

**NEW ISSUE
FULL BOOK-ENTRY**

RATINGS:
Fitch: AA
Moody's: Aa2
Standard & Poor's: AA
(See "Bond Ratings" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City and County, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2009A Bonds and Series 2009C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and the Series 2009A Bonds and the Series 2009C Bonds and the income therefrom are exempt from all taxation by the State of Hawaii or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. In the further opinion of Bond Counsel, interest on the Series 2009A Bonds and Series 2009C Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Interest on the Series 2009A Bonds is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Series 2009C Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel also observes that interest on the Series 2009B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code, but the Series 2009B 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 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."

\$376,710,000

CITY AND COUNTY OF HONOLULU

General Obligation Bonds

Series 2009A, Series 2009B (Taxable) and Series 2009C

Dated: Date of Delivery

Due: April 1, as shown on inside cover

The City and County of Honolulu General Obligation Bonds, Series 2009A, Series 2009B (Taxable) and Series 2009C (the "Series 2009A Bonds," the "Series 2009B Bonds" and the "Series 2009C Bonds," respectively; and collectively, the "Bonds"), are being issued by the City and County of Honolulu (the "City and County") in fully registered form and when issued will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. So long as DTC or its nominee is the registered owner of the Bonds, purchases of the Bonds will be made in book-entry form only, through brokers and dealers who are, or who act through, DTC participants; beneficial owners of the Bonds will not receive physical delivery of certificates; payment of the principal of, and premium, if any, and interest on, the Bonds will be made directly to DTC or its nominee; and disbursement of such payments to DTC participants will be the responsibility of DTC and disbursement of such payments to the beneficial owners will be the responsibility of DTC participants. Purchases of the Bonds may initially be made in the denomination of \$5,000 or any integral multiple thereof.

The Bonds will be dated as of the date of delivery thereof and will bear interest at the rates shown on the inside cover, payable on April 1 and October 1 of each year, commencing October 1, 2009. The Series 2009A Bonds are subject to redemption prior to the stated maturity thereof as described herein. The Series 2009B Bonds and Series 2009C Bonds are not subject to redemption prior to maturity.

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

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

The Bonds are offered when, as and if issued and received by the Underwriter, 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 Underwriter by its counsel, McCorriston Miller Mukai MacKinnon LLP, Honolulu, Hawaii. It is expected that the Bonds in definitive form will be available for delivery to DTC, in New York, New York, on or about April 28, 2009.

Merrill Lynch & Co.

Piper Jaffray & Co.

April 7, 2009

CITY AND COUNTY OF HONOLULU

\$292,045,000 General Obligation Bonds, Series 2009A

<u>Year (April 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year (April 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2014	\$ 8,540,000	2.75%	2.48%	2023	\$ 8,205,000	5.00%	4.23%*
2015	8,775,000	3.00	2.72	2024	13,230,000	5.00	4.38*
2016	4,550,000	4.00	2.96	2025	1,595,000	4.50	4.52
2016	4,490,000	5.00	2.96	2025	12,300,000	5.00	4.52*
2017	9,445,000	5.25	3.19	2026	14,580,000	5.00	4.63*
2018	2,085,000	3.75	3.42	2027	15,310,000	5.00	4.73*
2018	7,855,000	5.00	3.42	2028	16,075,000	5.25	4.80*
2019	10,410,000	5.00	3.64	2029	16,920,000	5.25	4.85*
2020	2,000,000	4.00	3.83*	2030	17,805,000	5.25	4.90*
2020	8,930,000	5.00	3.83*	2031	18,740,000	5.25	4.95*
2021	11,460,000	5.00	3.93*	2032	19,725,000	5.25	5.00*
2022	12,030,000	5.00	4.08*	2033	20,760,000	5.00	5.02
2023	4,430,000	4.25	4.23*	2034	21,800,000	5.00	5.03

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

\$33,980,000 General Obligation Bonds, Series 2009B (Taxable)

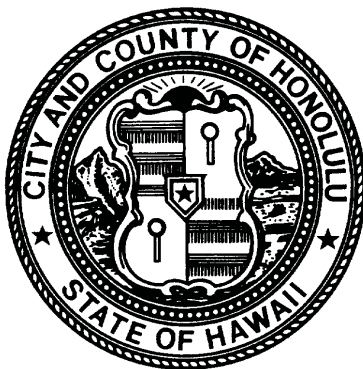
<u>Year (April 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2012	\$5,040,000	3.88%	3.88%
2013	5,240,000	4.22	4.22
2014	5,485,000	4.61	4.61
2015	5,745,000	4.88	4.88
2016	6,065,000	5.26	5.26
2017	6,405,000	5.42	5.42

\$50,685,000 General Obligation Bonds, Series 2009C

<u>Year (April 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2011	\$ 2,350,000	2.00%	1.36%
2011	14,000,000	3.00	1.36
2012	9,460,000	5.00	1.66
2012	7,360,000	3.00	1.66
2013	3,100,000	2.50	2.09
2013	14,415,000	4.00	2.09

City and County of Honolulu

State of Hawaii
(Incorporated 1907)



MAYOR

Mufi Hannemann

CITY COUNCIL *

Todd K. Apo
Chair and Presiding Officer

Nestor R. Garcia
Vice-Chair

Duke Bainum

Romy M. Cachola

Donovan M. Dela Cruz

Charles K. Djou

Gary H. Okino

Rod Tam

DIRECTOR OF BUDGET AND FISCAL SERVICES

Rix Maurer III

CORPORATION COUNSEL

Carrie K. S. Okinaga

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

* One seat on the City Council is currently vacant. This vacancy will be filled by special election in April 2009.

The information contained in this Official Statement has been obtained from the City and County of Honolulu and other sources deemed reliable. No guaranty is made, however, as to the accuracy or completeness of such information. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. This Official Statement, which includes the cover page and appendices, does not constitute an offer to sell the Bonds in any state to any person to whom it is unlawful to make such offer in such state. No dealer, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon. The information contained herein is subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder at any time implies that the information contained herein is correct as of any time subsequent to its date.

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

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OFFICIAL STATEMENT

\$376,710,000

**City and County of Honolulu
General Obligation Bonds
Series 2009A, Series 2009B (Taxable) and Series 2009C**

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 \$376,710,000 aggregate principal amount of General Obligation Bonds, Series 2009A, Series 2009B (Taxable) and Series 2009C (the “Series 2009A Bonds,” the “Series 2009B Bonds” and the “Series 2009C Bonds,” respectively; and collectively, the “Bonds”).

AUTHORITY FOR AND PURPOSE OF ISSUANCE

Authority for Issuance

The Bonds are being issued pursuant to and in full compliance with Ordinance Nos. 98-29, 99-28, 00-24, 01-27, 02-27, 03-08, 04-15, 05-15, 06-34, 07-26, 08-14 and 99-11 of the City and County, Resolution No. 09-28 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 for (i) the refunding of certain outstanding general obligation bonds and commercial paper notes of the City and County, as described under “THE REFUNDING PLAN,” and (ii) the funding of certain capital projects of the City and County.

THE REFUNDING PLAN

The Series 2009A Bonds are being issued in part to effect the current refunding of \$100,000,000 of the City and County’s General Obligation Commercial Paper Notes, Issue H, at a price equal to the principal amount thereof, and \$52,700,000 of the City and County’s General Obligation Commercial Paper Notes, Issue W, at a price equal to the principal amount thereof. The Series 2009C Bonds are being issued to effect the current refunding of \$51,440,000 of the City and County’s General Obligation Bonds, Series 1999C Bonds at a price equal to the principal amount thereof. The notes to be refunded are referred to herein as the “Refunded Notes” and the bonds to be refunded are referred to herein as the “Refunded Bonds.”

Upon the issuance thereof, a portion of the proceeds of the Series 2009A Bonds and a portion of the proceeds of the Series 2009C Bonds will be deposited into an escrow fund (the “Escrow Fund”) to be established with Wells Fargo Bank, National Association, as escrow agent (the “Escrow Agent”), for the purpose of effecting the current refunding of the Refunded Notes and Refunded Bonds.

THE BONDS

Description of the Bonds

The Bonds will be dated as of the date of delivery thereof; will mature serially on April 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 April 1 and October 1 of each year, commencing October 1, 2009, and will be subject to redemption as described herein.

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

Prior Redemption

The Series 2009A Bonds maturing on and after April 1, 2020 are subject to redemption at the option of the City and County on and after April 1, 2019, in whole or in part, at any time, in any order of maturity selected by the City and County, and by lot within a maturity, at the principal amount thereof, plus the interest accrued to the date fixed for the redemption thereof, without premium.

The Series 2009B Bonds and Series 2009C Bonds are not subject to redemption prior to maturity.

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

Payment of Bonds

The principal of and interest on the Bonds will be payable in lawful money of the United States of America. The principal of all Bonds shall be payable only at the principal office of the Paying Agent (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 any Bonds are in book-entry form, principal of and interest on such Bonds will be paid to the Securities Depository as the registered owner of the Bonds. See Appendix D, "Book-Entry System."

Debt Service on the Bonds

Set forth below is a schedule of debt service payments required for the Bonds for each Fiscal Year of the City and County, beginning with the Fiscal Year ending June 30, 2010:

**CITY AND COUNTY OF HONOLULU
GENERAL OBLIGATION BONDS,
SERIES 2009A, SERIES 2009B (TAXABLE) AND SERIES 2009C
DEBT SERVICE REQUIREMENTS**

FY Ending June 30	Principal	Interest	Total
2010	-	\$ 16,446,109	\$ 16,446,109
2011	\$ 16,350,000	17,779,577	34,129,577
2012	21,860,000	17,312,577	39,172,577
2013	22,755,000	16,423,225	39,178,225
2014	14,025,000	15,547,997	29,572,997
2015	14,520,000	15,060,289	29,580,289
2016	15,105,000	14,516,683	29,621,683
2017	15,850,000	13,791,164	29,641,164
2018	9,940,000	12,948,150	22,888,150
2019	10,410,000	12,477,213	22,887,213
2020	10,930,000	11,956,713	22,886,713
2021	11,460,000	11,430,213	22,890,213
2022	12,030,000	10,857,213	22,887,213
2023	12,635,000	10,255,713	22,890,713
2024	13,230,000	9,657,188	22,887,188
2025	13,895,000	8,995,688	22,890,688
2026	14,580,000	8,308,913	22,888,913
2027	15,310,000	7,579,913	22,889,913
2028	16,075,000	6,814,413	22,889,413
2029	16,920,000	5,970,475	22,890,475
2030	17,805,000	5,082,175	22,887,175
2031	18,740,000	4,147,413	22,887,413
2032	19,725,000	3,163,563	22,888,563
2033	20,760,000	2,128,000	22,888,000
2034	21,800,000	1,090,000	22,890,000
Total:	<u>\$ 376,710,000</u>	<u>\$ 259,740,569</u>	<u>\$ 636,450,569</u>

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 2008 and for the Fiscal Year ending June 30, 2009, authorized and appropriated a total of \$2,641,567,438 for public improvements to be financed from the proceeds of general obligation bonds or notes. As of February 3, 2009, \$1,400,225,512 of general

obligation bonds and notes had been issued to finance appropriations for such Fiscal Years, and \$503,434,440 of such appropriations had lapsed pursuant to the terms of the Revised Charter of the City and County (See “BUDGET PROCESS AND FINANCIAL MANAGEMENT – Budgets and Expenditures” for more information relating to lapsing of capital budget appropriations). It is expected that \$737,907,486, 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.

