NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Standard & Poor's: A+
Moody's: A2
Fitch: A
See "Ratings" herein.

*In the opinion of Katten Muchin Rosenman LLP, Bond Counsel, under the existing statutes, interest on the Series 2019 Bonds is exempt from all taxation by the State and any county or any political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Interest on the Series 2019 Bonds is not excludable from the gross income of owners thereof for federal income tax purposes. See "**TAX MATTERS**" herein.*

$194,710,000
STATE OF HAWAII
AIRPORTS SYSTEM CUSTOMER FACILITY CHARGE REVENUE BONDS
SERIES 2019A (TAXABLE)

Dated: Date of Delivery **Due: July 1 as shown on inside cover**

The above referenced series of Airports System Customer Facility Charge Revenue Bonds (the "*Series 2019 Bonds*") are being issued for the purpose of funding: (i) the costs of design, development and construction of consolidated rental car facility projects at certain airports of the Airports System (defined herein) of the State of Hawaii (the "*State*"), (ii) the costs associated with the refunding of certain outstanding indebtedness of the State, (iii) the Rolling Coverage Fund Requirement and the Debt Service Reserve Fund Requirement for the Series 2019 Bonds, and (iv) certain costs of issuance relating to the Series 2019 Bonds. The Series 2019 Bonds are special limited obligations of the State, payable solely from and secured solely by the receipts from the collection of the Rental Motor Vehicle Customer Facility Charge imposed by the State on rental motor vehicle customers who use or benefit from rental car facilities at all airports in the Airports System.

See the inside cover for maturities, principal amounts, interest rates, and yields of the Series 2019 Bonds. The Series 2019 Bonds shall be dated as of their date of delivery and shall bear interest from the date of delivery payable each July 1 and January 1, commencing January 1, 2020. The Series 2019 Bonds are subject to optional and mandatory redemption prior to maturity thereof upon the terms and conditions and at the price as described herein.

The Series 2019 Bonds are issuable in fully registered form and when issued will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company ("*DTC*"), New York, New York. Purchases of the Series 2019 Bonds will be made in book-entry form only, through brokers and dealers who are, or who act through, DTC participants. Purchases of the Series 2019 Bonds will initially be made in denominations of $5,000 or integral multiples thereof. Beneficial owners of the Series 2019 Bonds will not receive physical delivery of Series 2019 Bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2019 Bonds. So long as DTC or its nominee is the registered owner of the Series 2019 Bonds, payment of the principal of, and premium, if any, and interest on, the Series 2019 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants (see "**DESCRIPTION OF THE SERIES 2019 BONDS – Book-Entry Only System**").

The Series 2019 Bonds do not constitute a general or moral obligation of the State nor a charge upon the general fund of the State. The full faith and credit of neither the State nor any political subdivision of the State is pledged to the payment of or as security for the Series 2019 Bonds. Neither the real property nor the improvements comprising the Airports System nor the revenues derived from operation of the Airports System have been pledged or mortgaged to secure payment of the Series 2019 Bonds.

The Series 2019 Bonds are offered when, as and if issued, subject to the approval of legality by Katten Muchin Rosenman LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their Counsel, Dentons US LLP, Honolulu, Hawaii. It is expected that the Series 2019 Bonds in definitive form will be available for delivery on or about August 27, 2019.

BofA Merrill Lynch **Morgan Stanley**

Dated: August 14, 2019

$194,710,000

STATE OF HAWAII
AIRPORTS SYSTEM CUSTOMER FACILITY CHARGE REVENUE BONDS
SERIES 2019A (Taxable)

Dated: Date of Delivery
Due: July 1, as shown below

Due July 1,	Principal Amount	Interest Rate	Yield	CUSIP Number (41978C)†
2020	$4,915,000	1.875%	1.875%	AT2
2021	5,005,000	1.825%	1.825%	AU9
2022	5,100,000	1.819%	1.819%	AV7
2023	5,195,000	1.988%	1.988%	AW5
2024	5,300,000	2.008%	2.008%	AX3
2025	5,415,000	2.185%	2.185%	AY1
2026	5,535,000	2.235%	2.235%	AZ8
2027	5,660,000	2.283%	2.283%	BA2
2028	5,795,000	2.333%	2.333%	BB0
2029	5,930,000	2.353%	2.353%	BC8
2030	6,075,000	2.433%	2.433%	BD6
2031	6,225,000	2.503%	2.503%	BE4
2032	6,385,000	2.583%	2.583%	BF1
2033	6,560,000	2.683%	2.683%	BG9
2034	6,740,000	2.733%	2.733%	BH7

$36,810,000 2.970% Term Bonds due July 1, 2039, Price 100.0 CUSIP† 41978CBJ3
$72,065,000 3.140% Term Bonds due July 1, 2047, Price 100.0 CUSIP† 41978CBK0

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("*CGS*") is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data herein are provided by CGS. These data are not intended to create a database and do not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the State, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2019 Bonds.

The information contained in this Official Statement has been obtained from the State of Hawaii and other sources deemed reliable. This Official Statement, which includes the cover page and appendices, does not constitute an offer to sell the Series 2019 Bonds in any state to any person to whom it is unlawful to make such offer in such state. No dealer, broker, 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 Series 2019 Bonds, and, if given or made, such information or representation 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 Underwriters have provided the following paragraphs for inclusion in this Official Statement.

THE SERIES 2019 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE SERIES 2019 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS A 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.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2019 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2019 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement contains forecasts, projections and estimates that are based on expectations and assumptions that existed at the time such forecasts, projections and estimates were prepared. In light of the important factors that may materially affect economic conditions of the State, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the State, the Consultant or the Underwriters that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the State. These forward-looking statements speak only as of the date of this Official Statement. The State and the Underwriters disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the State’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

References to website addresses herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into and are not a part of this Official Statement.

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

For information concerning offering restrictions in certain jurisdictions outside of the United States, see **APPENDIX I – "INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE OF THE UNITED STATES"** attached.

STATE OF HAWAII

David Y. Ige, Governor

Josh Green, Lieutenant Governor

DEPARTMENT OF TRANSPORTATION

Director	Jade Butay
Deputy Director, Airports	Ross M. Higashi
Deputy Director, Harbors	Derek J. Chow
Deputy Director, Highways	Edwin H. Sniffen
Deputy Director, Administration	Lynn A.S. Araki-Regan

SPECIAL SERVICES

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Project Manager
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Consultant
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Fairfax, Virginia

Bond Counsel
Katten Muchin Rosenman LLP
New York, New York

Pricing Advisor
PFM Financial Advisors LLC
San Francisco, California

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OFFICIAL STATEMENT
$194,710,000
STATE OF HAWAII
AIRPORTS SYSTEM CUSTOMER FACILITY CHARGE REVENUE BONDS
Series 2019A (Taxable)

INTRODUCTION

This Official Statement, which includes the cover page and appendices (the "*Official Statement*"), provides information on the sale and issuance of $194,710,000 aggregate principal amount of State of Hawaii Airports System Customer Facility Charge Revenue Bonds, Series 2019A (Taxable) (the "*Series 2019 Bonds*"). See "**DESCRIPTION OF THE SERIES 2019 BONDS**" for a description of the principal terms of the Series 2019 Bonds. Capitalized terms used but not otherwise defined in this Official Statement shall have the respective meanings given to such terms in the Indenture (as defined below) and **Appendix C – Certain Definitions in the Indenture** and **Appendix D – Summary of Certain Provisions of the Indenture**.

The State of Hawaii (the "*State*"), acting by and through its Department of Transportation Airports Division (the "*Department*"), will issue the Series 2019 Bonds pursuant to the State Constitution, the laws of the State and the Indenture of Trust dated as of August 14, 2014 (as amended and supplemented, the "*Indenture*"), between the Department and MUFG Union Bank, N.A., as Trustee (the "*Trustee*"), including as supplemented by the Third Supplemental Indenture, dated as of August 1, 2019 (the "*Third Supplemental Indenture*"). Pursuant to the Indenture, the State has previously issued $249,805,000 of State of Hawaii Airports System Customer Facility Charge Revenue Bonds, Series 2017A (Taxable) (the "*Series 2017 Bonds*"). As of the date of this Official Statement, $239,655,000 of the Series 2017 Bonds are outstanding. The outstanding Series 2017 Bonds, the Series 2019 Bonds and any additional parity bonds issued by the State under the Indenture (the "*Additional Bonds*") are collectively referred to as the "*Bonds*."

The Series 2019 Bonds are being issued: (i) to pay the costs of design, development and construction of consolidated rental motor vehicle facility projects (the "*ConRACs*") at certain airports of the State's airports system (the "*Airports System*") and comprising the Statewide Airports Rental Car Facilities System (the "*ConRAC System*"), (ii) to refund the $76,000,000 of Statewide System of Airports of the State of Hawaii Rental Motor Vehicle Customer Facility Charge Revenue Bonds, Series EB-5 (the "*Refunded Bonds*"), (iii) to fund the Rolling Coverage Fund Requirement and the Debt Service Reserve Fund Requirement for the Series 2019 Bonds, and (iv) to pay certain costs of issuance relating to the Series 2019 Bonds. See "**CONRACS AND CONRAC SYSTEM**" and "**DESCRIPTION OF THE SERIES 2019 BONDS**" below.

The Bonds, including the Series 2019 Bonds, are special limited obligations of the State, payable solely from and secured solely by the receipts from the collection of the Rental Motor Vehicle Customer Facility Charge (the "*Customer Facility Charge*") imposed by the State on rental motor vehicle customers who use or benefit from rental car facilities at all airports in the Airports System, including the ConRACs, and certain payments to be made by the rental car operators (the "*RACs*"). **The Bonds, including the Series 2019 Bonds, do not constitute a general or moral obligation of the State nor a charge upon the general fund of the State. The full faith and Credit of neither the State nor any political subdivision of the State is pledged to the payment of or as security for the Series 2019 Bonds. Neither the real property nor the improvements comprising the Airports System nor the revenues derived from operation of the Airports System have been pledged or mortgaged to secure payment of the Series 2019 Bonds.** See "**SECURITY FOR THE BONDS**" for a description of the security for the Bonds and the Customer Facility Charge.

The Airports System is comprised of five primary airports and ten secondary airports. The primary airports consist of Daniel K. Inouye International Airport, formerly also, and referred to as, Daniel K. Inouye International Airport, formerly Honolulu International Airport ("*Daniel K. Inouye International*" or "*HNL*"), Kahului Airport ("*Kahului*"), Hilo International Airport ("*Hilo*"), Ellison Onizuka Kona International Airport at Keahole ("*Kona*"), and Lihue Airport ("*Lihue*"). Daniel K. Inouye International is the State's principal airport. See "**THE AIRPORTS SYSTEM**." The Department operates the Airports System as a single integrated system for management and financial purposes on behalf of the State. See "**DEPARTMENT OF TRANSPORTATION**."

In 2008, pursuant to Act 226, Session Laws of Hawaii 2008, the Legislature of the State authorized the Department to impose and collect the Customer Facility Charge from rental car customers at all airports in the Airports System to pay the costs of design, development and construction of the ConRACs. The ConRAC System is presently comprised of a completed and operating ConRAC at Kahului, an interim ConRAC with a permanent ConRAC under construction at Daniel K. Inouye International, planning and pre-development phases for a ConRAC at Lihue, including cost of land acquisition, and other program related expenses. The Department is permitted to construct additional ConRACs at other airports in the Airports System in addition to those included in the definition of ConRAC System in this Official Statement. The Department will operate the ConRAC System as a single integrated system for management and financial purposes. The Customer Facility Charge is intended to be sufficient to pay debt service on the Bonds and for operation and maintenance of the ConRACs. The Department is authorized to increase the rate of the Customer Facility Charge and to require payment of an additional Minimum Annual Requirement Deficiency by the rental car operators ("*RACs*") that will be sufficient to pay debt service on the Bonds and to pay the costs of operation, maintenance and repair of the ConRAC System. See "**CONRACS AND CONRAC SYSTEM**" below and **Appendix A – Report of the Consultant**, for a description of ConRACs projects and the ConRAC System.

The cover page of this Official Statement and this Introduction contain certain information for general reference only. Investors are advised to read this entire Official Statement to obtain information essential to the making of an informed investment decision. This Official Statement contains summary descriptions of the Series 2019 Bonds, the security for the Bonds, the ConRAC System, the Statewide Airports Car Rental Facilities Concession Agreements and Facilities Leases between the Department and the RACs (the "*ConRAC Leases*"), the RACs, the Department, the Airports System and certain provisions of the Indenture. All references to agreements and documents are qualified in their entirety by the definitive forms of the agreements and documents. All references to the Indenture and to the Series 2019 Bonds are qualified by the definitive forms of the Indenture and the Series 2019 Bonds. Copies of the Indenture are available for examination at the offices of the Department's Airports Division (the "*Airports Division*"). Any statement or information involving matters of opinion or estimates are represented as opinions or estimates made in good faith, but no assurance can be given that facts will materialize as so opined or estimated. The following appendices are included as part of this Official Statement: **Appendix A – Report of the Consultant** on the Proposed Issuance of State of Hawaii, Airports System Customer Facility Charge Revenue Bonds, Series 2019, dated August 6, 2019 (the "*Report of the Consultant*"), prepared by ICF Incorporated, LLC (the "*Consultant*"); **Appendix B – Certain Economic Information about the State of Hawaii**; **Appendix C – Certain Definitions in the Indenture**; **Appendix D – Summary of Certain Provisions of the Indenture**; **Appendix E – Summary of Certain Provisions of the ConRAC Leases**; **Appendix F – Form of Bond Counsel Opinion**; **Appendix G – Form of Continuing Disclosure Certificate**; **Appendix H – Book-Entry Only System**; and **Appendix I – Information Concerning Restrictions in Certain Jurisdictions Outside of the United States**.

Prospective Financial Information

Prospective financial information in this Official Statement was not prepared with a view toward compliance with the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Prospective financial information included in this Official Statement, including projected debt service and debt service coverage from the Report of the Consultant, has been prepared by, and is the responsibility of, the Department.

THE SERIES 2019 BONDS

General Provisions Regarding the Series 2019 Bonds

The Series 2019 Bonds will be issued as fully registered bonds in the aggregate principal amount as set forth on the inside cover, will be dated the date of initial delivery and will bear interest from that date to their respective maturities as set forth on the inside cover, subject to redemption prior to maturity as described below. Ownership interests in the Series 2019 Bonds will be available in denominations of $5,000 and integral multiples thereof. Interest on the Series 2019 Bonds will be payable on January 1, 2020, and on each January 1 and July 1 thereafter.

So long as Cede & Co. is the registered owner of the Series 2019 Bonds, all payments of principal, premium, if any, and interest on the Series 2019 Bonds are payable by wire transfer by the Trustee to Cede & Co., as nominee for DTC, which will, in turn, remit such amounts to the DTC Participants for subsequent disposition to beneficial owners. See "**THE SERIES 2019A BONDS - Book-Entry Only System**" below and **Appendix H – Book-Entry Only System**.

Redemption of the Series 2019 Bonds

Optional Redemption. The Series 2019 Bonds maturing on or after July 1, 2030, will be subject to redemption at the option of the State, in the order of maturity as directed by the State, on or after July 1, 2029, in whole or in part on any date, by lot within any single maturity, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the purchase or redemption date.

Make-Whole Optional Redemption. In addition to the foregoing, the Series 2019 Bonds are subject to redemption prior to their stated maturities at the option of the Department, in whole or in part (and if in part on a pro rata basis), on any date, at a redemption price (the "*Make-Whole Price*") equal to the greater of:

(1) 100% of the principal amount of the Series 2019 Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2019 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2019 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Comparable Treasury Yield (defined below) plus 20 basis points with respect to the Series 2019 Bonds;

plus, in each case, accrued interest on such Series 2019 Bonds to be redeemed to the redemption date.

For purposes of calculating the Make-Whole Price with respect to the optional make-whole redemption of the Series 2019 Bonds, the following terms shall have the following meanings:

"*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 State (which may be one of the institutions that served as an underwriter for the Series 2019 Bonds).

"*Comparable Treasury Issue*" means the United States Treasury security selected by the Calculation Agent as having a maturity comparable to the remaining term to maturity of the Series 2019 Bonds being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the Series 2019 Bonds being redeemed.

"*Comparable Treasury Price*" means, with respect to any date on which a Series 2019 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 or (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 at least three business days but no more than 20 business days preceding the date fixed for redemption, as selected by the Department.

"*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 2019 Bond being redeemed. The Comparable Treasury Yield will be determined at least three business days but no more than 20 business days preceding the date fixed for redemption, as selected by the Department. 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 2019 Bonds being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury securities that have a constant maturity: (i) closest to and greater than the remaining term to maturity of the Series 2019 Bonds being redeemed; and (ii) closest to and less than the remaining term to maturity of the Series 2019 Bonds 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) assuming a price for the Comparable Treasury Issue 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 Taxable Bonds) appointed by the State and reasonably acceptable to the Calculation Agent.

Sinking Fund Account Redemption of the Series 2019 Bonds. The Series 2019 Bonds maturing on July 1, 2039, are subject to Sinking Fund redemption by operation of the Sinking Fund Account at a redemption price equal to 100% of the principal amount thereof on July 1, of the years and in the respective principal amounts set forth below:

$36,810,000
Series 2019 Bonds
Maturing July 1, 2039

July 1,	Principal Amount
2035	$6,930,000
2036	7,140,000
2037	7,355,000
2038	7,580,000
2039†	7,805,000
	$36,810,000

†Stated maturity.

The Series 2019 Bonds maturing on July 1, 2047, are subject to Sinking Fund redemption by operation of the Sinking Fund Account at a redemption price equal to 100% of the principal amount thereof on July 1, of the years and in the respective principal amounts set forth below:

$72,065,000
Series 2019 Bonds
Maturing July 1, 2047

July 1,	Principal Amount
2040	$8,050,000
2041	8,305,000
2042	8,570,000
2043	8,845,000
2044	9,125,000
2045	9,420,000
2046	9,720,000
2047†	10,030,000
	$72,065,000

†Stated maturity.

Selection of Series 2019 Bonds for Redemption. If less than all of the Series 2019 Bonds of a series are called for redemption, the Trustee will designate the maturities from which the Series 2019 Bonds of such series are to be redeemed. For so long as the Series 2019 Bonds are registered in book-entry form and DTC or a successor securities depository is the sole registered owner of such Series 2019 Bonds, if fewer than all of the Series 2019 Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2019 Bonds to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, in the case of the Series 2019 Bonds; provided that, so long as the Series 2019 Bonds are held in book-entry form, the selection for redemption of the Series 2019 Bonds will 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 Series 2019 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 H – Book-Entry Only System**.

In connection with any repayment of principal of the Series 2019 Bonds, including payments of scheduled mandatory sinking fund payments, the Trustee will direct DTC to make a pass-through distribution of principal to the owners of the Series 2019 Bonds. A form of Pro Rata Pass-Through Distribution of Principal Notice will be provided to the Trustee 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 is equal to the amount due to the owners of the Series 2019 Bonds on a payment date and (b) the denominator is equal to the total original par amount of the Series 2019 Bonds.

It is the Department's intent that redemption allocations made by DTC with respect to the Series 2019 Bonds be made on a pro rata pass-through distribution of principal basis as described above. However, neither the State nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants, or any other intermediary will allocate the redemption of these Bonds on such basis.

If the Series 2019 Bonds are not registered in book-entry form and if fewer than all of the Series 2019 Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2019 Bonds of such maturity and bearing such interest rate to be redeemed will be selected on a pro rata basis provided that any such redemption must be performed such that all Series 2019 Bonds remaining outstanding will be in authorized denominations.

General Redemption Provisions. Except as described above, if any Series 2019 Bond is of a denomination in excess of $5,000, portions of the principal sum thereof in installments of $5,000 or any integral multiple thereof may be redeemed.

If any Series 2019 Bond (or any portion of the principal sum thereof) shall be redeemable and shall have been duly called for redemption and notice of such redemption shall have been duly given as provided in the Indenture, and if on or before the date fixed for such redemption the Department shall have duly made or provided for the payment of the principal sum thereof to be redeemed, the premium, if any, payable upon such redemption and the interest accrued on the principal sum to be redeemed to the date fixed for such redemption, and unless such notice is conditioned upon satisfaction of any other condition or the occurrence of any other event and such condition is not satisfied or such event has not occurred, then such Series 2019 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 shall cease to accrue and become payable from and after the date fixed for such redemption on the principal sum thereof to be redeemed.

Notice of redemption will be mailed, not fewer than 30 days nor more than 60 days prior to the fixed date for redemption, to each Holder of a Series 2019 Bond in whose name such Series 2019 Bond is registered upon the Bond Register maintained by the Trustee (the "*Bond Register*") at such Holder's address as shown on such Bond Register. Failure of the Holder of a Series 2019 Bond to receive such notice by mail or any defect in such notice will not affect the sufficiency of the proceedings for the redemption of any Series 2019 Bond. The Trustee shall send a second notice of redemption by certified mail return receipt requested to any registered holder who has not submitted Bonds called for redemption 30 days after the redemption date, provided, however, that the failure to give any second notice by mailing, or any defect in such notice, shall not affect the validity of any proceedings for the redemption of any of the Bonds and the Trustee shall not be liable for any failure by the Trustee to send any second notice.

Any notice of any optional redemption of Series 2019 Bonds may state that it is conditional upon receipt by the Trustee of money sufficient to pay the redemption price of such Series 2019 Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. The Department shall provide notice of any rescission or failure to meet any such condition or other such event as promptly as practicable after the failure of such condition or the occurrence of such other event, in the same manner as the notice of redemption.

For so long as the Book-Entry System is in effect with respect to the Series 2019 Bonds, the Trustee will mail notice of redemption to DTC or its nominee or its successor. Any failure of DTC or its successor, or of a Direct DTC Participant or Indirect DTC Participant, to notify a Beneficial Owner of a Series 2019 Bond of any such redemption will not affect the sufficiency or the validity of the redemption of such Bond. See **Appendix H - Book-Entry Only System**.

Effect of Redemption. If a Series 2019 Bond is subject by its terms to redemption and has been duly called for redemption in accordance with the Indenture, and if sufficient moneys available for the payment of the redemption price and interest to accrue to the redemption date on such Series 2019 Bond are held for such purpose by the Trustee, such Series 2019 Bond so called for redemption shall become due and payable, and interest on such Series 2019 Bond shall cease to accrue on the redemption date designated in such notice.

Upon surrender of any Series 2019 Bond to be redeemed in part only, the Department will execute and the Trustee shall authenticate and deliver to the holder a new Series 2019 Bond or Bonds representing the unredeemed principal amount of the Series 2019 Bond surrendered.

Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of the proceeds of the Series 2019 Bonds:

SOURCES	Series 2019 Bonds
Par Amount	$194,710,000.00
Total Sources	$194,710,000.00
USES:	
Deposit for Project Costs	$105,000,000.00
Refunding EB-5 Bonds	76,000,000.00
Deposit to Rolling Coverage Fund	2,422,291.89
Deposit to Debt Service Reserve Fund	9,689,167.44
Issuance Expenses (including underwriters' discount fees and other costs of issuance)	1,598,540.67
Total Uses	$194,710,000.00

Book-Entry Only System

The Series 2019 Bonds will be issued as fully registered bonds without coupons and are initially to be registered in the name of Cede & Co., as nominee for DTC, as securities depository for the Series 2019 Bonds. Purchases by beneficial owners are to be made in book-entry form. If at any time the book-entry only system is discontinued for the Series 2019 Bonds, the Series 2019 Bonds will be exchangeable for other fully registered certificated Series 2019 Bonds of the same series in any authorized denomination, maturity and interest rate. See **Appendix H – Book-Entry Only System**.

Interest will be payable by check mailed to the holder as of the record date. The Trustee may impose a charge sufficient to reimburse the Department or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Bond. The cost, if any, of preparing each new Bond issued upon such exchange or transfer, and any other expenses of the Department or the Director of Finance as the Trustee incurred in connection therewith, will be paid by the person requesting such exchange or transfer. At the request of any holder of at least $1,000,000 principal amount of the Series 2019 Bonds, payment of interest will be made by wire transfer as directed by such holder. Payment of principal of the Series 2019 Bonds will be made upon presentation and surrender of such Series 2019 Bonds at the office of the Trustee.

NEITHER THE DEPARTMENT NOR MUFG UNION BANK, N.A., AS THE TRUSTEE, WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO., ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS; (III) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF ANY BONDS; (IV) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO ANY BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE BONDS; OR (VI) ANY OTHER MATTER RELATING TO DTC OR THE BOOK-ENTRY ONLY SYSTEM.

Transfer of Series 2019 Bonds

So long as Cede & Co., as nominee for DTC (or other nominee of DTC), is the Bondholder of record of the Series 2019 Bonds, beneficial ownership interests in the Series 2019 Bonds may be transferred only through a direct or indirect participant and recorded on the book-entry system operated by DTC. In the event the book-entry-only system is discontinued, Series 2019 Bond certificates will be delivered to the beneficial owners as described in the Indenture. Thereafter, the Series 2019 Bonds, upon surrender thereof at the principal office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the holder thereof or such holder's duly authorized attorney, may be exchanged for an equal aggregate principal amount of Series 2019 Bonds of the same maturity and of any authorized denominations.

In all cases in which the privilege of exchanging or transferring Series 2019 Bonds is exercised, the Department shall execute and authenticate and deliver the Series 2019 Bonds in accordance with the provisions of the Indenture. For every such exchange or transfer of Series 2019 Bonds, the Department may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer but may impose no other charge therefor.

Euroclear and Clearstream Banking

Euroclear and Clearstream Banking have advised the Department as follows:

Euroclear and Clearstream Banking each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream Banking provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream Banking also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream Banking have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream Banking customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream Banking is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures. Any Series 2019 Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, for the account of its participants, including but not limited to Euroclear and Clearstream Banking. If the investors are participants in Clearstream Banking and Euroclear in Europe, or indirectly through organizations that are participants in the Clearing Systems, Clearstream Banking and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream Banking's and Euroclear's names on the books of their respective depositories. In all cases, the record holder of the Series 2019 Bonds will be DTC's nominee and not Euroclear or Clearstream Banking. The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream Banking or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream Banking or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream Banking or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream Banking participant on that business day. Cash received in Clearstream Banking or Euroclear as a result of sales of securities by or through a Clearstream Banking participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream Banking or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream Banking or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream Banking participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Banking participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, 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 Banking participants or Euroclear participants may not deliver instructions directly to the depositories.

The Department will not impose any fees in respect of holding the Series 2019 Bonds; however, holders of book-entry interests in the Series 2019 Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the Clearing Systems.

Initial Settlement. Interests in the Series 2019 Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Series 2019 Bonds through Euroclear and Clearstream Banking accounts will follow the settlement procedures applicable thereto and applicable to

DTC. Book-entry interests in the Series 2019 Bonds will be credited by DTC to Euroclear and Clearstream Banking participants' securities clearance accounts on the business day following the date of delivery of the Series 2019 Bonds against payment (value as on the date of delivery of the Series 2019 Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Series 2019 Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Series 2019 Bonds following confirmation of receipt of payment to the Department on the date of delivery of the Series 2019 Bonds.

Secondary Market Trading. Secondary market trades in the Series 2019 Bonds will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream Banking or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Series 2019 Bonds may be transferred within Euroclear and within Clearstream Banking and between Euroclear and Clearstream Banking in accordance with procedures established for these purposes by Euroclear and Clearstream Banking. Book-entry interests in the Series 2019 Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Series 2019 Bonds between Euroclear or Clearstream Banking and DTC shall be effected in accordance with procedures established for this purpose by Euroclear, Clearstream Banking and DTC.

Authority for Issuance

Article VII, Section 12 of the State Constitution and Part III, Chapter 39 of the Hawaii Revised Statutes ("*HRS*"), as amended (collectively the "*General Revenue Bond Law*"), permit the issuance of revenue bonds of the State payable from and secured by the Customer Facility Charge upon the approval of a majority of the members of each house of the State Legislature and pursuant to the Indenture and Third Supplemental Indenture, the latter of which becomes effective upon filing with the Director of Finance. The General Revenue Bond Law limits the maximum maturity of revenue bonds and also sets forth provisions for the sale, method of execution and other details of all revenue bonds. The State Legislature from time to time enacts laws (including the general appropriations act) authorizing the issuance of revenue bonds (without fixing any particular details), defining the purposes for which the bonds are to be issued and specifying the amount of the proceeds of such bonds which may be applied to such purposes. As of July 2019, the Department has legislative authorization to issue revenue bonds to fund $232.2 million of project costs of ConRAC projects.

Pursuant to the General Revenue Bond Law, the Director has issued the Indenture, which, under State law, constitutes the security document pursuant to which all Bonds are issued and secured. Third Supplemental Indenture provides the terms of the Series 2019 Bonds including principal amounts, interest rates, maturities, redemption provisions and the covenants of the Department. Section 261-7(h), HRS authorizes the Department to establish, levy, assess and collect the Customer Facility Charge to pay for or finance construction, operation, and maintenance costs of the ConRACs. The Series 2019 Bonds are being issued pursuant to the Indenture, Third Supplemental Indenture, Section 261-7(h), HRS and the General Revenue Bond Law.

Administrative Directive No. 00-01, issued by the Governor on July 18, 2000 (the "*Directive*"), requires all departments of the State, including the Department, to organize and coordinate all bond issues with the Department of Budget and Finance. The Directive requires the Director of Finance to approve the amount, timing, pricing and details of every issuance of State bonds. The Director of Finance also approves the method of sale, pricing advisors or consultants, underwriters in a negotiated sale and other participants deemed necessary for each State financing.

PLAN OF FINANCE

Sources and Uses of Project Funds

The following tables describe the Department's plan to finance construction of the $948.2 million ConRAC System project costs using a combination of Bond proceeds and collections of the Customer Facility Charge. The Department intends to use a portion of the Customer Facility Charge collections to pay capital costs of the ConRAC System and a portion of the Customer Facility Charge collections to pay debt service on the Bonds. The following tables describe the timing of expenditures to complete construction of the current ConRAC System improvements and the sources of funds to pay these expenditures.

Table 1

Project Costs and Funding Sources
Hawaii Airports System
(For the 12 months ending June 30; in thousands)

Projects	**Total**	**Through 2018**	**2019**	**2020**	**2021**	**2022**	**2023**
HNL ConRAC Program							
Consolidated Car Rental Facility-Design	$ 27,500	$ 19,987	$ 7,513	$ -	$ -	$ -	$ -
HNL Roadway and Misc. Improvements	8,848	8,848	-	-	-	-	-
Consolidated Car Rental Facility-CM	27,500	8,032	5,695	6,887	6,887	-	-
HNL Interim Car Rental Facility	35,691	35,691	-	-	-	-	-
HNL Consolidated Car Rental Facility	357,850	91,647	68,063	79,999	93,293	24,848	-
HNL Ground Transportation Infrastructure	26,037	-	14,031	506	11,500	-	-
Total HNL	$ 483,426	$ 164,205	$ 95,301	$ 87,392	$ 111,680	$ 24,848	$ -
OGG ConRAC Program							
Airport Access Road To Hana Highway	$ 59,872	$ 53,080	$ 6,792	$ -	$ -	$ -	$ -
Roadway Improvements and ConRAC Facility (a)	376,528	250,365	126,163	-	-	-	-
New Rental Car Storage Lot, Kahului	795	590	205	-	-	-	-
Total OGG	$ 437,195	$ 304,035	$ 133,159	$ -	$ -	$ -	$ -
LIH ConRAC Program							
Lihue Airport Land Acquisition, Phase 2	$ 21,300	$ 9,300	$ -	$ -	$ 12,000	$ -	$ -
Lihue Consolidated Rental Car Facility	-	-	-	-	-	-	-
Total LIH	$ 21,300	$ 9,300	$ -	$ -	$ 12,000	$ -	$ -
Other Rental Car Projects							
CONRAC Program Mgmt Support, Phase I	$ 1,760	$ 1,760	$ -	$ -	$ -	$ -	$ -
CONRAC Program Mgmt Support, Phase II	2,263	1,740	524	-	-	-	-
CONRAC Program Mgmt Support, Phase III	2,000	-	500	1,000	500	-	-
Statewide ConRAC Facilities Plan	292	292	-	-	-	-	-
KOA & ITO Studies	-	-	-	-	-	-	-
Total Other Projects	$ 6,314	$ 3,791	$ 1,024	$ 1,000	$ 500	$ -	$ -
Total Consolidated Rental Car Program	$ 948,235	$ 481,332	$ 229,484	$ 88,392	$ 124,179	$ 24,848	$ -

Source: Airports Division Records, as of July 2019.

Table 2

Sources and Uses of Funds
Hawaii ConRAC System
(in thousands)

	EB-5 Bonds	2017 CFC Bonds	2019 CFC Bonds	Others	Total
Sources of Funds					
Bond Proceeds	$ 76,000	$ 249,805	$ 198,340	$ -	$ 524,145
Premium	-	-	-	-	-
Interest Earnings	-	-	-	-	-
Cash and Grants	-	-	-	1,076	1,076
CFC Collected as of February 2019				498,526	498,526
Future CFC Collection	-	-	-	37,632	37,632
Total Sources of Funds	$ 76,000	$ 249,805	$ 198,340	$ 537,235	$ 1,061,380
Uses of Funds					
Deposit to Project Fund	$ 76,000	$ 230,000	$ 105,000	$ 537,235	$ 948,235
Refunding EB-5 Bonds	-		76,000	-	76,000
Capitalized Interest	-	-	-	-	-
Deposit to Debt Service Reserve Fund	-	14,172	12,341	-	26,513
Deposit to Rolling Coverage Fund	-	3,543	3,085	-	6,628
Costs of Issuance	-	2,086	1,914	-	4,000
Additional Proceeds	-	4	-	-	4
Total Uses of Funds	$ 76,000	$ 249,805	$ 198,340	$ 537,235	$ 1,061,380

Source: BofA Merrill Lynch, July 2019.
Preliminary, subject to change. Historical data used in these tables were based on a range of publicly available sources. The analysis and assumptions relied on this information, and were reviewed and approved by the Department.

The Series 2019 Bonds

The Series 2019 Bonds are being issued on a parity with the Series 2017 Bonds and any Additional Bonds issued in the future. The proceeds of the Series 2019 Bonds, together with the receipts of the Customer Facility Charge, are anticipated to be sufficient to fund the ConRAC Systems other than as described in the subheading "**Additional Bonds**" below.

Additional Bonds

The Department is in the process of planning the construction of a ConRAC at LIH, with land acquisition anticipated to occur in late 2020. The LIH ConRAC is still in the initial planning stages and no cost estimate has been prepared at this time in connection therewith; as such, the costs of the LIH ConRAC, if any, are not included in the ConRAC System as described herein. While the Department has not undertaken planning for any other ConRAC facilities in addition to LIH, the Department may construct additional ConRACs in the future. To the extent permitted by the Indenture, the Department may issue Additional Bonds to finance the LIH ConRAC or other ConRACs in the future and, to the extent permitted by the Indenture, such Additional Bonds, if issued, may be secured on a parity basis with the Series 2017 Bonds and Series 2019 Bonds.

SECURITY FOR THE BONDS

General

The Bonds, including the Series 2019 Bonds, are special limited obligations of the State, payable solely from and secured solely by the Customer Facility Charge and payment by the RACs of the Minimum Annual Requirement Deficiency. The Bonds, including the Series 2019 Bonds, are equally and ratably secured by a lien and charge on the Customer Facility Charge prior and paramount to the lien of any other bonds. The term "*Customer Facility Charge*" means and includes only the Customer Facility Charge authorized under Section 261-7(h), HRS, and does not include any income, revenues or moneys derived from the ownership by the State and operation and management by the Department of the Airports System or the ConRAC System. See **Appendix D – Summary of Certain Provisions of the Indenture**, for a more complete description of the Customer Facility Charge.

The Bonds, including the Series 2019 Bonds, are special limited obligations of the State, payable solely from and secured solely by the receipts from the collection of the Customer Facility Charge by the RACs and payment by the RACs of the Minimum Annual Requirement Deficiency. The Bonds, including the Series 2019 Bonds, do not constitute a general or moral obligation of the State nor a charge upon the general fund of the State. The full faith and credit of neither the State nor any political subdivision of the State is pledged to the payment of or as security for the Bonds, including the Series 2019 Bonds. Neither the real property nor the improvements comprising the Airports System or the ConRAC System, nor the revenues derived from the operation thereof, have been pledged or mortgaged to secure payment of the Bonds, including the Series 2019 Bonds.

Rate Covenant; Pledge of Customer Facility Charge

Act 226, SLH 2008 authorized the Department to establish and collect a Customer Facility Charge of $1.00 per rental motor vehicle per day, and appropriated $10 million for planning, design and construction of ConRAC System improvements. The Department implemented the Customer Facility Charge beginning September 1, 2008, on all rental car transactions for rental cars picked up from and returned to or otherwise benefitting from an airport location at all airports in the Airports System. In 2010, pursuant to Act 204, SLH 2010, the Legislature raised the Customer Facility Charge to $4.50 per rental motor vehicle per day. The Legislature suspended collection of the Customer Facility Charge for fiscal year 2012. This suspension expired at the beginning of fiscal year 2013, and the Department resumed collection of the $4.50 per day Customer Facility Charge per transaction on July 1, 2012, at all airports in the Airports System. There is no expiration of the Customer Facility Charge. Under Section 261-7, HRS, the Department has the power to adjust the amount of the Customer Facility Charge when necessary, without rule-making or legislative approval.

The State separately collects a $3.00 daily rental motor vehicle surcharge tax on all rental car transactions in the State. The daily rental motor vehicle surcharge tax is not part of the Customer Facility Charge.

Section 261-5.6, HRS, creates a special fund in the Treasury of the State designated as the Rental Motor Vehicle Customer Facility Charge Special Fund (the "*CFC Special Fund*"). The DOT has entered into a Trust Indenture under which the DOT authorizes the Trustee to receive the proceeds of the Customer Facility Charge. The Indenture provides that all receipts from the collection of the Customer Facility Charge and other related payments from the RACs shall be deposited in the CFC Revenue Fund. The Indenture provides that the CFC Revenue Fund shall be continued as long as any Bonds remain outstanding.

For so long as any Bond remains Outstanding, the Indenture provides that the Department shall require each RAC to charge, collect and remit the Customer Facility Charge directly to the Trustee for the benefit of the Department. To the extent necessary, the Department shall require each RAC to pay directly to the Trustee, for the benefit of the Department, Minimum Annual Requirement Deficiency Payments, in the aggregate, that the Department projects to be sufficient, together with Customer Facility Charge projected to be collected in each Fiscal Year or portion, to provide sufficient funds to meet the Annual CFC Target (as defined below) for such Fiscal Year and to provide additional funds equal to the difference between the Customer Facility Charge and Minimum Annual Requirement Deficiency

Payments (if any) received in the prior Fiscal Year and the Minimum Annual Requirement for such prior Fiscal Year.

As long as any Bond is Outstanding, the Department shall, prior to the commencement of each Fiscal Year, review and may adjust the level of the Customer Facility Charge, to the extent permitted by Law, and the Minimum Annual Requirement Deficiency or both based upon such factors as: the projected Aggregate Debt Service for the coming Fiscal Year, amounts necessary to fund the other accounts provided for in the Indenture, any shortfalls in Customer Facility Charge revenue and the Minimum Annual Requirement Deficiency compared to the Annual CFC Target that may have occurred in the then-current Fiscal Year, projections of the level of demand for rental car services at the Airports System in the next Fiscal Year, and such other factors as the Department may determine in its sole discretion. The Department may also make unscheduled adjustments to the level of the Customer Facility Charge, to the extent permitted by Law. As long as any Bond remains Outstanding, the Department shall set the amount of the Customer Facility Charge, and the projected Minimum Annual Requirement Deficiency Payments at an annual level estimated to be sufficient to provide funds: (i) to pay principal of and interest on the Bonds due in such Fiscal Year, (ii) to reimburse the Rolling Coverage Fund, the Debt Service Reserve Fund or the Subordinate Reserve Fund for any drawings upon such Funds over a period not to exceed twelve (12) months, as determined by the Department, (iii) to provide funds necessary to pay any "yield reduction payments" or rebate amounts due to the United States for which funds in the Rebate Fund or the CFC Stabilization Fund are not otherwise available, (iv) to maintain the balance of the CFC Stabilization Fund in an amount of no less than the CFC Stabilization Fund Minimum Requirement, if any, and to reimburse any drawings below the CFC Stabilization Fund Minimum Requirement over a period not to exceed twelve (12) months, as determined by the Department and (v) to maintain the balance of the Capital Improvements, Repair and Replacement Fund in an amount of no less than the Capital Improvements, Repair and Replacement Fund Requirement (collectively, the sum of the amounts required by (i) through (v) above, the "*Annual CFC Target*").

As long as any Bond remains Outstanding, the Indenture requires that the aggregate amount of Customer Facility Charge and Minimum Annual Requirement Deficiency Payments paid by the RACs in each Fiscal Year plus the amount on deposit in the Rolling Coverage Fund (up to an amount not to exceed 25% of the Aggregate Debt Service on the Bonds (other than Subordinate Bonds) in such Fiscal Year) to provide no less than 1.40 times the Aggregate Debt Service on the Bonds (other than Subordinate Bonds) (the "*Rate Covenant*"). In the event that the Rate Covenant is not satisfied in any Fiscal Year, the Department shall increase the Customer Facility Charge, to the extent permitted by law, and the Minimum Annual Requirement Deficiency or both for the next succeeding Fiscal Year to no less than an amount, in the aggregate, that the Department projects to be sufficient to satisfy the Rate Covenant.

The Indenture further provides that amounts deposited in the CFC Revenue Fund shall be used solely in the following order of priority (and as shown below under the heading "Flow of Funds") established by the Indenture: (1) transfers to each Account within the Debt Service Fund established for a Series of Bonds (other than Subordinate Bonds) to pay debt service on such Bonds; (2) transfers to the Rolling Coverage Fund up to the amount of the Monthly Rolling Coverage Requirement; (3) transfers to the Debt Service Reserve Fund up to the amount of the Monthly Debt Service Reserve Fund Requirement; (4) transfers to the Subordinate Debt Service Fund to pay debt service on Subordinate Bonds; (5) transfers to the Subordinate Reserve Fund to maintain a debt service reserve for the Subordinate Bonds; (6) transfers to the Rebate Fund in accordance with any arbitrage rebate calculation; (7) transfers to the Administrative Expense Fund amounts necessary to cause the amount on deposit in such Fund to equal the Administrative Expense Fund Requirement; (8) transfers to the Capital Improvements, Repair and Replacement Fund amounts necessary to cause the amount on deposit in such Fund to equal the Capital Improvements, Repair and Replacement Fund Requirement; (9) transfers to the Operation and Maintenance Fund amounts necessary to cause the amount on deposit in such Fund to equal the Operation and Maintenance Fund Requirement; (10) transfers to the CFC Stabilization Fund up to the amount of the Monthly CFC Stabilization Fund Minimum Requirement; (11) transfers to the Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund amounts necessary to cause the amount on deposit in such Fund to equal the Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund Requirement; and (12) transfers to the Discretionary Fund.

See "**CAR RENTAL FACILITIES CONCESSION AGREEMENTS AND FACILITY LEASES**" below and **Appendix D – Summary of Certain Provisions of the Indenture – Application of Customer Facility Charge**.

Flow of Funds

The following table illustrates the flow of funds in the Indenture:

CFC Revenue Fund

Depository for Customer Facility Charge

Debt Service Fund

To pay principal and interest on the Bonds

Rolling Coverage Fund

To maintain the Rolling Coverage Requirement

Debt Service Reserve Fund

To maintain the Debt Service Fund Requirement

Subordinate Debt Service Fund

To pay debt service for Subordinate Bonds

Subordinate Reserve Fund

To provide a reserve for Subordinate Bonds

Rebate Fund

To pay arbitrage rebate required for any Tax-Exempt Bonds

Administrative Expense Fund

To pay the Department's expenses in administering the ConRAC System

Capital Improvements, Repair and Replacement Fund

To provide for repairs and improvements to the ConRAC System

Operation and Maintenance Fund

To provide for operation and maintenance of the ConRAC System

CFC Stabilization Fund

To establish a stabilization reserve

Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund

To fund the Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund Requirement

Discretionary Fund

To repay certain amounts under the EB-5 Agreement and to develop, enhance, renovate, operate and maintain the ConRAC System and related services

Rolling Coverage Fund and Debt Service Reserve Fund

In order to provide a reserve for the payment of the principal of, premium, if any, and interest on the Bonds, the Indenture creates a Rolling Coverage Fund and a Debt Service Reserve Fund in the CFC Revenue Fund. The Indenture requires the Department to make provision for the funding of the Rolling Coverage Fund Requirement in the Rolling Coverage Fund and the Debt Service Reserve Fund Requirement in the Debt Service Reserve Fund prior to the issuance of any Bonds. The Rolling Coverage Fund Requirement is equal to 25% of Maximum Annual Debt Service on the Bonds (other than Subordinate Bonds), and, at the time of issuance of the Series 2019 Bonds, the Debt Service Reserve Fund Requirement will be equal to 100% of Maximum Annual Debt Service on the Bonds (expressly excluding Subordinate Bonds) at the time outstanding. If at any time there are Tax-Exempt Bonds outstanding, the Debt Service Reserve Fund Requirement will be equal to the lowest of (i) one hundred percent (100%) of the Maximum Annual Debt Service on the Bonds (expressly excluding Subordinate Bonds) then outstanding, (ii) one hundred and twenty-five percent (125%) of average annual debt service on the Bonds (expressly excluding Subordinate Bonds) then outstanding or (iii) ten percent (10%) of the stated principal amount of the Bonds (expressly excluding Subordinate Bonds) then outstanding. As of the date of the issuance and delivery of the Series 2019 Bonds, the Debt Service Reserve Fund Requirement will be $24,359,439.60 and the Rolling Coverage Fund Requirement will be $6,089,859.90. Moneys in the CFC Revenue Fund on credit to the Rolling Coverage Fund and the Debt Service Reserve Fund shall, except for the transfer to the CFC Revenue Fund of excess amounts as previously permitted in the Indenture, be used and applied solely for the purpose of paying the principal of and interest on the Series 2019 Bonds when due, whether at their maturity or upon the redemption or purchase, and shall be so used and applied whenever there are insufficient moneys in the CFC Revenue Fund on credit to the Debt Service Fund for such purposes.

Additional Indebtedness

Section 3.03 of the Indenture permits the issuance of additional bonds (the "*Additional Bonds*") payable from and secured by the Customer Facility Charge on parity with the Bonds (including the Series 2019 Bonds) for the purpose of paying or reimbursing the cost of acquiring, purchasing or constructing properties to constitute part of the ConRAC System or reconstructing, improving, bettering or extending the ConRAC System. In order to issue Additional Bonds, the Department must deliver either: (A) a report of a Consultant to the effect that for each of the three Fiscal Years following the date of issuance of such Additional Bonds or the date of final expenditure of capitalized interest funded from such Additional Bonds, whichever is later: (i) the Customer Facility Charge, at the then-current level and taking into account any other level as has been approved and will be imposed during the forecast period, projected to be remitted to the Trustee (together with investment earnings on the Funds, excluding the Project Fund) are expected, as of the end of each such Fiscal Year, to be at least equal to 1.25 times the Maximum Annual Debt Service on all Bonds Outstanding (including such Additional Bonds), other than Subordinate Bonds, (ii) the Rate Covenant is expected to be satisfied, and (iii) the Customer Facility Charge are projected to be sufficient to meet the Annual CFC Target; or (B) a certificate of the Department to the effect that for any consecutive 12 months out of the immediately preceding 18 months: (i) the Customer Facility Charge received by the Trustee (together with investment earnings on the Funds, excluding the Project Fund) were at least equal to 1.25 times the Maximum Annual Debt Service due on all Bonds Outstanding (including such Additional Bonds), other than Subordinate Bonds, (ii) the Rate Covenant was satisfied, and (iii) the Customer Facility Charge met the Annual CFC Target.

CONRACS AND CONRAC SYSTEM

ConRACs. The Department's ConRAC System is a major component of the Department's Airports Modernization Program launched in 2007. The ConRAC System consists of the recently completed ConRAC at Kahului, the ConRAC which is currently under construction at Daniel K. Inouye International and a ConRAC in the initial planning stages at Lihue. Ricondo Associates, the Department's program manager, has conducted a site location study for the Lihue ConRAC and the Department currently intends to acquire land in relation thereto in late 2020. For fiscal year 2018 Lihue had over 2.8 million rental car transaction days. A cost estimate for the LIH ConRAC has not yet been established and, as such, the project has not been included in the ConRAC System as described herein.

The total estimated cost of the ConRAC System is $948.2 million. The Department has expended approximately $637.9 million on the ConRAC System through March 2019. The Department estimates the remaining cost to complete the ConRAC System is $310.30 million.

Honolulu ConRAC. The Daniel K. Inouye International ConRAC is designed as a state-of-the-art facility for the consolidated operation of all on-airport rental car concessions doing business at Daniel K. Inouye International. The Daniel K. Inouye International ConRAC is designed to meet the current and future space needs and operating requirements of the entire Honolulu rental car market. The Daniel K. Inouye International ConRAC is projected to cost $483.4 million, of which amount $221.7 million was expended as of March 2019. The Daniel K. Inouye International ConRAC consists of three phases.

Phase 1 – Enabling Projects. Phase 1 included demolition of the Miyazaki gas station, elevator upgrades in overseas parking garage and terminal, and airport roadway improvements. The cost to complete Phase 1 was $8.8 million.

Phase 2A – Interim ConRAC. Phase 2A Interim ConRAC, which opened in November 2015, consists of a consolidated customer service area on the ground level, and ready-to-rent vehicle parking spaces on four levels of the eastern portion of the existing Terminal 2 Parking Garage. Adjacent to the Garage, at grade, are consolidated vehicle wash and fueling facilities for returned vehicles and overflow vehicle storage. The five concessionaires occupying the Interim ConRAC jointly operate a common busing system that transports their customers to and from the passenger terminals to the Interim ConRAC. The Interim ConRAC will be converted back to public parking once Phase 2B is complete. The cost to complete Phase 2A was $35.7 million.

Phase 2B – Permanent ConRAC. The Permanent ConRAC will be located north of the Terminal 2 and east of the existing Terminal 2 Parking Garage. The ConRAC will consist of a five-level reinforced concrete structure on approximately eight acres of land. The construction contract for the Phase 2B Permanent ConRAC was awarded to Watts Constructors, Inc. Construction started in July 2016, is estimated to be substantially complete in April 2021 with an anticipated October 2021 opening. The estimated cost to construct Phase 2B is $438.90 million. The Phase 2B Permanent ConRAC is approximately 52% completed.

Components of the Honolulu Permanent ConRAC include:

1. Consolidated Customer Service Building (CSB), located on the second level.

All rental car transactions will take place at the CSB. Arriving customers will be primarily directed to the CSB to initiate a rental contract agreement. The CSB will include customer service counters and administrative office space for each RAC operating in the CSB.

2. Ready/return vehicle area, located on the first, second, third, and fourth levels.

The ready/return area is a portion of the Permanent ConRAC containing both “ready” vehicle parking spaces (rental car vehicles that are “ready” for rental), and “return” vehicle parking spaces (rental car vehicles that have been returned by the customer). The ready/return areas will be allocated among the various rental car concessionaires operating in the facility and will include approximately 2,200 stalls.

3. Quick Turn-Around (QTA) area, located in a separate 4-level structure located directly east of, and connected by ramps to, the ready/return area floors.

Customers returning their rented vehicle would be directed to park in front of the QTA area, which is approximately 291,000 square feet. Once the client’s contract agreement is closed, each rental car company will take these vehicles to the QTA area for servicing. The QTA area includes fueling stations, vacuum cleaning areas, car washers, and light maintenance service areas (to primarily check/ replace fluids, tire maintenance, etc.).

4. An overflow vehicle storage area located on the top level.

5. Service Yard, located on the first floor.

The Service Yard consists of parking areas for service vehicles, trash and recyclable waste bins, common use fuel tanks.

6. A rental car bus depot, located on the first level of the facility, and related costs of shuttle buses.

A consolidated rental car shuttle bus system with electric buses will transport all rental car customers that conduct business to and from the Permanent ConRAC to and from selected locations in Terminals 1, 2, and 3. Because Baggage Claims 22-31 of Terminal 2 are located across the street from the Permanent ConRAC, customers will be instructed to walk to and from the facility. Passenger pick-up arrangements for all off- airport rental car companies will be coordinated with the Airports Division on a case-by-case basis.

7. Ground Transportation Center (GTC) located on the first level.

The GTC will provide pick-up and drop-off services for group tour vehicles and other pre-arranged ground transportation services for arriving and departing passengers from the eastern (Diamond Head) half of Terminal 2.

8. Pedestrian underpass, located on the basement level.

All incoming and outgoing rental car and GTC customers from Baggage Claim 22-31 and Ticketing Lobbies 7 & 8 of Terminal 2 will be directed to the pedestrian underpass, for convenient and safe passage.

Kahului ConRAC. The Kahului ConRAC was completed earlier this year and is fully operational. It consists of a three level structure on a 26-acre site southwest of the passenger terminal and the existing public parking lot planned to meet the current and future space needs and operating requirements of the entire Kahului rental car market. The Kahului ConRAC is connected to the Kahului Airport through an environmentally friendly electric tram. The proximity of the Kahului ConRAC to the passenger terminal has improved the overall customer experience at Kahului and has eliminated rental car shuttle buses from airport roadways.

Components of the Kahului ConRAC include:

1. Consolidated Customer Service Building (CSB), located on the second level.

A CSB on the second level that includes the pedestrian plaza with stops for customer pick-up and drop-off, RAC exclusive use areas, shared customer lobby, rental transaction counters and waiting area, access to pedestrian vertical circulation cores, and associated support area.

2. Ready/return vehicle area, located on the second and third levels.

The ready/return area with approximately 1,900 stalls, including two levels of vehicle ready and return areas, two levels of vehicle storage, pedestrian, vertical circulation cores, and associated support area.

3. Quick Turn-Around (QTA) Area.

The QTA area includes one level of facility service yard, vendor parking fuel storage tanks, service related access areas, two levels of vehicle preparation area with support spaces and two levels of vehicle storage.

4. Overflow vehicle storage areas are located on the top (uncovered) level of the QTA.

The RACs use these areas to store vehicles that are not immediately needed for customers during off-peak demand times.

5. Airport Employee Parking.

Employee parking displaced by the need for additional public parking will be located on top level of ready/return garage. As rental car demand grows in the future, these employee parking spaces will be relocated to other areas of the Airport.

6. Electric Powered Tram.

An electric powered tram will be built on a rail system to provide transport of rental car customers to and from the ConRAC and the passenger terminal. (There will be an intermediate stop for public parking customers.) Customers of any off-airport rental car companies will be required to pick and drop off their customers at the ConRAC. Those customers will then have the option of walking to the passenger terminal or taking the Tram.

Lihue ConRAC. The Department is in the planning stages for the development of a ConRAC at Lihue Airport (LIH). Currently, the Department leases on-airport RACs customer service counters where arriving customers enter into their rental agreements and are transported via each RAC's shuttle buses to separate baseyard facilities to pick up their vehicles. All customers returning vehicles access the baseyards via the main airport entrance roadway. Customers are then transported to the passenger terminal by each RAC's shuttle buses.

CAR RENTAL FACILITIES CONCESSION AGREEMENTS AND FACILITY LEASES

The RACs' obligation to collect and remit the Customer Facility Charge is provided in a series of revocable permits and concession agreements.

The ConRAC Leases. Effective May 1, 2015, the Department and certain RACs operating in the Airports System executed the Statewide Airports Car Rental Facilities Concession Agreement and Facility Leases (collectively the "*ConRAC Leases*") covering the ConRACs under construction at Daniel K. Inouye International Airport (HNL) and Kahului Airport (OGG). Once the ConRACs are completed, all on-airport rental car concessions at these two airports will operate from the ConRACs under terms of the ConRAC Leases for a period of 30 years. The ConRAC Leases, among other provisions, expanded the collection of the Customer Facility Charge to include all RACs signatory to the ConRAC Leases regardless of whether the RAC is presently operating on/off airport premises.

Section 5.E. of the ConRAC Leases requires each RAC to report and pay the Customer Facility Charge collected from customers to the Department on a monthly basis. The ConRAC Leases also require the Department to annually estimate the Minimum Annual Requirement, which is the sum of 115% of Debt Service on the Bonds, plus the amount necessary to increase the amount on deposit in the Rolling Coverage Fund, Debt Service Reserve Fund, Rebate Fund, Administrative Expense Fund, Capital Improvements, Repair and Replacement Fund and CFC Stabilization Fund to the minimum required amounts. If the Department projects a deficit, the Department shall present the RACs with a statement of required installment payments of a Minimum Annual Requirement Deficiency Estimate. The RACs shall remit the required installment payment along with their monthly payment of Ground Rent.

The Department must annually compare the actual Minimum Annual Requirement Deficiency to the Minimum Annual Requirement Deficiency Estimate. If the actual Minimum Annual Requirement Deficiency exceeds the Minimum Annual Requirement Deficiency Estimate, the RACs must pay the Additional Minimum Annual Requirement Deficiency. If the actual Minimum Annual Requirement Deficiency is less than the Minimum Annual Requirement Deficiency Estimate the RACS shall have the right to claim a Minimum Annual Requirement Deficiency Reimbursement.

The obligation of the RACs to collect and pay the Customer Facility Charge and the Minimum Annual Requirement Deficiency Charge is separate and apart from the RACs obligation to pay Ground Rent and the Minimum Annual Guaranteed Fee (the "*MAG*") under the ConRAC Leases. The Customer Facility Charge and Minimum Annual Requirement Deficiency Charge are intended to pay debt service on the Bonds, the capital cost of constructing the ConRACs as well as the Department's cost of maintaining the ConRACs. The Ground Rent and the MAG will be paid to the Airport Revenue Fund to compensate the State for use of land in the Airports System.

The Ground Rent under the ConRAC Leases is $2.11 per square foot per year for the Kahului ConRAC, which has a leasable area of 1,061,976 square feet. The Ground Rent under the ConRAC Leases is $5.43 per square foot per year for the HNL ConRAC, which has a leasable area of 600,439 square feet.

The ConRAC Leases also require each RAC to pay a concession fee of ten percent (10%) of gross receipts per year, but not less than the MAG, payable at the rate of 1/12th of the MAG per month. The MAG for each succeeding year will be 85% of the concession fee paid in the previous year.

Other Car Rental Facilities Concession Agreements. Effective June 1, 2015, the Department issued revocable permits to eight RACs: Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National and Thrifty, to operate at Daniel K. Inouye International Airport. The revocable permits require the RACs to pay the Department lease rent and a percentage of gross sales against a MAG. These concession fees are paid to the Airport Revenue Fund and not to the CFC Revenue Fund. The existing car rental concession agreements continue in effect through May 31, 2019, at Hilo International, Ellison Onizuka Kona International, Kahului and Lihue Airports. The current car rental concession agreement in effect at Molokai Airport has Alamo as the sole on-airport car rental operator.

The revocable permits require the RACs to collect and remit the Customer Facility Charge to the Department. The RACs are required to pay the cost of operating and maintaining the Phase 2A Interim ConRAC at HNL. Proceeds of the CFC Special Fund are not used to operate and maintain the Interim ConRAC.

Rental Car Concession Fees and Customer Facility Charge Revenues. The following table describes the Department's collection of rental car concession revenues and the Customer Facility Charge in fiscal years 2014 through 2018.

Table 3

RAC Concession Fees Paid and Customer Facility Charge Collections
Fiscal Year Ended June 30; Dollars in thousands

	2014	2015	2016	2017	2018
RAC Concession Fees	$ 56,535	$ 60,258	$ 53,687	$ 64,445	$ 73,238
Customer Facility Charge (including interest)	$ 54,185	$ 65,502	$ 69,604	$ 72,362	$ 76,487

Source: Department of Transportation – Airports Division Fiscal Section.
Note: Totals may not add due to rounding.

