

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 2010B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, except that no opinion is expressed as to the status of interest on any Series 2010B Bond for any period that such Series 2010B Bond is held by a "substantial user" of the facilities financed by the Series 2010B Bonds or by a "related person" within the meaning of Section 147(a) of the Code. In the further opinion of Bond Counsel, interest on the Series 2010B Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes and is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. The Bonds and the income therefrom are exempt from all taxation by the State of Hawaii or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Bond Counsel also observes that interest on the Series 2010A Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" in this Official Statement.

\$347,770,000
CITY AND COUNTY OF HONOLULU
General Obligation Bonds

\$151,100,000
Series 2010A
Build America Bonds (Taxable)

\$196,670,000
Series 2010B Bonds
(Tax-Exempt)

Dated: Date of Delivery

Due: December 1, as shown on inside cover

The City and County of Honolulu General Obligation Bonds, Series 2010A Build America Bonds (Taxable) and Series 2010B (Tax-Exempt) (the "Series 2010A Bonds" and "Series 2010B Bonds," respectively, and together, the "Bonds"), are being issued by the City and County of Honolulu (the "City and County") in fully registered form and when issued will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. So long as DTC or its nominee is the registered owner of the Bonds, purchases of the Bonds will be made in book-entry form only, through brokers and dealers who are, or who act through, DTC participants; beneficial owners of the Bonds will not receive physical delivery of certificates; payment of the principal of, and premium, if any, and interest on, the Bonds will be made directly to DTC or its nominee; and disbursement of such payments to DTC participants will be the responsibility of DTC and disbursement of such payments to the beneficial owners will be the responsibility of DTC participants. Purchases of the Bonds may initially be made in the denomination of \$5,000 or any integral multiple thereof.

The Bonds will be dated as of the date of delivery thereof and will bear interest at the rates shown on the inside cover, payable on June 1 and December 1 of each year, commencing December 1, 2011. The Bonds are subject to redemption prior to the stated maturity thereof as described herein.

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

The Series 2010A Bonds are expected to be issued as bonds designated as "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009. The interest on the Series 2010A Bonds is not excluded from gross income for purposes of federal income taxation. See "TAX MATTERS – Series 2010A Bonds." With respect to the Series 2010A Bonds, the City and County would expect to receive "Refundable Credits" in the form of cash subsidy payments from the United States Treasury equal to 35% of the interest payable on such Bonds. Bondholders will not receive a tax credit for the Series 2010A Bonds. The City and County has made no covenant to comply with all of the conditions to the receipt of the Refundable Credit payments. The City and County is obligated to make all payments of principal of and interest on the Series 2010A Bonds from the sources described herein whether or not the City and County receives any Refundable Credit payments. See "THE BONDS – Designation of Series 2010A Bonds."

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

The Bonds are offered when, as and if issued and received by the 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 December 15, 2010.

BofA Merrill Lynch

Piper Jaffray & Co.

\$347,770,000
CITY AND COUNTY OF HONOLULU
General Obligation Bonds

\$151,100,000 Series 2010A Build America Bonds (Taxable)

Year (Dec. 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670)*	Year (Dec. 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670)*
2015	\$ 4,370,000	2.776%	2.776%	VZ1	2026	\$ 7,030,000	5.318%	5.318%	WL1
2016	4,505,000	3.224	3.224	WA5	2027	7,415,000	5.418	5.418	WM9
2017	4,655,000	3.424	3.424	WB3	2028	7,835,000	5.518	5.518	WN7
2018	4,830,000	3.850	3.850	WC1	2029	8,280,000	5.618	5.618	WP2
2019	5,020,000	3.930	3.930	WD9	2030	8,760,000	5.668	5.668	WQ0
2020	5,225,000	4.200	4.200	WE7	2031	9,300,000	6.288	6.288	WR8
2021	5,455,000	4.500	4.500	WF4	2032	9,910,000	6.338	6.338	WS6
2022	5,715,000	4.750	4.750	WG2	2033	10,560,000	6.388	6.388	WT4
2023	6,000,000	5.000	5.000	WH0	2034	11,255,000	6.438	6.438	WU1
2024	6,315,000	5.250	5.250	WJ6	2035	12,005,000	6.478	6.478	WV9
2025	6,660,000	5.500	5.500	WK3					

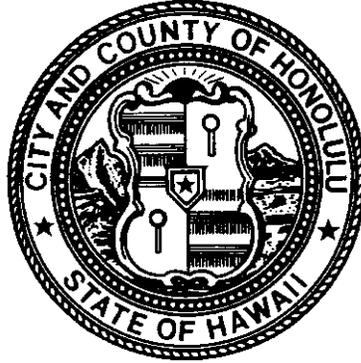
\$196,670,000 Series 2010B Bonds (Tax-Exempt)

Year (Dec. 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670)*	Year (Dec. 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670)*
2015	\$ 5,475,000	5.000%	1.610%	WW7	2025 †	\$ 7,360,000	5.000%	4.000%	XV8
2016	5,755,000	5.000	1.840	WX5	2025	1,575,000	3.875	4.000	XG1
2017	6,050,000	5.000	2.210	WY3	2026 †	9,385,000	5.000	4.110	XH9
2018	6,360,000	5.000	2.520	WZ0	2027 †	9,865,000	5.000	4.210	XJ5
2019	6,685,000	5.000	2.800	XA4	2028 †	10,370,000	5.000	4.310	XK2
2020	5,020,000	5.000	3.040	XB2	2029 †	10,905,000	5.000	4.390	XL0
2020	2,000,000	4.000	3.040	XT3	2030 †	11,465,000	5.000	4.470	XM8
2021 †	3,820,000	5.000	3.330	XX4	2031 †	12,050,000	5.000	4.540	XN6
2021 †	3,530,000	4.000	3.330	XC0	2032 †	12,450,000	5.000	4.600	XW6
2022 †	6,755,000	5.000	3.520	XU0	2032	220,000	4.375	4.600	XP1
2022 †	950,000	4.000	3.520	XD8	2033 †	13,320,000	5.000	4.650	XQ9
2023 †	8,095,000	5.000	3.740	XE6	2034 †	14,000,000	5.000	4.700	XR7
2024 †	8,510,000	5.000	3.890	XF3	2035	14,700,000	4.750	4.850	XS5

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† Priced to call at par on December 1, 2020.

City and County of Honolulu
State of Hawaii
(Incorporated 1907)



MAYOR
Peter B. Carlisle

CITY COUNCIL *

Nestor R. Garcia
Chair and Presiding Officer

Ikaika Anderson
Vice Chair

Lee D. Donahue †
Floor Leader

Romy M. Cachola

Ann H. Kobayashi

Reed Matsuura †

Gary H. Okino †

Rod Tam †

ACTING DIRECTOR OF BUDGET AND FISCAL SERVICES

Michael R. Hansen

ACTING CORPORATION COUNSEL

Carrie K. S. Okinaga

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

* City Council currently has one vacancy which will be filled by special election on December 29, 2010.

† Councilmember's elected successor will be sworn into office January 2, 2011.

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

\$347,770,000

City and County of Honolulu General Obligation Bonds

\$151,100,000

Series 2010A

Build America Bonds (Taxable)

\$196,670,000

Series 2010B Bonds

(Tax-Exempt)

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 \$347,770,000 aggregate principal amount of General Obligation Bonds, Series 2010A Build America Bonds (Taxable) and Series 2010B (Tax-Exempt) (the “Series 2010A Bonds” and “Series 2010B Bonds,” respectively, and together, the “Bonds”).

AUTHORITY FOR AND PURPOSE OF ISSUANCE

Authority for Issuance

The Bonds are being issued pursuant to and in full compliance with Ordinance Nos. 98-29, 00-24, 01-27, 02-27, 03-08, 04-15, 05-15, 06-34, 07-26, 08-14, 09-13, 10-13 and 99-11 of the City and County, Resolution No. 10-287 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 funding of certain capital improvement projects of the City and County and (ii) refunding of certain outstanding commercial paper notes of the City and County, as described under “THE REFUNDING PLAN.”

Designation of Series 2010A Bonds

The Series 2010A Bonds are expected to be issued as bonds designated as “Build America Bonds” under the provisions of the American Recovery and Reinvestment Act of 2009. The interest on the Series 2010A Bonds is not excluded from gross income for purposes of federal income taxation. See “TAX MATTERS – Series 2010A Bonds.” In the case of the Series 2010A Bonds,” the City and County would expect to receive “Refundable Credits” (as hereinafter defined) in the form of cash subsidy payments from the United States Treasury equal to 35% of the interest payable on such Series 2010A Bonds. Series 2010A Bondholders will not receive a tax credit for the Series 2010A Bonds. The City and County has made no covenant to comply with all of the conditions to the receipt of the Refundable Credit payments. The City and County is obligated to make all payments of principal of and interest on the Series 2010A Bonds from the sources described herein whether or not the City and County receives any Refundable Credit payments. See “THE BONDS – Designation of Series 2010A Bonds.”

Reimbursable General Obligation Bonds

The Series 2010B Bonds are being issued as reimbursable general obligation bonds and will be used in part to finance the expansion of the City and County’s H-Power waste disposal facility, a waste-to-energy facility which produces electricity that is sold to the local electric company. Revenues derived from the operation of the H-Power facility will be used to reimburse the City and County’s General Fund for the payment of debt service on such

bonds. See “DEBT STRUCTURE—Reimbursement to General Fund for Debt Service” and “—H-Power Waste Disposal Facility and Operating Agreement.”

The Refunding Plan

The Bonds are being issued in part to refund on a current basis \$125,000,000 of the City and County’s outstanding General Obligation Commercial Paper Notes, Issue A and Issue C, at a price equal to the principal amount thereof.

THE BONDS

Description of the Bonds

The Bonds will be dated as of the date of delivery thereof; will mature serially on December 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 June 1 and December 1 of each year, commencing December 1, 2011, 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 (“DTC”), New York, New York, which will act as securities depository for the Bonds (in such capacity, the “Securities Depository”). So long as the Securities Depository or its nominee is the registered owner of the Bonds, individual purchases of the Bonds will be made in book-entry form only (the “Book-Entry System”), in Authorized Denominations, 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.”

Designation of Series 2010A Bonds

The Series 2010A Bonds are expected to be issued as bonds designated as “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009, signed into law on February 17, 2009 (the “Recovery Act”). With respect to the Series 2010A Bonds, the City and County would expect to receive Refundable Credits (as defined below) in the form of cash subsidy payments from the United States Treasury pursuant to the Recovery Act equal to 35% of the interest payable on the Series 2010A Bonds on or about each interest payment date. The Refundable Credits do not constitute a full faith and credit guarantee of the United States, but are required to be paid by the Treasury under the Recovery Act. The City and County has made no covenant to comply with all of the conditions to the receipt of the Refundable Credit payments. The City and County is obligated to make all payments of principal of and interest on the Series 2010A Bonds whether or not it receives Refundable Credit payments pursuant to the Recovery Act. The City and County can give no assurances about future changes in legislation or Treasury regulations or the netting of other liabilities of the City and County to the federal government against the expected Refundable Credit payments which may affect the amount or timely receipt of such payments.

For purposes of the foregoing, the term “Refundable Credits” means, with respect to the Series 2010A Bonds, by reason of their designation as Build America Bonds under Section 54AA of the Internal Revenue Code of 1986, the amounts which are payable by the Federal government under Section 6431 of the Code, which the City and County has elected to receive under Section 54AA(g)(1) of the Code.

Optional Redemption at Par

The Series 2010A Bonds maturing from December 1, 2021 through December 1, 2025 and from December 1, 2031 through December 1, 2035 are subject to redemption prior to the stated maturity thereof at the option of the City and County on or after December 1, 2020, in whole or in part at any time, from any maturities selected by the

City and County, at a redemption price equal to 100% of the principal amount of the Series 2010A Bonds or portions thereof to be redeemed plus accrued interest to the date of redemption.

The Series 2010B Bonds maturing on or after December 1, 2021 are subject to redemption prior to the stated maturity thereof at the option of the City and County on or after December 1, 2020, in whole or in part at any time, from any maturities selected by the City and County, at a redemption price equal to 100% of the principal amount of the Series 2010B Bonds or portions thereof to be redeemed plus accrued interest to the date of redemption.

Optional Make-Whole Redemption of Series 2010A Bonds

The Series 2010A Bonds maturing from December 1, 2015 through December 1, 2020 and from December 1, 2026 through December 1, 2030 are subject to redemption prior to their respective maturities, at the option of the City and County, in whole or in part, on any date at a redemption price equal to the greater of:

- (a) 100% of the principal amount of the Series 2010A Bonds to be redeemed, or
- (b) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series A Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series A Bonds are to be redeemed, discounted to the date on which such Series A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Comparable Treasury Yield (defined in “Certain Definitions” below), plus 35 basis points;

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

Extraordinary Make-Whole Redemption of Series 2010A Bonds

The Series 2010A Bonds are subject to extraordinary redemption prior to their respective maturities, at the option of the City and County, upon the occurrence of an Extraordinary Event (defined in “Certain Definitions” below), in whole or in part at any time, at a redemption price computed as described below (the “Extraordinary Make-Whole Premium”).

For purposes of the preceding paragraph, “Extraordinary Event” means: (1) a material adverse change has occurred to Sections 54AA or 6431 of the Internal Revenue Code, (2) there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections, or (3) any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of a failure of the City and County to satisfy the requirements of the Bond Resolution; and as a result thereof, the cash subsidy payment from the United States Treasury to the City and County expected to be received with respect to the Series 2010A Bonds is eliminated or reduced, as reasonably determined by the Director of Budget and Fiscal Services, which determination shall be conclusive.