In addition, in November 2007, the City and County entered into a Forward Delivery Bond Purchase Agreement providing for the issuance of \$152,840,000 of general obligation bonds. Such bonds were delivered on April 6, 2009 and the proceeds thereof (including original issue premium) are being used to refund, on a current basis, \$155,705,000 of outstanding general obligation bonds of the City and County.

THE CITY AND COUNTY OF HONOLULU

Introduction

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

With slightly less than a tenth of the land area in the entire State, Oahu contains nearly three-fourths of the State’s resident population. According to the 2000 U.S. Census, the resident population of the State was 1,211,537, and that of Honolulu was 876,156, approximately 71% of the total State population. Honolulu is the seat of the State Government and is the State’s trade, finance, communication, and transportation center. Most federal establishments and personnel (both civilian and military), manufacturing, major educational and scientific, and significant agricultural activities are located on Oahu.

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

Government and Organization

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

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

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

Mayor and Executive Branch. Under the provisions of and except as otherwise provided in the Charter of the City and County, the executive power of the City and County is vested in and exercised by the Mayor, as chief executive officer. The Department of Corporation Counsel reports directly to the Mayor; and all other executive departments and agencies of the City and County (excepting the Mayor's office staff and the Board of Water Supply and other semi-autonomous agencies) are supervised by and report directly to the Managing Director as principal administrative aide to the Mayor. The Mayor serves a four-year term. The next regular mayoral election is scheduled to take place in November 2012. The current Mayor is serving his second term, which expires on January 2, 2013. No person may be elected to the office of the Mayor for more than two consecutive full terms. Pursuant to the Charter of the City and County, the Department of Budget and Fiscal Services manages the budget and the finances of the City and County, including debt management.

City Council. Under the provisions of and except as otherwise provided in the Charter of the City and County, the legislative power of the City and County is vested in and exercised by the City Council. The City Council is the policy-making body of the City and County. Its major functions include approval of the budget, establishment of all fees and rates (other than those under the jurisdiction of semi-autonomous agencies) and taxes, appropriation of funds, and establishment of community plans and zoning. The City Council is comprised of nine members, each of whom represents a separate Council District. Pursuant to Section 16-122 of the City Charter, the staggering of the terms of councilmembers commenced on January 2, 2003. The councilmembers for council districts I, III, V, VII and IX were elected to four-year regular terms expiring on January 2, 2013, while the councilmembers for council districts II, IV, VI and VIII were elected to four-year regular terms expiring on January 2, 2011. Section 3-102 of the City Charter provides that "No person shall be elected to the office of councilmember for more than two consecutive four-year terms."

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

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

CITY AND COUNTY REVENUES

The taxes and other revenues discussed below account for substantially all the tax receipts and other revenues of the City and County. All tax receipts are credited to either the General Fund or the Special Revenue Funds of the City and County (the "Special Revenue Funds"). The audited financial statements of the revenues and expenditures of these funds for the Fiscal Year ended June 30, 2008, are accessible from the City and County's website at <http://www.honolulu.gov/budget/cafr.htm>, or may be obtained from the City and County by request to the attention of the Director of Budget and Fiscal Services, City and County of Honolulu, 530 South King Street, Honolulu, Hawaii 96813. Information on the City and County's website other than the audited financial statements is not part of this Official Statement. See "FINANCIAL INFORMATION AND ACCOUNTING – Financial Statements" herein for certain financial information based on the City and County's audited financial statements. See also APPENDIX A hereto for a discussion of certain economic conditions that could potentially impact the City and County's revenues.

General Fund

The General Fund is utilized to account for all financial resources except those required to be accounted for in another fund. The sources of revenues of the General Fund are (i) real property taxation; (ii) licenses and permits; (iii) intergovernmental revenues (including the allocation of the State transient accommodation tax); (iv) charges for services; (v) fines and forfeits; and (vi) miscellaneous revenues. Real property taxes, which generally account for two-thirds of General Fund revenues, and the allocation of the State transient accommodation tax are described below. See Table 13 under “FINANCIAL INFORMATION AND ACCOUNTING.”

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

Under the Tax Ordinance, all real property in Honolulu, except as exempted or otherwise taxed, is subject each year to a tax upon the fair market value thereof. Real property in Honolulu is classified and taxed as (1) improved residential, (2) unimproved residential, (3) apartment, (4) hotel and resort, (5) commercial, (6) industrial, (7) agricultural, (8) vacant agricultural, (9) conservation and (10) public service. Beginning July 1, 2008, Ordinance 07-10 combined the improved residential, unimproved residential and apartment classes into one classification called “residential.” In determining the value of land consideration is given to its highest and best use, selling prices and income, productivity, actual and potential use, advantage or disadvantage of factors such as location, accessibility, transportation facilities, availability of water and its cost, easements, zoning, dedication as to usage, and other influences which fairly and reasonably bear upon the question of value. Real property owned by the respective governments of the United States, the State of Hawaii and the several counties of the State is excluded from taxation, but is taxable when leased to or occupied by a private entity under certain conditions described in the Tax Ordinance. Real property owned and actually and exclusively used for an exempt purpose by hospitals and religious, educational, community and charitable organizations is also exempt from taxation under certain conditions described in the Tax Ordinance. In addition, real property owned as a home is exempt from taxation to the extent of \$80,000 (\$120,000 for persons age 65 and over). In lieu of the exemptions set forth in the previous sentence, qualified low-income taxpayers can receive exemptions that gradually increase based on age, from \$140,000 for persons age 75 to \$200,000 for persons age 90 and over. Under Chapter 239, Hawaii Revised Statutes, if a county exempts real property owned or leased (if the lessee is required to pay any real property taxes) by a public service company from real property taxes, the county is entitled to receive a portion of the public service company tax imposed by the State on the gross income of public service companies. Currently, the City and County does not tax the real property of public service companies, and it included approximately \$45.8 million in its budget for the Fiscal Year ending June 30, 2009 for the public service company tax.

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

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

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

The assessed valuations of real property in the City and County for Fiscal Years 2009 and 2010 are shown in Table 1 below, with the valuation of governmentally owned real property excluded from both the gross assessed valuation and the exemption valuation. Table 2 shows the net taxable values for each class of property within the City and County for Fiscal Years 2005 through 2010 and the applicable tax rates for each class of property for Fiscal Years 2005 through 2009 (the last Fiscal Year for which rates have been established).

Table 1

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

	<u>2009</u>	<u>2010</u>
Gross assessed valuation	\$190,699,156	\$191,211,297
Less exemption valuation	<u>(23,481,605)</u>	<u>(23,603,596)</u>
Assessor's net taxable value	167,217,551	167,607,701
Less 50% of valuations on appeal	<u>(879,604)</u>	<u>(1,825,622)</u>
Net assessed valuation for rate purposes	<u>\$166,337,947</u>	<u>\$165,782,079</u>

⁽¹⁾ At 100% of fair market value.

Table 2

**REAL PROPERTY NET ASSESSED VALUES BY CLASSIFICATION AND TAX RATES
Fiscal Years 2005 – 2010 (values in thousands)**

<u>Classification</u>	<u>2005</u>		<u>2006</u>		<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010⁽¹⁾</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>	<u>Value</u>
Improved Residential ⁽²⁾	\$52,078,717	3.75	\$68,475,274	3.75	\$89,283,029	3.59	\$100,858,035	3.29	\$136,983,348	3.29	\$134,490,385
Unimproved Residential ⁽²⁾	539,376	5.72	524,508	5.72	754,815	5.72	431,257	5.70			
Apartment ⁽²⁾	19,832,878	3.75	24,671,194	3.75	32,642,928	3.59	38,352,746	3.29			
Hotel/Resort	4,526,843	11.37	4,708,327	11.37	5,787,719	11.97	6,872,417	12.40	6,979,025	12.40	7,234,047
Commercial	9,025,643	11.37	9,618,183	11.37	10,814,805	11.97	12,282,509	12.40	13,505,161	12.40	14,312,242
Industrial	4,615,760	11.37	4,972,434	11.37	5,513,282	11.97	6,711,928	12.40	7,249,188	12.40	7,968,539
Agricultural	1,382,516	9.57	735,975	8.57	875,793	8.57	1,054,884	5.70	1,133,318	5.70	1,248,062
Vacant											
Agricultural ⁽³⁾			33,867	8.57	38,547	8.57	111,524	8.50	110,808	8.50	143,153
Conservation	404,535	9.57	363,128	9.57	365,292	9.57	349,430	5.70	377,099	5.70	381,713
Public Service ⁽⁴⁾	15,114	0.00	(10)	0.00	(1,300)	0.00	0	0.00	0	0.00	3,938
Total All Classes	\$92,421,382		\$114,102,880		\$146,074,910		\$167,024,730		\$166,337,947		\$165,782,079

⁽¹⁾ Tax rates for Fiscal Year 2010 not available.

⁽²⁾ Ordinance 07-10 combined the Improved Residential, Unimproved Residential and Apartment classifications into a Residential classification effective with the tax year beginning July 1, 2008.

⁽³⁾ Combined with "Agricultural" prior to July 1, 2005.

⁽⁴⁾ As discussed above, the public service category was established in the Fiscal Year ended June 30, 2002, but the City and County does not currently tax property in this category. In lieu of taxing such property, the City and County receives a portion of the public service tax imposed by the State on the gross income of public service companies.

Assessments are determined as of October 1. Real property taxes are levied on July 1 and billed on July 20 of each year based on assessed valuation as of October 1, and are due in two equal installments on the following August 20 and February 20. Real property taxes receivable as of June 30 of each year are deemed delinquent and amounts which are not collected within sixty days of the end of the Fiscal Year are reported as deferred revenue. A lien for real property taxes attaches as of July 1 of each year. Annual assessments, levies and average tax rates and collection percentages for the Fiscal Years ending June 30, 2005 to 2009 are shown in the table below.

Table 3

**STATEMENT OF REAL PROPERTY TAX LEVIES AND COLLECTIONS
SHOWING ASSESSED VALUATIONS AND TAX RATES
Fiscal Years 2005 – 2009 (values in thousands)**

<u>Fiscal Year</u>	<u>Net Valuation for Tax Rate Purposes⁽¹⁾</u>	<u>Weighted Average Tax Rate Per \$1,000</u>	<u>Amount of Levies</u>	<u>Percent of Collections to Levy</u>
2005	\$ 92,421,382	\$5.37	\$496,428	99.8%
2006	114,102,880	5.10	581,801	101.0
2007	146,074,910	4.92	718,090	101.7
2008	167,024,730	4.73	790,164	101.1
2009	166,337,947	4.83	804,120	NA

⁽¹⁾ At 100% of fair market value.

The real property tax revenues of \$769.4 million (excluding public service company tax) accounted for 65.6% of the General Fund revenues of \$1.17 billion for the Fiscal Year ended June 30, 2008. The ten largest real property taxpayers in the City and County for the Fiscal Year ending June 30, 2009 are identified in the following two tables. Table 4 lists the taxpayers according to the assessed value of their real property, and Table 5 lists the taxpayers according to the amount of tax levied on such property.