Effective July 1, 2014, off-airport rental car operations that will occupy the ConRACs began collecting and remitting the Customer Facility Charge. These operators included Alamo, Dollar and Thrifty at Daniel K. Inouye International Airport and Advantage at Kahului Airport, accounting for the increase in Customer Facility Charge collections in fiscal year 2015. Off-airport rental car operators must also pay fees in accordance with Chapter 19-20.1, Hawai'i Administrative Rules. The rules provide that an off-airport operator must pay an annual fee of $20 for each rent-a-car vehicle in its fleet as of October 1 of each year, an annual administrative fee of $100, and an annual registration fee of $250 for each courtesy vehicle used to transport customers to and from the airport. The off-airport rent-a-car operators who will not occupy the ConRACs are not a significant source of airport revenue.

Customer Facility Charge Operations. As of June 30, 2018, the Department had restricted assets of $184.1 million in the CFC Special Fund.

Customer Facility Charge financial activity for the fiscal years 2018 and 2017 is as follows:

Table 4
Customer Facility Charge Financial Activity
Fiscal Year Ended June 30; Dollars in thousands

	2018	2017
Restricted assets – rental car customer facility charge, beginning of fiscal year	$ 137,237	$ 219,369
Rental car customer facility charges during the year	72,555	70,449
Interest earned on rental car customer facility charge during the year	1,870	1,913
Net bond proceeds after underwriters discount	18,852	-
Cost of issuance	(1,137)	-
Transfer from (to) bond projects	43,000	(43,000)
Capital expenditures during the year	(83,781)	(110,680)
Interest paid on loan payable	(568)	(814)
Interest paid on debt service	(3,929)	-
Restricted assets – rental car customer facility charge, end of fiscal year	**$ 184,099**	**$ 137,237**

Source: Department of Transportation – Airports Division Fiscal Section.

RENTAL CAR OPERATORS

General

The Department initially solicited bids in June 2013 from the RACs to lease space in the Daniel K. Inouye International and Kahului ConRACs. Following lengthy negotiations, the Department and the RACs reached agreement on the form of the ConRAC Lease effective May 1, 2015. The Department has entered into ConRAC Leases with five rental car concessionaires controlling 13 rental car brands. These concessionaries, their brands and the number of rental car transaction days in fiscal year 2018 for each concessionaire are:

The Hertz Corporation	Transaction Days
Hertz	2,534,443
Dollar	1,293,717
Thrifty	982,882
Firefly	--
Avis Budget Car Rental, LLC	Transaction Days
Avis	1,795,810
Budget	2,417,505
Payless	--
Zip Car	--
EAN Holdings, LLC	Transaction Days
Enterprise	1,484,920
Alamo	3,544,707
National	1,097,998
Simply Wheelz, LLC dba Advantage Rent A Car	Transaction Days
E-Z Rent-A-Car Group Holdings, LLC (which was purchased by Simply Wheelz, LLC following execution of the ConRAC Lease)	732,573
Others	238,737
TOTAL	16,123,292

Of these companies, Hertz, Avis Budget and EAN, the three largest, control approximately 95% of the market. The following table is reflective of the relative size of these concessionaires. The table illustrates the percentage of space each RAC will occupy in each ConRAC and the MAG Concession Fee each RAC has agreed to pay for the first full year of occupancy. The MAG in each succeeding year will be 85% of the Concession Fee paid in the prior year.

	%	Daniel K. Inouye International MAG	%	Kahului MAG
The Hertz Corporation Brands: Hertz, Dollar, Thrifty, Firefly	35.3	$ 9,054,900	34.3	$ 9,993,900
EAN Holdings, LLC Brands: Enterprise, Alamo, National	36.7	$ 5,311,000	35.7	$ 5,811,000
Avis Budget Car Rental, LLC Brands: Avis, Budget, Payless, Zip Car	22.9	$ 4,265,000	21.9	$ 5,654,000
Simply Wheelz, LLC dba Advantage Rent A Car	2.8	$ 550,000	5.7	$ 550,000
E-Z Rent-A-Car Group Holding, LLC	2.3	$ 100,800	2.4	$ 100,800

Rental Car Transaction Days

As discussed in the Report of the Consultant described below, Customer Facility Charge collections are a function of the number of Customer Facility Charge rental car transaction days at the Airports System. A rental car transaction day is each day that a rental car is rented and the Customer Facility Charge assessed. The number of Customer Facility Charge rental car transaction days is a function of: (1) visitor arrivals, (2) car rental ratios, which is the number of rental car transactions divided by the number of visitors, and (3) average duration of each rental car transaction. In fiscal year 2018, the system-wide number of rental car transaction days was 16,123,292. In fiscal years 2016, 2017 and 2018, the system-wide number of rental car transactions were, and the estimated number of rental car transactions for fiscal year 2019 is, as follows:

System-Wide Number of Rental Car Transactions

Year	2016	2017	2018	2019 (est.)
Number	2,480,000	2,621,000	2,691,000	

Kahului accounted for 5,172,000 rental car transaction days, over one-third of the total notwithstanding Kahului had only one-fifth of the total number of enplaned passengers. Daniel K. Inouye International had 58% of system-wide enplaned passengers, but only 29.7% of system-wide rental car transaction days, a function of Oahu's visitor mix, convenient transportation options in Waikiki and other factors.

REPORT OF THE CONSULTANT

General

The Department retained ICF Incorporated, LLC to serve as the Consultant in connection with the issuance of the Series 2019 Bonds. The Report of the Consultant is attached as Appendix A. The Report of the Consultant has been included in reliance upon the knowledge and experience of ICF Incorporated, LLC as the Consultant. As stated in the Report of the Consultant, any forecast is subject to uncertainties. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material. The Report of the Consultant should be read in its entirety for an understanding of the forecasts and underlying assumptions. Any description or summary of the Report of the Consultant in this Official Statement is qualified in its entirety by reference to such report.

The Report of the Consultant has not been updated to reflect the final terms of the Bonds or other changes occurring after the date of the Report of the Consultant. The Report of the Consultant is based on a number of assumptions and contains forecasts and statements relating to operating and financial results that may not be realized. The assumptions used reflect the best information available to the Department and reliance on the knowledge and experience of the Consultant. The Department's future operating and financial performance, however, may vary from the forecasts and such variances may be material.

Forecast of Debt Service Coverage

The following table sets forth the Consultant's projections of receipts from the collection of the Customer Facility Charge and debt service coverage for fiscal years 2019 through 2025 that are based on the assumptions discussed in the Report of the Consultant.

For an explanation of the projected debt service coverage and of the assumptions behind the calculations of debt service coverage, see **Appendix A –Report of the Consultant.**

TABLE 5
PROJECTED DEBT SERVICE COVERAGE
(for the 12 months ending June 30, net of capitalized interest; in thousands)

		Actual	Estimated	Forecast					
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Visitor Arrivals	12,981	13,824	13,820	14,321	14,545	14,781	15,002	15,237	15,473
% Change	6.0%	6.5%	0.0%	3.6%	1.6%	1.6%	1.5%	1.6%	1.5%
CFC Transaction Days	15,656	16,123	16,007	16,465	16,677	16,900	17,106	17,326	17,545
CFC Level	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
CFC Revenues	$ 70,454	$ 72,555	$ 72,033	$ 74,094	$ 75,046	$ 76,052	$ 76,978	$ 77,969	$ 78,953
Minimum Annual Requirement Deficiency Payments	-	-	-	-	-	-	-	-	-
Rolling Coverage Fund Balance (a)	-	3,543	3,636	4,222	6,544	6,545	6,547	6,548	6,550
Total Available	$ 70,454	$ 76,098	$ 75,669	$ 78,316	$ 81,589	$ 82,597	$ 83,525	$ 84,517	$ 85,503
Debt Service Requirement	814	14,507	14,544	16,888	26,175	26,180	26,189	26,194	26,200
Debt Service Coverage	8656%	525%	520%	464%	312%	315%	319%	323%	326%
Required Coverage	140%	140%	140%	140%	140%	140%	140%	140%	140%

(a) Limited to no more than 25% of Aggregate Debt Service.
Source: Historical – Airports Division; Estimated and forecast – ICF.

Debt Service Coverage for the Bonds

As reflected in Table 5, projected debt service coverage exceeds the Indenture requirement of 1.40 times Maximum Annual Debt Service for the fiscal years 2019 through 2025. Annual Adjusted Debt Service Requirements exclude capitalized interest and certain amounts deposited into the Interest Account, as permitted under the Indenture.

The following table sets forth the principal and interest requirements for the Bonds following issuance of the Series 2019 Bonds.

TABLE 6
TOTAL BONDS DEBT SERVICE[1]

FYE June 30,	Series 2017A Bonds Debt Service	Series 2019A Bonds Principal	Series 2019A Bonds Interest	Total Debt Service
2020	$14,168,390.36		$1,831,338.16	$15,999,728.52
2021	14,168,843.51	$4,915,000.00	5,270,710.08	24,354,553.59
2022	14,171,999.73	5,005,000.00	5,178,961.33	24,355,961.06
2023	14,170,525.83	5,100,000.00	5,086,906.20	24,357,432.03
2024	14,169,272.36	5,195,000.00	4,988,883.40	24,353,155.76
2025	14,167,255.36	5,300,000.00	4,884,033.10	24,351,288.46
2026	14,167,191.08	5,415,000.00	4,771,662.23	24,353,853.31
2027	14,171,106.08	5,535,000.00	4,650,649.73	24,356,755.81
2028	14,167,857.96	5,660,000.00	4,524,187.20	24,352,045.16
2029	14,170,009.83	5,795,000.00	4,391,979.63	24,356,989.46
2030	14,171,504.83	5,930,000.00	4,254,614.51	24,356,119.34
2031	14,168,043.58	6,075,000.00	4,110,945.68	24,353,989.26
2032	14,168,609.83	6,225,000.00	3,959,137.43	24,352,747.26
2033	14,171,958.58	6,385,000.00	3,798,769.28	24,355,727.86
2034	14,171,135.00	6,560,000.00	3,628,304.60	24,359,439.60
2035	14,169,030.90	6,740,000.00	3,448,200.10	24,357,231.00
2036	14,169,563.35	6,930,000.00	3,253,187.50	24,352,750.85
2037	14,167,245.60	7,140,000.00	3,044,248.00	24,351,493.60
2038	14,171,493.55	7,355,000.00	2,828,997.25	24,355,490.80
2039	14,169,578.40	7,580,000.00	2,607,212.50	24,356,790.90
2040	14,170,020.40	7,805,000.00	2,378,745.25	24,353,765.65
2041	14,168,368.40	8,050,000.00	2,136,456.00	24,354,824.40
2042	14,168,897.20	8,305,000.00	1,879,682.50	24,353,579.70
2043	14,170,778.00	8,570,000.00	1,614,745.00	24,355,523.00
2044	14,168,285.60	8,845,000.00	1,341,329.50	24,354,615.10
2045	14,170,591.20	9,125,000.00	1,059,200.50	24,354,791.70
2046	14,166,866.00	9,420,000.00	768,044.00	24,354,910.00
2047	14,171,177.60	9,720,000.00	467,546.00	24,358,723.60
2048	14,167,593.60	10,030,000.00	157,471.00	24,355,064.60
TOTAL	$410,913,193.72	$194,710,000.00	$92,316,147.66	697,939,341.38

[1] Numbers for each Fiscal Year reflect payments of principal of and interest on the Bonds made on July 1 of the following Fiscal Year.
Source: Department of Transportation - Airports Division

DEPARTMENT OF TRANSPORTATION

Department Organization

The Department is one of 18 principal executive departments of the State. Chapter 26, HRS, empowers the Department to establish, maintain and operate the transportation facilities of the State, including highways, airports, harbors and other transportation facilities. The Department's activities are carried out through three primary operating divisions: Airports, Harbors and Highways.

Through the Airports Division, the Department has general supervision of aeronautics within the State, exercising jurisdiction and control over all State airways and all State owned or managed airports and air navigation facilities. The Airports Division operates all State airports as a single integrated system for management and financial purposes. The Airports Division does not operate airports and air navigation facilities that are either privately owned and operated or under federal jurisdiction and control. The operation of the Airports Division is organized among six offices and branches: the Staff Services Office, the Airports Operations Office, the Airports Management Information Systems Office, the Airports Planning Office, the Visitor Information Branch and the Engineering Branch.

Department Management

The Department is led by the Director, who is appointed by the Governor and confirmed by the State Senate. The Governor also appoints, without State Senate confirmation, four Deputy Directors of Transportation. The Director and Deputy Directors of Transportation serve four-year terms coterminous with the Governor's term.

The Airports Division is managed by a Deputy Director and the Airports Administrator. Currently, the position of Airports Administrator is vacant. Airports within a district area are managed by an airport manager. The Staff Services Office, managed by the Administrative Services Officer, is responsible for personnel, budget, procurement, financial management, method, standards and evaluation, and property management functions of the Airports Division. The Airports Operations Office, managed by the Airports Operations Officer, is responsible for general aviation, certification, security and safety, Disadvantaged Business Enterprises, which administers the Americans with Disabilities Act, and firefighting functions of the Airports Division. The Airports Management Information Systems Office, managed by the Data Processing Systems Analyst, is responsible for data processing services. The Airports Planning Office, managed by the Planning Engineer, is responsible for directing the planning, development and marketing functions of the Airports Division. The Visitor Information Branch, managed by a Visitor Information Administrator, is responsible for visitor information services at the primary airports and at harbors serving cruise ships. Currently the position of Visitor Information Administrator is vacant. The Engineering Branch, managed by the Engineering Program Manager, is responsible for design and construction, special maintenance and drafting functions of the Airports Division, including design and construction of the ConRACs. The Airports Administrator, Administrative Services Officer, Airports Operations Officer, Data Processing Systems Analyst, Planning Engineer, Visitor Information Administrator, Engineering Program Manager and all other senior management of the Airports Division are civil service employees.

Management Personnel

The following are the senior executives of the Department responsible for the management of the ConRAC System:

Jade Butay, Director, has served as Director of the Department of Transportation since 2017. Previously, Mr. Butay served as Deputy Director of Administration at the Department of Transportation from 2011 to 2013 and again from 2015 to 2017. Between his time serving as Deputy Director of Administration, Mr. Butay served as Deputy Director at the Department of Labor and Industrial Relations. Prior to commencing his service for State government, Mr. Butay served in various leadership positions in the private sector. He received his bachelor's degree in Business Administration from the University of Hawaii and his Master of Business Administration degree from Business Administration from Babson College.

Ross M. Higashi, Deputy Director – Airports, was appointed in January 2015 to lead the Airports Division, where he has worked for almost 30 years. During that time, Mr. Higashi served in various capacities, including Fiscal Management Officer; Administrator of the Accounting Branch; and the Audit Branch Supervisor. Mr. Higashi served as Interim Director of Transportation briefly in 2014.

He also spent five years in public accounting. Mr. Higashi graduated from the University of Hawaii at Manoa with a B.S. degree in Accounting.

Ford Fuchigami, Administrative Services Officer, transferred back to the Airports Division in June of 2019 after serving as Administrative Director to Governor Ige. Prior to his time as Administrative Director, Mr. Fuchigami served as the Director of the Department of Transportation from 2014 to 2017 and as Deputy Director – Airports from December 2010 until 2014. Prior to his appointment to the Airports Division, Mr. Fuchigami spent 36 years in the private sector in the hospitality, healthcare and laundry industries including as a manager with the Sheraton Hotel & Resorts and United Laundry Service and as a hospitality and textile industry consultant. He graduated from the University of Hawaii at Manoa with a Bachelor's degree in Journalism.

Kurt T. Yamasaki, Acting Fiscal Management Officer, has been employed at the Airports Division for 25 years. Mr. Yamasaki has served in the Fiscal Management Officer position since May 2014. Previously, he worked as Audit Branch Supervisor for 11 years. He spent four years in the private sector accounting and four years in public accounting prior to joining the Airports Division. He graduated from the University of Hawaii at Manoa with a B.S. degree in Accounting.

Guy Ichinotsubo, Engineering Program Manager, has been employed at the Airports Division for 26 years. Prior to becoming the Engineering Program Manager in January 2019, Mr. Ichinotsubo was the Design Engineer for the Airports Division since 2001. He spent seven years in the private sector prior to joining the Airports Division. Mr. Ichinotsubo graduated from the University of Washington with a B.S. degree in Civil Engineering. He is a registered Professional Engineer and LEED Accredited Professional.

Labor Relations

State law grants public employees, other than appointed officials or division administrators, the right to organize for purposes of collective bargaining. Each recognized bargaining unit designates an employee organization as the exclusive representative of all employees of such unit, which organization negotiates the public employer. Under State law, Airports System workers may not strike (except Unit 1) in the event that an impasse is declared in any labor negotiations.

The Airports Division's employees are represented by three unions in seven bargaining units, as follows:

- United Public Workers (the "*UPW*") (Unit 1, blue collar employees).

- Hawaii Government Employees Association (the "HGEA") (Unit 2, blue collar supervisors; Unit 3, white collar employees; Unit 4, white collar supervisors; and Unit 13, professional and scientific employees). Unit 14, State law enforcement officers, also work at the airports and are paid with airports funds, but the officers are employees of the Department of Public Safety.

- Hawaii Fire Fighters Association IAFF Local 1463 (the "*HFFA*") (Unit 11, rescue and firefighters).

The status of negotiations and awards for wages and health benefits for the period from July 1, 2019 to June 30, 2021 is as follows:

Unit 1: UPW and the employer reached a four-year (July 1, 2017 – June 30, 2021) agreement that was ratified in August 2017. The last two years of the agreement provides for across the board increases of 2% July 1, 2019 and 2% July 1, 2020. An agreement for additional across the board increases increase of 1.2% January 1, 2020 and January 1, 2021 was ratified in April 2019.

Unit 2: The contract expired June 30, 2019. HGEA has filed for impasse and the Hawaii Labor Relations Board ("HLRB") set the impasse date as December 10, 2018. An arbitration hearing is scheduled for November 18 -22, 2019.

Unit 3: The contract expired June 30, 2019. HGEA has filed for impasse and HLRB set the impasse date as November 7, 2018. An arbitration hearing is scheduled for January 13 - 17, 2020.

Unit 4: The contract expired June 30, 2019. HGEA has filed for impasse and HLRB set the impasse date as November 21, 2018. An arbitration hearing is scheduled for September 30 – October 4, 2019.

Unit 11: An arbitration hearing was held January 7 – 12, 22 – 25, and completed February 1, 2019. An arbitration award for HFFA was issued on April 8, 2019 for the period July 1, 2019 – June 30, 2021. The award provides for: across the board increases of 2% July 1, 2019 and 2% July 1, 2020; lump sum payments ranging from $1,800 - $2,000 on July 1, 2019 and $1,800 to $2,500 on July 1, 2020; and continuation of step movements for eligible employees (adds an additional step L6 at the end of the contract).

Unit 13: The contract expired June 30, 2019. HGEA has filed for impasse and HLRB set the impasse date as October 31, 2018. An arbitration hearing is scheduled for October 14 -18, 2019.

Unit 14: The contract expired June 30, 2019. HGEA has filed for impasse and HLRB set the impasse date as December 10, 2018. An arbitration hearing is scheduled for January 20 - 24, 2020.

Employee Benefits

Employee benefits for employees of the Airports Division are an operating expense of the Airports Division. All full-time employees of the Department are required to participate in the Employees' Retirement System of the State (the "*Retirement System*" or "*ERS*") and are also entitled to health care and life insurance benefits afforded to all State employees. Department employees hired before July 1, 1984, had the option to remain in a contributory retirement plan or participate in a new non-contributory retirement plan. Department employees hired after June 30, 1984, participate in a non-contributory retirement plan.

Effective July 1, 2006, the State implemented a new contributory hybrid retirement plan for all new employees. Under the hybrid retirement plan, new employees will receive a benefit multiplier of 2 percent for each year of credited service in the hybrid plan, but must contribute 6 percent of gross pay to this plan. Legislation enacted in 2011 changed the pension benefit structure for new employees hired after June 30, 2012, that reduces the long-term cost to the ERS and provides a retirement package acceptable to employees.

The Department makes semi-monthly payments from Airports System Revenues to the general fund to reimburse the State for general fund payments made to the Retirement System for Airports System employees' retirement benefits and to the State of Hawaii Employer-Union Health Benefit Trust for Airports System employees' and retirees' health care insurance and other post-employment benefits.

Customer Facility Charge Payments for Airports Division Employees

The Airports Division will reimburse the Airports System from moneys in the Project Fund, established under the Indenture, for actual time spent by Airports Division employees in the design, development, construction and project administration of the ConRAC System. The Airports Division will charge employees' hourly wages plus a multiplier for indirect costs, including employee's retirement benefits, healthcare insurance and other post-retirement benefits.

Proposed Legislation

In the preceding four legislative sessions legislation was introduced which proposed establishing an independent airports corporation to assume operations of the Airports System from the Airports Division. This legislation was not approved and has not been enacted. The Department cannot predict at this time whether any such legislation may be enacted in the future. Although the constitution of the United States contains prohibitions against the impairment of contracts, the Department cannot predict what impact, if any, such legislation would have on the operations of the Airports System or the availability of Customer Facility Charges.

THE AIRPORTS SYSTEM

General

The Department operates the Airports System as a single integrated system for management and financial purposes on behalf of the State. The Department operates and maintains 15 airports at various locations within the State. The Airports Division has jurisdiction over and control of the Airports System. Virtually all non-military passenger traffic throughout Hawaii passes through the Airports System, which includes five primary airports and ten secondary airports. The primary airports are Daniel K. Inouye International (on the Island of Oahu), Kahului (on the Island of Maui), Hilo International and Ellison Onizuka Kona International at Keahole (both on the Island of Hawaii), and Lihue (on the Island of Kauai). All of the primary airports provide facilities for interisland flights (in-State flights among the airports in the Airports System) and direct overseas flights to the continental United States. In addition, Daniel K. Inouye International and Ellison Onizuka Kona International provides international flights to the Pacific Rim, Oceania and Canada. Lihue and Kahului Airports also provide pre-cleared international service to and from Canada. The five primary airports accounted for approximately 98.8% of total enplaned passengers in the Airports System in fiscal year 2018.[1]

The other airports in the Airports System are Port Allen Airport on the Island of Kauai, Dillingham Air Field (currently leased from the United States military) and Kalaeloa Airport on the Island of Oahu, Kapalua and Hana Airports on the Island of Maui, Waimea-Kohala and Upolu Airports on the Island of Hawaii, Lanai Airport on the Island of Lanai, and Molokai and Kalaupapa Airports on the Island of Molokai. Upolu Airport, Port Allen Airport, and Dillingham Air Field serve only general aviation, while the others provide interisland airline service.

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[1] The fiscal year for the State of Hawaii begins on July 1 of each year and ends on June 30 of the following calendar year. For purposes of this report, "fiscal year" refers to the calendar year in which such fiscal year ended. For example, "fiscal year 2018" means the fiscal year that began July 1, 2017 and ended June 30, 2018

Primary Airports

Daniel K. Inouye International Airport. Daniel K. Inouye International, the primary airport in the Airports System, is located approximately six miles west of downtown Honolulu. Daniel K. Inouye International is the largest and busiest of the State's airports, accounting for 56.7% of all passengers enplaned in the Airports System in fiscal year 2018. In 2017, according to the Federal Aviation Administration (the "*FAA*"), Daniel K. Inouye International was the twenty-eighth busiest in the United States in enplaned passengers. In fiscal year 2018, 10.7 million passengers were enplaned at Daniel K. Inouye International – 7.4 million overseas passengers and 3.3 million interisland passengers. The 2017 Airports Council International Worldwide Traffic Report listed Daniel K. Inouye International as the 112th busiest airport in terms of total passengers. These rankings reflect Daniel K. Inouye International's: (1) large origin-destination passenger base (related to the visitor industry), (2) geographic location in the central Pacific, and (3) role as a hub for Hawaiian Airlines, which provide connecting service from Daniel K. Inouye International to the other Airports System primary airports. Daniel K. Inouye International serves interisland flights, domestic overseas flights and international flights to destinations on the Pacific Rim, Oceania and Canada.

Daniel K. Inouye International has four runways, two of which (12,000-foot and 12,300-foot long) are amongst the nation's longest. In addition, it has the only reef runway in the nation (12,000-foot long by 200-foot wide). Daniel K. Inouye International has 46 total gate positions (including 33 overseas aircraft gate positions with loading bridges), 13 interisland aircraft parking positions and public parking spaces for 4,668 vehicles. Daniel K. Inouye International also provides runways for Joint Base Pearl Harbor Hickam and the Hawaii Air National Guard.

Kahului Airport. Kahului Airport is located approximately three miles east of the town of Kahului, which, together with Wailuku, is the principal business and commercial center of the Island of Maui. Kahului is the second busiest airport in the State. Kahului has one 6,995-foot runway and one 5,000-foot runway. The terminal complex includes ticket counters, six hold rooms, 16 aircraft gate positions with loading bridges, a baggage claim area and ancillary service facilities. Kahului has public parking facilities for approximately 1,200 vehicles. In addition to interisland service, Kahului provides facilities for domestic overseas flights and pre-cleared international flights to and from Canada.

Lihue Airport. Lihue Airport is located approximately one and one-half miles east of Lihue, the governmental and business center of the Island of Kauai. Lihue has two 6,500-foot runways. The terminal complex includes ticket counters, eight aircraft gate positions with loading bridges, two baggage claim areas and ancillary service facilities. Lihue has public parking facilities for approximately 670 vehicles, a 30,400 square foot cargo building, a 5,600 square foot air commuter terminal, 14 T-hangars, a training facility for aircraft rescue and firefighting, and helicopter facilities. In addition to interisland service, Lihue provides facilities for domestic overseas flights and pre-cleared international flights to and from Canada.

Ellison Onizuka Kona International Airport at Keahole. Ellison Onizuka Kona International Airport is located in North Kona on the western shore of the island of Hawaii, approximately eight miles northwest of Kailua-Kona, the business center of the western part of the Island of Hawaii. Ellison Onizuka Kona International, which was opened in 1970, has an 11,000-foot runway. The terminal complex includes ticket counters, 10 boarding gates (serving 14 aircraft parking spots) and ancillary service facilities. Ellison Onizuka Kona International has public parking facilities for approximately 1,380 vehicles. In addition to interisland service, Ellison Onizuka Kona International provides facilities for domestic overseas flights and pre-cleared international flights to and from Pacific Rim, Oceania, and Canada.

Hilo International Airport. Hilo International Airport (formerly General Lyman Field) is located immediately east of Hilo, the business center of the eastern shore of the Island of Hawaii and the governmental center of the Island of Hawaii. Hilo International has a 9,800-foot runway and a 5,600-foot runway. The terminal complex includes ticket counters, 10 aircraft gates and ancillary service facilities. Hilo International has public parking facilities for approximately 550 vehicles and eight T-hangars. Hilo International provides facilities for interisland and domestic overseas flights.

Airports Capital Improvement Program

The ConRAC System comprises a major part of the Department's ongoing Airports Capital Improvement Program which includes over $2.4 billion of other capital improvement program for the Airports System. The current Capital Improvement Program includes 162 separate projects with over $1 billion, or 41.5%, of the Projects substantially completed. One major source of financing for the capital improvements program, other than the ConRAC System, is revenue bonds supported by Airport Revenues and Aviation Fuel Taxes. Components of the Capital improvement program must be approved by the Signatory Airlines as well as the Legislature.

As of March 9, the Capital Improvement Program includes $948.2 million related to the ConRAC System ($637.9 million of which has been spent to date) and the following major components:

Daniel K. Inouye International:

- Mauka Concourse Program ($667 million) has three components: Relocation of the maintenance and Cargo Building for Hawaiian Airlines on the west side of Taxiways G and L, widening of Taxiways G and L, and construction of a Mauka Concourse Extension building containing six new hold-rooms and loading bridges to accommodate six wide-bodied aircraft. The Department must relocate two commuter airlines before construction of the Mauka Concourse Extension can commence. The Mauka Concourse Extension is scheduled to be completed in 2020.

- Airfield Improvements ($149 million) includes widening and/or reconstruction of runways 8L, 26L and 4R and Taxiway Z.

- Terminal Improvements ($318 million) to the Terminal 2 includes Baggage handling system improvements, electrical distributed generation system improvements, asbestos abatement and other miscellaneous projects.

Other Airports:

- Kahului ($99 million) includes reconstruction of Taxiway A, land acquisition, replacement of loading bridges and miscellaneous terminal improvements.

- Kona ($158 million) includes terminal modernization, design and construction of an aircraft rescue and firefighting regional training facility and design of a new international arrivals building.

- Hilo ($50 million) includes renovating the existing cargo building, construction of an aircraft rescue and firefighting regional training facility and airfield improvements.

- Lihue ($51 million) includes construction of airfield improvements, land acquisition and hold room improvements.

- Other airports and statewide projects ($287 million) includes a statewide energy saving project with a total cost estimate of $207 million and other miscellaneous projects.

The Department reviews the Capital Improvement Program at least annually, removing completed projects and including additional projects approved by the Legislature and the Governor.

Financial Covenants

State law and the Certificate of the Director of Transportation dated as of May 1, 1969, as amended and supplemented (the "*Director's Certificate*") require the State to operate the Airports System on a self-sustaining basis. The Director's Certificate requires the Department to impose, prescribe and collect rates, rentals, fees and charges for the use and services of, and the facilities and commodities furnished by, the Airports System to generate revenues which, together with the receipts of Aviation Fuel Taxes, will be sufficient to pay the principal of and interest on all Bonds issued for the Airports System, and to pay the costs of operation, maintenance and repair of the Airports System.

The Department presently leases land to the RACs at Kahului, Kona, Hilo and Lihue, and charges the RACs ground rent, terminal rent and concession fees for the right to pick up and drop off customers at the terminal buildings, which rents and concession fees are presently a component of Airports System revenues. The RACs are responsible for maintenance, operating expenses and utilities for the Interim ConRAC at Daniel K. Inouye International. The Customer Facility Charge is not a component of Airports System revenues.

The Department is administering the design and construction of the ConRACs. When construction has been completed and the ConRACs are operational, the RACs will be responsible for maintenance, operating functions, and utilities of the ConRAC System. The Department will be responsible for administrative oversight.

Insurance

The Department has a commercial general liability insurance policy with a $750,000,000 limit for each occurrence. The policy includes extended coverage for $150,000,000 for war, hijacking and other perils. The liability policy has a zero deductible limit, which means that the insurer handles and pays for all claims against the State. The selection of insurance companies is arranged by the Department's designated Insurance Broker, MOC Insurance Services of San Francisco. The State has a separate insurance policy for its structures for which the Department pays the State Department of Accounting & General Services ("*DAGS*") a portion of the State's annual premium. The Airports Division has no control over DAGS's insurance premium. The ConRACs will be covered under these insurance policies, although the Department has not yet determined the share of these premiums to be allocated to the ConRAC System.

PASSENGER TRAFFIC AND AIRLINES

The following table summarizes passenger counts and aircraft operations at Daniel K. Inouye International and the major neighbor island airports in the Airports System for fiscal years 2014 through 2018. Because visitors to Hawaii and Hawaii residents traveling interisland for business and pleasure are the predominant customers for rental cars at the major airports in the Airports System, it is important to understand historical trends and passenger traffic projections for overseas and interisland travel in the Airports System.

Enplaned passenger counts increased from 17,859,218 in fiscal year 2017 to 18,806,274 in fiscal year 2018. Aircraft operations increased from 1,000,028 in fiscal year 2017 to 1,021,373 in fiscal year 2018.

Table 7
Enplaned Passengers and Aircraft Operations
Fiscal Year Ended June 30

	2014	2015	2016	2017	2018	2018 vs 2017 %
Enplaned Passenger Activity By Airport						
Daniel K. Inouye International Airport	9,700,237	9,707,527	9,936,591	10,201,879	10,655,473	4.4%
Kahului Airport	3,009,069	3,246,892	3,398,955	3,520,512	3,653,790	3.8%
Ellison Onizuka Kona Int'l Airport at Keahole	1,415,189	1,490,934	1,566,316	1,729,855	1,930,727	11.6%
Lihue Airport	1,353,125	1,386,017	1,432,633	1,518,423	1,663,600	9.6%
Hilo International Airport	644,656	648,491	661,161	678,079	675,020	-0.5%
All Others	172,721	202,934	219,704	210,471	227,664	8.2%
Total Enplaned Passengers	16,294,997	16,682,795	17,215,360	17,859,218	18,806,274	5.3%
Daniel K. Inouye International Airport as a Percentage of Total Enplaned Passengers	59.5%	58.2%	57.7%	57.1%	56.7%	
By Region and Market						
Domestic Overseas	6,481,469	6,834,201	7,099,220	7,240,443	8,020,657	10.8%
International	2,791,219	2,850,528	2,978,827	3,077,527	3,307,941	7.5%
Total Overseas	9,272,688	9,684,729	10,078,047	10,317,969	11,328,598	9.8%
Interisland	7,022,309	6,998,066	7,137,313	7,541,249	7,477,676	-0.8%
Total Enplaned Passengers	16,294,997	16,682,795	17,215,360	17,859,218	18,806,274	5.3%
% of Total						
Domestic Overseas	39.8%	41.0%	41.2%	40.5%	42.6%	
International	17.1%	17.1%	17.3%	17.2%	17.6%	
Interisland	43.1%	41.9%	41.5%	42.2%	39.8%	
Total Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	
Aircraft Operations (Combined Landing and Take-Off Reported by Control Tower)						
Daniel K. Inouye International Airport	300,976	315,474	306,826	308,791	308,179	-0.2%
Kahului Airport	127,143	132,496	135,743	142,511	146,074	2.5%
Ellison Onizuka Kona Int'l Airport at Keahole	117,075	144,098	120,798	111,142	127,920	15.1%
Lihue Airport	125,569	132,758	118,132	128,947	128,874	-0.1%
Hilo International Airport	90,733	85,770	78,237	79,999	89,183	11.5%
All Others	215,830	214,211	211,407	228,638	221,143	-3.3%
Total Aircraft Operations	977,326	1,024,807	971,143	1,000,028	1,021,373	2.1%
Daniel K. Inouye International Airport as a Percentage of Total Aircraft Operations	30.8%	30.8%	31.6%	30.9%	30.2%	

Source: Department of Transportation – Airports Division Planning Section.
Note: Totals may not add due to rounding.

Table 8

Summary of Landed Weights
Fiscal Year Ended June 30; 1,000 pound units

	2014	2015	2016	2017	2018
By Airport					
Daniel K. Inouye International Airport	16,239,287	16,528,925	16,680,345	17,210,458	17,374,658
All Other Airports	9,020,105	9,920,013	9,963,182	10,494,972	11,150,475
Total Landed Weights	25,259,392	26,448,938	16,643,527	27,705,430	28,825,132
% of Total					
Daniel K. Inouye International Airport	64.3%	62.5%	62.6%	62.6%	61.3%
All Other Airports	33.7%	37.5%	37.4%	37.9%	38.7%
Total Percentage	100.0%	100.0%	100.0%	100.0%	100.0%
By Market					
Overseas	15,300,281	16,190,994	16,629,128	16,943,475	18,138,548
Interisland	9,959,111	10,257,944	10,014,399	10,761,955	10,686,584
Total Landed Weights	25,259,111	26,448,938	26,643,527	27,705,430	28,825,132
% of Total					
Overseas	60.6%	61.2%	62.4%	61.2%	62.9%
Interisland	39.4%	38.8%	37.6%	38.8%	37.1%
Total Percentage	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Department of Transportation – Airports Division Planning Section.

Airline Service and Passenger Activity Operations

Air transportation in Hawaii is characterized by three types of service: (1) domestic in-state interisland service among the islands in Hawaii and airports in the Airports System, (2) domestic overseas service to the continental United States, and (3) international overseas service, primarily to destinations in the Pacific Rim, Oceania, and Canada. Interisland service accounted for 39.8% of enplaned passengers in fiscal year 2018. Overseas service, including flights to both the continental United States and international destinations, accounted for 42.6% and 17.6% of enplaned passengers in the Airports System for fiscal year 2018. The number of passengers enplaned in the Airports System in fiscal year 2018 increased 5.3% over fiscal year 2017. This increase is due to increased traffic from overseas passengers. Interisland enplanements decreased 0.8% due to the bankruptcy of Hawaii Island Air, which only operated interisland flights and accounted for 8.5% of total interisland enplanements of fiscal year 2017. Interisland enplanements are expected to pick up after Southwest starts its services in the State.

Daniel K. Inouye International Airport is served by 30 Signatory Airlines (as parties to separate airport-airline lease agreements executed effective January 1, 2008, as extended) during fiscal year 2018. Of the Signatory Airlines 25 are passenger airlines, including 7 major domestic and national U.S. airlines (including airlines with multiple leases following mergers), 2 airlines that only provides interisland service, and 16 foreign-flag airlines. The Primary Neighbor Island Airports are served by a total of 11 scheduled passenger airlines, including 6 major and national airlines, 2 regional and commuter airlines, and 3 foreign-flag airlines.

The following Signatory Airlines served the State with scheduled or charter overseas passenger flights during fiscal year 2018: Air Canada, Air China Limited, Air Japan Co., Ltd., Air New Zealand, Ltd., Air Pacific, Ltd., AirAsia X Berhad, Alaska Airlines, Inc., Allegiant Air, L.L.C., All Nippon Airways Co., Ltd., American Airlines, Inc., Asiana Airlines, Inc., China Airlines, Ltd., Delta Air Lines, Inc., Hawaiian Airlines, Inc., Japan Airlines International Co., Ltd., Jetstar Airways Pty Limited, Jin Air Co., Ltd., Korean Airlines Company, Ltd., Philippine Airlines, Inc., Qantas Airways Limited, United

Airlines, Inc., and WestJet. The Signatory Airlines providing interisland passenger flight services are: Hawaiian Airlines, Inc., Hawaii Island Air, Inc. Mokulele Flight Service, Inc. and Southwest Airlines Co. Allegiant Air, L.L.C. ceased services to Hawaii in fiscal year 2018. Virgin America merged with Alaska Airlines. Hawaii Island Air, Inc. filed for bankruptcy in fiscal year 2018 and stopped services in the State.

In fiscal year 2018, interisland flights accounted for 30.7% of enplaned passengers at Daniel K. Inouye International and 39.8% of all enplaned passengers in the Airports System. Overseas (both domestic and international) flights accounted for 69.3% of enplaned passengers at Daniel K. Inouye International and 60.2% of enplaned passengers in the Airports System. The share of overseas passengers enplaned at the airports, excluding Daniel K. Inouye International, increased from 45.1% in fiscal year 2017 to 48.4% in fiscal year 2018. Hawaiian Airlines had 51.3% market share of all enplaned passengers followed by United Airlines 12.7%, Delta Air Lines 7.6%, Alaska Airlines 6.9%, American Airlines 6.7%, and Japan Airlines 2.8%. Other airlines together had 12.0% market share of enplaned passengers in the Airports System.

Since March 2008, Hawaiian Airlines, Inc. has provided the majority of all interisland service within the State, with a market share of 93.1% in fiscal year 2018, increasing from 87.3% in fiscal year 2017. Hawaii Island Air ceased all operations in FY 2018. Southwest started overseas services in March 2019 and started interisland services in April 2019.

The following tables present the landed weights and enplaned passengers for each of the Signatory Airlines and the Nonsignatory Airlines in fiscal years 2014 through 2018.

Table 9
LANDED WEIGHTS BY AIRLINES
Fiscal Year Ended June 30; 1,000 pound units

	2014	2015	2016	2017	2018
Signatory Airlines (1)					
Hawaiian Airlines, Inc.	9,929,976	10,703,014	10,807,739	11,226,172	11,811,534
United Airlines, Inc. (2)	2,770,747	2,895,360	2,849,402	2,739,204	3,107,058
Delta Airlines, Inc.	1,718,355	1,885,065	1,788,603	1,834,631	1,841,062
American Airlines, Inc.	1,398,242	1,443,560	1,392,112	1,416,271	1,588,600
Alaska Air, Inc.	1,113,837	1,156,009	1,209,898	1,154,901	1,331,651
Aeko Kula, Inc.	962,754	1,043,583	1,120,314	1,206,634	1,139,338
Japan Airlines International Co., Ltd.	908,241	946,723	924,764	986,700	1,081,554
United Parcel Service Co.	763,276	805,546	833,155	886,799	1,053,532
Federal Express Corporation	754,655	646,953	663,012	658,197	667,146
Korean Airlines Company, Ltd.	487,013	436,743	410,789	407,395	451,885
All Nippon Airways Co. Ltd.	121,660	124,160	247,872	299,128	419,995
Mokulele Flight Service, Inc.	291,873	309,808	311,126	278,613	309,707
Hawaii Island Air, Inc.	560,258	621,815	459,007	768,115	304,500
Westjet	239,448	245,021	262,417	254,002	261,428
Kalitta Air, LLC	186,026	207,102	236,208	252,278	253,657
Qantas Airways, Ltd.	198,264	206,248	229,313	230,871	239,054
Air Canada	174,080	198,400	217,600	206,400	210,794
JetStar Airways	-	237,306	230,956	193,257	187,702
Asiana Airlines, Inc.	120,381	107,189	108,872	108,013	136,047
Virgin America	-	-	77,991	201,088	114,018
Air New Zealand, Ltd.	58,659	64,765	66,730	81,600	111,509
China Airlines, Ltd.	248,972	208,562	208,964	200,581	102,695
Philippine Airlines, Inc.	87,552	110,272	118,156	106,948	101,408
Jin Air Co. Ltd	-	-	63,940	89,700	80,500
Air China Limited	27,628	66,066	76,076	72,472	68,068
Total Then-Current Signatory Airlines	23,755,103	24,927,768	25,170,224	26,058,872	27,102,003
Total Then-Current Nonsignatory Airlines	1,504,289	1,521,170	1,473,303	1,646,558	1,723,129
Total All Airlines	25,259,392	26,448,938	26,643,527	27,705,430	28,825,132

(1) Indicating signatory status during fiscal year 2018. Statistics for prior years may be under non-signatory status.
(2) Including United Airlines and Continental Airlines.

Table 10

Enplaned Passengers by Airlines
Fiscal Year Ended June 30

	2014	2015	2016	2017	2018
Signatory Airlines (1)					
Hawaiian Airlines, Inc.	8,238,027	8,563,446	8,911,143	9,162,470	9,650,371
United Airlines, Inc.	1,871,540	1,884,224	1,840,933	1,827,468	2,381,882
Delta Airlines, Inc.	1,191,308	1,301,125	1,312,233	1,406,136	1,430,153
Alaska Air, Inc.	1,130,377	1,184,524	1,234,398	1,170,754	1,291,927
American Airlines, Inc.	1,110,347	1,101,419	1,102,920	1,123,274	1,264,719
Japan Airlines International Co., Ltd.	536,935	539,209	555,331	505,183	521,555
Westjet	221,106	221,581	233,039	217,727	252,439
Mokulele Flight Service, Inc.	239,684	250,626	248,336	221,440	244,856
All Nippon Airways Co. Ltd.	143,200	151,587	218,357	232,287	232,759
Korean Airlines Company, Ltd.	222,972	224,362	218,702	211,832	222,667
Hawaii Island Air, Inc.	353,790	431,518	325,601	644,621	183,774
Air Canada	96,850	133,449	150,777	155,501	166,992
JetStar Airways	94,944	114,396	136,290	124,078	143,282
Virgin America	-	-	68,034	174,723	97,888
Asiana Airlines, Inc.	59,584	59,246	60,385	58,957	81,708
Qantas Airways, Ltd.	35,071	42,561	51,005	59,740	68,736
China Airlines, Ltd.	128,537	125,650	130,396	123,630	64,130
AirAsia X Berhad	-	-	-	-	64,027
Air New Zealand, Ltd.	35,801	39,387	37,713	46,850	57,264
Jin Air Co. Ltd.	-	-	41,116	65,732	53,045
Philippine Airlines, Inc.	31,239	38,120	37,706	43,344	46,528
Air China Limited	9,950	24,886	30,079	28,954	28,715
Air Pacific, Ltd.	14,783	15,762	14,868	15,065	14,893
Allegiant Air LLC	94,439	89,322	79,874	37,300	6,987
Mesa Airlines, Inc.	310,882	-	-	-	-
Pacific Wings LLC	40	-	-	-	-
Total Then-Current Signatory Airlines	16,171,406	16,536,400	17,039,236	17,657,066	18,571,297
Non-Signatory Airlines					
Makani Kai Helicopters	27,918	44,165	25,439	85,640	86,292
China Eastern	38,194	44,451	51,199	57,520	60,881
Omni Air International	50,294	49,164	49,689	50,995	50,814
Scoot	-	-	-	-	29,675
Sun Country Airlines	-	-	-	-	3,855
Air Transport International	2,373	2,686	2,735	2,649	1,659
Trans Air	1,301	1,667	489	1,405	1,394
Big Island Air	3,511	4,262	1,180	1,495	407
Makani Air Charters	-	-	44,350	-	-
Kaiser Air	-	-	-	2,448	-
Trans Executive	-	-	1,034	-	-
Total Then-Current Nonsignatory Airlines	123,591	146,395	176,124	202,152	234,977
Total All Airlines	16,294,997	16,682,795	17,215,360	17,859,218	18,806,274

Source: Department of Transportation – Airports Division Planning Section.
(1) Indicating signatory status during fiscal year 2018. Statistics for prior years may be under non-signatory status.

CERTAIN INVESTMENT CONSIDERATIONS

The Series 2019 Bonds may not be suitable for all investors. Prospective purchasers of the Series 2019 Bonds should give careful consideration to the information set forth in this Official Statement, including, in particular, the matters referred to in the following summary. However, the following summary does not purport to be a comprehensive or exhaustive discussion of risks or other considerations which may be relevant to investing in the Series 2019 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. There can be no assurance that other considerations not discussed below will not become material in the future.

Rate Covenant Not a Guarantee; Failure to Meet Projections

The ability of the Department to pay debt service on the Bonds depends on the ability of the Department to generate collections of the Customer Facility Charge at the levels required by the Indenture. Although the Department expects that sufficient numbers of rental car customers will pay the Customer Facility Charge and the RACs will make sufficient Minimum Annual Requirement Deficiency payments to pay all expenses of the ConRAC System, there is no assurance that such impositions will result in the collection of the Customer Facility Charge in the amounts required. As a result, the Rate Covenant does not constitute a guarantee that sufficient collections of the Customer Facility Charge will be available to make debt service payments on the Bonds.

The operation of the ConRAC System and the Department's ability to generate receipts from the collection of the Customer Facility Charge are affected by a variety of legislative, legal, contractual and practical restrictions, including restrictions in the provisions of ConRAC Leases and extensive federal regulations applicable to all airports.

In addition, all financial forecasts of the Department are based on a number of assumptions. Changes in circumstances could have a material adverse impact on the ability of the Department to pay the principal of and interest on the Bonds.

Considerations Concerning the Rental Car Industry

General. As described in the Report of the Consultant, rental car demand at the Airports, and the number of rental car transaction days to which the Customer Facility Charge will be applied, is highly correlated to airline passenger travel. The Consultant concludes, based on historic rental car data and the assumptions set forth in their report, that the number of rental car transaction days is primarily a function of the number of visitor arrivals to the Airports System, the ratio of number of rental car transactions divided by number of visitors, and average duration of each rental car transaction. Other factors may include cost of car rentals, alternative means of transportation and availability of rental cars. See "Factors Affecting Customer Facility Charge Transaction Days" below and **Appendix A – Report of the Consultant**.

Concessionaires. The projections of receipts from the collection of the Rental Motor Vehicle Customer Facility Charge are dependent on the ability of the rental car concessionaires or any new concessionaires to provide a competitive product to potential customers at the Airports System. This ability may be affected by factors beyond their control, including the cost and resale value of cars. Competitive factors have limited the profitability of rental car companies in past years, and some rental car companies and franchises have ceased operations or have been acquired by other companies. Prospective purchasers of the Bonds should consider the potential effects of the rental car industry as a whole upon the collections of the Customer Facility Charge to pay debt service on the Bonds.

Concentration of Rental Car Companies. The Department has entered into ConRAC Leases with five concessionaires representing 13 rental car brands. Three of these concessionaires represent 11 brands that generate approximately 95% of the gross revenues from on-airport rental car activities at the Airports System during fiscal year 2018. The concentration of the rental car business in a small number of corporate entities amplifies the risk from factors that may impact the operations and activities of the concessionaires.

Considerations under Bankruptcy Code. In the event a bankruptcy case is filed with respect to any of the concessionaires, a bankruptcy court could determine that the ConRAC Lease of such concessionaire is an executory contract or unexpired lease pursuant to Section 365 of the Federal Bankruptcy Code. In that event, a trustee in bankruptcy or a debtor-in-possession might reject the ConRAC Lease and delays or reductions in payments from the affected concessionaire to the Department could cause delays or reductions in payments of the Customer Facility Charge. If a ConRAC Lease is rejected, the amounts unpaid as a result of the rejection can be passed on to the remaining concessionaires. If the bankruptcy of one or more concessionaires were to occur, however, there can be no assurance that the remaining concessionaires would be able, individually or collectively, to meet the RAC's collective obligations under the applicable ConRAC Leases.

Considerations Concerning Tourism to Hawaii

Approximately two-thirds of enplaned passengers in the Airports System in fiscal year 2018 were overseas visitors, largely because Hawaii is a leading global tourism destination. Hawaii's ability to continue to develop tourism facilities and visitor attractions, and to market Hawaii to U.S. and international visitors is a key factor in affecting air traffic and rental car usage. Development of additional tourism infrastructure and facilities and continued marketing may attract additional and repeat visitors. On the other hand, negative factors such as inadequate hotel or airline capacity could have a negative effect on visitor growth.

Considerations Concerning the Airline Industry

General. The financial strength and stability of airlines serving the State are a key determinant of future airline traffic, and therefore the Customer Facility Charge to be collected at the Airports System. The financial results of the air transportation industry have been subject to substantial volatility since deregulation. Some factors that may affect future airline traffic at the Airports System or other markets impacting the Airports System include (but are not limited to): (i) growth in tourism and the State population, (ii) State, national and international economic health, (iii) national and international political conditions, (iv) changes in demand for air travel, (v) airline service and cost competition, (vi) airline economics and fares, mergers, the availability and price of aviation fuel and other necessary supplies, (vii) airline service and route networks, (viii) federal regulation, (ix) changes in bankruptcy, industry and other applicable laws, (x) the capacity of the air traffic control system, (xi) availability of employees and labor relations within the airline industry, (xii) environmental risks, noise abatement and air pollution abatement and regulation, (xiii) acts of war or terrorism, (xiv) aviation accidents, and (xv) other risks related to the airline industry.

The financial strength and stability of the airlines using the Airports System, together with numerous other factors, influence the level of aviation activity at the Airports System. In addition, individual airline decisions regarding level of service can affect total enplanements. No assurances can be given that any of these airlines will continue operations or maintain their current level of operations at the Airports System. If one or more of these airlines reduces or discontinues operations at the Airports System, that airline's current level of activity may not be replaced by other carriers which may impact the level of Customer Facility Charge to be collected at the Airports System.

Effects of Bankruptcy. Due to the discretionary nature of business and personal travel spending, airline passenger traffic and revenues are heavily influenced by the strength of the U.S. economy, other regional and world economies, corporate profitability, airline safety, security and public health concerns, air traffic control limits and other factors. Permanent structural changes to the industry are the result of a number of factors including the impact of low cost carriers, airline consolidation, internet travel websites, changes in technology and carriers reorganizing under the U.S. Bankruptcy Code. Airlines operating at the Airport have filed for bankruptcy or have ceased operating generally or within the State in the past and may do so in the future. Potential investors are urged to review the airlines' financial information on file with the SEC and DOT.

It is not possible to predict the impact on the Airports System or the impact on Customer Facility Charge receipts of any future bankruptcies, liquidations or major restructurings of other airlines, especially of one or more large network airlines.

Restructuring of Air Carriers. Certain other airlines serving the Airports System have consolidated in recent years. As described under "PASSENGER TRAFFIC AND AIRLINES – Airline Service and Passenger Activity Operations" above, Hawaiian Airlines served 40.9% of all enplaned passengers at the Airports System in fiscal year 2018. While historically when airlines have reduced or ceased operations at the Airports System other airlines have absorbed the traffic, it is possible that were Hawaiian Airlines or other airlines to cease or significantly cut back operations at the Airport, Customer Facility Charge receipts could be adversely affected.

Since 2010, Alaska Airlines and Virgin America, Inc.; United Airlines and Continental Airlines; Southwest Airlines and AirTran Holdings, Inc.; and American Airlines and US Airways all have merged and further airline consolidation remains possible. While historically these mergers, consolidations and restructurings have not had a material impact at operations at the Airports System, there can be no guarantee that any similar future events will not impact traffic at the Airports System and, in doing so, adversely impact Customer Facility Charge receipts.

Cost of Aviation Fuel. The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability and economic uncertainties. Beginning in 2003, fuel prices increased as a result of the invasion and occupation of Iraq; political unrest in other oil-producing countries; the rapidly growing economies of China, India, and other developing countries; and other factors influencing the demand for and supply of oil. While there has been no shortage of aviation fuel since the "fuel crisis" of 1974, there have been significant fluctuations and, on occasion, increases in the price of aviation fuel, including record high prices in 2008. Fuel now represents the largest item of expense for most airlines. However, airline industry analysts believe that fuel prices are likely to increase over the long term as global energy demand increases in the face of finite and increasingly expensive oil supplies. While aviation fuel prices have not affected the ability of airlines to provide service, fluctuating prices will affect airline service, airfares, and passenger numbers. Airline operating economics are also likely to be affected as regulatory costs are imposed on the airline industry to account for aircraft emissions contributing to global climate change. Significant and prolonged increases in the cost of aviation fuel or any decreases in the availability of aviation fuel are likely to have an adverse impact on the air transportation industry's profitability and hamper the recovery plans and cost-cutting efforts of the airlines.

Rental Car Company and Airline Information

Customer Facility Charge collections may be affected by the ability of the rental car companies individually or collectively, to meet their obligations to collect the Customer Facility Charge and to pay rates, rentals, fees and charges imposed on them. Rental car companies as well as the principal domestic airlines serving the State, or their respective parent corporations, and foreign airlines serving the State with American Depository Receipts ("*ADRs*") registered on a national exchange are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, file reports and other information with the Securities and Exchange Commission (the "*SEC*"). Certain information, including financial information, concerning such rental car companies or their respective parent corporations and domestic airlines, or their respective parent corporations, and such foreign airlines is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected and copied at the public reference facilities maintained by the SEC, which can be located by calling the SEC at 1-800-SEC-0330. The SEC maintains a website at http://www.sec.gov containing reports, proxy statements and other information regarding registrants that file electronically with the SEC. In addition, each airline is required to file periodic reports of financial and operating statistics with DOT. Such reports can be inspected at DOT's Office of Airline Information, Bureau of Transportation Statistics, Department of Transportation, Room 4201, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from DOT at prescribed rates.

Foreign airlines serving the State, or foreign corporations operating airlines serving the State (unless such foreign airlines have ADRs registered on a national exchange), are not required to file information with the SEC. Such foreign airlines, or foreign corporations operating airlines, serving the State file limited information only with DOT.

Neither the State nor the Underwriters undertake any responsibility for or make any representation as to the accuracy or completeness of: (i) any reports and statements filed with the SEC or DOT, or (ii) any material contained on the SEC's website as described in the preceding paragraph, including, but not limited to, updated information on the SEC's website or links to other Internet sites accessed through the SEC's website.

Factors Affecting Construction of the ConRAC System

As described above, the Department is undertaking significant capital improvement construction of the ConRAC at Daniel K. Inouye International, is in the planning stages for a ConRAC at Lihue and continues to evaluate needs elsewhere in the Airports System to meet the demands of a growing population of rental car customers. The ability of the Department to complete construction of the ConRAC at Daniel K. Inouye International and elsewhere in the Airports System may be adversely affected by various factors, including (but not limited to): (1) estimating errors, (2) design and engineering errors, (3) changes to the scope of the projects, including changes to federal security regulations, (4) delays in contract awards, (5) material and/or labor shortages, (6) unforeseen site conditions, (7) adverse weather conditions and other force majeure events, (8) contractor defaults, (9) labor disputes, (10) unanticipated levels of inflation, and (11) environmental issues. No assurance can be made that the ConRAC at Daniel K. Inouye International or future ConRACs elsewhere in the Airports System will not cost more than the current budget for these projects. Any schedule delays may result in increased costs and could result in the need to issue additional indebtedness. There can be no assurances that significant increases in costs over the amounts projected by the Department will not materially adversely affect the financial condition or operations of the ConRAC System, leading to different results than projected in the Report of the Consultant.

Factors Affecting Customer Facility Charge Transaction Days

In addition to the number of visitors, other factors affecting the number of Customer Facility Charge transaction including, but not limited to: (i) alternative means of transportation, (ii) visitor characteristics, (iii) costs of car rentals, and (iv) rental car availability and quality. Potential alternative means of transportation include, but are not limited to, (i) the Honolulu Area Rapid Transit (HART)

20-mile high speed rail transit system which is presently under construction and is expected to be fully operational in 2025, (ii) transportation network companies ("*TNCs*"), such as Uber and Lyft, which are permitted to operate at the Airports System, and (iii) other new and innovative alternatives including, but not limited to, car sharing applications such as Turo. The continued development of driverless cars or other novel technologies offering alternatives to rental cars may also affect the number of Customer Facility Charge transaction days. Prospective purchasers should consider the potential impact of these and other matters on the rental car industry as a whole when evaluating an investment in the Series 2019 Bonds.

Rental cars tend to provide a high level of convenience to visitors, but at a high cost compared to other forms of ground transportation. Visitors have other ground transportation options available, including, in certain instances, busses, trolleys, taxis and TNCs such as Uber and Lyft. Visitor destinations on Oahu are concentrated in a smaller area than on Maui. Visitor destinations on Maui are farther from resort areas, and public transportation options are limited. Hence visitors to Maui have a higher tendency to rent cars.

Honolulu Short-Term Rental Ordinance. The City and County of Honolulu recently enacted an Ordinance regulating short term rentals. Based on on-line advertising it is estimated there are 8,000 to 10,000 short-term rentals available on Oahu, far exceeding the approximately 770 existing "non-conforming use certificate for short-term rental" permitted under Honolulu's Land Use Ordinance. Effective August 1, 2019, fines for unpermitted short-term rentals have been increased to $5,000 per day and $10,000 for recurring violations. Effective October 1, 2020, hosting platforms that provide booking services for short-term rentals must register with the City and County Department of Planning and Permitting and must provide the non-conforming use certificate number of all short-term rental units hosted. Also effective October 1, 2020, the City and County Department of Planning and Permitting is authorized to issue additional non-conforming use certificates for a number of bed and breakfast homes equal to one-half percent of all housing units in each community area. Bed and breakfast homes are defined as overnight accommodations in a detached dwelling provided by the owner who occupies the same dwelling. The ordinance does not permit issuance of new non-conforming use permits for transient vacation units, defined as accommodations provided in units other than a bed and breakfast home (not occupied by the owner of the unit).

The Department is unable to predict what impact, if any, the foregoing measures or any future measures will have on the number of rental car transaction days or the collection of CFCs.

Economic Conditions

Historically, the financial performance of the air transportation industry has correlated closely with the state of the national economy and levels of real disposable income. Recession in 2008 and 2009, combined with reduced discretionary income and increased airfares, reduced airline travel demand and rental car demand in 2008 and 2009. However globalization of business and the increased importance of international trade has resulted in U.S. economic growth becoming more closely tied to worldwide economic, political, and social conditions. As a result, international economics, trade balances, currency exchange rates, political relationships, public health concerns, and hostilities are now important influences on passenger traffic at major U.S. airports. Sustained future increases in passenger traffic in the Airports System will depend on stable and peaceful international conditions as well as global economic growth.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities and terrorist attacks, may have an immediate and significant impact on the demand for aviation services, including, but not limited to, services at the Airports System and, in doing so, adversely impact the Customer Facility Charge receipts. Conversely, the adoption of any future or alternative security measures at the Airports System may entail additional inconvenience and delays for travelers, which may also result in reduced demand and reduced Customer Facility Charge collections.