The “Extraordinary Make-Whole Premium” is the amount calculated by the Calculation Agent (defined in “Certain Definitions” below) equal to the positive difference, if any, between:

- (a) The sum of the present values, calculated as of the date fixed for redemption of:
 - (i) Each interest payment that, but for the redemption, would have been payable on the Series 2010A Bond or portion thereof being redeemed on each regularly scheduled interest payment date occurring after the date fixed for redemption through the maturity date of such Series 2010A Bond (excluding any accrued interest for the period prior to the date fixed for redemption); provided, that if the date fixed for redemption is not a regularly scheduled interest payment date with respect to such Series 2010A Bond, the amount of the next regularly scheduled interest payment will be reduced by the amount of interest accrued on such Series 2010A Bond to the date fixed for redemption; *plus*

- (ii) The principal amount that, but for such redemption, would have been payable on the maturity date of the Series 2010A Bond or portion thereof being redeemed; *minus*
- (b) The principal amount of the Series 2010A Bond or portion thereof being redeemed.

The present values of the interest and principal payments referred to in (a) above will be determined by discounting the amount of each such interest and principal payment from the date that each such payment would have been payable but for the redemption to the date fixed for redemption on a semiannual basis (assuming a 360-day year consisting of 12, 30-day months) at a discount rate equal to the Comparable Treasury Yield (defined in “Certain Definitions” below), plus 100 basis points.

Certain Definitions

For purposes of calculating the Extraordinary Make-Whole Premium with respect to the extraordinary make-whole redemption of the Series 2010A Bonds:

“*Calculation Agent*” means a commercial bank or an investment banking institution of national standing that is a primary dealer of United States government securities in the United States and designated by the City and County (which may be one of the institutions that served as underwriters for the Series 2010A Bonds).

“*Comparable Treasury Issue*” means the United State Treasury security selected by the Calculation Agent as having a maturity comparable to the remaining term to maturity of the Series 2010A Bond being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the Series 2010A Bond being redeemed.

“*Comparable Treasury Price*” means, with respect to any date on which a Series 2010A Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Calculation Agent is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Calculation Agent, at 5:00 p.m. New York City time on the third business day preceding the date fixed for redemption.

“*Comparable Treasury Yield*” means the yield that represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated “H.15(519) Selected Interest Rates” under the heading “Treasury Constant Maturities,” or any successor publication selected by the Calculation Agent that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the Series 2010A Bond being redeemed. The Comparable Treasury Yield will be determined as of the third business day immediately preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the Series 2010A Bond being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the Series 2010A Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the Series 2010A Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (each as defined herein) as of the date fixed for redemption.

“*Reference Treasury Dealer*” means a primary dealer of United States Government securities in the United States (which may be one of the institutions that served as underwriters for the Series 2010A Bonds) appointed by the City and County and reasonably acceptable to the Calculation Agent.

Selection for Redemption

If fewer than all of the Bonds of a series shall be called for redemption, the Director of Budget and Fiscal Services, as registrar (the “*Registrar*”), shall designate the maturities from which the Bonds of such series are to be redeemed. For so long as the Bonds are registered in book-entry form and DTC or a successor securities depository is the sole registered owner of such Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds to be redeemed shall be selected (i) on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, in the case of the Series 2010A Bonds, and (ii) by lot, in the case of the Series 2010B Bonds; provided that so long as the Bonds are held in book-entry form the selection for redemption of the Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, all Bonds will be selected for redemption, in accordance with DTC procedures, by lot; provided further that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations. See Appendix D, “Book-Entry System.”

In connection with any repayment of principal, including payments of scheduled mandatory sinking fund payments, the Registrar will direct DTC to make a pass-through distribution of principal to the owners of the Series 2010A Bonds. A form of Pro Rata Pass-Through Distribution of Principal Notice will be provided to the Registrar that includes a table of factors reflecting the relevant scheduled redemption payments, based on the current schedule of mandatory sinking fund payments, which is subject to change upon certain optional redemptions, and DTC’s currently applicable procedures, which are subject to change.

For purposes of calculating pro rata pass-through distributions of principal, “pro rata” means, for any amount of principal or interest to be paid, the application of a fraction to such amounts where (a) the numerator of which is equal to the amount due to the respective owners of the Series 2010A Bonds on a payment date and (b) the denominator of which is equal to the total original par amount of the Series 2010A Bonds.

It is the City and County’s intent that redemption allocations made by DTC with respect to the Series 2010A Bonds be made on a pro rata pass-through distribution of principal basis as described above. However, neither the City and County nor the Underwriters can provide any assurance that DTC, DTC’s direct and indirect participants or any other intermediary will allocate the redemption of the Series 2010A Bonds on such basis.

If the Bonds are not registered in book-entry form and if fewer than all of such Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2010A Bonds of such maturity and bearing such interest rate to be redeemed will be selected on a pro rata basis, and the particular Series 2010B Bonds of such maturity and bearing such interest rate to be redeemed will be selected by lot, provided that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations.

Notice of Redemption

Notice of redemption of any Bond will be mailed, at least once not less than thirty (30) days prior to the date fixed for redemption, to the holder in whose name the Bond is registered upon the Bond Register 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, US Bank National Association for the Series 2010A Bonds, and the Director of Budget and Fiscal Services of the City and County for the Series 2010B Bonds), and the payment of the interest on each Bond shall be made by the Paying Agent on each interest payment date to the person appearing on the Bond Register of the City and County as the registered owner thereof on the applicable record date, by check or draft mailed or otherwise delivered to such registered owner at its address as it appears on such Bond Register. The record date is the fifteenth day before an interest payment date. Payment of the principal of all Bonds shall be made upon the presentation and surrender of such Bonds as the same shall become due and payable. The person in whose name any Bond is registered at the close of business on any record date with respect to any interest payment date shall be entitled to receive the interest payable on such interest payment date notwithstanding the cancellation of such Bond upon any registration of transfer or exchange thereof subsequent to the record date and prior to such interest payment date. So long as the Book-Entry System for the Bonds is in effect, principal of and interest on such Bonds will be paid to the Securities Depository as the registered owner of the Bonds. See Appendix D, “Book-Entry System.”

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, 2011:

**CITY AND COUNTY OF HONOLULU
General Obligation Bonds,
Series 2010A Build America Bonds (Taxable) and Series 2010B (Tax-Exempt)
Debt Service Requirements**

FY Ending June 30	Principal	Interest *	Total
2011	\$ --	\$ --	\$ --
2012	--	26,030,597	26,030,597
2013	--	17,815,618	17,815,618
2014	--	17,815,618	17,815,618
2015	--	17,815,618	17,815,618
2016	9,845,000	17,618,087	27,463,087
2017	10,260,000	17,204,061	27,464,061
2018	10,705,000	16,756,622	27,461,622
2019	11,190,000	16,273,701	27,463,701
2020	11,705,000	15,755,955	27,460,955
2021	12,245,000	15,214,962	27,459,962
2022	12,805,000	14,650,900	27,455,900
2023	13,420,000	14,038,456	27,458,456
2024	14,095,000	13,362,475	27,457,475
2025	14,825,000	12,631,581	27,456,581
2026	15,595,000	11,855,397	27,450,397
2027	16,415,000	11,036,178	27,451,178
2028	17,280,000	10,167,128	27,447,128
2029	18,205,000	9,244,213	27,449,213
2030	19,185,000	8,263,585	27,448,585
2031	20,225,000	7,223,492	27,448,492

FY Ending June 30	Principal	Interest *	Total
2032	21,350,000	6,094,966	27,444,966
2033	22,580,000	4,871,214	27,451,214
2034	23,880,000	3,570,817	27,450,817
2035	25,255,000	2,188,232	27,443,232
2036	<u>26,705,000</u>	<u>737,967</u>	<u>27,442,967</u>
Total:	<u>\$347,770,000</u>	<u>\$308,237,441</u>	<u>\$656,007,441</u>

* Does not include the cash subsidy payments expected to be received from the U.S. Treasury with respect to the Series 2010A Bonds.

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 2010 and for the Fiscal Year ending June 30, 2011, authorized and appropriated a total of \$5,400,111,153 for public improvements to be financed from the proceeds of general obligation bonds or notes. As of August 17, 2010, \$1,909,252,426 of general obligation bonds and notes had been issued to finance appropriations for such Fiscal Years, and \$638,294,940 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 \$2,852,563,787, the balance of such appropriations, will be funded from the proceeds of the Bonds or of other general obligation bond or note issues to be issued in the future.

THE CITY AND COUNTY OF HONOLULU

Introduction

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

With slightly less than a tenth of the land area in the entire State, Oahu contains nearly three-fourths of the State's resident population. According to the 2000 U.S. Census, the resident population of the State was 1,211,537, and that of Honolulu was 876,156, approximately 71% of the total State population. The U.S. Census Bureau estimates the population of the City and County was 907,574 as of July 1, 2009. 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 B 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 B for certain information relating to the State. The City and County does provide a broad range of municipal services. These include public safety (police and fire protection and public prosecutor), highways and streets, sanitation, social services, culture and recreation, public improvements, planning and zoning, water supply and general administrative services.

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

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

Mayor and Executive Branch. Under the provisions of and except as otherwise provided in the Charter of the City and County, the executive power of the City and County is vested in and exercised by the Mayor, as chief executive officer. The Department of Corporation Counsel reports directly to the Mayor, and all other executive departments and agencies of the City and County (excepting the Mayor’s office staff and the Board of Water Supply and other semi-autonomous agencies) are supervised by and report directly to the Managing Director as principal administrative aide to the Mayor. The Mayor serves a four-year term. The next regular mayoral election is scheduled to take place in November 2012. 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.

On December 16, 2009, the City Council adopted Resolution 09-252, CD1, initiating an amendment to the Charter of the City and County to create a semi-autonomous public transit authority responsible for the planning, construction, operation, maintenance, and expansion of the City and County's proposed fixed guideway mass transit system. The Charter amendment was approved by a majority of voters voting thereon in the 2010 general election and will become effective on July 1, 2011.

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, 2009, 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 B hereto for a discussion of certain economic conditions that could potentially impact the City and County's revenues, including conditions relating to the current national and international economic crisis.

General Fund

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

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

Under the Tax Ordinance, all real property in the City and County, except as exempted or otherwise taxed, is subject each year to a tax upon the fair market value thereof. Real property in the City and County is classified and taxed as (1) 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 classifications into a new single classification—"residential." Ordinance 09-32 divided the residential classification into two new classifications—"homeowner" and "non-homeowner"—effective with the tax year beginning July 1, 2010. Ordinance 10-31 recombined the "homeowner" and "non-homeowner" classifications into the single classification "residential" effective with the tax year beginning July 1, 2011. In determining the value of land

consideration is given to its highest and best use, selling prices and income, productivity, actual and potential use, advantage or disadvantage of factors such as location, accessibility, transportation facilities, availability of water and its cost, easements, zoning, dedication as to usage, and other influences which fairly and reasonably bear upon the question of value. Real property owned by the respective governments of the United States, the State of Hawaii and the several counties of the State is excluded from taxation, but is taxable when leased to or occupied by a private entity under certain conditions described in the Tax Ordinance. Real property owned and actually and exclusively used for an exempt purpose by hospitals and religious, educational, community and charitable organizations is also exempt from taxation under certain conditions described in the Tax Ordinance. In addition, real property owned as a home is exempt from taxation to the extent of \$80,000 (\$120,000 for persons age 65 and over). In lieu of the exemptions set forth in the previous sentence, qualified low-income taxpayers can receive exemptions that gradually increase based on age, from \$140,000 for persons age 75 to \$200,000 for persons age 90 and over. In lieu of taxing the real property of public service companies, the City and County collects a public service company tax on the gross income of such companies allocable to operations within the City and County, as discussed below under "Public Service Company Tax."

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

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

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

From time to time 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 valuation of real property in the City and County for Fiscal Years 2010 and 2011 are shown in Table 1 below, with the valuation of governmentally owned real property excluded from both the gross assessed valuation and the exemption valuation. Table 2 shows the net taxable values and applicable tax rates for each class of property for Fiscal Years 2007 through 2011.

Table 1

**ASSESSED VALUATION OF REAL PROPERTY ⁽¹⁾
Fiscal Years 2010 and 2011
(values in thousands)**

	<u>2010</u>	<u>2011</u>
Gross assessed valuation.....	\$191,211,298	\$178,034,158 ⁽²⁾
Less exemption valuation	<u>(23,603,598)</u>	<u>(23,584,782)</u>
Assessor's net taxable value	167,607,700	154,449,376
Less 50% of valuations on appeal	<u>(1,825,622)</u>	<u>(1,340,271)</u>
Net assessed valuation for rate purposes.....	<u>\$165,782,078</u>	<u>\$153,109,105</u>

⁽¹⁾ Valuation is 100% of fair market value.

⁽²⁾ Ordinance 02-45 removed the requirement to set forth values for land and building separately.