Table 4

**TEN LARGEST REAL PROPERTY TAXPAYERS
BY ASSESSED VALUE
For Fiscal Year ending June 30, 2009**

Taxpayer	Type of Business	Gross Assessed Valuation⁽¹⁾	% of Total Assessed Valuation
Bishop Estate	Educational Trust Estate	\$1,370,878,400	0.72%
Kyo-ya Co. Ltd.	Hotel/Resort (Sheraton Waikiki, Royal Hawaiian, Princess Kaiulani and Moana Hotels)	1,156,329,200	0.61
General Growth Properties	Real Estate Management and Leasing	1,130,056,400	0.59
Hilton Hawaiian Village	Hotel/Resort	848,716,700	0.45
Outrigger Hotels Hawaii	Hotel/Resort	622,799,000	0.33
Ko'Olina Hotel	Hotel/Resort	611,185,000	0.32
First Hawaiian Bank	Financial Services	491,050,900	0.26
James Campbell Estate	Real Estate	423,834,600	0.22
Reynolds/Shidler	Real Estate	418,993,500	0.22
Bank of Hawaii	Financial Services	<u>322,916,400</u>	<u>0.17</u>
		<u>\$6,240,430,900</u>	<u>3.89%</u>

⁽¹⁾ Assessed valuation as of October 1, 2007 at 100% of fair market value.

Table 5

**TEN LARGEST REAL PROPERTY TAXPAYERS
BY AMOUNT OF TAX LEVIED
For Fiscal Year ending June 30, 2009**

Taxpayer	Type of Business	Amount of Tax Levied	% of Total Amount Levied
Kyo-ya Co. Ltd.	Hotel/Resort (Sheraton Waikiki, Royal Hawaiian, Princess Kaiulani and Moana Hotels)	\$14,328,281	1.78%
General Growth Properties	Real Estate Management and Leasing	13,521,474	1.68
Bishop Estate	Educational Trust Estate	11,845,940	1.47
Hilton Hawaiian Village	Hotel/Resort	9,469,968	1.17
Outrigger Hotels Hawaii	Hotel/Resort	7,622,120	0.95
Ko'Olina Hotel	Hotel/Resort	6,643,599	0.83
First Hawaiian Bank	Financial Services	6,069,187	0.75
Reynolds/Shidler	Real Estate	4,742,733	0.59
James Campbell Estate	Real Estate	3,965,190	0.49
Azabu Building Co. Ltd.	Hotel/Resort (Ala Moana and Hyatt Regency Waikiki Hotels)	<u>3,616,208</u>	<u>0.45</u>
		<u>\$81,824,700</u>	<u>10.16%</u>

Allocation of State Transient Accommodation Tax. Under Section 237D, Hawaii Revised Statutes, a transient accommodation tax (basically a hotel tax) is collected by the State of Hawaii. The tax rate is 7.25% and is distributed as follows: 17.3% to the state convention center capital special fund, 37.9% to the state tourism special fund, and 44.8% to the four counties, with the City and County receiving 44.1% of such distribution, or 19.8% of the total. In the Fiscal Year ended June 30, 2008 the City and County received \$45.3 million as its allocable share of the State transient accommodation tax, which amount is 3.9% of the General Fund revenues for such year. There can be no assurance that the allocation will continue to be maintained at current levels.

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

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

Recent Legislative Proposals. In the current session of the State Legislature, a bill has been introduced (House Bill 1744) that would suspend the allocation of transient accommodation tax collections by the State to the counties during the period from July 1, 2009 to June 30, 2015. In addition, a bill has been introduced (Senate Bill 1626) that would require the City and County to return \$150 million of amounts received from the general excise tax surcharge to the State in exchange for proceeds of general obligation bonds to be issued by the State. The City and County cannot predict whether or in what form the State Legislature may enact legislation that would have the effect of reducing amounts received by the City and County with respect to the transient accommodations tax, general excise tax surcharge or other revenues from the State.

Special Revenue Funds

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

Vehicle Weight Tax. Under Section 249-2, Hawaii Revised Statutes, the counties are authorized to impose an annual tax on the net weight of all vehicles used on the public highways. In accordance with Section 249-13, Hawaii Revised Statutes, the City and County imposes taxes between 1.25 cents per pound and 2.0 cents per pound, depending on the type of vehicle, with a minimum tax of \$12.00 per vehicle. Under State law, the counties collect the vehicle weight tax in connection with their vehicle registration and licensing function. The proceeds from the county vehicle weight tax are restricted by Section 249-18, Hawaii Revised Statutes, to highway and related expenditures in the City and County, including \$500,000 for police purposes. In Fiscal Year 2008, the City and County collected \$71.9 million of vehicle weight taxes.

County Fuel Tax. The City and County fuel tax, authorized by Section 243-4 and 243-5, Hawaii Revised Statutes, is imposed on liquid fuels sold or used within its jurisdiction, except that it does not apply to aviation fuel; and it is imposed only on that portion of diesel fuel used on the public highways. By Resolution No. 89-92, adopted by the City Council on May 24, 1989, the fuel tax for the City and County was increased from 11.5 cents per gallon to 16.5 cents per gallon, effective July 1, 1989. The proceeds from the fuel tax are limited by Section 243-6, Hawaii Revised Statutes, to expenditures for such purposes as designing, constructing, repairing and maintaining highways, roads and streets, highway tunnel and bridges, street lights and storm drains, and for functions connected with county traffic control and safety. In Fiscal Year 2008, the City and County collected \$50.6 million of fuel taxes.

Public Utilities Franchise Tax. Section 240-1, Hawaii Revised Statutes, requires all electric power companies and gas companies operating as public utilities to pay the county in which business is conducted a tax equal to 2½% of the companies' gross receipts for sales in such county, unless such county in its charters with such utilities has agreed to a lower rate of tax. The rate for such tax in the City and County is the full 2½% for all such utilities. In Fiscal Year 2008, the City and County collected \$36.2 million of such taxes.

Revenues and Expenditures

The following table presents the General Fund revenues and expenditures, including transfers out for debt service, mass transit subsidy and other purposes, and transfers in for recovery of debt service and other purposes, in Fiscal Years 2004 through 2008.

Table 6

GENERAL FUND REVENUES AND EXPENDITURES

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

DEBT STRUCTURE

Legal Requirements

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

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

Pursuant to a resolution enacted by the City Council in 1996, the City and County has adopted debt and financial policies, which have been amended periodically, including the establishment of a contingency reserve, a limitation on debt service as a percentage of General Fund revenues and a limitation on variable rate debt. The most recent amendment, Resolution 06-222, replaced the long-term contingency reserve "rainy day fund" with a reserve for fiscal stability fund that more clearly defines the permitted uses of the fund. See "BUDGET PROCESS AND FINANCIAL MANAGEMENT – Reserve for Fiscal Stability Fund" herein.

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

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

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

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

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

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

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

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

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

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

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

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

8. Bonds constituting instruments of indebtedness under which the county incurs a contingent liability as a guarantor, but only to the extent the principal amount of such bonds does not exceed 7% of the principal amount of outstanding general obligation bonds not otherwise excluded herein; provided that the county shall establish and maintain a reserve in an amount in reasonable proportion to the outstanding loans guaranteed by the county as provided by law.

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

Funded Debt and Debt Margin

Under State law, a political subdivision (such as the City and County) is required annually, as of each July 1, and upon each issuance to determine and certify the amount of its funded debt and exclusions therefrom. Accordingly, a certification has been prepared of the funded debt of the City and County and the exclusions therefrom as of July 1, 2008, and Table 7 sets forth a supplemental summary statement of such funded debt and exclusions as of February 3, 2009. Set forth in Table 8 is a detailed schedule of all outstanding general obligation funded debt of the City and County as of February 3, 2009. Table 9 lists all general obligation funded debt of the City and County as of February 3, 2009.

Table 7

**STATEMENT OF FUNDED DEBT
As of February 3, 2009**

1. Gross assessed valuation of real property, January 30, 2009.....	\$	191,211,296,900	
2. Less exempt valuation		<u>23,603,596,300</u>	
3. Assessor's net taxable value		167,607,700,600	
4. Less valuations on appeal		<u>3,651,244,100</u>	
5. Taxpayers' valuation.....		163,956,456,500	
6. Add 50% of valuation on appeal		<u>1,825,622,050</u>	
7. Net assessed valuation of real property for rate purposes.....	\$	<u><u>165,782,078,550</u></u>	
8. Limit of funded debt as set by the Constitution of the State of Hawaii	\$	24,867,311,783	(a)
9. Funded debt:			
a. General obligation bonds	\$	2,051,356,000	
b. Revenue bonds		1,486,852,890	(b)
c. Notes payable:			
Federal Government		2,310,869	
State of Hawaii		<u>146,424,405</u>	
d. Gross funded indebtedness.....	\$	3,686,944,164	
Less exclusions:			
f. Revenue bonds			
Self-supporting waterworks.....	\$	307,560,000	
Self-supporting wastewater		<u>1,179,292,890</u>	
g. General obligation bonds issued for H-Power waste disposal facility.....		5,555,000	
h. General obligation bonds issued for Housing.....		81,260,012	
i. General obligation bonds issued for solid waste		139,760,763	
j. General obligation bonds issued for sewer projects		13,399,994	
k. State of Hawaii notes issued for sewer projects		<u>143,586,762</u>	\$ <u>1,870,415,421</u>
m. Net funded debt			<u>1,816,528,743</u>
10. Gross limit of additional funded debt.....	\$	23,050,783,040	
11. Less general obligation bonds authorized and unissued:			
Authorizing Ordinance	Total Authorized (c)	Amount Issued	Amount Unissued
Ordinance No. 98-29.....	\$ 178,713,558	177,189,068	1,524,490
Ordinance No. 99-28.....	134,773,412	134,773,412	-
Ordinance No. 00-24.....	197,468,415	197,401,602	66,813
Ordinance No. 01-27.....	231,126,786	230,258,536	868,250
Ordinance No. 02-27.....	159,469,669	155,230,299	4,239,370
Ordinance No. 03-08.....	128,004,121	118,538,671	9,465,450
Ordinance No. 04-15.....	126,464,733	110,129,273	16,335,460
Ordinance No. 05-15.....	159,024,150	134,000,000	25,024,150
Ordinance No. 06-34.....	177,644,405	94,704,651	82,939,754
Ordinance No. 07-26.....	265,790,471	38,000,000	227,790,471
Ordinance No. 08-14.....	<u>379,653,278</u>	<u>10,000,000</u>	<u>369,653,278</u>
	<u>\$ 2,138,132,998</u>	<u>1,400,225,512</u>	<u>737,907,486</u>
12. Net limit of additional funded debt			<u>\$ 22,312,875,554</u>

(a) The limit of the funded debt is set at a sum equal to 15% of the net assessed valuation for tax rate purposes of real property.

