunded Bonds. The moneys and securities held in the Escrow Fund are to be applied to the payment of principal of, premium, if any, and interest on the Refunded Bonds. Pending application, moneys deposited in the Escrow Fund will be invested in noncallable direct obligations of the United States (the “Escrow Securities”) which, together with cash held uninvested in the Escrow Fund, will be sufficient, without reinvestment, and will be applied to pay the principal or redemption price of and interest on the Refunded Bonds to and including their respective maturity dates or redemption dates. The maturing principal of and interest on the Escrow Securities and cash held in the Escrow Fund, in the amounts needed to pay the principal or redemption price of and interest on the Refunded Bonds, are pledged solely for the benefit of the holders of the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein for a discussion of certain mathematical computations relating to the Escrow Fund and the Bonds.

THE BONDS

Description of the Bonds

The Bonds will be dated as of the date of delivery thereof; will mature serially on November 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 May 1 and November 1 of each year, commencing November 1, 2013 in the case of the Series 2012A Bonds and May 1, 2013 in the case of all other Bonds; and will be subject to redemption as described herein.

The Bonds (other than the Series 2012C Bonds) are expected to be available for delivery to The Depository Trust Company ("DTC"), in New York, New York, on or about November 20, 2012. The Series 2012C Bonds are expected to be available for delivery to DTC on or about December 4, 2012.

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds (together with its successors, if any, in such capacity, the "Securities Depository"). 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 of \$5,000 or integral multiples thereof. 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."

It is anticipated that certain of the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, and Series 2012G Bonds may be offered in jurisdictions outside the United States. It is the City and County's and the Underwriters' understanding that Euroclear Bank S.S./N.V, as operator of the Euroclear system ("Euroclear") and Clearstream Banking, S.A. ("Clearstream") may hold omnibus positions in such Bonds on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective United States depository, which, in turn, holds such positions in customers' securities accounts in its United States depository's name on the books of DTC. Clearstream and Euroclear have procedures governing redemptions, payment, currency for payment, transfers and settlements. Foreign investors should become familiar with such procedures prior to buying any Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds. The City and County and the Underwriters take no responsibility for any information in Appendix E, "Information Concerning Offering Restrictions in Certain Jurisdictions Outside the United States" or any procedures involving sales of Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, and Series 2012G Bonds outside of the United States. To facilitate compliance with the offering restrictions described in Appendix E, the minimum purchase and trading amount for any sale of Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds made outside the United States will be 20 units (20 Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds in the aggregate principal amount of US\$100,000).

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), 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 the Book-Entry System for the Bonds is in effect, 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.”

Optional Redemption

The Series 2012A Bonds, Series 2012B Bonds, Series 2012C Bonds, and Series 2012D Bonds maturing on and after November 1, 2023, and the Series 2012G Bonds maturing on November 1, 2023, are subject to redemption prior to the stated maturity thereof at the option of the City and County on or after November 1, 2022, in whole or in part at any time, from any maturities selected by the City and County (in its sole discretion), at a redemption price equal to 100% of the principal amount of the Bonds or portions thereof to be redeemed plus accrued interest to the date of redemption.

The Series 2012D Bonds maturing on or before November 1, 2022, and the Series 2012E Bonds, Series 2012F Bonds, and Series 2012G Bonds maturing on or before November 1, 2022, are subject to redemption prior to their stated maturities at the option of the City and County, in whole or in part (and if in part on a pro rata basis), on any date, at a redemption price equal to the greater of:

- (1) 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 to the maturity date of such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Comparable Treasury Yield (defined below) plus 25 basis points;

plus, in each case, accrued interest on such Bonds to be redeemed to the redemption date.

For purposes of the foregoing provisions concerning redemptions of the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, and Series 2012G Bonds, the following terms shall have the meanings set forth below:

“Calculation Agent” means a commercial bank or an investment banking institution of national standing that is a primary dealer of United States government securities in the United States and designated by the City and County (which may be one of the institutions that served as underwriters for the Bonds).

“Comparable Treasury Issue” means the United State Treasury security selected by the Calculation Agent as having a maturity comparable to the remaining term to maturity of the Bonds being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the Bonds being redeemed.

“Comparable Treasury Price” means, with respect to any date on which a Series 2012D Bond, Series 2012E Bond, Series 2012F Bond, or Series 2012G Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Calculation Agent is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Calculation Agent, at 5:00 p.m. New York City time on the third business day preceding the date fixed for redemption.

“Comparable Treasury Yield” means the yield that represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated “H.15(519) Selected Interest Rates” under the heading “Treasury Constant Maturities,” or any successor publication selected by the Calculation Agent that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities

adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the Bonds being redeemed. The Comparable Treasury Yield will be determined as of the third business day immediately preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the Bonds being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (each as defined herein) as of the date fixed for redemption.

“Reference Treasury Dealer” means a primary dealer of United States Government securities in the United States (which may be one of the institutions that served as underwriters for the Bonds) appointed by the City and County and reasonably acceptable to the Calculation Agent.

Selection for Redemption

If fewer than all of the Bonds of a series shall be called for redemption, the City and County shall designate the maturities from which the Bonds of such series are to be redeemed. For so long as the Bonds are registered in book-entry form and DTC or a successor securities depository is the sole registered owner of such Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds to be redeemed shall be selected (i) by lot, in the case of the Series 2012A Bonds, Series 2012B Bonds, or Series 2012C Bonds, and (ii) on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, in the case of the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds; provided that, so long as the Bonds are held in book-entry form, the selection for redemption of the Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, all Bonds will be selected for redemption, in accordance with DTC procedures, by lot; provided further that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations. See Appendix D, “Book-Entry System.”

In connection with any optional redemption of Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds, the Registrar (initially, the Director of Budget and Fiscal Services of the City and County) will direct DTC to make a pass-through distribution of principal to the owners of the Bonds to be redeemed. A form of Pro Rata Pass-Through Distribution of Principal Notice will be provided to the Registrar that includes a table of factors reflecting the relevant scheduled redemption payments, based on the current schedule of mandatory sinking fund payments, which is subject to change upon certain optional redemptions, and DTC’s currently applicable procedures, which are subject to change.

For purposes of calculating pro rata pass-through distributions of principal of the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds, as applicable, “pro rata” means, for any amount of principal or interest to be paid, the application of a fraction to such amounts where (a) the numerator of which is equal to the amount due to the respective owners of the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds on a payment date and (b) the denominator of which is equal to the total original par amount of the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds.

It is the City and County’s intent that redemption allocations made by DTC with respect to the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, and Series 2012G Bonds be made on a pro rata pass-through distribution of principal basis as described above. However, neither the City and County nor the

Underwriters can provide any assurance that DTC, DTC's direct and indirect participants, or any other intermediary will allocate the redemption of these Bonds on such basis.

If the Bonds are not registered in book-entry form and if fewer than all of such Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds of such maturity and bearing such interest rate to be redeemed will be selected on a pro rata basis, and the particular Series 2012A Bonds, Series 2012B Bonds, and Series 2012C Bonds of such maturity and bearing such interest rate to be redeemed will be selected by lot, provided that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations.

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. 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 Paying Agent, 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 optional redemption may state that such redemption may be conditional upon the receipt by the City and County on the date fixed for redemption of moneys sufficient to pay in full the redemption price of the Bonds proposed to be redeemed. If the notice contains such condition, and moneys sufficient to pay in full the redemption price of the Bonds proposed to be redeemed shall not be received on or prior to the date fixed for redemption, such notice of redemption shall be null and void and of no force and effect, the City and County shall not redeem or be obligated to redeem any Bonds, and the Paying Agent at the City and County's direction shall give notice, in the same manner as notice of redemption is given, that moneys sufficient to pay in full the redemption price of the Bonds proposed to be redeemed were not received on or prior to the date fixed for redemption and such redemption did not occur. In the event of any such failure to redeem, all Bonds surrendered for redemption shall be promptly returned to the holder or holders by the Paying Agent.

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.

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, 2013:

CITY AND COUNTY OF HONOLULU
General Obligation Bonds,
Series 2012A (Tax Exempt), Series 2012B (Tax Exempt), Series 2012C (Tax Exempt),
Series 2012D (Taxable), Series 2012E (Taxable), Series 2012F (Taxable), and Series 2012G (Taxable)
Debt Service Requirements

FY Ending June 30	Principal	Interest	Total
2013	\$ --	\$ 8,589,216.38	\$ 8,589,216.38
2014	1,835,000.00	36,318,708.72	38,153,708.72

FY Ending June 30	Principal	Interest	Total
2015	1,870,000.00	31,008,170.80	32,878,170.80
2016	26,605,000.00	30,874,307.25	57,479,307.25
2017	42,035,000.00	30,228,590.83	72,263,590.83
2018	87,365,000.00	28,712,211.98	116,077,211.98
2019	63,835,000.00	26,864,391.55	90,699,391.55
2020	65,675,000.00	25,032,663.55	90,707,663.55
2021	67,535,000.00	23,161,755.80	90,696,755.80
2022	69,625,000.00	21,079,077.50	90,704,077.50
2023	61,265,000.00	18,776,490.10	80,041,490.10
2024	63,600,000.00	16,446,546.15	80,046,546.15
2025	35,995,000.00	14,385,889.95	50,380,889.95
2026	37,755,000.00	12,629,479.60	50,384,479.60
2027	39,355,000.00	11,022,373.55	50,377,373.55
2028	40,830,000.00	9,551,856.50	50,381,856.50
2029	39,780,000.00	8,023,990.35	47,803,990.35
2030	39,535,000.00	6,504,825.00	46,039,825.00
2031	13,505,000.00	5,442,275.00	18,947,275.00
2032	14,165,000.00	4,784,925.00	18,949,925.00
2033	14,890,000.00	4,058,550.00	18,948,550.00
2034	15,650,000.00	3,295,050.00	18,945,050.00
2035	16,370,000.00	2,576,400.00	18,946,400.00
2036	17,040,000.00	1,908,200.00	18,948,200.00
2037	17,790,000.00	1,155,200.00	18,945,200.00
2038	<u>18,575,000.00</u>	<u>371,500.00</u>	<u>18,946,500.00</u>
Total:	\$912,480,000.00	\$382,802,645.56	\$1,295,282,645.56

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 2012 and for the Fiscal Year ending June 30, 2013, authorized and appropriated a total of \$5,818,983,253 for public improvements to be financed from the proceeds of general obligation bonds or notes. As of August 15, 2012, \$2,344,267,529 of general obligation bonds and notes (including reimbursable general obligation bonds) had been issued to finance appropriations for such Fiscal Years, and \$1,712,805,852 of such appropriations had lapsed pursuant to the terms of the Revised Charter of the City and County. It is expected that \$1,761,909,872, 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.

See “BUDGET PROCESS AND FINANCIAL MANAGEMENT – Budgets and Expenditures” for more information relating to lapsing of capital budget appropriations. See also “DEBT STRUCTURE— High-Capacity Transit Corridor Project” for a discussion of the City and County’s fixed guideway mass transit project to be funded in part through the future issuance of general obligation bonds.

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 597 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 2011 State of Hawaii Data Book, as of July 1, 2011, the resident population of the State was 1,374,810, and that of Oahu was 963,607, approximately 70% 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, including substantial army, navy, air force, marine and coast guard installations), manufacturing, major educational and scientific, and significant agricultural activities are located on Oahu.

Reference is made to Appendix A hereto for certain additional demographic and economic information with respect to the State and the City and County.

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 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. Under the State Constitution, the power to impose real property taxes is reserved exclusively to the counties. The principal taxes imposed by the State are the general excise tax and use taxes (including the excise tax surcharge collected by the State on behalf of the City and County as described under "CITY AND COUNTY REVENUES – General Fund – *Excise Tax*"), the transient accommodations tax (a portion which 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 will take

place in November 2012. The winner of the election will replace the current Mayor. 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, approval of indebtedness 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, 2015. 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.” Currently, there is one vacancy on the City Council (for District VI) that will be filled in the November 2012 general election. An additional vacancy (for District VII) will occur on October 31, 2012, and will be filled by a special election to be scheduled.

Semi-Autonomous Agencies. The City and County may create, by Charter or ordinance, semi-autonomous agencies with such powers as are granted by the applicable Charter provision or ordinance. Two semi-autonomous agencies have been created by Charter:

- The Board of Water Supply maintains exclusive management and control over the public water system servicing the Island of Oahu. The Board consists 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.
- The Honolulu Authority for Rapid Transportation was created effective July 1, 2011 to develop, operate, maintain and expand a fixed guideway mass transit system for the City and County. The Authority is under the direction of a ten-member policy making board of directors consisting of seven appointed voting members, two ex officio voting members (the Director of the State Department of Transportation and the City and County’s Director of Transportation Services) and one ex officio nonvoting member (the City and County’s Director of Planning and Permitting). See “DEBT STRUCTURE – High Capacity Transit Corridor Project” for certain information regarding the proposed transit system.

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 and County 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.

In 2012, the City Council approved two resolutions proposing Charter amendments to be placed on the November 2012 general election ballots. Resolution No. 12-44, CD1, FD1 proposes a Charter amendment that would require a minimum of 0.5% of the City and County’s annual general fund revenues to be appropriated for grants-in-aid to be awarded by the City and County to federally tax-exempt non-profit organizations for the purpose of serving economically and socially disadvantaged populations or providing services for public benefit in the areas of the arts, culture, economic development or the environment. Resolution No. 12-113 proposes a Charter amendment that would authorize the City Council, on its own initiative or on the recommendation of the Mayor, to establish funds to ensure that, when appropriate, moneys collected by the City and County from licenses, fees, taxes and other revenue sources are set aside and expended for their intended public purposes.

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, 2011, 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 Offering Memorandum. 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 environment.

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 approximately 70% of General Fund revenues, and the allocation of the State transient accommodation tax are described below. See also 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 the City and County, except as exempted or otherwise taxed, is subject each year to a tax upon the fair market value thereof. Real property in the City and County is classified and taxed as (1) residential, (2) hotel and resort, (3) commercial, (4) industrial, (5) agricultural, (6) vacant agricultural, (7) conservation and (8) public service. 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 governments of the United States, the State of Hawaii or 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 the Tax Ordinance, 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, the Tax Ordinance provides 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.

Under the State Constitution, the City and County is permitted to adjust its real property tax rates upward or downward from time to time with Council approval. In the past, the City and County has at times increased the tax rates applicable to certain classes of real property when needed to produce sufficient revenues to support its budgeted expenditures.

From time to time, proposed ordinances to amend the City and County's real property tax laws are introduced in 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 valuation of real property in the City and County for Fiscal Years 2012 and 2013 is 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 2009 through 2013.

Table 1

**ASSESSED VALUATION OF REAL PROPERTY ⁽¹⁾
Fiscal Years 2012 and 2013
(values in thousands)**

	<u>2012</u>	<u>2013</u>
Gross assessed valuation.....	\$178,264,649	\$180,233,666
Less exemption valuation	<u>(23,737,362)</u>	<u>(23,874,591)</u>
Assessor's net taxable value	154,527,287	156,359,075
Less 50% of valuations on appeal	<u>(934,669)</u>	<u>(1,025,321)</u>
Net assessed valuation for rate purposes.....	<u>\$153,592,618</u>	<u>\$155,333,754</u>

⁽¹⁾ At 100% of fair market value.

Table 2

**REAL PROPERTY NET ASSESSED VALUES BY CLASSIFICATION AND TAX RATES
Fiscal Years 2009–2013
(values in thousands)**

<u>Classification</u>	<u>2009</u>		<u>2010</u>		<u>2011</u>		<u>2012</u>		<u>2013</u>	
	<u>Value</u>	<u>Rate</u>	<u>Value</u>	<u>Rate</u>	<u>Value</u>	<u>Rate</u>	<u>Value</u>	<u>Rate</u>	<u>Value</u>	<u>Rate</u>
Residential	\$136,983,348	\$3.29	\$134,490,385	\$3.42	\$ --	\$ --	\$123,324,298	\$3.50	\$124,425,238	\$3.50
Homeowner ^{(1), (2)}	--	--	--	--	62,837,101	3.42	--	--	--	--
Non-Homeowner ^{(1), (2)}	--	--	--	--	59,448,272	3.58	--	--	--	--
Hotel/Resort	6,979,025	12.40	7,234,047	12.40	6,522,528	12.40	7,102,339	12.40	7,354,673	12.40
Commercial	13,505,161	12.40	14,312,242	12.40	14,425,794	12.40	13,938,863	12.40	14,336,676	12.40
Industrial	7,249,188	12.40	7,968,538	12.40	7,969,269	12.40	7,685,514	12.40	7,757,463	12.40
Agricultural	1,133,318	5.70	1,248,062	5.70	1,315,389	5.70	1,004,163	5.70	929,718	5.70
Vacant Agricultural	110,808	8.50	143,153	8.50	203,137	8.50	112,244	8.50	92,350	8.50
Conservation	377,099	5.70	381,713	5.70	384,308	5.70	421,553	5.70	435,353	5.70
Public Service ⁽³⁾	--	--	3,938	--	3,307	--	3,644	--	2,283	--
Total All Classes	<u>\$166,337,947</u>		<u>\$165,782,078</u>		<u>\$153,109,105</u>		<u>\$153,592,618</u>		<u>\$155,333,754</u>	

⁽¹⁾ Ordinance 09-32 divided the Residential classification into two new classifications, Homeowner and Non-Homeowner, effective with the Fiscal Year ended June 30, 2011.

⁽²⁾ Ordinance 10-31 replaced the classifications of Homeowner and Non-Homeowner with Residential effective with the Fiscal Year ending June 30, 2012.

⁽³⁾ As discussed above and under "Public Service Company Tax" below, the public service classification of property was established in the Fiscal Year ended June 30, 2002, but the City does not currently tax property in this category. In lieu of taxing such property, the City receives a portion of the public service tax imposed by the State on the gross income of public service companies.

Assessments are determined as of October 1 of each year. Notices of assessments are sent to taxpayers on or prior to December 15 of each year. Prior to the following January 15, taxpayers may appeal such assessments on the grounds that the assessed value of the property in question exceeds its market value by more than 10%, that an exemption was improperly denied or that the assessment was otherwise contrary to law. Appeals are heard by the City and County's Board of Review or the State Tax Appeals Court.

Subject to the foregoing right to appeal, real property taxes are levied on July 1 and a lien for real property taxes attaches on that date. Real property taxes are billed on July 20 of each year based on assessed valuations 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, 2009 to 2013 are shown in the table below.

Table 3

**STATEMENT OF REAL PROPERTY TAX LEVIES AND COLLECTIONS
SHOWING ASSESSED VALUATIONS AND TAX RATES
Fiscal Years 2009–2013
(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
2009	166,337,947	4.83	804,120	101.3
2010	165,782,078	5.05	836,448	101.6
2011	153,109,105	5.21	797,722	100.6
2012	153,592,618	5.20	796,927	100.4
2013	155,333,754	5.21	809,220	N/A

⁽¹⁾ At 100% of fair market value.

In the Fiscal Year ended June 30, 2011, real property tax revenues totaled \$800.9 million, accounting for 69.5% of the General Fund revenues for the year. The following two tables identify the ten largest real property taxpayers in the City and County for the Fiscal Year ended June 30, 2013. 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 ⁽¹⁾
Fiscal Year ended June 30, 2013**

Taxpayer ⁽²⁾	Type of Business	Gross Assessed Valuation ⁽³⁾	% of Total Assessed Valuation
Bishop Estate ⁽⁴⁾	Educational Trust Estate	\$1,414,268,100	0.78%
General Growth Properties ⁽⁵⁾	Real Estate Investment	1,205,266,500	0.67
Kyo-Ya Company ⁽⁶⁾	Hotel/Resort	1,022,051,700	0.57
Hilton Hawaiian Village	Hotel/Resort	917,634,300	0.51
Disney	Hotel/Resort	839,910,100	0.47
Outrigger Hotels Hawaii	Hotel/Resort	595,319,900	0.33
DEG, LLC	Real Estate	537,437,400	0.30
First Hawaiian Bank	Financial Services	484,969,000	0.27
Marriott Ownership Resorts	Hotel/Resort	446,942,100	0.25
Reynolds/Shidler	Real Estate	442,877,900	0.25
		<u>\$7,906,677,000</u>	<u>4.40%</u>

⁽¹⁾ Excludes property owned by governmental entities.

⁽²⁾ Taxpayer's name as recorded on real property tax records

⁽³⁾ Assessed valuation as of October 1, 2011 at 100% of market value.

⁽⁴⁾ Now known as Kamehameha Schools.

⁽⁵⁾ General Growth Properties was restructured in bankruptcy in November 2010, resulting in the company's properties being divided between itself and a new entity known as The Howard Hughes Corporation. Amount shown above includes properties operated by The Howard Hughes Corporation.

⁽⁶⁾ Includes The Royal Hawaiian Hotel, Sheraton Waikiki, Sheraton Princess Kaiulani, Westin Moana Surfrider and other Starwood properties.

Table 5

**TEN LARGEST REAL PROPERTY TAXPAYERS
BY AMOUNT OF TAX LEVIED⁽¹⁾
Fiscal Year ended June 30, 2013**

Taxpayer ⁽²⁾	Type of Business	Amount of Tax Levied	% of Total Amount Levied
General Growth Properties ⁽³⁾	Real Estate Investment	\$14,916,369	1.84%
Kyo-Ya Company ⁽⁴⁾	Hotel/Resort	12,745,721	1.58
Bishop Estate ⁽⁵⁾	Educational Trust Estate	12,122,983	1.50
Hilton Hawaiian Village	Hotel/Resort	11,379,263	1.41
Outrigger Hotels Hawaii	Hotel/Resort	7,284,168	0.90
First Hawaiian Bank	Financial Services	5,995,234	0.74
Marriott Ownership Resorts	Hotel/Resort	5,542,507	0.68
Disney	Hotel/Resort	5,204,780	0.64
Reynolds/Shidler	Real Estate	4,770,036	0.59
DEG, LLC	Real Estate	<u>4,733,663</u>	<u>0.58</u>
		<u>\$84,694,724</u>	<u>10.46%</u>

⁽¹⁾ Excludes properties owned by governmental entities.

⁽²⁾ Taxpayer's name as recorded on real property tax records.

⁽³⁾ General Growth Properties was restructured in bankruptcy in November 2010, resulting in the company's properties being divided between itself and a new entity known as The Howard Hughes Corporation. Amount shown above includes properties operated by The Howard Hughes Corporation.