Computer networks and data transmission and collection are vital to the efficient operation of the rental car industry and the airline industry. Air travel industry participants, including airlines, RACs, the FAA, TSA, the Department and others collect and store sensitive data, including proprietary business information, information regarding customers and personally identifiable information of customers and employees. The secure processing, maintenance and transmission of this information is critical to RAC and airline industry operations. Despite security measures information technology and infrastructure may be vulnerable to attack by hackers or breached due to error or other disruption. Any breach or disruption could result in disruptions in the efficiency of the air travel industry, liability under laws that protect privacy of personal information and a loss of confidence in the air travel industry, which could ultimately affect Customer Facility Charge collections.

The Department cannot predict the effects and/or likelihood of future terrorist attacks (either domestically or abroad), the effect of any future government-required security measures on passenger activity at the Airports System, future air transportation disruptions, or the impact on the Airports System, the airlines or the rental car industry from such incidents or disruptions.

Geopolitical Shift in U.S. Foreign Policy and International Relations

The inauguration in January 2017 of President Donald Trump has brought new U.S. policies and strategies to national security, international relations, defense, immigration, and the war against terrorism. Replacement of important positions in the U.S. Government, including appointments of a new Secretary of State, U.S. Ambassador to the United Nations, National Security Advisor and Secretary of Defense, has also resulted in changes in policies, perspectives, experiences and relationships to the global arena.

On January, 27, 2017, President Trump issued an Executive Order which proposed a travel ban of citizens from seven majority-Muslim countries (Iraq, Syria, Iran, Libya, Somalia, Sudan and Yemen), based on the threat individuals from these countries allegedly posed to U.S. national security. The initial travel ban was held invalid by U.S. District Judge James Robart, and upheld by the Ninth Circuit Court of Appeals. A revised order was issued on March 6, 2017, challenged in *Hawaii v. President Donald J. Trump* et al, and other lawsuits and was blocked by both Hawaii and Maryland U.S. District Courts and the Fourth and Ninth Circuit Courts of Appeals. On September 24, 2017, the Trump administration issued a third executive order seeking to restrict travel from eight countries: six countries in Africa and the Middle East (Chad, Iran, Libya, Somalia, Syria, and Yemen), as well as North Korea and Venezuela. In June 2018, the Supreme Court upheld an indefinite ban on travel from seven countries (Iran, Libya, North Korea, Somalia, Syria, Venezuela, and Yemen).

In Hawaii v. Trump, the State argued that the travel ban would have the effect of depressing international travel to and tourism in Hawaii, and have a detrimental impact to Hawaii's economy as a whole. Similarly, the World Travel & Tourism Council stated in March 2017 that while the travel ban is not yet having a material impact, there are unintended consequences of the message that the U.S. is not open for business.

The Department cannot predict the effect of and/or impact that future changes in U.S. foreign policy, national security concerns, international relations or the evolving geopolitical landscape of the Pacific Rim may have on foreign travel to and tourism in Hawaii.

Public Health Concerns

Public health concerns have also affected travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome, or SARS, led public health agencies to issue advisories against non-essential travel to certain regions of the world. Beginning in April 2009, concerns about the spread of "swine flu" caused by the H1N1 virus reduced certain international airline travel. Since April 2009, the Director-General of the World Health Organization has increased the level of influenza pandemic alert several times and cases of the H1N1 virus have occurred throughout the world. Following an outbreak of the Ebola virus in West Africa in 2014, concerns about the spread of this virus have adversely affected travel to and from certain regions in Africa. In 2016, the U.S. Centers for Disease Control and Prevention issued travel alerts warning pregnant women to avoid travel to areas where outbreaks of the Zika Virus are occurring. Current conditions and future outbreaks of the swine flu or other communicable diseases could result in a reluctance to travel among fliers.

Future outbreaks or pandemics may lead to a decrease in air traffic, at least for a temporary period, which in turn could cause a decrease in passenger activity at the Airport and a corresponding decline in Revenues. The Department has plans and procedures in place that are intended to mitigate the potential impacts on the Airports System of any such future pandemic. The Department is unable to predict how serious the impact of any future pandemic become, what effect it may have on air travel to and from the Airports System, and whether any such effects will be material.

Impact of Uncertainties of the Airline Industry on the Airports System

The factors affecting aviation activity at the Airports System include: the growth of population and of the economy in Hawaii, airline service and route networks, the financial health and viability of the airline industry, national and international economic and political conditions, the availability and price of aviation fuel, levels of air fares, the capacity of the national air traffic control system and airport capacity at the Airports System and elsewhere. The Department and the Consultant have used certain assumptions to prepare the forecasts made in this Official Statement. No assurances can be given that these assumptions will materialize. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period will vary, and the variations may be material.

Considerations Regarding Customer Facility Charge

No assurance can be given that the Customer Facility Charge will actually be received in the amount or at the time contemplated by the Department. The amount of actual Customer Facility Charge receipts will vary depending on actual levels of rental car customers, which in turn depends, in part, on passenger enplanements in the Airports System.

Limitation on Bondholders' Remedies

Under the doctrine of sovereign immunity, a state of the Union (including the State) cannot be sued by its own citizens. Under the United States Constitution, a state (including the State) cannot be sued by citizens of another state of the Union or by citizens or subjects of any foreign state. A state (including the State) may waive its immunity and consent to a suit against itself. However, such waiver and consent may subsequently be withdrawn by the State. Such immunity from and constitutional prohibition of suits against a state extend to officers of a state acting in their official capacity. Therefore, there can be no assurance that in the event the State fails to make timely payment of principal of or interest on the Bonds, a right of action would lie against the State or officials of the State to enforce such payment. Neither the State nor the Department has ever defaulted in the payment of either principal of or interest on any indebtedness.

The occurrence of an Event of Default under the Indenture or under the ConRAC Leases does not grant a right to the bondholders to accelerate payment of the Series 2019 Bonds. As a result, the Department may be able to continue indefinitely collecting the Customer Facility Charge and applying collections to the operation of the ConRAC System even if an Event of Default has occurred and no payments are being made on the Series 2019 Bonds. In addition, any remedies available to the owners of the Series 2019 Bonds upon the occurrence of an Event of Default are in many respects dependent upon judicial actions which are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain.

Climate Change Issues

Climate change concerns have led, and may continue to lead, to new laws and regulations at the federal and state levels that could have a material adverse effect on the operations of the Airports and on the airlines operating at the Airports.

On June 7, 2017 Governor Ige signed Act 32 Session Laws of Hawai'i, 2017 (the "*Climate Change Act*") into law, which, among other things, renamed the Interagency Climate Adaptation Committee as the Hawaii Climate Change Mitigation and Adaptation Commission (the "*Climate Commission*"), clarified and expanded the duties of the Climate Commission and made Hawai'i the first state to enact legislation implementing parts of the Paris climate accord. The Climate Change Act anticipates that the Climate Commission will provide direction, facilitation, coordination and planning among state and county agencies, federal agencies, and other partners about climate change mitigation (reduction of greenhouse gases) and climate change resiliency strategies, including, but not limited to, sea level rise adaptation, water and agricultural security, and natural resource conservation. The Fifth Assessment Report by the Intergovernmental Panel on Climate Change (the "*IPCC Report*"), predicted that if greenhouse gas ("*GHG*") continue at the then-current (2014) rate of increase, there would be 3.2 feet of global sea level rise by the year 2100. Based upon the IPCC Report, other federal research, and additional scientific literature the Climate Commission prepared the State of Hawaii's 2017 Hawaii Sea Level Rise Vulnerability and Adaptation Report (the "*2017 Climate Report*") which is available at https://climateadaptation.hawaii.gov/wp-content/uploads/2017/12/SLR-Report_Dec2017.pdf. The 2017 Climate Report includes descriptions of the anticipated impact of 3.2 feet of sea level rise on the Airports including, for certain Airports, topographical renderings showing where the future coast line would be in comparison to such Airports. The 2017 Climate Report is not incorporated herein and is not a part of this Official Statement. The Department cannot predict what, if any, sea level rise will occur in the future or what impact it will have on Airport operations, expenses or operating revenues.

The United States Environmental Protection Agency ("*EPA*") has taken steps towards regulation of GHG emissions under existing federal law. Those steps may in turn lead to further regulation of aircraft GHG emissions. On July 5, 2011, the United States District Court for the District of Columbia issued an order concluding that EPA has a mandatory obligation under the Clean Air Act to consider whether the GHG and black carbon emissions of aircraft engines endanger public health and welfare. On August 15, 2016, EPA found that GHG emissions from certain aircraft cause and contribute to pollution that endangers public health and welfare. In that endangerment finding, EPA stated that it intends to propose GHG emission standards for covered aircraft that will be at least as stringent as emission standards under development by the International Civil Aviation Organization ("*ICAO*"), a specialized agency within the United Nations. The ICAO's standards were approved on October 6, 2016 and adopted on March 6, 2017. The ICAO standards apply to new aircraft type designs from 2020 forward and new deliveries of current in-production aircraft models from 2023 with a cutoff date of 2028 for production of non-compliant aircraft. EPA has publicly indicated as recently as January 2018 its intent to adopt the ICAO emission standards for the United States, but the agency has not initiated rulemaking or set a timeline for such actions. Consequently, the Department cannot predict when EPA's emission standards will be proposed, when the Federal Aviation Administration will adopt regulations to implement those standards, or what effect the standards may have on the Department or on air traffic at the Airports System.

In October 2016 the ICAO also adopted a market-based mechanism to curb emissions, the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"). CORSIA is comprised of 192 member countries and is designed to achieve carbon-neutral growth for international (but not domestic) civil aviation from 2020 onwards, via pilot, volunteer and mandatory phases. As of July 2, 2018, 73 nations representing 87.7% of international aviation activity, including the United States, indicated they will participate in the pilot and volunteer phases of CORSIA. However, on July 4, 2018, China withdrew from participation. As of November 2018, the remaining countries were negotiating the design of a global carbon market for airlines, with controversy regarding the extent of European Union control and the inclusion of credits created by the "Clean Development Mechanism" created under the Kyoto Protocol. It remains unclear whether CORSIA will have any impact, economically or on climate.

Cybersecurity Risks

The Office of Enterprise Technology Services ("*ETS*") within the Hawaii State Department of Accounting and General Services provides governance for executive branch information technology projects and supports the management and operation of computer and telecommunication services to State agencies, including programs in fulfillment of statutorily mandated cybersecurity duties outlined under Hawaii Revised Statutes. ETS is led by the Chief Information Officer of the State. The Chief Information Security Officer, who reports to the Chief Information Officer, is responsible for establishing cybersecurity standards for the State and ensuring that system operations stay current with best practices.

Information technology systems, including those operated or utilized by the State, the airlines and the RACs may be vulnerable to breaches, hacker attacks, computer viruses, physical or electronic break-ins or similar actions which can result in the unintended release and distribution of private or confidential data or other information. The State has taken, and continues to take, measures to protect its information technology systems from the threat of such "cyberattacks", but there can be no assurance that the State or any department thereof or any of their vendors will not experience a breach. If such a breach occurs, the financial consequences could have an economic impact on the State, or on its ability to efficiently perform routine functions, or on the ability of the State or one or more of its component units to deliver services.

The State is not aware of measures the airlines and the RACs are taking to protect their information technology systems. There can be no assurance that any airline or RAC will not suffer a breach, and the State cannot predict the impact of any such breach to a vendor on the Airport System or the ConRAC System.

LITIGATION

The State is subject to litigation in connection with the Department's day-to-day operation of the Airports System and the ConRAC System. There are no claims or judicial proceedings other than the proceedings described in this Official Statement and proceedings incidental to the operation of the

Airports System or the ConRAC System affecting the Airports System, the ConRAC System or collection of the Customer Facility Charge, except for claims which are substantially covered by insurance or the Airport Revenue Fund. Except as otherwise described in this Official Statement, there is no litigation now pending or threatened restraining or enjoining the issuance and delivery of the Series 2019 Bonds or the power and authority of the Department to impose, prescribe or collect rates, rentals, fees or charges for the use and services of, and the facilities to be furnished by the ConRAC System, or in any manner questioning the power and authority of the Department to impose, prescribe or collect the Customer Facility Charge and the Minimum Annual Requirement Deficiency, rentals, fees or charges or to issue and deliver the Series 2019 Bonds or affecting the validity of the Series 2019 Bonds.

TAX MATTERS

The following is a summary of the principal United States federal income tax consequences of ownership of the Series 2019 Bonds. This summary deals only with the Series 2019 Bonds held as capital assets by initial purchasers, and not with special classes of holders, such as dealers in securities or currencies, banks, tax-exempt organizations, life insurance companies, persons that hold the Series 2019 Bonds as a hedge or as hedged against currency risks or that are part of a straddle or conversion transaction, or persons whose functional currency is not the United States dollar.

The Code contains a number of provisions relating to the taxation of the Series 2019 Bonds (including, but not limited to, the treatment of and accounting for interest, premium, and market discount thereon, gain from the disposition thereof and withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations. Prospective purchasers of the Series 2019 Bonds should consult their own tax advisors concerning the consequences, in their particular circumstances, under the Code and the laws of any other taxing jurisdiction, of ownership of the Series 2019 Bonds.

Notwithstanding the information below, it should be noted that, under the Tax Cuts and Jobs Act (P.L. 115-97) that is effective for taxable years beginning after December 31, 2017 (or, in the case of original issue discount, for taxable years beginning after December 31, 2018), certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Series 2019 Bonds at the time such income, gain or loss is recognized on such financial statements instead of under the rules described below.

United States Federal Income Tax Considerations for United States Holders of Series 2019 Bonds

Payments of Interest to United States Holders. Interest on the Series 2019 Bonds will be taxable to a United States Holder (as defined below) as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes in accordance with generally applicable principles.

The term "*United States Holder*" refers to a beneficial owner of a Series 2019 Bond for United States federal income tax law purposes and that is:

- a citizen or resident of the United States;
- a corporation or partnership which is created or organized in or under the laws of the United States or of any political subdivision thereof;

- an estate the income of which is subject to United States federal income taxation regardless of its source; or

- a trust if (1) 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 have the authority to control all substantial decisions of the trust or (2) the trust was in existence on August 10, 1996 and properly elected to continue to be treated as a United States person.

If a partnership holds the Series 2019 Bonds, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the Series 2019 Bonds should consult its tax advisor regarding the consequences to the United States federal income tax treatment of an investment in the Series 2019 Bonds.

Sale and Retirement of the Series 2019 Bonds. Unless a non-recognition provision of the Code applies, United States Holders of the Series 2019 Bonds must recognize any gain or loss on the sale, redemption, retirement or other disposition of their Series 2019 Bonds. The gain or loss is measured by the difference between the amount realized on the disposition of a Series 2019 Bond (except to the extent attributable to accrued but unpaid interest on the Series Bond which will be taxed in the manner described above under "*Payments of Interest to United States Holders*" above) and the United States Holder's adjusted tax basis in the Series 2019 Bond. Such gain or loss is capital gain or loss, except to the extent of accrued market discount not previously included in income, and is long term capital gain or loss if at the time of disposition such Series 2019 Bond has been held for more than one year.

Unearned Income Medicare Contribution Tax. A 3.8% Medicare contribution tax is imposed on the "net investment income" of certain United States individuals and on the undistributed "net investment income" of certain estates and trusts. Among other items, "net investment income" generally includes interest and certain net gain from the disposition of property (such as the Series 2019 Bonds), less certain deductions.

United States Federal Income Tax Considerations for Non-U.S. Holders of Series 2019 Bonds

The term "*Non-U.S. Holder*" refers to any beneficial owner of a Series 2019 Bond who or which is not a United States Holder.

Withholding Tax on Payments of Principal and Interest on Bonds held by Non-U.S. Holders. Generally, subject to the discussion of FATCA below, payments of principal and interest on a Series 2019 Bond held by a Non-U.S. Holder will not be subject to United States federal withholding tax, provided that in the case of an interest payment:

- the Non-U.S. Holder owning the Series 2019 Bond is not a bank to which the Series 2019 Bonds constitute an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; and

- either (A) the Non-U.S. Holder owning the Series 2019 Bond certifies to the applicable payor or its agent, under penalties of perjury on an IRS Form W-8BEN, IRS Form W-8BEN-E or a suitable substitute form, that such owner is not a United States person and provides such owner's name and address or (B) a securities clearing organization, bank or other financial institution, that holds customers' securities in the ordinary course of its trade or business (a "financial institution") and holds the Series 2019 Bond, certifies under penalties of perjury that such an IRS Form W-8BEN, IRS Form W-8BEN-E or suitable substitute form has been received from the beneficial owner by it or by a financial institution between it and the beneficial owner and furnishes the payor with a copy thereof.

If the beneficial owner is entitled to the benefit of an income tax treaty to which the United States is a party, such owner can obtain an exemption from or reduction of income and withholding tax (depending on the terms of the treaty) by providing to the withholding agent a properly completed IRS Form W-8BEN, IRS Form W-8BEN-E, or any successor form, before interest is paid. However, neither exemption nor reduced withholding will be available if the withholding agent has actual knowledge or reason to know that the form is false.

Except to the extent otherwise provided under an applicable tax treaty, a Non-U.S. Holder owning a Series 2019 Bond generally will be taxed in the same manner as a United States Holder with respect to interest payments on a Series 2019 Bond if such interest is effectively connected with such owner's conduct of a trade or business in the United States. Effectively connected interest received by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate (or, if applicable, a lower treaty rate), subject to certain adjustments. Such effectively connected interest will not be subject to withholding tax if the holder delivers an IRS Form W-8ECI to the payor.

Gain on Disposition of the Series 2019 Bonds by a Non-U.S. Holder. A Non-U.S. Holder owning a Series 2019 Bond generally will not be subject to United States federal income tax on gain realized on the sale, exchange or redemption of a Series 2019 Bond unless:

- such owner is an individual present in the United States for 183 days or more in the taxable year of such sale, exchange or redemption and either (A) such owner has a "tax home" in the United States and certain other requirements are met, or (B) the gain from the disposition is attributable to such owner's office or other fixed place of business in the United States; or

- the gain is effectively connected with such owner's conduct of a trade or business in the United States.

Taxation of Payments under FATCA to Foreign Financial Institutions and Certain Other Non-U.S. Holders that are Foreign Entities. A 30% withholding tax generally will apply to payments of interest on, and after December 31, 2018, on gross proceeds from the disposition of, the Series 2019 Bonds that are made to Non-U.S. Holders that are financial institutions and certain non-financial entities. Such withholding tax, imposed under sections 1471 through 1474 of the Code, or FATCA, generally will not apply where such payments are made to (i) a Non-U.S. Holder that is a financial institution that enters into an agreement with the IRS to, among other requirements, undertake to identify accounts held by certain United States persons or U.S.-owned foreign entities, report annually certain information about such accounts and withhold tax as may be required by such agreement (or otherwise complies with an applicable intergovernmental agreement with respect to FATCA), or (ii) a Non-U.S. Holder that is a non-financial entity that certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner. A Non-U.S. Holder generally will be required to provide information with respect to its status for FATCA purposes, generally on the appropriate IRS Form W-8 or any successor form, to avoid withholding taxes under FATCA. Prospective investors should consult their own tax advisors regarding the application and requirements of these information reporting and withholding provisions under FATCA.

U.S. Federal Estate Tax. A Series 2019 Bond held by an individual who at the time of death is not a citizen or resident of the United States (as specially defined for United States federal estate tax purposes) is not subject to United States federal estate tax if at the time of the individual's death, payments with respect to such Series 2019 Bond are not effectively connected with the conduct by such individual of a trade or business in the United States.

Backup Withholding and Information Reporting

United States Holders. Information reporting applies to payments of interest on the Series 2019 Bonds, or the proceeds of the sale or other disposition of the Series 2019 Bonds with respect to certain noncorporate United States holders, and backup withholding may apply unless the recipient of such payment supplies a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against that holder's United States federal income tax liability provided the required information is furnished to the IRS.

Non-U.S. Holders. Backup withholding and information reporting on Form 1099 does not apply to payments of principal and interest on the Series 2019 Bonds to a Non-U.S. Holder provided the Non-U.S. Holder provides the certification described above under "United States Federal Income Tax Considerations for Non-U.S. Holders-Withholding Tax on Payments of Principal and Interest on Bonds" or otherwise establishes an exemption (provided that neither the City nor its agent has actual knowledge that the holder is a United States person or that the conditions of any other exemptions are not in fact satisfied). Interest payments made to a Non-U.S. Holder may, however, be reported to the IRS and to such Non-U.S. Holder on Form 1042 S.

Information reporting and backup withholding generally do not apply to a payment of the proceeds of a sale of Series 2019 Bonds effected outside the United States by a foreign office of a foreign broker. However, information reporting requirements (but not backup withholding) will apply to a payment of the proceeds of a sale of Series 2019 Bonds effected outside the United States by a foreign office of a broker if the broker (i) is a United States person, (ii) derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, (iii) is a "controlled foreign corporation" as to the United States, or (iv) is a foreign partnership that, at any time during its taxable year is 50% or more (by income or capital interest) owned by United States persons or is engaged in the conduct of a United States trade or business, unless in any such case the broker has documentary evidence in its records that the holder is a Non-U.S. Holder (and such broker has no actual knowledge to the contrary) and certain conditions are met, or the holder otherwise establishes an exemption. Payment by a United States office of a broker of the proceeds of a sale of Series 2019 Bonds will be subject to both backup withholding and information reporting unless the holder certifies its non-United States status under penalties of perjury or otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against that holder's United States federal income tax liability provided the required information is furnished to the IRS.

Change of Law

The opinion of Katten Muchin Rosenman LLP ("*Bond Counsel*") and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Series 2019 Bonds are issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Series 2019 Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Series 2019 Bonds.

State and Local Considerations

Interest on the Series 2019 Bonds is 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. Ownership of the Series 2019 Bonds may result in other state and local tax consequences to certain taxpayers, and Bond Counsel expresses no opinion regarding any such consequences arising with respect to the Series 2019 Bonds. Prospective purchasers of the Series 2019 Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

UNDERWRITING

BofA Securities, Inc. and Morgan Stanley & Co. LLC (collectively, the "*Underwriters*") have agreed to purchase the Series 2019 Bonds for $193,945,673.29 (representing the principal amount of the Series 2019 Bonds, less underwriters' discount of $764,326.71). The Underwriters will be obligated to purchase all the Series 2019 Bonds if any are purchased. The initial public offering prices are set forth on the inside cover page of this Official Statement. The initial public offering price of the Series 2019 Bonds may be changed from time to time by the Underwriters prior to the Delivery Date. The Underwriters may offer and sell the Series 2019 Bonds to certain dealers (including dealers depositing Series 2019 Bonds into unit investment trusts, certain of which may be sponsored or managed by the Underwriters) at a price lower than the public offering price stated on the cover of this Official Statement.

BofA Securities, Inc., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Department. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Department.

LEGALITY FOR INVESTMENT

The Series 2019 Bonds are legal investments for the funds of all public officers and bodies and all political subdivisions of the State, and for the funds of all insurance companies and associations, banks, savings banks, savings institutions, including building or savings and loan associations, trust companies, personal representatives, guardians, trustees and all other persons and fiduciaries in the State who are regulated by law as to the character of their investment.

The Series 2019 Bonds may be deposited by banks with the Director of Finance as security for State moneys deposited in such banks.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, issuance and sale of the Series 2019 Bonds are subject to the approval of Katten Muchin Rosenman LLP, New York, New York. Copies of the approving opinion of Bond Counsel will be available at the time of delivery of the Series 2019 Bonds and will be delivered with the Series 2019 Bonds. The proposed form of the opinion of Bond Counsel is annexed as Appendix F. Certain legal matters will be passed upon for the Department by the Attorney General of the State and for the Underwriters by counsel to the Underwriters, Dentons US LLP, Honolulu, Hawaii.

The Third Supplemental Indenture dated as of August 1, 2019, providing for the issuance of the Series 2019 Bonds has been approved as to form and legality by the Attorney General of the State.

RATINGS

Moody's Investors Service, S&P Global Ratings and Fitch Inc. have assigned ratings of "A2", "A+," and "A" respectively, to the Series 2019 Bonds.

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the Department makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by one or all three rating companies, if in the judgment of one or all three companies circumstances so warrant. Any such downward revision or withdrawal of such ratings, or one of them, may have an adverse effect on the market price of the Series 2019 Bonds.

PRICING ADVISOR

The Department has retained PFM Financial Advisors LLC, as pricing advisor with respect to the issuance of the Series 2019 Bonds. PFM Financial Advisors LLC is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. PFM Financial Advisors LLC is an independent financial advisory firm.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performances or achievements described to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements if and when changes to its expectations, or events, conditions or circumstances on which such statements are based, occur, unless such updates or revisions are made in the course of fulfilling its continuing disclosure obligation, as described under "**CONTINUING DISCLOSURE**."

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("*Rule 15c2-12*"), the State, acting through its Director of Transportation, will undertake in a Continuing Disclosure Certificate, the form of which is set forth in Appendix G (the "*Continuing Disclosure Certificate*"), to provide to the Municipal Securities Rulemaking Board on an annual basis certain financial and operating data concerning the Department's Airports System and ConRAC System, financial statements, notice of certain events and certain other notices, all as described in the Continuing Disclosure Certificate, provided that if the inclusion or format of such information is changed in any future official statement, annual reports provided by the State thereafter may instead contain or include by reference information of the type included in that official statement as so changed or if different the type of equivalent information included in the most recent official statement. The undertaking is an obligation of the Department that is enforceable as described in the Continuing Disclosure Certificate. Beneficial owners of the Series 2019 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 Series 2019 Bonds.

In 2015, the Department reported ratings upgrades 21 days late. The Department also failed to report the ratings upgrade of a bond insurer of its securities in 2014. The Department has since put policies and procedures in place to enhance compliance with its continuing disclosure undertakings, including its undertakings in the Continuing Disclosure Certificate.

A failure by the Department to comply with the Continuing Disclosure Certificate will not constitute an event of default of the Series 2019 Bonds, although any beneficial owner of the Series 2019 Bonds may bring action to compel the Department to comply with its obligations under the Continuing Disclosure Certificate. Any such failure must be reported in accordance with Rule 15c2-12 and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2019 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2019 Bonds and their market price.

MISCELLANEOUS

The references herein to Acts of the State Legislature, the Indenture (including the supplements) and the ConRAC Leases do not purport to be complete and are subject to the detailed provisions thereof to which reference is hereby made. The Department has provided the information in this Official Statement relating to the ConRAC System, and other matters, as indicated.

DEPARTMENT OF TRANSPORTATION
STATE OF HAWAII

By: /s/ Jade Butay
Jade Butay
Director of Transportation

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APPENDIX A

Report of the Consultant

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Report of the Consultant

on the proposed issue of

State of Hawai‘i Department of Transportation

for and on behalf of its Airports Division

The State of Hawai‘i
Airports System Customer Facility Charge Revenue Bonds
Series 2019A

Prepared for:
State of Hawai‘i Department of Transportation

Prepared by:
ICF
Cambridge, MA

August 8, 2019

August 8, 2019

Mr. Jade T. Butay
Director
Department of Transportation
State of Hawaii
869 Punchbowl Street
Honolulu, Hawaii 96813

Re: Report of the Consultant
Proposed Issuance of Customer Facility Charge Revenue Bonds, Series 2019A
Hawaii Airports System

Dear Mr. Butay:

ICF SH&E, Inc. (ICF) is pleased to submit this Report of the Consultant (the Report) to support the proposed issuance of the State of Hawaii, Airports System Customer Facility Charge Revenue Bonds, Series 2019A (the 2019 CFC Bonds) in the aggregate principal amount of approximately $198.3 million (preliminary and subject to change). The Report is undertaken to evaluate the ability of the Department of Transportation (the Department) to meet the Rate Covenant and other bond covenants through the fiscal year ending June 30, 2025 (FY 2025) [1].

The 2019 CFC Bonds are to be issued as Additional Bonds under the CFC Indenture. The proceeds of the 2019 CFC Bonds will be used to (a) fund a portion of the project costs of the Hawaii ConRAC Program (defined below) at Hawaii Airports System, (b) refund the outstanding EB-5 Bonds that were used to fund a portion of the Hawaii ConRAC Program, (c) fund the Debt Service Reserve Fund related to the 2019 CFC Bonds, (d) fund the Rolling Coverage Fund, and (e) pay the issuance costs of the 2019 CFC Bonds.

The 2019 CFC Bonds are payable only from the Trust Estate pledged to the payment of the Bonds, which further includes Pledged Receipts and other rights assigned by the Department to the Trustee. Pledged Receipts include all customer facility charge (CFC) received or receivable by the Trustee and the balance of certain funds, among other sources of revenues. The 2019 CFC Bonds are not payable from Aviation Revenues and Fuel Taxes, which include, among other revenues, the concession fees paid by RACs.

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[1] The Department's Fiscal Year (FY) ends June 30. Capitalized terms not otherwise defined in this Report shall have the meanings as included in:

- The Indenture of Trust Securing the Statewide System of Airports of the State of Hawaii Customer Facility Charge Revenue Bonds, as amended and supplemented (the CFC Indenture), or
- The Statewide Airports Car Rental Facilities Concession Agreement and Facility Leases (the RAC Agreements), executed by the Department of Transportation (the Department) and certain rental car companies (RACs) operating at Hawaii Airports System (the Signatory RACs).

BACKGROUND

This section summarizes the basic information on the Hawaii Airports System (the Airports), Hawaii ConRAC Program to be partially funded from the proceeds of the proposed 2019 CFC Bonds, CFC enabling legislation, RAC Agreements, and the CFC Indenture.

Hawaii Airports System

The Hawaii Airports System includes 15 airports owned by the State of Hawaii (the State or Hawaii) and operated by the Department of Transportation, Airports Division (the Airports Division) as an enterprise fund of the State. The Hawaii Airports System handled a total of 18.8 million enplaned passengers in FY 2018.

- The largest airport, Daniel K. Inouye International Airport (previously named Honolulu International Airport, or HNL), is defined by the Federal Aviation Administration (the FAA) as a large-hub airport and ranked the 28th largest airport in the U.S. Aviation System, as of calendar year 2017;

- Kahului Airport (OGG) is the second largest airport in the Hawaii Airports System and is a medium-hub ranked the 51st largest airport in the U.S.;

- Hilo International Airport (ITO), Ellison Onizuka Kona International Airport at Keahole (KOA), and Lihue Airport (LIH), are classified as small-hub airports. Together with HNL and OGG, these airports are referred to as the “Primary Airports”. The Hawaii Airports System also operates an additional 10 non-hub and general aviation airports which are collectively referred to as the “Non-primary Airports”.

The Hawaii Airports System is one of the largest airport rental car markets in the U.S. When viewed in its entirety, the Airports would rank the 3rd largest based on the revenues paid to the airport, according to the data of FAA for fiscal year 2018. Hawaii Airports System received $73.2 million of rental car concession revenues, ranked only after Orlando International Airport ($104.7 million) and Los Angeles International Airport ($84.2 million). Based on the official statements issued by other U.S. airports, Hawaii Airports System would be ranked the largest based on CFC transaction days.

Hawaii ConRAC Program

The Hawaii ConRAC Program comprises the development of several consolidated car rental facilities (ConRAC) at the Airports. The program is intended to improve the car rental operation and passenger experience at the Airports and reduce landside congestion. As of the date of this Report, the designated projects include:

- Honolulu (HNL) A ConRAC that are expected to be substantially completed in April 2021 and to open in October 2021, and other related projects to be completed through 2022. The HNL ConRAC will be a five-story structure in front of Terminal 2 (previously the Overseas Terminal), and will contain a multi-level Quick Turnaround Area (QTA), a multi-level ready/return area, a Customer Service Area (CSA), a ground transportation terminal, and other related facilities;

- Kahului (OGG) A ConRAC and related enabling projects, has been constructed and was opened in May 2019. The OGG ConRAC is a three-story structure located to the southwest of the Passenger Terminal Building, and includes a multi-level QTA, a multi-level ready/return area, a CSA, a people mover system (the Tram), and other related facilities;

- Land acquisition at Lihue (LIH); and

- Other program related expenses.

Hawaii ConRAC Program Cost

The total cost of the Hawaii ConRAC Program is currently estimated at $948.2 million. Of that amount, $637.9 million, or 67.3%, has been spent through March 2019. The Department plans to fund the remaining $310.3 million from the following sources:

- $120.8 million of CFC cash on hand;

- $32.8 million from the remaining proceeds of the Series 2017A CFC Bonds (the 2017 CFC Bonds);
- $105.0 million from the 2019 CFC Bonds; and
- $51.6 million from anticipated CFC collection through FY 2022

	Total Costs	Spent Through 3/31/2019	Remaining
Programs			
HNL ConRAC Program (a)	$ 483.4	$ 221.7	$ 261.7
OGG ConRAC Program (b)	437.2	402.7	34.5
LIH Land Acquisition	21.3	9.3	12.0
Program Support	6.3	4.2	2.1
Total Costs	$ 948.2	$ 637.9	$ 310.3
Less Cash and Grant Used	(1.1)	(1.1)	-
CFC Pay-as-you-go and CFC Bonds	$ 947.1	$ 636.8	$ 310.3

Notes: (a) Including costs of enabling roadway project and the interim facility.
(b) Including costs of enabling roadway project.
Source: Airports Division record, July 2019.

The Department has started the initial planning process to build a ConRAC at LIH, with land acquisition planned in late 2020. As of the date of this Report, the Department has not estimated the potential cost of this project, and therefore it has not been included in the overall Hawaii ConRAC Program. In FY 2018, CFC transaction days at LIH were 2.8 million, about half of the CFC transaction days at OGG and about 17 percent of total FY 2018 transaction days of the Airport System. The Department may also consider ConRACs on the Hawaii Island in the future, and those facilities are likely to cost less than the potential LIH ConRAC. For the purpose of this Report, it was assumed the Hawaii ConRAC Program includes only the components described in the chart above. Completed facilities under the Hawaii ConRAC Program are collectively referred to as the ConRAC System.

CFC Enabling Legislation

A Customer Facility Charge (CFC) is a user fee imposed by an airport operator on each rental car contract entered into on the airport premises. This fee is collected by rental car companies and intended for purpose of developing, operating and maintaining ConRAC facilities. Act 226, Session Laws of Hawaii 2008, revised HRS Sections 261-5.6 and 261-7(f) and set the CFC collection level at the Hawaii Airports System at $1.00 per CFC transaction day, effective September 1, 2008. Act 204, Session Laws of Hawaii 2010, revised HRS Section 261-7(f) and increased the CFC collection level to $4.50 per transaction day, effective September 1, 2010.

Hawaii Revised Statutes (HRS) Section 261-5.6 Rental motor vehicle customer facility charge special fund governs the collection and use of the CFC in the State. CFC revenues can only be used for enhancement, renovation, operation, and maintenance of existing rental motor vehicle customer facilities and the development of new rental motor vehicle customer facilities and related services at State airports and related debt payment and financing costs. HRS Section 261-7(f) provides the CFC level per transaction day - $4.50 as of July 2019. The Department has the power to adjust the CFC level when necessary, without rulemaking or legislative approval.

Other CFC-related bills were introduced and vetoed in previous state legislative sessions. Future legislative actions cannot violate the Contract Clause of the U.S. Constitution, and the Department has established a contractual obligation to use the CFCs for the debt service on the Bonds through the Indenture, among other uses of the CFCs. For the purpose of this Report, it was assumed that there would be no additional legislation regarding the collection and use of CFC revenues.

RAC Agreements

In May 2015, the Department executed separate but substantially similar RAC Agreements with 5 car rental companies (RACs), which conduct a majority of rental car operations at the Hawaii Airports System. As of the date of this Report, the RAC Agreements cover the access to all airport rental car facilities, including the HNL ConRAC, the OGG ConRAC, and any future ConRACs that the Department may construct. The RAC

Agreements are effective on the day of execution, and expire on the 30th anniversary date of facility occupancy or the retirement date of all Bonds issued under the CFC Indenture, whichever is later, unless terminated earlier by either party under certain circumstances.

Starting from the Payment Commencement Date, which is in May 2019 for the OGG ConRAC and is anticipated to be in October 2021 for the HNL ConRAC, the Signatory RACs will:

- Pay ground rents;
- Pay Minimum Annual Requirement Deficiency Payments, if any, which is required if 115 percent of debt service on Bonds and other required fund deposits are higher than annual CFC revenues;
- Continue paying concession fees, which equal the Minimum Annual Guarantee (MAGs), or 10 percent of Gross Receipts, whichever is higher; and
- Continue collecting CFCs and promptly remitting to the Trustee. RAC shall have no legal or equitable ownership or property interest in or to the CFCs.

Ground rents and concession fees are not pledged for the payment of principal and interest on Bonds.

CFC Indenture

The CFC Indenture provides for the establishment of funds and accounts, and specifies that all Revenues received by the Trustee shall be deposited to the CFC Revenue Fund. The Trustee applies the money in the CFC Revenue Fund to the Debt Service Fund, and then to other funds and accounts pursuant to Section 5.03(c) of the CFC Indenture.

In Section 6.04, the Department covenants to:

- Require the Signatory RACs to remit the CFC collection directly to the Trustee, as provided in the RAC Agreements;
- Set the CFC to meet the Annual CFC Target, to the extent permitted by law;
- Require the Signatory RACs to remit the Minimum Annual Requirement Deficiency Payments, if any, to the Trustee, as provided in the RAC Agreements; and
- Ensure the sum of CFCs and Minimum Annual Requirement Deficiency Payments, together with the funds in the Rolling Coverage Fund (up to 25 percent of the Aggregate Debt Service) is no less than 140 percent of the Aggregate Debt Service, referred to as the Rate Covenant.

The 2019 CFC Bonds are to be issued as Additional Bonds under the CFC Indenture. The Department does not currently have plans to issue future Additional Bonds, however, may do so if additional bond funding is required to develop ConRACs not currently included in the Hawaii ConRAC Program. For the purpose of this Report, it was assumed that no Additional Bonds would be issued after the 2019 CFC Bonds.

ASSUMPTIONS, FORECASTS AND CONCLUSIONS

This section discusses the nature of the assumptions detailed in the attachment of this Report, forecast results, and conclusions.

Economy and Traffic

Gross Domestic Product (GDP) growth within the State has historically outperformed the U.S. but has moderated following the 2008-2009 financial crisis. In 2018, GDP growth for the State averaged 1.0 percent compared to overall U.S. GDP growth of 2.9 percent. Over the past five years, State GDP has grown by an average of 1.7 percent compared to overall U.S. GDP growth of 2.4 percent. Based on GDP forecasts for the next three years, State GDP is projected to continue to grow slightly slower than the U.S. as a whole.

Enplaned passengers for the Hawaii Airports System was 18.8 million in FY 2018, having grown on average 2.6 percent annual in the past five years. Based on the assumptions and discussions provided in the Report, total enplaned passengers are projected to increase to 20.6 million in FY 2025, or on average to increase by 1.3 percent annually. International, domestic overseas, and interisland enplaned passengers are projected to increase on average by 0.7 percent, 2.6 percent and 0.2 percent per year from FY 2018 to FY 2025.

CFC Transaction Days

CFC transaction days increased from 15.7 million in FY 2017 to 16.1 million in FY 2018, primarily driven by an increase in visitor growth, however are estimated to slightly decline to 16.0 million in FY 2019, partly due to road closure at Kauai Island, volcano eruption at Hawaii Island, and competition from alternative means of transportation. Key factors affecting CFC transaction days include visitor characteristics, cost of car rentals, alternative means of transportation, availability of rental cars, and other general factors, each which are discussed in detail in this Report. Considerations and assumptions include, among other issues:

1. Visitors are forecast to increase approximately 1.6 percent on average per year from FY 2018 to FY 2025;

2. CFC car rental ratios, expressed as the number of CFC transactions divided by the number of visitors, are expected to decline by 0.1 percentage point annually starting in FY 2020 due to competition from other means of transportation and other factors; and

3. CFC durations, or days per CFC transaction, are expected to increase by 1.0 percent annually from FY 2020 to FY 2025 for airports on the islands of Hawaii and Kauai due to continuing development of tourism facilities and expected favorable mix of visitors, and to be stable at other airports in the Hawaii Airports System.

In total, CFC transaction days are forecast to increase approximately 1.2 percent on average per year from FY 2018 to FY 2025, below the growth rates projected for visitors during the same period.

Debt Service and Other Fund Requirements

BofA Merrill Lynch, the Airports Division’s underwriter, provided estimated sources and uses of the bond fund and gross debt service for the proposed 2019 CFC Bonds. Upon the issuance of the proposed 2019 CFC Bonds, which will refund the EB-5 Bonds, Outstanding Bonds will include the 2017 CFC Bonds and the 2019 CFC Bonds. Aggregate Debt Service, net of interest earnings of certain funds, is expected to increase to $26.2 million in FY 2021 and stay virtually flat through FY 2048. In addition, it was assumed:

- The annual requirement of the Administrative Expense Fund would be $0.2 million starting in FY 2021, escalated at 5 percent annually;

- The annual deposit to the Capital Improvements, Repair, and Replacement Fund would be 0.5 percent of the replacement value starting in FY 2021, escalated at 5 percent annually; and

- Operating and Maintenance expenses would be as follows, escalated at 5 percent annually:
  - The O&M expenses for the HNL ConRAC and related busing costs are assumed to be approximately $11 million annually starting from October 2021; and
  - The O&M expenses for the OGG ConRAC and the Tram are estimated to be approximately $12 million annually starting in May 2019.

Conclusions

Based on the information, expectations, and assumptions presented in the Report, we expect the Department to be able to generate adequate CFCs at the current collection level of $4.50 to meet the requirements of the Rate Covenant and other covenants specified in Section 6.04 of the CFC Indenture. The following table summarizes the forecasts of visitor arrivals, CFC collections, debt service, and debt service coverage.

		Actual	Estimated	Forecast					
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Visitor Arrivals	12,981	13,824	13,820	14,321	14,545	14,781	15,002	15,237	15,473
% Change	6.0%	6.5%	0.0%	3.6%	1.6%	1.6%	1.5%	1.6%	1.5%
CFC Transaction Days	15,656	16,123	16,007	16,465	16,677	16,900	17,106	17,326	17,545
CFC Level	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
CFC Revenues	$ 70,454	$ 72,555	$ 72,033	$ 74,094	$ 75,046	$ 76,052	$ 76,978	$ 77,969	$ 78,953
Minimum Annual Requirement Deficiency Payments	-	-	-	-	-	-	-	-	-
Rolling Coverage Fund Balance (a)	-	3,543	3,636	4,222	6,544	6,545	6,547	6,548	6,550
Total Available	$ 70,454	$ 76,098	$ 75,669	$ 78,316	$ 81,589	$ 82,597	$ 83,525	$ 84,517	$ 85,503
Debt Service Requirement	814	14,507	14,544	16,888	26,175	26,180	26,189	26,194	26,200
Debt Service Coverage	8656%	525%	520%	464%	312%	315%	319%	323%	326%
Required Coverage	140%	140%	140%	140%	140%	140%	140%	140%	140%

Note: (a) Limited to no more than 25% of Aggregate Debt Service.

Source: historical – Airports Division record; estimated and forecast – ICF.

REPORT LIMITATION

The forecasts and projections presented in this Report are based on our interpretation of information provided by the Airports Division, publicly available sources and other third-parties, which ICF was under no duty to and has not undertaken to independently verify and as such, makes no assurances as to the accuracy of any such information; expectations of future management actions, and assumptions regarding economy, air traffic, legislation, airport operation and financial operations, among other aspects, all of which have been discussed with and agreed to by the Airports Division management. The Report, including this letter and attachment, documents our interpretation, expectations and assumptions as of the date of the Report, and should be read in its entirety. As agreed to by the Airports Division management, the forecasts fairly present the expected financial results.

However, any forecast is subject to uncertainty, which may lead to actual results substantially different from the forecast results presented in this Report. The report is provided on an as-is basis with no warranty of any kind. ICF does not, nor does anyone acting on behalf of ICF warrant the achievability of the forecast presented in the Report.

NO WARRANTY, WHETHER EXPRESS OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE IS GIVEN OR MADE BY ICF IN CONNECTION WITH THIS REPORT. ICF IS NOT LIABLE FOR ANY DAMAGES OF ANY KIND ATTRIBUTABLE TO USE THIS REPORT.

We are pleased to assist the Department in this proposed financing.

Sincerely,

ICF

ICF

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Attachment A

Information, Expectations and Assumptions for

Report of the Consultant

on the proposed issuance of

STATE OF HAWAII,
AIRPORTS SYSTEM CUSTOMER FACILITY CHARGE REVENUE BONDS
SERIES 2019A

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Table of Contents

EXHIBITS

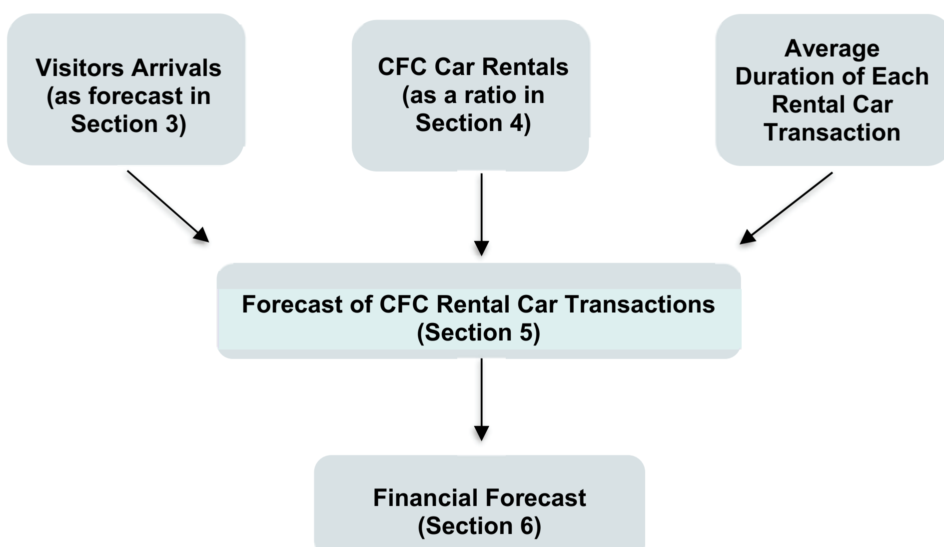
1. INTRODUCTION

The State of Hawaii Department of Transportation retained ICF to perform a feasibility analysis in connection with the issuance by the State of Hawaii of its Airports System Customer Facility Charge Revenue Bonds, Series 2019A (the 2019 CFC Bonds). The State intends to issue the 2019 CFC Bonds to finance a range of Hawaii ConRAC projects for the Hawaii Airports System. As of the date of this Report, the projects include a consolidated rental car facility at Daniel K. Inouye International Airport (HNL), a consolidated rental car facility at Kahului Airport (OGG), land acquisition at Lihue International Airport (LIH), and other program related expenses.

As part of this Program, ICF has prepared a market analysis and traffic, visitor, and financial forecasts which project the ability of the State to support bond payments and meet debt service coverage requirements of the 2019 CFC Bonds.

The organization of this Report is outlined as follows:

- Section 2: An overview of the Hawaii Airports System and the proposed ConRAC projects being funded by the 2019 CFC Bonds;
- Section 3: An analysis of the underlying economic basis for air travel demand at the Hawaii Airports System and a review of current and long-term traffic and air service trends at the Airport;
- Section 3.4: A traffic and visitor forecast, developed by ICF, for the State based on historical trends in passenger traffic at the airports, historical and projected economic growth for the State, airline flight schedules and preliminary 2019 visitor statistics. These forecasts are used as inputs to project the financial feasibility of the Project;
- Section 4: An analysis and overview of the rental car industry in the U.S. and the rental car market at the Hawaii Airports System;
- Sections 5 and 6: A CFC rental car transaction forecast and financial forecast, developed by ICF, based on three inputs:



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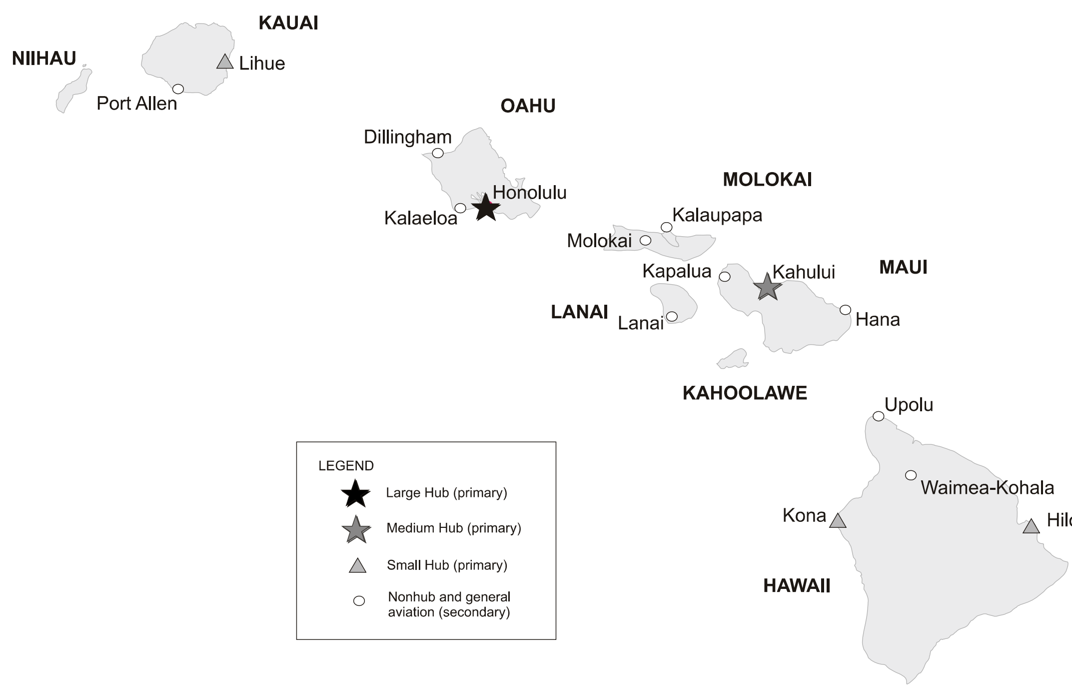
2. AIRPORTS SYSTEMS FACILITY AND HAWAII CONRAC PROGRAM

The Hawaii Airports System includes 15 airports owned by the State and operated by the Department of Transportation through the Airports Division as an enterprise fund of the State. The airports in the Hawaii Airports System handle all commercial aviation activities of the State.

2.1 The State

The State comprises hundreds of islands spreading over 1,500 miles. The eight main islands, listed from northwest to southeast, are Niihau, Kauai, Oahu, Molokai, Lanai, Kahoolawe, Maui and Hawaii. The island of Hawaii, also known as the Big Island, is the largest island in the State. However, the island of Oahu has the highest population, accounting for two-thirds of the State's total population of 1.4 million in 2018. As shown in Exhibit 2-1, the 15 airports operated by the Airports Division are spread across six islands. The State is situated in the center of the Pacific Ocean and is recognized as one of the top global tourism destinations.

Exhibit 2-1: Hawaii Airports System



2.2 The State Government

The State government includes three branches: the executive branch led by the Governor, the legislative – the State Legislature, and the judicial – Hawaii State Judiciary. The governor is elected statewide every four years with the current governor elected in November 2018. The governor appoints all other state public officials, including the Director and the Deputy Directors for the Department. There are four Deputy Directors in the Department, one for each division of Administration, Airports, Harbors, and Highways. The Deputy Director – Airports leads the Airports Division on behalf of the Department and the State, and serves the same term as the governor.

The Airports Division relies on the central service of the Department for administrative and managerial duties and relies on other departments of the State for other business functions, such as financial services from the Department of Budget and Finance, or human resources services from the Department of Human Resources Development.

The Hawaii State Legislature consists of the State House of Representatives with 51 members and the State Senate of 25 members. The legislative sessions are held in the State Capitol building in the city of Honolulu annually, with the regular sessions starting on the third Wednesday in January for no more than 60 working days. Among other activities, the Hawaii State Legislature reviews and approves biennium budget for the executive branch, including operating and capital budget of the Airports Division. Furthermore, the Legislature presents and assesses bills that may influence the operations of the Airports Division, such as the rate, collection and use of the CFCs.

2.3 Hawaii Airports System

The Hawaii Airports System is managed by the Department through its Airports Division as an enterprise fund of the State. The Hawaii Airports System includes 15 airports located on six islands, which handle all commercial aviation activities in the State. Air travel is the primary means of transportation for overseas visitors, which support the tourism industry of the State. According to Department of Business, Economic Development and Tourism (DBEDT), more than 98.7 percent of overseas visitors arrived by air in the calendar year 2018.

Air travel is also the primary means of transportation for the State residents to travel between islands in the State. The only other commercial interisland transportation is the ferry services between Maui and Lanai.

There are no commercial airports on the islands of Niihau and Kahoolawe. As shown in Exhibit 2-2, the Hawaii Airports System includes one large-hub airport, one medium-hub airport, three small-hub airports, and 10 non-hub and general aviation airports.

- HNL is the largest airport in the Hawaii Airports System with 10.7 million enplaned passengers in FY 2018, accounting for 56.7 percent of the system-wide traffic of 18.8 million. HNL is the 28th largest U.S. airport ranked by the FAA based on the calendar year 2017 revenue enplaned passengers and is the primary port of entry for international arrivals to the State. 69.3 percent of enplaned passengers at HNL travel to overseas destinations, including domestic destinations in the U.S. mainland and international destinations in the Americas, Asia, and Oceania. The remaining 30.7 percent of enplaned passengers fly interisland to other airports in the Hawaii Airports System;

- OGG is the second largest airport in the Hawaii Airports System with 3.7 million enplaned passengers in FY 2018, accounting for 19.4 percent of system-wide traffic. OGG is the 51st largest airport in the U.S., with 60.0 percent of enplaned passengers flying overseas;

- ITO, KOA and LIH are the three small-hub airports. Both ITO and KOA are located on the island of Hawaii, with ITO serving primarily interisland traffic. In December 2016, Hawaiian Airlines started international flights between Tokyo-Haneda, Japan (HND) and KOA after the KOA Federal Inspection Service (FIS) station reopened making KOA the second port of entry for international arrivals by air. Japan Airlines started daily nonstop service between KOA and Narita International Airport (NRT) in September 2017. LIH is located on the island of Kauai, with 45.5 percent of enplaned passengers flying overseas; and

- Non-primary airports accounted for 1.2 percent of system-wide traffic in FY 2018.

Exhibit 2-2: Hawaii Airports System

Island	Primary Airports	Non-primary Airports
Oahu	▪ Daniel K. Inouye International Airport (HNL)	▪ Dillingham Airfield (HDH) ▪ Kalaeloa Airport (JRF)
Maui	▪ Kahului Airport (OGG)	▪ Hana Airport (HNM) ▪ Kapalua Airport/West Maui Airport (JHM)
Hawaii	▪ Ellison Onizuka Kona International Airport at Keahole (KOA) ▪ Hilo International Airport (ITO)	▪ Upolu Airport (UPP) ▪ Waimea-Kohala Airport (MUE)
Kauai	▪ Lihue Airport (LIH)	▪ Port Allen Airport (PAK)
Lanai		▪ Lanai Airport (LNY)
Molokai		▪ Molokai Airport (MKK) ▪ Kalaupapa Airport (LUP)

Source: Airports Division records.

2.3.1 Daniel K. Inouye International Airport (HNL)

HNL is located on the south shore of the island of Oahu. HNL occupies 2,216 acres of land and 2,210 acres of water and is located approximately six miles west of downtown Honolulu and nine miles from Waikiki via Interstate H-1. HNL can be accessed via Interstate H-1 and Nimitz Highway from both West Oahu and East Oahu.

Exhibit 2-3 provides a summary of the major airport facilities, and Exhibit 2-5 presents the layout of HNL.

Exhibit 2-3: Profile of HNL Airport Facilities
June 2019

Terminals/Concourses	Gate Number	Gates	Purposes
Terminal 1 (Interisland Terminal)			
Interisland Terminal	A13-A20	8	Overseas/Interisland
Makai Pier	B1-B5	5	Interisland
Terminal 2 (Overseas Terminal)			
Ewa Concourse	C1-C9	9	Overseas flights
Central Concourse	D1-D2, E1-E10	12	Overseas flights
Diamond Head Concourse (a)	F1-F2, G1-G10	12	Overseas flights
Terminal 3			Interisland commuter flights
All Terminals		46	

Runway	Length/width (feet)	
8R/26L	12,000x200	
8L/26R	12,312x150	
4R/22L	9,000x150	
4L/22R	6,952x150	
8W/26W	5,000x300	Seaplane
4W/22W	3,000x150	Seaplane
Public parking spaces	4,668	

Note: (a) Including 4 ground loaded gates G7 to G10, currently used by Southwest Airlines.

Source: Airports Division Record.

HNL shares the runways with Hickam Air Force Base, which is located on the west side of HNL airfield. The HNL airfield has two sets of runways, and two offshore runways for seaplanes. The primary runway, designated 8R/26L or the Reef Runway, is 12,000 feet long and 200 feet wide. Runway 8L/26R is 12,312 feet long and 150 feet wide, parallel to the Reef Runway. Runway 4R/22L is 9,000 feet long and 150 feet wide, and runway 4L/22R is 6,952 feet long and 150 feet wide.

There are three terminal buildings at HNL:

- Terminal 1 (previously named the Interisland Terminal) serves both interisland and overseas flights. As of the date of this Report, Hawaiian Airlines uses all 13 gates at the Interisland Terminal on a preferential-use basis. The Mauka Concourse Program, an expansion of this terminal, is currently in progress. The program is expected to be substantially complete in 2020, adding 6 wide-body gates or 11 narrow-body gates;

- Terminal 2 (previously named the Overseas Terminal) serving overseas flights to the U.S. mainland and other overseas destinations. Of 33 gates in Terminal 2, 29 gates are currently common use, and four gates are assigned on a preferential basis, one gate each to Alaska Airlines and Hawaiian Airlines, and two gates for Southwest Airlines. The 33 gates include 4 ground-loaded gates G7 through G10 at the ground floor of the Diamond Head Concourse. An international arrivals building is located between Terminal 1 and Terminal 2; and

- Terminal 3 is a trailer facility currently used for Mokulele Airlines' interisland commuter service. The prior Commuter Terminal was demolished to enable the construction of the Mauka Program. Southern Airways acquired Mokulele Airlines in February 2019, which continues operating interisland flights.

HNL has three garages for public parking: the Interisland Parking Garage on levels 3 to 7 of Terminal 1, the Overseas Parking Garage in front of Terminal 2, and the International Parking Garage in front of Terminal 1. The Airports Division modified the east side of the Overseas Parking Garage into an interim rental car facility and plans to revert the facility to public parking after the completion of the HNL ConRAC. The construction of Mauka Concourse and a rail station at HNL has also reduced the available parking stalls, causing the full parking capacity to be reached during peak days of each week. The Airports Division has started evaluating options to address the parking capacity issue. The HNL ConRAC is being constructed to the east of the Overseas Parking Garage, as further discussed below.

Other facilities at HNL include a complex of general aviation, air cargo, and airport support facilities at the south ramp near Ke'ehi Lagoon, and a complex of maintenance and air cargo facilities, principally for the interisland airlines, located west of the terminal complex.

2.3.2 Kahului Airport (OGG)

OGG is a medium-hub airport located on the northern edge of the island of Maui, between Haleakala and the West Maui Mountain Range on the island of Maui. OGG occupies 1,391 acres and is located three miles east of the town of Kahului, accessible via the Airport Road that connects to Hana Highway. OGG has two intersecting runways, Runway 2/20 that is 6,995 feet long and 150 feet wide, and Runway 5/23 that is 4,990 feet long and 150 feet wide. A study is underway to evaluate the options to reconstruct Runway 2/20. For the purpose of this Report, it was assumed that the Airports Division would implement the reconstruction project without affecting air traffic if the project is implemented within the forecast period.

OGG has two terminal buildings: the Passenger Terminal Building with 16 gates that accommodate the majority of the commercial air traffic activities, and the Commuter Terminal that serves interisland commuter traffic. The surface parking lot is located directly in front of the Passenger Terminal Building. The OGG ConRAC was opened in May 2019, as further discussed below. A general aviation area is located at the southeast corner of OGG.