Table 2

**REAL PROPERTY NET ASSESSED VALUES BY CLASSIFICATION AND TAX RATES
Fiscal Years 2007–2011
(values in thousands)**

<u>Classification</u>	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>		<u>2011</u>	
	<u>Value</u>	<u>Rate</u>								
Improved Residential ⁽¹⁾	\$ 89,283,029	\$ 3.59	\$100,858,035	\$ 3.29	\$136,983,348	\$3.29	\$134,490,385	\$3.42	\$ --	\$ --
Unimproved Residential ⁽¹⁾	754,815	5.72	431,257	5.70	--	--	--	--	--	--
Apartment ⁽¹⁾	32,642,928	3.59	38,352,746	3.29	--	--	--	--	--	--
Homeowner ⁽²⁾	--	--	--	--	--	--	--	--	62,837,101	3.42
Non-Homeowner ⁽²⁾	--	--	--	--	--	--	--	--	59,448,272	3.58
Hotel/Resort	5,787,719	11.97	6,872,417	12.40	6,979,025	12.40	7,234,047	12.40	6,522,528	12.40
Commercial	10,814,805	11.97	12,282,509	12.40	13,505,161	12.40	14,312,242	12.40	14,425,794	12.40
Industrial	5,513,282	11.97	6,711,928	12.40	7,249,188	12.40	7,968,538	12.40	7,969,269	12.40
Agricultural	875,793	8.57	1,054,884	5.70	1,133,318	5.70	1,248,062	5.70	1,315,389	5.70
Vacant Agricultural ⁽³⁾	38,547	8.57	111,524	8.50	110,808	8.50	143,153	8.50	203,137	8.50
Conservation	365,292	9.57	349,430	5.70	377,099	5.70	381,713	5.70	384,308	5.70
Public Service ⁽⁴⁾	<u>(1,300)</u>	0.00	<u>0</u>	0.00	<u>0</u>	0.00	<u>3,938</u>	0.00	<u>3,307</u>	0.00
Total All Classes	<u>\$146,074,910</u>		<u>\$167,024,730</u>		<u>\$166,337,947</u>		<u>\$165,782,078</u>		<u>\$153,109,105</u>	

⁽¹⁾ Ordinance 07-10 combined the Improved Residential, Unimproved Residential and Apartment classifications into a new single classification, "Residential" (data for which is presented in the Improved Residential row in the table above), effective with the tax year beginning July 1, 2008.

⁽²⁾ Ordinance 09-32 divided the Residential classification into two new classifications, Homeowner and Non-Homeowner, effective with the tax year beginning July 1, 2010.

⁽³⁾ Combined with "Agricultural" in previous years.

⁽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 valuations as of October 1, and are due in two equal installments on the following August 20 and February 20. Real property taxes receivable as of June 30 of each year are deemed delinquent and amounts which are not collected within sixty days of the end of the Fiscal Year are reported as deferred revenue. A lien for real property taxes attaches as of July 1 of each year. Annual assessments, levies and average tax rates and collection percentages for the Fiscal Years ending June 30, 2007 to 2011 are shown in the table below.

Table 3

**STATEMENT OF REAL PROPERTY TAX LEVIES AND COLLECTIONS
SHOWING ASSESSED VALUATIONS AND TAX RATES
Fiscal Years 2007–2011
(values in thousands)**

Fiscal Year	Net Valuation for Tax Rate Purposes ⁽¹⁾	Weighted Average Tax Rate Per \$1,000	Amount of Levies	Percent of Collections to Levy
2007	\$146,074,910	\$4.92	\$673,960	101.7%
2008	167,024,730	4.73	760,409	101.1
2009	166,337,947	4.83	804,120	100.8
2010	165,782,078	5.05	836,448	100.7
2011	153,109,105	5.21	797,722	N/A

⁽¹⁾ Valuation is 100% of fair market value.

The real property tax revenues of \$849.6 million (excluding public service company tax) accounted for 60.9% of the General Fund revenues of \$1.40 billion for the Fiscal Year ended June 30, 2010. The ten largest real property taxpayers in the City and County for the Fiscal Year ending June 30, 2011 are identified in the following two tables. Table 4 lists the taxpayers according to the assessed value of their real property, and Table 5 lists the taxpayers according to the amount of tax levied on such property.

Table 4

**TEN LARGEST REAL PROPERTY TAXPAYERS
BY ASSESSED VALUE
Fiscal Year ending June 30, 2011**

Taxpayer ⁽¹⁾	Type of Business	Gross Assessed Valuation ⁽²⁾	% of Total Assessed Valuation
Bishop Estate	Educational Trust Estate	1,380,593,400	0.78%
General Growth Properties	Real Estate Investment	1,254,080,800	0.70
Kyo-Ya Company ⁽³⁾	Hotel/Resort	1,129,265,200	0.63
Hilton Hawaiian Village	Hotel/Resort	911,199,700	0.51
Outrigger Hotels Hawaii	Hotel/Resort	596,438,400	0.34
First Hawaiian Bank	Financial Services	511,343,600	0.29
Ko'Olina Hotel Etal.	Hotel/Resort	451,419,600	0.25
Reynolds/Shidler	Real Estate	441,500,800	0.25
Weinberg, H&J Foundation Inc.	Trust Estate	408,099,100	0.23
James Campbell Estate	Real Estate	<u>406,155,900</u>	<u>0.23</u>
		<u>\$7,490,096,500</u>	<u>4.21%</u>

⁽¹⁾ Taxpayer's name as recorded on real property records.

⁽²⁾ Assessed valuation as of January 28, 2010 at 100% of market value.

⁽³⁾ Includes The Royal Hawaiian Hotel, Sheraton Waikiki, Princess Kaiulani, Moana Surfrider and other Starwood properties.

Table 5

**TEN LARGEST REAL PROPERTY TAXPAYERS
BY AMOUNT OF TAX LEVIED
Fiscal Year ending June 30, 2011**

Taxpayer ⁽¹⁾	Type of Business	Amount of Tax Levied	% of Total Amount Levied
General Growth Properties	Real Estate Investment	\$15,454,598	1.94%
Kyo-Ya Company ⁽²⁾	Hotel/Resort	14,003,225	1.76
Bishop Estate	Educational Trust Estate	12,498,969	1.57
Hilton Hawaiian Village	Hotel/Resort	11,115,984	1.39
Outrigger Hotels Hawaii	Hotel/Resort	7,274,263	0.91
First Hawaiian Bank	Financial Services	6,306,689	0.79
Ko'Olina Hotel Etal.	Hotel/Resort	5,635,474	0.71
Reynolds/Shidler	Real Estate	4,982,357	0.62
James Campbell Estate	Real Estate	4,837,206	0.61
Weinberg, H&J Foundation Inc.	Trust Estate	<u>4,623,024</u>	<u>0.58</u>
		<u>\$86,731,789</u>	<u>10.88%</u>

⁽¹⁾ Taxpayer's name as recorded on real property records.

⁽²⁾ Includes The Royal Hawaiian Hotel, Sheraton Waikiki, Princess Kaiulani, Moana Surfrider and other Starwood properties.

Allocation of State Transient Accommodation Tax. Under Section 237D, Hawaii Revised Statutes, a transient accommodation tax (basically a hotel tax) is collected by the State of Hawaii. From January 1, 1999 through June 30, 2009, the transient accommodations tax was imposed at the rate of 7.25% of gross rental proceeds. Effective July 1, 2009 through June 30, 2010, the rate was increased to 8.25%, and effective July 1, 2010 through June 30, 2015, the rate has been increased to 9.25%. Revenues collected from the transient accommodations tax are distributed as follows: 17.3% of revenues are deposited to the Convention Center Enterprise Special Fund, 34.2% of revenues are deposited to the Tourism Special Fund, 44.8% of revenues are distributed to the counties, and the remaining revenues are deposited to the State's general fund. The City and County receives 44.1% of the revenues distributed to the counties, or 19.8% of the total. In the Fiscal Year ended June 30, 2009 the City and County received \$41.2 million as its allocable share of the State transient accommodation tax, which amount is 3.4% of the General Fund revenues for such year. There can be no assurance that the allocation will continue to be maintained at current levels. See "Certain Recent Legislative Proposals" below.

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 mass transit system for Oahu. See "DEBT STRUCTURE – High-Capacity Transit Corridor Project" for additional information concerning the proposed transit system. For the Fiscal Year ended June 30, 2009, the City and County received \$160.9 million from the general excise tax surcharge, net of administrative fees charged by the State.

Public Service Company Tax. Under Chapter 239, Hawaii Revised Statutes, if a county exempts real property owned or leased (if the lessee is required to pay any real property taxes) by a public service company from real property taxes, the county is entitled to collect a public service company tax on the gross income of the company allocable to operations within that county. The public service company tax is imposed at rates between 1.885% and 4.2%, based on the ratio between each company's net income and gross income. Currently, the City and County does not tax the real property of public service companies, and it received approximately \$49.6 million of public service company tax revenues in the Fiscal Year ended June 30, 2009.

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

receives revenues from State and federal grants, sales of licenses and permits, rentals of City and County-owned property and charges for services.

Special Revenue Funds

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

Vehicle Weight Tax. Under Section 249-2, Hawaii Revised Statutes, the counties are authorized to impose an annual tax on the net weight of all vehicles used on the public highways. In accordance with Section 249-13, Hawaii Revised Statutes, the City and County 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 2009, the City and County collected \$71.5 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 2009, the City and County collected \$50.3 million of fuel taxes.

Public Utilities Franchise Tax. Section 240-1, Hawaii Revised Statutes, requires all electric power companies and gas companies operating as public utilities to pay the county in which business is conducted a tax equal to 2½% of the companies' gross receipts for sales in such county, unless such county in its charters with such utilities has agreed to a lower rate of tax. The rate for such tax in the City and County is the full 2½% for all such utilities. In Fiscal Year 2009, the City and County collected \$51 million of such taxes.

Certain Recent Legislative Proposals

In the 2010 session of the State Legislature (which ended on April 29, 2010), certain legislative proposals were introduced to reduce projected shortfalls in the State's operating budget by suspending or repealing the allocation of transient accommodation tax collections by the State to the counties, and by requiring the City and County to return \$200 million of amounts received from the general excise tax surcharge to the State in exchange for proceeds of general obligation bonds to be issued by the State. Although these legislative proposals were not enacted into law, the City and County cannot predict whether or in what form the State Legislature may in the future enact legislation to reduce shortfalls in the State's operating budget by requiring that collections of the transient accommodations tax, the general excise tax surcharge or other tax revenues otherwise due to the City and County be retained by or transferred to the State. However, the power to levy and collect real property taxes (which generally account for approximately two-thirds of the City and County's general fund revenues annually) is conferred on the counties by the State Constitution and, as a result, would not be subject to such actions by the State Legislature.

Revenues and Expenditures

The following table presents the General Fund revenues and expenditures, including transfers out for debt service, mass transit subsidy and other purposes, and transfers in for recovery of debt service and other purposes, in Fiscal Years 2005 through 2009.

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>
2005	\$ 802.6	\$ 791.3
2006	871.7	850.2
2007	1,064.5	1,007.3
2008	1,264.4	1,254.1
2009	1,297.5	1,346.9

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 net assessed valuation for tax rate purposes of real property in such county, as determined by the last tax assessment rolls pursuant to law.

Pursuant to a resolution enacted by the City Council in 1996, the City and County 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. Table 7 sets forth the City and County's most recent summary statement of funded debt and exclusions as of August 17, 2010. Set forth in Table 8 is a detailed schedule of all outstanding general obligation funded debt of the City and County as of August 17, 2010. Table 9 lists all general obligation funded debt of the City and County as of August 17, 2010.

Table 7

**STATEMENT OF FUNDED DEBT
As of August 17, 2010**

1.	Gross assessed valuation of real property, January 28, 2010.....	\$	178,034,158,000	
2.	Less exempt valuation		<u>23,584,782,000</u>	
3.	Assessor's net taxable value		154,449,376,000	
4.	Less valuations on appeal		<u>2,680,542,000</u>	
5.	Taxpayers' valuation		151,768,834,000	
6.	Add 50% of valuation on appeal		<u>1,340,271,000</u>	
7.	Net assessed valuation of real property for rate purposes	\$	<u>153,109,105,000</u>	
8.	Limit of funded debt as set by the Constitution of the State of Hawaii	\$	22,966,365,750 ⁽¹⁾	
9.	Funded debt:			
	a. General obligation bonds	\$	2,370,151,000	
	b. Revenue bonds		1,544,647,890 ⁽²⁾	
	c. Notes payable:			
	Federal Government		1,816,547	
	State of Hawaii		<u>192,891,498</u>	
	d. Gross funded indebtedness.....	\$	4,109,506,935	
	Less exclusions:			
	e. Revenue bonds			
	Self-supporting waterworks.....	\$	294,960,000	
	Self-supporting wastewater		1,249,687,890 ⁽³⁾	
	f. General obligation bonds issued for H-Power waste disposal facility.....		250,930,000	
	g. General obligation bonds issued for Housing.....		73,074,448	
	h. General obligation bonds issued for solid waste		130,909,271	
	i. General obligation bonds issued for sewer projects		6,436,195	
	j. State of Hawaii notes issued for sewer projects		<u>190,337,559</u>	
	k. Net funded debt		1,913,171,572	
10.	Gross limit of additional funded debt.....	\$	21,053,194,178	
11.	Less general obligation bonds authorized and unissued:			
	Authorizing Ordinance	Total Authorized⁽⁴⁾	Amount Issued	Amount Unissued
	Ordinance No. 98-29.....	\$ 178,672,387	177,199,935	1,472,452
	Ordinance No. 00-24.....	197,468,415	197,401,602	66,813
	Ordinance No. 01-27.....	230,710,880	230,258,536	452,344
	Ordinance No. 02-27.....	156,946,522	155,230,299	1,716,223
	Ordinance No. 03-08.....	124,293,013	118,538,671	5,754,342
	Ordinance No. 04-15.....	118,775,066	110,129,273	8,645,793
	Ordinance No. 05-15.....	150,998,234	134,066,790	16,931,444
	Ordinance No. 06-34.....	170,960,691	139,727,008	31,233,683
	Ordinance No. 07-26.....	224,627,807	163,011,569	61,616,238
	Ordinance No. 08-14.....	315,046,071	173,915,331	141,130,740
	Ordinance No. 09-13.....	1,307,596,500	125,000,000	1,182,596,500
	Ordinance No. 10-13.....	<u>1,450,947,215</u>	<u>50,000,000</u>	<u>1,400,947,215</u>
		<u>\$4,627,042,801</u>	<u>\$1,774,479,014</u>	<u>\$ 2,852,563,787</u>
12.	Net limit of additional funded debt			\$ <u>18,200,630,391</u>

⁽¹⁾ The limit of the funded debt is set at a sum equal to 15% of the net assessed valuation for tax rate purposes of real property.