⁽⁴⁾ Includes The Royal Hawaiian Hotel, Sheraton Waikiki, Sheraton Princess Kaiulani, Westin Moana Surfrider and other Starwood properties.

⁽⁵⁾ Now known as Kamehameha Schools.

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. From January 1, 1999 through June 30, 2009, the transient accommodations tax was imposed at the rate of 7.25% of gross rental proceeds. Effective July 1, 2009 through June 30, 2010, the rate was increased to 8.25%, and effective July 1, 2010 through June 30, 2015, the rate has been increased to 9.25%. Revenues collected from the transient accommodations tax are distributed as follows: 17.3% of revenues is deposited to the Convention Center Enterprise Special Fund, 34.2% of revenues is deposited to the Tourism Special Fund, 44.8% of revenues is distributed to the counties, and the remaining revenues are deposited to the State's General Fund. The City and County receives 44.1% of the revenues distributed to the counties, or 19.8% of the total.

The following presents the City and County's allocable share of the transient accommodations tax and the percentage of General Fund revenues represented by this tax for the five Fiscal Years ended June 30, 2007 through 2011:

Fiscal Year (Ended June 30)	Allocable Share ⁽¹⁾ (Dollars in Millions)	Percent of General Fund Revenues ⁽²⁾
2007	\$44.3	4.5%
2008	45.3	3.9
2009	41.2	3.4
2010	40.6	3.4
2011	45.4	3.9

⁽¹⁾ Represents the City and County's share of total transient accommodations tax revenues collected by the State.

⁽²⁾ Represents the City and County's share of total transient accommodations tax revenues as a percentage of its General Fund revenues.

In the 2011 legislative session, the State Legislature passed Senate Bill 1186, which was subsequently signed into law by the Governor as Act 103, Session Laws of Hawaii 2011 (“Act 103”), which limits the total amount of the transient accommodation tax revenues allocated to all of the counties to \$93 million per Fiscal Year from July 1, 2011 through June 30, 2015. As a result, the City and County’s share of transient accommodation tax revenues will be capped at \$41 million per Fiscal Year during this period, as compared to \$45.4 million for the Fiscal Year ended June 30, 2011, the last uncapped Fiscal Year.

Excise Tax. Under State law, if the City and County elects to do so, it is 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 a locally preferred alternative for a mass transit project. 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 mass 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, 2011, the City and County received \$179.1 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 received approximately \$38.0 million of public service company tax revenues in the Fiscal Year ended June 30, 2011.

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.

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 currently imposes taxes between 5.0 cents per pound and 5.5 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 2011, the City and County collected \$108.7 million of vehicle weight taxes.

County Fuel Tax. The City and County fuel tax, authorized by Sections 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. Pursuant to 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 2011, the City and County collected \$52.3 million of fuel taxes.

Public Utilities Franchise Tax. Section 240-1, Hawaii Revised Statutes, requires all electric power companies and gas companies operating as public utilities to pay the county in which business is conducted a tax

equal to 2½% of the companies' gross receipts for sales in such county, unless such county in its charters with such utilities has agreed to a lower rate of tax. The rate for such tax in the City and County is the full 2½% for all such utilities. In Fiscal Year 2011, the City and County collected \$43.3 million of such taxes.

Certain Recent Legislative Proposals

In recent years, certain legislative proposals have been introduced in the State Legislature to reduce projected shortfalls in the State's operating budget by requiring that collections of taxes otherwise due to the City and County be retained by or transferred to the State. As discussed above under "CITY AND COUNTY REVENUES – General Fund – *Allocation of State Transient Accommodations Tax*," one such measure enacted into law in 2011 imposes a \$93 million annual limit on transient accommodations tax revenues allocated to the counties between July 1, 2011 and June 30, 2015. The City and County cannot predict whether or in what form any other legislative proposals affecting the City and County's tax revenues may be enacted into law in the future. The enactment of any such legislation could have a material adverse impact on the City and County's future receipt of tax revenues affected thereby. However, the power to levy and collect real property taxes (which generally account for approximately 70% 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 2007 through 2011.

Table 6

GENERAL FUND REVENUES AND EXPENDITURES

<u>Fiscal Year</u>	<u>Transfers Out (Dollars in Millions)</u>	<u>Transfers In (Dollars in Millions)</u>
2007	\$1,064.5	\$1,007.3
2008	1,264.4	1,254.1
2009	1,297.5	1,346.9
2010	1,288.1	1,254.8
2011	1,255.2	1,194.6

DEBT STRUCTURE

Legal Requirements

Debt Limit. The creation of general debt by the counties in the State of Hawaii is governed by the State Constitution, applicable provisions of the Hawaii Revised Statutes, and further in the case of the City and County, 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 net assessed valuation 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 adopted debt and financial policies which, among other things, established a contingency reserve, a limitation on debt service as a percentage of General Fund revenues, and a limitation on variable rate debt. The City and County has amended these policies periodically since their adoption, including most recently through the adoption of Resolution No. 06-222, which, among other things, 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. The City and County also recently

suspended its debt affordability guidelines for the period 2014 through 2023 with respect to general obligation debt incurred by the City and County on behalf of the Honolulu Authority for Rapid Transportation due to the specific circumstances projected for the cash flow and debt service of the City and County's proposed rail project. See "— High-Capacity Transit Corridor Project" herein for a discussion of the proposed funding for this project. The City and County expects the Authority to repay any borrowings using general obligation debt by the expiration of the General Excise Tax Surcharge and, therefore, such borrowings are not expected to encumber the City and County's General Fund in any way.

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 and Chapter 47, Hawaii Revised Statutes, provide 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. Chapter 47 provides that general obligation bonds issued for revenue producing undertakings or loan programs may be additionally secured by a pledge of the revenues from such undertakings or loan programs. In addition, pursuant to Act 231, Session Laws of Hawaii 2012, Chapter 47 has been amended to provide that general obligation bonds may also be secured by other receipts (including, without limitation, any rates, rentals, fees, charges, taxes, and state or federal grants) that are not derived from an undertaking or loan program for which such bonds are issued. Such other receipts may include, among other things, the general excise tax surcharge described under "CITY AND COUNTY REVENUES – General Fund – *Excise Tax*" herein.

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. Table 7 sets forth the City and County's most recent summary statement of funded debt and exclusions as of August 15, 2012. Set forth in Table 8 is a detailed schedule of all outstanding general obligation funded debt of the City and County as of August 15, 2012. Table 9 provides debt service charges on outstanding general long-term debt of the City and County as of August 15, 2012.

Table 7

**STATEMENT OF FUNDED DEBT
As of August 15, 2012**

1.	Gross assessed valuation of real property, January 30, 2012	\$	180,233,666,200
2.	Less exempt valuation		<u>23,874,590,800</u>
3.	Assessor's net taxable value		156,359,075,400
4.	Less valuations on appeal		<u>2,050,642,700</u>
5.	Taxpayers' valuation		154,308,432,700
6.	Add 50% of valuation on appeal		<u>1,025,321,350</u>
7.	Net assessed valuation of real property for rate purposes	\$	<u>155,333,754,050</u>
8.	Limit of funded debt as set by the Constitution of the State of Hawaii	\$	23,300,063,108 ⁽¹⁾
9.	Funded debt:		
	a. General obligation bonds	\$	2,572,560,000
	b. Revenue bonds		1,841,724,555 ⁽²⁾
	c. Notes payable:		
	Federal Government		1,270,353
	State of Hawaii		<u>220,988,162</u>
	d. Gross funded indebtedness	\$	4,636,543,070
	Less exclusions:		
	e. Revenue bonds		
	Self-supporting waterworks	\$	277,180,000
	Self-supporting wastewater		1,564,544,555
	f. General obligation bonds issued for H-Power waste disposal facility		367,560,000
	g. General obligation bonds issued for Housing		62,331,974
	h. General obligation bonds issued for solid waste		144,538,260
	i. General obligation bonds issued for sewer projects		823,156
	j. State of Hawaii notes issued for sewer projects		218,831,427
		\$	<u>2,635,809,372</u>
	k. Net funded debt		<u>2,000,733,698</u>
10.	Gross limit of additional funded debt	\$	21,299,329,410
11.	Less general obligation bonds authorized and unissued:		
	Authorizing Ordinance	Total Authorized ⁽³⁾	Amount Issued
	Ordinance No. 98-29	\$ 178,425,865	\$ 177,199,935
	Ordinance No. 00-24	197,468,415	197,401,602
	Ordinance No. 01-27	230,710,880	230,258,536
	Ordinance No. 02-27	156,680,967	155,230,299
	Ordinance No. 03-08	120,035,003	118,538,671
	Ordinance No. 04-15	114,379,440	110,129,273
	Ordinance No. 05-15	142,426,140	136,500,709
	Ordinance No. 06-34	161,076,125	146,127,008
	Ordinance No. 07-26	216,365,181	195,015,527
	Ordinance No. 08-14	303,735,419	261,915,331
	Ordinance No. 09-13 ⁽⁴⁾	1,224,014,791	261,503,873
	Ordinance No. 10-13 ⁽⁴⁾	507,213,663	211,006,901
	Ordinance No. 11-12	196,358,100	8,666,452
	Ordinance No. 12-21	<u>222,514,000</u>	<u>-</u>
		\$ <u>3,971,403,989</u>	\$ <u>2,209,494,117</u>
			<u>1,761,909,872</u>
12.	Net limit of additional funded debt	\$	19,537,419,538

⁽¹⁾ 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.

⁽²⁾ Does not include revenue bonds issued as a conduit issuer for housing.

⁽³⁾ After deducting authorized amounts which have lapsed pursuant to the Charter of the City and County of Honolulu.

⁽⁴⁾ Includes authorizations for the City and County's proposed rail transit system. See "—High-Capacity Transit Corridor Project" herein.

Table 8

**GENERAL OBLIGATION FUNDED DEBT
OF THE CITY AND COUNTY OF HONOLULU
As of August 15, 2012**

Direct Debt	Effective Interest Rate	Original Amount of Issue	Maturing Serially From/To	Optional Call Dates	Outstanding
General Obligation Bonds:					
January 1, 1993 Series A	5.85764%	\$ 150,000,000	1/1/97-13	Non-callable	\$ 2,890,000
April 1, 1993 Series B	5.43923%	611,335,000	10/1/94-13	Non-callable	41,795,000
September 1, 1993 Series C	4.85624%	28,000,000	9/1/98-18	Non-callable	2,040,000
April 1, 1994 Series A	5.62722%	150,000,000	4/1/98-14	Non-callable	14,075,000
August 8, 2003 Series 2003A	4.85540%	250,000,000	3/1/08-28	3/1/2013	36,750,000
April 14, 2004 Series 2004 A	4.36246%	123,065,000	7/1/05-28	7/1/2014	54,065,000
April 14, 2004 Series 2004 B	3.62613%	192,850,000	7/1/08-17	7/1/2014	108,425,000
May 26, 2005 Series 2005A	3.99266%	186,470,000	7/1/09-29	7/1/2015	164,090,000
May 26, 2005 Series 2005B	3.99266%	27,315,000	7/1/09-19	7/1/2015	18,805,000
May 26, 2005 Series 2005C	3.99266%	76,770,000	7/1/09-21	7/1/2015	58,165,000
May 26, 2005 Series 2005D	3.99266%	81,215,000	7/1/09-23	7/1/2015	64,985,000
November 22, 2005 Series E	4.40023%	247,015,000	7/1/06-23	7/1/2015	175,945,000
November 22, 2005 Series F	4.62695%	149,150,000	7/1/10-29	7/1/2015	134,960,000
November 29, 2007 Series A	4.62201%	268,630,000	7/1/12-31	7/1/2017	260,250,000
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	28,940,000
April 28, 2009 Series C	1.89110%	50,685,000	4/1/11-13	Non-callable	17,515,000
November 19, 2009 Series D	4.39363%	141,950,000	9/1/14-34	9/1/2019	141,950,000
November 19, 2009 Series E ⁽¹⁾	3.89828%	50,415,000	9/1/14-34	Non-callable	50,415,000
November 19, 2009 Series F	3.25649%	49,500,000	9/1/14-20	9/1/2019	49,500,000
December 15, 2010 Series A ⁽¹⁾	3.72842%	151,100,000	12/1/2015-35	12/1/2020	151,100,000
December 15, 2010 Series B	4.34416%	196,670,000	12/1/2015-35	12/1/2020	196,670,000
August 4, 2011 Series A	4.18832%	141,235,000	8/1/2016-36	8/1/2021	141,235,000
August 4, 2011 Series B	3.41586%	163,110,000	8/1/2016-27	8/1/2021	163,110,000
May 14, 2012 CP Issue D ⁽²⁾	Variable	100,000,000	Not Applicable	Non-callable	50,000,000
		<u>\$ 4,065,345,000</u>			<u>\$ 2,572,560,000</u>
Notes Payable - Federal Government	5.11600%	\$ 5,668,313	6/20/84-16	Non-callable	\$ 1,270,353
Notes Payable - State of Hawaii	Various	<u>332,761,494</u>	Various	Non-callable	<u>220,988,162</u>
		<u>\$ 338,429,807</u>			<u>\$ 222,258,515</u>
Total Gross Direct Debt		<u>\$ 4,403,774,807</u>			<u>\$ 2,794,818,515</u>
Less exclusions:					
Bonds issued for solid waste				\$ 144,538,260	
Bonds issued for housing				62,331,974	
Bonds issued for H-Power waste disposal facility				367,560,000	
Bonds issued for sewer projects				823,156	
State of Hawaii Notes issued for sewer projects				<u>218,831,427</u>	
Net Funded Debt					<u>\$ 794,084,817</u>
					<u>\$ 2,000,733,698</u>

⁽¹⁾ Issued as Build America Bonds. For purposes of this table, the effective interest rate on Build America Bonds is shown net of expected federal interest subsidy. However, for budgetary purposes, interest on Build America Bonds is included without deduction of the federal interest subsidy in the City and County's operating budget.

⁽²⁾ The maximum authorized outstanding principal amount of notes under the City and County's commercial paper program is \$450,000,000.

Table 9

CITY AND COUNTY OF HONOLULU
DEBT SERVICE CHARGES ON OUTSTANDING GENERAL LONG-TERM DEBT
August 15, 2012 to Maturity ⁽¹⁾

FY Ending June 30	<u>General Obligation Bonds</u>			<u>Other Debt ⁽²⁾</u>		Gross Debt Service Charges	<u>Reimbursable Debt</u>		Net Debt Service Charges
	<u>Principal</u>	<u>Interest ⁽³⁾</u>		<u>Principal</u>	<u>Interest ⁽⁴⁾</u>		<u>Principal</u>	<u>Interest</u>	
2013	\$ 57,890,000	\$ 87,678,576	\$	16,368,259	\$ 2,277,541	\$ 164,214,376	\$ 25,443,892	\$ 26,955,927	\$ 111,814,557
2014	130,655,000	119,722,166		19,163,944	2,338,052	271,879,162	33,946,323	29,401,408	208,531,431
2015	114,520,000	113,649,953		16,801,104	1,933,121	246,904,178	36,362,947	28,185,733	182,355,498
2016	129,915,000	107,944,209		16,543,154	1,674,540	256,076,903	42,915,431	26,869,749	186,291,723
2017	150,820,000	101,236,100		16,177,713	1,425,221	269,659,034	45,828,039	25,296,033	198,534,962
2018	151,540,000	93,752,442		16,003,946	1,201,990	262,498,378	40,369,445	23,607,026	198,521,907
2019	135,905,000	86,882,867		15,073,621	996,163	238,857,651	41,519,817	22,203,101	175,134,733
2020	140,485,000	80,205,427		13,566,144	829,500	235,086,071	39,225,961	20,782,064	175,078,046
2021	119,005,000	73,888,608		13,211,869	705,687	206,811,164	35,319,662	19,513,494	151,978,008
2022	116,350,000	68,155,399		13,105,631	593,801	198,204,831	34,804,651	18,373,747	145,026,433
2023	113,955,000	62,525,158		12,320,728	487,806	189,288,692	34,905,850	17,204,355	137,178,487
2024	124,675,000	56,624,606		12,288,235	394,255	193,982,095	37,503,819	15,917,613	140,560,663
2025	101,980,000	50,947,371		12,349,932	301,799	165,579,103	35,194,220	14,616,030	115,768,853
2026	107,155,000	45,764,226		12,411,587	209,129	165,539,942	36,381,196	13,398,809	115,759,937
2027	112,595,000	40,319,769		9,914,314	120,703	162,949,786	35,057,401	12,136,181	115,756,204
2028	121,770,000	34,572,308		3,234,919	55,668	159,632,895	29,765,032	10,789,457	119,078,406
2029	103,245,000	28,738,488		1,537,491	37,837	133,558,816	27,687,080	9,437,722	96,434,014
2030	99,635,000	53,588,334		1,545,201	26,278	124,794,813	26,559,526	8,132,196	90,103,091
2031	78,055,000	19,044,219		1,552,937	14,674	98,666,830	27,110,143	6,839,240	64,717,447
2032	82,250,000	14,842,953		793,499	2,959	97,889,411	27,685,481	5,489,500	64,714,430
2033	65,095,000	10,965,594		--	--	76,060,594	25,494,598	4,155,309	46,410,687
2034	68,590,000	7,472,643		--	--	76,062,643	26,810,144	2,842,645	46,409,854
2035	49,410,000	3,747,969		--	--	53,157,969	25,847,386	1,466,501	25,844,082
2036	36,655,000	143,292		--	--	38,085,292	15,993,485	439,126	21,652,681
2037	<u>10,410,000</u>	<u>234,225</u>		<u>--</u>	<u>--</u>	<u>10,644,225</u>	<u>1,353,288</u>	<u>30,449</u>	<u>9,260,488</u>
*	\$ <u>2,522,560,000</u>	\$ <u>1,333,933,902</u>	\$	<u>223,964,228</u>	\$ <u>15,626,724</u>	\$ <u>4,096,084,854</u>	\$ <u>789,084,817</u>	\$ <u>364,083,415</u>	\$ <u>2,942,916,622</u>

⁽¹⁾ Excludes commercial paper dated 5/14/2012, self-supporting revenue bonds and State revolving fund notes payable.

⁽²⁾ Includes:

\$ 1,270,353	U.S. Government note payable for City and County's share of Kaneohe Reservoir Recreation & Fish and Wildlife Development.
220,988,162	State of Hawaii notes payable for various sewer projects, storm dewatering facility and storm water equipment.
<u>1,705,713</u>	Installment purchase contracts for various fixed assets.
\$ <u>223,964,228</u>	

⁽³⁾ Interest on Build America Bonds is shown above on the same basis as in the City and County's operating budget; i.e., interest figures are shown above without deduction for federal interest subsidy payments.

⁽⁴⁾ Includes loan fees charged to interest for State of Hawaii notes payable.

* Totals may not add due to rounding.

Trend of General Obligation Indebtedness

The following table sets forth the outstanding general obligation indebtedness of the City and County as of June 30 of each of the Fiscal Years ended June 30, 2008 through 2012.

Table 10

GENERAL OBLIGATION INDEBTEDNESS Fiscal Years 2008–2012

General Obligation Bonds					
FY Ended June 30	Non- Reimbursable⁽¹⁾	Reimbursable for Other Purposes⁽²⁾	Total General Obligation Bonds	Notes Payable	Total General Obligation Debt
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
2010	1,899,459,975	389,725,789	2,289,185,764	1,816,547	2,291,002,311
2011	1,961,201,362	572,195,147	2,533,396,509	1,550,262	2,534,946,771
2012	1,993,835,489	573,905,940	2,567,741,429	1,270,353	2,569,011,782

⁽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, and certain 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.

All of the City and County's outstanding long term general obligation indebtedness has been issued as fixed rate obligations. The City and County has never entered into any derivative product contracts with respect to its general obligation indebtedness.

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 footnote 2 to Table 10 above, 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, 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 2036. The leases are financed from general resources. Expenditures for such leases approximated \$1.0 million for the Fiscal Year ended June 30, 2011, and future expenditures for such leases are projected to be \$31.6 million in the aggregate through 2036.

Revenue Indebtedness

As of August 15, 2012, the Board of Water Supply of the City and County had \$277,180,000 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 August 15, 2012, the outstanding amounts of senior and junior revenue bonds were \$1,153,570,000 and \$408,273,300, respectively. In addition, the City and County has obtained loans from the U.S. Department of Agriculture, outstanding in the amount of \$2,701,255 as of August 15, 2012, which is secured by a pledge of revenues of the City and County's wastewater system. Such revenue bond and loan obligations 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 \$1.7 billion (in inflated dollars), five-year capital improvement program (Fiscal Year 2013 to Fiscal Year 2017) 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 the consent decree 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.

All of the City and County's outstanding revenue indebtedness has been issued as fixed rate obligations. The City and County has never entered into any derivative product contracts with respect to its revenue bond indebtedness.

H-Power Waste Disposal Facility

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.

In October 2012, the City and County completed a \$300 million expansion project at the H-Power facility which added another boiler capable of burning an additional 300,000 tons of waste per year. The project included new air pollution control equipment mandated by federal law which became operational in April 2011. In 2009 and

2010, the City and County issued \$325.7 million aggregate principal amount of reimbursable general obligation bonds to fund the costs of the expansion and air pollution control projects.

High-Capacity Transit Corridor Project

The City and County is proceeding with plans for a new \$5.17 billion, 20-mile fixed guideway mass 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 the population of this area is projected to continue to grow faster than the rest of Oahu.

Due to the size and cost of the overall project, it is expected to be built in four phases lasting several years. The first phase covers the initial 6.5-mile segment of the fixed guideway system from Kapolei to Pearl City. A \$482.9 million design-build contract for the elevated guideway in the first phase was awarded in October 2009, and the City and County broke ground on this phase in February 2011. The second phase covers the 3.9-mile segment from Pearl City to Aloha Stadium. A \$372 million design-build contract for the elevated guideway in this phase was awarded in March 2011. The remaining two phases and train stations along the route are expected to be constructed under separate design-bid-build contracts to be awarded as plans progress.

In March 2011, the City and County awarded a \$1.4 billion contract, \$574 million of which is to design-build the project's "core systems" (including, but not limited to, train vehicles, power system and system control center), including an initial order of 80 train cars. The contractor will also be responsible for operating and maintaining the rail system under the contract.