2.3.3 Ellison Onizuka Kona International Airport at Keahole (KOA) and Hilo International Airport (ITO)

Both KOA and ITO are located on the island of Hawaii. KOA is located on the west shore of the island of Hawaii. KOA occupies 3,450 acres and is approximately eight miles north of Kailua-Kona, accessible via Keahole Airport Road that connects to HI-19. KOA has one single runway, Runway 17/15 with 11,000 feet long and 150 feet wide.

KOA has two terminals: the Passenger Terminal with 10 boarding gates serving 14 aircraft parking positions, and the Commuter Terminal serving interisland commuter airlines and air tour/air taxi operators. The surface parking lot is located in front of the terminal. General aviation, cargo, and related facilities are located south of the passenger terminal complex.

The Airports Division is near completion of the KOA Terminal Modernization Program, which, among other constructions, will provide for a centralized security checkpoint, baggage handling system, connectivity of the north and south holdrooms, additional space pre-security, concession space and other related facilities and equipment. The Airports Division plans to construct an international arrival building to replace the interim Federal Inspection Services (FIS) facility at KOA. In December 2016, Hawaiian Airlines initiated service between Haneda, Japan and KOA, making KOA the second port of entry for international visitors by air. Japan Airlines started daily nonstop service between KOA and Narita International Airport (NRT) in September 2017.

ITO is located on the east shore of the Island of Hawaii. ITO occupies 1,391 acres and is approximately two miles east to the town of Hilo, accessible via Airport Road that connects to HI-11, Mamalahoa Highway. ITO has two runways: Runway 8/26 that is 9,800 feet long and 150 feet wide, and Runway 3/21 that is 5,600 feet long and 150 feet wide.

ITO has two terminals: the Main Passenger Terminal with 10 gates, and the Commuter Terminal serving primarily helicopter air tours. The general aviation and air cargo facilities are primarily located on the west side of ITO.

Air traffic at both KOA and ITO has been negatively affected by the volcano eruption in May 2018 due to concerns about safety, air quality, and volcano glass fibers. The eruption subsided in August 2018 and was declared to have ended in December 2018 after three months of inactivity.

2.3.4 *Lihue Airport (LIH)*

LIH is located on the southeast coast of the island of Kauai. LIH occupies 872 acres and is approximately 2 miles east of the town of Lihue, accessible via Ahukini Road that connects to HI-51, Kapule Highway. LIH has two runways: Runway 3/21 with 6,500-foot long and 150-foot wide, and Runway 17/35 with 6,500-foot long and 150-foot wide.

LIH has two terminal buildings: the Passenger Terminal has eight gates with loading bridges and four hardstands, and the Commuter Terminal that services interisland traffic. A complex for cargo and general aviation operations is located to the northeast of the Passenger Terminal.

Air traffic at LIH has been negatively affected by the April 2018 flood and the resulting road closure of a two-mile stretch of Kuhio Highway. The flood produced 50 inches of rainfall over a 24-hour period, effectively blocking access to a portion of the north shore of Kauai Island. The portion of the closed Kuhio Highway reopened in June 2019, funded partly by a federal grant of $77 million.

2.3.5 *Secondary Airports*

Ten additional airports are included in the Hawaii Airports System, referred to as the Non-primary airports. Six of the Non-primary airports (Hana Airport, Kalaupapa Airport, Kapalua Airport, Lanai Airport, Molokai Airport, and Waimea-Kohala Airport) are non-hub airports primarily offering commuter and air taxi service. The four remaining airports (Dillingham Airfield, Kalaeloa Airport, Port Allen Airport, and Upolu Airport) serve general aviation, the U.S. Coast Guard, military, and other uses.

2.4 Hawaii ConRAC Program

The Hawaii ConRAC Program includes a collection of rental car related projects at the Hawaii Airports System, including the HNL ConRAC, OGG ConRAC and other projects. Upon completion of each ConRAC, the Signatory RACs will move all of their operations to the ConRAC, including operations currently off-airport such as Alamo Rent a Car at HNL.

The following exhibit summarizes the cost estimate of Hawaii ConRAC Program.

Exhibit 2-4: Estimated Project Costs and Schedule
(in Millions)

	Total Costs	Spent Through 3/31/2019	Remaining
Programs			
HNL ConRAC Program (a)	$ 483.4	$ 221.7	$ 261.7
OGG ConRAC Program (b)	437.2	402.7	34.5
LIH Land Acquisition	21.3	9.3	12.0
Program Support	6.3	4.2	2.1
Total Costs	$ 948.2	$ 637.9	$ 310.3
Less Cash and Grant Used	(1.1)	(1.1)	-
CFC Pay-as-you-go and CFC Bonds	$ 947.1	$ 636.8	$ 310.3

Notes: (a) Including costs of enabling roadway project and the interim facility.
(b) Including costs of enabling roadway project.
Source: Airports Division record, July 2019.

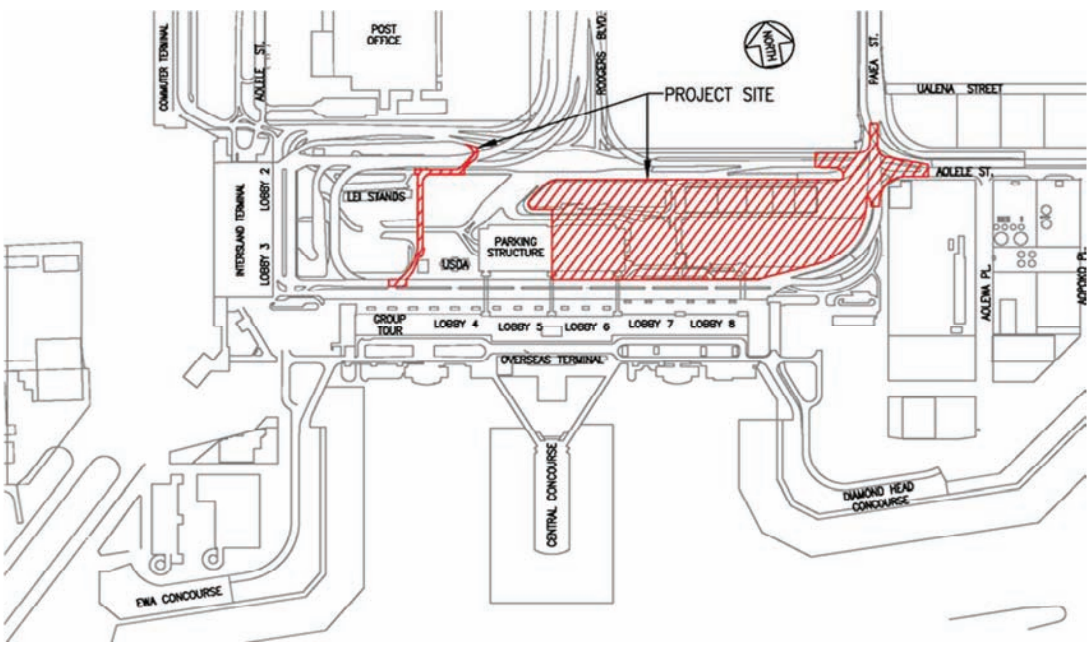
2.4.1 HNL ConRAC Program

HNL ConRAC Program includes the following components:

- HNL Roadway and Misc. Improvements ($8.8 million, completed), including roadway modification to enable the interim facility and the HNL ConRAC;
- HNL Interim Car Rental Facility ($35.7 million, completed), including modifications to the east half of the existing overseas terminal garage as an interim rental car facility, so the current site can be vacated to enable the construction of the HNL ConRAC. The RACs started operating from the interim rental car facility in November 2015;
- HNL ConRAC ($412.9 million, ongoing), including the costs of design, construction management, and construction of the HNL ConRAC, expected to be substantially completed by April 2021. RACs may take an additional six months for tenant improvements before commencing operations at the HNL ConRAC in October 2021; and
- Infrastructure to support an electrical bus fleet, with an estimated cost of $26.0 million.

As shown in Exhibit 2-5, the HNL ConRAC will be constructed in front of lobbies 6, 7 and 8 of Terminal 2. The facility will be situated on the site bordered by Aolele Street to the north, the overseas terminal garage to the west, the arrivals roadway to the south, and Paiea Street to the east.

Exhibit 2-5: Proposed concept for HNL ConRAC



Source: Airports Division records.

The HNL ConRAC will be a 5-story concrete building with approximately 1.8 million square feet of developed space with approximately 4,600 stalls. The HNL ConRAC will include the following components:

- A Customer Service Building (CSB), located on the second level of the facility;p
  - The CSB is the location where all rental car transactions will take place. Arriving customers will be primarily directed to the CSB to initiate a contract agreement. The CSB will include customer service counters for all the RACs that are operating in the facility.
- The ready/return area, located on the first, second, third, and fourth levels of the facility;

  - The ready/return area is the parking garage portion of the facility, containing both, “ready” vehicles (rental car vehicles that are “ready” for rental), and “return” vehicles (rental car vehicles that have been “returned” by the customer). The ready/return areas will be allocated and branded by the various rental car companies operating in the facility.

- The Quick Turn-Around (QTA) area, located on the first, second, third, and fourth levels of the facility;
  - Customers returning their rented vehicle will be directed to park in front of the QTA area, which is approximately 291,000 square feet. Once the client's contract agreement is closed, each rental car company will take these vehicles to the QTA area for servicing. The QTA area includes fueling stations, vacuum cleaning areas, car washers, and light maintenance services areas (to primarily check/replace fluids, tire maintenance, etc.).
- An overflow vehicle storage area located on the top level;
- A service yard, located on the first level of the facility;
  - The service yard primarily consists of parking areas for service vehicles, trash and recyclable waste bins, and fuel tanks.
- A rental car bus depot, located on the first level of the facility, and related costs of shuttle buses;
  - A consolidated rental car shuttle bus system with electrical buses will transport all rental car customers that conduct business in the HNL ConRAC, to and from selected locations in Terminals 1 and 2. As Baggage Claims 22-31 of Terminal 2 are located across the street from the facility, customers will be instructed to walk to and from the facility. Passenger pick-up arrangements for all off-airport rental car companies will be coordinated with the Airports Division on a case-by-case basis.
- A Ground Transportation Center (GTC), located on the first level of the facility; and
  - The GTC is intended to provide pick-up services for group tour vehicles and other pre-arranged ground transportation services for arriving customers originating from the eastern (Diamond Head) half of the Terminal 2.
- A pedestrian underpass, located on the basement level of the facility.
  - All incoming and outgoing rental car and GTC customers from Baggage Claim 22-31, and Ticketing Lobbies 7 & 8 will be directed to the pedestrian underpass, for convenient and safe passage.

The Department awarded the construction contract of the HNL ConRAC to Watts Constructors, Inc. and issued the notice-to-proceed in July 2016. The Department expects to substantially complete the HNL ConRAC in April 2021 within budget and open in October 2021.

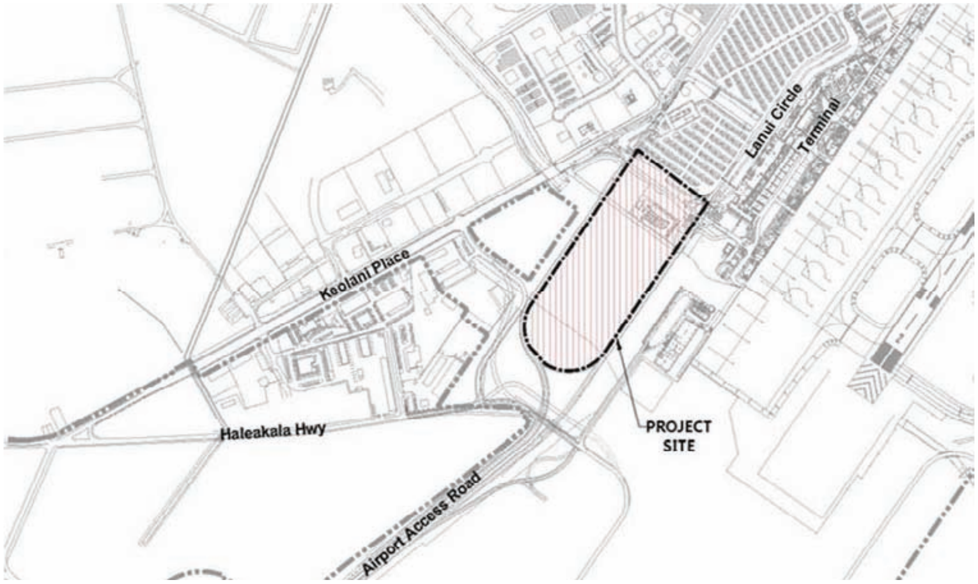
2.4.2 OGG ConRAC Program

OGG ConRAC Program includes the following components:

- Airport access road to Hana Highway ($59.9 million, completed): the new airport access road connects Hana Highway to the airport loop road, and extend the airport loop to increase road capacity and reduce congestion;
- A rental car storage lot ($0.8 million, completed); and
- The OGG ConRAC ($376.5 million, completed): including the costs of design, construction management, and construction of the OGG ConRAC, opened in May 2019.

As shown in Exhibit 2-6, the OGG ConRAC is located on a 26-acre site to the southwest of the Passenger Terminal Building at OGG. The new lot configuration obliges the capacity of 4,400 rental vehicles and also includes perimeter landscaping, a 6-foot high perimeter security fence with barbed wire, interior perimeter guardrails, and secured vehicular and pedestrian access and egress.

Exhibit 2-6: OGG ConRAC



Source: Airports Division records.

The OGG ConRAC is a 3-story building with an additional basement level and approximately 4,400 stalls including the following components:

- A CSB on the second level that includes the pedestrian plaza with stops for customer pick-up and drop-off, RAC exclusive use area, shared customer lobby, rental transaction counters and waiting area, access to pedestrian vertical circulation cores, and associated support area;
- A ready/return area, including two levels of vehicle ready and return areas, two levels of vehicle storage, pedestrian, vertical circulation cores, and associated support areas;
- A QTA area includes one level of facility service yard, vendor parking, fuel storage tanks, service related access areas, two levels of vehicle preparation area with support spaces and two levels of vehicle storage;
- An overflow lot located on the top uncovered level;
- An employee parking lot on the top level of ready/return garage, which could be relocated in case of higher rental car demand;
- The Tram to/from the terminal, which is electric powered and built on a rail system. and
- Related landscaping, roadway connection, and utility.

2.4.3 Other RAC Projects

Other RAC Projects include land acquisition cost for LIH and other program-wide support costs. The Department has started initial planning to build a ConRAC at LIH, with land acquisition planned in late 2020. As of the date of this Report, the Department has not estimated the cost of the potential LIH ConRAC, and therefore has not included the potential LIH ConRAC in the Hawaii ConRAC Program. In FY 2018, CFC transaction days at LIH were 2.8 million, about half of the CFC transaction days at OGG and 17 percent of total transaction days. The Department may also consider ConRACs on the Hawaii Island in the future, and those facilities are likely to cost less than the potential LIH ConRAC. For the purpose of this Report, it was assumed the Hawaii ConRAC Program only includes the components described in this section.

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3. ECONOMY AND TRAFFIC

3.1 Economic Characteristics of the Hawaii Aviation Market

Located in the central Pacific Ocean, Hawaii (the State) is a popular tourist destination for travelers from the United States as well as from Pacific Rim countries, such as Japan, Korea, and Australia. Hawaii is a western boundary of the United States (2,400 miles west of San Francisco and 3,800 miles east of Guam, the westernmost U.S. boundary) and has long been a major air transportation hub in the route system of Hawaiian Airlines.

Historically, gross domestic product (GDP) growth within the State has outperformed the U.S., but has moderated following the 2008-2009 financial crisis. Between 2013 and 2015, the national GDP grew faster than Hawaii until crude oil prices fell from $112 per barrel in June 2014 to $46 per barrel in December 2015, which resulted in lower energy costs, boosting Hawaii's tourism industry. In 2018, GDP annual growth for the State was 1.0 percent compared to the national GDP growth of 2.9 percent. Although the State's leisure and tourism industry is mature, it continues to see growth in total visitors[2] by air. Since 2015, the total visitor count has been growing on average 4.8 percent per year. Personal income for the State is forecast to grow by 1.6 percent annually over the near-term (2018-2022)[3]. These economic drivers suggest air travel demand in the region will continue to grow.

This section of the report covers various economic indicators for the State and the outlook for long-term economic growth.

3.1.1 Population

Over the past 15 years the population of the State has grown consistently. From 2008 to 2018, the State population grew 0.8 percent per year, in-line with the overall U.S. population average growth rate. As illustrated in Exhibit 3-1, Hawaii County grew the fastest in terms of population within the State since 2003, averaging 1.7 percent growth per year, compared to the other counties Maui, Kauai, and Honolulu, which have grown 1.3 percent, 1.3 percent, and 0.7 percent, respectively, in the same time period.

Exhibit 3-1: Historical Hawaii and U.S. Population Growth (in Thousands)
CY 2003 - 2018

	Historical			Estimate	Average Annual Growth		
	2003	2008	2013	2018	'03-'18	'08-'18	'13-'18
Population (in 000s)							
State of Hawaii	1,251.2	1,332.2	1,408.0	1,438.5	0.9%	0.8%	0.4%
By County:							
Honolulu	*894.3*	*933.7*	*985.7*	*995.3*	0.7%	0.6%	0.2%
Hawaii	*158.4*	*181.5*	*191.6*	*202.7*	1.7%	1.1%	1.1%
Maui	*137.6*	*151.4*	*161.1*	*167.9*	1.3%	1.0%	0.8%
Kauai	*60.0*	*64.5*	*68.6*	*73.2*	1.3%	1.3%	1.3%
United States	290,107.9	304,093.9	316,234.4	328,094.2	0.8%	0.8%	0.7%

Note: Maui includes Maui and Kalawao. 1969-2017 Woods & Poole population data is historical from the U.S. Department of Commerce. 2018 is estimated by Woods & Poole.

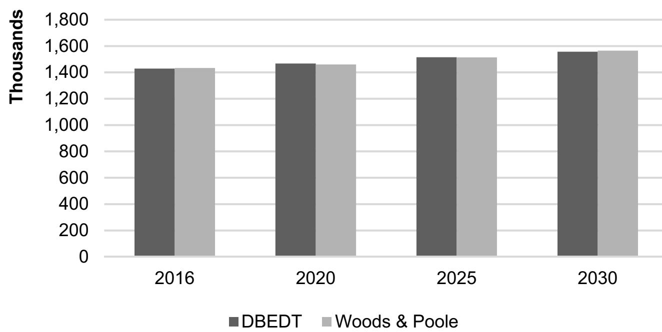
Source: Woods & Poole Economics, 2019.

Population growth for the State is forecast by Woods & Poole[4], and is expected to increase by 0.6 percent annually on average through 2030, which is consistent with the projected growth rate reported by the Hawaii

2 Department of Business, Economic Development & Tourism (DBEDT) conducts surveys for all overseas visitors which does not include residents of the State traveling within Hawaii and only counts each overseas visitor once regardless of how many islands the visitor may visit.
3 Measured by real personal income, chained 2012 dollars. Personal income deflator was developed by the U.S. Bureau of Economic Analysis and estimated by DBEDT.
4 Woods & Pool is a Washington-based economic research, forecasting and data services firm that specializes in developing forecasts of economic and demographic information derived from U.S. Census data.

State Department Economic Development and Tourism (DBEDT) of 0.6 percent annually; the U.S. average annual population growth rate is forecast at 0.7 percent through 2030.

Exhibit 3-2: Hawaii Population Forecast Comparison
CY 2016 - 2030



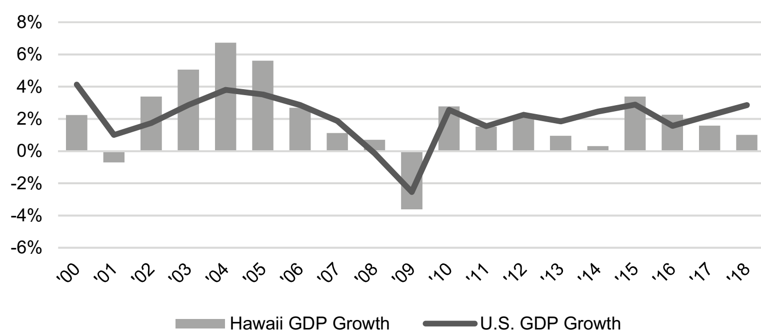
		DBEDT	Woods & Poole
CAGR	2016-2030	0.6%	0.6%

Source: Woods & Poole Economics, 2019; Hawaii State DBEDT, as of July 1st 2045 Series.

3.1.2 Gross Domestic Product (GDP)

Another economic indicator contributing to traffic growth is GDP. As seen in Exhibit 3-3, GDP within the State has outperformed the U.S. from 2002 to 2007. However, during the 2008-2009 financial crisis, both the State and the U.S. posted negative GDP growth. Between 2015 and 2016, Hawaii’s GDP growth returned its pre-financial crisis levels, averaging 2.7 percent per year. In CY 2018, the State’s GDP increased by 1.0 percent, posting its strongest quarterly growth in 4Q 2018 (1.3 percent). In the next three years through 2022, the State’s GDP growth is forecast to increase over 1.3 percent annually[5], whereas the U.S. average is expected to grow 1.9 percent[6] annually.

Exhibit 3-3: Historical Annual Growth in Hawaii GDP and U.S. GDP
CY 2000 - 2018



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

5 DBEDT Outlook for the Economy (2Q 2019 Report).
6 Woods & Poole Economics, 2019.

Exhibit 3-4: Hawaii GDP Forecasts Comparison
CY 2018 - 2022

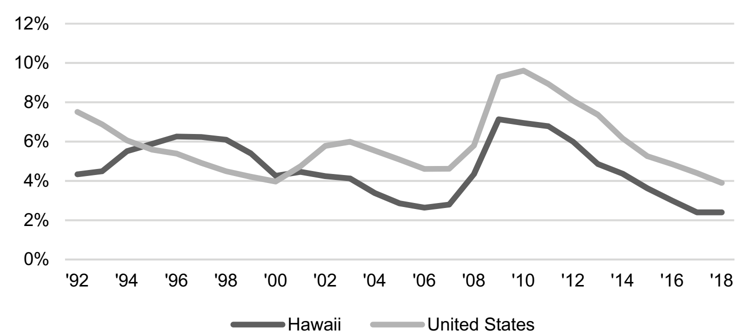
	Actual	Projected			
Real Gross Domestic Product	2018	2019	2020	2021	2022
DBEDT	1.0%	1.2%	1.3%	1.3%	1.4%
UHERO	1.2%	1.0%	1.0%	1.2%	n/a

Note: "n/a" = not applicable.
Source: Hawaii State Department of Business, Economic Development and Tourism (DBEDT) and University of Hawaii Economic Research Organization (UHERO).

3.1.3 Employment

For the past eight years, the labor market both nationally and in the State has been improving. After the 2008 financial crisis, the overall U.S. unemployment rate increased from 4.6 percent in 2007 to over 9.0 percent in 2009, and reaching its peak of 9.6 percent in 2010. The State saw a similar effect with unemployment rate peaking at 7.1 percent in 2009. As illustrated in Exhibit 3-5, the unemployment rate for the State was recorded at 2.4 percent in 2018, lower than the overall U.S. of 3.9 percent. Since 2001, unemployment rate for the State has been consistently lower than the nation.

Exhibit 3-5: Unemployment Rates for Hawaii and the U.S.
CY 1992 - 2018



Source: U.S. Department of Commerce, Bureau of Labor Statistics (BLS).

As of April 2019, Hawaii is the slowest of all Western states in terms of non-farm employee growth compared to April 2018. The State has been showing signs of slower growth with over 659 thousand employees in the labor force (as seen in Exhibit 3-6). The U.S. as a whole has been experiencing significant labor force growth with an annual year-over-year growth of 1.7 percent compared to Hawaii's 0.6 percent during the same time period.

Exhibit 3-6: Non-Agricultural Employment for Western States and Total U.S.
April 2018 - 2019

Rank	State	Non-Farm Employees (000s) Apr 2019 (p)	Non-Farm Employees (000s) Apr 2018	Net Change	Pct Change	Rank by Pct Change
1	California	17,403.5	17,131.9	271.6	1.6%	8
2	Washington	3,481.4	3,389.9	91.5	2.7%	4
3	Arizona	2,914.2	2,836.2	78.0	2.8%	3
4	Colorado	2,765.2	2,716.2	49.0	1.8%	7
5	Oregon	1,942.3	1,904.0	38.3	2.0%	6
6	Utah	1,551.8	1,506.2	45.6	3.0%	2
7	Nevada	1,425.8	1,376.2	49.6	3.6%	1
8	New Mexico	853.2	840.1	13.1	1.6%	10
9	Idaho	752.6	733.9	18.7	2.5%	5
10	Hawaii	659.7	655.9	3.8	0.6%	13
11	Montana	479.6	475.7	3.9	0.8%	12
12	Alaska	332.1	327.0	5.1	1.6%	9
13	Wyoming	289.1	285.0	4.1	1.4%	11
	United States	151,020.0	148,475.0	2,545.0	1.7%	

Note: 2019 numbers are preliminary.

Source: U.S. Department of Commerce, Bureau of Labor Statistics (BLS).

With a strong military and tourism presence, the leading industries in the State are the government and leisure & hospitality sectors, accounting for over 38 percent of the State’s non-farm employees. As reflected in Exhibit 3-7, preliminary April 2019 figures show that the government and leisure and tourism sectors accounted for 19.2 percent and 19.0 percent, respectively, of non-farm employees in the State. Employment within the Information and Mining, Logging, and Construction sectors has both grown by 3.3 percent, since April 2018.

Exhibit 3-7: Non-Agricultural Employment by Industry Sector for Hawaii and the U.S.

April 2018 - 2019

	April 2019 (p) Non-Farm Employees ('000s)		April 2018 Non-Farm Employees ('000s)		Percent Change	
Industry Sector	**U.S**	**Hawaii**	**U.S**	**Hawaii**	**U.S**	**Hawaii**
Government	22,529.0	126.8	22,421.0	124.6	0.5%	1.8%
Leisure and Hospitality	16,695.0	125.5	16,262.0	123.8	2.7%	1.4%
Trade, Transportation, and Utilities	27,811.0	120.7	27,589.0	123.2	0.8%	-2.0%
Professional and Business Service	21,394.0	82.9	20,878.0	82.4	2.5%	0.6%
Education and Health Services	24,144.0	86.3	23,542.0	85.6	2.6%	0.8%
Mining, Logging, and Construction	8,234.0	37.2	7,953.0	36.0	3.5%	3.3%
Financial Activities	8,650.0	28.8	8,541.0	28.9	1.3%	-0.3%
Other Services	5,925.0	28.3	5,826.0	27.9	1.7%	1.4%
Manufacturing	12,836.0	13.9	12,634.0	14.5	1.6%	-4.1%
Information	2,802.0	9.3	2,829.0	9.0	-1.0%	3.3%
Total	**151,020.0**	**659.7**	**148,475.0**	**655.9**	**1.7%**	**0.6%**
Percent of Total						
Government	14.9%	19.2%	15.1%	19.0%		
Leisure and Hospitality	11.1%	19.0%	11.0%	18.9%		
Trade, Transportation, and Utilities	18.4%	18.3%	18.6%	18.8%		
Professional and Business Service	14.2%	12.6%	14.1%	12.6%		
Education and Health Services	16.0%	13.1%	15.9%	13.1%		
Mining, Logging, and Construction	5.5%	5.6%	5.4%	5.5%		
Financial Activities	5.7%	4.4%	5.8%	4.4%		
Other Services	3.9%	4.3%	3.9%	4.3%		
Manufacturing	8.5%	2.1%	8.5%	2.2%		
Information	1.9%	1.4%	1.9%	1.4%		
Total	100.0%	100.0%	100.0%	100.0%		

Note: 2019 numbers are preliminary.

Source: U.S. Department of Commerce, Bureau of Labor Statistics (BLS).

Overall, all major industries within the State have been showing continuous growth, with Mining, Logging, and Construction and Information sectors leading the way. Since 2009, the Mining, Logging, and Construction sector increased its share of the State’s non-agricultural employment from 5.4 percent to 5.6 percent, while the Leisure and Tourism sector increased from 17.0 percent to 19.0 percent, as seen in Exhibit 3-8. The Government sector decreased from 21.4 percent of non-agricultural employment in 2009 to 19.2 percent in 2019.

Exhibit 3-8: Non-Agricultural Employment by Industry Sector for Hawaii
April 2009 - 2019

	Non-Farm Employees ('000s)			CAGR			Net Change ('000s)		
Industry Sector	**2009**	**2014**	**2019 (p)**	**'09-'14**	**'14-'19**	**'09-'19**	**'09-'14**	**'14-'19**	**'09-'19**
Government	126.8	125.4	126.8	-0.2%	0.2%	0.0%	-1.4	1.4	0.0
Leisure and Hospitality	100.9	113.4	125.5	2.4%	2.0%	2.2%	12.5	12.1	24.6
Trade, Transportation, and Utilities	111.3	117.4	120.7	1.1%	0.6%	0.8%	6.1	3.3	9.4
Education and Health Services	74.4	78.7	86.3	1.1%	1.9%	1.5%	4.3	7.6	11.9
Professional and Business Services	71.4	82.3	82.9	2.9%	0.1%	1.5%	10.9	0.6	11.5
Mining, Logging, and Construction	32.2	31.5	37.2	-0.4%	3.4%	1.5%	-0.7	5.7	5.0
Financial Activities	27.8	27.4	28.8	-0.3%	1.0%	0.4%	-0.4	1.4	1.0
Other Services	25.8	26.4	28.3	0.5%	1.4%	0.9%	0.6	1.9	2.5
Manufacturing	13.8	13.7	13.9	-0.1%	0.3%	0.1%	-0.1	0.2	0.1
Information	9.4	8.4	9.3	-2.2%	2.1%	-0.1%	-1.0	0.9	-0.1
Total	**593.8**	**624.6**	**659.7**	**1.0%**	**1.1%**	**1.1%**	**30.8**	**35.1**	**65.9**
Percent of Total									
Government	21.4%	20.1%	19.2%	-1.2%	-0.9%	-1.0%			
Leisure and Hospitality	17.0%	18.2%	19.0%	1.3%	0.9%	1.1%			
Trade, Transportation, and Utilities	18.7%	18.8%	18.3%	0.1%	-0.5%	-0.2%			
Education and Health Services	12.5%	12.6%	13.1%	0.1%	0.8%	0.4%			
Professional and Business Services	12.0%	13.2%	12.6%	1.8%	-0.9%	0.4%			
Mining, Logging, and Construction	5.4%	5.0%	5.6%	-1.4%	2.3%	0.4%			
Financial Activities	4.7%	4.4%	4.4%	-1.3%	-0.1%	-0.7%			
Other Services	4.3%	4.2%	4.3%	-0.6%	0.3%	-0.1%			
Manufacturing	2.3%	2.2%	2.1%	-1.2%	-0.8%	-1.0%			
Information	1.6%	1.3%	1.4%	-3.2%	0.9%	-1.2%			
Total	100.0%	100.0%	100.0%						

Note: 2019 numbers are preliminary.

Source: U.S. Department of Commerce, Bureau of Labor Statistics (BLS).

Exhibit 3-9 lists the top 25 companies in the State based on employee size. These companies span several different industry sectors including health care, hospitality, government, and financial services.

Exhibit 3-9: Hawaii Top Employers

Rank	Company	Industry	Employees
1	The Queen's Medical Center	Health Care	7,499
2	Hawaii Pacific Health	Health Care	6,621
3	Hawaiian Airlines, Inc.	Airline	6,356
4	Hawaii State Department of Education	Education	4,667
5	State of Hawaii	Government	4,160
6	Hawaii Health Systems	Health Care	4,000
7	Hawaiian Electric Industries	Electric & Financial Services	3,796

Rank	Company	Industry	Employees
8	Towne Island Homes – Maui	Construction	3,000
9	Outrigger Hotels & Resorts	Hospitality	3,000
10	Honolulu Airport (HNL)	Airport	3,000
11	St. Francis Hospital	Health Care	3,000
12	Kapalua Resort	Hospitality	3,000
13	University of Hawaii	Education	2,770
14	Honolulu Police Department	Law Enforcement	2,700
15	The Research Corporation of the University of Hawaii	Education	2,500
16	First Hawaiian Bank	Financial Services	2,200
17	Zippy’s	Restaurant	2,000
18	Matson	Shipping	1,925
19	Bank of Hawaii	Financial Services	1,908
20	Aqua-Aston Hospitality	Hospitality	1,821
21	Hawaii Medical Service Association (HMSA)	Healthcare	1,809
22	City of Honolulu	Government	1,790
23	Honpa Hongwanji Hawaii Betsuin	Mission Services	1,700
24	TheBus	Transit Services	1,700
25	St. Francis Health Care System	Healthcare	1,500

Source: Zippia Database, 2019, as of May 2019.

3.1.4 Personal Income

Historically, the total income of the State has grown slightly faster than the U.S. and consistently above two percent per year, measured in 2009 dollars. As shown in Exhibit 3-10, the total personal income of the State grew 2.0 percent annually from 2008 to 2018. The strongest growth came from Hawaii, Maui, and Kauai counties where the total income grew over 2.0 percent annually while growth within Honolulu County was slightly slower, growing at 1.9 percent per year since 2008.

Exhibit 3-10: Historical and Forecast Regional and National Income Growth
CY 2003 - 2033

	Historical			Estimates	Forecast		
	2003	2008	2013	2018	2023	2028	2033
Total Income (Millions)							
State of Hawaii	$49,603	$59,637	$62,514	$72,419	$80,677	$89,082	$97,004
By County:							
Honolulu	*$37,903*	*$44,798*	*$47,248*	*$53,979*	*$59,869*	*$65,843*	*$71,454*
Hawaii	*$4,795*	*$6,287*	*$6,365*	*$7,693*	*$8,767*	*$9,874*	*$10,917*
Maui	*$4,835*	*$5,986*	*$6,234*	*$7,533*	*$8,440*	*$9,369*	*$10,269*
Kauai	*$2,070*	*$2,566*	*$2,666*	*$3,214*	*$3,601*	*$3,995*	*$4,365*
United States	$10,656,156	$12,353,421	$13,102,482	$14,773,992	$16,554,354	$18,351,055	$20,085,547
Average Annual Growth	**'03 - '08**	**'08- '18**	**'03 - '18**	**'18 - '23**	**'23 - '28**	**'23 - '33**	**'18 - '33**
State of Hawaii	3.8%	2.0%	2.6%	2.2%	2.0%	1.9%	2.0%
By County:							
Honolulu	3.4%	1.9%	2.4%	2.1%	1.9%	1.8%	1.9%
Hawaii	5.6%	2.0%	3.2%	2.6%	2.4%	2.2%	2.4%
Maui	4.4%	2.3%	3.0%	2.3%	2.1%	2.0%	2.1%
Kauai	4.4%	2.3%	3.0%	2.3%	2.1%	1.9%	2.1%
United States	3.0%	1.8%	2.2%	2.3%	2.1%	2.0%	2.1%
Per Capita Income							
State of Hawaii	$39,646	$44,765	$44,398	$50,342	$54,075	$57,669	$60,823
By County:							
Honolulu	*$42,382*	*$47,980*	*$47,932*	*$54,235*	*$58,313*	*$62,302*	*$65,911*
Maui	*$35,138*	*$39,530*	*$38,697*	*$44,869*	*$48,002*	*$50,885*	*$53,253*
Kauai	*$34,048*	*$39,122*	*$38,297*	*$44,204*	*$47,700*	*$50,959*	*$53,627*
Hawaii	*$30,266*	*$34,636*	*$33,225*	*$37,961*	*$40,980*	*$43,819*	*$46,155*
United States	$39,681	$43,431	$44,231	$49,448	$53,372	$57,224	$60,675
Average Annual Growth	**'03 - '08**	**'08- '18**	**'03 - '18**	**'18 - '23**	**'23 - '28**	**'23 - '33**	**'18 - '33**
State of Hawaii	2.5%	1.2%	1.6%	1.4%	1.3%	1.1%	1.3%
By County:							
Honolulu	2.5%	1.2%	1.7%	1.5%	1.3%	1.1%	1.3%
Maui	2.4%	1.3%	1.6%	1.4%	1.2%	0.9%	1.1%
Kauai	2.8%	1.2%	1.8%	1.5%	1.3%	1.0%	1.3%
Hawaii	2.7%	0.9%	1.5%	1.5%	1.3%	1.0%	1.3%
United States	1.8%	1.3%	1.9%	1.5%	1.4%	1.2%	1.4%

Note: 2018 numbers are estimates. Dollar figures are in 2012 dollars. Counties are ranked by highest to lowest metric values.

Source: Woods & Poole Economics, 2019.

On a per capita income level, the State has been higher than the U.S. In 2018, the State's per capita income was estimated at $50,342, measured in chained 2012 dollars, which was 1.8 percent higher than the U.S. overall. Within the State, Honolulu has the highest per capita income, estimated at $54,235 in 2018. Since 2003, the county' per capita income has been and continues to be significantly higher than the State as well as the overall U.S.

Total personal income in the State is forecast by Woods & Poole to grow by 2.0 percent annually from 2018 to 2033. More specifically, Hawaii, Maui, and Kauai are expected to grow at a faster rate of over 2.0 percent annually while Honolulu is projected to increase on average 1.9 percent annually through 2033. Per capita income in the State is forecast to grow at 1.3 percent annually, indicating economic growth and increase in spending power among the residents of Hawaii.

3.2 Visitors and the Tourism Sector

The State has been and continues to be a popular tourist destination for millions of tourists each year. DBEDT records visitors traveling from the U.S. mainland or international markets (the DBEDT visitors), and does not track Hawaiian residents who visited other islands in the State. The system-wide DBEDT visitor count is higher than the total DBEDT visitors, because the system-wide number includes the visitor only once, regardless of how many islands they may visit. The term "visitor' in this section refers to DBEDT visitors.

In 2018, the State welcomed 9.8 million visitors by air, a 5.9 percent increase from the previous year as shown in Exhibit 3-11. The growth in total visitors came largely from the westbound market segment with 64.8 percent of visitors coming from within the United States, a 3.6 percent annual increase since 2008. Among the eastbound visitors, those who originated from Korea and Oceania (Australia and New Zealand) have been growing the fastest in the past 10 years, on average 19.7 and 10.1 percent per year, respectively. However, the Japanese market segment holds the highest concentration, reporting nearly 1.6 million visitors, which accounts approximately 67.0 percent of eastbound visitors. Overall, total visitors to the State grew 3.9 percent per year since 2008.

Exhibit 3-11: Historical Visitors to Hawaii, by Origin Market (in Thousands)
CY 2005 - 2018

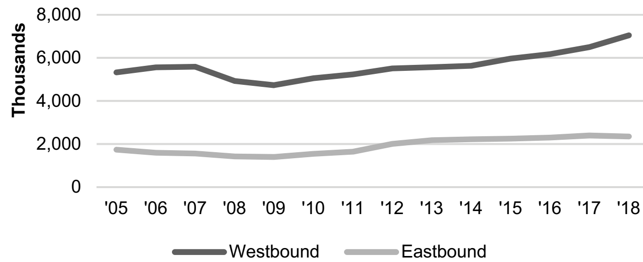
	Westbound					Eastbound						
	U.S West	U.S East	Canada	Europe	*Westbound Total*	Japan	Korea	China	Oceania	*Eastbound Total*	Other	Total
2005	3,032	1,929	249	112	*5,322*	1,517	35	43	143	*1,738*	356	**7,416**
2006	3,220	1,953	281	106	*5,560*	1,363	38	55	136	*1,592*	376	**7,528**
2007	3,245	1,902	334	108	*5,589*	1,296	42	57	162	*1,557*	350	**7,496**
2008	2,769	1,683	360	115	*4,927*	1,175	38	54	156	*1,423*	363	**6,713**
2009	2,719	1,561	347	104	*4,731*	1,168	51	42	137	*1,398*	291	**6,420**
2010	2,924	1,610	405	113	*5,052*	1,239	82	61	161	*1,543*	321	**6,916**
2011	2,995	1,642	478	120	*5,235*	1,242	113	82	208	*1,645*	294	**7,174**
2012	3,179	1,700	499	129	*5,507*	1,466	153	117	273	*2,009*	351	**7,867**
2013	3,211	1,702	517	137	*5,567*	1,519	177	125	355	*2,176*	260	**8,003**
2014	3,255	1,713	523	142	*5,633*	1,512	178	160	371	*2,221*	342	**8,196**
2015	3,507	1,804	512	145	*5,968*	1,482	194	174	400	*2,250*	345	**8,563**
2016	3,664	1,893	469	144	*6,170*	1,488	257	164	390	*2,299*	352	**8,821**
2017	3,844	1,999	520	140	*6,503*	1,588	261	151	395	*2,395*	380	**9,278**
2018	4,212	2,157	534	144	*7,047*	1,571	230	136	409	*2,346*	434	**9,827**
Average Annual Percent Growth												
2008 - 2013	3.0%	0.2%	7.5%	3.6%	2.5%	5.3%	36.0%	18.3%	17.9%	8.9%	-6.5%	**3.6%**
2013 - 2018	5.6%	4.9%	0.6%	1.0%	4.8%	0.7%	5.4%	1.7%	2.9%	1.5%	10.8%	**4.2%**
2008 - 2018	4.3%	2.5%	4.0%	2.3%	3.6%	2.9%	19.7%	9.7%	10.1%	5.1%	1.8%	**3.9%**

Note: Visitors are shown in thousands.

Source: DBEDT.

As shown in Exhibit 3-12, historically there have been more westbound visitors than eastbound visitors. Westbound visitors have grown 2.2 percent annually per year since 2005, despite the dip in 2008 that resulted from the economic recession in the United States. Initially, the decrease in the value of the Japanese yen and the severe acute respiratory syndrome (SARS) epidemic affected eastbound travelers, but visitor numbers have grown over 2.3 percent annually per year since 2005.

Exhibit 3-12: Historical Visitors to Hawaii by Origin Region
CY 2005 - 2018



Source: DBEDT.

In CY 2018, 17.0 percent of visitors visited more than one island, growing 2.1 percent per year since CY 2012. Total visitor count to the State has been growing 3.8 percent annually over the past six years. Of the visitors that only visited one island in CY 2018, O'ahu accounted for 46.4 percent, followed by Maui (19.3 percent), Hawai'i Island (17.0 percent), and Kaua'i (7.9 percent). O'ahu welcomed an estimated 4.6 million visitors, a 3.8 percent increase per year since 2012. Most of the visitors came from the west coast of the United States and Japan, each accounting for over 29 percent of O'ahu's total visitors. Since 2012, the islands within the State have seen growth of over two percent from visitors within the U.S. mainland and Canada (except O'ahu with 0.8 percent growth). Visitors from Japan to the Big Island and O'ahu grew by 11.1 percent and 2.0 percent annually, respectively, while Japanese visitors to Kaua'i and Maui have declined. To the State as a whole, the U.S. west coast market holds the largest share of 43 percent, while the U.S. east and Japan follow with 22 and 16 percent market share, respectively.

Exhibit 3-13: Historical Visitors to Hawaii by Island for the Top Four MMAs (in Thousands)

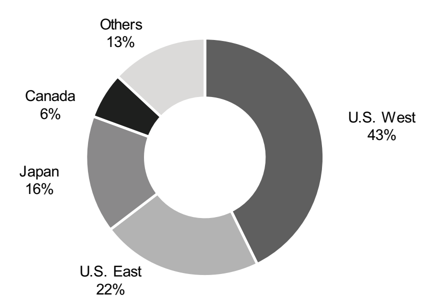
CY 2007 - 2018

	Total							U.S West						
Year	O'ahu	Kaua'I	Maui	Hawai'i	*Multiple Islands*	Total	*Avg. Islands Visited*	O'ahu	Kaua'I	Maui	Hawai'i	*Multiple Islands*	Total	*Avg. Islands Visited*
2007	3,177	527	1,367	624	*1,802*	7,497	*1.37*	1,035	365	863	387	*595*	3,245	*1.26*
2008	2,958	492	1,228	565	*1,471*	6,713	*1.31*	917	338	736	336	*443*	2,769	*1.20*
2009	2,934	473	1,178	548	*1,287*	6,420	*1.27*	947	325	716	334	*396*	2,719	*1.18*
2010	3,164	499	1,341	597	*1,315*	6,917	*1.26*	1,022	334	822	360	*387*	2,924	*1.26*
2011	3,259	535	1,391	629	*1,360*	7,174	*1.26*	1,027	364	839	379	*387*	2,995	*1.16*
2012	3,649	588	1,465	672	*1,477*	7,851	*1.25*	1,088	398	885	400	*423*	3,195	*1.16*
2013	3,745	597	1,465	658	*1,538*	8,003	*1.26*	1,119	407	885	387	*414*	3,211	*1.16*
2014	3,892	590	1,499	668	*1,549*	8,196	*1.26*	1,140	397	901	389	*428*	3,255	*1.17*
2015	4,039	630	1,610	730	*1,554*	8,563	*1.25*	1,206	432	995	443	*432*	3,508	*1.16*
2016	4,139	646	1,683	759	*1,577*	8,804	*1.24*	1,251	448	1,053	464	*438*	3,654	*1.15*
2017	4,267	688	1,747	844	*1,714*	9,278	*1.25*	1,803	477	1,089	500	*466*	4,336	*1.15*
2018 P	4,564	773	1,900	901	*1,669*	9,827	*1.23*	1,463	535	1,199	536	*466*	4,199	*1.14*
Average Annual Percent Growth														
2009 - 2012	7.5%	7.5%	7.5%	7.0%	4.7%	6.9%		4.7%	7.0%	7.3%	6.3%	2.2%	5.5%	
2012 - 2018	3.8%	4.7%	4.4%	5.0%	2.1%	3.8%		5.1%	5.1%	5.2%	5.0%	1.6%	4.7%	

	U.S East							Japan						
Year	O'ahu	Kaua'I	Maui	Hawai'i	*Multiple Islands*	Total	*Avg. Islands Visited*	O'ahu	Kaua'I	Maui	Hawai'i	*Multiple Islands*	Total	*Avg. Islands Visited*
2007	630	126	333	149	*664*	1,902	*1.59*	1,009	3	15	35	*234*	1,296	*1.20*
2008	598	116	304	137	*528*	1,683	*1.48*	929	2	12	31	*200*	1,175	*1.19*
2009	587	112	281	129	*452*	1,561	*1.43*	945	1	10	23	*189*	1,168	*1.18*
2010	607	121	306	133	*443*	1,610	*1.41*	990	2	11	38	*198*	1,239	*1.18*
2011	611	124	311	145	*451*	1,642	*1.41*	1,009	3	12	31	*187*	1,242	*1.17*
2012	629	134	311	149	*492*	1,715	*1.41*	1,189	2	12	37	*226*	1,466	*1.17*
2013	623	133	312	150	*484*	1,702	*1.41*	1,243	3	14	39	*219*	1,519	*1.17*
2014	632	132	317	153	*479*	1,713	*1.41*	1,280	2	9	29	*191*	1,512	*1.14*
2015	678	134	342	162	*489*	1,804	*1.40*	1,278	3	11	28	*162*	1,482	*1.12*
2016	702	141	364	174	508	1,888	*1.38*	1,286	2	10	30	*160*	1,488	*1.12*
2017	717	153	389	190	546	1,995	*1.40*	1,337	2	10	55	*183*	1,588	*1.13*
2018 P	808	176	427	198	*542*	2,151	*1.36*	1,336	2	11	69	*152*	1,571	*1.11*
Average Annual Percent Growth														
2009 - 2012	2.3%	6.0%	3.5%	4.8%	2.9%	3.2%		8.0%	18.5%	6.7%	17.4%	6.1%	7.9%	
2012 - 2018	4.3%	4.6%	5.4%	4.9%	1.6%	3.9%		2.0%	-1.6%	-1.2%	11.1%	-6.4%	1.2%	

	Canada						
Year	O'ahu	Kaua'I	Maui	Hawai'i	*Multiple Islands*	Total	*Avg. Islands Visited*
2007	107	12	90	19	*105*	333	*1.57*
2008	116	14	110	26	*95*	360	*1.42*
2009	107	15	119	29	*76*	347	*1.33*
2010	126	21	139	34	*86*	405	*1.31*
2011	145	25	169	40	*98*	478	*1.30*
2012	135	30	187	48	*113*	513	*1.27*
2013	140	32	192	49	*104*	517	*1.31*
2014	131	37	195	55	*105*	523	*1.32*
2015	135	36	189	54	*98*	512	*1.31*
2016	122	32	242	48	*87*	532	*1.26*
2017	141	34	263	54	*99*	592	*1.27*
2018 P	142	35	277	56	*108*	618	*1.28*
Average Annual Percent Growth							
2009 - 2012	8.1%	26.4%	16.3%	17.9%	13.8%	14.0%	
2012 - 2018	0.8%	2.4%	6.8%	2.6%	-0.7%	3.1%	

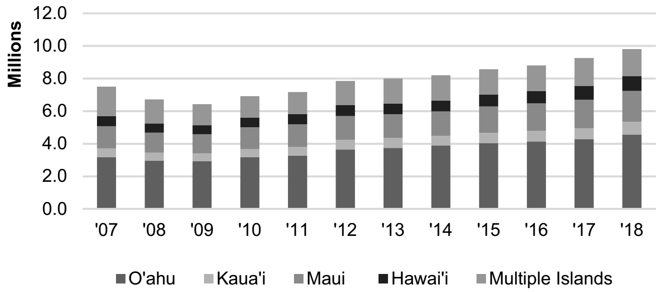
Distribution of Historical State Visitors by Top Markets 2018P



Note: 2018 visitors are preliminary. Visitors are shown in thousands. Maui includes Maui, Molokai and Lanai.

Source: Hawaii Tourism Authority.

Exhibit 3-14: Historical Visitors to Hawaii by Island
CY 2007 - 2018



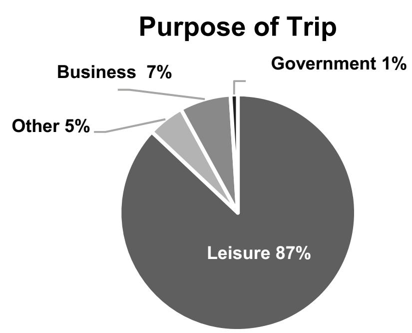
	CAGR '09 - '18	CAGR '14 - '18
O'ahu	5.0%	4.1%
Kaua'i	5.6%	7.0%
Maui	5.5%	6.1%
Hawai'i	5.7%	7.8%

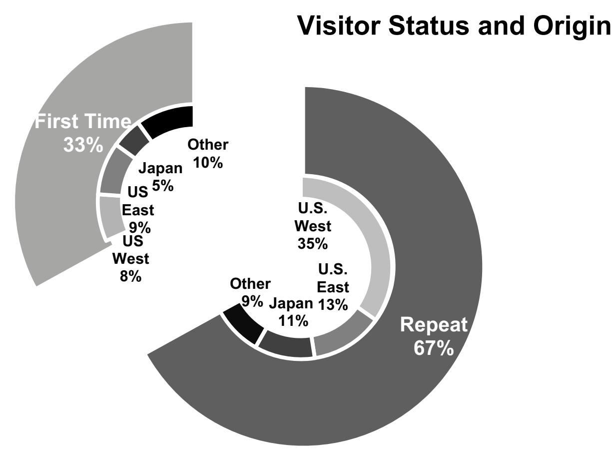
Note: 2018 visitors are preliminary. Only includes visitor's visiting that county only. Maui includes Maui, Molokai, and Lanai.

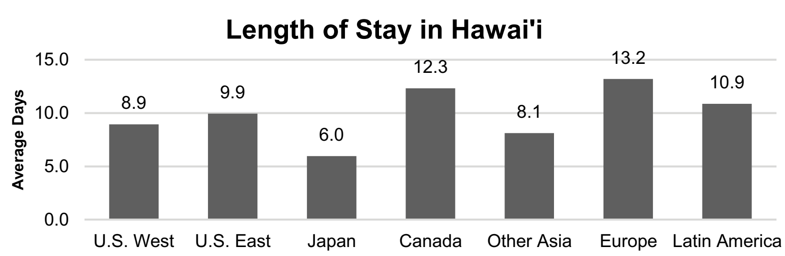
Source: Hawaii Tourism Authority.

As shown in Exhibit 3-15, in 2018, 87 percent of visitors traveled for leisure and 33 percent of visitors were visiting the State for the first time. Of those first timers, more than half were visiting from continental United States. Visitors from western United States tend to stay 8.9 days on average, spending $174 per person per day, while visitors from the U.S. east tend to stay a full day longer and spend $36 more per person per day. Japanese visitors spent on average 6.0 days in the State, shorter than the system-wide average. However, Japanese visitors are the 3rd highest spenders, spending $239 per person per day. Visitors from Europe and Canada tend to stay the longest compared to the other major market areas, but spend less than $200 per person per day, on average.

Exhibit 3-15: Hawaii Inbound Visitor Characteristics
CY 2018P







	U.S. West	U.S. East	Japan	Canada	Other Asia	Europe	Latin America
Expenditure Per Person Per Day $	$174	$210	$239	$160	$285	$181	$261

Note: Purpose of Trip - Leisure includes pleasure and visiting friends/relatives, Other includes attending school, sports events, and other, Business includes meetings/conventions/incentive and other business. Expenditure per person per day are for CY 2017.

Source: Hawaii Tourism Authority.

3.3 Trends in Air Service and Traffic

As a single system, the Hawaii Airports System is one of the busiest in the United States, welcoming over 18.8 million enplaned passengers in FY 2018. HNL is the largest primary airport, serving as an important hub for the State. The State is also served by four other Primary Neighbor Island (PNI) airports – ITO, KOA, LIH, and OGG.

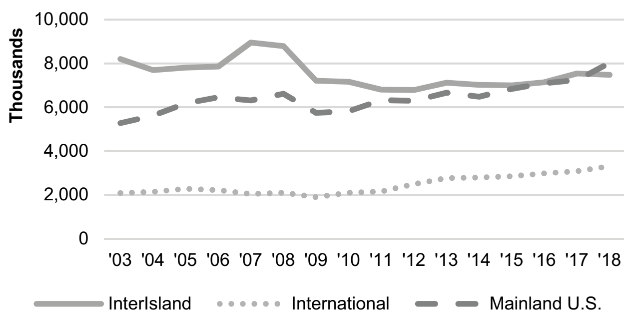
This section reviews recent and long-term trends in passenger traffic and airline services at the Hawaii Airports System. A comparison of the System's performance to that of other large U.S. airports is also presented.

3.3.1 Airport Passengers

In FY 2018, the State saw over 18.8 million enplaned passengers, a 5.3 percent increase from the previous year. As shown in Exhibit 3-16, the strongest growth came from the mainland U.S. market with a 10.8 percent growth since the prior fiscal year. Of those 18.8 million, 42.6 percent of passengers enplaned from other states within the United States, 17.6 percent from other countries, and 39.8 percent from within the State. Of the four segments presented in Exhibit 3-17, overseas flights from PNI airports saw the highest percentage increase, from 11 percent of system-wide enplaned passengers in FY 2003 to 20.7 percent in FY 2018, reflecting more non-stop flights to those airports. Interisland traffic declined as a result of this trend, as well as changes in airline competition.

Passenger traffic in the Hawaii Airports System declined from 17.5 million in FY 2008 to 14.9 million in FY 2009 as a result of 2008-2009 global economic downturn, but is slowly returning to pre-recession levels in FY 2018. From FY 2013 to FY 2018, Hawaii Airports System passenger traffic grew by 2.6 percent annually.

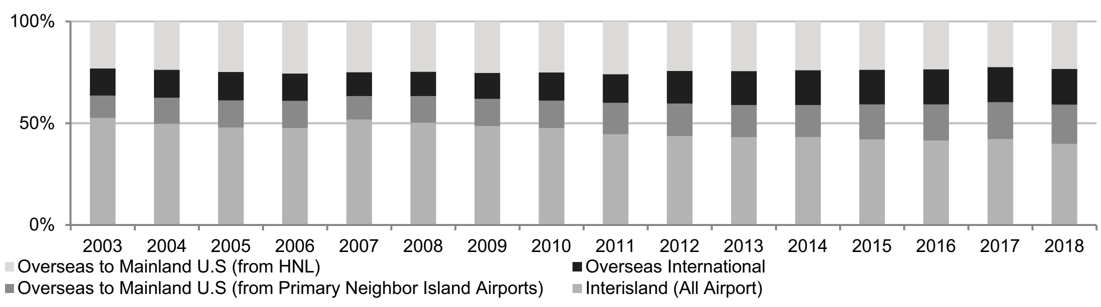
Exhibit 3-16: Historical Enplaned Passenger Traffic at Hawaii Airports System
FY 2003 - 2018



	CAGR			
	'03-'18	'08-'18	'13-'18	'17-'18
InterIsland	-0.4%	-1.6%	1.0%	-0.8%
International	3.1%	4.7%	3.7%	7.5%
Mainland U.S.	2.8%	2.0%	3.8%	10.8%
Total System	1.4%	0.7%	2.6%	5.3%

Source: State of Hawaii, Department of Transportation.

Exhibit 3-17: Interisland and Overseas Share of Enplaned Passenger Traffic
FY 2003 - 2018



Note: Primary Neighbor Island Airports includes OGG, KOA, LIH, and ITO.

Source: State of Hawaii, Department of Transportation.

As shown in Exhibit 3-18, HNL is the largest commercial airport within the Hawaii Airports System, welcoming over 10.6 million enplaned passengers in FY 2018. Of overseas enplaned passengers, HNL accounted for 54.8 percent of those traveling from within the United States and 90.4 percent of those traveling to international destinations. Kahului (OGG), the second busiest airport after HNL, welcomed over 3.6 million enplaned passengers, capturing 25.0 percent of passengers traveling overseas from within the United States and 19.3 percent of interisland traffic. Overall, HNL accounted for 56.7 percent of system-wide enplanements while the other Primary Neighboring Island airports accounted for 42.1 percent of overall enplaned passengers in the State in FY 2018.

Exhibit 3-18: Enplaned Passenger at Hawaii Airports System
FY 2018

	Overseas				
	Mainland U.S.	International	Total	InterIsland	Total
Honolulu	4,392,199	2,990,840	7,383,039	3,272,434	10,655,473
Primary Neighbor Island Airports	3,628,458	317,101	3,945,559	3,977,578	7,923,137
Kahului	2,007,103	183,937	2,191,040	1,462,750	3,653,790
Kona	852,090	109,376	961,466	969,261	1,930,727
Lihue	733,522	23,788	757,310	906,290	1,663,600
Hilo	35,743	-	35,743	639,277	675,020
Other Airports	-	-	-	227,664	227,664
Hawaii Airports System	**8,020,657**	**3,307,941**	**11,328,598**	**7,477,676**	**18,806,274**
Share of Total					
Honolulu	*54.8%*	*90.4%*	*65.2%*	*43.8%*	*56.7%*
Primary Neighbor Island Airports	*45.2%*	*9.6%*	*34.8%*	*53.2%*	*42.1%*
Kahului	*25.0%*	*5.6%*	*19.3%*	*19.6%*	*19.4%*
Kona	*10.6%*	*3.3%*	*8.5%*	*13.0%*	*10.3%*
Lihue	*9.1%*	*0.7%*	*6.7%*	*12.1%*	*8.8%*
Hilo	*0.4%*	-	*0.3%*	*8.5%*	*3.6%*
Other Airports	-	-	-	*3.0%*	*1.2%*
Hawaii Airports System	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Note: HNL and KOA have Federal Inspection Service (FIS) while international arrivals from other airports are pre-cleared.

Source: State of Hawaii, Department of Transportation.

Airline service and traffic in the Hawai'i Airports System can be grouped into three segments:

- *Inter-island* - passengers traveling within Hawai'i;
- *Overseas Mainland U.S.* - passengers traveling from continental U.S. and Alaska; and
- *Overseas International* - passengers traveling from abroad including territories of the United States.