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

⁽³⁾ Includes a USDA loan in the principal amount of \$2,750,000 classified as a senior lien bond.

⁽⁴⁾ 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 August 17, 2010**

Direct Debt	Effective Interest Rate	Original Amount of Issue	Maturing Serially From/To	Optional Call Dates	Outstanding
General Obligation Bonds:					
April 1, 1977 Series A	4.37100%	\$ 5,000,000	1/1/79-11	1/1/1986	\$ 276,000
January 1, 1993 Series A	5.85764%	150,000,000	1/1/97-13	Non-callable	11,180,000
April 1, 1993 Series B	5.43923%	611,335,000	10/1/94-13	Non-callable	88,720,000
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	21,105,000
November 1, 1997 Series B	5.09054%	83,000,000	11/1/01-17	11/1/2007	25,000
November 1, 1997 Series C	5.40595%	157,605,000	11/1/99-10	Non-callable	13,130,000
March 1, 2001 Series 2001A	5.09921%	141,500,000	9/1/05-24	9/1/2011	5,595,000
August 8, 2003 Series 2003A	4.85540%	250,000,000	3/1/08-28	3/1/2013	156,390,000
April 14, 2004 Series 2004 A	4.36246%	123,065,000	7/1/05-28	7/1/2014	74,975,000
April 14, 2004 Series 2004 B	3.62613%	192,850,000	7/1/08-17	7/1/2014	144,745,000
May 26, 2005 Series 2005A	3.99266%	186,470,000	7/1/09-29	7/1/2015	175,770,000
May 26, 2005 Series 2005B	3.99266%	27,315,000	7/1/09-19	7/1/2015	23,265,000
May 26, 2005 Series 2005C	3.99266%	76,770,000	7/1/09-21	7/1/2015	67,915,000
May 26, 2005 Series 2005D	3.99266%	81,215,000	7/1/09-23	7/1/2015	73,450,000
November 22, 2005 Series E	4.40023%	247,015,000	7/1/06-23	7/1/2015	198,900,000
November 22, 2005 Series F	4.62695%	149,150,000	7/1/10-29	7/1/2015	144,635,000
November 29, 2007 Series A	4.62201%	268,630,000	7/1/12-31	7/1/2017	268,630,000
April 6, 2009 Series 2007B	4.37937%	152,840,000	7/1/13-19	Non-callable	152,840,000
April 28, 2009 Series A	4.68168%	292,045,000	4/1/14-34	4/1/2019	292,045,000
April 28, 2009 Series B	4.96192%	33,980,000	4/1/12-17	Non-callable	33,980,000
April 28, 2009 Series C	1.89110%	50,685,000	4/1/11-13	Non-callable	50,685,000
November 19, 2009 Series D	4.39363%	141,950,000	9/1/14-34	9/1/2019	141,950,000
November 19, 2009 Series E ⁽¹⁾	3.89828%	50,415,000	9/1/14-34	Non-callable	50,415,000
November 19, 2009 Series F	3.25649%	49,500,000	9/1/14-20	9/1/2019	49,500,000
May 19, 2010 CP Issue A ⁽²⁾	Variable	100,000,000	Not Applicable	Non-callable	62,500,000
May 19, 2010 CP Issue B ⁽²⁾	Variable	50,000,000	Not Applicable	Non-callable	-
May 19, 2010 CP Issue C ⁽²⁾	Variable	65,000,000	Not Applicable	Non-callable	62,500,000
		<u>\$ 3,915,335,000</u>			<u>\$ 2,370,151,000</u>
Notes Payable - Federal Government	5.11600%	\$ 5,668,313	6/20/84-16	Non-callable	\$ 1,816,547
Notes Payable - State of Hawaii	Various	<u>332,761,494</u>	Various	Non-callable	<u>192,891,498</u>
		<u>\$ 338,429,807</u>			<u>\$ 194,708,045</u>
Total Gross Direct Debt		<u>\$ 4,253,764,807</u>			<u>\$ 2,564,859,045</u>
Less exclusions:					
Bonds issued for solid waste				\$ 130,909,271	
Bonds issued for housing				73,074,448	
Bonds issued for H-Power waste disposal facility				250,930,000	
Bonds issued for sewer projects				6,436,195	
State of Hawaii Notes issued for sewer projects				<u>190,337,559</u>	<u>651,687,473</u>
Net Funded Debt					<u>\$ 1,913,171,572</u>

⁽¹⁾ Issued as taxable Build America Bonds subject to cash subsidy payment from the U.S. Treasury equal to 35% of interest payable on such bonds.

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

Table 9
CITY AND COUNTY OF HONOLULU
DEBT SERVICE CHARGES ON
OUTSTANDING GENERAL LONG-TERM DEBT
August 17, 2010 to Maturity ⁽¹⁾

FY Ending June 30	General Obligation Bonds		Other Debt ⁽²⁾		Gross Debt Service Charges	Reimbursable Debt		Net Debt Service Charges
	Principal	Interest	Principal	Interest ⁽³⁾		Principal	Interest	
2011	\$ 61,941,000	\$ 80,303,089	\$ 13,538,210	\$ 2,477,807	\$ 158,260,106	\$ 23,424,297	\$ 19,205,526	\$ 115,630,283
2012	122,110,000	106,447,643	16,476,296	2,656,117	247,690,056	34,168,700	20,565,779	192,955,577
2013	127,230,000	100,419,288	16,261,086	2,359,594	246,269,968	34,466,871	19,455,878	192,347,219
2014	132,335,000	93,781,030	15,190,162	1,893,023	243,199,215	30,542,802	18,086,548	194,569,865
2015	117,010,000	87,620,618	12,810,126	1,513,904	218,954,648	32,960,219	16,895,811	169,098,618
2016	122,820,000	81,985,391	12,894,092	1,297,408	218,996,891	34,027,123	15,740,646	169,229,122
2017	128,845,000	75,840,634	12,690,634	1,082,479	218,458,747	35,229,543	14,499,892	168,729,312
2018	128,650,000	69,281,748	12,499,503	885,356	211,316,607	29,402,039	13,189,962	168,724,606
2019	112,020,000	63,432,417	11,551,634	705,860	187,709,911	30,162,250	12,186,377	145,361,284
2020	115,340,000	57,855,872	10,026,590	565,597	183,788,059	27,453,284	11,186,442	145,148,333
2021	96,985,000	52,596,909	9,654,477	468,498	159,704,884	24,307,640	10,320,173	125,077,071
2022	93,350,000	47,853,588	9,530,484	383,289	151,117,361	23,430,337	9,553,329	118,133,695
2023	98,815,000	43,291,164	8,727,682	304,157	151,138,003	23,449,517	8,780,764	118,907,722
2024	103,865,000	38,242,944	8,677,225	237,580	151,022,749	24,260,301	7,949,780	118,812,668
2025	80,115,000	33,617,141	8,720,807	172,294	122,625,242	21,439,578	7,168,003	94,017,661
2026	84,185,000	29,546,492	8,764,235	106,880	122,602,607	22,101,841	6,486,769	94,013,997
2027	88,445,000	25,281,691	6,287,512	45,831	120,060,034	20,261,907	5,786,933	94,011,194
2028	92,975,000	20,755,542	1,396,957	5,215	115,132,714	16,086,958	5,034,380	94,011,376
2029	77,955,000	15,933,325	-	-	93,888,325	14,858,549	4,260,342	74,769,434
2030	73,040,000	12,089,123	-	-	85,129,123	13,146,036	3,540,542	68,442,545
2031	50,070,000	8,937,002	-	-	59,007,002	13,083,418	2,864,186	43,059,398
2032	52,720,000	6,282,687	-	-	59,002,687	13,778,594	2,168,431	43,055,662
2033	33,940,000	4,026,024	-	-	37,966,024	11,709,861	1,506,113	24,750,050
2034	35,715,000	2,251,808	-	-	37,966,808	12,320,808	896,895	24,749,105
2035	<u>14,675,000</u>	<u>394,686</u>	<u>-</u>	<u>-</u>	<u>15,069,686</u>	<u>10,615,000</u>	<u>266,796</u>	<u>4,187,890</u>
	\$ <u>2,245,151,000</u>	\$ <u>1,158,067,856</u>	\$ <u>195,697,712</u>	\$ <u>17,160,889</u>	\$ <u>3,616,077,457</u>	\$ <u>576,687,473</u>	\$ <u>237,596,297</u>	\$ <u>2,801,793,687</u>

⁽¹⁾ Excludes commercial paper dated 5/19/2010, self-supporting revenue bonds, State revolving fund notes payable, and the Bonds issued hereunder.

⁽²⁾ Includes:

\$ 1,816,547	U.S. Government note payable for City and County's share of Kaneohe Reservoir Recreation & Fish and Wildlife Development.
192,891,498	State of Hawaii notes payable for various sewer projects, storm dewatering facility and storm water equipment.
<u>989,667</u>	Installment purchase contracts for various fixed assets.
\$ <u>195,697,712</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.

Table 10

TREND OF GENERAL OBLIGATION INDEBTEDNESS Fiscal Years 2005–2010

<u>General Obligation Bonds</u>					
FY Ending June 30	Non- Reimbursable⁽¹⁾	Reimbursable for Other Purposes⁽²⁾	Total General Obligation Bonds	Notes Payable	Total General Obligation Debt
2006	\$1,718,340,918	\$303,476,919	\$2,021,817,837	\$2,758,245	\$2,024,576,082
2007	1,745,719,961	270,438,048	2,016,158,009	2,540,136	2,018,698,145
2008	1,838,389,129	249,697,067	2,088,086,196	2,310,869	2,090,397,065
2009	1,944,522,922	272,001,209	2,216,524,131	2,069,873	2,218,594,004
2010	1,899,459,975	389,725,789	2,289,185,764	1,816,547	2,291,002,311

⁽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 \$1.6 million for the Fiscal Year ended June 30, 2009, and future expenditures for such leases are projected to be \$17.5 million.

Revenue Indebtedness

The Board of Water Supply of the City and County has issued \$294,960,000 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 November 1, 2010, the outstanding amounts of senior and junior revenue bonds were \$809,655,000 and \$437,282,890, respectively. In addition, the City and County has obtained a loan from the U.S. Department of Agriculture, outstanding in the amount of \$2,750,000 as of November 1, 2010, which is secured by a pledge of revenues of the City and County's wastewater system. Such revenue bond and loan obligations are limited obligations of the City and County, are excluded for purposes of determining the funded indebtedness of the City and County, and do not constitute a general or moral obligation or a pledge of the full faith and credit or taxing power of the City and County or the State. The City and County has adopted a \$1.55 billion (in inflated dollars), five-year capital improvement program (Fiscal Year 2011 to Fiscal Year 2015) to upgrade its wastewater treatment plant and collection system facilities and anticipates issuing additional revenue bonds to finance a portion of the costs associated with the program. See also "PENDING LITIGATION" herein for a discussion of litigation pertaining to the wastewater system.

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

H-Power Waste Disposal Facility and Operating Agreement

In 1985 and 1990, the City and County issued approximately \$195 million and \$61 million, respectively, of reimbursable general obligation bonds to finance the acquisition and construction of the H-Power waste disposal facility, a waste-to-energy facility which produces electricity that is sold to the local electric company. The facility went into commercial operation in May 1990. In 1999, the City and County issued general obligation bonds to refund a portion of the reimbursable general obligation bonds issued for the H-Power waste disposal facility.

Prior to completion of the H-Power waste disposal facility, the City and County entered into a leveraged lease transaction pursuant to which the facility was sold to an "Owner Trust" and simultaneously leased to a private operator. In 2008, the City and County exercised an option to purchase the facility at a purchase price of approximately \$44 million. The City and County issued general obligation bonds in April 2009 to reimburse the general fund for a temporary advance of funds used to pay the purchase price of the facility.

The City and County has begun a project to expand the H-Power facility by adding an additional boiler to process an additional 900 tons of waste per day and generate an additional 25-30 megawatts of electricity. The

expansion project is expected to be completed in spring 2012. In addition, new air pollution control equipment mandated by federal law is also being constructed at the facility and is scheduled to be completed in May 2011. Commercial operations are expected to begin in April 2012. The City and County expects to fund some or all of the cost of the expansion and air pollution control equipment, currently estimated at approximately \$360,000,000, through the issuance of reimbursable general obligation bonds, including the Series 2010B Bonds.