Costs related to the construction of the 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, proceeds of future general obligation bond issues, and money received from the U.S. Department of Transportation, Federal Transit Administration. The City and County submitted its Draft Financial Plan for Entry into Final Design to the Federal Transit Administration in April 2011 and met with its Oversight Contractor in May 2011. In June 2012, the City and County submitted a full funding grant agreement to the Federal Transit Administration requesting \$1.55 billion of federal funding for the project.

Also in June 2012, the City Council adopted and the Mayor approved Ordinance No. 12-17, which increases the amount of general obligation commercial paper notes of the City and County authorized to be outstanding at any time from \$350 million to \$450 million, and expands the authorized uses of commercial paper note proceeds (previously limited to the costs of public improvements authorized by the City and County's capital budget ordinances or relating to the water system managed by the Board of Water Supply) to include costs of constructing and equipping the transit system, subject to the condition that the City and County enter into a memorandum of understanding with the Honolulu Authority for Rapid Transportation that requires the Authority to reimburse the City and County for debt service and other costs associated with notes issued to fund costs of the transit system.

The debt service on future general obligation bonds issued for the project is expected to be paid with proceeds from the 0.5% excise tax surcharge or federal funds. 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.

As discussed herein under "THE CITY AND COUNTY OF HONOLULU – Government and Organization – *Semi-Autonomous Agencies*," the City and County established the Honolulu Authority for Rapid Transportation effective July 1, 2011 to develop, operate, maintain and expand the transit system. Before this agency was established, the City and County included \$917,317,000 and \$1,056,491,000 in its executive capital budget for the Fiscal Years ended June 30, 2010 and 2011, respectively, for the construction of the transit system. The City Council authorized the issuance of general obligation bonds covering these amounts in Ordinance Nos. 09-13 and 10-13, respectively. After establishing the Honolulu Authority for Rapid Transportation, the City and County stopped including any amounts for the transit system in its executive capital budget.

As discussed under “PENDING LITIGATION” herein, there are two lawsuits and an appeal from an administrative appeal pending that challenge the validity of the environmental impact statement and archeological inventory survey for the project and the award of the core systems contract for the transit system. In addition, the two mayoral candidates in the November 2012 general election disagree as to whether or not the City and County should continue with construction of the project. The outcome of these events and their impact on the project cannot be predicted at this time.

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 Fiscal Years ended June 30, 2008 through 2013 are shown in the table below.

Table 11

EXPENDITURES FOR CAPITAL IMPROVEMENTS Fiscal Years 2008–2013 (in millions of dollars)

Expenditures ⁽¹⁾								Cash as % of Grand Total
					Bond Funds		Cash	
Fiscal Year	Grand Total	General Obligation	Sewer Revenue	Total ⁽¹⁾	Federal Grants	Cash ⁽²⁾	Total	
2008 ⁽³⁾	\$ 537.5	\$ 223.2	\$ 210.0	\$ 433.2	\$ 29.5	\$ 74.8	\$ 104.3	19.4%
2009 ⁽³⁾	783.0	311.3	164.5	475.8	21.8	285.4	307.2	39.2%
2010 ⁽³⁾	1,587.5	1,216.4	97.2	1,313.6	96.0	177.9	273.9	17.3%
2011 ⁽³⁾	928.0	538.0	205.1	743.1	74.0	110.9	184.9	19.9%
2012 ⁽⁴⁾	583.2	196.3	210.8	407.1	79.4	96.7	176.1	30.2%
2013 ⁽⁴⁾	620.0	222.5	223.7	446.2	49.4	124.4	173.8	28.0%

⁽¹⁾ Inclusive of encumbrances.

⁽²⁾ Funds from current revenues and surplus.

⁽³⁾ Adjusted for lapses until August 30, 2012.

⁽⁴⁾ Budgeted amounts plus single purpose added in 2012 and 2013.

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; commercial paper with an A1/P1 or equivalent rating by any national securities rating service; and bankers' acceptance with an A1/P1 or equivalent rating by any national securities rating service; 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 no 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 \$1.1 million in the Fiscal Year ended June 30, 2012, representing an investment yield of 0.14%.

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

The City and County has 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 moneys (including moneys in the General Fund and Highway Fund) deemed by the Director of Budget and Fiscal Services to be in excess of the funding required to sustain city services, moneys appropriated by the City Council and moneys realized from certain conveyances of city property. By Resolution No. 06-222, the City and County's Debt and Financial Policies, the fund is targeted to be at least 5% of expenditures, with an optimal target equal to 8% of expenditures. As of June 30, 2011, the fund balance was \$29.9 million, and an additional \$16.38 million deposit is included in the City and County's Operating Budget for Fiscal Year 2013. 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 2013.

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, 2011, as audited by the firm of Accuity LLP, may be found at the City and County's website at <http://www1.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. Accuity LLP has not reviewed this Offering Memorandum and has no responsibility with respect to this Offering Memorandum. 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, 2007 through 2011, 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
For Fiscal Years Ended June 30, 2007 through June 30, 2011
(In thousand dollars)**

	<u>FY Ended June 30, 2007</u>	<u>FY Ended June 30, 2008</u>	<u>FY Ended June 30, 2009</u>	<u>FY Ended June 30, 2010</u>	<u>FY Ended June 30, 2011</u>
ASSETS:					
Cash and securities	\$136,752	\$196,653	\$101,360	\$143,001	\$182,093
Receivables:					
Real property taxes	9,168	12,642	16,046	15,728	19,054
Other	47,328	57,090	53,080	62,747	73,406
Component unit – CASE fees.....	7,800	--	--	--	--
Due from other funds	22,334	26,793	21,001	27,339	43,918
Total Assets	<u>\$223,382</u>	<u>\$293,178</u>	<u>\$191,487</u>	<u>\$248,815</u>	<u>\$318,471</u>
LIABILITY AND FUND BALANCES					
Liabilities:					
Accounts payable.....	\$ 8,951	\$ 9,964	\$ 8,423	\$ 13,733	\$ 17,089
Due to other funds	36,689	93,379	41,134	45,217	49,856
Accrued payroll and fringes	5,098	5,025	2,417	18,062	19,555
Deferred revenues	16,842	18,735	22,821	21,785	21,342
Total Liabilities	<u>\$ 67,580</u>	<u>\$127,103</u>	<u>\$ 74,795</u>	<u>\$ 98,797</u>	<u>\$107,842</u>
Fund Balances:					
Reserved for encumbrances.....	\$ 27,767	\$ 58,794	\$ 48,868	\$ 45,965	\$ 51,961
Unreserved-undesignated	128,035	107,281	67,824	104,053	158,668
Total Fund Balances	<u>155,802</u>	<u>166,075</u>	<u>116,692</u>	<u>150,018</u>	<u>210,629</u>
Total Liabilities and Fund Balances	<u><u>\$223,382</u></u>	<u><u>\$293,178</u></u>	<u><u>\$191,487</u></u>	<u><u>\$248,815</u></u>	<u><u>\$318,471</u></u>

Table 13

**CITY AND COUNTY OF HONOLULU
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For Fiscal Years Ended June 30, 2007 through June 30, 2011
(In thousand dollars)**

	FY Ended June 30, 2007	FY Ended June 30, 2008	FY Ended June 30, 2009	FY Ended June 30, 2010	FY Ended June 30, 2011
REVENUES:					
Real property tax ⁽¹⁾	\$727,015	\$805,174	\$851,265	\$901,687	\$838,912
Licenses and permits	40,648	36,127	33,360	34,686	34,258
Intergovernmental revenues	92,760	214,530	202,216	198,142	224,526
Charges for services	5,752	5,163	6,402	5,521	6,008
Fines and forfeits	557	877	645	562	551
Miscellaneous	111,729	110,424	107,987	45,188	47,384
Total Revenues	<u>\$978,461</u>	<u>\$1,172,295</u>	<u>\$1,201,875</u>	<u>\$1,185,786</u>	<u>\$1,151,639</u>
EXPENDITURES:					
Current:					
General government	\$ 115,200	\$ 125,323	\$ 133,597	\$ 128,576	\$ 121,698
Public safety	268,521	288,860	308,990	312,443	325,480
Highways and streets	2,239	2,554	3,718	2,086	1,930
Sanitation	2,245	5,536	4,828	2,959	3,863
Health and human resources	2,356	2,772	3,646	3,081	2,427
Culture and recreation	51,844	60,512	64,346	58,826	51,000
Utilities or other enterprises	--	--	6	123	5
Miscellaneous	141,236	141,159	176,051	180,423	144,884
Capital outlay	--	2,078	1,984	1,548	--
Debt service:					
Principal retirement	395	693	726	823	266
Interest charges	166	221	188	162	93
Total Expenditures	<u>\$584,202</u>	<u>\$629,708</u>	<u>\$698,080</u>	<u>\$691,050</u>	<u>\$651,646</u>
Excess of Revenues over Expenditures	<u>\$394,259</u>	<u>\$542,587</u>	<u>\$503,795</u>	<u>\$494,736</u>	<u>\$499,993</u>
OTHER FINANCING SOURCES (USES):					
Capital Leases	\$ 1,674	\$ 865	\$ 189	\$ --	\$ --
Sales of general fixed assets	74	176	346	72	9
Operating transfer-in	84,300	91,018	95,060	102,267	103,572
Operating transfer-out	(423,113)	(624,373)	(648,773)	(563,749)	(542,963)
Total Other Financing Sources (Uses)	<u>\$(337,065)</u>	<u>\$(532,314)</u>	<u>\$(553,178)</u>	<u>\$(461,410)</u>	<u>(439,382)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses					
Fund Balance--July 1	\$ 57,194	\$ 10,273	\$(49,383)	\$ 33,326	\$ 60,611
Fund Balance--June 30	<u>98,608</u>	<u>155,802</u>	<u>166,075</u>	<u>116,692</u>	<u>150,018</u>
Fund Balance--June 30	<u>\$ 155,802</u>	<u>\$ 166,075</u>	<u>\$ 116,692</u>	<u>\$ 150,018</u>	<u>\$210,629</u>

⁽¹⁾ Includes public service company taxes collected in lieu of real property taxes. See "CITY AND COUNTY REVENUES – General Fund – Public Service Company 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, 2011 (Audited) with Comparative Totals For Fiscal Year Ended June 30, 2010 (Audited)
(In thousand dollars)

	Governmental Funds					Totals (Memorandum Only)	
	General Fund ⁽¹⁾	Highway Fund	General Obligation Bond and Interest Redemption Fund	Transit Fund	Other Governmental Funds	2011	2010
Revenues:							
Taxes	\$ 838,912	\$ 95,645	\$ --	\$ --	\$ --	\$ 934,557	\$ 986,828
Special assessments	--	--	--	--	8	8	18
Licenses and permits	34,258	112,769	--	--	4,554	151,581	126,208
Intergovernmental	224,526	--	--	--	170,790	395,316	362,399
Charges for services	6,008	4,552	--	--	17,447	28,007	27,714
Fines and forfeitures	551	--	--	--	215	766	755
Miscellaneous:							
Reimbursements and recoveries	41,462	672	--	--	2	42,136	41,397
Interest	549	--	--	330	56	935	855
Other - primarily rents, concessions, trust receipts	5,436	3,875	--	13,020	14,733	37,064	26,029
Total revenues	\$1,151,702	\$217,513	\$ --	\$ 13,350	\$ 207,805	\$ 1,590,370	\$1,572,203
Expenditures:							
Current:							
General government	\$ 121,733	\$ 18,429	\$ --	\$ 1,172	\$ 8,660	\$ 149,994	\$ 159,713
Public safety	325,480	29,413	--	--	16,734	371,627	357,148
Highways and streets	1,930	14,622	--	--	229	16,781	21,774
Sanitation	3,863	--	--	--	--	3,863	2,959
Health and human resources	2,430	--	--	--	69,176	71,606	78,391
Culture-Recreation	51,000	--	--	--	22,087	73,087	81,859
Utilities or other enterprises	5	1,456	--	4,211	22,086	27,758	27,122
Miscellaneous:							
Retirement and health benefits	175,821	11,765	--	1,370	5,382	194,338	182,644
Other	22,240	1,113	--	2	437	23,792	23,806
Capital outlay	--	--	--	102,309	228,272	330,581	296,495
Debt service:							
Principal retirement	266	--	89,349	--	--	89,615	93,015
Interest charges	93	--	95,456	--	--	95,549	93,225
Total expenditures	\$ 704,861	\$ 76,798	\$ 184,805	\$ 109,064	\$ 373,063	\$1,448,591	\$1,418,151
Revenues over (under) Expenditures	\$ 446,841	\$ 140,715	\$ (184,805)	\$ (95,714)	\$ (165,258)	\$ 141,779	\$ 154,052
Other financing sources (uses):							
Proceeds of general obligation bonds	\$ --	\$ --	\$ 730	\$ --	\$ 100,004	\$ 100,734	\$ 30,254
Proceeds of tax-exempt commercial paper	--	--	--	--	50,000	50,000	20,000
Proceeds of refunding bonds	--	--	49,270	--	--	49,270	64,318
Payment of refunded bonds	--	--	(50,000)	--	--	(50,000)	(64,318)
Capital leases	--	--	--	--	--	--	--
Sales of fixed assets	435	224	--	--	1	660	581
Operating transfers in	106,172	--	184,805	179,108	25,705	495,790	477,351
Operating transfers out	(542,963)	(132,537)	--	--	(17,408)	(692,908)	(677,720)
Total Other Financing Sources (Uses)	\$ (436,356)	\$ (132,313)	\$ 184,805	\$ 179,108	\$ 158,302	\$ (46,454)	\$ (149,534)
Revenues and Other Sources over (under)							
Expenditures and Other Uses	10,485	8,402	--	83,394	(6,956)	95,325	4,518
Fund Balances – July 1	232,740	23,521	--	363,890	142,165	762,316	757,798
Fund Balances – June 30	\$ 243,225	\$ 31,923	\$ --	\$ 447,284	\$ 135,209	\$ 857,641	\$ 762,316

⁽¹⁾ General Fund figures differ from Table 13. General Fund figures on Table 14 include certain revenues and expenditures attributed to the General Fund under Governmental Auditing Standards Board Statement No. 54.

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, 2007 through June 30, 2011
(In thousand dollars)

	FY Ended June 30, 2007	FY Ended June 30, 2008	FY Ended June 30, 2009	FY Ended June 30, 2010	FY Ended June 30, 2011
REVENUES:					
Taxes.....	\$ 815,284	\$ 891,982	\$ 952,531	\$ 986,828	\$ 934,557
Special assessments.....	354	28	17	18	8
Licenses and permits.....	120,802	115,657	112,397	126,208	151,581
Intergovernmental revenues.....	238,926	358,552	355,530	362,399	395,316
Charges for services.....	24,754	23,766	23,924	27,714	28,007
Fines and forfeitures.....	868	1,183	932	755	766
Miscellaneous.....	135,475	136,434	139,302	68,281	80,135
Total Revenues.....	<u>\$1,336,463</u>	<u>\$1,527,602</u>	<u>\$1,584,633</u>	<u>\$1,572,203</u>	<u>\$1,590,370</u>
EXPENDITURES:					
Current:					
General government.....	\$ 141,459	\$ 153,759	\$ 163,280	\$ 159,713	\$ 149,994
Public safety.....	306,161	329,108	359,277	357,148	371,627
Highways and streets.....	21,000	24,066	28,271	21,774	16,781
Sanitation.....	2,674	5,537	4,828	2,959	3,863
Health and human resources.....	60,883	65,144	73,401	78,391	71,606
Culture-Recreation.....	71,084	82,328	87,888	81,859	73,087
Utilities or other enterprises.....	22,917	27,818	28,857	27,122	27,758
Miscellaneous.....	160,447	161,687	235,847	206,450	218,130
Capital outlay.....	187,001	197,410	225,663	296,495	330,581
Debt service:					
Principal retirement.....	102,794	260,680	122,273	93,015	89,615
Interest charges.....	103,869	100,362	104,980	93,225	95,549
Total Expenditures.....	<u>\$1,180,289</u>	<u>\$1,407,899</u>	<u>\$1,434,565</u>	<u>\$1,418,151</u>	<u>\$1,448,591</u>
Revenues over (under) Expenditures.....	<u>\$ 156,174</u>	<u>\$ 119,703</u>	<u>\$ 150,068</u>	<u>\$ 154,052</u>	<u>\$ 141,779</u>
OTHER FINANCING SOURCES (USES):					
Proceeds of general obligation bonds.....	\$ 0	\$ 109,000	\$ 150,089	\$ 30,254	\$ 100,734
Proceeds of general obligation refunding bonds.....	0				
Proceeds of tax-exempt commercial paper.....	94,000	75,000	45,000	20,000	50,000
Proceeds of refunding bonds.....	0	140,130	368,742	64,318	49,270
Payment of refunded bonds.....	0		(367,178)	(64,318)	(50,000)
Capital leases.....	1,674	865	189	0	0
Sales of fixed assets.....	430	362	661	581	660
Operating transfers-in.....	377,590	559,299	573,642	477,351	495,790
Operating transfers-out.....	(545,042)	(740,887)	(772,174)	(677,720)	(692,908)
Other.....	0	0	0	0	0
Total Other Financing Sources (Uses).....	<u>\$ (71,348)</u>	<u>\$ 143,769</u>	<u>\$ (1,029)</u>	<u>\$ (149,534)</u>	<u>\$ (46,454)</u>
Revenues and Other Sources over (under) Expenditures and Other Uses.....	<u>\$ 84,826</u>	<u>\$ 263,472</u>	<u>\$ 149,039</u>	<u>\$ 4,518</u>	<u>\$ 95,325</u>
Fund Balances—July 1.....	260,461	345,287	608,759	757,798	762,316
Fund Balances—June 30.....	<u>\$ 345,287</u>	<u>\$ 608,759</u>	<u>\$ 757,798</u>	<u>\$ 762,316</u>	<u>\$ 857,641</u>

EMPLOYEE RELATIONS; HEALTH CARE BENEFITS; 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 county 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 and 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. As applicable to bargaining units with which the City and County has collective bargaining agreements, State law only permits the bargaining unit for blue-collar non-supervisory employees to strike in the event of an impasse.

The City and County has collective bargaining agreements with the Hawaii Government Employees Association (the “HGEA”), which represents the bargaining units for blue-collar supervisory, white-collar non-supervisory, white-collar supervisory, and professional and scientific employees, and with United Public Workers, which represents bargaining unit 1 (blue-collar non-supervisory employees). Both agreements will expire on June 30, 2013. Collective bargaining agreements for bargaining units 10 (institutional, health and correctional workers), 11 (firefighters), and 12 (police officers) expired on June 30, 2011, and negotiations for new agreements are currently pending.

Health Care Benefits

All regular employees of the City and County are eligible for coverage under health plans provided through the State of Hawaii Public Employer-Union Health Benefit Trust Fund (the “Trust Fund”), which was established in 2003 to design, provide and administer health and other benefit plans for State and county employees, retirees and their dependents. The Trust Fund is administered by a ten-member Board of Trustees (the “Board”) appointed by the Governor comprised of five union representatives and five management representatives. The Board is responsible for determining the nature and scope of health plans offered by the Trust Fund, negotiating and entering into contracts with insurance carriers, ruling on eligibility and establishing management policies for the Trust Fund and overseeing Trust Fund activities. The Trust Fund currently provides medical, prescription drug, dental, vision, chiropractic and group life benefits. Benefits with respect to regular employees are funded by a combination of employer contributions set by collective bargaining agreement or by executive order (with respect to non-union employees) and employee contributions through payroll deductions. Benefits for retirees are funded by a statutory formula.

In recent years, public and private health plan providers nationwide and in Hawaii, including the Trust Fund, have experienced substantial increases in health care costs. In the case of the Trust Fund, the current fiscal situation faced by the State and county employers has made it extremely difficult for the employers to increase employer contributions for health benefits in order to maintain the historical employer-employee contribution ratio. In the past, the Board has attempted to mitigate health plan rate increases by modifying benefits, and employees have been required to bear a larger share of the increased rates. The City and County cannot predict what actions

will be taken (including changes to future plan benefits or employer-employee contribution rates) to address the impact of rising health care costs on the Trust Fund or what financial effects such changes may have on the City and County.

The information included under the following two captions “Pensions” and “Other Post-Employment Benefits” relies on information produced by the State Retirement System (as defined below) and the Trust Fund, respectively. Actuarial assessments are “forward-looking” information that reflect the respective judgments of the fiduciaries of the State Retirement System and the Trust Fund. Such actuarial assessments are based upon a variety of different assumptions, one or more of which may prove to be inaccurate or be changed in the future, and will change with the future experiences of the State Retirement System and the Trust Fund.

Other Post-Employment 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 Trust Fund to retired State and county employees and their dependents, including retired City and County employees and their dependents. 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 June 2012, 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, 2013. These estimates were based on the actuarial valuation as of July 1, 2011. Assuming full prefunding of obligations, the actuarial accrued liability for Trust Fund OPEBs for the City and County was estimated to be approximately \$1.78 billion with full prefunding for such period. The corresponding annual required contribution is estimated to be approximately \$139.7 million for the Fiscal Year 2013 with full prefunding, as compared to \$155.78 million for the Fiscal Year 2012. The annual OPEB cost is estimated at \$142.6 million for Fiscal Year 2013, as compared to \$158.5 million for Fiscal Year 2012.

Transfers to the Trust Fund to prefund the City and County’s OPEB obligations in part are determined on a year-by-year basis. On June 30, 2009, the City and County transferred \$40.11 million to the Trust Fund for this purpose. On June 29, 2012, the City and County transferred an additional \$40 million to the Trust Fund for this purpose. A further transfer in the amount of \$43.52 million is included in the City and County’s Operating Budget for the Fiscal Year ending June 30, 2013.

Pensions

All regular employees of the City and County are covered under the Employees’ Retirement System of the State (referred to herein as the “State Retirement System” or the “System”), a cost sharing, multiple employer defined benefit pension plan that provides retirement, disability and death benefits funded by employee contributions and by employer contributions. This section contains certain information relating to the System. The information contained in this section is primarily derived from information produced by the System, its independent accountant and its actuary. The City and County has not independently verified the information provided by the System, its independent accountant and its actuary, and makes no representations nor expresses any opinion as to the accuracy of such information. The comprehensive annual financial report of the System and most recent valuation report of the System may be obtained by contacting the System. The comprehensive annual financial reports of the System are also available on the State’s website at <http://ehawaii.gov>, and other information about the System are available on the System’s website at <http://ers.ehawaii.gov/>. Such documents and other information are not incorporated herein by reference.