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

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

Table 8

**GENERAL OBLIGATION FUNDED DEBT
OF THE CITY AND COUNTY OF HONOLULU
As of February 3, 2009**

<u>Direct Debt</u>	<u>Effective Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Maturing Serially From/To</u>	<u>Optional Call Dates</u>	<u>Outstanding</u>
General Obligation Bonds:					
April 1, 1977 Series A	4.37100%	\$ 5,000,000	1/1/79-11	1/1/1986	\$ 541,000
January 1, 1993 Series A	5.85764%	150,000,000	1/1/97-13	Non-callable	17,120,000
April 1, 1993 Series B	5.43923%	611,335,000	10/1/94-13	Non-callable	115,660,000
September 1, 1993 Series C	4.85624%	28,000,000	9/1/98-18	Non-callable	5,030,000
April 1, 1994 Series A	5.62722%	150,000,000	4/1/98-14	Non-callable	21,115,000
November 1, 1997 Series B	5.09054%	83,000,000	11/1/01-17	11/1/2007	2,585,000
November 1, 1997 Series C	5.40595%	157,605,000	11/1/99-10	Non-callable	26,260,000
April 1, 1999 Series B	5.00249%	88,000,000	7/1/03-24 ⁽¹⁾	7/1/2009	3,035,000
April 1, 1999 Series C	4.91016%	349,215,000	7/1/01-20	7/1/2009	249,705,000
November 3, 1999 Series D	4.72927%	45,820,000	2/1/01-10	Non-callable	5,555,000
March 1, 2001 Series 2001A	5.09921%	141,500,000	9/1/05-24	9/1/2011	16,015,000
June 21, 2001 TECP Issue W ⁽²⁾	Variable	150,000,000	Not Applicable	Non-callable	52,700,000
August 8, 2003 Series 2003A	4.85540%	250,000,000	3/1/08-28	3/1/2013	167,195,000
April 14, 2004 Series 2004 A	4.36246%	123,065,000	7/1/05-28	7/1/2014	81,890,000
April 14, 2004 Series 2004 B	3.62613%	192,850,000	7/1/08-17	7/1/2014	177,610,000
May 26, 2005 Series 2005A	3.99266%	186,470,000	7/1/09-29	7/1/2015	186,470,000
May 26, 2005 Series 2005B	3.99266%	27,315,000	7/1/09-19	7/1/2015	27,315,000
May 26, 2005 Series 2005C	3.99266%	76,770,000	7/1/09-21	7/1/2015	76,770,000
May 26, 2005 Series 2005D	3.99266%	81,215,000	7/1/09-23	7/1/2015	81,215,000
December 8, 2004 TECP Issue H ⁽²⁾	Variable	100,000,000	Not Applicable	Non-callable	100,000,000
November 22, 2005 Series E	4.40023%	247,015,000	7/1/06-23	7/1/2015	219,790,000
November 22, 2005 Series F	4.62695%	149,150,000	7/1/10-29	7/1/2015	149,150,000
November 29, 2007 Series A	4.62201%	268,630,000	7/1/12-31	7/1/2017	268,630,000
		<u>\$ 4,031,835,000</u>			<u>\$ 2,051,356,000</u>
Notes Payable - Federal Government	5.11600%	\$ 5,668,313	6/20/84-16	Non-callable	\$ 2,310,869
Notes Payable - State of Hawaii	Various	179,168,660	Various	Non-callable	146,424,405
		<u>\$ 184,836,973</u>			<u>\$ 148,735,274</u>
Total Gross Direct Debt		<u>\$ 4,216,671,973</u>			<u>\$ 2,200,091,274</u>
Less exclusions:					
Bonds issued for solid waste				\$ 139,760,763	
Bonds issued for housing				81,260,012	
Bonds issued for H-Power waste disposal facility				5,555,000	
Bonds issued for sewer projects				13,399,994	
State of Hawaii Notes issued for sewer projects				<u>143,586,762</u>	<u>383,562,531</u>
Net Funded Debt					<u>\$ 1,816,528,743</u>

⁽¹⁾ Last maturity date is April 1, 2024.

⁽²⁾ The maximum authorized outstanding principal amount of notes under the City and County's commercial paper program is \$250,000,000.

Table 9

**DEBT SERVICE CHARGES ON
OUTSTANDING GENERAL LONG-TERM DEBT
February 3, 2009 to Maturity⁽¹⁾**

FY Ending	<u>General Obligation Bonds</u>		<u>Other Debt⁽²⁾</u>		Gross Debt Service Charges	<u>Reimbursable Debt</u>		Net Debt Service Charges
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest⁽³⁾</u>		<u>Principal</u>	<u>Interest</u>	
2009	\$ 7,345,000	\$ 9,934,038	\$ 5,217,516	\$ 1,371,387	\$ 23,867,941	\$ 4,924,120	\$ 2,109,016	\$ 16,834,805
2010	121,275,000	92,610,234	12,446,312	2,763,294	229,094,840	36,818,143	12,644,931	179,631,766
2011	123,936,000	85,786,207	12,666,358	2,481,030	224,869,595	28,403,219	11,066,746	185,399,630
2012	117,380,000	79,595,056	12,731,851	2,196,833	211,903,740	25,499,420	10,059,079	176,345,241
2013	122,510,000	73,554,949	12,557,460	1,929,370	210,551,779	25,616,228	9,135,786	175,799,765
2014	118,690,000	67,354,911	11,468,222	1,490,367	199,003,500	20,533,824	8,053,972	170,415,704
2015	91,285,000	61,960,826	9,069,553	1,139,181	163,454,560	17,422,553	7,276,935	138,755,072
2016	95,995,000	57,390,789	9,134,973	950,579	163,471,341	17,915,878	6,667,769	138,887,694
2017	100,730,000	52,520,708	8,912,348	764,211	162,927,267	18,501,413	6,031,122	138,394,732
2018	105,865,000	47,383,760	8,702,470	595,277	162,546,507	18,784,777	5,370,177	138,391,553
2019	88,125,000	42,641,635	7,735,592	444,278	138,946,505	19,236,181	4,688,713	115,021,611
2020	90,225,000	38,289,011	6,191,562	332,537	135,038,110	16,178,050	4,046,727	114,813,333
2021	97,360,000	33,607,125	5,800,026	264,446	137,031,597	17,445,204	3,436,386	116,150,007
2022	73,920,000	29,293,500	5,656,842	208,058	109,078,400	12,811,176	2,907,441	93,359,783
2023	78,410,000	25,705,068	4,834,648	157,999	109,107,715	12,479,332	2,495,951	94,132,432
2024	82,445,000	21,675,680	4,764,758	120,584	109,006,022	12,900,069	2,063,314	94,042,639
2025	57,585,000	18,157,342	4,788,654	84,761	80,615,757	9,671,915	1,701,507	69,242,335
2026	60,540,000	15,204,640	4,811,285	48,815	80,604,740	9,943,598	1,417,098	69,244,044
2027	63,620,000	12,119,887	2,365,169	17,339	78,122,395	7,754,905	1,127,062	69,240,428
2028	66,870,000	8,877,425	537,898	2,008	76,287,331	6,200,309	840,121	69,246,901
2029	50,450,000	5,460,925			55,910,925	5,354,877	550,269	50,005,779
2030	44,055,000	3,100,858			47,155,858	3,132,207	338,162	43,685,489
2031	19,520,000	1,514,000			21,034,000	2,534,338	196,567	18,303,095
2032	20,520,000	513,000			21,033,000	2,664,171	66,604	18,302,225
2033								
2034								
	<u>\$ 1,898,656,000</u>	<u>\$ 884,251,574</u>	<u>\$ 150,393,497</u>	<u>\$ 17,362,354</u>	<u>\$ 2,950,663,425</u>	<u>\$ 352,725,907</u>	<u>\$ 104,291,455</u>	<u>\$ 2,493,646,063</u>

⁽¹⁾ Excludes commercial paper (TECP), self-supporting revenue bonds and state revolving fund notes payable.

⁽²⁾ Includes:

\$ 2,310,869	U.S. Government note payable for City's share of Kaneohe Reservoir Recreation & Fish and Wildlife Development
146,424,405	State of Hawaii notes payable for various sewer projects, storm dewatering facility and storm water equipment
<u>1,658,223</u>	Capital Leases
<u>\$ 150,393,497</u>	

⁽³⁾ Includes loan fees charged to interest for State of Hawaii notes payable.

Trend of General Obligation Indebtedness

The following table sets forth the trend of outstanding general obligation indebtedness of the City and County as of June 30 of each of the most recent five Fiscal Years. Except for the Bonds to be issued, the City and County has not issued any general obligation bonds or general obligation notes (other than commercial paper notes) subsequent to November 29, 2007.

Table 10

TREND OF GENERAL OBLIGATION INDEBTEDNESS Fiscal Years 2004 – 2008

General Obligation Bonds					
FY Ending June 30	Non- Reimbursable⁽¹⁾	Reimbursable for Other Purposes⁽²⁾	Total General Obligation Bonds	Notes Pavable	Total General Obligation Debt
2004	\$1,505,216,109	\$444,667,138	\$1,949,883,247	\$3,163,133	\$1,953,046,380
2005	1,620,378,005	412,567,940	2,032,945,945	2,965,738	2,035,911,683
2006	1,718,340,918	303,476,919	2,021,817,837	2,758,245	2,024,576,082
2007	1,745,719,961	270,438,048	2,016,158,009	2,540,136	2,018,698,145
2008	1,838,389,129	249,697,067	2,088,086,196	2,310,869	2,090,397,065

(1) Direct debt.

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

Reimbursement to General Fund for Debt Service

All general obligation bonds of the City and County are payable as to principal and interest from the General Fund of the City and County. The City Council for certain purposes may require that the General Fund be reimbursed for the payment from such fund of the debt service on certain general obligation bonds, such reimbursement to be made from any revenues, user taxes, assessments or other income derived from the facilities or systems funded by the bonds. To the extent that reimbursements are not made, the City and County would be required to apply other money in the General Fund, including receipts from taxes, to pay debt service on general obligation bonds. As noted in the explanation for the table immediately preceding, reimbursable general obligation bonds have been issued to finance capital projects for water facilities, assessable public improvements, H-Power waste disposal facility, wastewater treatment facilities, the West Loch Subdivision and other low income housing projects. As explained under “DEBT STRUCTURE -- Legal Requirements -- Exclusions,” and as shown in the Statement of Funded Debt in Table 7 above, reimbursable general obligation bonds issued for the Board of Water Supply, assessable public improvements, housing projects, H-Power waste disposal facility and wastewater treatment facilities are excluded in determining the funded debt of the City and County beginning in the Fiscal Year when reimbursements are, in fact, made to the General Fund. It is the current policy of the City and County to finance water and sewer improvements with revenue bonds instead of reimbursable general obligation bonds.

Pension and Other Post-Employment Benefits Liability

The City and County provides retirement, disability and death benefits for all regular employees of the City and County through the Employees’ Retirement System of the State. See “EMPLOYEE RELATIONS; PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS” herein for a discussion of the City and County’s liability under the Employee’s Retirement System of the State for the payment of such benefits.

Leases

The City and County has entered into various capital and operating leases expiring at various dates through 2038. The leases are financed from general resources. Expenditures for such leases approximated \$1.9 million for the Fiscal Year ended June 30, 2008, and future expenditures for such leases are projected to be \$16.3 million.

Revenue Indebtedness

The Board of Water Supply of the City and County has issued \$307,560,000 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 March 1, 2009, the outstanding amounts of senior and junior revenue bonds were \$719,250,000 and \$460,732,890, respectively. Such revenue bonds are limited obligations of the City and County, are excluded for purposes of determining the funded indebtedness of the City and County, and do not constitute a general or moral obligation or a pledge of the full faith and credit or taxing power of the City and County or the State. The City and County has adopted a \$1.48 billion, five-year capital improvement program (Fiscal Year 2009 to Fiscal Year 2013) to upgrade its wastewater treatment plant and collection system facilities and anticipates issuing additional revenue bonds to finance a portion of the costs associated with the program. See also "PENDING LITIGATION" herein for a discussion of litigation pertaining to the wastewater system.

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

H-Power Waste Disposal Facility and Operating Agreement

The City and County issued approximately \$256 million of reimbursable general obligation bonds to finance the acquisition and construction of the H-Power waste disposal facility, 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. A portion of the Series 2009B Bond proceeds will be used to reimburse the City and County for a temporary advance of funds to pay the purchase price of the facility.

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

High-Capacity Transit Corridor Project

The City and County is currently planning a new \$5.3 billion, 20-mile fixed guideway transit system to provide rail service along the island's east-west corridor between Kapolei and downtown Honolulu (Ala Moana Center). Over 60% of the City and County's population currently lives within the area served by this corridor, and this area is projected to continue to grow faster than the rest of Oahu.