In terms of total enplaned passengers, international enplaned passengers, and connecting passengers, HNL is among the top U.S. Airports, as shown in Exhibit 3-19, Exhibit 3-20, and Exhibit 3-21. The Hawaii Airports System, if evaluated as an airport, would be ranked as the 16th busiest in the country in CY 2018. In CY 2018, enplanement traffic at the Hawaii Airports System increased by 1.6 percent over the prior year, welcoming 18.6 million enplaned passengers according to the State of Hawaii, Department of Transportation's database. As a mature market, HNL welcomed over 10.4 million enplaned passengers, a slight decrease of 0.4 percent over the previous calendar year, seeing similar levels prior to the 2008 economic recession. It is worth noting that calendar year 2018 captures the effects on traffic enplanements given the volcanic eruption event on the Big Island and flooding near Lihue, as discussed previously in Section 2.3.

Exhibit 3-19: Ranking of U.S Large Hub Airports Based on Enplaned Passengers
CY 2008 - 2018

		Enplanements (millions)		CAGR				Enplanements (millions)		CAGR	
Rank	Airport	2008	2018	’08-’18	’17-’18	Rank	Airport	2008	2018	’08-’18	’17-’18
1	Atlanta	43.6	51.9	1.7%	3.2%	17	Minneapolis	16.4	18.4	1.2%	0.2%
2	Los Angeles	28.7	42.8	4.1%	3.9%	18	Fort Lauderdale	11.0	17.6	4.8%	11.4%
3	Chicago O'Hare	33.7	39.9	1.7%	3.5%	19	Detroit	17.0	17.4	0.3%	2.3%
4	Dallas/Fort Worth	27.2	32.8	1.9%	3.2%	20	Philadelphia	15.6	15.3	-0.2%	7.1%
5	Denver	24.3	31.4	2.6%	5.3%	21	New York LaGuardia	11.6	15.1	2.7%	3.2%
6	New York JFK	23.6	30.7	2.6%	3.8%	22	Baltimore	10.2	13.3	2.8%	3.1%
7	San Francisco	18.1	27.9	4.4%	3.6%	23	Salt Lake City	9.9	12.2	2.1%	5.3%
8	Seattle/Tacoma	15.8	24.0	4.3%	6.3%	24	San Diego	9.0	12.2	3.1%	9.4%
9	Las Vegas	20.9	23.7	1.3%	2.2%	25	Washington Dulles	11.4	11.7	0.2%	5.7%
10	Orlando	17.3	23.2	3.0%	7.6%	26	Washington Reagan	8.7	11.4	2.7%	-1.2%
11	New York Newark	17.6	22.9	2.6%	5.9%	27	Chicago Midway	8.0	10.7	2.9%	-2.2%
12	Charlotte	17.3	22.3	2.6%	1.2%	*28*	*Honolulu*	*10.4*	*10.4*	*0.1%*	*-0.4%*
13	Phoenix	19.4	21.7	1.1%	2.2%	29	Tampa	8.9	10.4	1.6%	8.7%
14	Houston Intercontinental	20.1	21.2	0.5%	8.1%	30	Portland (OR)	7.1	9.8	3.3%	3.9%
15	Miami	16.4	21.1	2.5%	1.9%						
16	Boston	12.8	20.1	4.6%	6.9%						
	Hawaii Airports System	17.5	18.6	0.6%	1.6%		**Top 30 U.S. Airports Total**	**529.4**	**662.0**	**2.3%**	**4.0%**

Note: Large hub airports are categorized by the FAA as an airport with 1 percent or more of annual passenger boardings across the U.S. Non-Hawaii airports that utilize the U.S. DOT as the source include only revenue enplaned passengers. Historical 2008 figures for Hawaii Airports reflect fiscal year period provided by State of Hawaii DOT.
Source: U.S. DOT T-100 (for non-Hawaii airports). State of Hawaii, Department of Transportation.

As a leisure destination, HNL is the ninth fastest growing international large hub airport among the top 15 largest by enplanements. Since CY 2008, HNL saw an annual growth of 3.8 percent in international enplaned passengers while the overall Hawaii Airports System grew nearly 4.5 percent per year. HNL welcomed 2.9 million international enplaned passengers in CY 2018, a 0.3 percent increase from the prior year.

Exhibit 3-20: Ranking of U.S Large Hub Airports Based on International Enplaned Passengers
CY 2008 - 2018

		Enplanements (millions)		CAGR				Enplanements (millions)		CAGR	
Rank	Airport	2008	2018	’08-’18	’17-’18	Rank	Airport	2008	2018	’08-’18	’17-’18
1	New York JFK	11.1	16.6	4.2%	3.3%	15	Seattle/Tacoma	1.4	2.6	6.4%	6.7%
2	Los Angeles	8.1	12.8	4.7%	6.0%	16	Philadelphia	1.8	1.9	0.5%	9.2%
3	Miami	8.1	10.6	2.7%	1.1%	17	Detroit	1.9	1.9	-0.2%	7.2%
4	New York Newark	5.5	7.0	2.4%	10.4%	18	Las Vegas	1.1	1.8	5.0%	4.6%
5	San Francisco	4.2	6.9	5.1%	6.1%	19	Charlotte	1.1	1.6	3.1%	3.1%
6	Chicago O'Hare	5.5	6.8	2.1%	6.1%	20	Minneapolis	1.3	1.5	1.4%	2.2%
7	Atlanta	4.6	6.1	3.0%	4.4%	21	Denver	1.1	1.5	2.9%	14.5%
8	Houston Intercontinental	3.9	5.3	3.1%	4.2%	22	New York LaGuardia	0.6	1.1	6.8%	5.4%
9	Fort Lauderdale	1.5	4.2	10.6%	19.2%	23	Phoenix	0.9	1.1	1.5%	3.2%
10	Dallas/Fort Worth	2.5	4.2	5.4%	2.6%	24	Baltimore	0.2	0.6	12.7%	14.8%
11	Washington Dulles	3.0	3.9	2.8%	4.1%	25	San Diego	0.1	0.5	16.4%	16.0%
12	Boston	1.8	3.6	7.4%	6.2%	26	Tampa	0.2	0.5	10.1%	9.0%
						27	Salt Lake City	0.3	0.5	6.5%	7.5%
	Hawaii Airports System	2.1	3.3	4.5%	2.0%	28	Portland (OR)	0.3	0.4	2.6%	14.9%
						29	Chicago Midway	0.0	0.4	34.3%	-2.6%
13	Orlando	1.3	3.2	9.4%	12.1%	30	Washington Reagan	0.1	0.2	2.6%	-1.7%
14	*Honolulu*	*2.0*	*2.9*	*3.8%*	*0.3%*						
							Top 30 U.S. Airports Total	**75.4**	**112.1**	**4.0%**	**5.6%**

Note: Large hub airports are categorized by the FAA as an airport with 1 percent or more of annual passenger boardings across the U.S. Non-Hawaii airports that utilize the U.S. DOT as the source include only revenue enplaned passengers. Historical 2008 figures for Hawaii Airports reflect fiscal year period.
Source: U.S. DOT T-100 (for non-Hawaii airports). State of Hawaii, Department of Transportation.

In CY 2018, HNL saw over 3.2 million connecting passengers (enplaned and deplaned), a 4.5 percent increase from the prior year. HNL connecting traffic has almost returned to pre-recession levels of 4.5 million in 2008. In 2018, connecting traffic growth at HNL rose by 4.5 percent compared to the previous year and sharply increased by 18.4 percent for the overall Hawaii Airports System, whereas the top U.S. airports' average growth rate declined by 0.7 percent. This increase in connecting traffic has been signaled by the increased interisland seat capacity that backfilled Big Island Air, after they ceased operations in November 2017.

Exhibit 3-21: Ranking of Top U.S Airports Based on Connecting Passengers
CY 2008 - 2018

		Enplanements (millions)		CAGR				Enplanements (millions)		CAGR	
Rank	**Airport**	**2008**	**2018**	**'08-'18**	**'17-'18**	**Rank**	**Airport**	**2008**	**2018**	**'08-'18**	**'17-'18**
1	Atlanta	58.5	63.3	0.8%	-0.5%	18	Washington Dulles	8.9	7.5	-1.7%	4.3%
2	Dallas/Fort Worth	31.2	34.5	1.0%	-1.4%	19	Chicago Midway	4.7	7.5	4.7%	-0.2%
3	Chicago O'Hare	33.5	32.9	-0.2%	-1.2%	20	Baltimore	3.7	7.4	7.1%	-1.7%
4	Charlotte	25.2	30.5	1.9%	-1.1%	21	Las Vegas	7.3	6.2	-1.6%	4.7%
5	Denver	22.8	22.1	-0.3%	0.7%	22	Fort Lauderdale	1.7	5.6	13.0%	35.5%
6	Houston Intercontinental	22.5	20.3	-1.1%	5.2%	23	Dallas Love Field	2.1	5.1	9.2%	6.7%
7	Los Angeles	12.0	15.4	2.5%	-4.8%	24	Houston Hobby	1.9	4.9	10.0%	11.8%
8	Miami	14.5	14.3	-0.1%	-1.0%						
9	Phoenix	15.3	14.1	-0.8%	-4.3%		Hawaii Airports System	4.5	4.3	-0.5%	18.4%
10	Minneapolis	16.5	14.0	-1.6%	-9.5%						
11	Detroit	17.0	14.0	-1.9%	-6.3%	25	St. Louis	2.6	3.7	3.7%	11.6%
12	Seattle/Tacoma	8.2	13.8	5.4%	-0.9%	*26*	*Honolulu*	*3.6*	*3.2*	*-1.2%*	*4.5%*
13	San Francisco	8.2	11.5	3.4%	-4.5%	27	Washington Reagan	3.5	2.4	-3.4%	-10.7%
14	Philadelphia	12.4	9.5	-2.6%	7.9%	28	New York LaGuardia	1.6	2.4	4.3%	-4.2%
15	Salt Lake City	8.9	9.3	0.5%	-0.4%	29	Boston	1.4	2.3	5.2%	6.8%
16	New York JFK	10.2	9.1	-1.1%	-6.8%	30	Portland (OR)	2.1	2.2	0.8%	-6.5%
17	New York Newark	8.7	9.1	0.4%	-4.5%						
							Top 30 U.S. Airports Total	**370.6**	**398.0**	**0.7%**	**-0.7%**

Note: Airports are ranked by 2018 total connecting passengers.

Source: U.S. DOT O&D Survey.

Among the top 20 U.S. airports, in March 2019, HNL had the most scheduled weekly seats to Japan. HNL is ranked 14th regarding departing seats to Japan, Oceania, Other Asia, Canada, U.S. Pacific Trust, and Oceania/Pacific region, with over 64.3 thousand seats weekly.

Exhibit 3-22: Top 20 U.S Airports Scheduled Weekly Departing Seats (in Thousands), by World Region to the U.S. Pacific Trust Territories and International Destinations

March 2019

Rank	Airport	Japan	China	South Korea	Other Asia	Canada	Territories of the U.S.	Oceania/ Pacific	Europe, Africa, Middle East	Latin America & Caribbean	Total
1	New York JFK	7.1	12.6	7.6	14.4	6.9	-	-	194.6	140.6	383.8
2	Miami	-	-	-	-	15.1	-	-	62.1	205.4	282.6
3	Los Angeles	18.2	28.0	11.2	27.4	24.7	-	34.2	65.5	71.6	280.9
4	New York Newark	2.6	5.3	-	12.5	19.8	-	-	79.1	46.2	165.5
5	San Francisco	9.4	13.7	8.0	33.9	18.3	-	12.0	44.7	18.2	158.2
6	Chicago O'Hare	8.0	6.3	3.5	7.4	21.4	-	0.9	60.2	49.1	156.8
7	Atlanta	1.9	1.9	4.7	-	11.4	-	-	44.8	83.9	148.6
8	Fort Lauderdale	-	-	-	-	23.3	-	-	10.1	102.8	136.2
9	Houston Intercontinental	3.7	1.6	-	2.2	11.6	-	3.0	27.1	84.4	133.6
10	Orlando	-	-	-	-	25.4	-	-	19.4	59.6	104.4
11	Dallas/Fort Worth	5.2	3.6	3.2	2.2	8.8	-	2.7	20.6	57.0	103.2
12	Washington Dulles	3.7	2.8	2.0	2.1	6.9	-	-	56.5	17.0	91.1
13	Boston	1.4	2.5	-	2.1	13.0	-	-	45.8	23.8	88.5
14	*Honolulu*	*36.1*	*2.5*	*5.5*	*2.0*	*5.8*	*0.6*	*9.3*	*2.5*	*-*	*64.3*
15	Seattle/Tacoma	3.6	5.4	4.4	2.2	18.3	-	-	16.9	8.1	58.8
16	Philadelphia	-	-	-	-	6.2	-	-	25.7	16.7	48.5
17	Minneapolis	1.9	-	-	-	11.0	-	-	8.8	24.2	45.9
18	Detroit	3.1	4.3	2.1	-	5.9	-	-	17.4	13.1	45.9
19	Charlotte	-	-	-	-	4.1	-	-	8.8	30.7	43.5
20	Las Vegas	-	0.5	1.5	-	21.3	-	-	6.8	9.2	39.2

Note: Airports are ranked by total weekly departing seats. Seats are in thousands.

Source: Innovata.

As seen in Exhibit 3-23, in March 2019, HNL is the most served market in the Hawaii Airports System, with 25 airlines – eight U.S. and 17 foreign-flag airlines. The PNI Airports, which include OGG, KOA, LIH and ITO, are served by nine airlines, which are mostly U.S. airlines with two Canadian airlines while other secondary airports are served by two or less U.S. airlines

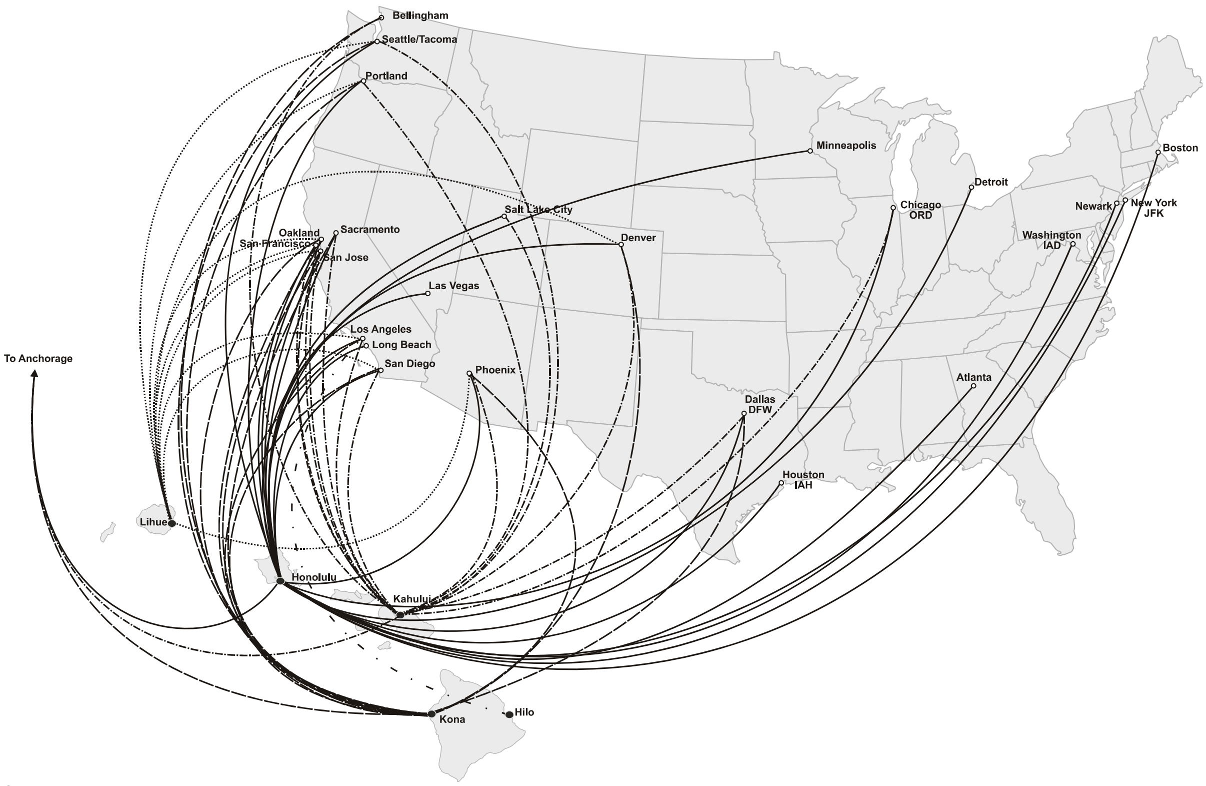
Exhibit 3-23: Number of Scheduled Passenger Airlines with Nonstop Service to Hawaii
March 2019

Airline	HNL	OGG	KOA	LIH	ITO	HNM	JHM	LNY	MKK	MUE
U.S. Airlines	**8**	**6**	**6**	**5**	**2**	**1**	**2**	**1**	**2**	**1**
Alaska	✓	✓	✓	✓						
American Airlines	✓	✓	✓	✓						
Delta	✓	✓	✓	✓						
Hawaiian Air Lines	✓	✓	✓	✓	✓		✓	✓	✓	
Mokulele Airlines	✓	✓	✓			✓	✓		✓	✓
Sun Country	✓									
United	✓	✓	✓	✓	✓					
Southwest	✓									
Foreign-flag Airlines	**17**	**2**	**3**	**2**						
Air Canada	✓	✓	✓	✓						
Air China	✓									
Air New Zealand	✓									
AirAsia X	✓									
All Nippon Airways	✓									
Asiana Airlines	✓									
China Airlines	✓									
China Eastern Airlines	✓									
Fiji Airways	✓									
Japan Airlines	✓		✓							
Jetstar Airways	✓									
Jin Air	✓									
Korean Air	✓									
Philippine Airlines	✓									
Qantas Airways	✓									
Tiger Airways	✓									
WestJet	✓	✓	✓	✓						
Total Carriers	**25**	**8**	**9**	**7**	**2**	**1**	**2**	**1**	**2**	**1**

Source: Innovata.

Based on scheduled services published in Innovata, in March 2019, there are 902 weekly departures from the Primary Airports to the United States. Most of the U.S. services are from HNL and OGG, accounting for 72.2 percent of the total with 401 and 250 weekly departures, respectively. Los Angeles and San Francisco are the busiest nonstop served destinations with 253 and 135 weekly flights, respectively.

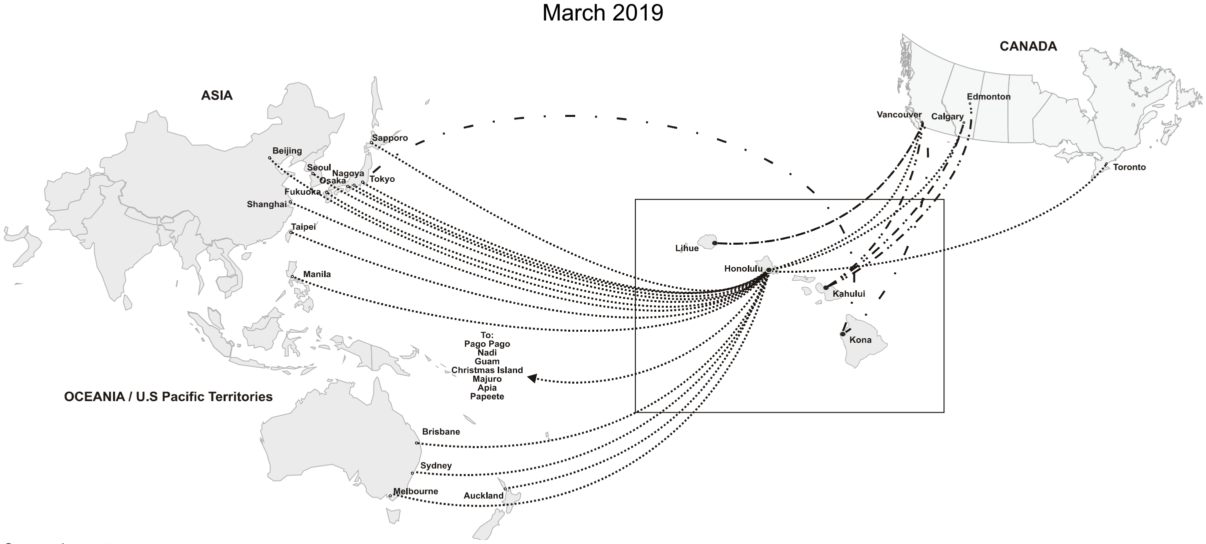
Exhibit 3-24: Map of Scheduled Hawaii - U.S. Mainland Destinations
March 2019



Source: Innovata.

International services are mostly operated out of HNL airport with the exception of Canadian flights. In March 2019, HNL has 256 weekly departures to Japan, China, South Korea, Taiwan, Oceania, Canada, and the U.S. Pacific Territories. Overall, weekly departures to destinations within Japan accounted for 47.9 percent of total international departures while Canada accounted for 28.7 percent. Over 72.0 percent of scheduled international flights are flown on widebody aircrafts – 26.2 percent on A330, 16.5 percent on B767, 15.5 percent on B787, 9.8 percent on B777, 3.4 percent on B747, and 0.6 percent on A350 aircraft.

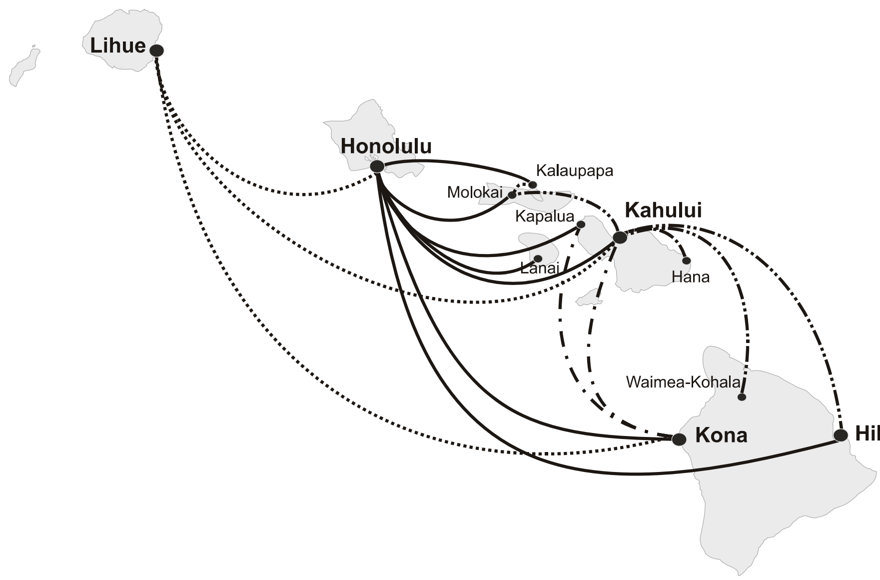
Exhibit 3-25: Map of Scheduled Hawaii - International & U.S. Pacific Trust Destinations
March 2019



Source: Innovata.

For interisland operations, 2,106 weekly departures are scheduled in March 2019. Most interisland services are from HNL, OGG and KOA with 785, 455, and 247 scheduled weekly departures, respectively, accounting for 70.6 percent of total interisland weekly departures. Among total scheduled interisland departures, 57.0 percent will be flown on a Boeing 717 aircraft while the rest are being flown on turboprops (ATR-42/72 and Cessna aircraft). In April 2019, Southwest commenced interisland routes operating the B737-800 aircraft. According to July 2019 Innovata schedules, the B737 accounted for 4.4 percent of scheduled departures that month.

Exhibit 3-26: Map of Scheduled Hawaii Interisland Routes
March 2019

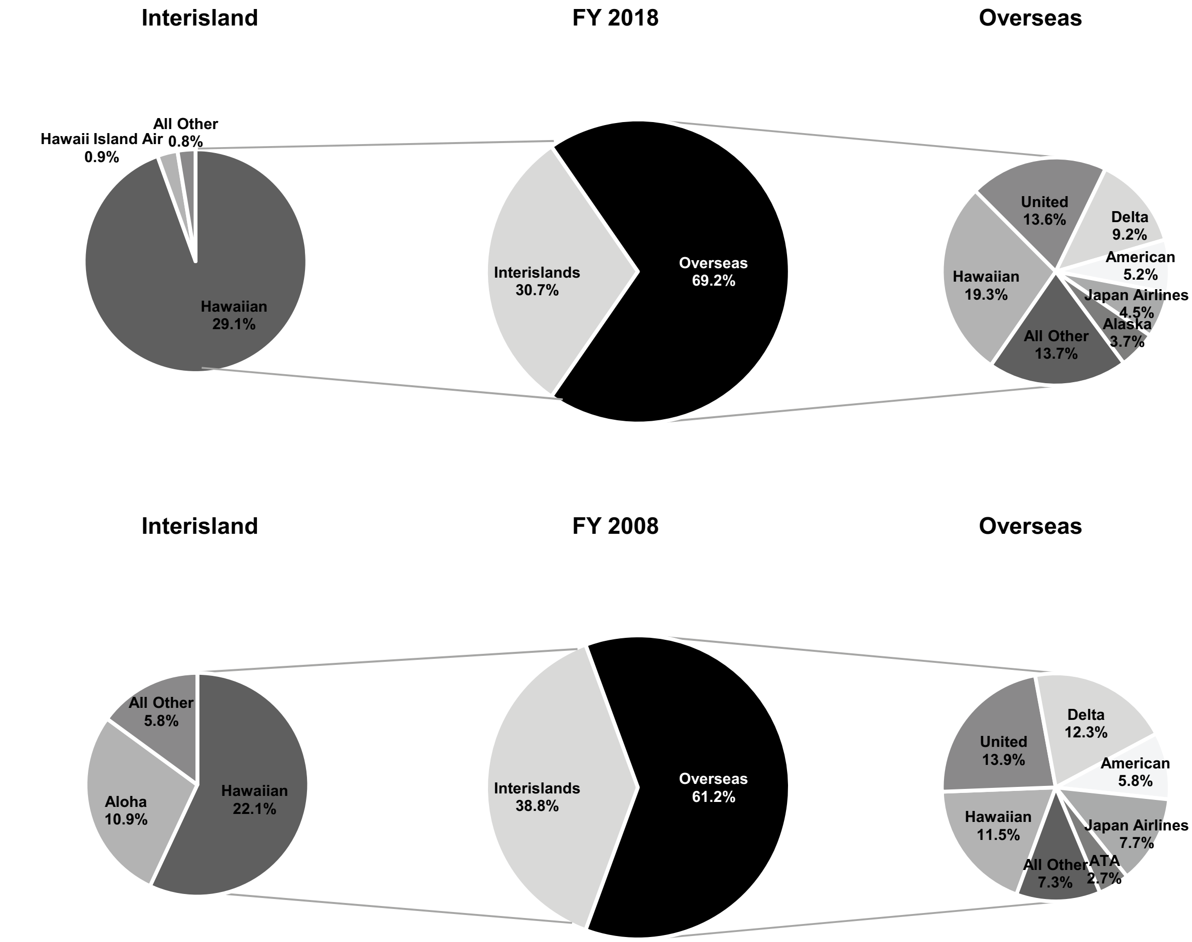


Source: Innovata.

Hawaiian Airlines has been the dominant carrier in both the overseas and interisland markets to Hawaii. In FY 2018, 69.3 percent of HNL's enplaned passengers arrived from the oversea markets with Hawaiian Airlines as the leading carrier with a 19.3 percent market share, a 7.5 percent increase from FY 2008. United has the second largest market share with 13.6 percent, a decline since 2008 after cutting back services to Japan. HNL's overseas enplaned passengers recovered from pre-recession levels in 2018, reaching a new peak of over 7.4 million in FY 2018, a 3.1 percent average annual growth from 2010-2018 and 1.5 percent since 2008.

The other 30.7 percent of enplaned passengers came from within the interisland markets with Hawaiian Airlines having the vast majority of 94.8 percent of interisland market share. Big Island Air, which provided interisland services, had 2.9 percent of interisland market share. As shown in Exhibit 3-27, HNL is well served with overseas and interisland services. In FY 2008, Aloha Airlines competed with Hawaiian Airlines within the interisland markets, providing interisland services. However, Aloha Airlines ceased operations in 2008, and Mesa Airlines, another carrier serving interisland market, ceased operations in 2014.

Exhibit 3-27: Enplaned Passenger Market Shares for HNL
FY 2018 vs 2008



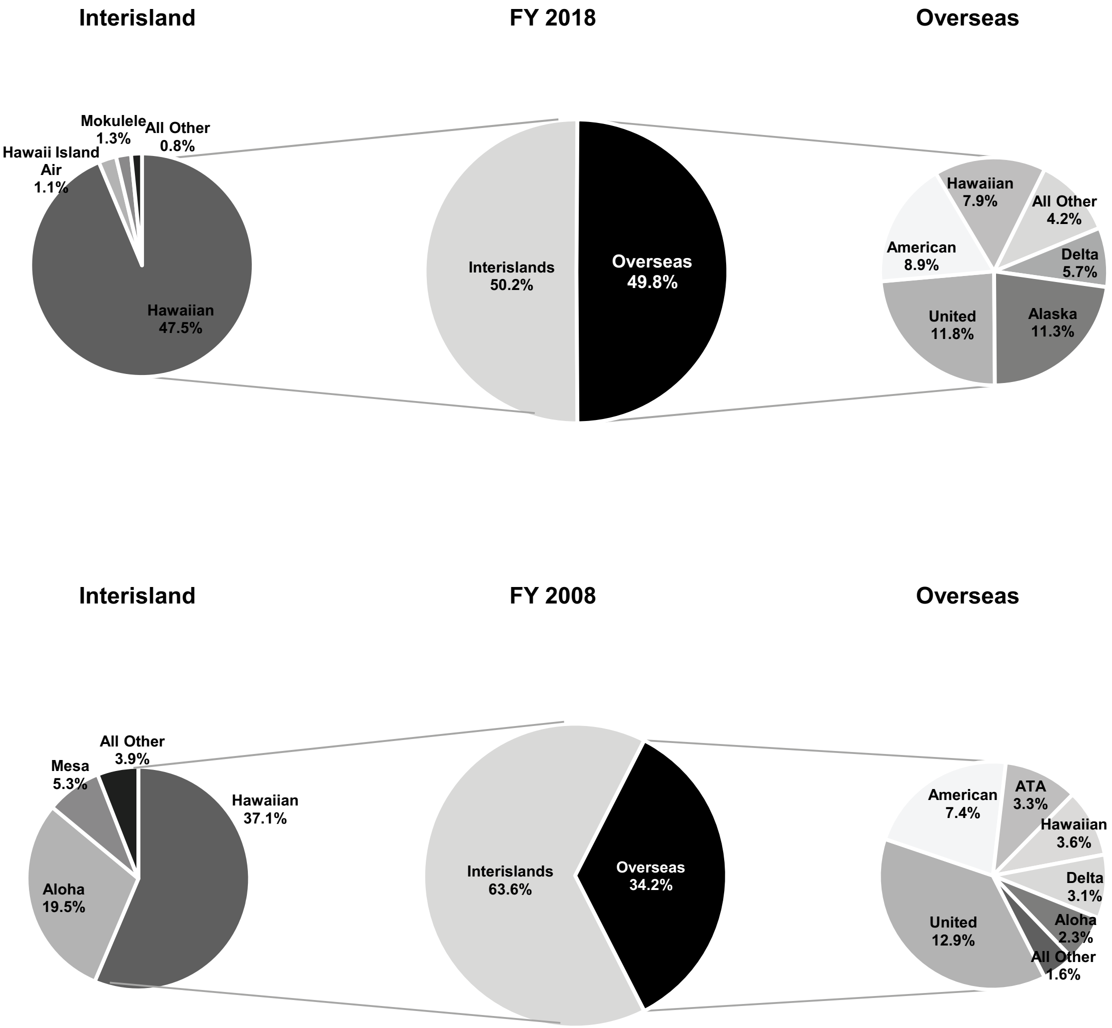
Note: Percentage may not add to 100 due to rounding. American Airlines includes US Airways.

Source: State of Hawaii, Department of Transportation.

As shown in Exhibit 3-28, overseas enplaned passengers accounted for 49.8 percent of total enplaned passengers at PNI Airports with United and Alaska as the leading carriers with 11.8 percent and 11.3 percent market share, respectively. The share of overseas enplaned passengers increased from 34.3 percent in FY 2008 to 49.8 percent in FY 2018, indicating development of non-stop air service from U.S. mainland to the PNI Airports.

Interisland enplaned passengers accounted for 50.2 percent of PNI Airports enplaned passengers in FY 2018 with Hawaiian Airlines as the dominate carrier, accounting for 49.8 percent of total enplaned passengers.

Exhibit 3-28: Enplaned Passenger Market Shares for PNI Airports
FY 2018 vs 2008



Note: Primary Neighbor Island (PNI) Airports include Kahului, Kona, Lihue, and Hilo. Percentage may not add to 100 due to rounding. American Airline includes US Airways. Japan Airlines had interisland services in FY 2008.

Source: State of Hawaii, Department of Transportation.

Exhibit 3-29 shows a detailed breakout of U.S. and foreign-flag carriers at HNL, the PNI Airports and the Hawaii Airports System.

For the overseas market, Alaska Airlines and Hawaiian Airlines had the highest average annual growth rates among U.S. carriers from FY 2008 to FY 2018. Each had growth rate of 29.9 percent and 6.5 percent respectively. Hawaiian Airlines' average annual growth rates were 9.8 percent at the PNI Airports, compared to 5.6 percent at HNL. Delta Air Lines and Omni Air International experienced a decline during the same period. For the foreign-flag carriers, Japan Airlines also experienced a decline during the same period, but the decline was more than offset by higher traffic on other foreign-flag carries.

For the interisland market, Hawaiian Airlines gained a dominant market share in FY 2018 compared to FY 2008, and realized an average annual growth rate of 3.7 percent.

Exhibit 3-29: Enplaned Passengers by Airline
FY 2018 vs 2008

Airline	Honolulu FY 2008	Honolulu FY 2018	CAGR '08 - '18	Primary Neighbor Island FY 2008	Primary Neighbor Island FY 2018	CAGR '08 - '18	Hawaii Airport System FY 2008	Hawaii Airport System FY 2018	CAGR '08 - '18
Overseas									
U.S Carriers	4,996,647	5,559,636	1.1%	2,281,116	3,659,666	4.8%	7,277,763	9,219,302	2.4%
Hawaiian	1,192,676	2,061,775	5.6%	245,846	627,643	9.8%	1,438,522	2,689,418	6.5%
United	1,447,132	1,449,171	0.0%	890,154	932,711	0.5%	2,337,286	2,381,882	0.2%
Delta	1,273,584	981,182	-2.6%	215,582	448,971	7.6%	1,489,166	1,430,153	-0.4%
American	601,436	557,248	-0.8%	511,503	707,471	3.3%	1,112,939	1,264,719	1.3%
Alaska	63,031	447,453	21.7%	34,675	894,033	38.4%	97,706	1,341,486	29.9%
Omni Air International	64,700	50,306	-2.5%		508		64,700	50,814	-2.4%
Allegiant		6,987						6,987	
Other	*354,088*	*5,514*	*-34.0%*	*383,356*	*48,329*	*-18.7%*	*737,444*	*53,843*	*-23.0%*
Foreign Carriers	1,352,773	1,823,403	3.0%	78,103	285,893	13.9%	1,430,876	2,109,296	4.0%
Japan Airlines	796,273	478,109	-5.0%	2,298	43,446	34.2%	798,571	521,555	-4.2%
All Nippon	69,546	232,759	12.8%				69,546	232,759	12.8%
Korean	82,684	222,667	10.4%				82,684	222667	10.4%
Jetstar	54,982	143,282	10.1%				54,982	143,282	10.1%
WestJet	37,362	92,277	9.5%	40,491	160,162	14.7%	77,853	252,439	12.5%
Air Canada	98,384	84,707	-1.5%	35,314	82,285	8.8%	133,698	166,992	2.2%
Asiana		81,708						81,708	
All Other	*213,542*	*487,894*	*8.6%*				*213,542*	*487,894*	*8.6%*
Overseas Subtotal	**6,349,420**	**7,383,039**	**1.5%**	**2,359,219**	**3,945,559**	**5.3%**	**8,708,639**	**11,328,598**	**2.7%**
Interisland									
Hawaiian	2,292,801	3,098,841	3.1%	2,549,426	3,767,222	4.0%	4,842,227	6,960,953	3.7%
Hawaii Island Air	200,836	93,589	-7.4%	166,094	90,185	-5.9%	563,622	183,774	-10.6%
Mokulele		51,923			106,554			244,856	
Makani Kai Helicopters		27,445			12,597			86,292	
Trans Air		636			758			1,394	
Aloha	1,134,783		-100.0%	1,339,434			2,474,469		-100.0%
Mesa	381,304			363,822			760,074		
All Other	*20,747*		*-100.0%*	*102,329*	*262*	*-44.9%*	*152,205*	*407*	*-44.7%*
InterIsland Subtotal	**4,030,471**	**3,272,434**	**-2.1%**	**4,521,105**	**3,977,578**	**-1.3%**	**8,792,597**	**7,477,676**	**-1.6%**
Total	**10,379,891**	**10,655,473**	**0.3%**	**6,880,324**	**7,923,137**	**1.4%**	**17,501,236**	**18,806,274**	**0.7%**

Note: American Airline includes US Airways. Alaska Airlines includes Virgin America in FY 2018. Japan Airlines had interisland services in FY 2008.

Source: State of Hawaii, Department of Transportation.

Historical enplaned passengers for the Hawaii Airports System are shown in Exhibit 3-30.

Exhibit 3-30: Historical Enplaned Passengers for Hawaii Airports System

FY 2003 - 2018

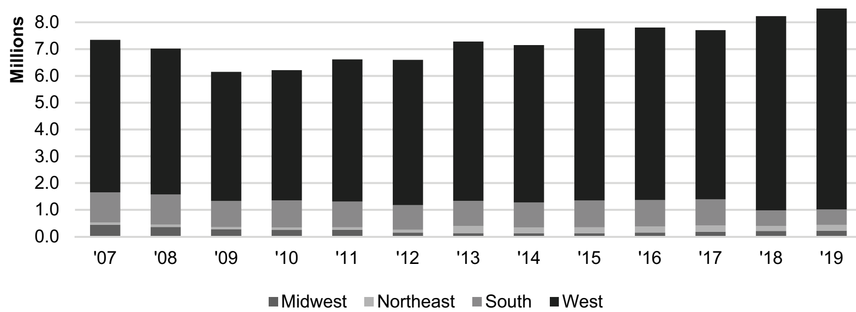
	Enplaned Passengers (Fiscal Year ending June 30)														CAGR		
	2003	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	'03 - '18	'08 - '18	'10-'18
Hawaii Airport System																	
Overseas	7,360,125	8,669,873	8,349,006	8,708,639	7,635,330	7,916,246	8,481,783	8,781,322	9,423,959	9,272,688	9,684,729	10,078,047	10,317,969	11,328,598	2.9%	2.7%	4.6%
Mainland U.S	*5,274,823*	*6,452,951*	*6,312,647*	*6,609,947*	*5,739,019*	*5,820,676*	*6,326,228*	*6,291,224*	*6,659,078*	*6,481,469*	*6,834,201*	*7,099,220*	*7,240,443*	*8,020,657*	2.8%	2.2%	4.1%
International	*2,085,302*	*2,216,922*	*2,036,359*	*2,098,692*	*1,896,311*	*2,095,570*	*2,155,555*	*2,490,098*	*2,764,881*	*2,791,219*	*2,850,528*	*2,978,827*	*3,077,527*	*3,307,941*	3.1%	4.1%	5.9%
Interlsland	8,202,252	7,859,262	8,951,154	8,792,597	7,206,820	7,162,646	6,800,509	6,784,974	7,118,800	7,022,309	6,998,066	7,137,313	7,541,249	7,477,672	-0.6%	-0.5%	0.5%
Total	**15,562,377**	**16,529,135**	**17,300,160**	**17,501,236**	**14,842,150**	**15,078,892**	**15,282,292**	**15,566,296**	**16,542,759**	**16,294,997**	**16,682,795**	**17,215,360**	**17,859,218**	**18,806,270**	**1.3%**	**1.3%**	**2.8%**
Honolulu																	
Overseas	5,648,017	6,394,480	6,294,614	6,349,420	5,559,960	5,766,969	5,985,883	6,104,142	6,620,624	6,503,798	6,605,637	6,798,296	6,865,488	7,383,039	1.8%	1.4%	3.1%
Mainland U.S	*3,617,808*	*4,234,997*	*4,317,670*	*4,328,831*	*3,757,063*	*3,787,185*	*3,965,863*	*3,792,079*	*4,037,079*	*3,905,540*	*3,961,181*	*4,043,179*	*4,015,430*	*4,392,199*	1.3%	0.4%	1.9%
International	*2,030,209*	*2,159,483*	*1,976,944*	*2,020,589*	*1,802,897*	*1,979,784*	*2,020,020*	*2,312,063*	*2,583,545*	*2,598,258*	*2,644,456*	*2,755,117*	*2,850,059*	*2,990,840*	2.6%	3.3%	5.3%
Interlsland	3,803,194	3,605,027	4,117,825	4,030,471	3,339,291	3,351,144	3,176,115	3,154,076	3,232,462	3,196,439	3,101,890	3,138,295	*3,336,390*	3,272,434	-1.0%	-1.0%	-0.3%
Total	**9,451,211**	**9,999,507**	**10,412,439**	**10,379,891**	**8,899,251**	**9,118,113**	**9,161,998**	**9,258,218**	**9,853,086**	**9,700,237**	**9,707,527**	**9,936,591**	**10,201,879**	**10,655,473**	**0.8%**	**0.6%**	**2.0%**
Primary Neighbor Island Airports																	
Overseas	1,712,108	2,275,393	2,054,392	2,359,219	2,075,370	2,149,277	2,495,900	2,677,180	2,803,335	2,768,890	3,079,092	3,279,752	3,452,481	3,945,559	5.7%	5.7%	7.9%
Interlsland	4,185,014	4,024,041	4,597,455	4,521,105	3,665,561	3,638,374	3,447,770	3,456,265	3,709,984	3,653,149	3,693,242	3,779,314	3,994,388	3,977,578	-0.3%	-0.1%	1.1%
Total	**5,897,122**	**6,299,434**	**6,651,847**	**6,880,324**	**5,740,931**	**5,787,651**	**5,943,670**	**6,133,445**	**6,513,319**	**6,422,039**	**6,772,334**	**7,059,066**	**7,446,869**	**7,923,137**	**2.0%**	**2.3%**	**4.0%**
Kahului (OGG)																	
Overseas	1,195,546	1,494,669	1,356,628	1,517,353	1,254,604	1,306,866	1,537,593	1,591,597	1,642,016	1,637,202	1,822,152	1,949,229	2,033,603	2,191,040	4.1%	3.9%	6.7%
Interlsland	1,494,827	1,392,796	1,614,961	1,583,378	1,287,718	1,280,231	1,209,611	1,246,166	1,388,773	1,371,867	1,424,740	1,449,726	1,486,909	1,462,750	-0.1%	0.5%	1.7%
Total	*2,690,373*	*2,887,465*	*2,971,589*	*3,100,731*	*2,542,322*	*2,587,097*	*2,747,204*	*2,837,763*	*3,030,789*	*3,009,069*	*3,246,892*	*3,398,955*	*3,520,512*	*3,653,790*	2.1%	*2.4%*	4.4%
Kona (KOA)																	
Overseas	306,521	488,699	466,854	474,163	456,832	467,903	538,395	539,293	569,962	561,167	649,683	707,101	604,824	757,310	6.2%	4.5%	6.2%
Interlsland	979,666	987,715	1,106,945	1,090,129	875,391	853,088	812,928	823,064	874,418	854,022	841,251	859,215	913,599	906,290	-0.5%	-0.9%	0.8%
Total	*1,286,187*	*1,476,414*	*1,573,799*	*1,564,292*	*1,332,223*	*1,320,991*	*1,351,323*	*1,362,357*	*1,444,380*	*1,415,189*	*1,490,934*	*1,566,316*	*1,518,423*	*1,663,600*	1.7%	*1.2%*	2.9%
Lihue (LIH)																	
Overseas	210,041	285,114	194,983	342,795	363,934	374,508	416,522	494,375	542,820	544,551	569,900	588,443	778,084	961,466	10.7%	12.9%	12.5%
Interlsland	1,052,967	996,287	1,113,623	1,101,052	866,447	845,538	804,383	787,492	815,736	808,574	816,117	844,190	951,771	969,261	-0.6%	-0.3%	1.7%
Total	*1,263,008*	*1,281,401*	*1,308,606*	*1,443,847*	*1,230,381*	*1,220,046*	*1,220,905*	*1,281,867*	*1,358,556*	*1,353,125*	*1,386,017*	*1,432,633*	*1,729,855*	*1,930,727*	2.9%	*4.2%*	5.9%
Hilo (ITO)																	
Overseas	-	6,911	35,927	24,908	-	-	3,390	51,915	48,537	25,970	37,357	34,978	35,970	35,743		17.9%	
Interlsland	657,554	647,243	761,926	746,546	636,005	659,517	620,848	599,543	631,057	618,686	611,134	626,183	642,109	639,277	-0.2%	-0.1%	-0.4%
Total	*657,554*	*654,154*	*797,853*	*771,454*	*636,005*	*659,517*	*624,238*	*651,458*	*679,594*	*644,656*	*648,491*	*661,161*	*678,079*	*675,020*	0.2%	*0.3%*	0.3%
Other	**214,044**	**230,194**	**235,874**	**241,021**	**201,968**	**173,128**	**176,624**	**174,633**	**176,354**	**172,721**	**202,934**	**219,704**	**210,471**	**227,660**	**0.4%**	**-0.1%**	**3.5%**

Source: State of Hawaii, Department of Transportation.

As shown in Exhibit 3-31, scheduled seats to the U.S. mainland from the Hawaii Airports System has recovered starting in 2012, reaching a new peak in FY 2018 at over 8.2 million scheduled seats. In FY 2018, 88.1 percent of scheduled seats are to the West Coast, 7.1 percent to the South, 2.5 percent to the Midwest and 2.3 percent to the Northeast. Based on advanced published schedules for FY 2019, overall Mainland U.S. scheduled seats will increase by 7.0 percent with Northeast, West, and Midwest rising 14.7 percent, 7.6 percent, and 6.6 percent respectively, and South declining by 1.7 percent.

Exhibit 3-31: Scheduled Annual Departing Seats to U.S. Mainland

FY 2007 - 2019



Source: Innovata.

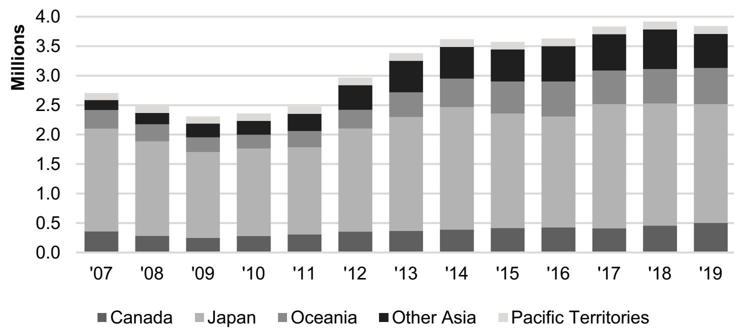
Internationally, scheduled seats grew significantly since FY 2010, reaching a peak of 3.9 million in FY 2018 as shown in Exhibit 3-32. In FY 2018, Japan represented 52.9 percent of scheduled international seats, while ‘Other Asia’ market represented the State’s second largest market with 17.2 percent of international seats. Based on Innovata published schedules for FY 2019, total international scheduled seats declined 1.9 percent with scheduled seats to ‘Other Asia’ and Japan declining by 14.3 percent and 2.7 percent, respectively. The decline in international scheduled seats to Asia between FY 2019 and FY 2018 was a result of several air service activities during the time period. This includes the suspension of service from Scoot Airline (HNL-Sapporo) in late FY 2019, a 10.1 percent reduction in Japan Airlines’ Hawaii seat capacity, and Hawaiian Airlines ceasing operations to Beijing in October 2018, where fiscal year annual capacity declined on that route by 32,340 seats, or 71.4 percent[7].

In terms of future scheduled seats, Hawaiian will be adding capacity between HNL and Fukuoka, Japan, backfilling Delta’s exit from that market pair. Air Canada, which provides seasonal service (December-March) from Toronto is expected to increase its seasonal capacity in FY 2020 by 156.4 percent. In addition, the HNL to Tokyo Narita route operated by Japanese carrier All Nippon Airways (ANA) will see a 90.9 percent increase in total seat capacity when comparing FYTD March totals in FY 2020 vs 2019, after introducing its branded A380 aircraft (“Flying Honu”), which carriers 520 seats per departure[8].

7 Innovata SRS schedules
8 Innovata SRS advance schedules

Exhibit 3-32: Scheduled Annual Departing Seats to International Destinations and the U.S. Pacific Trust Territories

FY 2007 - 2019



Note: Pacific Territories include Guam and American Samoa; 'Other Asia' includes China, Hong Kong, South Korea, Philippines, and Taiwan; Oceania includes Australia, Fiji, Kiribati, Marshall Islands, New Zealand, Samoa, Tahiti, and Tonga.

Source: Innovata.

3.3.2 Hawaiian Airlines

Started in 1929, Hawaiian Airlines is the largest airline serving the State, accounting for 64.3 percent of total enplanements in FY 2018. Hawaiian Airlines has been an integral part of traveling between overseas and interisland markets. The airline operates mostly out of its main hub in HNL with OGG as a secondary hub. In FY 2018, Hawaiian Airlines had 257 average daily departures scheduled, 43.8 percent and 17.0 percent departing from HNL and OGG, respectively. At HNL, Hawaiian Airlines accounted for 32.0 percent of departing seats to U.S. mainland and 94.7 percent to other airports in the State. From FY 2008 to 2018, in terms of enplanement, Hawaiian Airlines saw a 4.0 percent average annual growth per year at HNL and 4.4 percent overall. Domestic enplaned passengers of Hawaiian Airlines increased at an average annual growth rate of 2.8 percent at HNL, and at 3.7 percent at the Hawaii Airports System, primarily driven by the growth in the interisland market.

Hawaiian Airlines continues to be an integral part of traveling between overseas and interisland markets as interisland activity plays an important role in the carrier's strategy. As the carrier inducts its A321s fleet into service, the equipment allows Hawaiian Airlines to access secondary West coast markets such as San Diego and Long Beach, more effectively and the delivery of the aircraft coincides with their B767 retirements. On March 14, 2018, Hawaiian Airlines executed a non-binding Letter of Intent for the purchase of 10 new Boeing 787-9 "Dreamliner" aircraft, which will help expand Hawaiian's existing service and growth between Asia, Europe and North America. The 787's fuel efficiency will enhance Hawaiian's economies on its long-haul Asia/Pacific and Mainland U.S. routes. The 787's are scheduled to arrive in early 2021, and given their wide-cabin space, they will seat 279 passengers, which nearly matches the 278 total seats in Hawaiian's currently in-service A330-200s[9].

Given the recent injection of new competition into Hawaiian's largest market driven by Southwest's commencement of domestic overseas in March 2019 and interisland operations which began April 2019, Hawaiian has been pulling back some seats to certain markets that will not suffer from overcapacity where there are Southwest flights. However, Hawaiian does offer premium seats which account for a greater proportion of its capacity, and therefore will be able to appeal to a demographic of travelers that Southwest does not serve. As mentioned above, although the introduction of A321neo aircraft on existing B767 routes will show a reduction in capacity levels, Hawaiian has been pursuing growth outside of Southwest's gateway cities, adding frequencies. In May 2019, it launched nonstop service to Boston (longest domestic route flown on A330

9 CAPA Fleets (as of July 2019)

equipment) and will add an extra daily frequency between San Francisco and HNL on its recently acquired Airbus A321neo aircraft[10].

3.3.3 Recent Interisland Carrier Developments

After 37 years of serving the State, Island Air ceased operations in November 2017. According to Innovata schedule data, prior to Island Air's bankruptcy, the airline accounted for 11.0 percent of the departing interisland seat market in FY 2017, being the second largest. After Island Air ended operations in mid-FY 2018, Hawaiian Airlines and Mokulele Airlines backfilled the interisland capacity, increasing their average weekly departing interisland seat counts (for peak months in July 2018 compared to November 2017) by 10.9 and 12.7 percent, respectively. In FY 2019, Southwest commenced its interisland services in April 2019, and Southern Airways Express acquired Hawaiian-based Mokulele Airlines in February 2019, where flights are currently marketed under the Mokulele brand. This acquisition establishes Southern Airways Express as the largest commuter airline across the 50 U.S. states.

According to published Innovata schedules for July 2019, the interisland average weekly departing seat market is dominated by Hawaiian Airlines (86.4 percent), followed by Southwest (10.4 percent) and Mokulele (3.2 percent).

3.3.4 Southwest Airlines

In October 2017, Southwest Airlines revealed it would start flying to Hawaii and aimed to sell tickets in 2018. However the partial government shutdown in early 2019 along with the pending approvals from the FAA regarding Extended-range Twin-engine Operational Performance Standards (ETOPS) certification on its Boeing 737 MAX aircraft pushed back the service commencement to March 2019 for overseas operations. The recent groundings of the B737 MAX aircraft, of which Southwest has 34, has prevented the carrier from utilizing them on the Hawaii nonstop routes, and at this point, the FAA groundings are indefinite. Other North American carriers that fly to Hawaii that also have grounded MAX aircraft include American Airlines (24), Air Canada (24), United Airlines (14), and WestJet (13), respectively[11] [12].

Southwest currently operates flights out of HNL, OGG, and KOA airports for both interisland operations (as previously mentioned above) and domestic overseas. As of CY 2019 advance schedules, Southwest provides nonstop service between Hawaii and mainland U.S. from the following markets, Oakland and San Jose using its B737-800 aircraft. In the news released dating July 25, 2019, Southwest Airlines announced that it would "…offer service to the Islands from both Sacramento and San Diego, as well as bring Southwest service to both Lihue (on Kauai) and Hilo (on Big Island) starting August 2019. This report has not been updated to reflect the related impact to the traffic forecast.

Among the interisland flights, Southwest operates four daily departures on each route (HNL-KOA; HNL-OGG). Interisland flights have been marketed as low as $39 per ticket[13]. As of July 2019 Innovata schedules, Southwest provides on average 27.0 thousand weekly departing seats on both domestic overseas and interisland operations from Hawaii.

3.3.5 Origin and Destination (O&D)[14] Passengers

In CY 2018, HNL welcomed 16.3 million O&D passengers (enplaned and deplaned), increasing on average 1.3 percent per year since 2008. Overall, Hawaii Airports System served 30.9 million O&D passengers and collectively is ranked as the 13th largest O&D market in the United States. As shown in Exhibit 3-33, the Hawaii Airports System O&D passengers has increased at an average annual rate of 1.9 percent since 2008.

10 Motley Fool, March 2019
11 CAPA Fleets (as of July 2019)
12 Among the North American carriers, Air Canada, United, and WestJet previously operated MAX aircraft on its Hawaii overseas routes
13 Southwest website
14 Origin and Destination (O&D) Passengers is a measure from the point of origination of a passenger to the final destination. It is the true trip of the passenger, although the passenger may change flights and planes at least once during the journey. It allows carriers to determine where their true business lies.

Exhibit 3-33: Ranking of Top U.S Airports by Annual O&D Passengers
CY 2008 - 2018

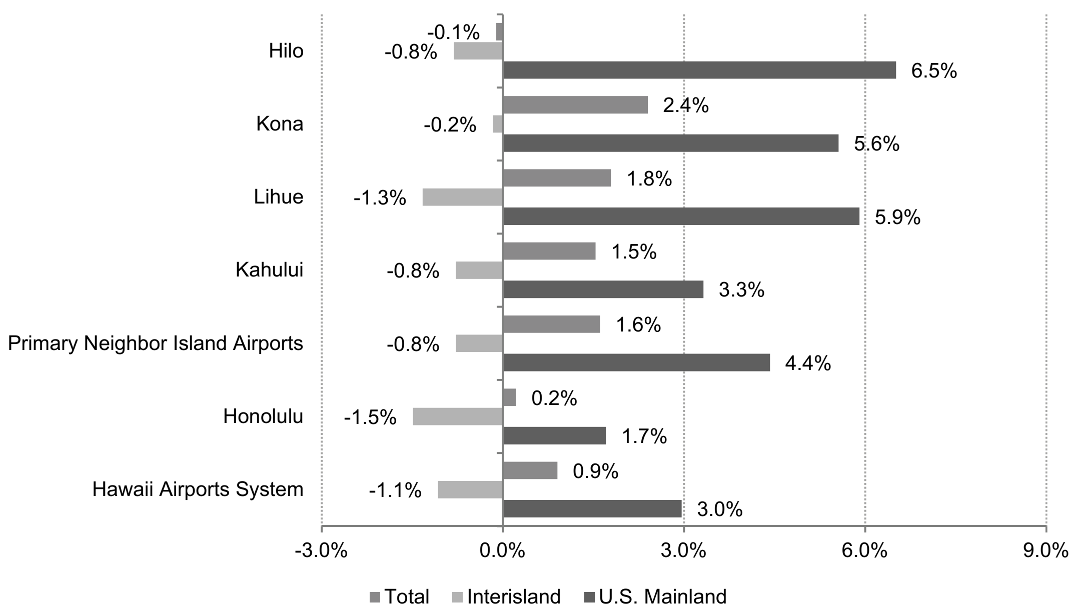
Rank	Airport	O&D Passengers (millions) 2008	O&D Passengers (millions) 2018	CAGR '08-'18	Rank	Airport	O&D Passengers (millions) 2008	O&D Passengers (millions) 2018	CAGR '08-'18
1	Los Angeles	45.3	70.1	4.5%	16	New York LaGuardia	21.5	27.7	2.6%
2	New York JFK	37.1	52.4	3.5%	17	San Diego	17.3	23.1	2.9%
3	Chicago O'Hare	34.0	47.0	3.3%	18	Minneapolis	16.3	22.9	3.5%
4	San Francisco	28.0	44.4	4.7%	19	Houston Intercontinental	17.6	22.1	2.3%
5	Orlando	32.9	44.4	3.0%	20	Philadelphia	18.9	21.2	1.2%
6	Las Vegas	34.4	41.3	1.8%	21	Detroit	17.0	20.9	2.1%
7	Denver	25.8	40.7	4.7%	22	Washington Reagan	14.0	20.3	3.8%
8	Atlanta	28.9	40.5	3.5%	23	Tampa	16.7	19.9	1.8%
9	Boston	24.3	37.9	4.5%	24	Baltimore	16.5	19.3	1.5%
10	New York Newark	26.5	36.6	3.3%	25	Portland (OR)	12.1	17.4	3.7%
11	Seattle/Tacoma	23.5	34.3	3.9%	26	Honolulu	14.4	16.3	1.3%
12	Dallas/Fort Worth	23.2	31.2	3.0%	27	Washington Dulles	14.0	15.9	1.3%
					28	Salt Lake City	10.9	15.1	3.3%
	Hawaii Airports System	*25.7*	*30.9*	*1.9%*	29	Charlotte	9.4	14.1	4.1%
					30	Chicago Midway	11.3	13.9	2.0%
13	Fort Lauderdale	20.4	29.7	3.8%					
14	Phoenix	23.6	29.3	2.2%		**Top 30 U.S. Airports Total**	**654.0**	**897.5**	**3.2%**
15	Miami	18.3	27.8	4.3%					

Note: Airports ranked by the number of O&D passengers for 2018. Airports shown are the top 30 Large hub U.S. airports U.S.

Source: U.S. DOT O&D Survey via Airline Data, Inc.

In FY 2018, the Hawaii Airports System welcomed over 24.9 million domestic O&D passengers (including interisland). Over 55 percent of domestic O&D passengers are from the U.S. mainland. Overall, overseas travelers from the United States have grown over 1.7 percent at HNL, the PNI Airports, and the Hawaii Airports System as shown in Exhibit 3-34. However, interisland O&D passengers have declined between FY 2003 and FY 2018 on average 1.1 percent annually across the system.

Exhibit 3-34: Annual Average Percent Change in Domestic O&D Passengers by Airport,
FY 2003 - 2018



Note: Excludes U.S. Pacific Territories.

Source: U.S. DOT O&D Survey.