High-Capacity Transit Corridor Project

The City and County is currently planning a new \$5.3 billion, 20-mile fixed guideway mass transit system to provide rail service along the island's east-west corridor between Kapolei and downtown Honolulu (Ala Moana Center). Over 60% of the City and County's population currently lives within the area served by this corridor, and 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. The debt service on future general obligation bonds issued to provide financing for the project is expected to be paid with proceeds from the 0.5% excise tax surcharge. Annual operating costs are expected to be paid from passenger fares and City and County revenues. Reference is made to "CITY AND COUNTY REVENUES—General Fund—Excise Tax" herein for a discussion of the excise tax surcharge imposed by the City and County.

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

See also "THE CITY AND COUNTY OF HONOLULU—Government and Organization—*Recalls, Initiatives and Charter Amendments*" herein regarding a recent amendment to the Charter of the City and County creating a semi-autonomous public transit authority responsible for the proposed transit system.

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 2007–2011
(in millions of dollars)**

Fiscal Year	Bond Funds				Cash			Cash as % of Total
	Grand Total	General Obligation	Sewer Revenue	Total⁽¹⁾	Federal Grants	Cash⁽²⁾	Total	
2007 ⁽³⁾	600.8	170.8	336.7	507.5	44.1	49.2	93.3	15.5
2008 ⁽³⁾	545.6	225.8	217.1	442.9	27.9	74.8	102.7	18.8
2009 ⁽³⁾	788.3	315.0	166.0	481.0	21.9	285.4	307.3	39.0
2010 ⁽⁴⁾	1,766.1	1,307.6	157.1	1,464.7	120.3	181.1	301.4	17.1
2011 ⁽⁴⁾	2,121.6	1,450.9	329.0	1,779.9	227.7	114.0	341.7	16.1

⁽¹⁾ Inclusive of encumbrances.

⁽²⁾ Funds from current revenues and surplus.

⁽³⁾ Adjusted for lapses until August 31, 2010.

⁽⁴⁾ Budgeted amounts plus single purpose added in 2011.

Cash Management and Investments

The investment of funds by the City and County is governed by and conforms to Section 46-50, Hawaii Revised Statutes, which authorizes investments in bonds or interest bearing notes or obligations of the county, of the State, of the United States, or of agencies of the United States for which the full faith and credit of the United States are pledged for the payment of principal and interest; federal land bank bonds; joint stock farm loan bonds; Federal Home Loan Bank notes and bonds; Federal Home Loan Mortgage Corporation bonds; Federal National Mortgage Association notes and bonds; securities of a mutual fund whose portfolio is limited to bonds or securities issued or guaranteed by the United States or an agency thereof; repurchase agreements fully collateralized by any such bonds or securities; bank savings accounts; time certificates of deposit; certificates of deposit open account; bonds of any improvement district of any county of the State; bank, savings and loan association, and financial services loan company repurchase agreements; student loan resource securities including: student loan auction rate securities, student loan asset-backed notes, student loan program revenue notes and bonds, and securities issued pursuant to Rule 144A of the Securities Act of 1933, including any private placement issues, issued with either bond insurance or overcollateralization guaranteed by the United States Department of Education; provided all insurers maintain a triple-A rating by Standard & Poors, Moody's, Duff & Phelps, Fitch, or any other major national securities rating agency; commercial paper with an A1/P1 or equivalent rating by any national securities rating service; and bankers' acceptance with an A1/P1 or equivalent rating by any national securities rating service; provided in each case the investments are due to mature not more than five years from the date of investment.

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

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

Interest earnings from funds invested by the City and County totaled \$34.1 million in the Fiscal Year ended June 30, 2009, representing an investment yield of 1.84%.

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

Inter-Fund Borrowing

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

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

Reserve for Fiscal Stability Fund

In 2006, the City and County established a special fund known as the Reserve for Fiscal Stability Fund designated for economic and revenue downturns and emergency situations. The fund is maintained outside the General Fund and is available for appropriation only in the event of an emergency or certain economic and revenue triggers, including an increase in unemployment by more than 2% over three fiscal quarters, a decline in net taxable real property value by 2% or more from the preceding fiscal year, a decline in General Fund and Highway Fund revenues of 2% or more from the preceding fiscal year, a decline in Transient Accommodation Tax revenues of 5% or more from the preceding fiscal year, or an increase in nondiscretionary expenditures by more than 5% of the preceding fiscal year's revenues. Deposits to the fund are made from General Fund and Highway Fund surpluses and, by resolution, the fund is targeted to be at least 5% of expenditures, with an optimal target equal to 8% of expenditures. As of June 30, 2009, the fund balance was \$26,112,395.42. The City and County's Operating Budget for Fiscal Year 2011 provides for an additional funding of \$2.6 million for the Reserve for Fiscal Stability Fund. No withdrawals from the Reserve for Fiscal Stability Fund have been made as of the date hereof, and none are included in the City and County's Operating Budget for Fiscal Year 2011.

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, 2009, 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, 2005 to 2009, 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, 2005 through June 30, 2009
(In thousand dollars)**

	FY Ended June 30, 2005	FY Ended June 30, 2006	FY Ended June 30, 2007	FY Ended June 30, 2008	FY Ended June 30, 2009
ASSETS:					
Cash and Securities	\$ 51,723	\$ 86,090	\$136,752	\$196,653	\$101,360
Receivables:					
Real Property Taxes.....	6,008	9,341	9,168	12,642	16,046
Other	10,726	9,722	47,328	57,090	53,080
Component unit – CASE fees.....	6,600	9,900	7,800	--	
Due from other funds	29,939	21,839	22,334	26,793	21,001
Total Assets	<u>\$104,996</u>	<u>\$136,892</u>	<u>\$223,382</u>	<u>\$293,178</u>	<u>\$191,487</u>
LIABILITY AND FUND BALANCES					
Liabilities:					
Accounts payable.....	\$ 4,796	\$ 11,442	\$ 8,951	\$ 9,964	\$ 8,423
Checks payable	--	--	--	--	
Due to other funds	1,152	557	36,689	93,379	41,134
Accrued payroll and fringes	4,262	4,728	5,098	5,025	2,417
Deferred revenues.....	17,620	21,557	16,842	18,735	22,821
Total Liabilities	<u>\$ 27,830</u>	<u>\$ 38,284</u>	<u>\$ 67,580</u>	<u>\$127,103</u>	<u>\$ 74,795</u>
Fund Balances:					
Reserved for encumbrances.....	\$ 19,802	\$ 22,004	\$ 27,767	\$ 58,794	\$ 48,868
Unreserved-undesignated	57,364	76,604	128,035	107,281	67,824
Total Fund Balances	<u>77,166</u>	<u>98,608</u>	<u>155,802</u>	<u>166,075</u>	<u>116,692</u>
Total Liabilities and Fund Balances	<u>\$ 104,996</u>	<u>\$ 136,892</u>	<u>\$223,382</u>	<u>\$293,178</u>	<u>\$191,487</u>

Table 13

**CITY AND COUNTY OF HONOLULU
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For Fiscal Years Ended June 30, 2005 through June 30, 2009
(In thousand dollars)**

	FY Ended June 30, 2005	FY Ended June 30, 2006	FY Ended June 30, 2007	FY Ended June 30, 2008	FY Ended June 30, 2009					
REVENUES:										
Real property tax	\$528,793	\$621,741	\$727,015	\$805,174	\$851,265					
Licenses and permits	35,740	36,219	40,648	36,127	33,360					
Intergovernmental revenues	39,056	43,519	92,760	214,530	202,216					
Charges for services	6,531	5,511	5,752	5,163	6,402					
Fines and forfeits	178	420	557	877	645					
Miscellaneous	94,749	96,179	111,729	110,424	107,987					
Total Revenues	<u>\$705,047</u>	<u>\$803,589</u>	<u>\$978,461</u>	<u>\$1,172,295</u>	<u>\$1,201,875</u>					
EXPENDITURES:										
Current:										
General government	\$ 100,462	\$ 105,192	\$ 115,200	\$ 125,323	\$ 133,597					
Public safety	242,108	249,402	268,521	288,860	308,990					
Highways and streets	1,755	1,925	2,239	2,554	3,718					
Sanitation	0	0	2,245	5,536	4,828					
Health and Human Resources	1,551	1,654	2,356	2,772	3,646					
Culture and recreation	45,947	49,433	51,844	60,512	64,346					
Urban redevelopment and housing	0	0	0	0	0					
Utilities or other enterprises	0	0	0	0	6					
Miscellaneous	121,232	135,202	141,236	141,159	176,051					
Capital outlay	0	0	0	2,078	1,984					
Debt service:										
Principal retirement	847	1,135	395	693	726					
Interest charges	163	153	166	221	188					
Total Expenditures	<u>\$514,065</u>	<u>\$544,096</u>	<u>\$584,202</u>	<u>\$629,708</u>	<u>\$698,080</u>					
Excess of Revenues over Expenditures	<u>\$190,982</u>	<u>\$259,493</u>	<u>\$394,259</u>	<u>\$542,587</u>	<u>\$503,795</u>					
OTHER FINANCING SOURCES (USES):										
Capital Leases	\$ 0	\$ 0	\$ 1,674	\$ 865	\$ 189					
Sales of general fixed assets	35,616	402	74	176	346					
Operating transfer-in	61,978	67,747	84,300	91,018	95,060					
Operating transfer-out	(273,727)	(306,200)	(423,113)	(624,373)	(648,773)					
Total Other Financing Sources (Uses)	<u>\$(176,133)</u>	<u>\$(238,051)</u>	<u>\$(337,065)</u>	<u>\$(532,314)</u>	<u>\$(553,178)</u>					
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses						\$ 14,849	\$ 21,442	\$ 57,194	\$ 10,273	\$(49,383)
Fund Balance--July 1	62,317	77,166	98,608	155,802	166,075					
Residual equity transfer from other fund	0	0	0	0	0					
Fund Balance--June 30	<u>\$ 77,166</u>	<u>\$ 98,608</u>	<u>\$ 155,802</u>	<u>\$ 166,075</u>	<u>\$ 116,692</u>					

Table 14

**CITY AND COUNTY OF HONOLULU
 GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR FISCAL YEAR ENDED JUNE 30, 2009 (AUDITED) WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2008 (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	2009	2008
Revenues:							
Taxes.....	\$ 851,265	\$ 101,266	\$ --	\$ --	\$--	\$ 952,531	\$ 891,982
Special assessments.....	--	--	--	--	17	17	28
Licenses and permits.....	33,360	74,944	--	--	4,093	112,397	115,657
Intergovernmental.....	202,216	--	--	--	153,314	355,530	358,552
Charges for services.....	6,402	4,636	--	--	12,886	23,924	23,766
Fines and forfeitures.....	645	--	--	--	287	932	1,183
Miscellaneous:							
Reimbursements and recoveries.....	95,694	734	--	--	7	96,435	88,731
Interest.....	7,170	--	--	3,596	2,525	13,291	24,638
Other - primarily rents, concessions, trust receipts.....	5,123	2,284	--	30	22,139	29,576	23,065
Total revenues.....	1,201,875	183,864	--	3,626	195,268	1,584,633	1,527,602
Expenditures:							
Current:							
General government.....	133,597	19,018	--	64	10,601	163,280	153,759
Public safety.....	308,990	27,628	--	--	22,659	359,277	329,108
Highways and streets.....	3,718	24,115	--	--	438	28,271	24,066
Sanitation.....	4,828	--	--	--	--	4,828	5,537
Health and human resources.....	3,646	--	--	--	69,755	73,401	65,144
Culture-Recreation.....	64,346	--	--	--	23,542	87,888	82,328
Utilities or other enterprises.....	6	4,554	--	1,557	22,740	28,857	27,818
Miscellaneous:							
Retirement and health benefits.....	150,051	11,980	--	187	46,136	208,354	140,461
Other.....	26,000	1,180	--	26	287	27,493	21,226
Capital outlay.....	1,984	211	--	52,187	171,281	225,663	197,410
Debt service:							
Principal retirement.....	726	--	121,547	--	--	122,273	260,680
Interest charges.....	188	--	104,792	--	--	104,980	100,362
Total expenditures.....	698,080	88,686	226,339	54,021	367,439	1,434,565	1,407,899
Revenues over (under) Expenditures.....	503,795	95,178	(226,339)	(50,395)	(172,171)	150,068	119,703
Other financing sources (uses):							
Proceeds of general obligation bonds.....	--	--	--	--	150,089	150,089	109,000
Proceeds of tax-exempt commercial paper.....	--	--	--	--	45,000	45,000	75,000
Proceeds of long-term notes.....	--	--	--	--	--	--	--
Proceeds of refunding bonds.....	--	--	368,742	--	--	368,742	140,130
Payment of refunded bonds.....	--	--	(367,178)	--	--	(367,178)	--
Capital leases.....	189	--	--	--	--	189	865
Sales of fixed assets.....	346	302	--	--	13	661	362
Operating transfers in.....	95,060	--	224,775	160,856	92,951	573,642	559,299
Operating transfers out.....	(648,773)	(101,737)	--	(185)	(21,479)	(772,174)	(740,887)
Other.....	--	--	--	--	--	--	--
Total Other Financing Sources (Uses).....	(553,178)	(101,435)	226,339	160,671	266,574	(1,029)	143,769
Revenues and Other Sources over (under) Expenditures and Other Uses.....	(49,383)	(6,257)	--	110,276	94,403	149,039	263,472
Fund Balances - July 1.....	166,075	27,595	--	194,921	220,168	608,759	345,287
Fund Balances - June 30.....	\$ 116,692	\$ 21,338	\$ --	\$ 305,197	\$ 314,571	\$ 757,798	\$ 608,759