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

Construction of the proposed transit system is subject to completion of an environmental impact statement, a draft of which has been prepared and is currently under review. Due to the size and cost of the overall project, it is likely to be built in several phases lasting several years. The City and County is soliciting proposals for the design and construction of the first 6.5 mile segment of the system. The City and County’s plans currently call for commencement of construction in late 2009.

No Default

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

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

BUDGET PROCESS AND FINANCIAL MANAGEMENT

Budgets and Expenditures

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

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

Table 11

EXPENDITURES FOR CAPITAL IMPROVEMENTS
Fiscal Years 2005 – 2009
(in million dollars)

Expenditures ⁽¹⁾								
Fiscal Year	Grand Total	Bond Funds			Cash			Cash as % of Total
		General Obligation	Sewer Revenue	Total ⁽¹⁾	Federal Grants	Cash ⁽²⁾	Total	
2005 ⁽³⁾	\$258.2	\$119.0	\$ 98.6	\$217.6	\$31.5	\$ 9.1	\$ 40.6	15.7%
2006 ⁽³⁾	326.7	93.4	163.9	257.3	65.6	3.8	69.9	21.2
2007	601.0	174.1	337.6	511.7	40.0	49.3	89.3	14.9
2008	789.4	266.8	343.8	610.6	68.2	110.6	178.8	22.7
2009 ⁽⁴⁾	954.8	379.7	202.7	582.4	74.0	298.4	372.4	39.0

⁽¹⁾ Inclusive of encumbrances.

⁽²⁾ Funds from current revenues and surplus.

⁽³⁾ Adjusted for lapses.

⁽⁴⁾ Budgeted amounts.

Cash Management and Investments

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

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

The City and County manages its own investment portfolio in accordance with the foregoing statutes and a written investment policy of the City and County. The City and County does not engage in pooled investments, speculate with investments or leverage its investments. The City and County's investment portfolio does not include any derivative financial instruments and has minimal exposure to auction rate securities. The City and County's philosophy and policy in managing its investments is: first, for safety of public funds; second, for liquidity, so that funds are available when needed; and third, for yield, after the first two considerations are met.

Interest earnings from funds invested by the City and County totaled \$31.5 million in the Fiscal Year ended June 30, 2008, representing an investment yield of 4.60%.

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

Inter-Fund Borrowing

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

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

Reserve for Fiscal Stability Fund

In 2006, the City and County established a special fund known as the Reserve for Fiscal Stability Fund designated for economic and revenue downturns and emergency situations. The fund is maintained outside the General Fund and is available for appropriation only in the event of an emergency or certain economic and revenue triggers, including an increase in unemployment by more than 2% over three fiscal quarters, a decline in net taxable real property value by 2% or more from the preceding fiscal year, a decline in General Fund and Highway Fund revenues of 2% or more from the preceding fiscal year, a decline in Transient Accommodation Tax revenues of 5% or more from the preceding fiscal year, or an increase in nondiscretionary expenditures by more than 5% of the preceding fiscal year's revenues. Deposits to the fund are made from General Fund and Highway Fund surpluses and, by resolution, the fund is targeted to be at least 5% of expenditures, with an optimal target equal to 8% of expenditures. As of June 30, 2008, the fund balance was \$18.1 million. The City and County appropriated an additional \$7.5 million for the fund as part of its Operating Budget for Fiscal Year 2009.

FINANCIAL INFORMATION AND ACCOUNTING

Independent Audit

The Charter of the City and County requires that at least once every year the City Council obtain an independent audit of the accounts and other evidences of financial transactions of the City and County and of every agency. The audit is made by a certified public accountant or a firm of certified public accountants designated by the City Council. The basic financial statements of the City and County for the year ended June 30, 2008, as audited by the firm of Nishihama & Kishida, CPAs, Inc., may be found at the City and County's website at <http://www.honolulu.gov/budget/cafr.htm>, or may be obtained from the City and County by request to the attention of the Director of Budget and Fiscal Services, City and County of Honolulu, 530 South King Street, Honolulu, Hawaii 96813. Nishihama & Kishida has not reviewed this Official Statement and has no responsibility with respect to this Official Statement. Information on the City and County's website other than the basic financial statements is not part of this Official Statement.

The financial statements have been prepared in conformity with generally accepted accounting principles, using the accrual basis of accounting. The fund financial statements are prepared on a modified accrual basis, under which expenditures other than accrued interest on general long-term debt are recorded at the time liabilities are incurred and revenues are recorded when earned. Taxes are recorded when levied and other revenues are recorded

when they become both measurable and available for the payment of expenses for the current fiscal period. Proprietary fund accounts are maintained on the accrual basis.

Financial Statements

The following four tables set forth the balance sheet and the statement of revenues and expenditures and changes in fund balance for the General Fund and the balance sheet and the combined statement of revenues and expenditures and changes in fund balance for all governmental fund types and expendable trust funds for the Fiscal Years shown in such tables. The information set forth in such financial statements has been prepared by the Director of Budget and Fiscal Services of the City and County based on audited financial statements for the Fiscal Years ended June 30, 2004 to 2008, inclusive, and has been summarized from the Director's Annual Financial Reports for the related Fiscal Years.

Table 12

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

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

Table 13

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

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

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

Table 14

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

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

Table 15

CITY AND COUNTY OF HONOLULU
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For Fiscal Years Ended June 30, 2004 through June 30, 2008
(In thousand dollars)

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

EMPLOYEE RELATIONS; PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Employee Relations

The State Constitution grants public employees in Hawaii the right to organize for the purpose of collective bargaining as provided by law. Chapter 89, Hawaii Revised Statutes, as amended, provides for 13 recognized bargaining units for all public employees in the State, including City and County employees. Eight of these

bargaining units represent City and County employees (i.e., blue-collar non-supervisory; blue collar supervisory; white-collar non supervisory; white-collar supervisory; institutional health and correctional workers; firefighters; police; and professional scientific). Each bargaining unit designates an employee organization as the exclusive representative of all employees of such unit, which organization negotiates with the public employer.

The State and the counties are required to bargain collectively with the bargaining units. Decisions by the employer representatives are determined by simple majority vote, with the Governor having six votes and each of the mayors, Chief Justice of the State Supreme Court and Hawaii Health Systems having one vote for bargaining units involving blue-collar non-supervisory; blue-collar supervisory; white-collar non-supervisory; white-collar supervisory; institutional, health and correctional workers, and professional scientific. For bargaining units involving firefighters and police, the Governor has four votes and each of the mayors has one.

Under State law enacted in 1995, if an impasse in any negotiation is declared, the parties may attempt to resolve the impasse through mediation, fact finding and, except blue-collar non-supervisory workers (who are permitted by law to strike), final and binding arbitration. Although State law characterizes arbitration as “final and binding” it also provides that all cost items are subject to approval by the respective legislative bodies. State law does not permit the workers in any bargaining unit to strike except the blue-collar non-supervisory workers.

The City and County’s current collective bargaining contracts for firefighters and police expire on June 30, 2011. The City and County’s current contracts with the remaining six public bargaining units expire on June 30, 2009.

Pensions

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

Actuarial valuations are prepared each year to determine the total employer contribution requirement. In accordance with the statutory funding provisions (Sections 88-122 and 88-123, Hawaii Revised Statutes), including the changes due to Act 327, Session Laws of Hawaii 1997; Act 100, Session Laws of Hawaii 1999; and Act 216, Session Laws of Hawaii 2000, the total employer contribution requirement to the pension accumulation fund is comprised of the normal cost plus the level annual payment required to amortize the unfunded accrued liability over a period of 29 years from July 1, 2000. As of June 30, 2008, the total unfunded actuarial accrued liability for the State Retirement System was estimated to be approximately \$5.17 billion. The actuary for the State Retirement System does not provide a breakdown of the unfunded liability for the counties. Historically, the City and County’s contribution has been approximately 14.77% of the total employer appropriation to the State Retirement System.

Each employer’s (i.e., the State’s or a county’s) annual contribution to the State Retirement System is determined by multiplying (1) the total employer contribution requirement derived from the annual actuarial valuation as of the next preceding June 30, by (2) the ratio of that employer’s (i.e., the State’s and each of the respective county’s) payroll over the total covered payroll included in the actuarial valuation. For example, Honolulu’s contribution requirement for the 2001-02 Fiscal Year is based on the June 30, 1999 actuarial valuation and the payroll used in that valuation. The City and County’s contribution to the State Retirement System for the last five Fiscal Years, exclusive of costs for employees of the Board of Water Supply, was \$33,300,000 for 2004, \$47,700,000 for 2005, \$63,300,000 for 2006, \$67,500,000 for 2007 and \$73,000,000 for 2008, including amortization of a portion of prior service cost in each such year. Retirement contributions are funded on an actuarial basis.

A noncontributory retirement plan for certain public employees was created by enactment of Act 108, Session Laws of Hawaii 1984. All persons hired after June 30, 1984, and those contributory members who elected to join the plan, are covered under the provisions of the noncontributory retirement plan. Police officers, firefighters, elected officers and those employed in positions not covered by social security are excluded from the

noncontributory retirement plan. Retirement, disability, and death benefits under the noncontributory plan are less than the contributory plan. There is no major change in the City and County's funding requirements because the cost of the noncontributory retirement plan is about the same as the contributory retirement plan.

In addition to contributions to the State Retirement System, the City and County makes payments under three pension systems established prior to the establishment of the State Retirement System in 1926. These pension systems are administered by the City's Department of Budget and Fiscal Services. At June 30, 2008, there were 5 pensioners and 9 beneficiaries under these pensions. Such unfunded payments amounted to \$49,455 for 2004, \$41,511 for 2005, \$29,012 for 2006, \$19,927 for 2007 and \$18,504 for 2008. No estimates have been made of the cost of future benefits.

Other Post-Employment Benefits

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

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

In its Fiscal Year 2009 Operating Budget, the City and County appropriated \$82.14 million for current Trust Fund requirements, which includes a portion of the OPEB requirement, and \$51.89 million to an internally-held reserve fund for future OPEB funding obligations. In its Fiscal Year 2008 Operating Budget, the City and County appropriated \$40.01 million to the internally-held reserve. The Mayor's proposed Operating Budget for Fiscal Year 2010 does not provide for additional funding of the internally-held reserve.

PENDING LITIGATION

In the normal course of business, claims and lawsuits are filed against the City and County. Generally the City and County is self-insured with respect to general liability claims. In the Fiscal Years ended June 30, 2004 through 2008, settlements and judgments against the City and County paid from the General Fund amounted to \$3,799,617, \$2,542,000, \$4,134,130, \$7,304,115 and \$4,675,408, respectively.

A lawsuit filed as a class action against the City and County in July 2002, primarily on behalf of members of the Honolulu Police Department and the Honolulu Fire Department, alleges violations of the Fair Labor Standards Act, including the lack of proper compensation for work performed as a result of pre-shift and post-shift requirements, failure to maintain a proper compensation time system, and incorrect calculation of overtime pay. As a result of mediation, a settlement has been reached whereby the City and County will pay the plaintiffs \$30 million in installment payments over a period of six years until July 31, 2011.

A lawsuit filed by the U.S. Environmental Protection Agency ("EPA") and State Department of Health ("DOH") against the City and County in 1994 resulted in a consent decree which requires the City and County, among other things, to comply with the Clean Water Act, to establish a schedule under which the City and County will implement preventive maintenance and sewer replacement and rehabilitation necessary to reduce and prevent spills, to implement and enforce its pretreatment program to regulate industrial discharges, and to develop and

implement an effluent and sludge reuse program. The court has retained continuing jurisdiction over implementation of the consent decree. Pursuant to the consent decree, the City and County has established and is currently implementing a \$3.7 billion, 20-year capital improvement plan (Fiscal Year 1998 to Fiscal Year 2017) to upgrade its wastewater collection and treatment system.