The System uses a variety of assumptions to calculate the actuarial accrued liability, actuarial value of assets and other actuarial calculations and valuations of the System. No assurance can be given that any of the assumptions underlying such calculations and valuations (including, but not limited to, the current actuarial assumptions adopted by the System’s Board of Trustees, the System’s benefit structure or the actuarial method used by the System) will reflect the actual results experienced by the System. Variances between the assumptions and actual results may cause an increase or decrease in, among other things, the System’s actuarial value of assets,

actuarial accrued liability, unfunded actuarial accrued liability or funded ratio. Actuarial assessments are “forward- looking” information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions (including, but not limited to, the current actuarial assumptions, benefit structure or actuarial method used by the System), one or more of which may prove to be inaccurate or be changed in the future. Actuarial assessments will change with the future experience of the pension plans. See “—*General Information*” and “— *Actuarial Valuation*” herein for more information on the actuarial assumptions used by the System.

Much of the disclosure set forth in this “State Employees’ Retirement System” section is based on the Report to the Board of Trustees on the 86th Annual Actuarial Valuation for the Year Ended June 30, 2011 (the “2011 Valuation Report”), which is the most recent valuation report of the System. The information presented in the 2011 Valuation Report was based on actuarial assumptions adopted by the System’s Board of Trustees in December 2010. As described more fully under “—General Information” below, a revised benefit structure for new members was enacted through statute. In addition, future employer contribution rates were enacted through statute. The new benefit structure does not apply to any employees currently covered by the System. Therefore, the liabilities disclosed in the 2011 Valuation Report prepared by the System’s actuary do not yet reflect the impact of the new benefit provisions. However, included in the 2011 Valuation Report are projections showing the long-term impact of both the increased employer contributions and the change in benefits for employees first hired after June 30, 2012.

Reference is made to “—*Recent Developments*” below for a discussion of recent Hawaii legislation to reduce the unfunded actuarial accrued liability of the State Retirement System by limiting the impact of the practice (known as “spiking”) of inflating employees’ average final compensation in order to increase pension benefits. Also included is a discussion of the Government Accounting Standards Board’s Statement No. 67, Financial Reporting for Pension Plans (effective for reporting periods beginning after June 15, 2013), and Statement No. 68, Accounting and Financial Reporting for Pensions (effective for fiscal years beginning after June 15, 2014).

General Information

The System began operation on January 1, 1926. The System is a cost sharing, multiple employer defined benefit pension plan. The actuarial information presented herein is provided for all employers of the System in total. The System’s plan year runs from July 1 of each year through the following June 30. The System covers all regular employees of the State and each of its counties, including judges and elected officials. As it is a cost-sharing plan, the System does not allocate its liabilities among participating employers. The City and County’s contribution to the System for the last five Fiscal Years, exclusive of costs for employees of the Board of Water Supply, was \$67,500,000 for 2007, \$73,000,000 for 2008, \$88,600,000 for 2009, \$96,700,000 for 2010, and \$90,100,000 for 2011, including amortization of a portion of prior service costs in each such year. Contributions are budgeted at \$96,852,000 for 2012.

The statutory provisions of HRS Chapter 88 govern the operation of the System. Responsibility for the general administration of the System is vested in a Board of Trustees, with certain areas of administrative control being vested in the Department of Budget and Finance. The Board of Trustees consists of eight members: the Director of Finance of the State, ex officio; four members of the System (two general employees, one teacher, and one retiree) who are elected by the members and retirees of the System; and three citizens of the State (one of whom shall be an officer of a bank authorized to do business in the State, or a person of similar experience) who are appointed by the Governor and may not be employees of the State or any county. All contributions, benefits and eligibility requirements are established by statute, under HRS Chapter 88, and may only be amended by legislative action.

Prior to 1984, the System consisted of only a contributory plan. Legislation enacted in 1984 created a noncontributory retirement plan for certain members of the System who are also covered under Social Security. The noncontributory plan provides for reduced benefits and covers most employees hired after June 30, 1984 and employees hired before that date who elected to join the plan. Police officers, firefighters, other enforcement officials, certain elected and appointed officials and other employees not covered by Social Security are excluded from the noncontributory plan. The minimum service required for retirement eligibility is five years of credited service under the contributory plan and ten years of credited service under the noncontributory plan. Both the

contributory and noncontributory plans provide a monthly retirement allowance based on the employee's age, years of credited service, and average final compensation (the "AFC"). The AFC is the average salary earned during the five highest paid years of service, including the vacation payment, if the employee became a member prior to January 1, 1971 or the three highest paid years of service, excluding the vacation payment (whichever is higher). The AFC for members hired after that date is based on the three highest paid years of service, excluding the vacation payment.

On July 1, 2006, a new defined benefit contributory plan (the "Hybrid Plan") was established pursuant to Act 179, SLH 2004. Members in the Hybrid Plan are eligible for retirement with full benefits at age 62 with 5 years of credited service or age 55 and 30 years of credited service. Members receive a benefit multiplier of 2% for each year of credited service in the Hybrid Plan. Most new employees hired from July 1, 2006 were required to join the Hybrid Plan.

In December 2010, the System's actuary completed an Actuarial Experience Study for the five-year period ended June 30, 2010 (the "2010 Experience Study"). In Fiscal Year 2011, based in part on the results of the Experience Study, the Legislature acted to limit the growth of the State's pension liabilities by passing Act 163, SLH 2011. This Act, effective July 1, 2012, enacts certain changes to the funding of the System and the benefit structure for new members in all plans. Funding changes include increasing the statutorily required employer contribution rates (see "—Funding Status" below). Benefit changes for new members include increasing the age and service requirements for retirement eligibility, reducing the retirement benefit multiplier and reducing the interest rate credited to employee contributions to 2%. The change in the interest rate credited to employee contributions to 2% is for new members in the Hybrid Plan and Contributory Plan hired on or after July 1, 2011. All other benefit changes are effective for new members hired on or after July 1, 2012. Act 163, SLH 2011, also reduced the investment yield rate assumption for Fiscal Year 2011 from 8% to 7.75% and gave authority to the Board of Trustees to adopt all assumptions to be used for actuarial valuations of the System, including the assumed investment yield rate for subsequent fiscal years. To better reflect the recent actual experience of the System, the Board of Trustees adopted the assumption recommendations set forth in the 2010 Experience Study, including continuing the investment yield rate assumption of 7.75%.

In Fiscal Year 2011, the Legislature acted to improve and protect the System's funded status by placing a moratorium on the enhancement of benefits. Act 29, SLH 2011, provides that there shall be no benefit enhancement for any group of members until the actuarial value of the System's assets is 100 percent of the System's actuarial accrued liability.

As of March 31, 2010, the contributory plan covered 7,035 active employees or 10.7% of all active members of the System, the noncontributory plan covered approximately 21,268 active employees or 32.3%, and the Hybrid Plan covered 37,587 active members or 57.0%. The Hybrid Plan membership will continue to increase in the future as most new employees hired from July 1, 2006 will be required to join this plan.

As of June 30, 2011, the System's membership comprised approximately 65,310 active employees, 6,649 inactive vested members and 39,689 pensioners and beneficiaries. The following table shows the number of active members, inactive members and retirees and beneficiaries of the System as of June 30, 2010 and 2011:

Table 16

STATE RETIREMENT SYSTEM MEMBERSHIP

Category	June 30, 2011	June 30, 2010
Active	65,310	65,890
Inactive	6,649	6,895
Retirees and beneficiaries	39,689	38,441
Total	111,648	111,226

Funded Status

Like most public pension funds in the United States, the System was significantly impacted by the severe downturn in the investment markets during Fiscal Year 2009. Based on the actuarial valuation as of June 30, 2011, the System's underfunded status has increased significantly because of continued recognition of market investment losses and changes to the actuarial assumptions. However, the System had a partially offsetting liability experience gain which was caused primarily by lower than expected salary increases. The unfunded actuarial accrued liability (the "UAAL") as of June 30, 2011 was \$8.154 billion. The statutory employee and employer contribution rates are intended to provide for the normal cost plus the amortization of the UAAL over a period not in excess of 30 years. Based on the current contribution rates of 19.70% for police and fire employees and 15.00% for all other employees, the future contribution rates established in statute (see "*— Funding Policy*" below), and the new benefit tier for employees hired after June 30, 2012, the actuary has determined that the remaining amortization period is 25 years. Because this period is less than 30 years (the maximum period specified by Section 88-122(e)(1), Hawaii Revised Statutes), the financing objectives of the System are currently being realized. Section 88-122(e)(1), Hawaii Revised Statutes, provides that the employer contribution rates are subject to adjustment when the funding period is in excess of 30 years. See "*— Funding Policy*" below for information on increases in the employer contribution rates and benefits changes.

Funding Policy

Prior to Fiscal Year 2006, the System was funded on an actuarial reserve basis. Actuarial valuations were prepared annually by the consulting actuary to the Board of Trustees to determine the employer contribution requirement. In earlier years, the total actuarially determined employer contribution was reduced by some or all of the investment earnings in excess of the investment yield rate applied in actuarial valuations to determine the net employer appropriations to be made to the System. Act 327, SLH 1997, amended Section 88-107, Hawaii Revised Statutes, so that, beginning with the June 30, 1997 valuation, the System retains all of its excess earnings for the purpose of reducing the unfunded actuarial accrued liability. However, Act 100, SLH 1999, reinstated the excess earnings credit for the June 30, 1997 and June 30, 1998 valuations. For those two valuations, the investment earnings in excess of a 10% actuarial return was to be applied as a reduction to the employer contributions. In accordance with the statutory funding provisions (Section 88-122, Hawaii Revised Statutes, as amended by Act 147, SLH 2001), the total actuarially determined employer contribution to the pension accumulation fund was comprised of the normal cost plus the level annual payment required to amortize the unfunded actuarial accrued liability over a period of 29 years from July 1, 2000. The contribution requirement was determined in the aggregate for all employers in the System and then allocated to individual employers based on the payroll distribution of covered employees as of the March preceding the valuation date. The actuarially determined employer contribution derived from a valuation was paid during the third fiscal year following the valuation date, *e.g.*, the contribution requirement derived from the June 30, 1998 valuation was paid into the System during the Fiscal Year ended June 30, 2001. The actuarial cost method used to calculate employer contributions was changed in 1997 by Act 327 from the frozen initial liability actuarial cost method to the entry age normal actuarial cost method effective with the June 30, 1995 actuarial valuation. Employer contributions were determined separately for two groups of covered employees: (1) police officers, firefighters, and corrections officers; and (2) all other employees who are members of the System.

Act 181, SLH 2004, established fixed employer contribution rates as a percentage of compensation (15.75% for their police officers, firefighters, and correction officers and 13.75% for other employees) effective July 1, 2005. Pursuant to Act 256, SLH 2007, employer contributions beginning July 1, 2008 increased to 19.70% for police officers, firefighters, and correction officers and 15.00% for all others employees. As described above, the State Retirement System's actuary determined that the remaining period required to amortize the UAAL as of June 30, 2010 was 41.3 years, which is greater than the maximum of 30 years specified by Section 88-122(e)(1), Hawaii Revised Statutes. As a result, and pursuant to the recommendations of the 2010 Experience Study, the Board of Trustees requested an increase in the statutory employer contribution rates to bring the funding period down to 30 years. In response, the Legislature enacted Act 163, SLH 2011, pursuant to which, effective July 1, 2012, employer contribution requirements will gradually increase as follows:

Table 17

STATE RETIREMENT SYSTEM EMPLOYER CONTRIBUTION REQUIREMENTS

Employer Contribution effective starting	Police Officers, Firefighters, and Correction Officers (% of total payroll)	Other Employees (% of total payroll)
July 1, 2012	22.0%	15.5%
July 1, 2013	23.0	16.0
July 1, 2014	24.0	16.5
July 1, 2015	25.0	17.0

Under the contributory plan, police officers, firefighters, and corrections officers are required to contribute 12.2% of their salary to the plan and most other covered employees are required to contribute 7.8% of their salary. Under the Hybrid Plan, covered employees are generally required to contribute 6.0% of their salary to the plan, with sewer workers in specified classifications, water safety officers and emergency medical technicians required to contribute 9.75% of their salary. Effective July 1, 2012, contribution rates for newly hired employees covered under the contributory and Hybrid Plan increase by 2% pursuant to Act 163, SLH 2011, such that the corresponding contribution rates for new employees as discussed in this paragraph will be 14.2%, 9.8%, 8.0%, and 11.75%, respectively. Employees covered under the noncontributory plan do not make contributions.

Actuarial Methods

The System's actuary uses the entry age normal cost method. The most recent valuation was performed for the year ended June 30, 2011.

Since the State statutes governing the System establish the current employee and employer contribution rates, the actuarial valuation determines the number of years required to amortize (or fund) the UAAL. For the June 30, 2011 valuation, this determination was made using an open group projection to reflect both the increasing contribution rates and the changes in benefits for members hired after June 30, 2012.

Because of this amortization procedure, any change in the unfunded actuarial accrued liability due to (i) actuarial gains and losses, (ii) changes in actuarial assumptions, or (iii) amendments, affects the funding period.

On an aggregate basis with regard to the contributory, the Hybrid, and the noncontributory plans, the total normal cost for benefits provided by the System as of June 30, 2011 was 11.06% of payroll, which was 9.59% of payroll less than the total contributions required by law (15.52% from employers plus 5.00% in the aggregate from employees). Since only 6.06% of the employers' 15.52% contribution is required to meet the normal cost (5.00% comes from the employee contribution), it is intended that the remaining 9.46% of payroll will be used to amortize any unfunded actuarial accrued liabilities over a period of years in the future, assuming that total payroll increases by 3.50% per year. Due to the changes enacted in 2011 (increases in the employer contribution rates and new benefits and contribution rates for members hired after June 30, 2012), the percentage of payroll available to amortize the unfunded actuarial liabilities is expected to increase each year for the foreseeable future.

Actuarial Valuation

The actuarial value of assets is equal to the market value, adjusted for a four-year phase-in of actual investment return in excess or below of expected investment return. The actual return is calculated net of investment and administrative expenses, and the expected investment return is equal to the assumed investment return rate multiplied by the prior year's market value of assets, adjusted for contributions, benefits paid, and refunds. The actuarial value of assets has been based on a four-year smoothed valuation that recognizes the excess or shortfall of investment income over or under the actuarial investment yield rate assumption. The actuarial asset valuation method is intended to smooth out year-to-year fluctuations in the market return. The excess or shortfall in the actual return during the year, compared to the investment yield rate assumption, is spread over this valuation and the next three valuations.

The System's actuary uses certain assumptions (including rates of salary increase, probabilities of retirement, termination, death and disability, and an investment yield rate assumption) to determine the amount that an employer must contribute in a given year to provide sufficient funds to the System to pay benefits when due. Prior to Fiscal Year 2012, Section 88-122(b), Hawaii Revised Statutes, provided for the Board of Trustees to adopt the assumptions to be used by the System except the investment yield rate, which was set by the Legislature. Act 163, SLH 2011, set the investment yield rate at 7.75% for Fiscal Year 2011 but also amended Section 88-122(b), Hawaii Revised Statutes, to allow the Board of Trustees to establish, for subsequent fiscal years, all assumptions to be used by the System, including the investment yield rate assumption. The Board of Trustees periodically evaluates and revises the assumptions used by the System for actuarial valuations, including by commissioning experience studies to evaluate the actuarial assumptions to be used by the System. The current assumptions, including continuing the investment yield rate of 7.75%, were adopted by the System's Board of Trustees based on the recommendations of the System's actuary in the most recent experience study, the 2010 Experience Study. The new assumptions, funding changes and benefit structure are reflected in the 2011 Valuation Report.

The following table sets forth the schedule of funding progress of the System for the ten most recent actuarial valuation dates.

Table 18
SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in millions)

June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b)–(a)	Funded Ratio (a)/(b)	Payroll (c)	UAAL as a Percentage of Payroll ((b)–(a))/(c)
2002	\$9,415.2	\$11,210.2	\$1,795.1	84.0%	\$2,671.7	67.2%
2003	9,074.0	11,952.1	2,878.1	75.9%	2,826.7	101.8%
2004	8,791.1	12,271.3	3,474.2	71.7%	2,865.1	121.3%
2005	8,914.8	12,986.0	4,071.1	68.6%	3,041.1	133.9%
2006*	9,529.4	14,661.4	5,132.0	65.0%	3,238.3	158.5%
2007	10,589.8	15,696.5	5,106.8	67.5%	3,507.0	145.6%
2008	11,381.0	16,549.1	5,168.1	68.8%	3,782.1	136.6%
2009	11,400.1	17,636.4	6,236.3	64.6%	4,030.1	154.7%
2010	11,345.6	18,483.7	7,138.1	61.4%	3,895.7	183.2%
2011**	11,942.8	20,096.9	8,154.2	59.4%	3,916.0	208.2%

* Assumption changes and new Hybrid Plan effective June 30, 2006.

** Assumption changes effective June 30, 2011.

Source: The 2011 Valuation Report.

The total assets of the System on a market value basis amounted to approximately \$8.8 billion as of June 30, 2009, \$9.8 billion as of June 30, 2010 and \$11.6 billion as of June 30, 2011. Actuarial certification of assets as of June 30, 2009 was \$11.4 billion (See “— *Summary of Actuarial Certification Statement*” below). The June 30, 2011 actuarial certification of assets was \$11.9 billion, and its unfunded actuarial accrued liability was \$8.2 billion. Since the System is a cost sharing, multiple employer public retirement system, the unfunded actuarial accrued liability is not allocated to the State and the counties. The following table shows the normal cost as a percentage of payroll, employee contribution rate and effective employer normal cost rate for the two groups of covered employees for Fiscal Year 2010 and 2011:

Table 19**NORMAL COST**

	June 30					
	2011			2010		
	Police and Firefighters	Other Employees	All Employees	Police and Firefighters	Other Employees	All Employees
Normal cost as % of payroll	20.29%	9.87%	11.06%	18.80%	11.84%	12.60%
Employee contribution rate	12.20%	4.09%	5.00%	12.20%	6.05%	6.70%
Effective employer normal cost rate	8.09%	5.78%	6.06%	6.60%	5.79%	5.90%

Source: The 2011 Valuation Report.

The following table shows a comparison of the actuarial value of assets (“AVA”) to the market values, the ratio of the AVA to market value and the funded ratio based on AVA compared to funded ratio based on market value of assets, for the last two valuation dates:

Table 20**ASSET VALUES**

	June 30, 2011	June 30, 2010
AVA	\$11,942.8 million	\$11,345.6 million
Market Value of Assets	\$11,642.3 million	\$9,821.6 million
Market Value as Percentage of AVA	97.5%	86.6%
Funded Ratio (AVA)	59.4%	61.4%
Funded Ratio (Market Value)	57.9%	53.1%

Source: The 2011 Valuation Report.

The following table shows the annual required contributions, actual contributions and the percentage of actuarially required contribution that has been funded as of the last 10 valuation dates. Employer contribution rates are set by the statute (see above) and, accordingly, may be greater or less than the ARC:

Table 21

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollar amounts in thousands)

June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2002	167,459	167,459	100.0%
2003	190,586	190,586	100.0%
2004	235,686	235,686	100.0%
2005	328,717	328,717	100.0%
2006*	423,446	423,446	100.0%
2007	476,754	454,494	95.3%
2008	510,727	488,770	95.7%
2009	526,538	578,635	109.9%
2010	536,237	547,613	102.1%
2011	582,535	534,858	91.8%

* Effective July 1, 2005 the required contributions are based on contribution rates and not specific dollar amounts.

Source: The 2011 Valuation Report.

Asset Allocation

The following table shows the target and actual asset allocation of the System as of June 30, 2011:

Table 22

ASSET ALLOCATION (as of June 30, 2011)

Asset Type	Actual Allocation		Target Allocation		Allocation Difference
	Amount (\$mm)	Percentage	Amount (\$mm)	Percentage	
Domestic Equity	\$ 5,530.0	47.8%	\$ 4,050.0	35.0%	12.8%
Non-US Equity	1,990.0	17.2%	2,430.0	21.0%	-3.8%
Fixed Income	2,710.0	23.4%	2,780.0	24.0%	-0.6%
Real Estate	810.0	7.0%	810.0	7.0%	0.0%
Private Equity	380.0	3.3%	580.0	5.0%	-1.7%
Real Return	150.0	1.3%	580.0	5.0%	-3.7%
Other	0.0	0.0%	350.0	3.0%	-3.0%
Total	\$11,600.0	100.0%	\$11,600.0	100.0%	

Source: Valuations provided by Northern Trust – 2011; values unaudited.

Employer Contribution Rate

The schedule which follows shows the total actuarially determined employer contribution rate for all employees based on the last six annual actuarial valuations.

Table 23

EMPLOYER CONTRIBUTION RATES

Actuarial Valuation as of June 30	Total Calculated Employer Contribution Rate for All Employees (% of total payroll)*	Funding Period (Years)
2006	13.95	35.2
2007	13.95	25.5
2008	15.46	22.6
2009	15.47	28.2
2010	15.49	41.3
2011	15.52	25.0

* Reflects Act 181, SLH 2004, which amended Sections 88-105, 88-122, 88-123, 88-124, 88-125, 88-126, Hawaii Revised Statutes, and Act 163, SLH 2011.

In Fiscal Year 2005, the funding period increased due to recognition of large actuarial losses. In Fiscal Year 2006, the funding period increased due to a large increase in the liabilities associated with the adoption of new actuarial assumptions. The funding period decreases in 2007 and 2008 reflect an increase in employer contribution rates that became effective July 1, 2008 pursuant to Act 256, SLH 2007, and the net asset gain from investments that offsets actuarial losses resulting from higher than expected salary increases. The increases in Fiscal Years 2009 and 2010 were from the recognition of the actuarial asset loss from the significant decline in the financial markets during Fiscal Year 2009. The decrease in the funding period in 2011 is a reflection of Act 163, SLH 2011, which was enacted to raise the employer contribution rates over the next several years and to provide for smaller benefits for employees hired after June 30, 2012, to bring the funding period in line with the 30-year statutory requirement.