The top 20 domestic O&D markets, shown in Exhibit 3-35, accounted for over 84 percent of HNL's total domestic O&D passengers for FY 2018. The largest O&D market is the island of Maui, followed by Los Angeles, Kona, San Francisco, and two other Hawaiian markets – Kauai Island (Lihue) and Hilo. Collectively, these six destinations within the State welcomed over 6.6 million O&D passengers, 57 percent of overall HNL's O&D passengers. Over the past 15 years, interisland O&D traffic has seen a declining trend among all airports primarily due to ceased operations of Hawaii based airlines like Aloha Airlines (ceased March 2008) and Island Air (ceased November 2017).

Exhibit 3-35: Top 20 Domestic O&D Markets for HNL
FY 2018

Rank	Market	Avg Nonstop Miles	O&D Passengers	Percent of Total	Sched Wkly Nonstop Depts
1	Kahului	100	1,514,438	13.1%	244
2	Los Angeles	2,570	1,221,080	10.6%	140
3	Kona	163	1,065,370	9.2%	175
4	San Francisco	2,405	1,040,550	9.0%	99
5	Kauai Island	101	956,357	8.3%	139
6	Hilo	216	883,384	7.6%	104
7	Seattle/Tacoma	2,674	464,493	4.0%	42
8	Las Vegas	2,758	436,412	3.8%	19
9	San Diego	2,609	311,408	2.7%	14
10	New York	4,964	308,132	2.7%	14
11	Portland	3,849	262,192	2.3%	18
12	Washington	4,827	210,440	1.8%	7
13	Phoenix	2,911	181,762	1.6%	21
14	Salt Lake City	2,990	148,834	1.3%	7
15	Chicago	4,240	147,107	1.3%	7
16	Denver	3,359	143,023	1.2%	7
17	Dallas/Fort Worth	3,782	130,392	1.1%	14
18	Sacramento	2,459	108,225	0.9%	7
19	Molokai	54	101,215	0.9%	95
20	Atlanta	4,493	100,723	0.9%	7
	Top 20 Markets		9,735,537	84.2%	1,178
	Other Markets		1,820,405	15.8%	379
	Total		**11,555,942**	**100.0%**	**1,557**

Note: Los Angeles market includes BUR, LGB, ONT, and SNA airports, San Francisco market includes OAK, SFO, and SJC airports, New York market includes JFK, EWR, and LGA airports, Washington market includes BWI, IAD, and DCA airports, Chicago market includes MDW and ORD airports, Dallas/Fort Worth market includes DAL and DFW airports, Houston market includes HOU and IAH airports; excludes U.S. Pacific Territories.

Source: U.S. DOT O&D Survey and Innovata (June 2019).

From the PNI Airports, the top 20 domestic O&D markets, shown in Exhibit 3-36, accounted for over 88 percent of total PNI Airports O&D passengers during FY 2018. The largest O&D market is HNL, followed by San Francisco, accounting for 37.4 percent and 11.9 percent, respectively, of the total PNI Airports domestic O&D passengers. Collectively, the top 5 markets within the State welcomed over 5.6 million O&D passengers, 43.3 percent of overall PNI Airports' O&D passengers.

Exhibit 3-36: Top 20 Domestic O&D Markets for PNI Airports
FY 2018

Rank	Market	Avg Nonstop Miles	O&D Passengers	Percent of Total	Sched Wkly Nonstop Depts
1	Honolulu	145	4,419,549	37.4%	661
2	San Francisco	2,374	1,409,327	11.9%	171
3	Los Angeles	2,528	1,255,782	10.6%	179
4	Seattle/Tacoma	2,668	669,963	5.7%	67
5	Portland	3,831	398,869	3.4%	23
6	San Diego	2,564	359,949	3.0%	27
7	Phoenix	2,866	217,226	1.8%	29
8	Sacramento	2,431	213,855	1.8%	17
9	Denver	3,325	213,749	1.8%	21
10	Las Vegas	2,720	178,692	1.5%	
11	New York	4,933	178,141	1.5%	
12	Salt Lake City	2,961	173,666	1.5%	
13	Chicago	4,209	156,737	1.3%	6
14	Dallas/Fort Worth	3,735	125,846	1.1%	19
15	Minneapolis	3,939	113,770	1.0%	
16	Washington	4,793	95,233	0.8%	
17	Boston	5,057	81,258	0.7%	
18	Atlanta	4,448	64,675	0.5%	
19	Houston	3,858	60,976	0.5%	
20	Molokai	121	58,651	0.5%	63
	Top 20 Markets		10,445,914	88.5%	1,284
	Other Markets		1,357,344	11.5%	366
	Total		**11,803,258**	**100.0%**	**1,650**

Note: Primary Neighbor Island (PNI) airports include Kahului, Kona, Lihue, and Hilo; Los Angeles market includes BUR, LGB, ONT, and SNA airports, San Francisco market includes OAK, SFO, and SJC airports, New York market includes JFK, EWR, and LGA airports, Washington market includes BWI, IAD, and DCA airports, Chicago market includes MDW and ORD airports, Dallas/Fort Worth market includes DAL and DFW airports, Houston market includes HOU and IAH airports; excludes U.S. Pacific Territories.

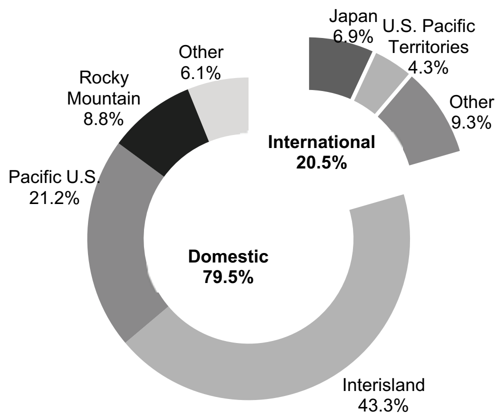
Blanks cells found in the “scheduled weekly nonstop departures” column indicates no nonstop service in the month of June 2019.

Source: U.S. DOT O&D Survey and Innovata (June 2019).

3.3.6 HNL as an International Gateway and Connecting Hub

HNL has been the main international gateway to the State, making it the largest and busiest airport in the Hawaii Airports System. In FY 2018, HNL welcomed nearly 16.3 million O&D passengers, a 0.7 percent increase from the previous fiscal year. With 24 international, 21 domestic, and seven interisland non-stop services, HNL has been playing an important role within the State’s tourism industry. As shown in Exhibit 3-37, in FY 2018, HNL saw over 3.3 million connecting passengers, an 8.4 percent reduction from the prior fiscal year. Nearly 79.5 percent of HNL’s connecting passengers were traveling domestically – 43.3 percent to other airports within the State and 36.2 percent to the U.S. mainland. International passengers accounted for 20.5 percent of connecting passengers, with 6.9 percent to Japan.

Exhibit 3-37: HNL Connecting Passengers by Destination Region
FY 2018



Note: Percentage may not add to 100 due to rounding. Pacific U.S. includes California, Washington, Alaska, and Oregon; Rocky Mountain includes Arizona, Colorado, New Mexico, Nevada, and Utah.

Source: U.S. DOT O&D Survey accessed via Airline Data, Inc.

3.3.7 New International Service at Kona

Japan Airlines announced in May 2017 that it would resume daily KOA-Tokyo Narita (NRT) service in September 2017 after ceasing service in 2010. With the reopened interim Federal Inspection Service (FIS) station, KOA became the second international point of entry to the State after HNL. While OGG, KOA, LIH currently offer limited Canada service, KOA is the only airport apart from HNL to offer long-haul international service to the Pacific.

3.3.8 OGG as the Secondary Largest Airport in Hawaii

OGG is the second largest airport in the Hawaii Airports System, accounting for 19.4 percent of system-wide enplaned passengers in FY 2018. Because OGG does not have a Federal Inspection Service (FIS) station, international travelers must connect through HNL or KOA in order to travel to the island of Maui, unless such passengers are from a pre-cleared airport such as the Canadian airports. In FY 2018, two foreign flag carriers (Air Canada and WestJet) offered international service to OGG and five U.S. carriers (Alaska Airlines[15], American Airlines, Delta Air Lines, Hawaiian Airlines, and United Airlines) offered services between U.S. mainland and Hawaii. Interisland service was primarily provided by Hawaiian Airlines, which accounted for 86.4 percent of interisland enplaned passengers at OGG, followed by Hawaii Big Island Air[16], (8.7 percent), Mokulele Airlines (4.2 percent), and other smaller airlines (less than 1.0 percent).

As shown in Exhibit 3-38, total enplaned passengers declined from 3.1 million in FY 2008 to 2.5 million in FY 2009, but recovered to 3.7 million in FY 2018. The increase was primarily driven by enplaned passengers to U.S. mainland, which increased from 1.4 million in FY 2008 to 2.0 million in FY 2018. Interisland enplaned passenger was 1.5 million in FY 2018, lower than 1.6 million in FY 2007, primarily due to bankruptcy of Aloha Airlines and more direct overseas flight.

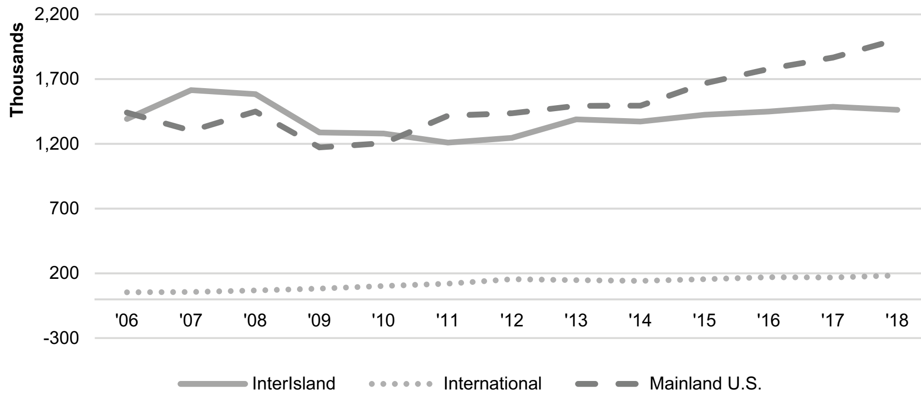
OGG has two intersecting runways, Runway 2/20 that is 6,995 feet long and 150 feet wide, and Runway 5/23 that is 4,990 feet long and 150 feet wide. A study is underway to evaluate the options to reconstruct Runway

15 Virgin America merged with Alaska Airlines.
16 Island Air ceased operations in November 2017, filed for Chapter 11 bankruptcy.

2/20. For the purpose of this Report, it was assumed that the Airports Division would implement the reconstruction project without affecting air traffic if the project is actualized within the forecast period.

Exhibit 3-38: OGG Enplaned Passengers

FY 2008 - 2018



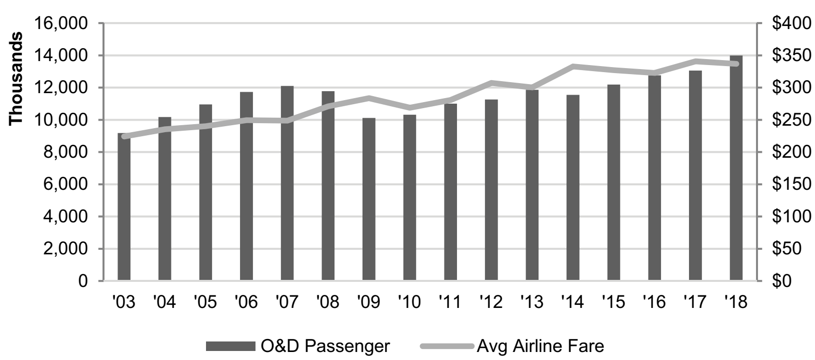
Source: State of Hawaii, Department of Transportation.

3.3.9 Domestic Overseas Airfares

Domestic overseas market continues to be one of the largest focus areas for the State with more than 13.9 million O&D passengers in FY 2018 and a one-way average fare of $337. Due to the economic recession in 2008-2009, O&D passengers dropped from 11.7 million in FY 2008 to 10.1 million in FY 2009. A similar effect is seen in the average fare in FY 2010 where the fare dropped from $283 in FY 2009 to $269. After FY 2010, O&D passengers started increasing slowly, exceeding to its pre-recession level in FY 2018 while average fares increased in the last three years from $327 in FY 2015 to $340 in FY 2017 before dropping to $337 in FY 2018. Since FY 2010, average airline fares from Hawaii to the U.S. Mainland have been trending upwards, increasing on average nearly 2.9 percent per year. Given pricing power from the U.S. full service carrier models (e.g. Hawaiian, United, Alaska, Delta, and American), the lack of low cost/ultra-low cost carriers penetrating the domestic overseas market with considerable seat capacity, and no other viable transportation alternatives during that period, average one-way airfare has steadily increased with associated cost structures of the full service carrier group. U.S. DOT O&D Survey data reflecting Southwest Airlines' entrance in May 2019, was not available during the time of this analysis. Given lack of data and based on similar market cases regarding historical low cost carrier penetration, ICF expects there will be a decrease in average fares for Hawaii O&D pairs in 2Q 2019 versus 2Q 2018.

Exhibit 3-39: O&D Passengers and Average Fares in the Hawaii - U.S. Mainland Markets

FY 2003 - 2018



Note: Excludes U.S. Pacific Territories.

Source: U.S. DOT O&D Survey accessed via Airline Data, Inc.

The average yields in the domestic overseas market have been increasing over the past few years as airlines have been trying to compensate for the rise in fuel costs given crude oil market prices, and labor costs increasing due to labor union and disputes within the U.S. airline industry. As shown in Exhibit 3-40, since 2010, domestic passenger yield increased by over 3.0 percent annually at HNL, OGG, ITO and LIH, while passenger yields at KOA increased by 2.8 percent.

Exhibit 3-40: Average Airline Fares and Yields from Hawaii to U.S. Mainland
FY 2008 - 2018

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Average Airfare											
Honolulu	$ 269	$ 280	$ 271	$ 286	$ 313	$ 300	$ 328	$ 323	$ 324	$ 347	$ 345
Kahului	$ 262	$ 281	$ 255	$ 263	$ 291	$ 292	$ 327	$ 320	$ 311	$ 324	$ 326
Kona	$ 292	$ 297	$ 274	$ 283	$ 311	$ 312	$ 357	$ 348	$ 331	$ 344	$ 334
Kauai Island	$ 278	$ 288	$ 273	$ 284	$ 305	$ 303	$ 341	$ 336	$ 330	$ 343	$ 325
Hilo	$ 274	$ 313	$ 297	$ 312	$ 322	$ 313	$ 357	$ 350	$ 344	$ 359	$ 372
Average Yield (cents per mile)											
Honolulu	7.9¢	8.2¢	8.0¢	8.5¢	9.3¢	9.0¢	9.8¢	9.7¢	9.7¢	10.4¢	10.4¢
Kahului	8.4¢	8.9¢	8.1¢	8.5¢	9.4¢	9.5¢	10.6¢	10.4¢	10.2¢	10.6¢	10.7¢
Kona	9.2¢	9.3¢	8.6¢	9.0¢	9.9¢	9.9¢	11.2¢	11.0¢	10.5¢	10.9¢	10.6¢
Kauai Island	8.7¢	8.9¢	8.4¢	8.7¢	9.5¢	9.5¢	10.6¢	10.5¢	10.4¢	10.8¢	10.2¢
Hilo	9.1¢	9.9¢	9.2¢	9.7¢	10.0¢	9.6¢	10.7¢	10.7¢	10.5¢	11.1¢	11.5¢

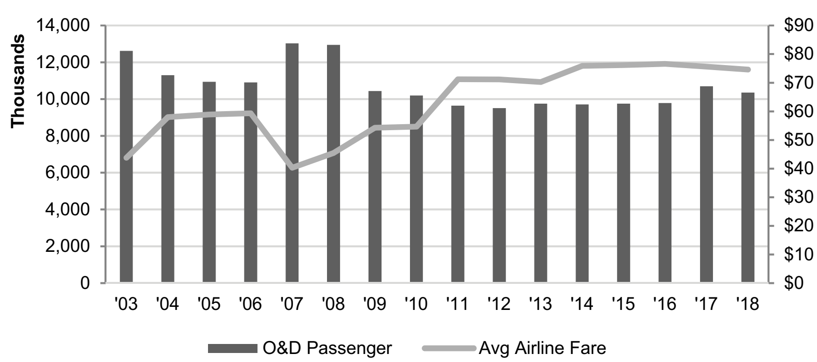
Note: Excludes U.S. Pacific Territories. Excludes ancillary revenues.

Source: U.S. DOT O&D Survey accessed via Airline Data, Inc.

3.3.10 Interisland Airfares

In FY 2018, more than 10.6 million of interisland O&D passengers travelled within the Hawaii Airports System, with a one-way average fare of $74. Similar to the O&D passengers in the domestic overseas market, interisland O&D passengers dropped from 12.5 million in FY 2008 to 10.1 million in FY 2009. The average fare saw an opposite effect where fare increased from $45 to $54 during FY 2009 and stayed around $54 in FY 2010. After FY 2010, the interisland O&D passenger count has remained stagnant while average fares have decreased slightly in the last three years from $76 in FY 2014 to an average of $75 in FY 2018. In the near future, average airfares interisland may become more competitive given Southwest Airlines entering the interisland markets. As seen on Southwest’s booking website, airfares have been marketed as low as $39 one-way for interisland routes.

Exhibit 3-41: O&D Passengers and Average Fares in the Interisland Markets
FY 2003 - 2018



Source: U.S. DOT O&D Survey.

As show in Exhibit 3-42, the average yields in the interisland market have increased over the past few years. Since 2010, average annual growth rate of yields in the interisland market exceeded 2.4 percent at all five major Hawaii airports.

Exhibit 3-42: Average Airline Fares and Yields for Hawaii Interisland Markets
FY 2008 - 2018

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Average Airfare											
Honolulu	$ 44	$ 53	$ 53	$ 70	$ 70	$ 69	$ 75	$ 76	$ 76	$ 74	$ 72
Kahului	$ 46	$ 54	$ 54	$ 69	$ 70	$ 68	$ 73	$ 72	$ 73	$ 71	$ 70
Kona	$ 48	$ 56	$ 57	$ 74	$ 74	$ 72	$ 77	$ 78	$ 80	$ 81	$ 80
Kauai Island	$ 48	$ 58	$ 58	$ 78	$ 75	$ 74	$ 83	$ 85	$ 84	$ 75	$ 74
Hilo	$ 48	$ 59	$ 58	$ 78	$ 77	$ 78	$ 84	$ 85	$ 83	$ 87	$ 87
Average Yield (cents per mile)											
Honolulu	32.4¢	38.6¢	38.5¢	51.1¢	51.2¢	50.4¢	54.5¢	55.6¢	56.0¢	54.8¢	53.1¢
Kahului	42.2¢	49.7¢	49.7¢	63.3¢	63.9¢	62.0¢	66.9¢	66.9¢	67.2¢	65.2¢	64.7¢
Kona	29.8¢	35.8¢	36.3¢	49.5¢	47.8¢	47.1¢	52.2¢	53.8¢	53.6¢	51.1¢	49.4¢
Kauai Island	37.1¢	44.2¢	45.2¢	57.4¢	57.1¢	55.4¢	58.8¢	57.8¢	58.7¢	55.8¢	53.4¢
Hilo	22.1¢	27.4¢	26.9¢	36.0¢	35.5¢	36.4¢	39.3¢	39.9¢	38.9¢	40.9¢	40.9¢

Note: Excludes ancillary revenues.
Source: U.S. DOT O&D Survey accessed via Airline Data, Inc.

3.4 Air Traffic and Visitor Forecasts

ICF developed a traffic forecast to estimate the future air travel demand for the State and a visitor forecast used to forecast the CFC Transactions Days and the financial forecast in this Report. The visitor forecast may be higher or lower than the traffic forecast for that market because some visitors may visit multiple islands on the same trip, and arrive at other airports via interisland flights previously.

Forecast of enplaned passengers and visitors for the State were developed based on historic trends in passenger traffic at the airports, historical and projected economic growth for the State, airline flight schedules published in Innovata, and preliminary FYTD May 2019 visitor statistics.

3.4.1 Forecast Assumptions

The traffic and visitor forecasts for the Hawaii Airports System were based on the following, among other assumptions:

1. The State's economy will experience GDP growth averaging 1.9 percent per year between FY 2019 to 2025;
2. The State will continue to see tourism growth, with FY 2019 visitors growing at similar rates to those seen through FYTD May 2019 as published by Hawaii Tourism Authority (preliminary figures);
3. HNL will continue to be the principal connecting hub and international gateway for Hawaiian Airlines;
4. The airlines serving the Hawaii Airports System will be financially viable and able to add the seating capacity required to accommodate additional demand;
5. The Department will continue implementing its capital program and provide capacity needed to realize the traffic forecast included in the Report; and
6. The share of connecting passengers over HNL and other Hawaii airports will remain constant between FY 2019 to 2025.

3.4.2 Forecast Risks

Any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between ICF's forecast and actual results, and those differences may be material. While the traffic and visitor forecasts are based on historical data and future assumptions that ICF believes are reasonable, some of the underlying assumptions that are detailed explicitly or implicitly may not materialize due to unforeseen events or circumstances. Some uncertainties to the forecasts include:

- National and global economy;
- Hawaii as a top global tourism destination;
- Airline industry status;
- Future jet fuel prices;
- Changes in air travel propensities;
- Restrictions by the City and County of Honolulu on short-term rentals; and
- Other general factors

3.4.2.1 National and Global Economy

Economic cycles are one of the primary factors affecting air traffic level at the Hawaii Airports System. More than 87 percent of overseas visitors travel to Hawaii for leisure purposes, which are considered to be more price-sensitive. As shown in Exhibit 3-16, the number of enplaned passengers declined from 17.5 million in FY 2008 to 14.8 million in FY 2009, driven by the economic recession as well as changes in airline service due to airline bankruptcy. The related economic indicators, such as unemployment rate and real disposal income in the U.S., strongly correlates to the changes of the number of visitors from U.S. mainland to Hawaii.

In addition, the economic condition in Japan and other countries in the Pacific Rim as well as the exchange rates also affect the air traffic level at Hawaii. In FY 2018, international enplaned passengers accounted for 17.6 percent of system-wide enplaned passengers. The Bank of Japan increased its GDP forecast for Japan from 0.7 percent to 0.9 percent for their FY 2019, implying continuous improvements in Japan’s economy. However, unexpected decline in Hawaii, national or global economy, or unfavorable changes in exchange rates may negatively affect the forecast air traffic level.

3.4.2.2 Hawaii as a Top Global Tourism Destination

In FY 2018, approximately three-quarters of enplaned passengers at the Hawaii Airports System were overseas visitors, largely because Hawaii is a top global tourism destination. Therefore, the State’s ability to continue developing tourism infrastructure and attractions and market Hawaii to global travelers are key factors in affecting air traffic levels. Negative developments, such as inadequate hotel capacity, outdated transportation infrastructure, higher-than-expected costs, or unfavorable environmental changes, may negatively affect the air traffic level and potential visitor counts. On the other hand, developments of additional infrastructure and tourism facilities, especially on the islands of Maui, Hawaii, and Kauai, may attract additional visitors or repeat visitors.

3.4.2.3 Airline Industry Status

The realization of air traffic forecast depends on the supply of service, the airlines’ willingness and ability to provide air seats at certain price levels, and demand, the travelers’ willingness and ability to travel to Hawaii. According to U.S. Department of Transportation, U.S. passenger airlines had a combined operating profit of $5.7 billion in 2000, and an operating loss of $10.4 billion in 2001 as a result of the September 11th terrorist attack and ensuing economic recession. The operating result improved to a profit of $6.7 billion in 2007 before declining to a loss of $5.6 billion in 2008. The airline industry’s profitability has since improved gradually, largely due to improving economy and capacity disciplines, leading to an operating profit of $28.0 billion in 2015. During the economic downturns, many airlines reduced capacity or may go bankrupt.

Also as shown in Exhibit 3-16, interisland enplaned passengers at the Hawaii Airports System declined from a peak of 9.0 million in 2007 to a trough of 6.8 million in 2011, partially due to bankruptcy of Aloha Airlines and reduced competition since. Changes in airline profitability, fare level, and consolidation will continue affect air traffic level at the Hawaii Airports System. Among other issues, Alaska Air Group Inc., parent company of Alaska Airlines, announced a merger with Virgin America Inc., and determined on March 22, 2017 to operate all Virgin America flights under Alaska Airlines’ brand name starting 2019. This change may lead to the elimination of duplicate routes to Hawaii. In FY 2016, Virgin America accounted for 0.4 percent of system-wide enplaned passengers. Further airline consolidations may happen, and its effect on the forecast air traffic level is uncertain.

3.4.2.4 Future Jet Fuel Prices

Accordingly to U.S. Department of Transportation, the costs of jet fuel accounted for approximately one-quarter of operating expenses for U.S. airlines. Bureau of Transportation Statistics (BTS) reported that average cost per gallon of jet fuel increased to as high as $3.69 in July 2008, and declined to as low as $1.24 in February 2016, before recovering to $1.65 in January 2017. Fluctuating jet fuel prices as well as availability of jet fuel will continue to affect the forecast air traffic level at the Hawaii Airports System, given volatility of the crude oil markets. As of May 2019, BTS reported an average price per gallon of $2.12 for total system services (domestic and international).

3.4.2.5 Changes in Air Travel Propensity

Technology development and other changes may affect the propensity of air travel in the future. Historically, those concerns have been focused on issues such as electronic communication, video conferencing, and other technologies that may reduce the needs for business travel. The recent developments of virtual reality, drones and remote-controlled cameras may also lead to a reduction of the willingness for personal travel.

In addition, the development of alternative transportation mode may affect the air travel propensity. The potential implementation of Hyperloop, driverless car, or personal flying equipment may divert traffic from commercial airports, although some of these may be a lesser concern for the State due to the nature of being an island. However, an interisland ferry service at a commercially viable price may affect air traffic level at the Hawaii Airports System. As of the date of this Report, there is no known plan to re-introduce interisland ferry service to neighbor islands, and the feasibility to develop such services is unknown.

3.4.2.6 Restrictions on Short-term Rentals

In June 2019, the City and County of Honolulu (the City) passed a bill 89 (2018) related to short-term rentals, which limits the bed-and-breakfast rentals to approximately 1,700, excluding rentals in resort areas. The City estimated that there are 8,000 to 10,000 such units in operation at Oahu, with only 700 registered to do business. The new law and the related enforcement may impact the availability and pricing of short-term rentals, and therefore the visitors' affordability to travel. The State Legislature introduced another bill SB 1262 aiming to regulate short-term rentals, but the bill was vetoed by the Governor in 2019. As of the date of this report, the Department does not have adequate data to analyze whether existing or future regulations would materially impact the visitor arrivals.

3.4.2.7 Other General Factors

There are many other factors that potentially could affect the realization of the air traffic forecast, which includes, among other factors:

- Aviation security and terrorist attack;
- Natural disaster or accident;
- Governmental foreign or economic policy;
- Issuance of visitor visas to the U.S.;
- Environmental regulation and cost implication;
- Individual airline route decisions; and
- Airport capacity limitation

In general, it is assumed that no unfavorable event will occur during the forecast period that will materially and negatively affect the air traffic level forecast in this Report.

3.4.3 Enplaned Passenger Forecast Summary[17]

Historical and forecast enplaned passengers are shown in Exhibit 3-43. The number of enplaned passengers in the Hawaii Airports System is projected to decline slightly by 0.7 percent in FY 2019, which is based on 11 month FY 2019 enplanement data through May. Overseas passenger traffic is expected to increase 3.0 percent while interisland passenger traffic is expected to decrease 6.4 percent.

In the long term, the passenger traffic in the State is expected to increase consistent with the growth of the overall economy.

1. International enplaned passengers are forecast to increase at an average growth rate of 0.7 percent per year between FY 2018 and FY 2025, reaching over 3.4 million in FY 2025;
2. Domestic overseas enplaned passengers are forecast to increase the fastest at an average growth rate of 2.6 percent per year between FY 2018 and FY 2025, reaching over 9.6 million in FY 2025; and
3. Interisland enplaned passengers are forecast to increase annually by 1.3 percent per year between FY 2019 and FY 2025, reaching over 7.5 million in FY 2025. A base year of 2019 was compared due to the

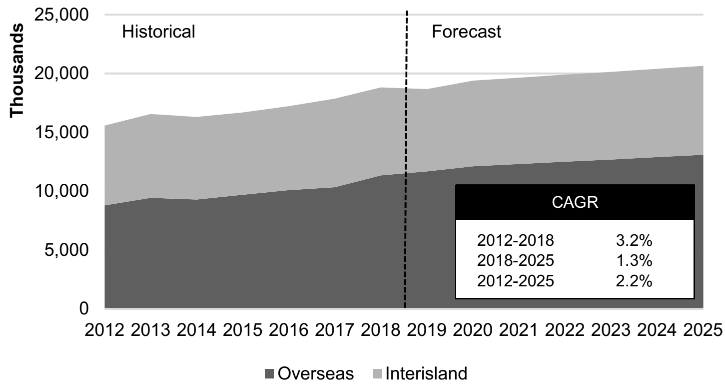
17 FY 2019 and 2020 (short-term forecast) enplaned passenger was forecast according to forward looking schedules published by Innovata schedules.

estimated initial decline in FY 2019, based on scheduled seats data and 11 months of actual enplanement data[18].

Overall, the Hawaii Airports System is forecast to welcome over 20.6 million enplaned passengers in FY 2025.

Exhibit 3-43: Hawaii Airports System Enplaned Passenger Forecast

Fiscal Years ended June 30



Note: Historical data in this exhibit was based on a range of publicly available sources. The analysis and assumptions relied on this information, and were reviewed and approved by the Airports Division management.

Source: Actual enplanement figures for FY 2012 to FY 2018 were provided by State of Hawaii, Department of Transportation. Forecast figures for FY 2019 to FY 2025 were provided by ICF.

3.4.4 Visitor Forecast Summary

Historical and forecast visitor are shown in Exhibit 3-44. The number of visitors in the Hawaii Airports System is projected to remain nearly unchanged in FY 2019. Overseas visitors are expected to increase 0.5 percent as well while interisland visitors are expected to decline 4.9 percent.

In the long term, visitors in the State is expected to increase consistent with the growth of the overall economy.

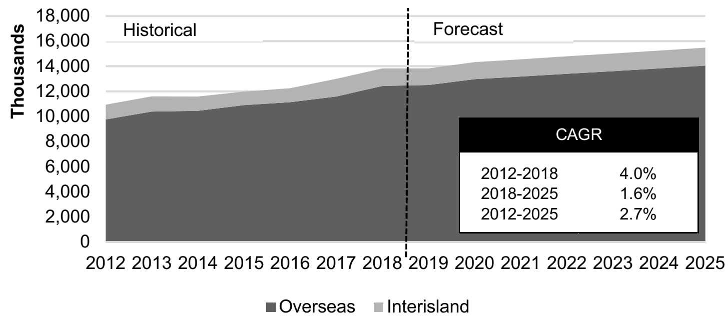
1. International visitors are forecast to increase at an average growth rate of 1.9 percent per year between FY 2018 and FY 2025, reaching over 4.5 million in FY 2025;
2. Domestic overseas visitors are forecast to increase at an average growth rate of 1.7 percent per year between FY 2018 and FY 2025, reaching over 9.4 million in FY 2025; and
3. Interisland visitors are forecast to increase at an average growth rate of 0.4 percent per year between FY 2018 and FY 2025, reaching over 1.4 million in FY 2025.

Overall, the Hawaii Airports System is forecast to welcome over 15.4 million visitors in FY 2025.

18 Most recent data available from source given the period when this forecast analysis was conducted.

Exhibit 3-44: Hawaii Airports System Visitor Forecast

Fiscal Years ended June 30



Note: Historical data in this exhibit was based on a range of publicly available sources. The analysis and assumptions relied on this information, and were reviewed and approved by the Airports Division management.

Source: Visitor figures for FY 2012 to FY 2018 were provided by DBEDT. Forecast figures for FY 2019 to FY 2025 were provided by ICF.

3.4.5 Forecasts of Enplaned Passengers and Visitors

The forecasts of enplaned passengers and visitors for the Hawaii Airports System through FY 2025 are shown in Exhibit 3-45 and Exhibit 3-47. Historical and forecast enplaned passengers are presented for the Hawaii Airports System, HNL and each of the PNI Airports, including breakout between international, domestic overseas, and interisland markets. The visitor counts for a particular market may be higher or lower than the number of enplaned passengers for that market, because some visitors may visit multiple islands, and arrive at other airports on interisland flights.

Exhibit 3-45: Hawaii Airports System Enplaned Traffic Forecast

Fiscal Years ended June 30

	Actual							Forecast							CAGR	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Historical 2012-2018	Forecast 2018-2025
Hawaii Airports System																
Mainland	6,291,224	6,659,078	6,481,469	6,834,201	7,099,220	7,240,443	8,020,657	8,451,647	8,930,305	9,062,104	9,201,057	9,331,487	9,470,304	9,609,134	4.1%	2.6%
International	2,490,098	2,764,881	2,791,219	2,850,528	2,978,827	3,077,527	3,307,941	3,213,143	3,172,717	3,231,248	3,293,180	3,351,534	3,413,856	3,476,413	4.8%	0.7%
Overseas Total	8,781,322	9,423,959	9,272,688	9,684,729	10,078,047	10,317,969	11,328,598	11,664,790	12,103,022	12,293,352	12,494,237	12,683,021	12,884,160	13,085,547	4.3%	2.1%
InterIsland	6,784,974	7,118,800	7,022,309	6,998,066	7,137,313	7,541,249	7,477,672	7,002,411	7,283,151	7,338,050	7,397,332	7,447,555	7,503,119	7,556,860	1.6%	0.2%
Total	**15,566,296**	**16,542,759**	**16,294,997**	**16,682,795**	**17,215,360**	**17,859,218**	**18,806,270**	**18,667,201**	**19,386,173**	**19,631,402**	**19,891,569**	**20,130,576**	**20,387,279**	**20,642,407**	**3.2%**	**1.3%**
Year-Over-Year Percentage Change																
Mainland		5.8%	-2.7%	5.4%	3.9%	2.0%	10.8%	5.4%	5.7%	1.5%	1.5%	1.4%	1.5%	1.5%		
International		11.0%	1.0%	2.1%	4.5%	3.3%	7.5%	-2.9%	-1.3%	1.8%	1.9%	1.8%	1.9%	1.8%		
Overseas		7.3%	-1.6%	4.4%	4.1%	2.4%	9.8%	3.0%	3.8%	1.6%	1.6%	1.5%	1.6%	1.6%		
InterIsland		4.9%	-1.4%	-0.3%	2.0%	5.7%	-0.8%	-6.4%	4.0%	0.8%	0.8%	0.7%	0.7%	0.7%		
Total		6.3%	-1.5%	2.4%	3.2%	3.7%	5.3%	-0.7%	3.9%	1.3%	1.3%	1.2%	1.3%	1.3%		
Honolulu International Airport																
Mainland	3,792,079	4,037,079	3,905,540	3,961,181	4,043,179	4,015,430	4,392,199	4,521,159	4,923,227	4,995,887	5,072,491	5,144,396	5,220,925	5,297,461	2.5%	2.7%
International	2,312,063	2,583,545	2,598,258	2,644,456	2,755,117	2,850,059	2,990,840	2,888,212	2,843,068	2,895,518	2,951,016	3,003,306	3,059,153	3,115,210	4.4%	0.6%
Overseas Total	6,104,142	6,620,624	6,503,798	6,605,637	6,798,296	6,865,488	7,383,039	7,409,370	7,766,295	7,891,405	8,023,506	8,147,702	8,280,078	8,412,671	3.2%	1.9%
InterIsland	3,154,076	3,232,462	3,196,439	3,101,890	3,138,295	3,336,390	3,272,434	3,082,428	3,227,813	3,245,411	3,264,773	3,279,749	3,296,912	3,312,987	0.6%	0.2%
Total	**9,258,218**	**9,853,086**	**9,700,237**	**9,707,527**	**9,936,591**	**10,201,879**	**10,655,473**	**10,491,799**	**10,994,108**	**11,136,816**	**11,288,279**	**11,427,451**	**11,576,990**	**11,725,658**	**2.4%**	**1.4%**
Year-Over-Year Percentage Change																
Overseas		8.5%	-1.8%	1.6%	2.9%	1.0%	7.5%	0.4%	4.8%	1.6%	1.7%	1.5%	1.6%	1.6%		
InterIsland		2.5%	-1.1%	-3.0%	1.2%	6.3%	-1.9%	-5.8%	4.7%	0.5%	0.6%	0.5%	0.5%	0.5%		
Total		6.4%	-1.6%	0.1%	2.4%	2.7%	4.4%	-1.5%	4.8%	1.3%	1.4%	1.2%	1.3%	1.3%		
Primary Neighboring Island (PNI Airports)																
Overseas Total	2,677,180	2,803,335	2,768,890	3,079,092	3,279,752	3,452,481	3,945,559	4,255,420	4,336,727	4,401,947	4,470,731	4,535,319	4,604,082	4,672,875	6.7%	2.4%
InterIsland	3,456,265	3,709,984	3,653,149	3,693,242	3,779,314	3,994,388	3,977,578	3,695,782	3,825,969	3,859,837	3,896,136	3,927,986	3,962,768	3,996,815	2.4%	0.1%
Total	**6,133,445**	**6,513,319**	**6,422,039**	**6,772,334**	**7,059,066**	**7,446,869**	**7,923,137**	**7,951,202**	**8,162,695**	**8,261,785**	**8,366,867**	**8,463,305**	**8,566,850**	**8,669,690**	**4.4%**	**1.3%**
Year-Over-Year Percentage Change																
Overseas		4.7%	-1.2%	11.2%	6.5%	5.3%	14.3%	7.9%	1.9%	1.5%	1.6%	1.4%	1.5%	1.5%		
InterIsland		7.3%	-1.5%	1.1%	2.3%	5.7%	-0.4%	-7.1%	3.5%	0.9%	0.9%	0.8%	0.9%	0.9%		
Total		6.2%	-1.4%	5.5%	4.2%	5.5%	6.4%	0.4%	2.7%	1.2%	1.3%	1.2%	1.2%	1.2%		

Note: U.S. Pacific Territories is categorized under Overseas International; Primary Neighboring Island (PNI) airports include Kahului, Kona, Lihue, and Hilo; Historical data in this exhibit was based on a range of publicly available sources. The analysis and assumptions relied on this information, and were reviewed and approved by the Airports Division management.

Source: Actual enplanement figures for FY 2012 to FY 2018 were provided by State of Hawaii, Department of Transportation. Forecast figures for FY 2019 to FY 2025 were provided by ICF.

Exhibit 3-46: Hawaii Airports System Enplaned Traffic Forecast (continued)

Fiscal Years ended June 30

	Actual							Forecast							CAGR	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Historical 2012-2018	Forecast 2018-2025
Kahului																
Overseas Total	1,591,597	1,642,016	1,637,202	1,822,152	1,949,229	2,033,603	2,191,040	2,353,810	2,437,187	2,473,847	2,512,511	2,548,816	2,587,468	2,626,137	5.5%	2.6%
InterIsland	1,246,166	1,388,773	1,371,867	1,424,740	1,449,726	1,486,909	1,462,750	1,439,101	1,455,883	1,465,430	1,475,794	1,484,372	1,493,952	1,503,148	2.7%	0.4%
Total	**2,837,763**	**3,030,789**	**3,009,069**	**3,246,892**	**3,398,955**	**3,520,512**	**3,653,790**	**3,792,911**	**3,893,069**	**3,939,277**	**3,988,304**	**4,033,188**	**4,081,420**	**4,129,285**	**4.3%**	**1.8%**
Year-Over-Year Percentage Change																
Overseas		3.2%	-0.3%	11.3%	7.0%	4.3%	7.7%	7.4%	3.5%	1.5%	1.6%	1.4%	1.5%	1.5%		
InterIsland		11.4%	-1.2%	3.9%	1.8%	2.6%	-1.6%	-1.6%	1.2%	0.7%	0.7%	0.6%	0.6%	0.6%		
Total		6.8%	-0.7%	7.9%	4.7%	3.6%	3.8%	3.8%	2.6%	1.2%	1.2%	1.1%	1.2%	1.2%		
Kona																
Overseas Total	539,293	569,962	561,167	649,683	707,101	778,084	961,466	1,030,666	1,011,641	1,026,991	1,043,181	1,058,386	1,074,577	1,090,777	10.1%	1.8%
InterIsland	823,064	874,418	854,022	841,251	859,215	951,771	969,261	856,277	928,643	937,039	946,035	953,940	962,569	971,021	2.8%	0.0%
Total	**1,362,357**	**1,444,380**	**1,415,189**	**1,490,934**	**1,566,316**	**1,729,855**	**1,930,727**	**1,886,943**	**1,940,284**	**1,964,029**	**1,989,216**	**2,012,326**	**2,037,146**	**2,061,798**	**6.0%**	**0.9%**
Year-Over-Year Percentage Change																
Overseas		5.7%	-1.5%	15.8%	8.8%	10.0%	23.6%	7.2%	-1.8%	1.5%	1.6%	1.5%	1.5%	1.5%		
InterIsland		6.2%	-2.3%	-1.5%	2.1%	10.8%	1.8%	-11.7%	8.5%	0.9%	1.0%	0.8%	0.9%	0.9%		
Total		6.0%	-2.0%	5.4%	5.1%	10.4%	11.6%	-2.3%	2.8%	1.2%	1.3%	1.2%	1.2%	1.2%		
Lihue																
Overseas Total	494,375	542,820	544,551	569,900	588,443	604,824	757,310	838,001	857,491	870,253	883,709	896,343	909,790	923,241	7.4%	2.9%
InterIsland	787,492	815,736	808,574	816,117	844,190	913,599	906,290	843,372	872,430	880,052	888,218	895,385	903,209	910,867	2.4%	0.1%
Total	**1,281,867**	**1,358,556**	**1,353,125**	**1,386,017**	**1,432,633**	**1,518,423**	**1,663,600**	**1,681,374**	**1,729,921**	**1,750,304**	**1,771,927**	**1,791,727**	**1,812,999**	**1,834,108**	**4.4%**	**1.4%**
Year-Over-Year Percentage Change																
Overseas		9.8%	0.3%	4.7%	3.3%	2.8%	25.2%	10.7%	2.3%	1.5%	1.5%	1.4%	1.5%	1.5%		
InterIsland		3.6%	-0.9%	0.9%	3.4%	8.2%	-0.8%	-6.9%	3.4%	0.9%	0.9%	0.8%	0.9%	0.8%		
Total		6.0%	-0.4%	2.4%	3.4%	6.0%	9.6%	1.1%	2.9%	1.2%	1.2%	1.1%	1.2%	1.2%		
Hilo																
Overseas Total	51,915	48,537	25,970	37,357	34,978	35,970	35,743	32,942	30,408	30,857	31,330	31,774	32,247	32,720	-6.0%	-1.3%
InterIsland	599,543	631,057	618,686	611,134	626,183	642,109	639,277	557,032	569,013	577,317	586,089	594,289	603,037	611,779	1.1%	-0.6%
Total	**651,458**	**679,594**	**644,656**	**648,491**	**661,161**	**678,079**	**675,020**	**589,974**	**599,421**	**608,174**	**617,419**	**626,063**	**635,284**	**644,499**	**0.6%**	**-0.7%**
Year-Over-Year Percentage Change																
Overseas		-6.5%	-46.5%	43.8%	-6.4%	2.8%	-0.6%	-7.8%	-7.7%	1.5%	1.5%	1.4%	1.5%	1.5%		
InterIsland		5.3%	-2.0%	-1.2%	2.5%	2.5%	-0.4%	-12.9%	2.2%	1.5%	1.5%	1.4%	1.5%	1.4%		
Total		4.3%	-5.1%	0.6%	2.0%	2.6%	-0.5%	-12.6%	1.6%	1.5%	1.5%	1.4%	1.5%	1.5%		
All Other																
InterIsland	174,633	176,354	172,721	202,934	219,704	210,471	227,660	224,200	229,369	232,801	236,424	239,820	243,439	247,059	4.5%	1.2%
Total	**174,633**	**176,354**	**172,721**	**202,934**	**219,704**	**210,471**	**227,660**	**224,200**	**229,369**	**232,801**	**236,424**	**239,820**	**243,439**	**247,059**	**4.5%**	**1.2%**
Year-Over-Year Percentage Change																
InterIsland		1.0%	-2.1%	17.5%	8.3%	-4.2%	8.2%	-1.5%	2.3%	1.5%	1.6%	1.4%	1.5%	1.5%		
Total		1.0%	-2.1%	17.5%	8.3%	-4.2%	8.2%	-1.5%	2.3%	1.5%	1.6%	1.4%	1.5%	1.5%		

Note: U.S. Pacific Territories is categorized under Overseas International; Historical data in this exhibit was based on a range of publicly available sources. The analysis and assumptions relied on this information, and were reviewed and approved by the Airports Division management.

Source: Actual enplanement figures for FY 2012 to FY 2018 were provided by State of Hawaii, Department of Transportation. Forecast figures for FY 2019 to FY 2025 were provided by ICF.

Exhibit 3-47: Hawaii Airports System Visitor Forecast

Fiscal Years ended June 30

	Actual							Forecast							CAGR	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Historical 2012-2018	Forecast 2018-2025
Hawaii Airports System																
Mainland	6,871,914	7,135,458	7,028,980	7,354,334	7,547,128	7,853,365	8,404,742	8,652,143	8,913,916	9,019,958	9,132,282	9,234,494	9,344,205	9,452,660	3.4%	1.7%
International	2,882,366	3,248,107	3,417,265	3,539,656	3,577,539	3,732,470	4,024,189	3,840,791	4,043,246	4,147,508	4,256,776	4,363,292	4,475,509	4,589,267	5.7%	1.9%
Overseas Total	9,754,280	10,383,565	10,446,245	10,893,991	11,124,667	11,585,835	12,428,931	12,492,933	12,957,162	13,167,466	13,389,058	13,597,786	13,819,714	14,041,927	4.1%	1.8%
InterIsland	1,179,847	1,207,473	1,130,807	1,076,929	1,121,606	1,395,064	1,395,396	1,326,617	1,364,098	1,377,448	1,391,647	1,404,192	1,417,767	1,431,034	2.8%	0.4%
Total	**10,934,126**	**11,591,038**	**11,577,052**	**11,970,920**	**12,246,273**	**12,980,899**	**13,824,327**	**13,819,551**	**14,321,260**	**14,544,913**	**14,780,705**	**15,001,978**	**15,237,481**	**15,472,961**	**4.0%**	**1.6%**
Year-Over-Year Percentage Change																
Mainland		3.8%	-1.5%	4.6%	2.6%	4.1%	7.0%	2.9%	3.0%	1.2%	1.2%	1.1%	1.2%	1.2%		
International		12.7%	5.2%	3.6%	1.1%	4.3%	7.8%	-4.6%	5.3%	2.6%	2.6%	2.5%	2.6%	2.5%		
Overseas		6.5%	0.6%	4.3%	2.1%	4.1%	7.3%	0.5%	3.7%	1.6%	1.7%	1.6%	1.6%	1.6%		
InterIsland		2.3%	-6.3%	-4.8%	4.1%	24.4%	0.0%	-4.9%	2.8%	1.0%	1.0%	0.9%	1.0%	0.9%		
Total		6.0%	-0.1%	3.4%	2.3%	6.0%	6.5%	0.0%	3.6%	1.6%	1.6%	1.5%	1.6%	1.5%		
Honolulu International Airport																
Mainland	2,662,150	2,769,533	2,728,021	2,818,883	2,895,294	2,942,805	3,132,213	3,306,244	3,458,041	3,496,017	3,536,221	3,572,045	3,610,566	3,648,254	2.7%	2.2%
International	1,987,965	2,239,869	2,373,819	2,451,837	2,501,124	2,596,915	2,730,207	2,650,672	2,828,581	2,917,381	3,010,271	3,101,681	3,197,709	3,295,362	5.4%	2.7%
Overseas Total	4,650,115	5,009,403	5,101,840	5,270,720	5,396,418	5,539,720	5,862,420	5,956,916	6,286,622	6,413,398	6,546,492	6,673,725	6,808,275	6,943,616	3.9%	2.4%
InterIsland	480,927	483,449	456,848	431,510	443,939	567,895	567,190	540,231	562,662	566,404	570,413	573,620	577,165	580,476	2.8%	0.3%
Total	**5,131,043**	**5,492,851**	**5,558,689**	**5,702,230**	**5,840,357**	**6,107,616**	**6,429,610**	**6,497,147**	**6,849,284**	**6,979,802**	**7,116,905**	**7,247,345**	**7,385,439**	**7,524,092**	**3.8%**	**2.3%**
Year-Over-Year Percentage Change																
Overseas		7.7%	1.8%	3.3%	2.4%	2.7%	5.8%	1.6%	5.5%	2.0%	2.1%	1.9%	2.0%	2.0%		
InterIsland		0.5%	-5.5%	-5.5%	2.9%	27.9%	-0.1%	-4.8%	4.2%	0.7%	0.7%	0.6%	0.6%	0.6%		
Total		7.1%	1.2%	2.6%	2.4%	4.6%	5.3%	1.1%	5.4%	1.9%	2.0%	1.8%	1.9%	1.9%		
Primary Neighboring Island (PNI Airports)																
Overseas Total	4,978,069	5,248,375	5,217,000	5,486,218	5,614,272	5,924,843	6,434,827	6,401,877	6,532,863	6,613,882	6,699,741	6,778,721	6,863,437	6,947,631	4.4%	1.1%
InterIsland	661,108	688,547	643,953	607,019	636,728	785,693	784,003	747,314	761,906	771,372	781,402	790,630	800,528	810,365	2.9%	0.5%
Total	**5,639,177**	**5,936,922**	**5,860,953**	**6,093,237**	**6,251,000**	**6,710,536**	**7,218,831**	**7,149,191**	**7,294,769**	**7,385,253**	**7,481,143**	**7,569,352**	**7,663,964**	**7,757,996**	**4.2%**	**1.0%**
Year-Over-Year Percentage Change																
Overseas		5.4%	-0.6%	5.2%	2.3%	5.5%	8.6%	-0.5%	2.0%	1.2%	1.3%	1.2%	1.2%	1.2%		
InterIsland		4.2%	-6.5%	-5.7%	4.9%	23.4%	-0.2%	-4.7%	2.0%	1.2%	1.3%	1.2%	1.3%	1.2%		
Total		5.3%	-1.3%	4.0%	2.6%	7.4%	7.6%	-1.0%	2.0%	1.2%	1.3%	1.2%	1.2%	1.2%		

Note: U.S. Pacific Territories is categorized under Overseas International; Primary Neighboring Island (PNI) airports include Kahului, Kona, Lihue, and Hilo; Historical data in this exhibit was based on a range of publicly available sources. The analysis and assumptions relied on this information, and were reviewed and approved by the Airports Division management.

Source: Visitor figures for FY 2012 to FY 2018 were provided by State of Hawaii, Department of Transportation. Forecast figures for FY 2019 to FY 2025 were provided by ICF.

Exhibit 3-48: Hawaii Airports System Visitor Forecast (continued)

Fiscal Years ended June 30

	Actual							Forecast							CAGR Historical	CAGR Forecast
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2012-2018	2018-2025
Kahului																
Overseas Total	2,281,545	2,387,409	2,396,291	2,514,935	2,610,212	2,680,215	2,846,555	2,976,978	3,050,428	3,086,634	3,125,049	3,160,218	3,198,011	3,235,515	3.8%	1.8%
InterIsland	243,823	254,289	245,702	235,155	244,462	299,110	297,736	292,559	299,777	303,335	307,110	310,566	314,280	317,966	3.4%	0.9%
Total	**2,525,368**	**2,641,698**	**2,641,993**	**2,750,090**	**2,854,674**	**2,979,325**	**3,144,291**	**3,269,537**	**3,350,205**	**3,389,969**	**3,432,160**	**3,470,785**	**3,512,291**	**3,553,481**	**3.7%**	**1.8%**
Year-Over-Year Percentage Change																
Overseas		4.6%	0.4%	5.0%	3.8%	2.7%	6.2%	4.6%	2.5%	1.2%	1.2%	1.1%	1.2%	1.2%		
InterIsland		4.3%	-3.4%	-4.3%	4.0%	22.4%	-0.5%	-1.7%	2.5%	1.2%	1.2%	1.1%	1.2%	1.2%		
Total		4.6%	0.0%	4.1%	3.8%	4.4%	5.5%	4.0%	2.5%	1.2%	1.2%	1.1%	1.2%	1.2%		
Kona																
International	234,410	279,118	283,265	293,551	283,972	322,609	411,089	339,524	343,555	347,759	352,219	356,311	360,706	365,071	9.8%	-1.7%
Overseas Total	1,141,176	1,215,444	1,193,800	1,266,783	1,292,186	1,413,043	1,567,537	1,461,341	1,478,691	1,496,788	1,515,982	1,533,595	1,552,510	1,571,297	5.4%	0.0%
InterIsland	172,340	182,641	164,268	156,579	160,802	214,885	215,395	199,229	201,594	204,061	206,678	209,079	211,658	214,219	3.8%	-0.1%
Total	**1,313,516**	**1,398,085**	**1,358,067**	**1,423,362**	**1,452,988**	**1,627,928**	**1,782,933**	**1,660,570**	**1,680,286**	**1,700,849**	**1,722,660**	**1,742,674**	**1,764,168**	**1,785,517**	**5.2%**	**0.0%**
Year-Over-Year Percentage Change																
Overseas		6.5%	-1.8%	6.1%	2.0%	9.4%	10.9%	-6.8%	1.2%	1.2%	1.3%	1.2%	1.2%	1.2%		
InterIsland		6.0%	-10.1%	-4.7%	2.7%	33.6%	0.2%	-7.5%	1.2%	1.2%	1.3%	1.2%	1.2%	1.2%		
Total		6.4%	-2.9%	4.8%	2.1%	12.0%	9.5%	-6.9%	1.2%	1.2%	1.3%	1.2%	1.2%	1.2%		
Lihue																
Overseas Total	1,050,983	1,111,113	1,110,250	1,154,805	1,167,012	1,229,858	1,351,933	1,386,015	1,409,400	1,427,438	1,446,520	1,464,148	1,483,013	1,501,779	4.3%	1.5%
InterIsland	166,391	169,009	160,199	150,823	166,412	206,587	204,212	198,437	201,785	204,368	207,100	209,623	212,324	215,011	3.5%	0.7%
Total	**1,217,374**	**1,280,122**	**1,270,449**	**1,305,628**	**1,333,423**	**1,436,444**	**1,556,145**	**1,584,452**	**1,611,185**	**1,631,805**	**1,653,620**	**1,673,772**	**1,695,337**	**1,716,790**	**4.2%**	**1.4%**
Year-Over-Year Percentage Change																
Overseas		5.7%	-0.1%	4.0%	1.1%	5.4%	9.9%	2.5%	1.7%	1.3%	1.3%	1.2%	1.3%	1.3%		
InterIsland		1.6%	-5.2%	-5.9%	10.3%	24.1%	-1.1%	-2.8%	1.7%	1.3%	1.3%	1.2%	1.3%	1.3%		
Total		5.2%	-0.8%	2.8%	2.1%	7.7%	8.3%	1.8%	1.7%	1.3%	1.3%	1.2%	1.3%	1.3%		
Hilo																
Overseas Total	504,365	534,409	516,660	549,695	544,861	601,728	668,802	577,543	594,344	603,023	612,190	620,760	629,903	639,039	4.8%	-0.6%
InterIsland	78,555	82,608	73,784	64,462	65,053	65,111	66,660	57,089	58,750	59,608	60,514	61,361	62,265	63,168	-2.7%	-0.8%
Total	**582,920**	**617,017**	**590,444**	**614,157**	**609,915**	**666,839**	**735,462**	**634,632**	**653,094**	**662,631**	**672,703**	**682,121**	**692,168**	**702,208**	**4.0%**	**-0.7%**
Year-Over-Year Percentage Change																
Overseas		6.0%	-3.3%	6.4%	-0.9%	10.4%	11.1%	-13.6%	2.9%	1.5%	1.5%	1.4%	1.5%	1.5%		
InterIsland		5.2%	-10.7%	-12.6%	0.9%	0.1%	2.4%	-14.4%	2.9%	1.5%	1.5%	1.4%	1.5%	1.5%		
Total		5.8%	-4.3%	4.0%	-0.7%	9.3%	10.3%	-13.7%	2.9%	1.5%	1.5%	1.4%	1.5%	1.5%		
All Other																
Overseas Total	126,096	125,787	127,405	137,052	113,977	121,271	131,683	134,141	137,676	140,186	142,824	145,339	148,002	150,680	0.7%	1.9%
InterIsland	37,811	35,478	30,005	38,401	40,938	41,476	44,203	39,072	39,530	39,672	39,833	39,942	40,074	40,193	2.6%	-1.3%
Total	**163,907**	**161,265**	**157,410**	**175,453**	**154,915**	**162,747**	**175,886**	**173,213**	**177,206**	**179,858**	**182,657**	**185,281**	**188,077**	**190,873**	**1.2%**	**1.2%**
Year-Over-Year Percentage Change																
Overseas		0.9%	1.5%	5.7%	-19.0%	5.1%	4.0%	3.9%	2.6%	1.8%	1.8%	1.7%	1.8%	1.8%		
InterIsland		-4.5%	0.4%	14.7%	-9.3%	10.7%	22.7%	-3.4%	2.8%	2.0%	2.0%	1.9%	2.0%	2.0%		
Total		-0.2%	1.3%	7.6%	-16.8%	6.4%	8.6%	1.9%	2.6%	1.8%	1.9%	1.8%	1.8%	1.8%		

Note: U.S. Pacific Territories is categorized under Overseas International; Historical data in this exhibit was based on a range of publicly available sources. The analysis and assumptions relied on this information, and were reviewed and approved by the Airports Division management.

Source: Visitor figures for FY 2012 to FY 2018 were provided by State of Hawaii, Department of Transportation. Forecast figures for FY 2019 to FY 2025 were provided by ICF.

4. RENTAL CAR INDUSTRY

According to *Auto Rental News*, a publication for the global car and truck rental industry, the U.S. rental car industry generated approximately $30.0 billion of revenue in 2018 with a fleet of 2.2 million vehicles. The U.S. rental car industry operates in two distinct markets: the airport market serving air travelers, and the local market serving local residents. According to airport filings on the FAA's *Certification Activity Tracking System*, U.S. airports reported combined rental car concession fee revenues of $1.70 billion in their respective fiscal years 2018. Assuming that concession fees equal 10 percent of gross revenues, 2018 gross revenues from the airport rental car market would be $17.0 billion, or 56.7% of industry revenues. When grouped as a single entity, Hawaii Airports System was the 3rd largest airport rental car market in the U.S., ranked after the airports serving Orlando and Los Angeles.

4.1 The Rental Car Companies

The U.S. rental car industry has experienced various consolidations over the last twenty years. The eight major rental car companies in 1995 were consolidated into three companies: Avis Budget Group, Inc. (Avis Budget), Enterprise Holdings, Inc. (Enterprise), and Hertz Global Holdings, Inc. (Hertz). The three companies have a combined market share of 95 percent in 2018, according to *Auto Rental News*. Advantage Opco, LLC. (Advantage) owns Advantage Rent A Car and E-Z Rent-A-Car, and is the 4th largest company accounting for 1.2 percent of market share. Below are brief profiles of each major national brand, acquired from their respective sites, grouped by parent organization.

Avis Budget was established in 2006 when Cendant Corp. separated into four independent companies. Cendant Corp. acquired Budget Car Rental in November 2002, consolidated the administrative functions of Avis and Budget, but continued to operate them as stand-alone brands. Avis Budget operates the Avis and Budget brands at more than 11,000 locations in approximately 180 countries throughout the world. 68 percent of the group's annual revenue is from U.S. domestic market, with the other 32 percent coming from the international market.

- **Avis Car Rental** was founded in 1946. It was the first company to rent cars from airport locations. The company has 5,500 locations in more than 165 countries.
- **Budget Car Rental** was founded in 1958. The company has more than 3,000 locations in more than 120 countries.
- **Zipcar** was founded in 1999 and is the world's leading car sharing network and was acquired by Avis Budget in 2013. The company provides over one million members on-demand access to more than 12,000 vehicles in over 500 cities and towns and over 600 college campuses.
- **Payless Car Rental** was founded in 1971 and acquired by Avis Budget in 2013. It operates approximately 120 rental locations worldwide.