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, 2005 through June 30, 2009
(In thousand dollars)

	FY Ended June 30, 2005	FY Ended June 30, 2006	FY Ended June 30, 2007	FY Ended June 30, 2008	FY Ended June 30, 2009
REVENUES:					
Taxes	\$607,541	\$705,557	\$815,284	\$891,982	\$952,531
Special assessments	419	387	354	28	17
Licenses and permits	86,649	100,938	120,802	115,657	112,397
Intergovernmental revenues	159,612	169,515	238,926	358,552	355,530
Charges for services	24,346	23,991	24,754	23,766	23,924
Fines and forfeitures	391	398	868	1,183	932
Miscellaneous	116,377	120,353	135,475	136,434	139,302
Total Revenues	995,335	1,121,439	1,336,463	1,527,602	1,584,633
EXPENDITURES:					
Current:					
General government	122,306	129,387	141,459	153,759	163,280
Public safety	277,867	287,592	306,161	329,108	359,277
Highways and streets	15,731	17,114	21,000	24,066	28,271
Sanitation	734	1,251	2,674	5,537	4,828
Health and human resources	55,877	57,673	60,883	65,144	73,401
Culture-Recreation	62,971	68,285	71,084	82,328	87,888
Utilities or other enterprises	29,645	23,330	22,917	27,818	28,857
Miscellaneous	137,592	153,422	160,447	161,687	235,847
Capital outlay	198,298	152,602	187,001	197,410	225,663
Debt service:					
Principal retirement	272,856	249,164	102,794	260,680	122,273
Interest charges	83,825	89,630	103,869	100,362	104,980
Total Expenditures	1,257,702	1,229,450	1,180,289	1,407,899	1,434,565
Revenues over (under) Expenditures	(262,367)	(108,011)	156,174	119,703	150,068
OTHER FINANCING SOURCES (USES):					
Proceeds of general obligation bonds	165,313	0	0	109,000	150,089
Proceeds of general obligation refunding bonds	0	387,324	0		
Proceeds of tax-exempt commercial paper	165,800	168,022	94,000	75,000	45,000
Proceeds of long-term notes	0	0	0		
Proceeds of refunding bonds	145,077	0	0	140,130	368,742
Proceeds of refunded bonds	(145,077)	(243,000)	0		(367,178)
Capital leases	0	0	1,674	865	189
Sales of fixed assets	36,369	640	430	362	661
Operating transfers-in	254,927	268,137	377,590	559,299	573,642
Operating transfers-out	(381,301)	(403,676)	(545,042)	(740,887)	(772,174)
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	26,487	16,939	0	0	0
Total Other Financing Sources (Uses)	267,595	194,386	(71,348)	143,769	(1,029)
Revenues and Other Sources over (under)					
Expenditures and Other Uses	5,228	86,375	84,826	263,472	149,039
Fund Balances—July 1	168,858	174,086	260,461	345,287	608,759
Residual equity transfers from (to) other funds					
Fund Balances—June 30	\$174,086	\$260,461	\$345,287	\$608,759	\$757,798

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 expire on June 30, 2011.

Health Care Benefits

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

In recent years, public and private health plan providers nationwide and in Hawaii, including the Trust Fund, have experienced substantial increases in health care costs. In the case of the Trust Fund, the current fiscal situation faced by the State and county employers has made it extremely difficult for the employers to offer more employer contributions for medical benefits to maintain the historical employer-employee contribution ratio. As a result, plan rates were increased for Fiscal Year 2010 with employees bearing a larger share up to the full cost of the increase. The Board took action to mitigate the extent of the Fiscal Year 2010 rate increases by modifying plan benefits. For Fiscal Year 2011, the Trust Fund is again faced with the prospect of further rate increases. At this time, the Board has taken no action to either increase plan rates or to make further modifications to available benefits, although there has been considerable discussion of various alternative courses of action. Current plan rates have been temporarily extended until December 31, 2010. Consequently, the City and County cannot predict how such actions taken by the Board in the future may affect its employee relations or its financial obligations with respect to employee health benefits.

Pensions

All regular employees of the City and County are covered under the Employees' Retirement System of the State (the "State Retirement System"), a cost sharing, multiple employer defined benefit pension plan that provides retirement, disability and death benefits funded by employee contributions and by employer contributions determined on an actuarial reserve basis. Employees are covered under a contributory plan, a noncontributory plan or a hybrid contributory plan. Actuarial valuations are prepared annually by the consulting actuary to the State Retirement System's Board of Trustees to determine the employer contribution requirement.

Employer contributions are determined in accordance with Sections 88-122 and 88-123, Hawaii Revised Statutes, as amended. Employer contributions are determined separately for two groups of covered employees: (1) police officers, firefighters, and corrections officers; and (2) all other employees who are members of the State Retirement System. Commencing with the 1995 fiscal year, the total employer contribution requirement has been calculated to include the normal cost (based on the entry age normal actuarial cost method) plus the level annual payment required to amortize the unfunded accrued liability over a period of 29 years from July 1, 2000. As discussed below, the total unfunded actuarial accrued liability for the State Retirement System as a whole (including the State and the counties) was estimated to be approximately \$6.24 billion as of June 30, 2009. In recent years, the total actuarially determined employer contribution was reduced by some or all of the investment earnings in excess of the investment yield rate (currently established by statute at 8% per annum) applied in actuarial valuations to determine the net employer appropriations to be made to the State Retirement System.

Effective July 1, 2005, Section 88-122 was amended to establish fixed employer contribution rates as a percentage of compensation. Employers' contribution rates were initially set at 15.75% for their police officers and firefighters and 13.75% for other employees, increasing effective July 1, 2008 to 19.70% for police officers and firefighters and 15.00% for all others. The contribution rates are subject to adjustment: (1) if the actual period required to amortize the unfunded accrued liability exceeds thirty years; (2) if there is no unfunded accrued liability; or (3) otherwise as determined on the basis of an actuarial investigation conducted in accordance with Section 88-105, Hawaii Revised Statutes.

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, the City and County's contribution requirement for the 2009-2010 Fiscal Year is based on the June 30, 2007 actuarial valuation and the payroll used in that valuation. Historically, the City and County's contribution has been approximately 14.84% of the total employer appropriation to the State Retirement System. 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 \$47,700,000 for 2005, \$63,300,000 for 2006, \$67,500,000 for 2007, \$73,000,000 for 2008 and \$88,600,000 for 2009, including amortization of a portion of prior service cost in each such year.

Legislation enacted in 1984 created a noncontributory retirement plan for certain members of the State Retirement System. 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.

Effective July 1, 2006, a hybrid contributory plan was established for most new employees hired after that date and certain then-current employees who elected to join the hybrid plan. The State Retirement System's actuary has determined that the new plan is cost neutral.

The total assets of the State Retirement System on a market value basis amounted to approximately \$10.8 billion as of June 30, 2008, and \$8.8 billion as of June 30, 2009. Actuarial certification of assets as of June 30, 2008 was \$11.4 billion. The June 30, 2009 actuarial certification of assets was \$11.4 billion, and its unfunded actuarial accrued liability was \$6.236 billion. The funded ratio (actuarial assets divided by actuarial

accrued liability) for the State Retirement System was 68.8% as of June 30, 2008 and 64.6% as of June 30, 2009. The actuarial value of assets is based on a four-year smoothed valuation that recognizes the excess or shortfall of investment income over or under the 8% actuarial investment assumption. The actuary for the State Retirement System does not provide a breakdown of the unfunded liability for the counties. The State Retirement System issues a Comprehensive Annual Financial Report that may be obtained by writing to the Employees' Retirement System of the State of Hawaii, 201 Merchant Street, Suite 1400, Honolulu, Hawaii 96813.

The following schedule obtained from the State shows the total actuarially determined employer contribution rate for all employees based on the last six annual actuarial valuations.

Actuarial Valuation as of June 30	Total Calculated Employer Contribution Rate for All Employees (% of total payroll) ⁽¹⁾	Funding Period (Years)
2004	13.95%	22.6
2005	13.95	25.7
2006	13.95	35.2
2007	13.95	25.5
2008	15.46	22.6
2009	15.47	28.2

⁽¹⁾ Reflects Act 181, SLH 2004, which amended HRS Sections 88-105, 88-122, 88-123, 88-124, 88-125 & 88-126.

In 2005, the funding period increased due to recognition of large actuarial losses. In 2006, the funding period increased due to a large increase in the liabilities associated with the adoption of new actuarial assumptions. The funding period decreases in 2007 and 2008 reflect an increase in employer contribution rates that became effective July 1, 2008, and the net asset gain from investments that offsets actuarial losses resulting from higher than expected salary increases. The increase in 2009 was due to the net asset loss from the significant decline in the financial markets during the 2009 fiscal year.

A summary of the actuarial certification of the State Retirement System as of June 30, 2008 and 2009 is set forth below:

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII
Summary of Actuarial Certification as of June 30, 2008 and 2009
(Includes all counties)

ASSETS	2008	2009
Total current assets	\$11,380,961,003	\$11,400,116,874
Present value of future employee contributions	1,321,322,095	1,454,290,782
Present value of future employer normal cost contributions	1,567,124,012	1,658,595,716
Unfunded actuarial accrued liability	5,168,108,050	6,236,315,442
Present value of future employer Early Incentive Retirement Program contribution	N/A	N/A
TOTAL ASSETS	<u>\$19,437,515,160</u>	<u>\$20,749,318,814</u>
LIABILITIES		
Present value of benefits to current pensioners and beneficiaries	\$ 8,230,338,790	\$ 8,584,029,950
Present value of future benefits to active employees and inactive members	<u>11,207,176,371</u>	<u>12,165,288,864</u>
TOTAL LIABILITIES	<u>\$19,437,515,161</u>	<u>\$20,749,318,814</u>

Source: Gabriel, Roeder, Smith & Company.

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 and County's Department of Budget and Fiscal Services. At June 30, 2009, there were four beneficiaries under these pensions. Such unfunded payments amounted to \$41,511 for 2005, \$29,012 for 2006, \$19,927 for 2007, \$18,504 for 2008 and \$17,904 for 2009. 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 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 required contribution for the Fiscal Year ended June 30, 2008 was estimated to be approximately \$142.4 million with no prefunding or \$101.4 million with full prefunding. The annual OPEB cost was \$101.4 million for 2008 and \$105.6 million for 2009.

On June 30, 2009, the City and County transferred \$40.11 million to the Trust Fund to prefund its OPEB obligations in part. Additional transfers for this purpose will be determined on a year-by-year basis.

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, 2005 through 2010, settlements and judgments against the City and County paid from the General Fund amounted to \$2,542,000, \$4,134,130, \$7,304,115, \$4,675,408, \$7,720,708 and \$6,074,638 (unaudited), 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 \$5.42 billion (in inflated dollars), 20-year capital improvement plan (Fiscal Year 2001 to Fiscal Year 2020) to upgrade its wastewater collection and treatment system (to be funded out of sewer funds and wastewater revenue bonds).

In July 2004, the Sierra Club and other environmental groups filed a lawsuit against the City and County seeking injunctive relief and penalties for alleged Clean Water Act violations arising from the City and County's

wastewater collection and treatment system. Of plaintiffs' original twelve claims, six have been dismissed. Partial summary judgment has been entered with respect to four of the six remaining claims in this litigation. The court has not addressed the amount of penalties, if any, that would be assessed against the City and County. The final 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. The proposed consent decree identified below would address this litigation.

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 (to be funded out of sewer funds and wastewater revenue bonds). This requirement would be included in the proposed consent decree identified below.

In January 2009, the EPA issued final decisions to deny applications for renewed variances from secondary treatment for the Sand Island and Honouliuli wastewater treatment plants. The City and County has vigorously challenged these decisions and submitted appeals to the Environmental Appeals Board in February and March 2009. If the City and County's appeals were to be denied, the project costs for secondary treatment at Honouliuli and Sand Island are estimated to be \$400 million and \$800 million, respectively (to be funded out of sewer funds and wastewater revenue bonds). A resolution of these denials is included in the proposed consent decree identified below.

A proposed consent decree, approved by the EPA, the DOH, the Sierra Club, Hawaii Chapter, Our Children's Earth Foundation, and Hawaii's Thousand Friends, is currently pending before the United States District Court in Hawaii. The proposed consent decree would resolve the 1994, 2004, and 2006 lawsuits and the EPA's January 2009 final decisions, discussed in the foregoing paragraphs. The proposed consent decree allows 10 years for completion of work on the collection system, 14 years for the upgrade of the Honouliuli WWTP to secondary treatment, and up to 25 years, with the possibility of a three-year extension, for the upgrade of the Sand Island WWTP to secondary treatment. The City is expected to incur \$3.7 billion in capital costs through fiscal year 2020 (which coincides with the term of the collection system portion of the consent decree). This amount will largely be spent on the collection system, and much of it will go toward work that was already required or planned. This amount also includes a portion of the costs of treatment plant upgrades at Sand Island and Honouliuli. Costs for the treatment plant upgrades include approximately \$550 million to replace primary treatment facilities at both plants and \$1.15 billion to upgrade the plants to secondary treatment plants. The settlement also requires the payment of a civil penalty in the amount of \$800,000 to the United States, and \$800,000 to the State of Hawaii. In addition, the City will provide \$800,000 to the Sierra Club, Hawaii Chapter, Our Children's Earth Foundation, and Hawaii's Thousand Friends, to fund four identified supplemental environmental projects.