Summary of Actuarial Certification Statement

The summary of the actuarial certification of the Employees' Retirement System as of June 30, 2010 and 2011 is set forth below:

Table 24

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII
Summary of Actuarial Certification as of June 30, 2010 and 2011
(Includes all counties)

ASSETS	2011	2010
Total current assets.....	\$11,942,753,360	\$11,345,618,006
Present value of future employee contributions.....	1,610,447,797	1,435,479,895
Present value of future employer normal cost contributions.....	1,863,531,307	1,601,394,963
Unfunded actuarial accrued liability.....	8,154,177,009	7,138,050,585
Present value of future employer Early Incentive Retirement Program contribution	N/A	N/A
TOTAL ASSETS.....	<u>\$23,570,909,472</u>	<u>\$21,520,543,449</u>
LIABILITIES		
Present value of benefits to current pensioners and beneficiaries.....	10,183,713,229	9,259,425,898
Present value of future benefits to active employees and inactive members	<u>13,387,196,243</u>	<u>12,261,117,551</u>
TOTAL LIABILITIES	<u>\$23,570,909,472</u>	<u>\$21,520,543,449</u>

Source: Gabriel, Roeder, Smith & Company.

As of June 30, 2011, the unfunded actuarial accrued liability (under the entry age normal actuarial cost method) of the System amounted to approximately \$8.154 billion. The System's funded ratios – assets divided by the actuarial accrued liability - decreased during Fiscal Year 2011 as shown below:

Table 25

FUNDED RATIOS

<u>June 30, 2011</u>	<u>June 30, 2010</u>
59.4%	61.4%

The actuarial report for the Fiscal Year ended June 30, 2012 is expected to be available in December 2012. According to the System's Administrator, the System posted an estimated .5% investment loss for the Fiscal Year, and the unfunded actuarial accrued liability as of June 30, 2012 is expected to be higher than the \$8.154 billion amount reported as of the previous Fiscal Year-end.

Recent Developments

In 2012, the Hawaii legislature passed, and the Governor signed into law, two bills seeking to reduce the overall UAAL of the State Retirement System by limiting the impact of spiking by public employees:

- Senate Bill 1269, signed into law as Act 152, Session Laws of Hawaii 2012, revises the method of computing Retirement System pension benefits for employees hired after July 1, 2012 by excluding from compensation (for pension calculation purposes) all non-base compensation components, such as overtime, supplemental payments, bonuses, lump sum salary supplements, allowances or differentials.
- House Bill 2487, signed into law as Act 153, Session Laws of Hawaii 2012, seeks to hold state or local governmental employers financially responsible for excessive overtime and related employee practices by increasing each governmental employer's annual contributions to the State Retirement System to

include the actuarial present value of the “excess maximum retirement allowance resulting from significant non-base pay increases” relating to that employer’s current and former employees.

The City and County does not believe that these Acts will have a material adverse effect on the City and County’s finances or operations or materially impair its ability to pay debt service on the Notes.

In June 2012, the Governmental Accounting Standards Board (GASB) voted to approve two new statements relating to the accounting and financial reporting for public employee pension plans by state and local governments.

- Statement No. 67, Financial Reporting for Pension Plans. Effective for reporting periods beginning after June 15, 2013, this Statement will require enhanced pension disclosures in notes and required supplementary information for financial reports of pension plans.
- Statement No. 68, Accounting and Financial Reporting for Pensions. Effective for fiscal years beginning after June 15, 2014, this Statement will require governments providing defined benefit pension plans to recognize pension obligations as balance sheet liabilities (as opposed to footnote disclosures), require more immediate recognition of certain changes in liabilities, require use of the entry age normal actuarial cost method (currently employed by the State Retirement System) for reporting purposes, and limit the smoothing of differences between actual and expected investment returns on pension assets. In certain cases, a lower discount rate will be required valuing pension liabilities. In addition, employers participating in cost-sharing, multiple employer defined benefit plans will be required to report their proportionate shares of the collective net pension liability and expense for such plans.

The full impact of GASB Statements 67 and 68 cannot be predicted at this time. However, it is anticipated that these Statements may result in substantial increases in the reported unfunded pension liabilities of most governmental defined benefit pension plans.

PENDING LITIGATION

Pending Cases

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, 2008 through 2012, settlements and judgments against the City and County paid from the General Fund amounted to \$4,675,408, \$7,720,708, \$6,294,675, \$5,233,596,* and \$3,601,663 respectively.

Several lawsuits have been filed against the City and County which have the potential to collectively surpass the amount paid in the Fiscal Year ending June 30, 2012. Four cases involve rain and tidal flooding in the Mapunapuna Industrial Subdivision. The City and County has taken remedial action to alleviate further flooding and is currently attempting to mediate the claims. Four other cases involve various significant personal injuries sustained on City and County premises and one employment case in which the plaintiffs have each claimed at least \$2 million in potential damages. These cases are in the preliminary stages of litigation and liability has not been established at this time and the City and County intends to vigorously defend itself in these cases.

There are two lawsuits and an appeal of an administrative decision, related to the Honolulu Rail Transit Project, an approximately \$5 billion project to develop a fixed guideway transit system from East Kapolei to the Ala Moana Shopping Center. The rail project is under the jurisdiction of the Honolulu Authority for Rapid Transportation (HART), a semi-autonomous City agency established through amendments to the City Charter to develop, operate, maintain and expand the City’s fixed guideway transit system.

* Of this amount, \$3,500,000 was paid pursuant to the consent decree discussed in this section under “Wastewater Consent Decree.”

A lawsuit has been filed in federal district court against the Federal Transit Administration and the City and County seeking a ruling that the Final Environmental Impact Statement and other analyses for the project are inadequate. Another lawsuit was filed in State court against various City and State defendants, alleging that the project violated State law by allowing for a separate archaeological inventory survey (AIS) in each of the four construction segments before construction in the respective segment, rather than completing a single AIS for the entire project alignment prior to any construction. The State Circuit Court ruled in favor of the City and State defendants, but on appeal the Hawaii Supreme Court ruled, in August 2012, in favor of the plaintiff. A motion for reconsideration has been denied by the Hawaii Supreme Court, and the case will be remanded to the State Circuit Court for further proceedings. Based on the Hawaii Supreme Court's opinion, ground disturbing construction activities related to the project have been halted pending completion of all AIS work or further court rulings, and it is anticipated there will be construction delays.

The lawsuits have the potential to delay and thereby jeopardize the project schedule and budget. The project is currently engaging in continuing design work. In the event that delays due to the lawsuits ultimately result in termination of the project, the City and County through HART may potentially be liable for contract termination claims, although such liability may not extend to the City, given HART's semi-autonomous status and likelihood that any claims could be paid from already encumbered contract funds.

An appeal has also been filed with the Intermediate Court of Appeals from a ruling by the State Circuit Court affirming the determination by the Office of Administrative Hearings, State Department of Commerce and Consumer Affairs, which upheld the City Chief Procurement Officer's denial of a bid protest by Bombardier Transportation (Holdings) USA, Inc. (Bombardier). Bombardier challenged the City's disqualification of its proposal for the award of the Core Systems Design-Build-Operate-Maintain Contract for the Honolulu High-Capacity Transit Corridor Project. Although various remedies are available, if a successful appeal by Bombardier results in the determination that it should have been awarded the contract and that the already awarded contract should be terminated, this may result in substantial costs to HART, which may be at least partially paid from already encumbered funds.

The Corporation Counsel 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.

Wastewater Consent Decree

In addition to the pending cases discussed above, a consent decree has been entered by the United States District Court in Hawaii to settle certain previous environmental lawsuits relating to the City and County's wastewater system. The Court retains continuing jurisdiction to enforce the consent decree. The following is a brief discussion of the consent decree and the City and County's obligations thereunder.

A wastewater consent decree, approved by the Environmental Protection Agency ("EPA"), the State of Hawaii's Department of Health ("DOH"), the Sierra Club, Hawaii Chapter, Our Children's Earth Foundation, and Hawaii's Thousand Friends, has been entered by the United States District Court in Hawaii. Three previous environmental lawsuits have been dismissed. The City and County's appeal of the EPA's January 2009 final decisions denying the City and County's applications to renew its permit variances from secondary treatment for the Honouliuli and Sand Island Wastewater Treatment Plants ("WWTP") was dismissed on February 2, 2011. The consent decree allows 10 years for completion of work on the collection system, 14 years for the upgrade of the Honouliuli WWTP to secondary treatment, and up to 25 years, with the possibility of a three-year extension, for the upgrade of the Sand Island WWTP to secondary treatment. The City and County is expected to incur approximately \$3.4 billion in capital costs through Fiscal Year 2020 (which coincides with the term of the collection system portion of the consent decree). This amount will largely be spent on the collection system, and much of it will go toward work that was already required or planned. This amount also includes a portion of the costs of treatment plant upgrades at Sand Island and Honouliuli. Costs for the treatment plant upgrades include approximately \$550 million to replace primary treatment facilities at both plants and \$1.15 billion to upgrade the plants to secondary treatment

plants. As part of the settlement, the City and County has paid a civil penalty in the amount of \$800,000 to the United States, and \$800,000 to the State of Hawaii. In addition, the City and County has paid \$800,000 to the Sierra Club, Hawaii Chapter, Our Children's Earth Foundation, and Hawaii's Thousand Friends, to fund four identified supplemental environmental projects.

The consent decree was lodged with the federal court on August 11, 2010, and was subject to a 30-day public comment period. The United States then filed its motion to enter the consent decree on November 15, 2010, which included its responses to the public comments received. The consent decree became effective upon its entry by the Court on December 17, 2010. The City and County has also settled the nonprofit organizations' claim for their attorneys' fees and costs, for an additional payment of \$1.1 million.

The consent decree was amended to a First Amended Consent Decree as ordered on March 27, 2012. This amendment modified the consent decree to substitute construction of a Kaneohe-Kailua gravity tunnel and an associated influent pump station for the construction of a new force main between the City and County's Kaneohe pump station and its Kailua treatment plant and to eliminate requirements to proceed with and maintain storage projects in Kaneohe and Kailua.

TAX MATTERS

Series 2012A Bonds, Series 2012B Bonds, and Series 2012C 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 2012A Bonds, Series 2012B Bonds, and Series 2012C Bonds (collectively, the "Tax Exempt 2012 Bonds") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), and the Tax Exempt 2012 Bonds and the income therefrom are exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Bond Counsel is of the further opinion that interest on the Tax Exempt 2012 Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Complete copies of the proposed forms of opinion of Bond Counsel are set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Tax Exempt 2012 Bonds is less than the amount to be paid at maturity of such Tax Exempt 2012 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Tax Exempt 2012 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 2012 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 2012 Bonds is the first price at which a substantial amount of such maturity of the Tax Exempt 2012 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 2012 Bonds accrues daily over the term to maturity of such Tax Exempt 2012 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 2012 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Tax Exempt 2012 Bonds. Beneficial owners of the Tax Exempt 2012 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Tax Exempt 2012 Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Tax Exempt 2012 Bonds in the original offering to the public at the first price at which a substantial amount of such Tax Exempt 2012 Bonds is sold to the public.

Tax Exempt 2012 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 2012 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 2012 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 2012 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Tax Exempt 2012 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 2012 Bonds may adversely affect the value of, or the tax status of interest on, the Tax Exempt 2012 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 2012 Bonds is excluded from gross income for federal income tax purposes and that the Tax Exempt 2012 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 2012 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.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Tax Exempt 2012 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. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Tax Exempt 2012 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Tax Exempt 2012 Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Tax Exempt 2012 Bonds. Prospective purchasers of the Tax Exempt 2012 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future 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 2012 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 2012 Bonds ends with the issuance of the Tax Exempt 2012 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 2012 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 2012 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 2012 Bonds, and may cause the City and County or the beneficial owners to incur significant expense.

Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, and Series 2012G 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, the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, and Series 2012G Bonds (collectively, the “Taxable 2012 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. Interest on the Taxable 2012 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 Taxable 2012 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 Taxable 2012 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 Taxable 2012 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 Taxable 2012 Bonds pursuant to this offering for the issue price that is applicable to such Taxable 2012 Bonds (i.e., the price at which a substantial amount of the Taxable 2012 Bonds are sold to the public) and who will hold their Taxable 2012 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 Taxable 2012 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 Taxable 2012 Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Taxable 2012 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 Taxable 2012 Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Taxable 2012 Bonds (including their status as U.S. Holders or Non-U.S. Holders).

For U.S. Holders

The Taxable 2012 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 Taxable 2012 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 Taxable 2012 Bonds for investment should consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the Taxable 2012 Bonds.

Disposition of the Taxable 2012 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 Taxable 2012 Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Taxable 2012 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 Taxable 2012 Bond which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted tax basis in the Taxable 2012 Bond (generally, the purchase price paid by the U.S. Holder for the Taxable 2012 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 Taxable 2012 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 Taxable 2012 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 Taxable 2012 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 Taxable 2012 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 Taxable 2012 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 Taxable 2012 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 Taxable 2012 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 Taxable 2012 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 Taxable 2012 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 Taxable 2012 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 Taxable 2012 Bond, to certain noncorporate holders of Taxable 2012 Bonds that are United States persons. Under current U.S. Treasury Regulations, payments of principal and interest on any Taxable 2012 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 Taxable 2012 Bond or a financial institution holding the Taxable 2012 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 Taxable 2012 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 Taxable 2012 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 Taxable 2012 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 Taxable 2012 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 Taxable 2012 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. Complete copies of the proposed forms of Bond Counsel opinions are 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.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

In connection with the issuance of the Bonds and the refunding of the Refunded Bonds, Causey Demgen & Moore P.C., 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 Series 2012B Bonds and Series 2012C 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.

BOND RATINGS

Fitch Ratings and Moody's Investors Service have assigned to the Bonds ratings of "AA+" and "Aa1," 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; and Moody's Investors Service, 99 Church Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies concerned, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased for reoffering by Merrill Lynch, Pierce, Fenner & Smith Incorporated and Piper Jaffray & Co. The Underwriters have agreed to purchase the Bonds at an aggregate purchase price of \$1,003,038,963.43 (equal to the principal amount of such Bonds, plus a net original issue premium of \$92,885,506.60, less an underwriting discount of \$2,326,543.17). The bond purchase contract provides that the Underwriters will purchase all of the Bonds if any are purchased. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial public offering prices set forth in this Official Statement.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the City and County, for which they received or will receive customary fees and expenses.

The City and County intends to use a portion of the proceeds from this offering to redeem the Refunded Bonds. To the extent an Underwriter or an affiliate thereof is an owner of Refunded Bonds, such Underwriter or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Series 2012 Bonds contemplated herein in connection with such Refunded Bonds being redeemed by the City and County.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City and County. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Piper Jaffray & Co. and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the “Agreement”) which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Bonds. Under the Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper Jaffray.

Additionally, Piper Jaffray & Co. 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 Jaffray & Co. 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 certificate of continuing disclosure (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 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 is contained in Appendix C.

During the last five years, 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. The City and County has engaged a third-party service provider to assist with post-issuance continuing disclosure compliance.

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/ Michael R. Hansen

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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ECONOMIC AND DEMOGRAPHIC FACTORS

Introduction

The City and County of Honolulu, which includes the entire island of Oahu and a number of small outlying islands, is a major metropolitan city with a population of 963,607 (approximately 70% of the State's population) as of July 1, 2011, according to the 2011 State of Hawaii Data Book. 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.

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.

Certain Economic Indicators

Employment. Table I below sets forth certain employment statistics for the City and County for the five years ending December 31, 2007 through 2011 and the second quarters of 2011 and 2012.

Table I
EMPLOYMENT STATISTICS*

	Year Ended December 31					2 nd Quarter	
	2007	2008	2009	2010	2011	2011	2012
Civilian Labor Force	441,750	447,050	444,300	452,750	460,650	461,950	455,600
Average Civilian Employment	430,550	430,700	418,400	426,350	434,200	435,950	429,400
Unemployment	11,200	16,350	25,900	26,400	26,450	26,000	26,200
Unemployment Rate	2.5%	3.7%	5.8%	5.8%	5.7%	5.6%	5.8%
Total Job Count	456,950	454,300	442,650	436,150	443,850	440,150	NA

* Data benchmarked by the State of Hawaii Department of Labor & Industrial Relations in March 2012.

Source: State of Hawaii Department of Labor & Industrial Relations and Department of Business, Economic Development & Tourism.

As indicated on Table I, the unemployment rate for the City and County increased from 2.5% in 2007 to 3.7% in 2008 and again to 5.8% in 2009 and 2010 before declining to 5.7% in 2011. Since 2008, the City and County's unemployment rate has compared favorably on an annual basis to the unemployment rates for the State (4.1% in 2008, 6.9% in 2009 and 2010, and 6.7% in 2011) and the nation as a whole (5.8% in 2008, 9.3% in 2009, 9.6% in 2010, and 8.9% in 2011).

In the second quarter of 2012, the City and County gained 4,000 or 0.9 percent non-agricultural wage and salary jobs over the second quarter of 2011.

Personal Income. In recent years, per capita personal income for Honolulu residents has consistently been higher than for the State of Hawaii and the United States as a whole. The following table sets forth the per capita personal income for Honolulu residents in comparison to the State and the country for the years 2005 through 2010 (the most recent year for which county income data is available from the U.S. Department of Commerce, Bureau of Economic Analysis).

Table II
PER CAPITA PERSONAL INCOME

<u>Year</u>	<u>Honolulu</u>	<u>State of Hawaii</u>	<u>United States</u>
2005	37,317	35,067	35,452
2006	39,938	37,507	37,725
2007	42,611	39,946	39,506
2008	44,421	41,520	40,947
2009	44,174	40,572	38,846
2010	45,216	41,550	39,937

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Housing Market. Median home resale prices (single family homes and condominiums) in Honolulu increased annually from 2001 through 2007 before declining in the course of the global economic downturn. More recently, median resale prices in the Honolulu housing market have shown signs of returning to stability. The following table presents median resale prices for single family homes and condominiums in Honolulu between 2001 and 2011 and for the second quarters of 2011 and 2012.

Table III
MEDIAN HOME RESALE PRICES

<u>Year</u>	<u>Single Family Homes</u>		<u>Condominiums</u>	
	<u>Median Resale Price</u>	<u>% Change</u>	<u>Median Resale Price</u>	<u>% Change</u>
2001	\$299,900	1.7	\$133,000	6.4
2002	335,000	11.7	152,000	14.3
2003	380,000	13.4	175,000	15.1
2004	460,000	21.1	208,500	19.1
2005	590,000	28.3	269,000	29.0
2006	630,000	6.8	310,000	15.2
2007	643,500	2.1	325,000	4.8
2008	620,500	-3.6	325,000	0.0
2009	575,000	-7.3	305,000	-6.2
2010	593,000	3.1	305,000	0.0
2011	575,000	-3.0	300,000	-1.6
2011(Q2)	580,000	0.0	297,750	-2.5
2012(Q2)	620,000	6.9	305,000	2.4

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

State and County Governments

With Honolulu as the State capital, most State government activity is concentrated on the Island of Oahu. In 2011, the State government generated 71,400 jobs, of which approximately 76% were located on Oahu. The largest number of State employees work in public education and the State university system, with approximately 80% of these employed on Oahu. In addition, the City and County government generated approximately 12,050 jobs as of December 31, 2011.

Federal Government and Military

The Federal government plays an important role in Hawaii's economy. It is estimated that between FY 2007-2009, the Department of Defense's (DoD) direct expenditures in Hawaii averaged \$6.5 billion per year (in 2009 dollars), with approximately \$4.1 billion for personnel and \$2.3 billion for procurement. Importantly, such expenditures generated an output of \$12.2 billion for Hawaii's economy in 2009, representing over 18% of total spending in the State.

The majority of defense procurement in Hawaii is purchased by the Navy and Army, accounting for nearly 73% of the total spending (approximately \$1.7 billion). Defense procurement was relatively constant from 1982 to 1995, but grew steadily thereafter. Hawaii-based procurement varies across the counties, ranging from \$10 million and \$27 million in Maui and Hawaii counties, respectively, to \$106 million in Kauai and \$2.2 billion in Honolulu. Honolulu accounts for 94% of the total defense procurement spending within the State. The majority of procurement spending was in four areas: construction (\$787 million); professional, scientific and technical (\$457 million); administrative and support services (\$192 million); and petroleum- and coal-products manufacturing (\$176 million).

In 2009, 10% of the State's total employment comprised of active-duty and DoD civilian personnel. More than 75,000 people served in the military or were employed by DoD, comprised of 48,000 active-duty service members, 18,000 DoD civilian employees, and 9,000 National Guard and Reserve members. The median earnings for active-duty service members and DoD civilians are higher than that of other full-time employees in Hawaii. In 2007-2009, the median salary for active-duty personnel was \$74,900, while the median for DoD civilian workers was \$69,800 (in 2009 dollars). It is estimated that over this time period, state income taxes attributed to these employees have generated more than \$113 million of tax revenues for Hawaii.

A major contributing factor to military constructions over the past five years have been the Public/Private Venture military housing partnership between the Army and Air Force with Actus Lend Lease and the Department of the Navy (Navy and Marine housing) partnership with Forest City. Demand for new military housing is expected to continue to support economic growth in Hawaii. Most of the construction efforts will focus on the Army's housing projects ranging from Fort Shafter to Helemano Military Reservation and Schofield Barracks. \$1.2 billion worth of military construction projects by Actus Lend Lease are expected to generate about 7,200 construction jobs.

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 providing funds for 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.

It was announced in July 2010, that Hawaii will receive more than \$740 million in funding for an array of military construction and veterans affairs projects, including infrastructure projects at the Pacific Missile Range Facility, a new building for the Welding School Shop at Pearl Harbor and a new federal fire station at West Loch.

The U.S. Navy has made major infrastructure improvements to make Ford Island the center of Pearl Harbor Naval Base operations. The work included installation of new electrical and telecommunication systems, major improvements to the sewer system and roadways, and renovation of a 21,000 square foot movie theater into a state-of-the-art conference and meeting center. This project is part of a master development project that will eventually add 430 new navy housing units to the island.

In April 2012, U.S. and Japanese officials announced an agreement between the two nations for the relocation of approximately 9,000 marines currently stationed in Okinawa. DoD officials expect that approximately

5,000 of these marines will be transferred to Guam, and the remaining 4,000 will be transferred to other Pacific locations, including Hawaii and Australia. The timeline for the relocation and the number of potential transferees to Hawaii are subject to further study.

Future levels of federal funding (including defense funding) in Hawaii are subject to potential spending cutbacks and deferrals that may be implemented to reduce the federal budget deficit.