Enterprise is the largest car rental company in the world as measured by revenue and fleet. The company operates in 100 countries and territories, and opened its 10,000th location in 2018. It has more than 6,400 offices located within 15 miles of 90 percent of the U.S. population.

- **Enterprise Rent A Car** was founded in 1957 in St. Louis. The company has more than 7,600 locations in over 85 countries. In August 2007, Enterprise Rent A Car acquired Vanguard Car Rental USA Inc. which owned Alamo and National brands. Enterprise continues to operate Enterprise Rent A Car as a stand-alone brand while continuing to dual brand Alamo and National at many U.S. airport locations.
- **Alamo Rent A Car** was founded in 1974 in Florida. The company provides rental cars primarily to leisure travelers. And it is the largest car rental provider to international travelers visiting North America.
- **National Car Rental** was founded in 1947 by a group of 24 independent car rental operators. The company brands itself as a premium, international recognized brand serving the daily rental needs of the frequent airport traveler.

Hertz acquired Dollar Thrifty Automotive Group, Inc. in November 2012, and owns the following brands:

- **Hertz Car Rental** was founded in 1918 in Chicago. The company has approximately 10,200 locations worldwide.
- **Dollar Rent A Car** was founded in 1965 in Los Angeles, California. The company has about 610 locations in 65 countries.
- **Thrifty Car Rental** was founded in 1958. The company operates in 95 countries and territories with over 1,020 locations.
- **Firefly Car Rental** was first launched in March 2013 to provide discount rates for leisure customers. Hertz discontinued its U.S. segment in the second quarter of 2016. Firefly Car Rental keeps operating in the international market.

4.2 Rental Car Market Trend

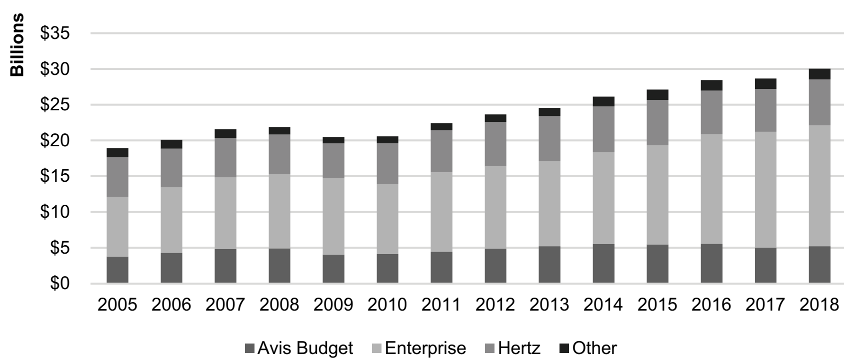
Since 1980s, the ownerships of rental car companies have changed from automobile manufacturers to independent operating entities, which are concentrated on profitability rather than market share. Consolidation of the rental car companies also provides the opportunity to manage fleet volume more efficiently.

4.2.1 Industry Revenues and Market Share

Exhibit 4-1 shows the rental car companies' revenues from 2005 to 2018. The industry's revenue increased six percent in 2006, seven percent in 2007 before slowed to two percent in 2008 when the financial crisis began. Revenue declined sharply at six percent in 2009 and remained flat in 2010 due to the economic recession. The rental car market started to recover in 2011 with a growth rate of nine percent and kept the growth rate around four to six percent until 2016. The industry revenue was flat in 2017, likely due to competition from other means of transportation, but increased again in 2018 with a growth rate of 4.8%. Total industry revenues post-recession increased 47 percent from $20.5 billion in 2009 to $30.0 billion in 2018, at an average annual growth rate of 4.4 percent.

As mentioned in the companies' profiles, Enterprise is the largest car rental company by gross sales. As Exhibit 4-1 shows, its U.S. segment had consistently expanded, with market share increased from 44 percent in 2005 to 56 percent in 2018. In the meantime, Hertz's business declined from 29 percent to 21 percent. Avis Budget's share remained flat at 20 percent until 2016, and declined to 17 percent in the past two years. While all other companies also declined slightly from seven percent to five percent.

Exhibit 4-1: U.S. Rental Car Companies Revenue

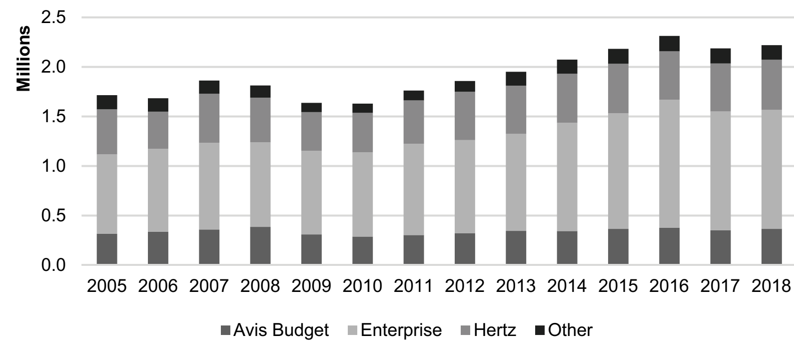


Note: Revenues are grouped by holding company, assuming ownership structure in 2018.

Source: Auto Rental News.

The U.S. rental car industry operates a total fleet volume of 2.2 million vehicles in 2018, as shown in Exhibit 4-2. The fleet size post-recession increased by 36 percent from 1.6 million in 2009 to 2.2 million in 2018, or 3.4 percent annually. Same as gross revenues, the fleet size fluctuates with the economic cycles. The fleet size decreased by two percent in 2006, before increasing by 11 percent in 2007. When the economic recession started, the RACs reduced the fleet size by three percent in 2008, and another 10 percent in 2009. The fleet size remained flat in 2010, followed by an eight percent increase in 2011 when the U.S. economy started to recover and increased at an annual growth rate between five percent and six percent until 2016. The growth rates of the fleet size exceeded the growth rates of gross revenues from 2011 to 2016, resulting in the relatively oversupply of rental car vehicles and downward pressure on pricing. The fleet size tightened up in 2017, with a 5.5 percent decrease, and slowly increased again in 2018 with a 1.5 percent growth. The shrink of fleet size happened across all rental car companies.

Exhibit 4-2: U.S. Rental Car Fleet Volume

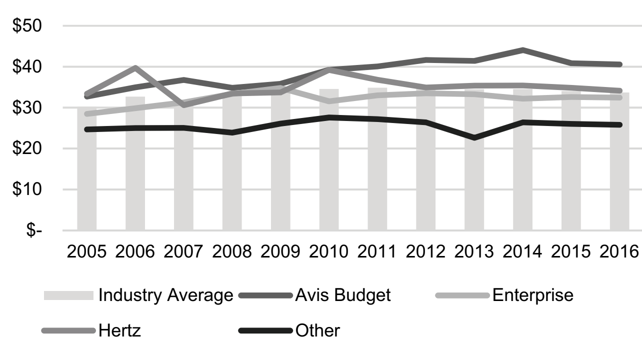


Source: Auto Rental News.

4.2.2 Daily Revenues per Vehicle

The industry's average daily revenues per rental vehicle improved 15 percent from $30 in 2005 to $35 in 2012 but declined by 0.9 percent annually through 2016. As shown in Exhibit 4-3, Avis Budget has the highest daily revenues per vehicle from 2007 to 2016, which reached $41 in 2016. Hertz has the second highest rate at $34 with Enterprise at $32 and other firms averaging $26 in 2016. Auto Rental News discontinued to provide this information since 2017. According to Avis Budget earnings calls, their daily revenues per vehicle remained flat for 2017 and 2018. According to Hertz earnings calls, their daily revenues per vehicle slightly decreased in 2017 and slightly increased in 2018.

Exhibit 4-3: Daily Revenues per Rental Vehicle



Source: Auto Rental News.

4.2.3 Other Industry Trends

Increasing roadway congestion at airports in the past 20 years led to the idea of consolidated car rental facilities (ConRACs). A ConRAC brings all the on-airport RACs together at a single location with a single transit system, typically a bus system, transporting rental car customers to and from the terminal. Similar to the ConRACs at the Hawaii Airports System, the availability of CFCs has enabled the construction of ConRACs at many U.S. airports.

Traditionally, RACs purchase fleet through residual value programs, under which manufacturers agree to purchase back the vehicles at a certain price. These vehicles are referred as program cars. In spite of the fact that program cars have fixed costs, the cost is higher than non-program cars. In recent years, some companies have leveraged more non-program cars to reduce fleet cost. Hertz's non-program vehicle dispositions were up 18% in the first quarter of 2019.

Innovation in both operations and technology is expected to drive long-term growth and profitability. Fleet management, pricing optimization, mobile apps are among the top focuses. Avis Budget has a demand fleet pricing yield management tool which they rely on to make fleet and pricing strategies. Hertz also launched a new customer relationship management system in 2016 and a new fleet management system in 2017. In addition, all the big three companies rolled out a mobile app to provide faster, more convenient customer experience, and continue to improve the customer engagement.

The evolving of new technologies and car-sharing mobility platforms seems to have moderately affected airport rental car market, but the rental car industry has been actively adapting to the new operating environment. Transportation network companies (TNC) like Uber Technologies, Inc. (Uber) and Lyft, Inc. (Lyft) were considered to be a potential risk to RACs, especially for short-duration and short-distance rentals. Instead of competing against TNC operators, all the big three RACs have partnered with TNCs to rent cars to qualified drivers. In the 2019 Q1 earnings call of Hertz, the CFO mentioned that the 4% increase in transaction days is driven by the rentals to TNC drivers. As TNCs erode traditional rental car revenues from RACs, it also provides new revenue stream and make up the total revenues. Other new revenue streams from TNCs that Hertz finds include offering their expertise in fleet management solutions to Uber and Lyft, and selling vehicles to car-sharing drivers.

4.3 Overview of Rental Car Market at Hawaii Airports System

Hawaii Airports System is one of the largest airport rental car markets in the U.S. When viewed as a single entity, Hawaii Airports System would rank the longest based on transaction days and 3rd largest based on the revenues paid to the airport, according to the FAA data for fiscal year 2018. Hawaii Airports System received $73.2 million of rental car concession revenues, ranked only after Orlando International Airport ($104.7 million) and Los Angeles International Airport (84.2 million). Based on the official statements filed by other U.S. airports, Hawaii Airports System would be ranked the largest based on the CFC transaction days.

Exhibit 4-4 shows the brands owned by the Signatory RACs currently operating at Hawaii Airports System. All the eight major brands have locations in each of the Primary Airports.

Exhibit 4-4: RACs by Airport

Rental Car Brand	Airport					
	HNL	OGG	KOA	LIH	ITO	MKK
ACE Rent A Car	Off	-	-	-	-	-
Advantage Rent A Car	On	On	-	On	-	-
Alamo Rent A Car	Off	On	On	On	On	On
Avis Car Rental	On	On	On	On	On	-
Budget Car Rental	On	On	On	On	On	-
Dollar Rent A Car	Off	On	On	On	On	-
Enterprise Rent A Car	On	On	On	On	On	-
EZ Rent A Car	-	On	-	-	-	-
Hertz Car Rental	On	On	On	On	On	-
National Car Rental	On	On	On	On	On	-
Payless Car Rental	-	On	On	On	On	-
Thrifty Car Rental	Off	On	On	On	On	-

Source: RAC websites.

The Airports Division classifies rental car operators as follows:

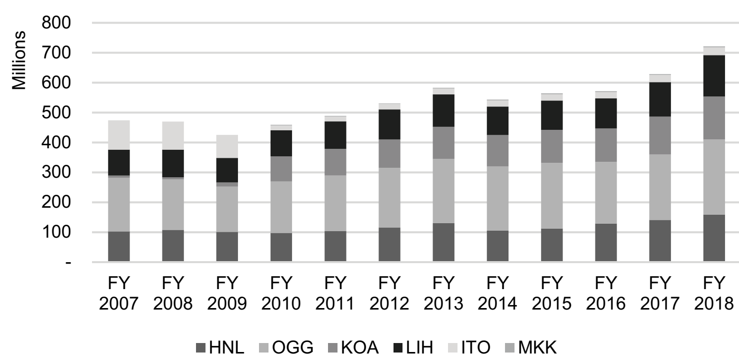
a) On-airport RACs: operating inside airport perimeter and having an agreement with the Department. Under various permits and agreements, on-airport RACs pay a minimum annual guarantee or a concession fee at 10 percent of gross receipts to the Airports Division, whichever is higher;
b) Off-airport RACs: operating outside the airport perimeter, but having a valid permit with the Department, such as Alamo at HNL. Off-airport RACs pay a nominal fee per vehicle to the Airports Division and do not pay a concession fee; and
c) Local RACs: operating outside the airport perimeter, and having no permit with the Department, such as Fox Rent A Car and Sixt Rent A Car at OGG, Harper Car and Truck Rental at ITO and KOA, among other RACs. Local RACs do not pay any fees to the Airports Division.

As part of the bidding process for the RAC Agreements, the Signatory RACs began to collect CFCs in July 2014 even if one or all of their brands operate off-airport. Such additional collections incorporate the CFCs related to Advantage and EZ at OGG, and Alamo, Dollar, Thrifty at HNL. Upon relocation to the respective ConRAC, those Signatory RACs that currently operate off-airport will also pay the corresponding concession fees.

4.3.1 Gross Revenues

Exhibit 4-5 shows total revenues of all on-airport RACs operating at Hawaii Airports System, totaled at $721 million in FY 2018. OGG accounted for 35 percent of system-wide revenues, followed by HNL (22 percent), KOA (20 percent), LIH (19 percent), ITO (3.6 percent), and MKK (0.4 percent). Similar to the whole rental car industry, total RAC revenues at Hawaii Airports System have increased 35 percent from FY 2009 to FY 2016, at an average annual growth rate of 4.3 percent. Growth rates for FY 2017 and FY 2018 have increased to 10 percent and 15 percent respectively. The decline in total revenues in the year 2014 is primarily because Dollar Rent A Car and Thrifty Car Rental at HNL moved their operations to off-airport locations in May 2013, and thus were no longer required to report gross revenues or pay concession fees to the Airports Division.

Exhibit 4-5: RAC Revenues On-airport



Source: Airports Division records.

Total gross revenues in the first eleven months of FY 2019 declined by 2.7 percent, compared to the gross revenues in the same period of FY 2018, with May 2019 gross revenues declined by 1.2 percent. Total gross revenues increased at HNL (+7.4%), declined at OGG (-0.9%), declined at KOA (-11.1%) and ITO (-20.5%) partly due to the May 2018 volcano eruption, and declined at LIH (-5.2%) partly due to April 2018 flood and the resulting road closure. CFC transaction days for the same period of FY 2019 only declined 1.1 percent year-over-year, indicating that the decline in the gross revenues is primarily due to pricing.

Total gross revenues and CFC transaction days for the first eleven months of FY 2019 were 11.8 percent and 2.3 percent higher than the results in the same period of FY 2017.

4.3.2 Market Share

As of FY 2018, Enterprise holds the largest market share with 36 percent market share at Hawaii Airports System airports, followed by Avis Budget with 32 percent and Hertz with 29 percent. Advantage Rent A Car shares 3 percent of the market. Exhibit 4-6 shows the market share in each airport. Each of the three RACs holds one-third of the market at each primary airport with slight variances.

Exhibit 4-6: On-Airport RAC Gross Revenues, Hawaii Airports System
FY 2018

	Advantage	Avis Budget	Enterprise	Hertz	Total
Gross Revenues (in millions)					
HNL	$15	$57	$43	$44	$159
OGG	-	82	94	75	251
KOA	-	40	58	46	144
LIH	8	44	47	39	138
ITO	-	8	11	7	26
MKK	-	-	3	-	3
System-wide	$23	$231	$256	$211	$721
Percent of Gross Revenues					
HNL	10%	36%	27%	27%	100%
OGG	0%	33%	37%	30%	100%
KOA	0%	28%	40%	32%	100%
LIH	6%	32%	34%	28%	100%
ITO	0%	30%	41%	29%	100%
MKK	0%	0%	100%	0%	100%
System-wide	3%	32%	36%	29%	100%

Note: Excluding Signatory RAC’s off-airport operations, such as Dollar Rent A Car at HNL.

Source: Airports Division Records.

5. FORECAST OF TRANSACTION DAYS

The number of CFC rental car transaction days can be seen as the product of three inputs:

- Visitor arrivals, as forecast in Section 3 of this Report;
- CFC Car rental ratios, which can be expressed as the number of rental car transactions divided by the number of visitors; and
- Average duration of each rental car transaction.

In FY 2018, total system-wide CFC rental car transaction days were 16.1 million, as presented in Exhibit 5-1, CFC transaction days at OGG were 5.4 million, the highest in Hawaii Airports System and accounting for one-third of total CFC transaction days, in spite of the fact that it only accounted for one-fifth of system-wide enplaned passengers. HNL accounted for 56.7% of system-wide enplaned passengers but only 28.7% of CFC transaction days, likely due to higher percentage of Japan visitors that travel in tourist groups, convenient transportation options at Waikiki, and other factors detailed later in this section.

Exhibit 5-1: Enplaned Passengers and CFC Transaction Days
FY 2018

	Enplaned Passengers		CFC Transaction Days	
	Number	Percent	Number	Percent
By Airport				
HNL	10,655	56.7%	4,624	28.7%
OGG	3,654	19.4%	5,366	33.3%
KOA	1,931	10.3%	2,832	17.6%
LIH	1,664	8.8%	2,799	17.3%
ITO	675	3.6%	463	2.9%
MKK	127	0.7%	39	0.2%
Others	100	0.5%	-	0.0%
System-wide	18,806	100.0%	16,123	100.0%

Note: Figures are in thousands.

Source: Airports Division records.

5.1 Key Factors Affecting CFC Transaction Days at Hawaii Airports System

Other than the number of visitors, a list of the key factors affects the generation of CFC Transaction Days at Hawaii Airports System, including, among other factors:

5.1.1. Visitor characteristics
5.1.2. Cost of car rentals
5.1.3. Alternative means of transportation
5.1.4. Availability of rental cars
5.1.5. Other general factors

5.1.1 Visitor Characteristics

As discussed in Section 2, DBEDT conducts surveys for all overseas visitors and publishes a data summary on a monthly basis. The visitor count published by DBEDT (DBEDT Visitors) is different from the visitor numbers forecast in Section 2 in two aspects:

- The number of DBEDT Visitors does not include residents of the State traveling from one island to another, such as Maui residents visiting the island of O’ahu; and

- The number of system-wide DBEDT Visitors count each overseas visitor only once, regardless how many islands an overseas visitor may visit.

For these reasons, a separate term of DBEDT Visitors is used, to differentiate from the term “visitors” in the visitor forecast in Section 2.

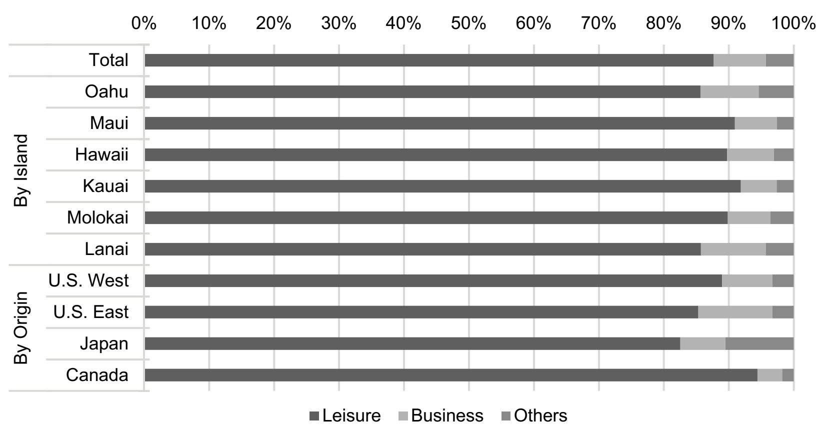
According to the preliminary calendar year 2018 data from DBEDT and as detailed below, DBEDT Visitors have a unique set of characteristics, including, but not limited to, the following:

- Approximately 88 percent traveled for leisure purposes
- Approximately 80 percent traveled independently, except for Japan visitors with 60% traveling in group tours and therefore spending less on rental car and ground transportation
- Approximately 71 percent were repeat visitors, with 29 percent being the first timers. Average trip count to Hawaii was 5.7 times
- On average traveled in party of 2.3 persons, and had average age of 45
- On average visited 1.2 islands and stayed for 9.4 days

5.1.1.1 Trip purposes

Trip purposes determine several key issues regarding CFC transaction days. In the visitor survey, DBEDT provides several purposes, including pleasure, meeting/convention/incentive, other business, visiting friends and relatives, government/military, attending school, sports events and other purposes. In the calendar-year 2018, approximately 87.7 percent of DBEDT visitors traveled to Hawaii for leisure purposes, with 8.1 percent traveling for business purposes and 4.3 percent for other reasons. As shown in Exhibit 5-2, the split of trip purposes is generally consistent across different islands and different visiting regions.

Exhibit 5-2: Trip Purposes
Preliminary CY 2018



Source: DBEDT, compiled by ICF.

DBEDT has not provided a selection of trip purpose for combined business/leisure purpose. It is likely that business travelers may combine business travels with leisure time when visiting Hawaii, considering Hawaii’s reputation as one of the top global tourism destinations. Business travelers are generally deemed to be price-insensitive and focus more on convenience. Leisure travelers are generally considered to be price-sensitive and may take alternative means of transportation if the car rental costs are perceived to be high.

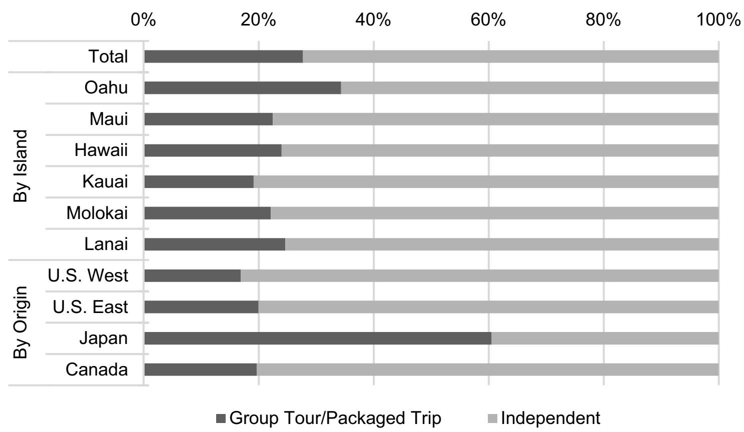
Although each island may have a major tourism attraction, such as Waikiki on the island of Oahu, tourism attractions are scattered all over each island. This means leisure travelers may take multiple days on each island or even multiple trips to the State. In case visitors decide to rent a car, the duration of those leisure rentals may exceed the duration of business travelers. In the calendar year 2018, DBEDT reported that approximately two-thirds of DBEDT Visitors are repeat visitors to the State. Repeating DBEDT Visitors on average have visited the State more than five times.

5.1.1.2 Originating Region

The visitor mix by originating region has a distinctive effect on CFC transaction days – visitors from Japan tend to visit the State via tour group or package trip that includes a ground transportation package. Because cars in Japan are driven on the left side of the road, different from U.S., package trips for Japanese visitors typically include ground transportation from public busing companies or private charter companies such as JTB Hawaii, Inc. This is different from package trips for U.S. visitors, which may include an option for rental cars instead of shuttle bus services.

Exhibit 5-3 presents the type of trip purchase from DBEDT data. About two-thirds of Japan visitors in the calendar year 2018 purchased the trip as group tour or package trips, compared to less than one-third for all visitors.

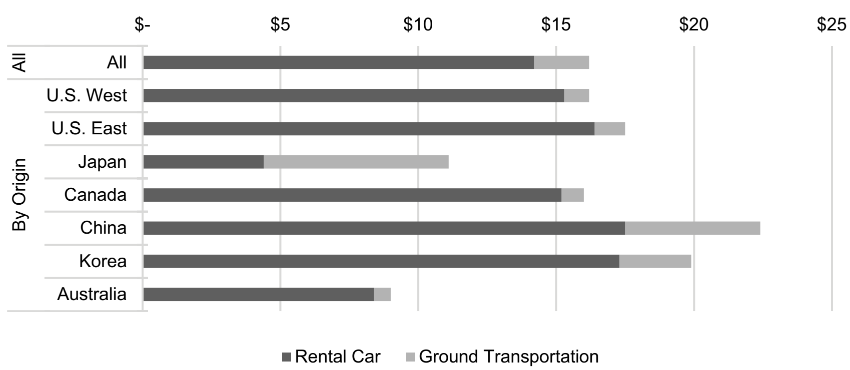
Exhibit 5-3: Type of Trip Purchase
Preliminary CY 2018



Source: DBEDT.

The lower tendency for Japan visitors to rent a car is further validated by DBEDT's survey on per-visitor spending. As shown in Exhibit 5-4, in 2018, Japanese visitors spent a daily average of $4.4 on rental cars, compared to an average of $14.2 for all visitors. Australia, another country with cars driven on the left side of the road, has the second lowest average of $8.4.

Exhibit 5-4: Average Daily Spending on Car Rentals and Ground Transportation
Preliminary CY 2018



Source: DBEDT.

5.1.1.3 Other visitor characteristics

Other visitor characteristics may affect the realization of CFC transaction days. According to DBEDT, the average party size of DBEDT Visitors in the calendar year 2018 was 2.3, the average age was 45, and the average length of stay was 9.4 days.

In addition to DBEDT Visitors, RAC customers also include Hawaii residents visiting other islands for business or leisure purposes. Those rental car transactions are considered to have shorter durations when compared to rentals by DBEDT Visitors.

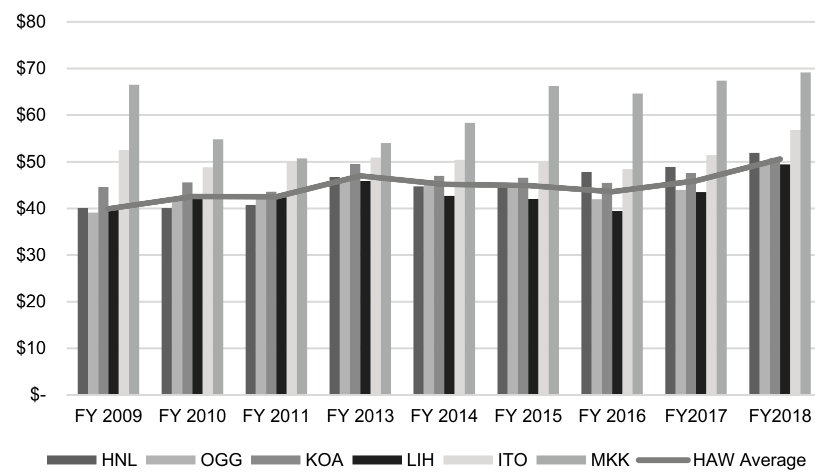
5.1.2 Cost of Car Rentals

Cost and convenience are two major factors when visitors select the mode of transportation and are allocated distinctive weights during the decision-making process of each visitor. For example, business travelers are considered to focus on convenience instead of cost, but may also balk at paying the walk-in price higher than $100 per day. The cost of car rentals is potentially gauged in three ways: (a) base rental costs, (b) total rental costs charged by RACs, and (c) all-in costs.

5.1.2.1 Historical Costs Paid to RACs

As shown in Exhibit 5-5, average rental car revenues per transaction day have increased from $40 in FY 2009 to $51 in FY 2018, or 3.0 percent annually. The RACs may continue to implement yield management procedures, aiming to improve profitability instead of increasing transaction count, which may have an adverse impact on the CFC collection.

Exhibit 5-5: Average Rental Car Revenues per CFC Transaction Day



Note: FY 2009 includes data from September 2008 to June 2009. FY 2012 data is not available due to hiatus of CFC collection in 2012.

Source: Airports Division Records.

5.1.2.2 Snapshot of Rental Car Pricing

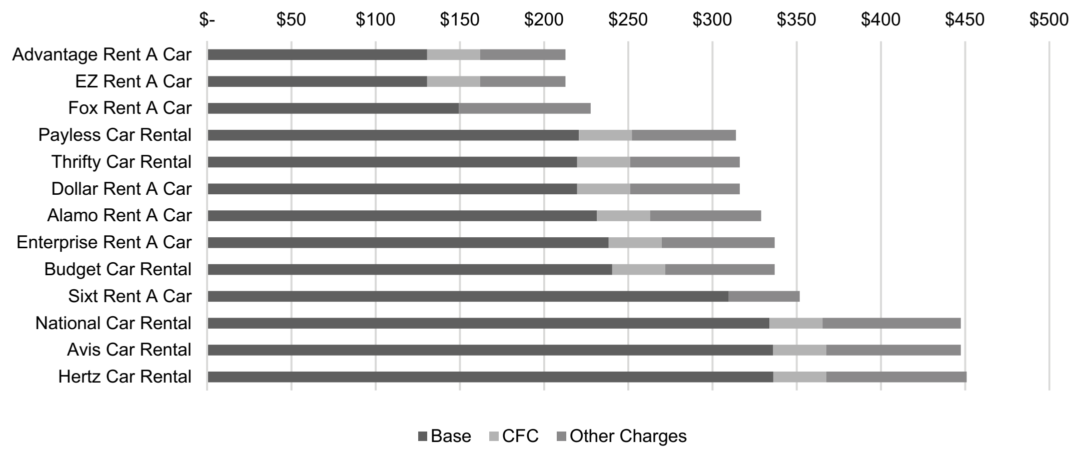
Starting 2012, U.S. Department of Transportation requires all airlines and ticket agents to quote full airfare including all taxes and mandatory fees. This requirement does not extend to rental car companies, which continue to advertise base rental cost. Exhibit 5-6 presents the base rental costs and total rental costs, using a random example at OGG for the week of June 23, 2019 (Sunday) to June 30, 2019 (Sunday):

1. Because Avis Car Rental is a business-oriented brand, Avis Budget set the base rental rate for Avis Car Rental at $336, compared to $241 for Budget Car Rental and $221 for Payless Car Rental;
2. Hertz and Enterprise adopted similar strategies, setting the rate of their business-oriented brands higher than those of other brands;
3. Advantage has the same rate for its brands because both are leisure-oriented; and

4. Total rental costs for brands under Advantage are the lowest because they operate off-airport and do not currently pay a concession fee. Advantage will move on-airport upon the opening of the OGG ConRAC.

Total rental costs include the base rental costs, CFCs, and other charges, such as airport concession recovery, vehicle license recovery, and other mandated fees. As of the date of this Report, the mandated fees include a rental motor vehicle surcharge tax of $3.00 per day for highway projects, and general excise tax when applicable. As shown in Exhibit 5-6, CFCs and other charges accounted for approximately one-third of base rental costs.

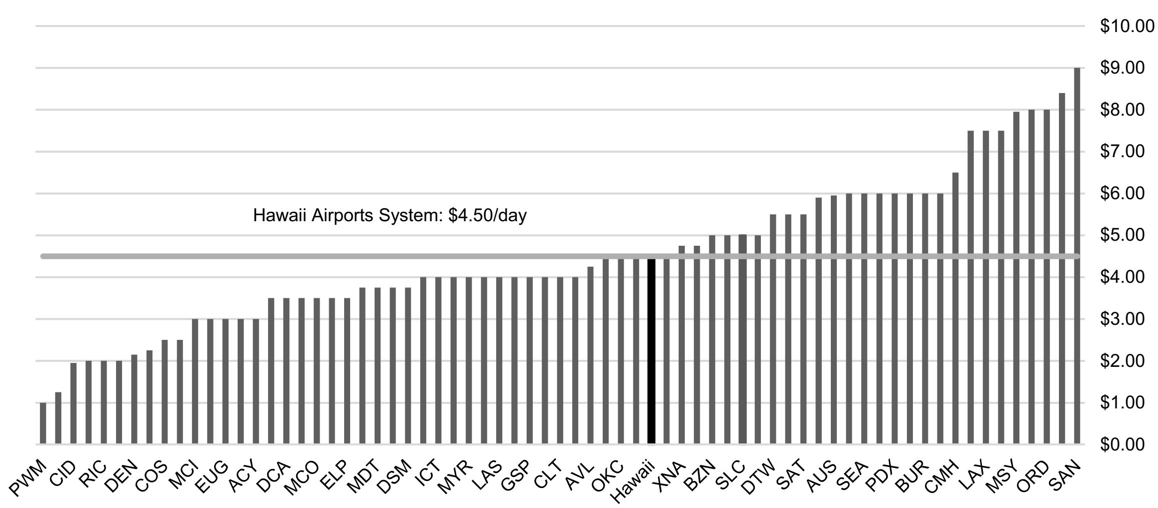
Exhibit 5-6: Rental Car Prices (Economy Car) at OGG
Week of June 23, 2019



Source: Expedia.com, accessed in June 2019.

In an online research conducted in September 2016 for a total of 130 airports, 69 airports have a CFC by the transaction day, and 10 airports have a CFC by transaction. The CFC level by transaction day is presented in Exhibit 5-7 below, compared to $4.50 at Hawaii Airports System. From September 2016 to June 2019, 17 airports raised their CFC levels.

Exhibit 5-7: CFC Levels at Selected U.S. Airports
(as of June 2019)



Source: Data collected on Expedia.com.

5.1.2.3 All-in costs

In addition to total rental costs paid to RACs, there could be others costs related to car rentals, such as the needs to purchase insurance, particularly for international travelers that do not have coverage for credit card companies, gas costs, and parking charges at destinations. Almost all hotels in Waikiki, a major tourist destination on the island of Oahu, charge a daily parking fee that may exceed $35 daily. This cost is one of the several factors affecting rental car demand at HNL.

5.1.3 Alternative means of transportation

The rental car provides a high level of convenience to visitors at a relatively high cost, compared to other forms of ground transportations, which may include service from TNCs, rail, car-sharing, taxi, bus, and other providers.

5.1.3.1 TNCs

The popularity of ride-hailing services such as Uber and Lyft has grown rapidly in recent years, triggering concern as to the degree of its eroding airport parking and rental car revenues. However, the impact of TNC activity is different across airports. Some rental car managements mentioned in the earning calls that they believe TNC services mainly compete against taxis, and impact only short-term and/or short-duration rental car markets.

TNCs have been serving HNL since December 2017, and the related TNC revenues paid to the Department accounted for approximately 18 percent of total HNL ground transportation revenues in January 2018, increasing to 33 percent in February 2019. Based on the 11-month preliminary data, CFC transaction days at HNL are expected to increase by 3.6 percent in FY 2019, compared to the visitor growth rate of 1.4 percent. TNCs have also started serving other airports in the Airports System since February 2019.

Exhibit 5-8 presents the year-over-year percentage change in CFC transaction days by airport at the Airports System. The initiation of TNC services in February 2019 at OGG, West Maui (JHM), KOA, LIH, and ITO has not led to a dramatic and immediate impact to CFC transaction days. Several factors may have contributed to the stability of CFC transaction days. As discussed previously in this section, visitors to Hawaii have an average group size larger than 2 and staying on average exceeding 9 days, and therefore may carry more luggage. Other than Waikiki, public transportation system does not serve as a mean of transportation as convenient as a rental car. Tourist attractions are typically scattered throughout each island, which makes a rental car a more convenient and flexible way to visit major tourist attractions. The availability of TNC cars and drivers may have also limited the supply of TNC services.

As discussed previously, the decline of transaction days at KOA and ITO is partly attributable to the May 2018 volcano eruption.

Exhibit 5-8: Year-Over-Year Percentage Change of CFC Transaction Days

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	FYTD
HNL	5.6%	7.0%	6.4%	5.2%	3.2%	3.6%	2.4%	2.7%	3.7%	2.1%	1.7%	4.0%
OGG	4.5%	4.2%	1.3%	2.3%	1.4%	-3.2%	-1.9%	-2.4%	0.3%	-3.9%	-0.6%	0.1%
KOA	-4.4%	-5.9%	-10.9%	-8.2%	-7.6%	-9.3%	-7.9%	-7.1%	-5.3%	-8.3%	-2.7%	-7.0%
LIH	2.7%	2.3%	-0.6%	2.8%	2.9%	-0.4%	-5.2%	-6.2%	-3.8%	-3.6%	-2.1%	-1.1%
ITO	-1.7%	-11.3%	-4.9%	-10.8%	3.3%	-13.8%	-18.6%	-20.1%	-14.7%	-16.7%	-15.5%	-11.6%
MKK	1.5%	-3.8%	9.4%	-2.2%	-4.2%	4.8%	-3.6%	-3.1%	-0.1%	-3.8%	-10.9%	-1.7%
System Total	2.9%	2.6%	0.4%	1.0%	0.6%	-2.1%	-2.9%	-3.1%	-1.0%	-3.4%	-1.0%	-0.6%

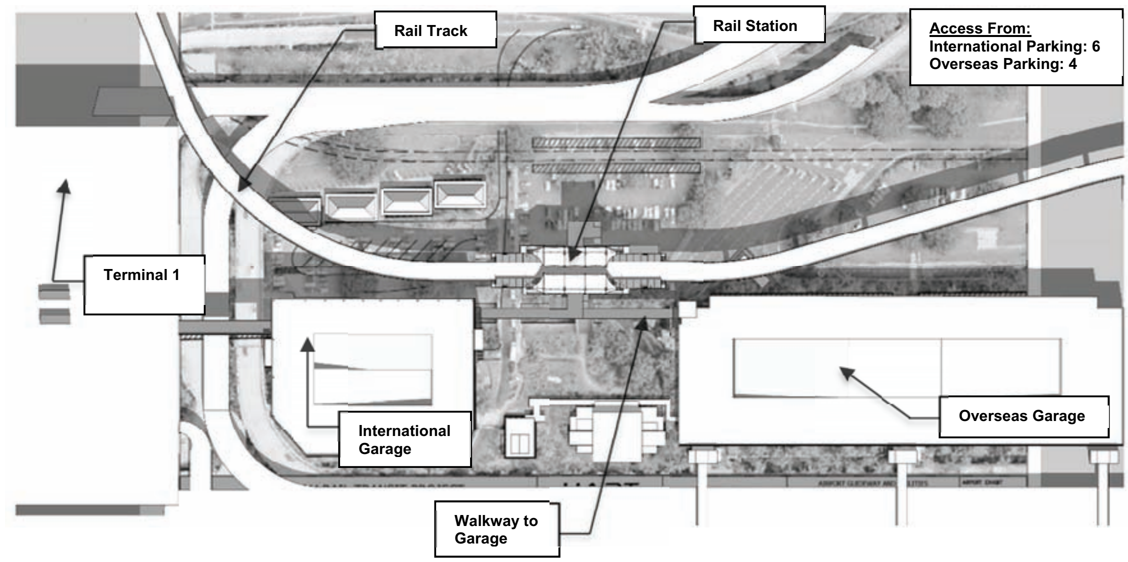
Source: Airports Division records.

5.1.3.2 Honolulu Rail Transit Project

Honolulu Authority for Rapid Transportation (HART) is constructing the Honolulu Rail Transit Project (the Rail Project) on the south shore of the island of O'ahu. The Rail Project is a 20-mile-long elevated fixed guideway rail system between East Kapolei and Ala Moana Center, but does not extend to Waikiki, one of the major tourism attractions on the island of O'ahu. According to HART, the first phase from East Kapolei to Aloha Stadium is scheduled to open in late 2020, which does not extend to HNL. The target date of full revenue service is December 2025. The Rail Project has an estimated cost of $6 to $9 billion, with $1.55 billion of federal funding and the remaining amount funded through a half percent surcharge on goods and services purchased on O'ahu, transient accommodations taxes, and other grants and revenues. There are four park-and-ride facilities planned, and none are located at HNL.

The Rail Project includes a station at HNL, which may be opened before December 2025, with the planned location indicated in Exhibit 5-9. The Department does not expect to have moving sidewalks between the rail station and the HNL terminals. Considering the inconvenience of transferring between modes with luggage and that the Rail Project does not extend to Waikiki, the Rail Project is not expected to have a material adverse effect on the rental car demand at HNL during the forecast period.

Exhibit 5-9: Proposed Concept for HNL Rail Station



Source: Airports Division records.

5.1.3.3 Other Transportation Modes

Although TNCs may have turned to be a new opportunity to RACs, peer-to-peer car renting seems to be a threat to rental car industry. Turo is a leading company that provides a platform for customers to rent a car from peers, and has recently received a cash infusion of $250 million from IAC in July 2019, which valued Turo at more than a billion. Turo has claimed about 4 million users in more than 5,000 cities in North America and Europe. There are more than 350,000 vehicles listed, which is about the same size of Avis Budget. The number of vehicles available typically exceeds 200 for HNL and OGG, and 100 for other major Hawaii airports. According to Navigant Consulting, global car-sharing services revenue is expected to grow to US$6.2 billion by 2020, with over 12 million members worldwide. RACs also want to participate in upside potential in this new industry. Avis Budget acquired Zipcar in 2013. Shortly after that, Enterprise introduced its Carshare program, offering customers hourly rentals, a service it had operated under a different brand previously.

Turo has claimed that renting from Turo can be up to 35% cheaper than traditional car rental agencies. The cheaper price from Turo partially comes the absence of related fees such as CFCs, taxes and insurance costs, which can add up to as much as 30 percent of renting a car. This has triggered the question whether transactions through Turo should be treated and regulated the same as rental car transactions. This issue is heating up in some three dozen state legislatures as well as the courts and offices of local tax authorities. Turo is also in court with Los Angeles World Airports and San Francisco Airport Commission, which contend the company should pay fees.

Although not a transportation mode, Autonomous Vehicle (AV) technology is another important trend that may change the landscape of airport parking and rental car markets. Many traditional car firms and technology firms have been investing in AVs, and expect that broad adoption may occur over the next decade. Waymo, a subsidy of Alphabet Inc., has started operating full autonomous taxis in Arizona market since December 2018. Tesla's CFO claims that full autonomous feature would be available on Tesla in late 2019, and many other firms have announced commercialization tests, although there is no full autonomous system currently available to general public as of the date of this report. Safety and regulations remain two major obstacles to adopt AV technologies. The public acceptance of AV technologies, if occur, will partially eliminate the costly labor costs, providing a cost advantage over rental cars or airport parking. However, the impact of AV technologies to airport rental car market may still be moderate, considering that visitors cannot bring their own AVs, and continue to have a demand to rent AVs from ConRAC.

Shuttle bus services and taxis are available from Primary Airports to the main destinations on all islands. TheBus is the public transportation system on the island of Oahu, providing extensive bus services throughout the island. Waikiki trolley is another option for visitors to Oahu to get around. The county of Maui funds a public bus system on the island of Maui. Public transportation at other islands is less developed when compared to Oahu and Maui.

Off-airport RACs and Local RACs also provide limited competition to rental car operations from ConRACs.

5.1.4 Availability of Rental Car

The supply of rental cars is generally limited by the size of ConRACs or rental car sites, and by the availability of cars on each island. Because of the challenges of transporting cars between islands, the RACs may not be able to adjust car availability on a timely basis to accommodate changes in rental car demand. The Airports Division expects the HNL ConRAC and the OGG ConRAC to be able to accommodate the rental car demand during the forecast period.

5.1.5 Other General Factors

Any changes affecting visitor characteristics, the cost of car rentals, alternative transportation modes and availability of car rentals are likely to affect the number of CFC transaction days. Also, other general factors may influence the rental car demand, such as changes in the general economy and visitor's disposal incomes, currency exchange rates, additional state regulations and taxes, changes in tourist attractions, road conditions, among other factors.

As discussed above, the Signatory RACs include the top four largest U.S. rental car companies but do not include several companies claiming to be serving the local market, such as Fox Rent A Car or Sixt Rent A Car. If those Local RACs expand to serve the visitors without paying concession fees or CFCs, those companies may establish a pricing advantage over the Signatory RACs, and negatively affect the CFC collection.

5.2 Forecast of CFC Transaction Days

As discussed previously, the forecast of CFC transaction days relies on three key factors:

- Visitor arrivals, as forecast in Section 3 of this Report;
- CFC car rental ratios, which can be expressed as the number of CFC transactions divided by the number of visitors; and
- Average duration of each rental car transaction.

5.2.1 CFC Car Rental Ratios

The number of CFC transactions by the Signatory RACs at Hawaii Airports System increased from approximately 1.9 million in FY 2013 and FY 2014 to 2.4 million in FY 2015, primarily due to collection of CFC from Signatory RACs' off-airport operations. The transaction count was compiled using monthly numbers. In case historical data are not available, an estimate has been used. The number of CFC transactions increased to 2.5 million in FY 2016, 2.6 million in FY 2017, 2.7 million in FY 2018, and is estimated to be 2.7 million in FY 2019, based on an estimate using 9 months of actual data.

As shown in Exhibit 5-10 system-wide CFC car rental ratios are relatively stable since 2015 around 20 percent, and are estimated to be 19.7 percent in FY 2019. The following assumptions have been made regarding car rental ratios during the forecast period through FY 2025:

- Average car rental costs paid to the RACs and all-in costs would increase at growth rates similar to or lower than general inflation, taking into account offsetting effects of competition from TNCs and RACs' desire for fleet optimization;
- Further development of TNCs, car-sharing services and AV technologies may exert modest pressure on car rental ratios at all airports in Hawaii Airport System;
- RACs would continue supplying adequate available cars at each island currently served;
- The Rail Project and other forms of public or private transportation, such as driverless cars, would not be commercially available during the forecast period, and thus would not impact CFC car rental ratios during the forecast period; and
- The market share of Local RACs would not increase, due to Signatory RACs operating at convenient locations - the HNL and OGG ConRACs.

Therefore, CFC car rental ratios are forecast to decline by 0.1 percentage point annually for all six airports. Exhibit 5-10 presents historical and forecast visitors, CFC car rental ratios, and CFC transactions. Total CFC transactions are forecast to increase from 2.7 million estimated for FY 2019 to 2.9 million in FY 2025, at an average annual growth rate of 1.2 percent.

Exhibit 5-10: Visitors, CFC Car Rental Ratios, and CFC Transactions

	2017	Actual 2018	Estimated 2019	Forecast 2020	2021	2022	2023	2024	2025
Visitor Arrivals									
HNL	6,108	6,430	6,497	6,849	6,980	7,117	7,247	7,385	7,524
OGG	2,979	3,144	3,270	3,350	3,390	3,432	3,471	3,512	3,553
KOA	1,628	1,783	1,661	1,680	1,701	1,723	1,743	1,764	1,786
LIH	1,436	1,556	1,584	1,611	1,632	1,654	1,674	1,695	1,717
ITO	667	735	635	653	663	673	682	692	702
Others	163	176	173	177	180	183	185	188	191
Total	12,981	13,824	13,820	14,321	14,545	14,781	15,002	15,237	15,473
CFC Car Rental Ratios									
HNL	13.8%	13.2%	13.4%	13.3%	13.2%	13.1%	13.0%	12.9%	12.8%
OGG	26.7%	25.9%	25.0%	24.9%	24.8%	24.7%	24.6%	24.5%	24.4%
KOA	25.8%	25.1%	25.0%	24.9%	24.8%	24.7%	24.6%	24.5%	24.4%
LIH	29.5%	28.5%	28.0%	27.9%	27.8%	27.7%	27.6%	27.5%	27.4%
ITO	19.6%	16.7%	17.1%	17.0%	16.9%	16.8%	16.7%	16.6%	16.5%
Others	7.4%	6.4%	6.6%	6.5%	6.4%	6.3%	6.2%	6.1%	6.0%
System-wide	20.2%	19.5%	19.3%	19.1%	19.0%	18.9%	18.8%	18.6%	18.5%
CFC Transactions									
HNL	840	851	872	913	923	934	944	954	965
OGG	794	814	817	834	841	848	854	860	867
KOA	420	447	416	419	422	426	429	433	436
LIH	424	444	443	449	453	457	461	466	470
ITO	131	123	108	111	112	113	114	115	116
Others	12	11	12	12	12	12	12	12	12
Total	2,621	2,691	2,668	2,737	2,762	2,789	2,813	2,839	2,865
% Change of Visitor Arrivals									
HNL	4.6%	5.3%	1.1%	5.4%	1.9%	2.0%	1.8%	1.9%	1.9%
OGG	4.4%	5.5%	4.0%	2.5%	1.2%	1.2%	1.1%	1.2%	1.2%
KOA	12.0%	9.5%	-6.9%	1.2%	1.2%	1.3%	1.2%	1.2%	1.2%
LIH	7.7%	8.3%	1.8%	1.7%	1.3%	1.3%	1.2%	1.3%	1.3%
ITO	9.3%	10.3%	-13.7%	2.9%	1.5%	1.5%	1.4%	1.5%	1.5%
Others	5.1%	8.1%	-1.5%	2.3%	1.5%	1.6%	1.4%	1.5%	1.5%
System-wide	6.0%	6.5%	0.0%	3.6%	1.6%	1.6%	1.5%	1.6%	1.5%
% Change of CFC Transactions									
HNL	4.2%	1.3%	2.5%	4.6%	1.1%	1.2%	1.1%	1.1%	1.1%
OGG	2.8%	2.5%	0.4%	2.1%	0.8%	0.8%	0.7%	0.8%	0.8%
KOA	11.9%	6.3%	-7.0%	0.8%	0.8%	0.9%	0.8%	0.8%	0.8%
LIH	6.7%	4.7%	-0.2%	1.3%	0.9%	1.0%	0.9%	0.9%	0.9%
ITO	13.3%	-5.9%	-11.9%	2.3%	0.9%	0.9%	0.8%	0.9%	0.8%
Others	-0.6%	-6.1%	2.2%	0.8%	-0.1%	0.0%	-0.2%	-0.1%	-0.2%
System-wide	5.7%	2.6%	-0.8%	2.6%	0.9%	1.0%	0.9%	0.9%	0.9%

Note: Figures are in thousands;

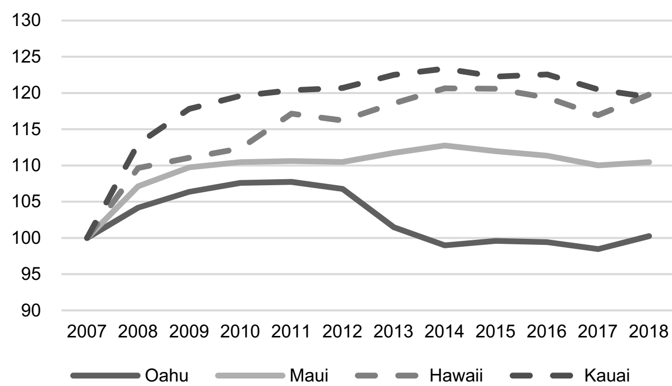
Sources: Historical - Airports Division records; Estimated and Forecast – ICF.

5.2.2 Average Duration of CFC Transactions

Total CFC transaction days by the Signatory RACs at Hawaii Airports System increased from 15.7 million in FY 2017 to 16.1 million in FY 2018, and is estimated to be 16.0 million in FY 2019, based on an estimate using 11 months of actual data.

The average duration system-wide was 5.99 days in FY 2018, reflecting rental car duration for DBEDT Visitors from overseas as well as duration for visitors from other islands in the State. Exhibit 5-11 presents the average duration of DBEDT Visitors at the four major islands. Average durations for DBEDT Visitors visiting Oahu increased from 2007 to 2011, and declined thereafter, due to shorter duration of visitors of all market segments. Average duration of DBEDT Visitors visiting Maui increased from 2007 to 2009 and stayed flat thereafter. Average duration of DBEDT Visitors visiting the islands of Hawaii and Kauai keeps increasing, which is likely driven by continuing development of tourism facilities at both islands.

Exhibit 5-11: Average Duration (Indexed Growth) of DBEDT Visitors by Island
CY 2007 - 2018, 2007=100



As shown in Exhibit 5-12, average duration per CFC transaction generally follows the pattern of average duration of DBEDT Visitors, except for declines at KOA and ITO in FY 2016 and FY 2017. Such declines are attributable to higher growth of interisland visitors, which are considered to have a shorter duration of stay than DBEDT Visitors.

The following assumptions have been made in regards to the average duration of CFC Transactions during the forecast period through FY 2025:

- Because the growth rates of visitors from other regions are forecast to be higher than those for interisland visitors, average duration per CFC transaction is anticipated to be higher, everything else being equal; and

- There will be no changes to the distribution of attractions in the State that may negatively affect the length of stay, and thus, average duration.

Therefore, average duration per CFC transaction at HNL and OGG is forecast to stay flat during the forecast period, while average duration per CFC transaction at ITO, LIH and KOA are forecast to increase by 1 percent annually. Exhibit 5-12 presents historical and forecast average duration per CFC transaction, and CFC transaction days. Total CFC transaction days are forecast to increase from an estimate of 16.0 million in FY 2019 to 17.3 million in FY 2025, at an average annual growth rate of 1.5 percent.

Exhibit 5-12: Average Duration and CFC Transaction Days

	2017	Actual 2018	Estimated 2019	Forecast 2020	2021	2022	2023	2024	2025
CFC Transactions									
HNL	840	851	872	913	923	934	944	954	965
OGG	794	814	817	834	841	848	854	860	867
KOA	420	447	416	419	422	426	429	433	436
LIH	424	444	443	449	453	457	461	466	470
ITO	131	123	108	111	112	113	114	115	116
Others	12	11	12	12	12	12	12	12	12
Total	2,621	2,691	2,668	2,737	2,762	2,789	2,813	2,839	2,865
Average Duration									
HNL	5.47	5.43	5.49	5.49	5.49	5.49	5.49	5.49	5.49
OGG	6.59	6.59	6.56	6.56	6.56	6.56	6.56	6.56	6.56
KOA	6.33	6.34	6.37	6.43	6.49	6.56	6.62	6.69	6.76
LIH	6.27	6.30	6.24	6.30	6.36	6.43	6.49	6.55	6.62
ITO	3.59	3.77	3.76	3.79	3.83	3.87	3.91	3.95	3.99
Others	3.15	3.44	3.29	3.29	3.29	3.29	3.29	3.29	3.29
System-wide	5.97	5.99	6.00	6.02	6.04	6.06	6.08	6.10	6.12
CFC Transaction Days									
HNL	4,592	4,624	4,791	5,013	5,070	5,131	5,185	5,243	5,300
OGG	5,239	5,366	5,363	5,473	5,516	5,562	5,602	5,646	5,689
KOA	2,661	2,832	2,645	2,692	2,742	2,793	2,842	2,894	2,947
LIH	2,658	2,799	2,763	2,828	2,882	2,939	2,994	3,052	3,110
ITO	468	463	407	420	428	436	444	453	461
Others	38	39	38	38	38	38	38	38	38
Total	15,656	16,123	16,007	16,465	16,677	16,900	17,106	17,326	17,545
% Change of CFC Transactions									
HNL	4.2%	1.3%	2.5%	4.6%	1.1%	1.2%	1.1%	1.1%	1.1%
OGG	2.8%	2.5%	0.4%	2.1%	0.8%	0.8%	0.7%	0.8%	0.8%
KOA	11.9%	6.3%	-7.0%	0.8%	0.8%	0.9%	0.8%	0.8%	0.8%
LIH	6.7%	4.7%	-0.2%	1.3%	0.9%	1.0%	0.9%	0.9%	0.9%
ITO	13.3%	-5.9%	-11.9%	2.3%	0.9%	0.9%	0.8%	0.9%	0.8%
Others	-0.6%	-6.1%	2.2%	0.8%	-0.1%	0.0%	-0.2%	-0.1%	-0.2%
System-wide	5.7%	2.6%	-0.8%	2.6%	0.9%	1.0%	0.9%	0.9%	0.9%
% Change of CFC Transaction Days									
HNL	2.0%	0.7%	3.6%	4.6%	1.1%	1.2%	1.1%	1.1%	1.1%
OGG	1.3%	2.4%	0.0%	2.1%	0.8%	0.8%	0.7%	0.8%	0.8%
KOA	8.1%	6.4%	-6.6%	1.8%	1.8%	1.9%	1.8%	1.8%	1.8%
LIH	4.4%	5.3%	-1.3%	2.3%	1.9%	2.0%	1.9%	1.9%	1.9%
ITO	5.6%	-1.1%	-12.2%	3.3%	1.9%	1.9%	1.8%	1.9%	1.8%
Others	-6.8%	2.7%	-2.4%	0.8%	-0.1%	0.0%	-0.2%	-0.1%	-0.2%
System-wide	3.2%	3.0%	-0.7%	2.9%	1.3%	1.3%	1.2%	1.3%	1.3%

Note: Figures are in thousands;

Sources: Historical - Airports Division records; Estimated and Forecast – ICF.

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6. FINANCIAL SECTION

The purpose of this financial analysis is to evaluate the Department's ability to generate adequate CFCs and other revenues to meet the requirement of the Rate Covenant and other covenants through FY 2025, taking into account the refunding of the EB-5 Bonds and the proposed 2019 CFC Bonds. The Airports Division manages the Hawaii Airports System as an enterprise fund of the State, and its financial operation is largely governed by a Revenue Bond Certificate (defined below), the airline agreements, and other contractual arrangements. Collection and use of CFCs are governed by the State legislation, the CFC Indenture, and the RAC Agreements.

6.1 Financial Framework

The Airports Division issues Airports System Revenue Bonds under the "Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds" dated as of May 1, 1969, as amended and supplemented (the Revenue Bond Certificate). Section 11.01 of the Revenue Bonds Certificate permits the construction of Special Facilities, such as Hawaii ConRAC Program, and execution of Special Facility Leases, such as RAC Agreements. Section 11.02 provides for the issue of Special Obligation Bonds, such as Bonds issued under the CFC Indenture. Ground rents and concession revenues paid by the RACs are part of Aviation Revenues and Fuel Taxes pledged for the payment of revenue bonds, but CFCs and Minimum Annual Requirement Deficiency Payments are not included in Aviation Revenues and Taxes, and are not pledged to the Airports System Revenue Bonds.

6.1.1 Hawaii Legislation Regarding CFCs

Hawaii Revised Statutes (HRS) Section 261-5.6 Rental motor vehicle customer facility charge special fund governs the collection and use of CFC in the State. CFC revenues can only be used for enhancement, renovation, operation, and maintenance of existing rental motor vehicle customer facilities and the development of new rental motor vehicle customer facilities and related services at State airports. HRS Section 261-7(f) provides the CFC level per transaction day - $4.50 as of the date of this Report. The Department has the power to adjust the CFC level when necessary, without rulemaking or legislative approval.

The following key legislative actions are related to the CFC:

1. Act 226, Session Laws of Hawaii 2008, revised HRS Sections 261-5.6 and 261-7(f) and established the CFC collection level at $1.00 per transaction day, effective September 1, 2008;
2. Act 204, Session Laws of Hawaii 2010, increased the CFC collection level to $4.50 per transaction day, effective September 1, 2010; and
3. Act 104, Session Laws of Hawaii 2011, eliminated the CFC collection from July 1, 2011 to June 30, 2012. At the same time, Act 104 increased the rental motor vehicle surcharge tax from $2.00 per day to $7.50 per day, and the deposit of the equivalent of $4.50 per day into the state treasury to the credit of the general fund.

Other CFC-related bills were introduced and vetoed in previous state legislative sessions. Future legislations cannot violate the Contract Clause of the U.S. Constitution, and the DOT has established a contractual obligation to use the CFCs for the debt service on the Bonds through the Indenture, among other uses of the CFCs. For the purpose of this Report, it is expected that there will be no additional legislation regarding the collection and use of CFC revenues.

The Department has covenanted in the indentures that it will review the level of the CFC and the Minimum Annual Requirement Deficiency and may adjust both, to the extent permitted by law, to meet the Annual CFC Target, as discussed in the section "Financial Covenant".

6.1.2 RAC Agreements

In May 2015, the Department executed RAC Agreements with five RACs, which have been conducting the majority of rental car operations at Hawaii Airports System airports. Advantage Opco, LLC and E-Z Rent-A-car Holding, LLC merged in June 2015.