The proposed consent decree was lodged with the federal court on August 11, 2010, and was subject to a 30-day public comment period. The United States then filed its motion to enter the consent decree on November 15, 2010, which included its responses to the public comments received. The consent decree will become effective upon its entry by the Court. In a separate proceeding, the NGO plaintiffs have filed a motion for their attorneys' fees in an amount exceeding \$2.8 million, which the City and County will dispute, and which will be resolved separately by the federal Magistrate Judge.

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 2010A Bonds

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming compliance with certain covenants, interest on the Series 2010A Bonds is exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Interest on the Series 2010A Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Series 2010A Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix B hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series 2010A Bonds that acquire their Series 2010A Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2010A Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire their Series 2010A Bonds pursuant to this offering for the issue price that is applicable to such Series 2010A Bonds (*i.e.*, the price at which a substantial amount of the Series 2010A Bonds are sold to the public) and who will hold their Series 2010A Bonds as “capital assets” within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”).

As used herein, “U.S. Holder” means a beneficial owner of a Series 2010A Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Series 2010A Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2010A Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2010A Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2010A Bonds (including their status as U.S. Holders or Non-U.S. Holders).

For U.S. Holders:

The Series 2010A Bonds are not expected to be treated as issued with original issue discount (“OID”) for U.S. federal income tax purposes because the stated redemption price at maturity of the Series 2010A Bonds is not expected to exceed their issue price, or because any such excess is expected to only be a *de minimis* amount (as determined for tax purposes).

Prospective investors that are not individuals or regular C corporations who are U.S. persons purchasing the Series 2010A Bonds for investment should consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the Series 2010A Bonds.

Disposition of the Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, defeasance, retirement (including pursuant to an offer by the City and County) or other disposition of a Series 2010A Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2010A Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2010A Bond which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted tax basis in the Series 2010A Bond (generally, the purchase price paid by the U.S. Holder for the Series 2010A Bond, decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder of the Series 2010A Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series 2010A Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

For Non-U.S. Holders:

Interest. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," payments of principal of, and interest on, any Series 2010A Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the City and County through stock ownership and (2) a bank which acquires such Series 2010A Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Series 2010A Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Bonds. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the City and County) or other disposition of a Series 2010A Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the City and County) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series 2010A Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to such Series 2010A Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. U.S. information reporting and "backup withholding" requirements apply to certain payments of principal of, and interest on the Series 2010A Bonds, and to proceeds of the sale, exchange, redemption, retirement (including pursuant to an offer by the City and County) or other disposition of a Series 2010A Bond, to certain noncorporate holders of Series 2010A Bonds that are United States persons. Under current U.S. Treasury Regulations, payments of principal and interest on any Series 2010A Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Series 2010A Bond or a financial institution holding the Series 2010A Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. If a financial institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will

not be required to furnish to the IRS the names of the beneficial owners of the Series 2010A Bonds that are not United States persons and copies of such owners' certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable U.S. Treasury Regulations.

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

In addition, if the foreign office of a foreign "broker," as defined in applicable U.S. Treasury Regulations pays the proceeds of the sale of a Bond to the seller of the Series 2010A Bond, backup withholding and information reporting requirements will not apply to such payment provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are U.S. persons (as defined in U.S. Treasury Regulations Section 1.1441-1(c)(2)) who, in the aggregate hold more than 50% of the income or capital interest in the partnership or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a Series 2010A Bond, will not be subject to backup withholding unless the payer has actual knowledge that the payee is a U.S. person. Principal and interest so paid by the U.S. office of a custodian, nominee or agent, or the payment by the U.S. office of a broker of the proceeds of a sale of a Series 2010A Bond, is subject to backup withholding requirements unless the beneficial owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

Circular 230

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

- i. any advice contained herein is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer;
- ii. any such advice is written to support the promotion or marketing of the Series 2010A Bonds and the transactions described herein; and
- iii. each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Series 2010B 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 2010B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Series 2010B Bond for any period that such Series 2010B Bond is held by a "substantial user" of the facilities financed by the Series 2010B Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is of the further opinion that interest on the Series 2010B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Bond Counsel is also of the opinion that interest on the Series 2010B Bonds is not included in adjusted current earnings in calculating corporate alternative minimum taxable income. The Series 2010B 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. 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 2010B Bonds is less than the amount to be paid at maturity of such Series 2010B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2010B 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 2010B 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 2010B Bonds is the first price at which a substantial amount of such maturity of the Series 2010B 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 2010B Bonds accrues daily over the term to maturity of such Series 2010B 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 2010B Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2010B Bonds. Beneficial owners of the Series 2010B Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2010B Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Series 2010B Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2010B Bonds is sold to the public.

Series 2010B 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 2010B 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 2010B 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 2010B Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2010B 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 2010B Bonds may adversely affect the value of, or the tax status of interest on, the Series 2010B 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 2010B Bonds is excluded from gross income for federal income tax purposes and that the Series 2010B 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 2010B 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 2010B 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 2010B Bonds. Prospective purchasers of the Series 2010B 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 2010B 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 2010B Bonds ends with the issuance of the Series 2010B 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 2010B 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 2010B 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 2010B Bonds, and may cause the City and County or the beneficial owners to incur significant expense.

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 and Moody's Investors Service have assigned to the Bonds ratings of "AA+" and "Aa1", respectively. The ratings referred to above reflect only the views of the organization assigning the rating, and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York, New York 10004; and Moody's Investors Service, 99 Church Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies concerned, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased for reoffering by Merrill Lynch, Pierce, Fenner & Smith Incorporated and Piper Jaffray & Co. The Underwriters have agreed to purchase the Bonds at an aggregate purchase price of \$360,007,830.62 (equal to the principal amount of such Bonds, plus net original issue premium of \$14,291,038.00, less an underwriting discount of \$2,053,207.38). 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 a certificate of continuing disclosure (the “Continuing Disclosure Certificate”), constituting a written agreement for the benefit of the holders of the Bonds, to provide to the Municipal Securities Rulemaking Board, on an annual basis, certain financial and operating data concerning the City and County, financial statements, notice of certain events and certain other notices, all as described in the Continuing Disclosure Certificate. The undertaking is an obligation of the City and County that is enforceable as described in the Continuing Disclosure Certificate. Beneficial owners of the Bonds are third party beneficiaries of the Continuing Disclosure Certificate. The execution of the Continuing Disclosure Certificate is a condition precedent to the obligation of the Underwriters to purchase the Bonds. The form of the Continuing Disclosure is contained in Appendix C.

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/ Michael R. Hansen
Acting 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 55th out of 366 metropolitan statistical areas in the United States based on population. The United States Census Bureau estimates the population of the City and County of Honolulu was 907,574 as of July 1, 2009, or approximately 70% 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 more than four million people visiting Oahu in 2009. 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.

Hawaii's tourism sector, which had been in decline from the second quarter of 2008 through the second quarter of 2009, showed signs of improvement during the last two quarters of 2009. This improvement continued through the third quarter of 2010 with a 10.0 percent increase in visitor arrivals by air over the same quarter of 2009.

The average daily visitor census, which takes into account visitors' length of stay, increased 12.6 percent in the third quarter of 2010 over the same quarter of 2009. This was in sharp contrast to the roughly 10-14 percent quarterly declines experienced through most of 2008 and into the first quarter of 2009.

Visitor expenditures also showed significant improvement. After seven consecutive quarters of decline, total expenditures were up 5.4 percent, 10.4 percent and 25.3 percent in the first three quarters of 2010, respectively, from same periods in the previous year.

The third quarter growth in total visitor arrivals by air was boosted by a 10.3 percent increase in domestic arrivals by air and a 9.3 percent increase in international arrivals by air compared with the same period in the previous year. Combined with the increases in the first two quarters of the year, 2010 year-to-date visitor arrivals were up 13.4 percent for international visitors and 5.1 percent for domestic visitors from the previous year.

In terms of major market areas, from the third quarter of 2009 to the same period of 2010, arrivals from the U.S. West increased 9.8 percent, arrivals from the U.S. East increased 7.6 percent, and arrivals from Japan increased 2.9 percent. For the first three quarters of 2010, arrivals from the U.S. West were up 6.3 percent, arrivals from the U.S. East were up 2.6 percent, and Japanese arrivals were up 5.5 percent from the same period last year.

Total airline capacity, in terms of the number of available seats on planes to Hawaii, also showed an increase. Capacity increased 6.8 percent in the third quarter of 2010 from the same period of 2009. Domestic seat capacity increased 8.5 percent and international seats increased 2.6 percent in the third quarter of 2010 compared to the same quarter of 2009. In addition, Japan Airlines, All Nippon Airways and Hawaiian Airlines each began operating flights between Honolulu and Tokyo's downtown Haneda Airport in the fourth quarter of this year.

Hotel occupancy for Oahu averaged 85.0 percent in the third quarter of 2010, up 8.7 percentage points from the same period of 2009, while statewide occupancy rates averaged 75.3 percent during the third quarter of 2010, an increase of 8.0 percentage points from the same period of 2009.

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

Table I
SELECTED STATE OF HAWAII AND OAHU VISITOR STATISTICS

	Year Ended December 31					Third Quarter	
	2005	2006	2007	2008	2009 ⁽³⁾	2009 ⁽³⁾	2010 ⁽³⁾
Arrivals by Air – State ⁽¹⁾	7,417	7,528	7,497	6,713	6,420	1,715	1,887
Domestic	5,313	5,550	5,583	4,902	4,672	1,253	1,382
International	2,103	1,978	1,914	1,812	1,748	462	505
Arrivals by Air – Oahu ⁽¹⁾	4,732	4,688	4,695	4,194	4,025	1,102	1,199
Domestic	2,808	2,891	2,950	2,555	2,447	671	733
International	1,923	1,797	1,744	1,639	1,578	431	466
Average Daily Visitor Census – State ⁽¹⁾	185.4	189.4	189.4	172.5	165.1	169.8	191.1
Domestic	144.4	149.5	151.0	135.2	129.1	133.3	147.8
International	41.0	39.9	38.5	37.2	36.0	36.4	43.3
Visitor Expenditures – State ⁽²⁾	\$11,650	\$12,243	\$12,578	\$11,182	\$9,794	\$2,451	\$3,071
Hotel Occupancy Rate – State	81.1%	79.5%	75.0%	70.4%	64.9%	67.3%	75.3%
Hotel Occupancy Rate – Oahu	85.3%	82.5%	76.8%	75.0%	73.3%	76.3%	85.0%

⁽¹⁾ In thousands.

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

⁽³⁾ 2009 data are revised and 2010 data are preliminary.

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

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

Waikiki Beach Walk, an eight-acre complex bordered by Kalakaua Avenue, Lewers Street, Kalia Road, Beach Walk and Saratoga Road, was reconstructed in recent years as a showcase and gathering place in Waikiki, featuring an outdoor entertainment plaza, 40 new retailers, six restaurants, and four hotels. The Beach Walk project,

which represents an investment of approximately \$535 million, is part of Outrigger Enterprises' master plan for Waikiki. The project includes the newly constructed Trump International Hotel, a 38-story, 464-unit condominium-hotel, and the recently completed \$110 million renovation of the Outrigger Reef on the Beach property, converting 836 rooms into 639 larger rooms.

The success of the Waikiki Beach Walk project has inspired other improvements nearby, such as the \$85 million renovation and retenanting of the Royal Hawaiian Shopping Center, providing additional retail and restaurant options for visitors; Ala Moana Shopping Center's addition of approximately 300,000 square feet; Hilton Grand Vacation Club's new 38-story Grand Waikikian time-share located between the Hilton Hawaiian Village and Ilikai Hotel; the new Allure Waikiki on Kalakaua Avenue, a 35-story condominium; and the new Waikiki Edition, a 353-room luxury hotel developed by boutique hotelier Ian Schrager and Marriott International in the former Yacht Harbor Tower of the Ilikai Hotel. There are also plans for an expansion of the Hilton Hawaiian Village, including two separate towers consisting of over 550 time share units. Construction of the towers is expected to begin in 2013 and 2018, respectively. Sheraton Hotels & Resorts has also undertaken a \$200 million renovation of its Sheraton Waikiki Beach Resort and has plans to follow that project with improvements to its Princess Kaiulani and Moana Surfrider properties. In addition, a developer recently purchased the 359-room Pagoda Hotel and Floating Restaurant and is expected to infuse the hotel and dining facilities with state-of-the-art technology and upgrades.

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

Employment

The following table sets forth certain employment statistics for the City and County for the five years ending December 31, 2005 through 2009 and the third quarters of 2009 and 2010. As indicated below, the unemployment rate for the City and County increased from 3.6% in 2008 to 5.7% in 2009. This compares favorably to the 2008 and 2009 unemployment rates for the State (4.0% in 2008 and 6.8% in 2009) and the nation as a whole (8.2% in 2008 and 10.0% in 2009). The City and County's unemployment rate for the third quarter of 2010 stood at 5.6%, which again compares favorably to the unemployment rates for the State (6.6%) and the nation (9.6%) for the quarter.