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

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

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

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

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

TAX MATTERS

Series 2009A Bonds and the Series 2009C 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 2009A Bonds and the Series 2009C 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 Series 2009A Bonds and the Series 2009C 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 Series 2009A Bonds and the Series 2009C Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Interest on the Series 2009A Bonds is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Series 2009C Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Series 2009A Bonds and the Series 2009C Bonds is less than the amount to be paid at maturity of such Series 2009A Bonds and Series 2009C Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2009A Bonds and Series 2009C 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 Series 2009A Bonds and the Series 2009C 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 Series 2009A Bonds and the Series 2009C Bonds is the first price at which a substantial amount of such maturity of the Series 2009A Bonds and the Series 2009C 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 Series 2009A Bonds and the Series 2009C Bonds accrues daily over the term to maturity of such Series 2009A Bonds and Series 2009C 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 Series 2009A Bonds and Series 2009C Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2009A Bonds and Series 2009C Bonds. Beneficial owners of the Series 2009A Bonds and the Series 2009C Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2009A Bonds and Series 2009C Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Series 2009A Bonds and Series 2009C Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2009A Bonds and Series 2009C Bonds is sold to the public.

Series 2009A Bonds and Series 2009C 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 Series 2009A Bonds and the Series 2009C 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 Series 2009A Bonds and the Series 2009C 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 Series 2009A Bonds and the Series 2009C Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2009A Bonds and the Series 2009C 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 Series 2009A Bonds and the Series 2009C Bonds may adversely affect the value of, or the tax status of interest on, the Series 2009A Bonds and the Series 2009C 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 Series 2009A Bonds and the Series 2009C Bonds is excluded from gross income for federal income tax purposes and that the Series 2009A Bonds and the Series 2009C 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 Series 2009A Bonds and the Series 2009C Bonds may otherwise affect a beneficial owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2009A Bonds and the Series 2009C Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2009A Bonds and the Series 2009C Bonds. Prospective purchasers of the Series 2009A

Bonds and the Series 2009C Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2009A Bonds and the Series 2009C 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 Series 2009A Bonds and the Series 2009C Bonds ends with the issuance of the Series 2009A Bonds and the Series 2009C 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 Series 2009A Bonds and the Series 2009C 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 Series 2009A Bonds and the Series 2009C 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 Series 2009A Bonds and the Series 2009C Bonds, and may cause the City and County or the beneficial owners to incur significant expense.

Series 2009B Bonds

In the opinion of Bond Counsel, the Series 2009B 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 but the interest thereon 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 federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2009B Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix B hereto.

The following is a summary of certain of the United States federal income tax consequences of the ownership of the Series 2009B Bonds as of the date hereof. Each prospective investor should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as Treasury Regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the Series 2009B Bonds generally and does not purport to furnish information in the level of detail or with the investor's specific tax circumstances that would be provided by an investor's own tax advisor. For example, it generally is addressed only to original purchasers of the Series 2009B Bonds that are "U.S. holders" (as defined below), deals only with Series 2009B Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to holders that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt investors, foreign investors, cash method taxpayers, dealers in securities, currencies or commodities, banks, thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, FASITs, S corporations, persons that hold Series 2009B Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a holder of Series 2009B Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a Series 2009B Bond. A "non-U.S. investor" is a holder (or beneficial owner) of a Series 2009B Bond that is not a U.S. person. For these

purposes, a “U.S. person” is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust’s administration and (ii) one or more United States persons have the authority to control all of the trust’s substantial decisions.

Tax Status of the Series 2009B Bonds. The Series 2009B Bonds will be treated, for federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the holder as it is paid (or, if the holder is an accrual method taxpayer, as it is accrued) as interest.

Holders of the Series 2009B Bonds that allocate a basis in the Series 2009B Bonds that is greater than the principal amount of the Series 2009B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under section 171 of the Code.

If a holder purchases the Series 2009B Bonds for an amount that is less than the principal amount of the Series 2009B Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a Series 2009B Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year will be deferred.

Although the Series 2009B Bonds are expected to trade “flat,” that is, without a specific allocation to accrued interest, for federal income tax purposes, a portion of the amount realized on sale attributed to the Series 2009B Bonds will be treated as accrued interest and thus will be taxed as ordinary income to the seller (and will not be subject to tax in the hands of the buyer).

Original Issue Discount. The Series 2009B Bonds are expected to be issued with original issue discount (“OID”). Accordingly, a holder of a Series 2009B Bond will be required to include OID in gross income as it accrues under a constant yield method, based on the original yield to maturity of the Series 2009B Bond. Thus, the holders of such Series 2009B Bonds will be required to include OID in income as it accrues, prior to the receipt of cash attributable to such income. U.S. holders, however, would be entitled to claim a loss upon maturity or other disposition of such notes with respect to interest amounts accrued and included in gross income for which cash is not received. Such a loss generally would be a capital loss. A holder of a Series 2009B Bond that purchases a Series 2009B Bond for less than its adjusted issue price (generally its accreted value) will have purchased such Series 2009B Bond with market discount. If such difference is not considered to be de minimis, then such discount ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a Series 2009B Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year will be deferred. A holder of a Series 2009B Bond that has an allocated basis in the Series 2009B Bond that is greater than its adjusted issue price (generally its accreted value), but that is less than or equal to its principal amount, will be considered to have purchased the Series 2009B Bond with acquisition premium. The amount of OID that such holder of a Series 2009B Bond must include in gross income with respect to such Series 2009B Bonds will be reduced in proportion that such excess bears to the OID remaining to be accrued as of the acquisition of the Series 2009B Bond. A holder of a Series 2009B Bond may have a basis in its pro rata share of the Series 2009B Bonds that is greater than the principal amount of such Series 2009B Bonds. Holders of Series 2009B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium, if any, with respect to such Series 2009B Bonds under section 171 of the Code.

Sale and Exchange of Series 2009B Bonds. Upon a sale or exchange of a Series 2009B Bond, a holder generally will recognize gain or loss on the Series 2009B Bonds equal to the difference between the amount realized on the sale and its adjusted tax basis in such Series 2009B Bond. Such gain or loss generally will be capital gain

(although any gain attributable to accrued market discount of the Series 2009B Bond not yet taken into income will be ordinary). The adjusted basis of the holder in a Series 2009B Bond will (in general) equal its original purchase price increased by any OID (other than OID reduced due to acquisition premium) and decreased by any principal payments received on the Series 2009B Bond. In general, if the Series 2009B Bond is held for longer than one year, any gain or loss would be long term capital gain or loss, and capital losses are subject to certain limitations.

Foreign Investors. Distributions on the Series 2009B Bonds to a non-U.S. holder that has no connection with the United States other than holding its Series 2009B Bond generally will be made free of withholding tax, as long as that the holder has complied with certain tax identification and certification requirements.

Circular 230. Investors are urged to obtain independent tax advice based upon their particular circumstances. The tax discussion above was not intended or written to be used, and cannot be used, for the purposes of avoiding taxpayer penalties. The advice was written to support the promotion or marketing of the Series 2009B Bonds.

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City and County. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix B hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriter by its counsel, McCorriston Miller Mukai MacKinnon LLP, Honolulu, Hawaii.

BOND RATINGS

Fitch Ratings, Moody's Investors Service and Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., have assigned to the Bonds ratings of "AA", "Aa2" and "AA", respectively. The ratings referred to above reflect only the views of the organization assigning the rating, and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York, New York 10004; Moody's Investors Service, 99 Church Street, New York, New York 10007; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies concerned, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

In connection with the issuance of the Bonds and the refunding of the Refunded Bonds, Causey, Demgen & Moore, Inc., independent certified public accountants, will verify the mathematical accuracy of: (a) certain computations demonstrating the sufficiency of the Escrow Fund to pay the principal or redemption price of and interest on all Refunded Notes and 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 2009A Bonds and Series 2009C 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 Underwriter with respect to the foregoing computations.

UNDERWRITING

The Bonds are being purchased for reoffering by Merrill Lynch, Pierce, Fenner & Smith Incorporated and Piper Jaffray & Co. The Underwriters have agreed to purchase the Bonds at an aggregate purchase price of \$389,848,730.02 (equal to the principal amount of such Bonds, plus net original issue premium of \$14,749,054.90, less an underwriting discount of \$1,610,324.88). The bond purchase contract provides that the Underwriters will purchase all of the Bonds if any are purchased.

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

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (“Rule 15c2-12”), the City and County will undertake in an Amended and Restated Master Continuing Disclosure Certificate of the City and County (the “Master Certificate”), as supplemented by a Series Certificate relating to the Bonds (the “Series Certificate” and, together with the Master Certificate, the “Continuing Disclosure Certificate”), constituting a written agreement for the benefit of the holders of the Bonds to provide to the Municipal Securities Rulemaking Board, on an annual basis, certain financial and operating data concerning the City and County, financial statements, notice of certain events if material, and certain other notices, all as described in the Continuing Disclosure Certificate. The undertaking is an obligation of the City and County that is enforceable as described in the Continuing Disclosure Certificate. Beneficial owners of the Bonds are third party beneficiaries of the Continuing Disclosure Certificate. The execution of the Series Certificate is a condition precedent to the obligation of the Underwriter to purchase the Bonds. The form of the Master Certificate and the proposed form of Series Certificate for the Bonds are contained in Appendix C.

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

MISCELLANEOUS

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

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

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

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

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APPENDIX A
ECONOMIC AND DEMOGRAPHIC FACTORS

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ECONOMIC AND DEMOGRAPHIC FACTORS**Introduction**

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

Honolulu also is viewed as a premier world-class destination, and has received several accolades from the visitor industry. The natural beauty of Oahu, coupled with the security of a U.S. destination, make Honolulu attractive to both domestic and international visitors. Although the visitor industry is being negatively affected by global and national economic conditions, it continues to serve as a critical cornerstone of the City and County's economy, with over 4.176 million people visiting Oahu in 2008. Further description of Honolulu's visitor industry is provided below.

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

Land Use

State law establishes four major land use categories in which all lands in the State are to be placed: urban, rural, agricultural, and conservation. The Hawaii State Land Use Commission is vested with authority for grouping contiguous land areas in all of the counties into one of these four major categories. For the City and County of Honolulu, the permitted major uses are: (1) urban, (2) agricultural and (3) conservation. Conservation lands include mountainous regions unsuitable for urban or agricultural development, lands of a historic or scenic nature and lands having recreational uses. As of December 31, 2006 (the most recent date for which data is available), of the total 386,188 acres on Oahu, 100,764 acres, or 26.1%, were classified urban, 156,614 acres, or 40.6%, were classified conservation, and 128,810 acres, or 33.4%, were classified agricultural.