Finance

As the financial center of the State of Hawaii, Honolulu is served by a full range of financial institutions, including banks, savings and loan associations and financial services companies. Branch banking is permitted in Hawaii.

Honolulu currently has five Hawaii-chartered banks, one Hawaii-chartered financial services company, two federally-chartered savings associations, one national bank and two interstate branch banks with combined assets totaling \$45.0 billion as of June 30, 2012, according to information from the Federal Deposit Insurance Corporation. The Hawaii-chartered banks (Bank of Hawaii, Central Pacific Bank, First Hawaiian Bank, Ohana Pacific Bank and Pacific Rim Bank) have a combined total of 181 branches and total assets of \$34.4 billion as of June 30, 2012. The Hawaii-chartered financial services company (Finance Factors, Ltd.) has 14 branches and total assets of \$478.3 million as of June 30, 2012. The two federally-chartered savings associations (American Savings Bank and Territorial Savings Bank) have 85 branches and \$6.5 billion of total assets as of June 30, 2012. The national bank (Hawaii National Bank) has 14 branches and \$598.0 million of total assets as of June 30, 2012. The two interstate branch banks (Bank of the Orient and HomeStreet Bank) have six Hawaii offices and total assets of \$3.0 billion as of June 30, 2012.

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 is proceeding with plans for a new \$5.17 billion, 20-mile fixed guideway mass 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 the population of this area is projected to continue to grow faster than the rest of Oahu. Costs related to the construction of the transit system are expected to be funded with proceeds from the 0.5% excise tax surcharge implemented by the City and County in January 2007, proceeds of future general obligation bond issues, and money received from the U.S. Department of Transportation, Federal Transit Administration. See "DEBT STRUCTURE – High Capacity Transit Corridor Project" and "PENDING LITIGATION" in this Official Statement for additional information regarding this project.

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 the Federal Aviation Administration, HNL was the thirteenth largest U.S. gateway airport in 2009 based on the number of international enplaned passengers. The 2011 Airports Council International Worldwide Traffic Report listed HNL as the twenty-seventh busiest in the United States in total passengers (enplaned and deplaned).

Approximately 60 aircraft can be handled at one time at the terminal complex, including 36 wide-bodied aircraft. In Fiscal Year 2011, HNL recorded 262,716 aircraft operations as compared to 263,440 for Fiscal Year

2010. In addition, HNL passenger counts for Fiscal Year 2011 decreased from 18,443,873 in Fiscal Year 2010 to 17,947,177.

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 \$1.3 billion through 2016, \$893 million 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.

The Airports Division is also planning to construct new rental car facilities at both Honolulu International Airport and Kahului Airport on Maui. The total combined cost of the projects is \$500 million, and is expected to be funded with a combination of rental car Customer Facility Charges and bond financing. The new facilities are expected to be completed by 2017.

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 9.0 million short tons in Fiscal Year 2009 and 8.8 million short tons in Fiscal Year 2010 and 8.9 million short tons in Fiscal Year 2011. The State manages, maintains and operates the statewide harbors system to provide for the efficient movement of cargo and passengers.

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. 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, of which \$318 million is allocable to Honolulu Harbor.

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, before improving in 2010 with an 8.8% increase over the prior year. Although total permit value declined again in 2011, the City and County experienced strong growth in total permit value through the first two quarters of 2012. Total permit value increased by 42.1% in the second quarter of 2012 and by 32.5% for the first half of the year, as compared to the same periods in 2011.

Table IV 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 the second quarters of 2011 and 2012.

Table IV
ESTIMATED VALUE OF BUILDING PERMITS
(Dollars in Thousands)

Year	State ^{(1), (2)}	% Change from Prior Year	City & County of Honolulu ⁽¹⁾	% Change from Prior Year
2002	\$1,772,027	11.7	\$ 876,049	28.3
2003	2,361,233	33.3	1,109,568	26.7
2004	2,726,536	15.5	1,320,552	19.0
2005	3,491,964	28.1	1,364,030	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
2009	1,998,908	-31.2	1,247,196	-15.8
2010	1,980,296	-0.9	1,357,314	8.8
2011	1,858,763	-6.1	1,272,923	-6.2
2011(Q2)	438,364	-18.4	313,380	-15.5
2012(Q2)	NA	NA	445,237	42.1

⁽¹⁾ In thousands of dollars.

⁽²⁾ Kauai County data consists of residential data only.

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

Presented below are selected highlights of recent and anticipated construction activity in the City and County.

Commercial Development. In 2009, the Hawaii Community Development Authority retained MVE Pacific and its team of development and planning specialists to lead the master planning process for Kakaako Makai, the waterfront area of the 600-acre Kakaako District near downtown Honolulu. In April 2011, the consulting team released the Kakaako Makai Conceptual Master Plan Final Report calling for the development of the area as a community gathering place that includes various historical, cultural, educational, research, entertainment and commercial facilities and activities. The cost of this development is estimated in the \$250-300 million range.

In July 2012, The Howard Hughes Corporation, announced that it will move forward with a previously-planned 57,000 square foot expansion of the Ward Village Shops in the Ward Centers complex in Kakaako. Ward Centers is a 550,000 square foot retail complex which currently houses over 135 shops and restaurants and a 16-screen movie theater. Construction is scheduled to commence in the Summer of 2012 and to be completed in the Fall of 2013.

Also in July 2012, TRG IMP LLC, an affiliate of Michigan-based mall developer Taubman Centers Inc., announced that it will construct a \$300 million Waikiki retail complex on a six-acre site currently occupied by the International Market Place, the Waikiki Trade Center and the 358-room Miramar Hotel. The proposed retail complex is expected to contain 355,000 square feet of leasable space, roughly double the amount of retail space currently at the site. According to the developer, construction of the complex is expected to commence in 2013 and to be completed in 2015.

In August 2012, Downtown Capital LLC, an affiliate of Tradewind Capital and Island Insurance, announced that it completed the acquisition of the former Honolulu Advertiser building in Kakaako and tentatively plans to develop the 3.7-acre parcel by building two 400-foot high-rise condominium towers.

Residential Development. Two major master-planned communities are proposed on Oahu: Koa Ridge, a proposed 5,000 home project to be developed in Central Oahu by Castle & Cooke Homes Hawaii, Inc.; and Hoopili, a proposed 11,750 home project to be developed in West Oahu by D. R. Horton - Schuler Holmes, LLC. Both projects will be located on former or current agricultural land, and the change in use of both sites requires a reclassification of the land by the State Land Use Commission and re-zoning by the City and County. The

reclassification of both sites was approved by the Land Use Commission in June 2013. Subject to obtaining the requisite approvals from the City and County, both developers have announced plans to break ground in 2013 and to begin delivering completed homes as early as 2014. In July 2012, two lawsuits were filed in state court seeking to overturn the Land Use Commission's reclassification of the project sites.

California-based developer, OliverMcMillan, is developing a \$380 million, 407-unit mixed use condominium project in the Kakaako neighborhood. The Howard Hughes Corporation, in partnership with the MacNaughton Group and the Kobayashi Group, are in the final stages of design to build a 210-unit condominium project atop a parking garage adjacent to the Nordstrom department store in the Ala Moana Shopping Center.

Tourism-Related Development. The Waikiki area has been experiencing a sustained period of construction and development since 2005, when construction began on the Waikiki Beach Walk, an eight-acre complex bordered by Kalakaua Avenue, Lewers Street, Kalia Road, Beach Walk and Saratoga Road. This complex has been 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 Trump International Hotel, a 38-story, 464-unit condominium-hotel, and the \$110 million renovation of the Outrigger Reef on the Beach property, converting 836 rooms into 639 larger rooms.

Other major projects in Waikiki include the \$85 million renovation and re-tenanting 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; Hilton Grand Vacation Club's 38-story Grand Waikikian time-share located between the Hilton Hawaiian Village and Ilikai Hotel; the new Allure Waikiki on Kalakaua Avenue, a 35-story condominium; the Modern Honolulu (formerly, the Waikiki Edition), a 353-room luxury hotel developed by boutique hotelier Ian Schrager in the former Yacht Harbor Tower of the Ilikai Hotel; and a \$200 million renovation project at the Sheraton Waikiki Beach Resort.

There are also plans for an expansion of the Hilton Hawaiian Village, including two separate towers consisting of over 550 time share units. Construction of the towers is expected to begin in 2013 and 2018, respectively.

In the fall of 2011, the 451-room Ocean Resort Hotel Waikiki became the 426-room Hyatt Place Waikiki Beach as part of an extensive renovation and repositioning. Phase one involved the renovation of the 19-story Pali Tower, which reopened in December 2011. Phase two, the renovation of the 14-story Diamond Tower, was completed in the spring of 2012.

Kyo Ya, owner of all Oahu Sheraton properties, is scheduled to begin a \$700 million redevelopment project at the Sheraton Princess Kaiulani in 2012, including construction of a new 34-story tower with both hotel and residential units. Kyo Ya has also received partial approval from the Honolulu Department of Planning and Permitting for a \$700 million project at the Moana Surfrider that includes construction of a 26-story hotel and condominium complex.

In July 2012, Pacrep LLC, a California developer, announced plans to construct a 34-story, 459-unit condominium hotel tower in Waikiki. The developer's plans call for construction of this \$275 million project to commence as early as March 2013.

Outside Waikiki, the Turtle Bay Resort, on Oahu's north shore, recently completed a \$50 million renovation. In 2011, Disney completed its first Hawaii resort, named Aulani, an \$800 million resort on 21 acres at Ko'Olina Resort & Marina. Opened in August 2011, the resort features 350 hotel rooms and 480 Disney Vacation Club time-share villas.

See "Transportation" above 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 mass transit system. See also "Education, Research and Science" below for a description of certain other construction projects related to the University of Hawaii.

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. According to the State's Department of Taxation, the State's general excise tax base for trade and service activities exceeded \$37.0 billion in 2011, with retail, wholesale and service activities accounting for the majority. Of the State's 616,450 non-agricultural jobs in 2011, retail and wholesale trade together accounted for 83,900 jobs, or 13.6% of the total, and professional and business services, financial services, educational services, food and accommodation services and other services together accounted for 243,300 jobs, or 39.4% of the total.

Agriculture and Diversified Manufacturing

Oahu accounts for approximately 30% of the State's agricultural production. Agricultural sales totaled over \$184 million for Oahu in 2009.

Approximately one-fifth of the land on Oahu is zoned for agriculture. With the decline of the sugar and pineapple industries, agricultural lands are returning to an era of small farms growing diversified agricultural products. There are over 600 crop farms on Oahu, with flowers, vegetables and fruits comprising over 95% of the production. Aquaculture (including production of cultivated species of shellfish, finfish and algae) has grown in recent years as well.

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.

Renewable Energy

Renewable energy is a growing industry on Oahu.

The City and County's H-Power waste-to-energy facility has been in operation since 1990. Since its opening, the facility has turned over 13 million tons of municipal solid waste into electricity sold to the local electric utility. A \$300 million expansion of the facility was completed in October 2012, increasing its overall capacity to handle 900,000 tons of waste per year. See "DEBT STRUCTURE – H-Power Waste Disposal Facility" in this Official Statement for a further discussion of this project.

Honua Power plans to construct a gasification plant expected to produce 12 megawatts of electricity from synthetic gas made from waste. Construction is expected to begin in 2014.

In March 2011, Kahuku Wind Power LLC completed Oahu's first large-scale commercial wind farm on the North Shore of the island. This 30-megawatt wind farm is expected to generate 83 million kilowatt hours of electricity annually. On August 1, 2012, a fire at the facility severely damaged a warehouse which contained approximately 12,000 battery packs. The company has not provided an estimate as to when the wind farm will resume operations.

Other renewable energy projects planned for Oahu include a 20-megawatt photovoltaic solar farm in Mililani and two 5-megawatt solar farms in Kalaeloa. In addition, Honolulu Seawater Air Conditioning has State legislative approval for a \$150 million special purpose revenue bond issue (conduit bond issue) to fund the costs of a district cooling project for downtown Honolulu.

Education, Research and Science

The University of Hawaii is Hawaii's sole state public university system and is governed by a single Board of Regents. It is comprised of ten campuses, including three University campuses, seven community college campuses, three University Centers, multiple learning centers, and extension, research, and service programs

distributed across six islands throughout the State. In addition to the flagship campus of the University at Manoa, the University System also includes the 4,139-student (as of fall 2011) campus at Hilo on the island of Hawaii and the smaller campus in West Oahu on the island of Oahu. The community college system in the University System consists of seven community colleges. There are four community college campuses on the island of Oahu and one community college campus on each of the islands of Maui, Kauai, and Hawaii, making college classes accessible and affordable and easing the transition from high school to college for many students. Nine educational centers are located in the more remote areas of the State, and support the rural communities via interactive television classrooms. In addition to the University of Hawaii System, there are also three private universities and one private college on Oahu.

The University is accredited by the Accrediting Commission for Senior Colleges and Universities and the Accrediting Commission for Community and Junior Colleges (“ACCJC”) of the Western Association of Schools and Colleges. All campuses meet or exceed their accreditation requirements. The most recent reaffirmation of accreditations at the University at Manoa and Hilo campuses were for 10 years each, and for seven years at the West Oahu campus. Each community college is separately accredited and the most recent reaffirmation of accreditation for each campus was for six years, the maximum allowed by ACCJC policy. Professional programs in curriculum are individually accredited by appropriate agencies. Students may transfer credits to other U.S. or foreign universities on the same basis as course credits are transferred by other accredited U.S. universities.

The University System provides students with one doctoral-research campus, two comprehensive baccalaureate campuses, and seven community college campuses located on the four major islands. Students of the University System can earn a variety of degrees including certificates in more than 100 fields of study, 117 associate degrees in liberal arts and career and technical education, bachelor’s degrees in 139 programs, master’s degrees in 91 programs, and doctoral degrees in 53 programs, including MD, JD, PharmD, and DArch degrees. In addition, the University maintains a co-operative extension program. The three University Centers extend access to baccalaureate or higher degrees and certificates in communities beyond the physical location of campuses. There are a total of 627 curricula offered in the University System.

The University 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 32 universities or consortia in the United States designated as a land, sea and space grant college and is ranked in the top 30 public universities in federal research funding for engineering and science and 49th overall by the National Science Foundation. As a major research university, the University 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 most American institutions. 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 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 2012. 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.

Currently in progress or in the planning stages are \$137.5 million of projects at the Manoa campus. These include the construction of a \$42 million, 74,000 square foot Information Technology Center, a \$28 million expansion and renovation of student recreation facilities at the Campus Center, \$15.3 million of science laboratory renovations, a \$13.4 million expansion of the University’s athletic complex, and \$38.8 million of additional renovations at various academic, library and housing facilities on the campus.

In 2010, the University began construction of the new Cancer Research Center of Hawaii next to the John A. Burns School of Medicine in Kakaako. The \$180.4 million state-of-the-art research facility is expected to be completed in the Fall of 2012.

In August 2012, the University completed construction of a new \$170 million, four-year campus for the University of Hawaii – West Oahu in Kapolei, Oahu. The new campus opened for classes in the Fall semester of 2012 with a student enrollment of approximately 2,000 students.

The University of Hawaii is in the planning stages of constructing the Culinary Institute of the Pacific through Kapiolani Community College. The sustainable LEEDS rated facility will be constructed on the slopes of historic Diamond Head, at the site of the former Cannon Club. The facility will include 40,000 sq ft on 7.5 acres of land, including two laboratory buildings (8,000 sq ft each), a classroom building (4,000 sq ft), an administration/faculty office building (4,000 sq ft), a culinary amphitheater (4,000 sq ft) and a restaurant (9,000 sq ft). The project will cost approximately \$40 million, and will be funded through a combination of private giving and bond funding.

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.

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.

After a strong fourth quarter in 2011, Hawaii's tourism sector showed continued strong performance through the first two quarters of 2012. Both domestic and international visitor arrivals, especially international visitor arrivals increased in the second quarter, as compared with the same quarter in 2011. Due to longer lengths of stay, the increase in daily visitor census was higher than the increase in visitor arrivals. In addition, since visitors spent more on a daily basis during the second quarter, total visitor spending increased significantly higher than the increase in visitor arrivals in the quarter. For the economy, visitor spending is more important than visitor arrivals.

In 2011, total visitor arrivals by air increased 257,503, or 3.7 percent, while average daily census increased 7,875, or 4.4 percent, from the previous year. In the second quarter of 2012, the total number of visitors arriving by air to Hawaii increased 184,910 or 10.7 percent, as compared to the same quarter of 2011. The total average daily census was up 21,681 or 12.5 percent in the quarter. For the first half of 2012, total visitor arrivals by air increased 337,897 or 9.6 percent, while average daily census increased 18,766 or 10.1 percent from the same period in 2011.

In 2011, domestic arrivals by air were up 169,939, or 3.4 percent, from the previous year. Following a modest 2.9 percent growth in the second quarter of 2011, total visitor arrivals on domestic flights increased 70,890 or 5.5 percent in the second quarter of 2012, as compared to the same quarter of 2011. For the first half of 2012, domestic arrivals were up 131,036, or 5.2 percent, from the same period in 2011.

In 2011, international arrivals were up 87,564, or 4.5 percent, from the previous year. After a negative 2.1 percent growth in the second quarter of 2011, arrivals on international flights increased a very strong 114,020 or 26.7 percent in the second quarter of 2012, as compared to the second quarter of 2011. For the first half of 2012, international arrivals were up 206,861, or 21.4 percent, from the same period in 2011.

In terms of major market areas, arrivals from U.S. West were up 70,301, or 2.4 percent, in 2011; arrivals from the U.S. East were up 31,858, or 2.0 percent; and Japanese arrivals were essentially unchanged (up 2,498) from the previous year. From the second quarter of 2011 to the same period of 2012, arrivals from the U.S. West increased 40,042 or 5.1 percent; arrivals from the U.S. East increased 24,055 or 5.8 percent; and arrivals from Japan increased 67,291 or 27.8 percent. For the first half of 2012, arrivals from U.S. West were up 82,397, or 5.7 percent; arrivals from the U.S. East were up 35,932 or 4.2 percent; and Japanese arrivals were up 93,504 or 17.1 percent from the same period last year.

In 2011, domestic average daily census increased 5,620, or 4.1 percent; international average daily census increased 2,255, or 5.4 percent, from the previous year. Because of longer lengths of stay, the average total daily visitor census increased more than the increase in visitor arrivals. The total average daily visitor census was up 12.5 percent or 21,681 visitors per day in the second quarter of 2012 over the same quarter of 2011. Domestic average daily census increased 6.0 percent or 8,338 visitors per day, while international average daily census increased 37.2 percent or 13,343 visitors per day. In the first half of 2012, domestic average daily census increased 6,700 or 4.7 percent; international average daily census increased 12,065 or 28.1 percent from the same period in 2011.

In 2011, visitor expenditures increased \$1,189.9 million, or 11 percent, from the previous year. Nominal visitor expenditures by air totaled \$3,450.4 million in the second quarter of 2012, up 25.9 percent or \$710.3 million from the same quarter of 2011. For the first half of 2012, visitor expenditures increased \$1,241.5 million or 21.2 percent from the same period in the previous year.

In 2011, total airline capacity, as measured by the number of available seats flown to Hawaii, increased 1.0 percent, or 92,378 seats, from the previous year. Total airline capacity, as measured by the number of available seats flown to Hawaii, increased 5.1 percent or 117,561 seats in the second quarter of 2012; domestic seats increased 0.8 percent or 13,856 seats; international seats increased 17.5 percent or 111,246 seats, compared to the same quarter of 2011. For the first half of 2012, the number of total available seats increased 4.8 percent or 225,249 seats from the same period in 2011.

Current airline capacity levels reflect the opening of operations since 2010, including the introduction of service between Honolulu and Tokyo's Haneda Airport by Japan Airlines, All Nippon Airways and Hawaiian Airlines in the fourth quarter of 2010 and the addition of a new route to Seoul, South Korea, in 2010. In addition, in January 2011, Alaska Air introduced a non-stop flight between Bellingham, Washington, and Honolulu. In the summer of 2011, Hawaiian Airlines introduced service to Osaka-Kansai, Japan, and China Eastern Airlines introduced non-stop service between Honolulu and Shanghai, representing Hawaii's first regularly scheduled service to China. In addition, in December 2011, Delta Air Lines introduced seasonal service between Honolulu and Fukuoka, Japan.

More recently, Hawaiian Airlines introduced service to Fukuoka, Japan, in April 2012 and to New York, New York, in June 2012. Hawaiian has also announced plans to introduce service to Honolulu from Sapporo, Japan, and Brisbane, Australia, in the fourth quarter of the year, and from Auckland, New Zealand, in the Spring of 2013. Hawaiian plans to begin interisland turboprop operations using smaller (50 seats or less) planes that would allow Hawaiian to serve smaller neighbor island airports. Allegiant Air introduced service to Honolulu from Las Vegas, Nevada, and Fresno, California, in June 2012 and has indicated that it intends to introduce additional routes to Hawaii from other mainland cities by the end of the year. In addition, Alaska Airlines has announced plans to introduce service to San Diego, California, and Portland, Oregon, in the fourth quarter of 2012.

In 2011, the statewide hotel occupancy rate averaged 73.4 percent, up 2.7 percentage points from the previous year. According to the most recent data available, in the second quarter of 2012, statewide hotel occupancy rate averaged 73.9 percent, up 5.3 percentage points from the same quarter of 2011. For the first half of 2012, statewide hotel occupancy rate averaged 77.1 percent, up 4.6 percentage points from the same period in 2011.

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

Table V
SELECTED STATE OF HAWAII AND OAHU VISITOR STATISTICS

	Year Ended December 31					2 nd Quarter	
	2007	2008	2009	2010	2011	2011 ⁽³⁾	2012 ⁽³⁾
Arrivals by Air – State ⁽¹⁾	7,497	6,713	6,420	6,917	7,174	1,724	1,909
Domestic	5,583	4,902	4,672	4,957	5,127	1,298	1,369
International	1,914	1,812	1,748	1,960	2,047	427	541
Arrivals by Air – Oahu ⁽¹⁾	4,695	4,194	4,025	4,274	4,402	1,046	1,194
Domestic	2,950	2,555	2,447	2,532	2,592	661	705
International	1,744	1,639	1,578	1,741	1,806	384	490
Average Daily Visitor Census – State ⁽¹⁾	189.4	172.5	165.1	177.9	185.8	174.0	195.6
Domestic	151.0	135.2	129.1	136.4	142.0	138.1	146.4
International	38.5	37.2	36.0	41.5	43.8	35.9	49.2
Visitor Expenditures – State ⁽²⁾	\$12,578	\$11,182	\$9,794	\$10,858	\$12,047	\$2,740	\$3,450
Hotel Occupancy Rate – State	75.0%	70.4%	64.8%	70.7%	73.4%	68.6%	73.9%
Hotel Occupancy Rate – Oahu	76.8%	75.0%	72.3%	78.2%	80.9%	76.1%	81.8%

⁽¹⁾ In thousands.