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

	Year Ended December 31					Third Quarter	
	2005	2006	2007	2008	2009	2009	2010
Civilian Labor Force	439,400	444,700	443,750	448,450	444,800	443,050	444,550
Annual Average							
Civilian Employment	427,650	434,000	432,650	432,350	419,300	416,150	419,750
Unemployment	11,750	10,700	11,100	16,100	25,500	26,900	24,800
Unemployment Rate	2.7%	2.4%	2.5%	3.6%	5.7%	6.1%	5.6%
Total Job Count	444,650	453,650	456,950	454,300	442,600	430,350	434,700

⁽¹⁾ Data reflects 2000-based geography, new model controls, 2000 census inputs and methodological changes. Data for 2005 through 2009 benchmarked by the State of Hawaii Department of Labor & Industrial Relations.

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

Federal Government and Military

The Federal government plays an important role in Hawaii's economy as the second largest industry behind tourism. According to the most recent data available, total federal direct expenditures or obligations in Hawaii reached \$15.0 billion in the federal fiscal year ending September 30, 2008, an increase of 6.7% over the previous year. Between federal fiscal years 1997 and 2008, the annual average growth rate for federal expenditures was about 5.7%.

In 2008, total federal government compensation of employees in Hawaii reached \$8,258.0 million, an increase of 6.2% from 2007. Between 1998 and 2008, the annual average growth rate for federal government compensation of employees in Hawaii was 6.8%. According to the most recent data available, federal government accounted for about 13.7% of State GDP in Hawaii in 2007, much of which is defense-related.

The latest data from the U.S. Department of Commerce indicate that the total earnings of federal government personnel in Hawaii in the third quarter of 2009 increased 8.0% compared to the same quarter of 2008. For the first three quarters of 2009, total earnings of federal government personnel increased 9.0% from the same period of 2008. Year-to-date total military earnings and total federal civilian earnings increased 10.1% and 7.1%, respectively, from the same period of 2008.

The large military establishment maintained in Hawaii is almost entirely on the Island of Oahu. Members of the armed services on Oahu totaled 45,920 as of September 30, 2007. Civilian dependents of these military personnel totaled approximately 48,500. In addition to uniformed personnel and their dependents, the military agencies in Hawaii provided employment for some 17,340 civilians as of September 30, 2008. Pearl Harbor, located on the island of Oahu, is home of the Commander-in-Chief of the United States Pacific Fleet and headquarters of the Third Fleet. The command stretches from the West Coast of the Americas to the Indian Ocean and from the North Pole to the South Pole. In July 2009, the USS Hawaii became the first Virginia-Class submarine to be home-ported in Pearl Harbor. By the end of this year, eighteen attack submarines are expected to be berthed in Pearl Harbor, two more than currently assigned.

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

Ongoing programs to privatize construction, renovation and operation of military housing is expected to contribute an estimated \$3 billion over the next decade. The U.S. military has announced plans and begun the process of privatizing the military housing stock on Oahu. The plans, at various stages by each branch of service, call for nearly \$2 billion in bonds coupled with approximately \$8 million from developers to be spent over the next ten years for the renovation, demolition and new construction of over 16,000 homes, as well as community centers and landscaping improvements. The largest privatized military housing transaction to date (approximately \$1.49 billion) sold in April 2005 providing funds for costs associated with the design, demolition, construction and renovation of 8,132 housing units in six military multi-family rental housing communities on Oahu. At the end of the development period (scheduled for 2015), a total of 7,894 new family housing units are expected to be in place as well as construction of eleven community centers that will offer swimming pools, water parks and tot lots. The scope of work is expected to take ten years to complete with construction spread over three phases.

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 was held at Aloha Stadium annually from 1980 through 2009. The Pro Bowl was 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.

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

Film and Television

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

State and County Governments

With Honolulu as the State capital, most State government activity is concentrated on the Island of Oahu. As of December 2009, the State government generated 73,650 jobs, of which approximately 76% were located on Oahu. The largest number of State employees work in public education and the State university system, with approximately 80% of these employed on Oahu. The City and County government generated approximately 12,100 jobs in 2009.

Construction

The value of new building permits issued by the City and County in 2008 decreased 11.6% from 2007, the first year-over-year decline in total permit value since 2001. The decline continued in 2009, with a further 15.8% decrease in value of new building permits compared to the prior year. The value of private building permits issued by the City and County in the third quarter of 2010 was \$400.8 million, compared to \$391.1 million in the same quarter of 2009.

Table III shows the estimated value of construction authorizations for private buildings for the City and County and for the State as a whole for the last ten years.

Table III

ESTIMATED VALUE OF BUILDING PERMITS

Year	State ⁽¹⁾⁽²⁾	% Change from Prior Year	City & County of Honolulu ⁽¹⁾	% Change from Prior Year
2000	\$1,513,073	14.6%	\$ 694,223	-1.7%
2001	1,585,739	4.8	682,660	-1.7
2002	1,772,027	11.7	876,049	28.3
2003	2,357,636	33.0	1,109,568	26.7
2004	2,714,046	15.1	1,320,552	19.0
2005	3,489,736	28.6	1,364,030	3.3
2006	3,819,079	9.4	1,625,328	19.2
2007	3,579,592	-6.3	1,676,232	3.1
2008	2,899,665	-19.0	1,481,272	-11.6
2009	1,998,908	-31.1	1,247,196	-15.8

⁽¹⁾ In thousands of dollars.

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

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

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

Diversified Manufacturing and Agriculture

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

Education, Research and Science

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

The University of Hawaii at Manoa is a research university of international standing. It has a Carnegie classification of Research University/very high research activity (RU/VH), the top classification for doctoral/research universities, and the closest to the old “Carnegie Research I University” classification no longer in

use. Students have special opportunities for Hawaiian, Asian, and Pacific educational experiences and involvement in research activities, learning community service, and co-curricular activities. The University is one of 39 universities or consortia in the United States designated as a land, sea and space grant college. As a major research university, the University of Hawaii at Manoa has the capability of serving not only the State but the nation and the international community as well. The University at Manoa has widely recognized strengths in tropical agriculture, tropical medicine, oceanography, astronomy, electrical engineering, volcanology, evolutionary biology, comparative philosophy, comparative religion, Hawaiian studies, Asian studies, Pacific Islands studies, and Asian and Pacific region public health. The University at Manoa offers instruction in more languages than any United States institution outside the United States Department of State. In addition to the University faculty expertise in benthic and pelagic oceanography, the Hawaii Institute of Marine Biology leads global research in coral reefs and zooxanthellae.

The University of Hawaii at Manoa is the University's flagship research campus and was recently ranked 29th out of all public universities in the United States in research expenditures. The University has research partnerships with local, mainland and international universities, research institutions and business organizations. The University has also been designated as the fifth Naval University Affiliated Research Center, which is expected to generate at least \$10 million in additional funding per year beginning in 2009. The University 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 awarded one of eight Regional Biocontainment Laboratory grants from the National Institutes of Health, valued at \$32.5 million.

The University is expected to begin construction later this year on the new Cancer Research Center of Hawaii next to the John A. Burns School of Medicine in Kakaako. The \$180.4 million state-of-the-art research facility is expected to be completed in early 2013.

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. According to the State's Department of Taxation, the State's general excise tax base for trade and service activities exceeded \$33 billion through the third quarter of 2009, with retail, wholesale and service activities accounting for the majority. Of the State's 603,600 non-agricultural jobs in 2009, retail and wholesale trade together accounted for 85,400 jobs, or 14.2% of the total, and professional and business services, educational services, food services and other services together accounted for 168,950 jobs, or 28.2% of the total.

Finance

Honolulu has a full range of financial services, including banks, savings and loan associations and industrial loan companies. Branch banking is permitted in Hawaii. As of December 31, 2008, total assets of all State of Hawaii chartered financial institutions, including banks, trust companies and savings and loan associations, were reported at \$29.8 billion. The five state chartered banks (197 branches) in Hawaii had combined assets of some \$29.1 billion. In addition, a state chartered financial services company with 15 branches within the State has assets of approximately \$690 million.

Transportation

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

transit system in the country and the 13th most utilized bus fleet. Additionally, on a per-capita basis, the City and County has the sixth highest transit ridership in the country.

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

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

Honolulu is the hub of air and sea transportation for the entire Pacific. Honolulu International Airport (HNL) is located approximately five miles by highway from the center of the downtown area of Honolulu. It has four runways, of which two, at 12,001 feet and 12,357 feet, respectively, are among the nation's longest. According to preliminary data from the publication of the Airports Council International, Honolulu International Airport is one of the busiest air terminals in the world, ranking 60th in the world and 25th in the United States in total passengers serviced in 2007. Approximately 60 aircraft can be handled at one time at the terminal complex, including 36 wide-bodied aircraft. In fiscal year 2009, HNL recorded 276,272 aircraft operations as compared to 304,839 for fiscal year 2008. In addition, HNL passenger counts for fiscal year 2009 decreased from 20,808,838 in fiscal year 2008 to 17,806,225. The decreases are a reflection of the worldwide economic downturn.

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

Honolulu Harbor is the hub of the Statewide Commercial Harbors System. It serves as a major distribution point of overseas cargo to the neighbor islands and is the primary consolidation center for the export of overseas cargo. Overseas and inter-island cargo tonnage handled through Honolulu Harbor was 10.1 million short tons in fiscal year 2008, 9.0 million short tons in fiscal year 2009 and 8.8 million short tons in fiscal year 2010. The State manages, maintains and operates the statewide harbors system to provide for the efficient movement of cargo and passengers.

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

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

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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 2010A Build America Bonds (Taxable)
and Series 2010B (Tax-Exempt)
(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 \$151,100,000 aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2010A Build America Bonds (Taxable) (the “Series 2010A Bonds”) and \$196,670,000 aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2010B (the “Series 2010B Bonds” and, together with the Series 2010A 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 December 15, 2010 (the “Certificate”), and bond authorizing ordinances and a resolution adopted by the City Council and identified in the Certificate (the “Bond Proceedings”).

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. 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 assure that future actions, omissions or events will not cause interest on the Series 2010B 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 2010B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, except that no opinion is expressed as to the status of interest on any Series 2010B Bond for any period that such Series 2010B Bond is held by a “substantial user” of the facilities financed by the Series 2010B Bonds or by a “related person” within the meaning of Section 147(a) of the Code. Interest on the Series 2010B 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. 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 2010A 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.

Series 2010A Bonds Circular 230 Disclaimer

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

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

Dated December 15, 2010

CITY AND COUNTY OF HONOLULU
General Obligation Bonds
Series 2010A Build America Bonds (Taxable) and Series 2010B (Tax-Exempt)

This Continuing Disclosure Certificate (this “*Disclosure Certificate*”) is provided in connection with the issuance by the City and County of Honolulu, Hawaii (the “*City and County*”) of \$347,700,000 General Obligation Bonds, Series 2010A Build America Bonds (Taxable) and Series 2010B (together, the “*Bonds*”). The Bonds are being issued pursuant to the Constitution and laws of the State of Hawaii, including Chapter 47, Hawaii Revised Statutes, and the Revised Charter of the City and County, Ordinance Nos. 98-29, 00-24, 01-27, 02-27, 03-08, 04-15, 05-15, 06-34, 07-26, 08-14, 09-13, 10-13 and 99-11 of the City and County, Resolution No. 10-287 of the City and County, and a Certificate of the Director of Budget and Fiscal Services of the City and County. Pursuant to such authority, the City and County covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

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

Section 3. Provision of Annual Reports. (a) The City and County shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City and County's Fiscal Year (presently June 30), commencing with the report for the Fiscal Year ending June 30, 2010, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City and County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City and County's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

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

Section 4. Contents of Annual Reports. The City and County's Annual Report shall contain or include by reference information of the type included in the final Official Statement (the "*Official Statement*") dated December 2, 2010, relating to the Bonds, as set forth under the following headings and tables: "CITY AND COUNTY REVENUES—Tables 1 through 6", "DEBT STRUCTURE—Tables 7 through 10", "FINANCIAL INFORMATION AND ACCOUNTING—Tables 12 through 15", "EMPLOYEE RELATIONS; PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS", and PENDING LITIGATION".

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

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

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

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

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

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

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

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

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

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

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

Section 6. Termination of Reporting Obligation. The City and County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination

occurs prior to the final maturity of the Bonds, the City and County shall give notice of such termination in the same manner as for a Listed Event under subsection 5(e).

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

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

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

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

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

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

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

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

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

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

CITY AND COUNTY OF HONOLULU

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

The foregoing certificate is hereby
approved as to form and legality this
15th day of December, 2010.

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

EXHIBIT A

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

Name of Issuer: City and County of Honolulu

Names of Bond Issues: City and County of Honolulu General Obligation Bonds,
Series 2010A Build America Bonds (Taxable) and Series 2010B (Tax-Exempt)

Date of Issuance: December 15, 2010

NOTICE IS HEREBY GIVEN that the City and County of Honolulu has not provided an Annual Report with respect to the above-named Bonds as required by its Continuing Disclosure Certificate dated December 15, 2010. [The City and County anticipates that the Annual Report will be filed by _____.]

Dated:

CITY AND COUNTY OF HONOLULU

Director of Budget and Fiscal Services

APPENDIX D
BOOK-ENTRY SYSTEM

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BOOK-ENTRY SYSTEM

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

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

DTC and its Participants. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Notices and Other Communications. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to

Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemption defaults, and proposed amendments to the Bond documents. For example, Beneficial owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them.

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

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

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

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

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

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

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

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 depositories which in turn are to hold such positions in customers' securities accounts in the depositories' 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 "Depositories").

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 Depositories.

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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