Visitor Industry

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

Approximately 6.699 million visitors came to the State of Hawaii by air in 2008, as compared to 7.497 million visitors in 2007. The domestic arrivals of 4.902 million visitors represented a 12.2% decrease from 2007. International arrivals of 1.797 million visitors represented a 6.1% decrease compared with 2007. The preliminary average daily visitor (by air) census figure for 2008 was 171,873, representing a 9.3% decrease from 2007. Hotel occupancy rates on Oahu averaged 74.9% in 2008. More detailed statistics on the visitor industry are as follows:

Table I

SELECTED STATE OF HAWAII AND OAHU VISITOR STATISTICS

	Year Ending Dec. 31				
	2004	2005	2006	2007	2008 ⁽¹⁾
Total Arrivals by Air (thousands)	6,912	7,417	7,528	7,497	6,699
Domestic (thousands)	4,893	5,313	5,550	5,583	4,902
International (thousands)	2,019	2,103	1,978	1,914	1,797
Domestic average daily visitor census (thousands)	132.4	144.4	149.5	151.0	135.3
Domestic average length of stay (number of days)	9.9	9.9	9.8	9.9	10.1
International average daily visitor census (in thousands)	39.1	41.0	39.9	38.5	36.6
International average length of stay (number of days)	7.1	7.1	7.4	7.3	7.5
Hotel inventory-State ⁽²⁾	72,176	72,307	72,274	73,220	NA
Hotel inventory – Oahu ⁽²⁾	35,769	33,926	33,606	33,588	NA
Occupancy – State (percent)	77.7	81.1	79.5	75.3	70.4
Occupancy – Oahu (percent)	79.7	85.6	82.5	76.9	74.9
Oahu Average Daily Room Rate	\$123	\$140	\$157	\$169	\$170

⁽¹⁾ 2008 data are preliminary.

⁽²⁾ Survey conducted once annually.

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

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

Waikiki Beach Walk, an 8-acre complex bordered by Kalakaua Avenue, Lewers Street, Kalia Road, Beach Walk and Saratoga Road, has been completely rebuilt as a showcase and gathering place in Waikiki, featuring an outdoor entertainment plaza, 40 new retailers, six restaurants, and four hotels. Completed at a cost of approximately \$535 million, Waikiki Beach Walk is part of Outrigger Enterprises' ongoing master plan for Waikiki.

In addition to Waikiki Beach Walk, there are major pieces of Outrigger Enterprises' master plan that are still in progress. Three parts of the multi-part master plan, which are expected to add more customer traffic to Beach Walk, are near completion. Another piece of Beach Walk in progress is the Trump project, a 464-unit condominium-hotel. Approximately half of the planned 38-story structure has been constructed, and the project is scheduled to be completed in August 2009. Additionally, the Outrigger Reef on the Beach recently completed a \$110 million renovation, converting 836 rooms into 639 larger rooms.

The success of the Waikiki Beach Walk project has inspired other big improvements nearby, such as the \$85 million renovation and retenancing of the Royal Hawaiian Shopping Center, which is coming on line piecemeal and will provide additional retail and restaurant options for visitors. Recently completed large scale projects include Ala Moana Center's addition of approximately 300,000 square feet in the form of a new Nordstrom department store and retail wing, and Hilton Grand Vacation Club's 38-story Grand Waikikian time-share located between the Hilton Hawaiian Village and Ilikai hotel.

In November 2008, Disney broke ground on its first Hawaii resort. The \$800 million Disney project is being built on 21 acres at Ko'Olina Resort & Marina, featuring 350 hotel rooms and 480 Disney Vacation Club time-share villas. The 35-story Allure Waikiki condominium on Kalakaua Avenue is more than a third complete, and is on schedule for a spring 2010 opening.

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

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

Employment

The following table sets forth certain employment statistics for the most recent five years for which data are available.

Table II
EMPLOYMENT STATISTICS
CITY AND COUNTY OF HONOLULU⁽¹⁾

	Year Ending Dec. 31				
	2004	2005	2006	2007	2008 ⁽²⁾
Civilian Labor Force	436,150	445,200	451,300	449,850	457,400
Annual Average					
Civilian Employment	422,500	433,350	440,500	438,600	441,000
Unemployment	13,650	11,850	10,850	11,250	16,350
Unemployment Rate	3.1%	2.7%	2.4%	2.5%	3.6%
Total Job Count	431,900	444,650	453,650	456,100	456,450

⁽¹⁾ Data not seasonally adjusted. Beginning with January 2005 data, labor force estimates are produced using a new estimation methodology developed by the U.S. Bureau of Labor Statistics. Estimates are rounded to the nearest 50 except for the unemployment rate which is rounded to 0.1%. Data benchmarked by the State of Hawaii Department of Labor & Industrial Relations in March 2008.

⁽²⁾ 2008 data are preliminary.

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

Federal Government and Military

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

The large military establishment maintained in Hawaii is almost entirely on the Island of Oahu. Members of the armed services on Oahu, as of September 30, 2007, totaled 45,920. Civilian dependents of these military personnel amount to approximately 48,500. In addition to uniformed personnel and their dependents, the military agencies in Hawaii provided employment for some 16,403 civilians as of September 30, 2007. Pearl Harbor, located on the island of Oahu, is home of the Commander-in-Chief of the United States Pacific Fleet and headquarters of the Third Fleet. Pearl Harbor will become the home of the USS Hawaii, the third Virginia Class submarine being built. The command stretches from the West Coast of the Americas to the Indian Ocean and from the North Pole to the South Pole.

Total direct federal defense expenditures in Hawaii were \$5.5 billion in Fiscal Year 2007, an increase of 1.6% over Fiscal Year 2006. According to the Department of Defense, total direct defense expenditures in Hawaii are expected to be approximately \$8.6 billion, on average, from Fiscal Year 2008 through Fiscal Year 2013. Defense procurement contracts in Hawaii totaled \$2.1 billion in Fiscal Year 2007, an increase of 12.5% over Fiscal

Year 2006. Defense appropriations for Hawaii related initiatives for Fiscal Year 2008 totaled \$208 million. Military construction in Hawaii had total appropriations of \$533.6 million for Fiscal Year 2008 and \$565.7 million for Fiscal Year 2009. In addition, \$5.5 million is to be provided to improve infrastructure and educational programs for Hawaii's public schools with high enrollments of military children. Further, the federal education budget includes \$48.2 million in impact aid funding for Hawaii's public schools.

Ongoing programs to privatize construction, renovation and operation of military housing will 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, calls for nearly \$2 billion in bonds coupled with approximately \$8 million from developers to be spent over the next ten years for the renovation, demolition and new construction of over 16,000 homes, as well as community centers and landscaping improvements. The largest privatized military housing transaction to date (approximately \$1.49 billion) sold in April 2005 with proceeds expected to fund costs associated with the design, demolition, construction and renovation of 8,132 housing units in six military multi-family rental housing communities on Oahu. At the end of the development period (scheduled for 2015), a total of 7,894 new family housing units are expected to be in place as well as construction of eleven community centers that will offer swimming pools, water parks and tot lots. The scope of work is expected to take ten years to complete with construction spread over three phases. With anticipated slowdowns in residential developments, military and commercial construction projects are expected to support the robust economic construction periods and help insulate against an economic downturn.

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

Sporting Events

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

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

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

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

Entertainment

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

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

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

Film and Television

Hawaii is a premier location for filming both television series and major motion pictures. In addition to the lush tropical setting, Hawaii offers a one-stop process to obtain State permits, tax incentives and the only state-owned and operated film studio in the country. Recent productions on Oahu include the television series *Lost* (2004 to present), *Dog the Bounty Hunter* (2004 to present), *the Bachelor* (2007) and the major motion picture *Forgetting Sarah Marshall* (2007).

State and County Governments

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

Construction

For the calendar year of 2008, the total value of new building permits decreased 11.2% from 2007, the first year-over-year decline in the total permit value since 2001. Table III shows the estimated value of construction authorizations for private buildings for the State as a whole and for the City and County for the last ten years for which such information is available. See also "Visitor Industry" above for a description of certain construction projects related to the visitor industry.

Table III

**ESTIMATED VALUE OF BUILDING PERMITS
1998 – 2008
(in thousands of dollars and percentage change from the previous year)**

Year	State	% Change from Prior Year	City & County of Honolulu	% Change from Prior Year
1998	\$1,054,281	-10.6%	\$ 624,226	-19.2%
1999	1,320,218	25.2	706,358	13.2
2000	1,512,601	14.6	694,224	-1.7
2001	1,585,739	4.8	682,660	-1.7
2002	1,772,027	11.7	876,051	28.3
2003	2,351,762	32.7	1,109,568	26.7
2004	2,726,537	15.9	1,320,552	19.0
2005	3,491,965	28.1	1,364,029	3.3
2006	3,770,051	8.0	1,625,328	19.2
2007	3,585,447	-4.9	1,676,232	3.1
2008	2,906,578	-18.9	1,481,272	-11.2

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

The City and County has established and is currently implementing a \$3.7 billion, 20-year capital improvement plan (Fiscal Year 1998 to Fiscal Year 2017) to upgrade its wastewater collection and treatment system, and anticipates issuing revenue bonds to finance a portion of the costs associated with the program. In January 2009, the EPA issued final decisions to deny applications for renewed variances from secondary treatment for the Sand Island and Honouliuli wastewater treatment plant. The City and County is vigorously challenging these decisions. If the City and County's appeals are denied, the cost of secondary treatment at Honouliuli and Sand Island is estimated to be \$400 million and \$800 million, respectively, in project costs.

The City and County is currently planning a new \$5.3 billion, 20-mile fixed guideway transit system to provide rail service along the island's east-west corridor between Kapolei and downtown Honolulu (Ala Moana Center). Over 60% of the City and County's population currently lives within the area served by this corridor, and this area is projected to continue to grow faster than the rest of Oahu. Construction of the proposed transit system is subject to completion of an environmental impact statement, a draft of which has been prepared and is currently under review. Due to the size and cost of the overall project, it is likely to be built in several phases lasting several years. The City and County is soliciting proposals for the design and construction of the first 6.5 mile segment of the system. The City and County's plans currently call for commencement of construction in late 2009.

See also "Transportation" below for a description of the State of Hawaii's multi-year improvement programs for the Airports and Harbors Systems.

Diversified Manufacturing and Agriculture

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

Education, Research and Science

The main campus of the University of Hawaii (at Manoa) is located on Oahu, as is a smaller campus of the University in West Oahu. There are also four community colleges, three private universities, and one private

college on Oahu. The federally funded East-West Center is adjacent to the Manoa Campus of the University of Hawaii.

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

The University of Hawaii at Manoa is the University’s flagship research campus and was recently ranked 29th out of all public universities in the United States in research expenditures. The University has research partnerships with local, mainland and international universities, research institutions and business organizations. The University has also been designated as the fifth Naval University Affiliated Research Center, which is expected to generate at least \$10 million in additional funding per year beginning in 2009. The University also secures research funding from various other sources, including the State, the National Science Foundation, National Institutes of Health, Department of Defense, Department of Agriculture, National Aeronautics and Space Administration, Department of Energy and the Environmental Protection Agency. The University was also awarded one of eight Regional Biocontainment Laboratory grants from the National Institutes of Health, valued at \$32.5 million.

Federal government research agencies in Honolulu include the U.S. Bureau of Commercial Fisheries and the Environmental Science Services Administration. Among private research organizations on Oahu are the Oceanic Institute and the Bishop Museum. The three high technology centers located on Oahu are the Mililani Technology Park, the Kaimuki Technology Enterprise and the Manoa Innovation Center.

Trade and Services

The economy of both the City and County and the State as a whole is heavily trade and service-oriented, largely because of the heavy volume of purchases by visitors to the State, including approximately 6.7 million who arrived in 2008. Another reason for the high volume of trade and service activity is the above-average per capita personal income of the resident population, which in 2007 grew by approximately 5.9% over the prior year, as compared to the national growth rate of 5.1% over the same period. According to the State’s Department of Taxation, the State’s general excise tax base for trade and service activities exceeded \$52 billion in 2007, with retail, wholesale and service activities accounting for the majority. Of the State’s non-agricultural job count of 621,650 (as of December 2008), the retail sector generated 72,350 jobs (11% of total non-agricultural job count) and the wholesale sector generated 18,550 jobs (3% of total non-agricultural job count). Services accounted for \$11.8 billion in activity.