⁽²⁾ In millions of dollars. By persons arriving by air and staying overnight or longer (excludes supplemental business expenditures).

⁽³⁾ 2012 data are preliminary.

Sources: State of Hawaii Department of Business, Economic Development & Tourism, PFK-Hawaii and Hospitality Advisors LLC.

Honolulu's profile as a visitor destination is enhanced by its role as host of numerous professional and trade conferences and conventions, as well as major sports events.

Conferences and conventions held in Honolulu annually attract thousands of visiting participants statewide, nationally and internationally. The primary site for these events is the Hawaii Convention Center, which is located near Waikiki hotel accommodations and visitor attractions.

In November 2011, Honolulu served as the primary location for the Asia-Pacific Economic Cooperation Conference (APEC), which drew thousands of attendees, including President Obama and other heads of state, ministers, political staff, business leaders, and generated global news coverage from approximately 1,200 registered media outlets.

As discussed below under "Sporting Events," major sports events held in Honolulu such as the NFL Pro Bowl and the Honolulu Marathon attract thousands of visitors annually. In addition, as discussed under "Construction" above, the City and County continues to attract major investment to support the visitor industry, including hotels, restaurants, and recreation facilities.

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 was held at Aloha Stadium annually from 1980 through 2009. The Pro Bowl was relocated to Miami in 2010, but returned to Honolulu in 2011 and January 2012, and will be played in Honolulu again in 2013. The location of the game beyond 2013 has not been determined. According to the Hawaii Tourism Authority, the 2011 Pro Bowl attracted an estimated 17,000 visitors to Honolulu and generated an estimated \$25 million in spending.

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. In 2011, the Honolulu Marathon drew over 22,600 participants, including approximately 14,500 visitors, of which more than 13,000 were international visitors. According to a Hawaii Pacific University study, the 2011 Marathon generated an estimated \$107 million in spending.

Arts and 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 Museum 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.

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.

In 2010, Hawaii saw a historic rise in film, television and digital media productions. Production expenditures totaled an estimated \$391 million for the year. Oahu continues to be the prime location within the State for media productions.

Filmed in Honolulu, CBS's hit series Hawaii Five-O completed its second season in May 2012. CBS began filming the third season in July.

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APPENDIX B

PROPOSED FORMS OF OPINIONS OF BOND COUNSEL

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PROPOSED FORMS OF OPINIONS OF BOND COUNSEL

[Date of Delivery of Series 2012A Bonds, Series 2012B Bonds, Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, and Series 2012G Bonds]

City and County of Honolulu
Honolulu, Hawaii

Re: City and County of Honolulu, Hawaii
General Obligation Bonds, Series 2012A, Series 2012B,
Series 2012D (Taxable), Series 2012E (Taxable), Series 2012F (Taxable), and Series 2012G (Taxable)
(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 \$255,050,000 aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2012A (the “Series 2012A Bonds”), \$290,735,000 aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2012B (the “Series 2012B Bonds”), \$17,880,000 aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2012D (Taxable) (the “Series 2012D Bonds”), \$74,835,000 aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2012E (Taxable) (the “Series 2012E Bonds”), \$50,605,000 aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2012F (Taxable) (the “Series 2012F Bonds”), and \$191,230,000 aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2012G (Taxable) (the “Series 2012G Bonds” and, together with the Series 2012A Bonds, Series 2012B Bonds, Series 2012D Bonds, Series 2012E Bonds, and Series 2012F Bonds, the “Bonds”), pursuant to a Certificate of the Director of Budget and Fiscal Services of the City dated October 25, 2012 (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 letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. 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 2012A Bonds and Series 2012B 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, arbitration, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents described in the second paragraph hereof. Our services did not include financial or other non-legal advice. 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 the 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 2012A Bonds and Series 2012B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and the Bonds and the income therefrom are exempt from all taxation by the State of Hawaii or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Interest on the Series 2012A Bonds and Series 2012B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, and Series 2012G Bonds is not excludable from gross income for federal income tax purposes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Series 2012D, Series 2012E, Series 2012F, and Series 2012G Bonds Circular 230 Disclaimer.

To ensure compliance with requirements imposed by the IRS, we inform you that any tax advice contained in this communication was not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties that may be imposed under the Code, or (ii) promoting, marketing or recommending to another party any tax-related matters addressed herein.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

[Date of Delivery of Series 2012C Bonds]

City and County of Honolulu
Honolulu, Hawaii

Re: City and County of Honolulu, Hawaii
General Obligation Bonds, Series 2012C
(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 \$32,145,000 aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2012C (the “Bonds”), pursuant to a Certificate of the Director of Budget and Fiscal Services of the City dated October 25, 2012 (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 letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond Proceedings, the Certificate and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Bond Proceedings, the Certificate and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against counties in the State of Hawaii. We express no opinion with respect to any indemnification, contribution, penalty, arbitration, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents described in the second paragraph hereof. Our services did not include financial or other non-legal advice. 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 the 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 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and the Bonds and the income therefrom are exempt from all taxation by the State of Hawaii or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

Dated November 20, 2012

CITY AND COUNTY OF HONOLULU
General Obligation BondsSeries 2012A (Tax Exempt), Series 2012B (Tax Exempt), Series 2012C (Tax Exempt),
Series 2012D (Taxable), Series 2012E (Taxable), Series 2012F (Taxable), and Series 2012G (Taxable)

This Continuing Disclosure Certificate (this “*Disclosure Certificate*”) is provided in connection with the issuance by the City and County of Honolulu, Hawaii (the “*City and County*”) of \$912,480,000 General Obligation Bonds, Series 2012A, Series 2012B, Series 2012C, Series 2012D (Taxable), Series 2012E (Taxable), Series 2012F (Taxable), and Series 2012G (Taxable) (together, the “*Bonds*”). The Bonds are being issued pursuant to the Constitution and laws of the State of Hawaii, including Chapter 47, Hawaii Revised Statutes, and the Revised Charter of the City and County, Ordinance Nos. 98-29, 00-24, 01-27, 02-27, 03-08, 04-15, 05-15, 06-34, 07-26, 08-14, 09-13, 10-13, 11-12, 12-21 and 99-11 of the City and County, Resolution No. 12-205 of the City and County, and a Certificate of the Director of Budget and Fiscal Services of the City and County. Pursuant to such authority, the City and County covenants and agrees as follows:

Section 1. Purpose of Disclosure Certificate. This Disclosure Certificate is being executed and delivered on behalf of the City and County for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. When the following capitalized terms are used in this Disclosure Certificate, such terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the City and County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Beneficial Owner*” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Dissemination Agent*” shall mean the Director of Budget and Fiscal Services of the City and County or any successor Dissemination Agent designated in writing by the City and County and which has filed with the City and County a written acceptance of such designation.

“*Holder*” shall mean the person in whose name any Bond shall be registered.

“*Listed Events*” shall mean any of the events listed in subsection 5(a) or (b) of this Disclosure Certificate.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (“EMMA”) website of the MSRB, currently located at <http://emma.msrb.org>.

“*Participating Underwriters*” shall mean any original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports. (a) The City and County shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City and County’s Fiscal Year (presently June 30), commencing with the report for the Fiscal Year ending June 30, 2012, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City and County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City and County’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) In a timely manner prior to the date set forth in subsection (a) above, the City and County shall provide the Annual Report to the Dissemination Agent. If the City and County is unable to provide to the MSRB an Annual Report by the date required in subsection (a) above, the City and County shall send a notice to the MSRB in substantially the form attached as Exhibit A.

Section 4. Contents of Annual Reports. The City and County’s Annual Report shall contain or include by reference information of the type included in the final Official Statement (the “*Official Statement*”) dated October 25, 2012, relating to the Bonds, as set forth under the following headings and tables: “CITY AND COUNTY REVENUES—Tables 1 through 6”, “DEBT STRUCTURE—Tables 7 through 10”, “FINANCIAL INFORMATION AND ACCOUNTING—Tables 12 through 15”, “EMPLOYEE RELATIONS; HEALTH CARE BENEFITS; PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS”, and PENDING LITIGATION”.

The audited financial statements of the City and County for the prior Fiscal Year shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City and County’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Any of such information may be included by specific reference to other documents, including official statements of debt issues of the City and County, which have been available to the public on the MSRB’s website. The City and County shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events. (a) Pursuant to the provisions of this Section 5, the City and County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

- i. Principal and interest payment delinquencies;
- ii. Unscheduled draws on debt service reserves reflecting financial difficulties;
- iii. Unscheduled draws on credit enhancements reflecting financial difficulties;
- iv. Substitution of credit or liquidity providers, or their failure to perform;
- v. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- vi. Tender offers;

- vii. Defeasances;
- viii. Rating changes; or
- ix. Bankruptcy, insolvency, receivership or similar event of the obligated person.

For the purposes of the event identified in subparagraph (ix) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City and County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

- i. Unless described in paragraph 5(a)(v), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- ii. Modifications to rights of Bond holders;
- iii. Optional, unscheduled or contingent Bond calls;
- iv. Release, substitution, or sale of property securing repayment of the Bonds;
- v. Non-payment related defaults;
- vi. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
- vii. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The City and County shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4, as provided in Section 4.

(d) Whenever the City and County obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City and County shall determine if such event would be material under applicable federal securities laws.

(e) If the City and County learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City and County shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

Section 6. Termination of Reporting Obligation. The City and County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City and County shall give notice of such termination in the same manner as for a Listed Event under subsection 5(e).

Section 7. Dissemination Agent. The City and County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City and County pursuant to this Disclosure Certificate.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City and County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of subsection 3(a), Section 4 or subsection 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders or (ii) does not materially impair the interests of the Holders or Beneficial Owners of the Bonds, as determined in good faith by the City and County.

In the event of any amendment or Waiver of a provision of this Disclosure Certificate, the City and County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City and County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under subsection 5(e), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City and County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City and County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City and County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City and County to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City and County to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the City and County to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City and County, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 12. Governing Law. This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State of Hawaii, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State of Hawaii; provided, however, that to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

CITY AND COUNTY OF HONOLULU

By: _____
Michael R. Hansen
Director of Budget and Fiscal Services

The foregoing certificate is hereby
approved as to form and legality this
20th day of November, 2012.

Robert Carson Godbey
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

Names of Bond Issues: City and County of Honolulu General Obligation Bonds,
Series 2012A (Tax Exempt), Series 2012B (Tax Exempt),
Series 2012C (Tax Exempt), Series 2012D (Taxable),
Series 2012E (Taxable), Series 2012F (Taxable), and Series 2012G (Taxable)

Dates of Issuance: November 20, 2012 for all Bonds other than Series 2012C (Tax Exempt);
December 4, 2012 for Series 2012C (Tax Exempt)

NOTICE IS HEREBY GIVEN that the City and County of Honolulu has not provided an Annual Report with respect to the above-named Bonds as required by its Continuing Disclosure Certificate dated November 20, 2012. The City and County anticipates that the Annual Report will be filed by _____.

Dated:

CITY AND COUNTY OF HONOLULU

Director of Budget and Fiscal Services

APPENDIX D
BOOK-ENTRY SYSTEM

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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 each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC and its Participants. DTC, the world’s largest securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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. Beneficial owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemption defaults, and proposed amendments to the Bond documents. For example, Beneficial owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them.

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 Paying Agent, on the 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 or its nominee, the Paying 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 the Paying 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 the Paying 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 to DTC.

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.

Disclaimer of Responsibility. The City and County and the Underwriters will have no responsibility for or obligation to Direct Participants, to Indirect Participants or to Beneficial Owners, nor can or do they give any assurances with respect to (i) the accuracy of any records maintained by DTC, any Direct Participants or Indirect Participants, or (ii) the payment by DTC, any Direct Participants or any Indirect Participants of any amount in respect of principal or redemption price of or interest on the Bonds, or (iii) any notice which is permitted or required to be given to owners (except such notice as is required to be given by the City and County to DTC), or (iv) the selection by DTC of any Participant to receive payment in the event of a partial redemption of the Bonds, or (v) any consent given or other action taken by DTC as Owner of the Bonds, or (vi) any other event or purpose.

APPENDIX E

**INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS
OUTSIDE THE UNITED STATES**

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**INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS
OUTSIDE THE UNITED STATES**

The Underwriters have requested that information concerning offering restrictions in certain jurisdictions outside the United States be included in this Official Statement. None of the City and County, the Underwriters or counsel to such parties has verified and is not responsible for this language and disclaims any responsibility for such language. Potential foreign investors should verify the applicable laws prior to purchasing any Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds.

OFFERING IN CANADA

The offering of the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, and Series 2012G Bonds in Canada is being made in the Province of Ontario (the “Canadian Jurisdiction”) pursuant to exemptions from the prospectus requirements of applicable securities laws. The Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, and Series 2012G Bonds will be offered to “accredited investors” in the Canadian Jurisdiction pursuant to section 2.3 (the “Accredited Investor Exemption”) of National Instrument 45-106 - *Prospectus and Registration Exemptions* of the Canadian Securities Administrators (“NI 45-106”). Under the Accredited Investor Exemption, a subscriber or any principal on whose behalf the subscriber is acting as agent (a “Canadian Purchaser”) must qualify as an “accredited investor”, as such term is defined in NI 45-106. All Canadian Purchasers of the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, and Series 2012G Bonds will be required to execute a subscription agreement which will contain representations, warranties, covenants and acknowledgments of the Canadian Purchaser to establish the availability of such exemption and to ensure compliance with applicable Canadian securities laws.

Resale Restrictions

The Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, and Series 2012G Bonds acquired by Canadian Purchasers hereunder may not be sold, transferred or otherwise disposed of in any manner unless such sale, transfer or disposition complies with the resale restrictions of the securities laws of the Canadian Jurisdiction. Pursuant to applicable Canadian provincial and territorial securities laws, the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, and Series 2012G Bonds acquired by a Canadian Purchaser hereunder will be subject to restrictions on resale until such time as:

the appropriate “hold periods” have been satisfied and such purchaser has complied with other applicable requirements, including the filing of appropriate reports pursuant to applicable securities legislation;

a further statutory exemption may be relied upon by such purchaser; or

an appropriate discretionary order is obtained pursuant to applicable securities laws.

As the City and County is not a reporting issuer in any province or territory of Canada, the applicable hold period for the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, and Series 2012G Bonds may never expire, and if no further statutory exemption may be relied upon and if no discretionary order is obtained, this could result in a Canadian Purchaser having to hold the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds, as applicable, for an indefinite period of time. Each certificate representing the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds issued to Canadian Purchasers will bear a legend indicating that the resale of such Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds is restricted.

The foregoing is a summary only of applicable resale restrictions and is subject to the express provisions of applicable securities legislation. All Canadian Purchasers should consult with their own legal advisors to determine the extent of the applicable hold period and the possibilities of utilizing any further statutory exemptions or the obtaining of a discretionary order.

Indirect Collection of Personal Information

By purchasing the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds, a Canadian Purchaser acknowledges that its name, residential address, telephone number and other specified information may be disclosed to Canadian securities regulatory authorities and become available to the public in accordance with the requirements of applicable Canadian laws. By purchasing the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds, a Canadian Purchaser consents to the disclosure of such information.

By purchasing the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds, a Canadian Purchaser that is resident in the Province of Ontario acknowledges that it has been notified by the City and County: (a) of the requirement to deliver to the Ontario Securities Commission (the “OSC”) the full name, residential address and telephone number of such purchaser, the number and type of Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds purchased, the total purchase price, the exemption relied upon and the date of distribution; (b) that this information is being collected indirectly by the OSC under the authority granted to it in applicable securities legislation; (c) that this information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and (d) that the Administrative Support Clerk can be contacted at the Ontario Securities Commission, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, or at (416) 593-3684, and can answer any questions about the OSC’s indirect collection of this information.

Rights of Actions for Damages or Rescission

ONTARIO PURCHASERS

The *Securities Act* (Ontario) (the “Ontario Act”) provides Canadian Purchasers resident in the Province of Ontario with, in addition to any other right they may have at law, rights of rescission or damages, or both, where this document and any amendment to it contains a misrepresentation (as defined below). However, such rights must be exercised by the purchasers within the time limits prescribed by the Ontario Act. Canadian Purchasers resident in the Province of Ontario should consult with a legal advisor or refer to the applicable provisions of the Ontario Act, found in section 130.1, for the complete text of these rights, the defences available to the City and County and others and the time limits during which these rights must be exercised.

The rights of action summarized below shall be available to each Canadian Purchaser of the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds resident in Ontario and are in addition to and without derogation from any other right or remedy available at law to such purchaser and are intended to correspond to the rights against an issuer of securities provided in the Ontario Act and are subject to the defences contained therein. Where used in this section, “misrepresentation” means an untrue statement of material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

In the event that this document, together with any amendments hereto, is delivered to a Canadian Purchaser resident in Ontario and contains a misrepresentation, such purchaser shall be deemed to have relied upon such misrepresentation and has, subject as hereinafter provided, a statutory right of action against the City and County either for damages or alternatively, while still the owner of any the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds, rescission, provided that:

- (a) an action is commenced to enforce such right (i) in the case of an action for rescission, within 180 days after the date of purchase, or (ii) in the case of an action for damages, within the earlier of 180 days following the date such purchaser first had knowledge of the misrepresentation and three years after the date of the purchase;
- (b) a person or company will not be liable if it proves that such purchaser purchased the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds with knowledge of the misrepresentation;
- (c) in the case of an action for damages, the City and County will not be liable for all or any portion of the damages that it proves does not represent the depreciation in value of the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds as a result of the misrepresentation relied upon;
- (d) in no case will the amount recoverable in any action exceed the price at which the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, or Series 2012G Bonds were sold to such purchaser; and
- (e) if such purchaser elects to exercise the right of rescission, it will have no right of action for damages.

Notwithstanding the foregoing, a Canadian Purchaser resident in the Province of Ontario will not have the rights referred to above if such purchaser is:

- (A) a Canadian financial institution, meaning either:
 - (ii) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or

- (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services corporation, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction in Canada;
- (B) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);
- (C) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or
- (D) a subsidiary of any person referred to in paragraphs (A), (B) or (C), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

The foregoing summary is subject to the express provisions of the Ontario Act and the respective regulations and rules thereunder. Each Canadian Purchaser resident in Ontario should refer to the complete text of such provisions or consult with a legal advisor.

Information Regarding Forward-Looking Information

This document includes forward-looking information. The words “believe”, “anticipate”, “expect”, “intend”, “aim”, “plan”, “predict”, “continue”, “assume”, “positioned”, “may”, “will”, “should”, “shall”, “risk” and any other similar expressions that are predictions of or indicate future events and future trends identifies forward-looking information. Forward-looking information includes all matters that are not historical facts. Canadian Purchasers should not place undue reliance on forward-looking information because it involves known and unknown risks, uncertainties and other factors that are in many cases beyond the City and County’s control. By its nature, forward-looking information involves risks and uncertainties because it relates to events and depends on circumstances that may or may not occur in the future. Forward-looking information is not a guarantee of future performance, and the City and County’s actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those made in or suggested by forward-looking information contained in this document. The cautionary statements set forth above should be considered in connection with any subsequent forward-looking information that the City and County, or persons acting on its behalf, may issue. Factors that may cause the City and County’s actual results to differ materially from those expressed or implied by the forward-looking statements in this document include but are not limited to the risks described in “Risk Factors”. All forward-looking information in this document is made as of the date of this document and are not intended to give any assurances as to future results. Save as required by law, the City and County undertakes no obligation to update forward-looking information.

Language of Documents

Upon receipt of this document, the purchaser hereby confirms that he, she or it has expressly requested that all documents evidencing or relating in any way to the offer and/or sale of the Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, and Series 2012G Bonds be drawn up in the English language only. *Par la réception de ce document, l'acheteur confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à l'offre ou à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFICIAL STATEMENT HAS NOT BEEN APPROVED FOR THE PURPOSES OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (“FSMA”) AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC IN ACCORDANCE WITH THE PROVISIONS OF SECTION 85 OF THE FSMA. IT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE “FINANCIAL PROMOTION ORDER”), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FSMA) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, OR SERIES 2012G BONDS MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THIS OFFICIAL STATEMENT IS DIRECTED ONLY

AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

This document is not a prospectus for the purposes of Regulation 809/2004 of the European Commission. It has been prepared on the basis that all offers of Series 2012D Bonds, Series 2012E Bonds, Series 2012F Bonds, and Series 2012G Bonds will be made pursuant to an exemption under Directive 2003/71/EC, as implemented in member states of the European Economic Area (“EEA”), from the requirement to produce a prospectus for such offers. This document is only addressed to and directed at persons in member states of the European Economic Area who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71 IEC) (“Qualified Investors”). This document must not be acted on or relied on in any such member state of the European Economic Area by persons who are not Qualified Investors. Any investment or investment activity to which this document relates is available, in any member state of the European Economic Area other than the United Kingdom, only to Qualified Investors, and will be engaged in only with such persons.

NOTICE TO RESIDENTS OF FRANCE

THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS HAVE NOT BEEN OFFERED OR SOLD AND WILL NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, BY WAY OF A PUBLIC OFFER IN FRANCE (OFFRE AU PUBLIC, AS DEFINED IN ARTICLE L. 411-1, OF THE CODE MONÉTAIRE ET FINANCIER). THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS MAY ONLY BE SUBSCRIBED FOR OR HELD BY QUALIFIED INVESTORS (INVESTISSEURS QUALIFIÉS) SOLELY FOR THEIR OWN ACCOUNT, AS PROVIDED BY ARTICLES L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 AND D. 764-1 OF THE CODE MONÉTAIRE ET FINANCIER. THUS, THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS ACQUIRED SHALL NOT BE DISTRIBUTED DIRECTLY OR INDIRECTLY TO THE PUBLIC OTHERWISE THAN IN ACCORDANCE WITH ARTICLES L. 411-1, L. 411-2, L. 412-1 AND L. 621-8 TO L. 621-8-3 OF THE CODE MONÉTAIRE ET FINANCIER.

THIS OFFICIAL STATEMENT IS FURNISHED TO POTENTIAL QUALIFIED INVESTORS SOLELY FOR THEIR INFORMATION AND MAY NOT BE REPRODUCED OR REDISTRIBUTED TO ANY OTHER PERSON. IT IS STRICTLY CONFIDENTIAL AND IS SOLELY DESTINED FOR QUALIFIED INVESTORS TO WHICH IT WAS INITIALLY SUPPLIED. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO SUBSCRIBE FOR OR TO PURCHASE ANY SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS AND NEITHER THIS OFFICIAL STATEMENT NOR ANYTHING HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER.

THIS OFFICIAL STATEMENT OR ANY OTHER MATERIAL RELATING TO THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS MAY NOT BE DISTRIBUTED TO THE PUBLIC IN FRANCE OR USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS IN FRANCE OTHER THAN IN ACCORDANCE WITH ARTICLES L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 AND D. 764-1 OF THE CODE MONÉTAIRE ET FINANCIER. THIS OFFICIAL STATEMENT HAS NOT BEEN SUBMITTED AND NO PROSPECTUS WILL BE SUBMITTED TO THE “AUTORITÉ DES MARCHÉS FINANCIERS” FOR APPROVAL. ANY CONTACT WITH POTENTIAL QUALIFIED INVESTORS IN FRANCE DOES NOT AND WILL NOT CONSTITUTE FINANCIAL AND BANKING SOLICITATION (DÉMARCHAGE BANCAIRE ET FINANCIER) AS DEFINED IN ARTICLES L. 341-1 ET SEQ. OF THE CODE MONÉTAIRE ET FINANCIER

NOTICE TO PROSPECTIVE INVESTORS IN GERMANY

THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS HAVE NOT BEEN, WILL NOT BE AND MAY NOT BE OFFERED, PROMOTED OR SOLD, EITHER DIRECTLY OR INDIRECTLY, IN GERMANY BY WAY OF AN OFFER TO THE PUBLIC WITHIN THE MEANING OF SECTION 2 NO. 4 OF THE SECURITIES PROSPECTUS ACT (WERTPAPIERPROSPEKTGESETZ). THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS MAY ONLY BE OFFERED TO, SOLD TO, SUBSCRIBED FOR OR HELD BY QUALIFIED INVESTORS WITHIN THE MEANING OF SECTION 2 NO. 6 OF THE SECURITIES PROSPECTUS ACT OR, IF APPLICABLE, ANY PERSON IN GERMANY WHOSE PROFESSIONAL OR COMMERCIAL ACTIVITIES INVOLVE THEM IN THE ACQUIRING OR DISPOSING OF INVESTMENTS WITHIN THE MEANING OF SECTION 2 NO. 4 OF THE INVESTMENT OF ASSETS ACT (VERMOEGENSANLAGEGESETZ) EITHER

AS PRINCIPAL OR AGENT, OR TO INVESTORS WHO ACQUIRE THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, OR SERIES 2012G BONDS FOR A TOTAL CONSIDERATION OF AT LEAST THE EQUIVALENT OF EUR 200,000 PER INVESTOR FOR EACH SEPARATE OFFER.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SUBSCRIBE FOR OR BUY ANY OF THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS OFFERED HEREBY TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN GERMANY. THIS OFFICIAL STATEMENT IS GIVEN TO POTENTIAL INVESTORS SOLELY FOR THEIR INFORMATION AND MAY NOT BE DISTRIBUTED TO ANY OTHER PERSON. IT IS CONFIDENTIAL AND SOLELY TARGETED AT THE RECIPIENTS, I.E. QUALIFIED INVESTORS WITHIN THE MEANING OF SECTION 2 NO. 6 OF THE SECURITIES PROSPECTUS ACT, TO WHICH IT HAS BEEN INITIALLY SUPPLIED.

NOTICE TO RESIDENTS OF HONG KONG

THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS HAVE NOT BEEN AUTHORIZED BY THE SECURITIES AND FUTURES COMMISSION IN HONG KONG FOR PUBLIC OFFERING IN HONG KONG, NOR HAS A COPY OF THIS OFFICIAL STATEMENT BEEN REGISTERED WITH THE REGISTRAR OF COMPANIES IN HONG KONG.

THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS MAY NOT BE OFFERED OR SOLD BY MEANS OF ANY DOCUMENT OTHER THAN (I) IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE, OR FORM PART OF, AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES ORDINANCE (CAP.32 OF THE LAWS OF HONG KONG), OR (II) TO “PROFESSIONAL INVESTORS” WITHIN THE MEANING OF THE SECURITIES AND FUTURES ORDINANCE (CAP.571 OF THE LAWS OF HONG KONG) AND ANY RULES MADE THEREUNDER, OR (III) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A “PROSPECTUS” WITHIN THE MEANING OF THE COMPANIES ORDINANCE (CAP.32 OF THE LAWS OF HONG KONG), AND THAT NO ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS MAY BE ISSUED OR MAY BE IN THE POSSESSION OF ANY PERSON FOR THE PURPOSE OF ISSUE (IN EACH CASE WHETHER IN HONG KONG OR ELSEWHERE), WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC IN HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS WHICH ARE OR ARE INTENDED TO BE SOLD OR OTHERWISE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO “PROFESSIONAL INVESTORS” WITHIN THE MEANING OF THE SECURITIES AND FUTURES ORDINANCE (CAP. 571 OF THE LAWS OF HONG KONG) AND ANY RULES MADE THEREUNDER.

NOTICE TO RESIDENTS OF JAPAN

THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE LAW OF JAPAN (LAW NO. 25 OF 1948, AS AMENDED, THE “FIEL”). THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN (WHICH TERM AS USED HEREIN MEANS ANY PERSON RESIDENT IN JAPAN, INCLUDING ANY CORPORATION OR OTHER ENTITY ORGANIZED UNDER THE LAWS OF JAPAN), OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FIEL AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

FOR THE PRIMARY OFFERING OF THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS AND THE SOLICITATION OF AN OFFER FOR ACQUISITION THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER PARAGRAPH 1, ARTICLE 4 OF THE FIEL. AS IT IS A PRIMARY OFFERING, IN JAPAN, THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS MAY ONLY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY TO, OR FOR THE BENEFIT OF A QUALIFIED INSTITUTIONAL INVESTOR (“QII”) DEFINED IN ARTICLE 10 OF THE CABINET ORDINANCE CONCERNING DEFINITIONS UNDER ARTICLE 2 OF THE FIEL (ORDINANCE NO. 14 OF 1993, AS AMENDED). A PERSON WHO PURCHASED OR OTHERWISE OBTAINED THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS CANNOT RESELL OR OTHERWISE TRANSFER THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS IN JAPAN TO ANY PERSON EXCEPT ANOTHER QII.

SELLING RESTRICTIONS FOR OFFER OF SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS IN SINGAPORE TO ACCREDITED INVESTORS AND INSTITUTIONAL INVESTORS

NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH ANY OFFER OF THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS HAS BEEN OR WILL BE LODGED OR REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE (MAS) UNDER THE SECURITIES AND FUTURES ACT (CAP.289) OF SINGAPORE (SFA). ACCORDINGLY, MAS ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THIS OFFICIAL STATEMENT. THIS OFFICIAL STATEMENT IS NOT A PROSPECTUS AS DEFINED IN THE SFA AND STATUTORY LIABILITY UNDER THE SFA IN RELATION TO THE CONTENTS OF PROSPECTUSES WOULD NOT APPLY.

THIS OFFICIAL STATEMENT AND ANY OTHER DOCUMENTS OR MATERIALS IN CONNECTION WITH THIS OFFER AND THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS MAY NOT BE DIRECTLY OR INDIRECTLY ISSUED, CIRCULATED OR DISTRIBUTED, NOR MAY THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SFA; (II) TO A RELEVANT PERSON (AS DEFINED IN SECTION 275(2) OF THE SFA) PURSUANT TO SECTION 275(1) OF THE SFA; (III) TO ANY PERSON PURSUANT TO THE CONDITIONS OF SECTION 275(1A) OF THE SFA; OR (IV) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH, THE CONDITIONS OF ANY OTHER APPLICABLE PROVISIONS OF THE SFA.

ANY SUBSEQUENT OFFERS IN SINGAPORE OF SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS ACQUIRED PURSUANT TO AN INITIAL OFFER MADE IN RELIANCE ON AN EXEMPTION UNDER SECTION 274 OF THE SFA OR SECTION 275 OF THE SFA MAY ONLY BE MADE, PURSUANT TO THE REQUIREMENTS OF SECTION 276 OF THE SFA, FOR THE INITIAL SIX MONTH PERIOD AFTER SUCH ACQUISITION TO PERSONS WHO ARE INSTITUTIONAL INVESTORS (AS DEFINED IN SECTION 4A OF THE SFA) OR TO ACCREDITED INVESTORS AND CERTAIN OTHER PERSONS (AS SET OUT IN SECTION 275 OF THE SFA). ANY TRANSFER AFTER SUCH INITIAL SIX MONTH PERIOD IN SINGAPORE SHALL BE MADE, PURSUANT TO THE REQUIREMENTS OF SECTION 257 OF THE SFA, IN RELIANCE ON ANY APPLICABLE EXEMPTION UNDER SUBDIVISION (4) OF DIVISION 1 OF PART XIII OF THE SFA.

IN ADDITION TO THE ABOVE, PURSUANT TO THE REQUIREMENTS OF SECTION 276(3) OF THE SFA, WHERE THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, OR SERIES 2012G BONDS ARE ACQUIRED PURSUANT TO AN OFFER MADE IN RELIANCE ON THE EXEMPTION UNDER SECTION 275 OF THE SFA BY A CORPORATION (OTHER THAN A CORPORATION THAT IS AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) WHOSE SOLE BUSINESS IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS EACH OF WHOM IS AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA), SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, OR SERIES 2012G BONDS OF SUCH CORPORATION SHALL NOT BE TRANSFERRED WITHIN 6 MONTHS AFTER THE CORPORATION HAS ACQUIRED THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, OR SERIES 2012G BONDS PURSUANT TO AN OFFER MADE IN RELIANCE ON THE EXEMPTION UNDER SECTION 275 OF THE SFA UNLESS THAT TRANSFER IS MADE ONLY TO INSTITUTIONAL INVESTORS (AS DEFINED IN SECTION 4A OF THE SFA) OR RELEVANT PERSONS (AS DEFINED IN SECTION 275(2) OF THE SFA); OR ARISES FROM AN OFFER REFERRED TO IN SECTION 275(1A) OF THE SFA; OR NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER; OR THE TRANSFER IS BY OPERATION OF LAW. THIS RESTRICTION DOES NOT APPLY TO SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, OR SERIES 2012G BONDS PREVIOUSLY MADE IN OR ACCOMPANIED BY A PROSPECTUS AND WHICH ARE OF THE SAME CLASS AS OTHER SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, OR SERIES 2012G BONDS OF A CORPORATION LISTED ON THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED.

PURSUANT TO THE REQUIREMENTS OF SECTION 276(4) OF THE SFA, WHERE THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS ARE ACQUIRED PURSUANT TO AN OFFER MADE IN RELIANCE ON THE EXEMPTION UNDER SECTION 275 OF THE SFA FOR A TRUST (OTHER THAN A TRUST THE TRUSTEE OF WHICH IS AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA), THE BENEFICIARIES' RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THE TRUST SHALL NOT BE TRANSFERRED WITHIN 6 MONTHS AFTER THE SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS ARE ACQUIRED FOR THE TRUST PURSUANT TO AN OFFER MADE IN RELIANCE ON THE EXEMPTION UNDER SECTION 275 OF THE SFA UNLESS THAT TRANSFER IS MADE ONLY TO

INSTITUTIONAL INVESTORS (AS DEFINED IN SECTION 4A OF THE SFA) OR RELEVANT PERSONS (AS DEFINED IN SECTION 275(2) OF THE SFA); OR ARISES FROM AN OFFER THAT IS MADE ON TERMS THAT SUCH RIGHTS OR INTEREST ARE ACQUIRED AT A CONSIDERATION OF NOT LESS THAN \$200,000 (OR ITS EQUIVALENT IN A FOREIGN CURRENCY) FOR EACH TRANSACTION, WHETHER SUCH AMOUNT IS TO BE PAID FOR IN CASH OR BY EXCHANGE OF SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, OR SERIES 2012G BONDS OR OTHER ASSETS; OR NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER; OR THE TRANSFER IS BY OPERATION OF LAW. THIS RESTRICTION DOES NOT APPLY TO SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, OR SERIES 2012G BONDS PREVIOUSLY MADE IN OR ACCOMPANIED BY A PROSPECTUS AND WHICH ARE OF THE SAME CLASS AS OTHER SECURITIES OF A CORPORATION LISTED ON THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED.

NOTICE TO PROSPECTIVE INVESTORS LOCATED IN AUSTRALIA

ANY OFFER OF SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, OR SERIES 2012G BONDS IN CONNECTION WITH THIS NOTICE WILL NOT BE MADE BY WAY OF A DISCLOSURE DOCUMENT UNDER PART 6D OF THE CORPORATIONS ACT (CTH) (THE "ACT").

NEITHER THE CITY AND COUNTY NOR THE UNDERWRITERS IS REQUIRED TO PROVIDE YOU WITH A PROSPECTUS OR OTHER DISCLOSURE DOCUMENT FOR THE ISSUE OF SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, AND SERIES 2012G BONDS BECAUSE OF THE APPLICATION OF SPECIFIC EXEMPTIONS FROM THE REQUIREMENTS FOR DISCLOSURE SET OUT IN SECTION 708 OF THE ACT. IN PARTICULAR, THIS NOTICE IS BEING PROVIDED TO YOU ON THE BASIS THAT:

1. ANY OFFER IN CONNECTION WITH THIS NOTICE IS A PERSONAL OFFER WITHIN THE MEANING OF SECTION 708(2) OF THE ACT, AND THAT OFFER WILL NOT RESULT IN ANY BREACH REFERRED TO IN THAT SECTION;
2. SECTION 708(8) OF THE ACT APPLIES AND YOU ARE A SOPHISTICATED INVESTOR IN ACCORDANCE WITH THE TERMS OF THAT SECTION;
3. YOU ARE AN EXPERIENCED INVESTOR WITHIN THE MEANING OF S708(10) OF THE ACT; OR
4. YOU ARE A PROFESSIONAL INVESTOR IN ACCORDANCE WITH SECTION 708(11) OF THE ACT.

ANY DOCUMENTS PROVIDED IN CONNECTION WITH THIS NOTICE ARE FURNISHED SOLELY FOR INFORMATION PURPOSES ONLY AND MAY NOT BE REPRODUCED OR REDISTRIBUTED TO ANY OTHER PERSONS EXCEPT WITH OUR PRIOR WRITTEN CONSENT. THE DOCUMENTS ARE STRICTLY CONFIDENTIAL.

THIS NOTICE DOES NOT CONSTITUTE AN OFFER OR INVITATION TO SUBSCRIBE FOR OR TO PURCHASE ANY SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, OR SERIES 2012G BONDS AND NEITHER THIS NOTICE NOR ANYTHING CONTAINED IN IT WILL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT ON THE PART OF THE CITY AND COUNTY OR THE UNDERWRITERS TO ISSUE OR TRANSFER SERIES 2012D BONDS, SERIES 2012E BONDS, SERIES 2012F BONDS, OR SERIES 2012G BONDS TO ANY PERSON.

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APPENDIX F
REFUNDED BONDS

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REFUNDED BONDS

Issue	Maturity Date	Principal Amount Refunded	Coupon	CUSIP
2003A	3/1/2014	\$ 750,000	4.000%	438670LH2
2003A	3/1/2014	1,020,000	5.250%	438670LJ8
2003A	3/1/2015	55,000	4.125%	438670A84
2003A	3/1/2015	1,315,000	5.250%	438670LK5
2003A	3/1/2016	85,000	4.250%	438670A92
2003A	3/1/2016	1,355,000	5.250%	438670LL3
2003A	3/1/2017	60,000	4.300%	438670B26
2003A	3/1/2017	1,455,000	5.250%	438670LM1
2003A	3/1/2018	65,000	4.400%	438670B34
2003A	3/1/2018	1,530,000	5.250%	438670LN9
2003A	3/1/2019	70,000	4.500%	438670B42
2003A	3/1/2019	1,605,000	5.250%	438670LP4
2003A	3/1/2020	40,000	4.550%	438670B59
2003A	3/1/2020	1,725,000	5.250%	438670LQ2
2003A	3/1/2021	45,000	4.625%	438670B67
2003A	3/1/2021	1,810,000	5.250%	438670LR0
2003A	3/1/2022	50,000	4.700%	438670B75
2003A	3/1/2022	1,905,000	5.250%	438670LS8
2003A	3/1/2023	225,000	4.750%	438670B83
2003A	3/1/2023	1,830,000	5.250%	438670B91
2003A	3/1/2024	2,160,000	5.250%	438670C25
2003A	3/1/2025	2,275,000	5.250%	438670C33
2003A	3/1/2026	2,395,000	5.250%	438670C41
2003A	3/1/2027	2,520,000	5.250%	438670C58
2003A	3/1/2028	3,985,000	4.900%	438670DJ7
2003A	3/1/2028	2,095,000	5.250%	438670C66
2004A	7/1/2020	1,470,000	5.000%	438670D40
2004A	7/1/2021	1,545,000	5.000%	438670D57
2004A	7/1/2022	1,625,000	5.000%	438670D65
2004A	7/1/2023	6,655,000	5.000%	438670EQ0
2004A	7/1/2024	6,995,000	5.000%	438670ER8
2004A	7/1/2025	7,355,000	5.000%	438670ES6
2004A	7/1/2026	7,730,000	5.000%	438670ET4
2004A	7/1/2027	8,130,000	5.000%	438670EU1
2004A	7/1/2028	8,545,000	5.000%	438670EV9
2004B	7/1/2015	21,630,000	5.000%	438670FD8
2004B	7/1/2016	22,740,000	5.000%	438670FE6
2004B	7/1/2017	23,905,000	5.000%	438670FF3
2005A	7/1/2016	6,655,000	5.000%	438670HC8
2005A	7/1/2016	650,000	4.000%	438670HB0
2005A	7/1/2017	7,470,000	5.000%	438670HE4
2005A	7/1/2017	210,000	4.000%	438670HD6
2005A	7/1/2018	7,955,000	5.000%	438670HG9
2005A	7/1/2018	115,000	4.000%	438670HF1
2005A	7/1/2019	8,050,000	5.000%	438670HJ3
2005A	7/1/2019	430,000	4.000%	438670HH7
2005A	7/1/2020	8,310,000	5.000%	438670HL8
2005A	7/1/2020	600,000	4.000%	438670HK0
2005A	7/1/2021	9,365,000	5.000%	438670HM6

Issue	Maturity Date	Principal Amount Refunded	Coupon	CUSIP
2005A	7/1/2022	9,630,000	5.000%	438670HP9
2005A	7/1/2022	215,000	4.000%	438670HN4
2005A	7/1/2023	10,255,000	5.000%	438670HR5
2005A	7/1/2023	95,000	4.000%	438670HQ7
2005A	7/1/2024	10,830,000	5.000%	438670HT1
2005A	7/1/2024	50,000	4.100%	438670HS3
2005A	7/1/2025	11,380,000	5.000%	438670HV6
2005A	7/1/2026	12,020,000	5.000%	438670HW4
2005A	7/1/2027	12,640,000	5.000%	438670HX2
2005A	7/1/2028	13,275,000	5.000%	438670HZ7
2005A	7/1/2029	13,645,000	5.000%	438670JB8
2005B	7/1/2017	2,790,000	5.000%	438670JL6
2005B	7/1/2018	2,930,000	5.000%	438670JM4
2005B	7/1/2019	3,085,000	5.000%	438670JN2
2005C	7/1/2017	6,410,000	5.000%	438670JX0
2005C	7/1/2018	6,740,000	5.000%	438670JY8
2005C	7/1/2019	7,085,000	5.000%	438670JZ5
2005C	7/1/2020	7,445,000	5.000%	438670KA8
2005C	7/1/2021	7,830,000	5.000%	438670KB6
2005D	7/1/2017	5,550,000	5.000%	438670KL4
2005D	7/1/2018	5,835,000	5.000%	438670KM2
2005D	7/1/2019	6,135,000	5.000%	438670KN0
2005D	7/1/2020	6,450,000	5.000%	438670KP5
2005D	7/1/2021	6,780,000	5.000%	438670KQ3
2005D	7/1/2022	7,125,000	5.000%	438670KR1
2005D	7/1/2023	7,490,000	5.000%	438670KS9
2005E	7/1/2017	10,100,000	5.250%	438670MZ1
2005E	7/1/2017	5,000,000	4.300%	438670MY4
2005E	7/1/2018	15,820,000	4.375%	438670NA5
2005E	7/1/2019	16,530,000	4.450%	438670NB3
2005E	7/1/2020	17,360,000	5.250%	438670NC1
2005E	7/1/2021	18,270,000	5.000%	438670ND9
2005E	7/1/2022	19,205,000	5.000%	438670NE7
2005E	7/1/2023	20,190,000	5.000%	438670NF4
2005F	7/1/2016	5,955,000	5.000%	438670NN7
2005F	7/1/2017	6,265,000	5.250%	438670NP2
2005F	7/1/2018	6,605,000	5.250%	438670NQ0
2005F	7/1/2019	6,960,000	5.250%	438670NR8
2005F	7/1/2020	7,335,000	5.250%	438670NS6
2005F	7/1/2021	7,720,000	5.000%	438670NT4
2005F	7/1/2022	8,115,000	5.000%	438670NU1
2005F	7/1/2023	8,535,000	5.000%	438670NV9
2005F	7/1/2024	8,970,000	5.000%	438670NW7
2005F	7/1/2025	9,430,000	5.000%	438670NX5
2005F	7/1/2026	9,915,000	5.000%	438670NY3
2005F	7/1/2027	10,425,000	5.000%	438670NZ0
2005F	7/1/2028	10,955,000	5.000%	438670PA3
2005F	7/1/2029	10,530,000	5.000%	438670PB1
2005F	7/1/2029	990,000	4.750%	438670PC9

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