Finance

Honolulu has a full range of financial services, including banks, savings and loan associations and industrial loan companies. Branch banking is permitted in Hawaii. As of December 31, 2007, total assets of all State of Hawaii chartered financial institutions, including banks, trust companies and savings and loan associations, were reported at \$29.6 billion. The five state chartered banks (192 branches) in Hawaii had combined assets of some \$28.9 billion. In addition, a state chartered financial services company with 14 branches within the State has assets of approximately \$707 million.

Transportation

All parts of the City and County are connected by a comprehensive network of roads, highways, and freeways, and all of the populated areas of the island are served by a bus transit system (TheBus). Ridership has grown from 30 million passengers per year to approximately 71 million today. TheBus is now the 20th most utilized transit system in the country and the 13th most utilized bus fleet. Additionally, on a per-capita basis, the City and County has the sixth highest transit ridership in the country.

State law allows counties to impose a 0.5% surcharge (to be collected and distributed by the State) on the existing 4.0% State general excise tax in order to fund transportation projects. The City and County began imposing this surcharge on January 1, 2007. See “CITY AND COUNTY REVENUES – General Fund – *Excise Tax*” and “DEBT STRUCTURE – High-Capacity Transit Corridor Project” in the forepart of this Official Statement for additional discussion on Honolulu’s planned transit project. The State and the City and County also are currently collaborating to develop plans to alleviate traffic congestion on Oahu.

Honolulu is the hub of air and sea transportation for the entire Pacific. Honolulu International Airport (HNL) is located approximately five miles by highway from the center of the downtown area of Honolulu. It has four runways, of which two, at 12,001 feet and 12,357 feet, respectively, are among the nation’s longest. According to preliminary data from the publication of the Airports Council International, Honolulu International Airport is one of the busiest air terminals in the world, ranking 60th in the world and 25th in the United States in total passengers serviced in 2007. Approximately 60 aircraft can be handled at one time at the terminal complex, including 36 wide-bodied aircraft. In calendar year 2007, HNL recorded 310,607 aircraft operations. In addition, HNL passenger counts for calendar year 2007 increased by 6.5% to 21,346,026.

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

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 approximately \$2.3 billion (\$1.7 billion of which is allocable to HNL) and will be paid for from a variety of sources including cash, grants, passenger facility charges and revenue bonds.

Honolulu Harbor is the hub of the State’s Statewide System of Harbors, where it serves as a major distribution point of overseas cargo to the neighbor islands and a primary consolidation center for export of overseas cargo. Overseas and inter island cargo tonnage handled through the Honolulu Harbor was 9.8 million short tons in Fiscal Year 2005, 9.8 million short tons in Fiscal Year 2006, and 10.2 million short tons in Fiscal Year 2007, a 20.6% increase. The State manages, maintains and operates the statewide harbors system to provide for the efficient movement of cargo and passengers. Matson Navigation Co. and Horizon Lines (formerly CSX Lines) are the primary shipping lines to/from the mainland U.S. Pasha Transport Hawaii provides auto-hauling services to/from the mainland U.S. Young Brothers provides inter island shipping services.

Hawaii Superferry, Inc. (“HSF”), a private ferry operator, operates a large-capacity roll on/roll off high-speed daily ferry service for the transport of passengers and vehicles, including cars, trucks and commercial vehicles between Honolulu and Kahului Harbors. After HSF commenced service on August 26, 2007, the Hawaii Supreme Court ruled that an environmental assessment must be performed with respect to certain improvements at Kahului Harbor intended for use by HSF. A related circuit court decision ruled that HSF could not operate at Kahului Harbor until an environmental assessment was completed. These court actions halted HSF operations until the Legislature convened a special session and enacted Act 2, Second Special Session 2007, on November 2, 2007 to

allow large-capacity ferry vessel companies, such as HSF, to operate under certain conditions while the required environmental reviews are conducted. Daily service between Honolulu and Kahului Harbors re-commenced on December 13, 2007. In March 2009, the Hawaii Supreme Court struck down Act 2 on State constitutional grounds and HSF suspended operation of the ferry. The future of the ferry is uncertain at this time.

Act 200, SLH 2008, was enacted to authorize a statewide Harbors Modernization Plan to address harbor infrastructure improvements to Kahului Harbor on Maui, Nawiliwili Harbor on Kauai, Hilo and Kawaihae Harbors on Hawaii, and Honolulu and Kalaeloa Harbors on Oahu. In addition to the six commercial harbors included in the plan, the law placed Hana Harbor on Maui under the jurisdiction of the Harbors System and included appropriations for its upgrade. Act 200 also designated the Aloha Tower Development Corporation as the entity responsible for the management and implementation of the Harbors Modernization Plan in partnership with the Department of Transportation. Act 200 authorizes the Department of Transportation to issue harbor revenue bonds to finance the improvements. The cost of the Plan, originally estimated at \$842 million, was recently revised to \$618 million (\$318 million allocable to the Honolulu Harbor).

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APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

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PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Delivery]

City and County of Honolulu
Honolulu, Hawaii

Re: City and County of Honolulu, Hawaii
General Obligation Bonds, Series 2009A, Series 2009B and Series 2009C
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City and County of Honolulu (the “City”) in connection with the issuance of \$_____ aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2009A (the “Series 2009A Bonds”), \$_____ aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2009B (the “Series 2009B Bonds”) and \$_____ aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2009C (the “Series 2009C Bonds” and, together with the Series 2009A Bonds and the Series 2009B Bonds, the “Bonds”), pursuant to the provisions of Chapter 47, Hawaii Revised Statutes (the “Act”), a Certificate of the Director of Budget and Fiscal Services of the City dated April __, 2009 (the “Certificate”), and bond authorizing ordinances and a resolution adopted by the City Council and identified in the Certificate (the “Bond Proceedings”).

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

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

responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute valid and binding general obligations of the City.
2. The Certificate has been duly executed and delivered by the Director of Budget and Fiscal Services; and the Certificate constitutes the valid and binding obligation of the City.
3. Under the Act, the City is obligated to levy ad valorem taxes, without limitation as to rate or amount, for the payment of the Bonds and the interest thereon, upon all the real property within the City subject to taxation by the City.
4. Interest on the Series 2009A Bonds and the Series 2009C 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 2009A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings in calculating corporate alternative minimum taxable income. Interest on the Series 2009C Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Interest on the Series 2007B Bonds is not excludable from gross income for federal income tax purposes. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX C

FORM OF MASTER CONTINUING DISCLOSURE CERTIFICATE

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**FORM OF AMENDED AND RESTATED
MASTER CONTINUING DISCLOSURE CERTIFICATE
[Excluding Exhibit]**

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

Pursuant to a Master Continuing Disclosure Certificate dated November 15, 1995, the City and County of Honolulu (the “City and County”) has undertaken certain obligations to provide annual financial information and notices of material events in conformity with the requirements of Rule 15c2-12 promulgated by the United States Securities and Exchange Commission (17 CFR Part 240, §240.15c2-12). As a result of certain amendments to Rule 15c2-12, the undersigned, RIX MAURER III, being the duly appointed Director of Finance (the “Director of Finance”) of the City and County, and under Part I of Chapter 47, Hawaii Revised Statutes, as amended, and the Revised Charter of the City and County, the officer having the responsibility for issuing, selling, paying interest on and redeeming bonds, notes and other instruments of indebtedness of the City and County authorized by the Council thereof, has determined that it is advisable to amend and restate the Master Continuing Disclosure Certificate in order to conform to the amended requirements of Rule 15c2-12.

Accordingly, the Master Continuing Disclosure Certificate is hereby amended and restated in its entirety and the undersigned Director of Finance, by execution of this Amended and Restated Master Continuing Disclosure Certificate, DOES HEREBY CERTIFY as follows:

ARTICLE I

PURPOSE AND DEFINITIONS

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

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

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

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

“*Audited Financial Statements*” means the annual financial statements, if any, of the City and County, audited by such auditor as shall then be required or permitted by State law or the Charter of the City and County. Audited Financial Statements shall be prepared in accordance

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

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

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

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

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

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

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

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

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the security;
- (7) modifications to rights of security holders;
- (8) bond calls;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the securities;
- (11) rating changes.

and

“*Material Event Notice*” means notice of a Material Event.

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

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

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

“*SEC*” means the United States Securities and Exchange Commission.

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

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

“*State*” means the State of Hawaii.

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

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

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

ARTICLE II

THE UNDERTAKING

Section 2.1. *Annual Financial Information.* (a) The City and County shall provide Annual Financial Information with respect to each Fiscal Year of the City and County, commencing with the Fiscal Year ending June 30, 1996, by no later than eight months after the end of the respective Fiscal Year, to the Repository. Such Annual Financial Information shall be submitted in electronic format, accompanied by such identifying information as is prescribed by the Repository, and may be provided by specific reference to documents either provided to the Repository or filed with the SEC. The City and County may provide Annual Financial Information in one document or multiple documents comprising a package, and at one time or in part from time to time.

(b) The City and County shall provide, in a timely manner, notice of any failure of the City and County to provide the Annual Financial Information by the date specified in subsection (a) above to the Repository.

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

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

Section 2.2. *Material Event Notices.* (a) If a Material Event occurs, the City and County shall provide, in a timely manner, a Material Event Notice to the Repository.

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

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

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

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

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

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

ARTICLE III

TERMINATION, AMENDMENT, ENFORCEMENT, BENEFICIARIES AND DISSEMINATION AGENT

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

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

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

(1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City and County or the type of business conducted thereby;

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

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

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

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

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

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

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

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

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

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

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

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

Dated this 6th day of April, 2009.

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

The above and foregoing certificate is hereby
approved as to form and legality this
6th day of April, 2009.

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

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

I, the undersigned, RIX MAURER III, being the duly appointed Director of Budget and Fiscal Services (the “Director of Budget and Fiscal Services”) of the City and County of Honolulu (the “City and County”), and under Part I of Chapter 47, Hawaii Revised Statutes, as amended, and the Revised Charter of the City and County, the officer having the responsibility for issuing, selling, paying interest on and redeeming bonds, notes and other instruments of indebtedness of the City and County authorized by the Council thereof, DO HEREBY CERTIFY that: (i) this Certificate is a Series Certificate as defined in Section 1.1 and described in Section 3.3 of the Amended and Restated Master Certificate of the Director of Finance of the City and County of Honolulu, Hawaii, Providing for Continuing Disclosure, dated April 6, 2009 (the “Master Certificate”); (ii) Merrill Lynch, Pierce, Fenner & Smith Incorporated and Piper Jaffray & Co., as Underwriters of the City and County General Obligation Bonds, Series 2009A, Series 2009B (Taxable) and Series 2009C dated the date of delivery thereof (the “Series 2009 Bonds”), shall be beneficiaries of the Master Certificate; (iii) the Holders of the Series 2009 Bonds shall also be beneficiaries of the Master Certificate; (iv) the Beneficial Owners of the Series 2009 Bonds shall be third-party beneficiaries of the Master Certificate; and (v) all capitalized terms used herein shall have the respective meanings as defined in the Master Certificate.

Dated as of April __, 2009.

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

The above and foregoing certificate is hereby
approved as to form and legality this
___ day of April, 2009.

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

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

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

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

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

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

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

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

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

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

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

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

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

GLOBAL CLEARANCE PROCEDURES

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

Clearstream International and Clearstream

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

Euroclear System

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

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

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

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

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

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

Distribution of the Bonds through Clearstream or Euroclear

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

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

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

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

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

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

DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE INDENTURE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE BONDS.

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