1. Advantage Opco, LLC (Advantage Rent A Car/E-Z Rent-a-car);
2. Avis/Budget Rent A Car LLC (the Avis Group), doing business as Avis Rent A Car (Avis), Budget Rent A Car (Budget), Payless Car Rental (Payless), and Zipcar;

3. Enterprise Holdings Inc. (the Enterprise Group), doing business as Enterprise Rent-A-Car (Enterprise), Alamo Rent A Car (Alamo), and National Car Rental (National); and
4. The Hertz Corporation, doing business as Hertz, Dollar Rent A Car (Dollar), Thrifty Car Rental (Thrifty), and Firefly.

Several local RACs operate off-airport, including Fox Rent A Car and Sixt Rent A Car at OGG, Harper Car, and Truck Rental at ITO and KOA, among other RACs. Local RACs do not pay any fees or CFCs to the Airports Division.

RAC Agreements cover access to statewide rental car facilities, including the HNL ConRAC, the OGG ConRAC, and future ConRACs that the Department may construct. RAC Agreements are valid on the day of execution and expire on the 30th-anniversary date of facility occupancy or the retirement date of all Bonds issued under the CFC Indenture, whichever is later unless terminated earlier. RAC Agreements cover the following issues, among other provisions:

- The premises to be occupied by each RAC in the ConRACs;
- Payments to be made by the RACs, and associated reporting requirements, auditing provisions, condition of relief, among other issues;
- Construction of ConRACs and RAC improvements;
- Maintenance, repair and operating responsibilities and expenses;
- Permitted use of the ConRACs;
- Condition of issuing additional bonds to fund facilities other than the HNL ConRAC and the OGG ConRAC; and
- A clause regarding initial cost threshold, which no longer applies.

Starting from the Payment Commencement Date, which is May 2019 for the OGG ConRAC and estimated to be October 2021 for the HNL ConRAC, the Signatory RACs will:

- Pay ground rents;
- Pay Minimum Annual Requirement Deficiency Payments, if any, which is required if 115 percent of debt service on Bonds and other required fund deposits are higher than annual CFC revenues;
- Continue paying concession fee, which equals the Minimum Annual Guarantee, or 10 percent of Gross Receipts, whichever is higher; and
- Continue collecting CFCs and promptly remitting to the Trustee. RAC shall have no legal or equitable ownership or property interest in or to the CFCs.

Ground rent and concession fees are not pledged for the payment of principal and interest on Bonds.

6.1.3 The CFC Indenture

The CFC Indenture provides for establishments of funds and accounts and specifies that all Revenues received by the Trustee shall be deposited to the CFC Revenue Fund. Revenues mean CFCs, Minimum Annual Requirement Deficiency Payments and any other sums paid to the Trustee for deposit in the CFC Revenue Fund.

Minimum Annual Requirement Deficiency Payments is defined as "…the sum of 115 percent of Aggregate Debt Service for all Outstanding Bonds plus the amount necessary, from time to time, to increase the amount on deposit in the Rolling Coverage Fund, Debt Service Reserve Fund, Rebate Fund, Administrative Expense Fund, Capital Improvements, Repair and Replacement Fund and CFC Stabilization Fund to the amount required to be deposited into such Fund hereunder."

Aggregate Debt Service is defined as "… the amount of all interest accrued for such period plus the amount required to pay principal coming due during such period on such Bonds… net of interest earned on any Fund or Account and deposited into the Debt Service Fund and Subordinate Debt Service Fund (as applicable) during such period and available for payment of principal of or interest on such Bonds.

6.1.4 Flow of Funds

The Trustee applies the money in the CFC Revenue Fund to the Debt Service Fund, and then to other funds and accounts under Section 5.03(c) of the CFC Indenture.

The Department intends to use the bond proceeds to meet the requirements of Rolling Coverage Fund, Debt Service Reserve Fund, and CFC Stabilization Fund, which does not currently have a funding requirement, and do not expect further deposit requirements for such funds unless additional Bonds are issued.

6.1.5 Financial Covenants

In Section 6.04, the Department covenants to:

1. Require the Signatory RACs to remit the CFC collection and the Minimum Annual Requirement Deficiency Payments directly to the Trustee;
2. Set the CFC to meet the Annual CFC Target, to the extent permitted by law;
3. Require the Signatory RACs to remit the Minimum Annual Requirement Deficiency Payments to the Trustee, which means 115 percent of debt service less annual CFC collections, as provided in the RAC Agreements; and
4. Ensure the sum of CFCs and Minimum Annual Requirement Deficiency Payments, together with the funds in the Rolling Coverage Fund (up to 25 percent of the Aggregate Debt Service) is no less than 140 percent of the Aggregate Debt Service, referred to as the Rate Covenant.

The Annual CFC Target is defined as the sum of payments to (a) pay principal of and interest on the Bonds, (b) reimburse the Rolling Coverage Fund, the Debt Service Reserve Fund or the Subordinate Reserve Fund for any drawings, (c) pay yield reduction payments if needed, (d) maintain the balance of the CFC Stabilization Fund, and (e) maintain the balance of the Capital Improvements, Repair and Replacement Fund.

Exhibit 6-1: Flow of Funds after Permanent Financing Date
The CFC Indenture
Hawaii Airports System

Priority	Fund
	CFC Revenue Fund Depository for Customer Facility Charge
1	**Debt Service Fund** To pay principal and interest on the Bonds
2	**Rolling Coverage Fund** To maintain the Rolling Coverage Requirement
3	**Debt Service Reserve Fund** To maintain the Debt Service Fund Requirement
4	**Subordinate Debt Service Fund** To pay debt service for Subordinate Bonds
5	**Subordinate Reserve Fund** To provide a reserve for Subordinate Bonds
6	**Rebate Fund** To pay arbitrage rebate required for any Tax-Exempt Bonds
7	**Administrative Expense Fund** To pay the Department's expenses in administering the ConRAC System
8	**Capital Improvements, Repair and Replacement Fund** To provide for repairs and improvements to the ConRAC System
9	**Operation and Maintenance Fund** To provide for operation and maintenance of the ConRAC System
10	**CFC Stabilization Fund** To establish a stabilization reserve
11	**Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund** To fund the Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund Requirement
12	**Discretionary Fund** To repay certain amounts under the EB-5 Agreement and to develop, enhance, renovate, operate and maintain the ConRAC System and related services

Source: the CFC Indenture.

6.1.6 Additional Bond Tests

The 2019 CFC Bonds are to be issued as the Additional Bonds under the CFC Indenture. To issue Additional Bonds, the Department is required to deliver to the Trustee:

a. a report of a Consultant to the effect that for each of the three Fiscal Years following the date of issuance of such Additional Bonds or the date of final expenditure of capitalized interest funded from such Additional Bonds, whichever is later, (i) the CFCs, at the then current level and taking into account any other level as has been approved and will be imposed during the forecast period, projected to be remitted to the Trustee (together with investment earnings on the Funds, excluding the Project Fund, held under this Indenture) are expected, as of the end of each such Fiscal Year, to be at least equal to 1.25 times the Maximum Annual Debt Service on all Bonds Outstanding (including such Additional Bonds), other than Subordinate Bonds, (ii) the Rate Covenant is expected to be satisfied, and (iii) the CFCs are projected to be sufficient to meet the Annual CFC Target; or
b. a certificate of the Department to the effect that for any consecutive 12 months out of the immediately preceding 18 months (i) the CFCs received by the Trustee (together with investment earnings on the Funds, excluding the Project Fund, held under this Indenture) were at least equal to 1.25 times the Maximum Annual Debt Service due on all Bonds Outstanding (including such Additional Bonds), other than Subordinate Bonds, (ii) the Rate Covenant was satisfied, and (iii) the CFCs met the Annual CFC Target.

The Department plans to meet the requirement through a historical test. As of the date of this Report, the Department does not plan to issue Additional Bonds other than the proposed 2019 CFC Bonds.

6.2 Financial Forecasts

6.2.1 Project Costs and Sources of Funding

Exhibit A presents the expected costs of the Hawaii ConRAC Program.

- The HNL ConRAC Program has a total estimated cost of $483.4 million, with $164.2 million or 34.0 percent spent through FY 2018. The HNL ConRAC has a total cost of $365.9 million, which the Department considers adequate to complete the project;

- The OGG ConRAC Program has a total estimated cost of $437.2 million, with $304.0 million or 69.5 percent spent through FY 2018. The OGG ConRAC was opened in May 2019.

- The LIH land acquisition and program management expenses have a total cost of $27.6 million.

The cost estimates presented in Exhibit A do not include costs for potential future ConRAC at other airports of the Hawaii Airports System.

6.2.2 Outstanding CFC Indebtedness

The Department entered into a special facility financing agreement (the EB-5 Agreement) with Hawaii Regional Center, LP 1 and LP IA (the Lenders) and CanAm HI GP I, LLC (the Agent) in August 2014, referred to as the EB-5 Bonds, which provided $76.0 million of interim funding for the Hawaii ConRAC Program. A portion of the proposed 2019 CFC Bonds is to be used to repay the EB-5 Bonds in August 2019. In addition, the Department issued the 2017 CFC Bonds in July 2017 with a par amount of $249.8 million. Upon the issuance of the proposed 2019 CFC Bonds, the 2017 CFC Bonds and the 2019 CFC Bonds will be the only Outstanding Bonds.

The CFC Indenture governs the issuance of the EB-5 Bonds, the 2017 CFC Bonds and the 2019 CFC Bonds. The principal and interest are payable from Pledged Receipts, which primarily includes future CFC collections and balance of certain funds.

The proposed 2019 CFC Bonds are to be issued as fixed-rate bonds with a term of 30 years and level debt service. BofA Merill Lynch (BAML), the Airports Division's underwriter, provided estimated sources and uses of proceeds of the Proposed 2019 CFC Bonds, and annual principal and interest payments. The proposed 2019 CFC Bonds have an indictative all-in true-interest-cost (TIC) of 4.50 percent, estimated in July 2019, which is higher than comparable rates in July 2019.

6.2.3 Future Bonds

The Department has started evaluating a potential ConRAC at LIH. However, as of the date of this Report, the Department has not determined the estimated cost of construction, or whether it is financially feasible to proceed with the potential LIH ConRAC. In FY 2018, CFC transaction days at LIH were 2.8 million, about half of the CFC transaction days at OGG. For the purpose of this Report, it was assumed that no future Bonds would be issued beyond the planned 2019 CFC Bonds.

As of the date of this Report, the Department has no Subordinate Bonds and does not expect to issue Subordinate Bonds in the future.

6.2.4 Debt Service and Other Fund Deposits

Exhibit C presents the estimated debt service for the Bonds to be issued under the CFC Indenture. Interest earnings of the Debt Service Fund will be kept within the fund to reduce the required fund deposits. Also, interest earnings of the Debt Service Reserve Fund are expected to be transferred to the Debt Service Fund, reducing the anticipated amount of Aggregate Debt Service. Aggregate Debt Service is expected to be $16.9 million in FY 2020, increasing to $26.2 million in FY 2021 and to stay virtually flat through FY 2048.

Among all the fund requirements presented in the flow of funds chart, the requirements related to the Rolling Coverage Fund, Debt Service Reserve Fund, and CFC Stabilization Fund are expected to be funded from bond proceeds. Exhibit C presents the expected fund deposit requirements for the Administrative Expenses Fund, the Capital Improvements, Repair and Replacement Fund, and the Operation and Maintenance Fund.

- The funds in Administrative Expenses Fund are to be used for annual expenses incurred by the Department in connection with the administration of the Bonds, including, without limitation, Rating Agency fees and audit fees. The annual requirement is assumed to be $0.2 million, escalated at 5 percent annually;
- The funds in the Capital Improvements, Repair and Replacement Fund are to be used for annual capital improvements, repairs and replacements related to the ConRACs. The annual deposit is assumed to be 0.5 percent of the replacement value, escalated at 5 percent annually; and
- The funds in the Operation and Maintenance Fund are to be used to reimburse the Signatory RACs for annual operation and maintenance expenses for the ConRACs and related bus/Tram operations, escalated at 5 percent annually.
  - The O&M expenses for the HNL ConRAC and related bussing costs are assumed to be approximately $11 million annually starting from October 2021; and
  - The O&M expenses for the OGG ConRAC and related Tram are assumed to be approximately $12 million annually starting from May 2019.

As of the date of this Report, there are no anticipated deposits into Subordinate Debt Service Fund, Subordinate Reserve Fund, or the Rebate Fund.

6.2.5 CFCs and Minimum Annual Requirement Deficiency Payments

Exhibit D presents the forecast domestic O&D visitors, CFC transactions, CFC transaction days and CFCs. It was assumed that the CFC level would stay at $4.50 throughout the forecast period. Annual CFCs are forecast to increase from $72.0 million in FY 2019 to $79.0 million in FY 2025.

Exhibit E presents the calculation of Minimum Annual Requirement Deficiency Payments, comparing the sum of 115 percent of Aggregate Debt Service and deposits to Rolling Coverage Fund, Debt Service Reserve Fund, Rebate Fund, Administrative Expense Fund, Capital Improvements, Repair and Replacement Fund, and CFC Stabilization Fund with CFCs collected. Based on the assumptions detailed in this Report, there is no anticipated Minimum Annual Requirement Deficient Payment through 2025.

6.2.6 Application of Revenues

Exhibit F presents the application of Revenues in the CFC Revenue Fund, which includes CFCs remitted to the Trustee and interest earnings generated from certain funds. After applying to priority 1 through 12 shown in Exhibit 6-1, the remaining amount is to be deposited into the Discretionary Fund, which can be used for any legal purposes, including funding the construction costs of the ConRACs.

6.2.7 Conclusions

Exhibit G presents the evaluation of certain CFC covenants in Section 6.04 of the CFC Indenture (the Base Case). At the current CFC level of $4.50, the Department is expected to generate enough CFCs to cover the Annual CFC Target, as required in Section 6.04(b), without incurring Minimum Annual Requirement Deficiency Payment.

Besides, the Department is forecast to generate enough CFCs, together with the balance in the Rolling Coverage Fund to be at least 140 percent of Aggregate Debt Service, as required by the Rate Covenant in Section 6.04(d) of the CFC Indenture. For the purpose of this test, the funding balance in the Rolling Coverage Fund is limited to no more than 25 percent of Aggregate Debt Service. Debt service coverage calculated under this section are forecast to be more than three times debt service throughout the forecast period.

6.3 Sensitivity Tests

Exhibits G1 and G2 presents two hypothetical sensitivity tests regarding the Department’s ability to satisfy the CFC covenants.

Exhibit G1 presents the evaluation of CFC covenants, assuming that CFC transaction days would be 20 percent lower than the base case starting FY 2020, and resume the annual growth rates presented in the Base Case. CFCs would decline from $72.0 million in FY 2019 to $59.3 million in FY 2020, and increase to $63.2 million in FY 2025. The Department is expected to generate enough CFCs to cover the Annual CFC Target, without incurring Minimum Annual Requirement Deficiency Payment. Debt service coverage would decline by approximately 60 percentage points, but would stay above 2.54x throughout the forecast period.

Exhibit G2 presents the evaluation of CFC covenants, assuming that the Department would issue additional bonds in July 2020 to fund an additional $150 million of project costs. The hypothetical bonds are assumed to be issued at the same borrowing rates and structure as the planned 2019 Bonds. The Department is expected to generate enough CFCs to cover the Annual CFC Target, without incurring Minimum Annual Requirement Deficiency Payments. Debt service coverage would decline by approximately 90 percentage points, but would stay above 2.25x throughout the forecast period.

Table A: Project Costs and Funding Sources
Hawaii Airports System
(for the 12 months ending June 30; in thousands)

Projects	Total	Through 2018	2019	2020	2021	2022	2023
HNL ConRAC Program							
Consolidated Car Rental Facility-Design	$ 27,500	$ 19,987	$ 7,513	$ -	$ -	$ -	$ -
HNL Roadway and Misc. Improvements	8,848	8,848	-	-	-	-	-
Consolidated Car Rental Facility-CM	27,500	8,032	5,695	6,887	6,887	-	-
HNL Interim Car Rental Facility	35,691	35,691	-	-	-	-	-
HNL Consolidated Car Rental Facility	357,850	91,647	68,063	79,999	93,293	24,848	-
HNL Ground Transportation Infrastructure	26,037	-	14,031	506	11,500	-	-
Total HNL	$ 483,426	$ 164,205	$ 95,301	$ 87,392	$ 111,680	$ 24,848	$ -
OGG ConRAC Program							
Airport Access Road To Hana Highway	$ 59,872	$ 53,080	$ 6,792	$ -	$ -	$ -	$ -
Roadway Improvements and ConRAC Facility (a)	376,528	250,365	126,163	-	-	-	-
New Rental Car Storage Lot, Kahului	795	590	205	-	-	-	-
Total OGG	$ 437,195	$ 304,035	$ 133,159	$ -	$ -	$ -	$ -
LIH ConRAC Program							
Lihue Airport Land Acquisition, Phase 2	$ 21,300	$ 9,300	$ -	$ -	$ 12,000	$ -	$ -
Lihue Consolidated Rental Car Facility	-	-	-	-	-	-	-
Total LIH	$ 21,300	$ 9,300	$ -	$ -	$ 12,000	$ -	$ -
Other Rental Car Projects							
CONRAC Program Mgmt Support, Phase I	$ 1,760	$ 1,760	$ -	$ -	$ -	$ -	$ -
CONRAC Program Mgmt Support, Phase II	2,263	1,740	524	-	-	-	-
CONRAC Program Mgmt Support, Phase III	2,000	-	500	1,000	500	-	-
Statewide ConRAC Facilities Plan	292	292	-	-	-	-	-
KOA & ITO Studies	-	-	-	-	-	-	-
Total Other Projects	$ 6,314	$ 3,791	$ 1,024	$ 1,000	$ 500	$ -	$ -
Total Consolidated Rental Car Program	$ 948,235	$ 481,332	$ 229,484	$ 88,392	$ 124,179	$ 24,848	$ -

Note: (a) OGG ConRAC costs shown included construction, construction management, and design costs. Historical data in this exhibit was based on a range of publicly available sources. The analysis and assumptions relied on this information, and were reviewed and approved by the Airports Division management.

Source: Airports Division records, as of July 2019.

ICF

Table B: Sources and Uses of Funds
Hawaii Airports System
(in thousands)

	EB-5 Bonds	2017 CFC Bonds	2019 CFC Bonds	Others	Total
Sources of Funds					
Bond Proceeds	$ 76,000	$ 249,805	$ 198,340	$ -	$ 524,145
Premium	-	-	-	-	-
Interest Earnings	-	-	-	-	-
Cash and Grants	-	-	-	1,076	1,076
CFC Collected as of Feburary 2019				498,526	498,526
Future CFC Collection	-	-	-	37,632	37,632
Total Sources of Funds	$ 76,000	$ 249,805	$ 198,340	$ 537,235	$ 1,061,380
Uses of Funds					
Deposit to Project Fund	$ 76,000	$ 230,000	$ 105,000	$ 537,235	$ 948,235
Refunding EB-5 Bonds	-		76,000	-	76,000
Capitalized Interest	-	-	-	-	-
Deposit to Debt Service Reserve Fund	-	14,172	12,341	-	26,513
Deposit to Rolling Coverage Fund	-	3,543	3,085	-	6,628
Costs of Issuance	-	2,086	1,914	-	4,000
Additional Proceeds	-	4	-	-	4
Total Uses of Funds	$ 76,000	$ 249,805	$ 198,340	$ 537,235	$ 1,061,380

Note: Historical data in this exhibit was based on a range of publicly available sources. The analysis and assumptions relied on this information, and were reviewed and approved by the Airports Division management.

Source: 2019 PFC Bonds - BofA Merrill Lynch, July 2019; other information – Airports Division records.

Table C: Fund Deposit Requirements
Hawaii Airports System
(for the 12 months ending June 30; in thousands)

	Historical 2017	Historical 2018	Estimated 2019	Forecast 2020	2021	2022	2023	2024	2025
Aggregate Debt Service									
EB-5 Bonds	$ 814	$ 1,140	$ 665	$ -	$ -	$ -	$ -	$ -	$ -
Series 2017 CFC Bonds	-	13,551	14,218	14,223	14,234	14,240	14,246	14,252	14,257
Subtotal: Existing Bonds	$ 814	$ 14,691	$ 14,883	$ 14,223	$ 14,234	$ 14,240	$ 14,246	$ 14,252	$ 14,257
Series 2019 CFC Bonds	-	-	-	3,016	12,339	12,338	12,341	12,340	12,341
Subtotal	$ 814	$ 14,691	$ 14,883	$ 17,239	$ 26,573	$ 26,578	$ 26,587	$ 26,592	$ 26,598
Less: Debt Service Fund Interest Earnings	(0)	(41)	(74)	(86)	(133)	(133)	(133)	(133)	(133)
Deposit to Debt Service Fund	$ 814	$ 14,649	$ 14,809	$ 17,153	$ 26,440	$ 26,445	$ 26,454	$ 26,459	$ 26,465
Less:									
Debt Service Reserve Fund Interest Earnings	-	(142)	(265)	(265)	(265)	(265)	(265)	(265)	(265)
Aggregate Debt Service	$ 814	$ 14,507	$ 14,544	$ 16,888	$ 26,175	$ 26,180	$ 26,189	$ 26,194	$ 26,200
Administrative Expenses Fund	$ -	$ -	$ -	$ -	$ 200	$ 210	$ 221	$ 232	$ 243
Capital Improvements, Repair and Replacement Fund									
HNL ConRAC	$ -	$ -	$ -	$ -	$ -	$ 1,789	$ 1,879	$ 1,973	$ 2,071
OGG ConRAC	-	-	-	-	1,883	1,977	2,076	2,179	2,288
LIH ConRAC	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ 1,883	$ 3,766	$ 3,954	$ 4,152	$ 4,360
Operation and Maintenance Fund									
HNL Facility Maintenance	$ -	$ -	$ -	$ -	$ -	$ 4,167	$ 5,250	$ 5,513	$ 5,788
HNL Busing Expenses	-	-	-	-	-	5,000	6,300	6,615	6,946
OGG Facility Maintenance	-	-	1,233	7,400	7,770	8,159	8,566	8,995	9,444
OGG Tram Expenses	-	-	767	4,600	4,830	5,072	5,325	5,591	5,871
LIH Facility Maintenance	-	-	-	-	-	-	-	-	-
LIH Busing Expenses	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ 2,000	$ 12,000	$ 12,600	$ 22,397	$ 25,442	$ 26,714	$ 28,049

Note: Historical data in this exhibit was based on a range of publicly available sources. The analysis and assumptions relied on this information, and were reviewed and approved by the Airports Division management.

Source: Gross Debt Service – BofA Merrill Lynch; other fund deposits – ICF.

Table D: Forecast of Transaction Days and CFC Revenues
Hawaii Airports System
(for the 12 months ending June 30; in thousands)

	2017	Historical 2018	Estimated 2019	Forecast 2020	2021	2022	2023	2024	2025
Visitors									
HNL	6,108	6,430	6,497	6,849	6,980	7,117	7,247	7,385	7,524
OGG	2,979	3,144	3,270	3,350	3,390	3,432	3,471	3,512	3,553
KOA	1,628	1,783	1,661	1,680	1,701	1,723	1,743	1,764	1,786
LIH	1,436	1,556	1,584	1,611	1,632	1,654	1,674	1,695	1,717
ITO	667	735	635	653	663	673	682	692	702
Others	163	176	173	177	180	183	185	188	191
Total Visitors	12,981	13,824	13,820	14,321	14,545	14,781	15,002	15,237	15,473
Change	6.0%	6.5%	0.0%	3.6%	1.6%	1.6%	1.5%	1.6%	1.5%
Transaction Days									
HNL	4,592	4,624	4,791	5,013	5,070	5,131	5,185	5,243	5,300
OGG	5,239	5,366	5,363	5,473	5,516	5,562	5,602	5,646	5,689
KOA	2,661	2,832	2,645	2,692	2,742	2,793	2,842	2,894	2,947
LIH	2,658	2,799	2,763	2,828	2,882	2,939	2,994	3,052	3,110
ITO	468	463	407	420	428	436	444	453	461
Others	38	39	38	38	38	38	38	38	38
Total Transaction Days	15,656	16,123	16,007	16,465	16,677	16,900	17,106	17,326	17,545
Change	3.2%	3.0%	-0.7%	2.9%	1.3%	1.3%	1.2%	1.3%	1.3%
Customer Facility Charge Level	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50
Customer Facility Charge Revenues									
HNL	$ 20,665	$ 20,806	$ 21,560	$ 22,559	$ 22,817	$ 23,089	$ 23,333	$ 23,595	$ 23,852
OGG	23,574	24,146	24,134	24,631	24,823	25,031	25,210	25,407	25,601
KOA	11,975	12,746	11,903	12,116	12,337	12,569	12,791	13,025	13,260
LIH	11,962	12,597	12,435	12,726	12,971	13,228	13,474	13,734	13,996
ITO	2,108	2,085	1,830	1,891	1,926	1,964	1,999	2,036	2,074
Others	170	175	170	172	172	172	171	171	171
Total CFC Revenues	$ 70,454	$ 72,555	$ 72,033	$ 74,094	$ 75,046	$ 76,052	$ 76,978	$ 77,969	$ 78,953
Change	3.2%	3.0%	-0.7%	2.9%	1.3%	1.3%	1.2%	1.3%	1.3%

Source: Historical – Airports Division records; Estimated and Forecast – ICF.

Table E: Calculation of Minimum Annual Requirement Deficiency Payments
Hawaii Airports System
(for the 12 months ending June 30; in thousands)

	Historical 2017	Historical 2018	Estimated 2019	Forecast 2020	2021	2022	2023	2024	2025
Minimum Annual Requirement									
Aggregate Debt Service	$ 814	$ 14,507	$ 14,544	$ 16,888	$ 26,175	$ 26,180	$ 26,189	$ 26,194	$ 26,200
Additional Requirement Ratio	115.0%	115.0%	115.0%	115.0%	115.0%	115.0%	115.0%	115.0%	115.0%
115% of Aggregate Debt Service	$ 936	$ 16,683	$ 16,725	$ 19,421	$ 30,101	$ 30,107	$ 30,117	$ 30,123	$ 30,130
Deposit to Rolling Coverage Fund	-	-	-	-	-	-	-	-	-
Deposit to Debt Service Reserve Fund	-	-	-	-	-	-	-	-	-
Deposit to Rebate Fund	-	-	-	-	-	-	-	-	-
Deposit to Administrative Expense Fund	-	-	-	-	200	210	221	232	243
Deposit to CIRRF (a)	-	-	-	-	1,883	3,766	3,954	4,152	4,360
Deposit to CFC Stabilization Fund	-	-	-	-	-	-	-	-	-
Minimum Annual Requirement	$ 936	$ 16,683	$ 16,725	$ 19,421	$ 32,184	$ 34,083	$ 34,292	$ 34,507	$ 34,733
CFCs	$ 70,454	$ 72,555	$ 72,033	$ 74,094	$ 75,046	$ 76,052	$ 76,978	$ 77,969	$ 78,953
Minimum Annual Requirement Deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Note: (a) CIRRF = Capital Improvements, Repair and Replacement Fund; Historical data in this exhibit was based on a range of publicly available sources. The analysis and assumptions relied on this information, and were reviewed and approved by the Airports Division management.

Source: Historical – Airports Division records; Estimated and Forecast – ICF.

Table F: Application of Revenues
Hawaii Airports System
(for the 12 months ending June 30; in thousands)

		Historical	Estimated	Forecast					
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues									
CFC Revenues	$ 70,454	$ 72,555	$ 72,033	$ 74,094	$ 75,046	$ 76,052	$ 76,978	$ 77,969	$ 78,953
Minimum Annual Requirement Deficiency Payments	-	-	-	-	-	-	-	-	-
Other Payments Made to Trustee	-	-	-	-	-	-	-	-	-
Total Revenues	$ 70,454	$ 72,555	$ 72,033	$ 74,094	$ 75,046	$ 76,052	$ 76,978	$ 77,969	$ 78,953
Interest Earnings	-	3,932	2,203	2,348	1,539	1,468	1,650	1,928	2,207
Available from CFC Revenue Fund	$ 70,454	$ 76,487	$ 74,236	$ 76,442	$ 76,584	$ 77,519	$ 78,627	$ 79,897	$ 81,160
Deposit from CFC Revenue Fund to									
Debt Service Fund	$ 814	$ 14,649	$ 14,809	$ 17,153	$ 26,440	$ 26,445	$ 26,454	$ 26,459	$ 26,465
Rolling Coverage Fund	-	-	-	-	-	-	-	-	-
Debt Service Reserve Fund	-	-	-	-	-	-	-	-	-
Subordinate Debt Service Fund	-	-	-	-	-	-	-	-	-
Subordinate Reserve Fund	-	-	-	-	-	-	-	-	-
Rebate Fund	-	-	-	-	-	-	-	-	-
Administrative Expense Fund	-	-	-	-	200	210	221	232	243
Capital Improvements, Repair and Replacement Fund	-	-	-	-	1,883	3,766	3,954	4,152	4,360
Operation and Maintenance Fund	-	-	2,000	12,000	12,600	22,397	25,442	26,714	28,049
CFC Stabilization Fund	-	-	-	-	-	-	-	-	-
Unreimbursed Fund (a)	-	-	-	-	-	-	-	-	-
Discretionary Fund	69,640	61,838	57,427	47,289	35,461	24,701	22,557	22,341	22,042
Total Requirements	$ 70,454	$ 76,487	$ 74,236	$ 76,442	$ 76,584	$ 77,519	$ 78,627	$ 79,897	$ 81,160

Note: (a) Unreimbursed Fund = Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund; Historical data in this exhibit was based on a range of publicly available sources. The analysis and assumptions relied on this information, and were reviewed and approved by the Airports Division management.

Source: Historical – Airports Division records; Estimated and Forecast – ICF.

Table G: CFC Covenants and Debt Service Coverage
Hawaii Airports System
(for the 12 months ending June 30; in thousands)

	2017	Historical 2018	Estimated 2019	Forecast 2020	2021	2022	2023	2024	2025
Adequacy of Annual CFC Target - Section 6.04(b)									
CFCs	$ 70,454	$ 72,555	$ 72,033	$ 74,094	$ 75,046	$ 76,052	$ 76,978	$ 77,969	$ 78,953
Minimum Annual Requirement Deficiency Payments	-	-	-	-	-	-	-	-	-
Total Available	$ 70,454	$ 72,555	$ 72,033	$ 74,094	$ 75,046	$ 76,052	$ 76,978	$ 77,969	$ 78,953
Annual CFC Target									
Principal and Interest on Bonds	$ 814	$ 14,691	$ 14,883	$ 17,239	$ 26,573	$ 26,578	$ 26,587	$ 26,592	$ 26,598
Fund Reimbursements	-	-	-	-	-	-	-	-	-
Yield Reduction Payments	-	-	-	-	-	-	-	-	-
Deposit to CFC Stabilization Fund	-	-	-	-	-	-	-	-	-
Deposit to CIRRF (a)	-	-	-	-	1,883	3,766	3,954	4,152	4,360
Total	$ 814	$ 14,691	$ 14,883	$ 17,239	$ 28,456	$ 30,344	$ 30,541	$ 30,744	$ 30,958
Available Amount Above Annual CFC Target	$ 69,640	$ 57,864	$ 57,149	$ 56,855	$ 46,590	$ 45,708	$ 46,436	$ 47,225	$ 47,995
Rate Covenant - Section 6.04(d)									
CFCs	$ 70,454	$ 72,555	$ 72,033	$ 74,094	$ 75,046	$ 76,052	$ 76,978	$ 77,969	$ 78,953
Minimum Annual Requirement Deficiency Payments	-	-	-	-	-	-	-	-	-
Rolling Coverage Fund Balance (b)	-	3,543	3,636	4,222	6,544	6,545	6,547	6,548	6,550
Total Available	$ 70,454	$ 76,098	$ 75,669	$ 78,316	$ 81,589	$ 82,597	$ 83,525	$ 84,517	$ 85,503
Aggregate Debt Service	814	14,507	14,544	16,888	26,175	26,180	26,189	26,194	26,200
Debt Service Coverage	8656%	525%	520%	464%	312%	315%	319%	323%	326%
Required Coverage	140%	140%	140%	140%	140%	140%	140%	140%	140%

Note: (a) CIRRF = Capital Improvements, Repair and Replacement Fund
(b) Limited to no more than 25% of Aggregate Debt Service.

Historical data in this exhibit was based on a range of publicly available sources. The analysis and assumptions relied on this information, and were reviewed and approved by the Airports Division management.

Source: Historical – Airports Division records; Estimated and Forecast – ICF.

Table G1: CFC Covenants and Debt Service Coverage – Sensitivity Test 1 (a)
Hawaii Airports System
(for the 12 months ending June 30; in thousands)

	Historical 2017	2018	Estimated 2019	Projection 2020	2021	2022	2023	2024	2025
Adequacy of Annual CFC Target - Section 6.04(b)									
CFCs	$ 70,454	$ 72,555	$ 72,033	$ 59,276	$ 60,036	$ 60,841	$ 61,582	$ 62,375	$ 63,162
Minimum Annual Requirement Deficiency Payments	-	-	-	-	-	-	-	-	-
Total Available	$ 70,454	$ 72,555	$ 72,033	$ 59,276	$ 60,036	$ 60,841	$ 61,582	$ 62,375	$ 63,162
Annual CFC Target									
Principal and Interest on Bonds	$ 814	$ 14,691	$ 14,883	$ 17,239	$ 26,573	$ 26,578	$ 26,587	$ 26,592	$ 26,598
Fund Reimbursements	-	-	-	-	-	-	-	-	-
Yield Reduction Payments	-	-	-	-	-	-	-	-	-
Deposit to CFC Stabilization Fund	-	-	-	-	-	-	-	-	-
Deposit to CIRRF (a)	-	-	-	-	1,883	3,766	3,954	4,152	4,360
Total	$ 814	$ 14,691	$ 14,883	$ 17,239	$ 28,456	$ 30,344	$ 30,541	$ 30,744	$ 30,958
Available Amount Above Annual CFC Target	$ 69,640	$ 57,864	$ 57,149	$ 42,037	$ 31,581	$ 30,497	$ 31,041	$ 31,631	$ 32,205
Rate Covenant - Section 6.04(d)									
CFCs	$ 70,454	$ 72,555	$ 72,033	$ 59,276	$ 60,036	$ 60,841	$ 61,582	$ 62,375	$ 63,162
Minimum Annual Requirement Deficiency Payments	-	-	-	-	-	-	-	-	-
Rolling Coverage Fund Balance (c)	-	3,543	3,636	4,222	6,544	6,545	6,547	6,548	6,550
Total Available	$ 70,454	$ 76,098	$ 75,669	$ 63,497	$ 66,580	$ 67,386	$ 68,129	$ 68,924	$ 69,712
Aggregate Debt Service	814	14,507	14,544	16,888	26,175	26,180	26,189	26,194	26,200
Debt Service Coverage	8656%	525%	520%	376%	254%	257%	260%	263%	266%
Required Coverage	140%	140%	140%	140%	140%	140%	140%	140%	140%

Note: (a) Assuming a hypothetical decrease of visitor count by 20 percent in FY 2020.
(b) CIRRF = Capital Improvements, Repair and Replacement Fund.
(c) Limited to no more than 25% of Aggregate Debt Service.

Historical data in this exhibit was based on a range of publicly available sources. The analysis and assumptions relied on this information, and were reviewed and approved by the Airports Division management.

Source: Historical – Airports Division records; Estimated and Forecast – ICF.

Table G2: CFC Covenants and Debt Service Coverage – Sensitivity Test 2 (a)
Hawaii Airports System
(for the 12 months ending June 30; in thousands)

		Historical	Estimated	Projection					
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Adequacy of Annual CFC Target - Section 6.04(b)									
CFCs	$ 70,454	$ 72,555	$ 72,033	$ 74,094	$ 75,046	$ 76,052	$ 76,978	$ 77,969	$ 78,953
Minimum Annual Requirement Deficiency Payments	-	-	-	-	-	-	-	-	-
Total Available	$ 70,454	$ 72,555	$ 72,033	$ 74,094	$ 75,046	$ 76,052	$ 76,978	$ 77,969	$ 78,953
Annual CFC Target									
Principal and Interest on Bonds	$ 814	$ 14,691	$ 14,883	$ 17,239	$ 36,799	$ 36,803	$ 36,814	$ 36,818	$ 36,825
Fund Reimbursements	-	-	-	-	-	-	-	-	-
Yield Reduction Payments	-	-	-	-	-	-	-	-	-
Deposit to CFC Stabilization Fund	-	-	-	-	-	-	-	-	-
Deposit to CIRRF (b)	-	-	-	-	1,883	4,516	4,742	4,979	5,228
Total	$ 814	$ 14,691	$ 14,883	$ 17,239	$ 38,681	$ 41,319	$ 41,556	$ 41,797	$ 42,053
Available Amount Above Annual CFC Target	$ 69,640	$ 57,864	$ 57,149	$ 56,855	$ 36,364	$ 34,732	$ 35,422	$ 36,172	$ 36,900
Rate Covenant - Section 6.04(d)									
CFCs	$ 70,454	$ 72,555	$ 72,033	$ 74,094	$ 75,046	$ 76,052	$ 76,978	$ 77,969	$ 78,953
Minimum Annual Requirement Deficiency Payments	-	-	-	-	-	-	-	-	-
Rolling Coverage Fund Balance (c)	-	3,543	3,636	4,222	6,628	6,628	6,628	6,628	6,628
Total Available	$ 70,454	$ 76,098	$ 75,669	$ 78,316	$ 81,674	$ 82,680	$ 83,606	$ 84,597	$ 85,581
Aggregate Debt Service	814	14,507	14,544	16,888	36,247	36,252	36,262	36,267	36,274
Debt Service Coverage	8656%	525%	520%	464%	225%	228%	231%	233%	236%
Required Coverage	140%	140%	140%	140%	140%	140%	140%	140%	140%

Notes: (a) Assuming a hypothetical increase in capital costs for $150 million in FY 2021.
(b) CIRRF = Capital Improvements, Repair and Replacement Fund.
(c) Limited to no more than 25% of Aggregate Debt Service.

Historical data in this exhibit was based on a range of publicly available sources. The analysis and assumptions relied on this information, and were reviewed and approved by the Airports Division management.

Source: Historical – Airports Division records; Estimated and Forecast – ICF.

APPENDIX B

Certain Economic Information About the State of Hawaii

General

The following material pertaining to economic factors in the State has been excerpted from the State of Hawaii Department of Business, Economic Development and Tourism (DBEDT) Second Quarter 2019 Quarterly Statistical and Economic Report (QSER) or from other materials prepared by DBEDT, some of which may be found at http://dbedt.hawaii.gov/. Unless otherwise stated, the following information is historical, estimated figures are used only when the definitive figures are unavailable. Unless otherwise specifically stated, all references to years and quarters in the following information are for calendar years and calendar quarters, respectively. The text refers to certain enumerated tables found under "**CERTAIN ECONOMIC INFORMATION**." The following descriptions of certain components of the State's economy primarily related to the visitor industry, and DBEDT's outlook for the economy are below under "State of the Economy" and there is a brief description in the "Outlook for the Economy" section below explaining the impact of these components on the State's fiscal position.

DBEDT's latest forecast for the State's nominal Gross Domestic Product (GDP) (the value of all goods and services produced within the State, formerly called the Gross State Product or GSP) growth in 2019 is 3.5%. In real terms (adjusting for inflation), DBEDT estimates that the State's 2019 GDP growth to be 1.2% over that of the previous year.

State of the Economy

Hawaii's major economic indicators were mixed in the first quarter of 2019. Visitor arrivals, wage and salary jobs, personal income (through the fourth quarter of 2018), and private building authorizations increased in the quarter compared to the first quarter of 2018. However, visitor expenditures, State general fund tax revenues, and government contracts awarded decreased in the quarter.

In the first half of 2019, the total number of visitors arriving by air to Hawaii increased to 5,191,523, an increase of 4.2% compared to the first half of 2018. Due to shorter lengths of stay, the daily visitor census for the first half of 2019 increased only 1.4% compared to the first half of 2018. Visitor spending increased 2.8 in June 2019 compared to June 2018 but decreased by 3.4% for the first half of 2019 compared to the same period in 2018. Other than the fourth quarter of 2013, Hawaii's tourism sector has experienced growth in every quarter compared with the same quarter in the previous year since the third quarter of 2009.

In the fourth quarter of 2018, total annualized nominal GDP increased $3,404 million or 3.8%, from the fourth quarter of 2017. In 2018, total annualized nominal GDP increased $2,983 million or 3.4% from the previous year. In the fourth quarter of 2018, total annualized real GDP (in chained 2012 dollars) increased $1,034 million or 1.3% from the fourth quarter of 2017. In 2018, total annualized real GDP increased $800 million or 1.0% from the previous year.

Outlook for the Economy

Hawaii's economy is expected to continue positive growth in 2019 and 2020. This outlook is based on the most recent developments in the national and global economies, the performance of Hawaii's tourism industry, labor market conditions, and the growth of personal income and tax revenues.

Hawaii's economy depends significantly on conditions in the U.S. economy and key international economies, especially Japan. According to the May 2019 *Blue Chip Economic Consensus Forecasts*, U.S. real GDP is expected to increase by 2.6% in 2019, 0.1 of a percentage point above the growth rate projected in the February 2019 forecast. For 2020 the consensus forecast predicts an overall 1.9% growth in U.S. real GDP.

According to the May 2019 *Blue Chip Economic Consensus Forecast*, real GDP growth for Japan is now expected to increase 0.7% in 2019, 0.2 of a percentage point below the growth rate projected in the February 2019 forecast. For 2020, the consensus forecast now projects an overall 0.5% growth rate for Japanese real GDP.

Overall, Hawaii's economy, as measured by real GDP, is projected to show a 1.2% increase in 2019, the same as the growth rate forecast last quarter. The real GDP growth forecast for 2020 is 1.3%, 0.1 of a percentage point below the previous forecast.

Visitor arrivals are expected to increase 2.6% in 2019, 0.6 of a percentage point above the previous forecast. The forecast for visitor days in 2019 decreased 1.0 percentage point to 0.6%. The 2019 forecast for visitor expenditure growth was revised downward to 1.1%, from 3.3% growth projected in the previous forecast. For 2020, the growth rate of visitor arrivals, visitor days, and visitor expenditures are now expected to be 1.9%, 1.4%, and 3.0%, respectively.

Beyond 2020, the economy is expected to continue its expansion path, with job growth projected to be 0.6% in 2021 and 2022. Visitor arrivals are expected to increase 1.7% in 2021 and 1.4% in 2022. Visitor expenditures are expected to increase 2.8% in 2021 and 2.6% in 2022. Real personal income is projected to increase 1.5% in 2021 and 1.6% in 2022. Hawaii's real GDP growth is expected to increase 1.3% in 2021 and 1.4% in 2022. The unemployment rate is expected to increase to 3.4% in 2021 and 3.6% in 2022.

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TABLE 1
2019 QUARTERLY ECONOMIC INDICATORS
STATE OF HAWAII

Economic Indicators	1st QUARTER 2018	1st QUARTER 2019	1st QUARTER % CHANGE YEAR AGO	YEAR-TO-DATE 2018	YEAR-TO-DATE 2019	YEAR-TO-DATE % CHANGE YEAR AGO
Civilian labor force, NSA (persons) 1/	680,600	669,650	-1.6	680,600	669,650	-1.6
Civilian employed, NSA	665,300	650,700	-2.2	665,300	650,700	-2.2
Civilian unemployed, NSA	15,300	18,950	23.9	15,300	18,950	23.9
Unemployment rate, NSA (%) 1/ 2/	2.2	2.8	0.6	2.2	2.8	0.6
Total wage and salary jobs, NSA	661,900	(NA)	(NA)	661,900	(NA)	(NA)
Total non-agric. wage & salary jobs	654,900	657,500	0.4	654,900	657,500	0.4
Nat. Resources, Mining, Constr.	35,200	35,600	1.1	35,200	35,600	1.1
Manufacturing	14,500	13,800	-4.8	14,500	13,800	-4.8
Wholesale Trade	17,800	18,000	1.1	17,800	18,000	1.1
Retail Trade	71,500	70,400	-1.5	71,500	70,400	-1.5
Transp. Warehousing, Util.	33,100	32,900	-0.6	33,100	32,900	-0.6
Information	8,800	9,300	5.7	8,800	9,300	5.7
Financial Activities	28,700	29,100	1.4	28,700	29,100	1.4
Professional and Business Services	82,100	82,100	0.0	82,100	82,100	0.0
Educations Services	14,400	14,400	0.0	14,400	14,400	0.0
Health Care & Social Assistance	71,200	71,600	0.6	71,200	71,600	0.6
Arts, Entertainment & Recreation	13,100	12,700	-3.1	13,100	12,700	-3.1
Accommodation	41,800	42,300	1.2	41,800	42,300	1.2
Food Services and Drinking Places	68,800	69,400	0.9	68,800	69,400	0.9
Other Services	27,900	28,200	1.1	27,900	28,200	1.1
Government	126,000	127,900	1.5	126,000	127,900	1.5
Federal	33,300	33,800	1.5	33,300	33,800	1.5
State	73,900	75,400	2.0	73,900	75,400	2.0
Local	18,700	18,800	0.5	18,700	18,800	0.5
Agriculture wage and salary jobs	7,000	(NA)	(NA)	7,000	(NA)	(NA)
State general fund revenues ($1,000)	1,710,827	1,687,880	-1.3	1,710,827	1,687,880	-1.3
General excise and use tax revenues	959,068	916,354	-4.5	959,068	916,354	-4.5
Income-individual	513,448	524,177	2.1	513,448	524,177	2.1
Declaration estimated taxes	185,385	140,390	-24.3	185,385	140,390	-24.3
Payment with returns	29,022	38,830	33.8	29,022	38,830	33.8
Withholding tax on wages	468,532	547,191	16.8	468,532	547,191	16.8
Refunds ('-' indicates relative to State)	-169,491	-202,234	19.3	-169,491	-202,234	19.3
Transient accommodations tax	156,356	167,155	6.9	156,356	167,155	6.9
Honolulu County Surcharge 3/	67,172	(NA)	(NA)	67,172	(NA)	(NA)
Private Building Permits ($1,000)	699,830	761,026	8.7	699,830	761,026	8.7
Residential	382,415	309,932	-19.0	382,415	309,932	-19.0
Commercial & industrial	76,057	46,175	-39.3	76,057	46,175	-39.3
Additions and alterations	241,359	404,919	67.8	241,359	404,919	67.8
Visitor Days - by air	22,767,447	22,818,041	0.2	22,767,447	22,818,041	0.2
Domestic visitor days - by air	16,015,032	16,107,878	0.6	16,015,032	16,107,878	0.6
International visitor days - by air	6,752,415	6,710,163	-0.6	6,752,415	6,710,163	-0.6
Visitor arrivals by air - by air	2,438,647	2,502,636	2.6	2,438,647	2,502,636	2.6
Domestic flight visitors - by air	1,626,754	1,690,889	3.9	1,626,754	1,690,889	3.9
International flight visitors - by air	811,893	811,747	0.0	811,893	811,747	0.0
Visitor expend. - arrivals by air ($1,000)	4,617,322	4,506,310	-2.4	4,617,322	4,506,310	-2.4
Hotel occupancy rates (%) 2/	83.5	80.8	-2.7	83.5	80.8	-2.7

1/ Labor force and jobs are Hawaii DLIR monthly and annual data. Quarterly averages computed by the Hawaii DBEDT.
2/ Change represents absolute change in rates rather than percentage change in rates.
3/ 0.5% added to the general excise tax to pay for O'ahu's mass transit system and took effect January 1, 2007.
Includes taxpayers who have business activities on Oahu but whose businesses are located outside Oahu.
Source: Hawaii State Department of Business, Economic Development, & Tourism <http://www.hawaii.gov/dbedt/inf>,
Hawaii State Department of Labor & Industrial Relations <http://www.hiwi.org/cgi/dataanalysis/?PAGEID=94>;
Hawaii State Department of Taxation <http://www.hawaii.gov/tax/a5_3txcolrpt.htm> and Hospitality Advisors, LLC.

KEY ECONOMIC INDICATORS
TABLE 2
ACTUAL AND FORECAST OF KEY ECONOMIC INDICATORS FOR HAWAII: 2017 TO 2022

Economic Indicators	2017	2018	2019	2020	2021	2022
	(Actual)		(Forecast)			
Total population (thousands)	1,424	1,420	1,422	1,426	1,431	1,437
Visitor arrivals (thousands) (1)	9,404	9,955	10,218	10,413	10,586	10,736
Visitor days (thousands) (1)	84,066	88,560	89,130	90,410	91,466	92,323
Visitor expenditures (million dollars) (1)	16,809	17,759	17,960	18,506	19,033	19,532
Honolulu CPI-U (1982-84=100)	272.0	277.1	281.8	287.6	293.4	299.2
Personal income (million dollars)	75,355	77,509	79,989	82,869	85,852	88,942
Real personal income (millions of 2012$) (2)	60,191	60,976	61,892	62,884	63,828	64,850
Non-agricultural wage & salary jobs (thousands)	653.3	656.6	660.5	665.2	669.2	673.2
Civilian unemployment rate (3)	2.4	2.4	3.0	3.1	3.4	3.6
Gross domestic product (million dollars)	89,044	92,027	95,248	98,772	102,427	106,217
Real gross domestic product (millions of 2012$)	79,998	80,798	81,746	82,806	83,882	85,056
(Gross domestic product deflator (2012=100)	111.3	113.9	116.5	119.3	122.1	124.9
Annual Percentage Change						
Total population	-0.3	-0.3	0.1	0.3	0.3	0.4
Visitor arrivals (1)	5.3	5.9	2.6	1.9	1.7	1.4
Visitor days (1)	4.8	5.3	0.6	1.4	1.2	0.9
Visitor expenditures (1)	5.6	5.6	1.1	3.0	2.8	2.6
Honolulu CPI-U	2.5	1.9	1.7	2.1	2.0	2.0
Personal income	3.7	2.9	3.2	3.6	3.6	3.6
Real personal income (2)	2.0	1.3	1.5	1.6	1.5	1.6
Non-agricultural wage & salary jobs	1.1	0.5	0.6	0.7	0.6	0.6
Civilian unemployment rate (3)	-0.5	0.0	0.6	0.1	0.3	0.2
Gross domestic product	3.7	3.4	3.5	3.7	3.7	3.7
Real gross domestic product	1.6	1.0	1.2	1.3	1.3	1.4
Gross domestic product deflator (2012=100)	2.1	2.3	2.3	2.4	2.4	2.3

(1) Visitors who came to Hawaii by air or by cruise ship. Expenditures includes supplementary expenditures. 2018 supplementary expenditure was estimated by DBEDT.
(2) Using personal income deflator developed by the U.S. Bureau of Economic Analysis and estimated by DBEDT.
(3) Absolute change from previous year.
Source: Hawaii State Department of Business, Economic Development & Tourism, May 17, 2019.

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Tourism

Visitor arrivals continue to be positive, domestic visitor arrivals increased while international visitor arrivals declined in the first quarter of 2019. Due to shorter lengths of stay, the daily visitor census increased less than the increase of visitor arrivals in the quarter. Since visitors spent less on a daily basis, total visitor spending decreased in the quarter. With the exception of the fourth quarter of 2013, visitor arrivals have increased since the third quarter of 2009.

The total number of visitor arrivals by air increased 63,989 or 2.6% in the first quarter of 2019, compared to the same quarter of 2018. The total average daily census was up 562 or 0.2% in the quarter. In 2018, total visitor arrivals by air increased 549,519 or 5.9%, while the average daily census increased 12,336 or 5.4% from the previous year.

In the first quarter of 2019, total visitor arrivals on domestic flights increased 64,135 or 3.9% compared to the same quarter of 2018. In 2018, domestic arrivals were up 526,810 or 8.4% from the previous year.

Arrivals on international flights decreased 146 or 0.02% in the first quarter of 2019 compared to the first quarter of 2018. In 2018, international arrivals were up 22,709 or 0.7% from the previous year.

In terms of major market areas, from the first quarter of 2018 to the same period of 2019, arrivals from the U.S. West increased 68,182 or 7.1%, arrivals from the U.S. East increased 11,342 or 2.0%, and arrivals from Japan increased 8,563 or 2.2%. In 2018, arrivals from the U.S. West were up 368,278 or 9.6%; arrivals from the U.S. East were up 158,005 or 7.9%; and Japanese arrivals were down 16,483 or 1.0% from the previous year.

In the first quarter of 2019, the length of stay per visitor decreased. Due to the shorter length of stay, the average total daily visitor census increased less than the growth of visitor arrivals in the quarter. The total average daily visitor census was up 0.2% or 562 visitors per day in the first quarter of 2019, over the same quarter of 2018. The domestic average daily census increased 0.6% or 1,031 visitors per day, while the international average daily census decreased 0.6% or 470 visitors per day. In 2018, the domestic average daily census increased 11,107 or 6.8%; and the international average daily census increased 1,229 or 1.9% from the previous year.

Nominal visitor expenditures by air totaled $4,506.3 million in the first quarter of 2019, down 2.4 percent or $111.0 million from the same quarter of 2018. In 2018, visitor expenditures increased $947.0 million or 5.7% from the previous year.

Total airline capacity, as measured by the number of available seats flown to Hawaii, increased 1.1% or 35,219 seats in the first quarter of 2019, domestic seats increased 1.0% or 22,354 seats; international seats increased 1.3% or 12,865 seats, compared to the same quarter of 2018. In 2018, the number of total available seats increased 8.3% or 1,012,461 seats from the previous year.

In the first quarter of 2019, the statewide hotel occupancy rate averaged 80.8%, 2.7 percentage points lower than the same quarter of 2018. In 2018, the statewide hotel occupancy rate averaged 79.8%, 0.4 of a percentage point lower than that of the previous year.

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TABLE 3

VISITOR ARRIVALS BY AIR

Average Length of Stay, Visitor Days, Average Daily Census

	2015	2016	2017	2018	% Change 2015-2016	% Change 2016-2017	% Change 2017-2018
Total Arrivals							
Total	8,563,018	8,821,802	9,277,613	9,827,132	3.0	5.2	5.9
Domestic	5,782,140	5,968,779	6,239,748	6,766,558	3.2	4.5	8.4
International	2,780,878	2,853,023	3,037,865	3,060,574	2.6	6.5	0.7
Average Length of Stay							
Total	9.12	9.03	9.00	8.96	-1.0	-0.3	-0.4
Visitor Days							
Total	78,086,081	79,669,135	83,506,498	88,009,317	2.0	4.6	5.1
Domestic	51,142,096	52,835,611	54,998,673	59,053,798	3.2	3.9	6.9
International	26,943,985	26,833,524	28,507,825	28,955,519	-0.4	5.9	1.5
Average Daily Census							
Total	213,934	217,675	228,785	241,121	1.7	5.1	5.4
Domestic	156,026	157,953	164,273	175,380	1.2	4.0	6.8
International	57,908	59,723	64,512	65,741	3.1	8.0	1.9

Source: Hawaii Tourism Authority.

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TABLE 4

HOTEL OCCUPANCY RATE (%)

Year	*First Quarter*	*Second Quarter*	*Third Quarter*	*Fourth Quarter*	*Annual Average*
In Percent					
2008	78.7	68.8	70.5	63.8	70.4
2009	66.7	63.7	67.3	63.5	64.8
2010	70.6	67.3	75.2	69.5	70.7
2011	76.6	68.6	76.1	71.9	73.2
2012	80.3	73.8	78.9	74.5	76.9
2013	82.0	74.2	77.8	72.3	76.5
2014	80.8	74.0	78.7	74.7	77.0
2015	80.0	77.7	79.4	77.8	78.7
2016	80.7	77.5	80.5	77.5	79.0
2017	81.4	79.4	81.4	78.6	80.2
2018 (1)	83.5	80.7	79.7	76.0	79.8
2019 (1)	80.8	(NA)	(NA)	Year-to-Date	80.8

The 2nd, 3rd, and 4th Quarter averages are computed by Hawaii State Department of Business, Economic Development & Tourism from Hospitality Advisors LLC monthly averages. The 1st quarter and Annual are as released or revised by source.
(1) Source revises each month of previous year when current year is released.
Source: Hawaii State Department of Business, Economic Development & Tourism, PKF-Hawaii and Hospitality Advisors LLC.

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APPENDIX C

Certain Definitions in the Indenture

The following are definitions of certain terms used in this Official Statement, the Indenture, the Third Supplemental Indenture and the Statewide Airports Car Rental Facilities Concession Agreements and Facilities Leases between the State of Hawaii and the rental car operators. Reference is made to the Indenture, the Third Supplemental Indenture and the Concession Agreements and Facilities Leases for a complete recital of the terms, some of which terms are set forth below.

Account or *Accounts* means any of the accounts established within any of the Funds pursuant to the provisions of the Indenture.

Additional Bonds means one or more Series of additional Bonds issued pursuant to the Indenture and a Supplemental Indenture.

Administrative Expense Fund means the fund of such name established pursuant to the Indenture.

Administrative Expense Fund Requirement means, for each month during a Fiscal Year, an amount equal to the amount determined by the Department and shown in the annual budget for Administrative Expenses multiplied by a fraction, the numerator of which being the number of months which have passed since the beginning of such Fiscal Year and the denominator of which being twelve, minus all disbursements made from the Administrative Expense Fund during such Fiscal Year.

Administrative Expenses means annual expenses incurred by the Department in connection with the administration of the Bonds, including, without limitation, Rating Agency and audit fees.

Aggregate Debt Service means, with respect to one or more designated Series of Outstanding Bonds or, if no Bonds are designated, all Bonds Outstanding under the Indenture, for any period, the amount of all interest accrued in such period plus the amount required to pay principal coming due in such period on such Bonds; provided, however, that if the stated period is a Fiscal Year, the amount of principal shall be the principal payable on any date commencing with July 1 in such Fiscal Year and ending with June 30 in the following Fiscal Year, both inclusive, net of interest earned on any Fund or Account and deposited to the Debt Service Fund and Subordinate Debt Service Fund (as applicable) during such period and available for payment of principal of or interest on such Bonds.

Agreement means the Statewide Airports Car Rental Facilities Concession Agreement and Facility Lease for a nonexclusive rental car concession together with a lease of certain premises at the Airports.

Agreement Year means such consecutive twelve-month period as the State shall determine from time to time to properly provide for payments under an Agreement to satisfy principal and interest payment and funding requirements applicable to the Bonds.

Airports means all airports within the State of Hawaii for which the State, pursuant to Chapters 171, 261, and 263 of the Hawaii Revised Statutes, is vested with control and jurisdiction over the operation of.

Authorized Denomination means, with respect to the Series 2019A Bonds, the principal amount of $5,000 or any integral multiple thereof.

Authorized Officer means, (a) in the case of the Department, the Director of Transportation, the Director of Finance or any other official of the Department so designated by a certificate signed by the Director of Transportation and filed with the Trustee for so long as that designation is in effect; and (b) in the case of the Trustee, any officer within the corporate trust department (or similar group) of the Trustee responsible for the administration of the Indenture, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject.

Bond Counsel means any attorney at law or firm of attorneys, selected by the Department and reasonably acceptable to the Trustee, of nationally recognized standing in matters pertaining to the validity of and the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

Bond Year means, with respect to any Series of Bonds, any one-year period ending on June 30, other than the first Bond Year, which shall commence on the closing date of such Series and end on June 30 of the following deal; provided, however, that any Series of Bonds may designate an alternate Bond Year for such Series in the Supplemental Indenture providing for the issuance thereof.

Business Day means any day other than a Saturday, Sunday or legal holiday or the equivalent (other than a moratorium) on which banking institutions generally in either of the Cities of Honolulu, Hawaii or New York, New York are authorized or required by law or executive order to close.

Capital Improvements, Repair and Replacement Fund means the fund of such name established pursuant to Indenture.

Capital Improvements, Repair and Replacement Fund Requirement means, for each month during a Fiscal Year, an amount equal to the amount determined by the Department and shown in the annual budget for annual capital improvements, repairs and replacements for the Statewide Airports Car Rental Facilities System, multiplied by a fraction, the numerator of which being the number of months which have passed since the beginning of such Fiscal Year and the denominator of which being twelve, minus all disbursements made from the Capital Improvements, Repair and Replacement Fund during such Fiscal Year.

CFC or Customer Facility Charge means the customer facility charge or customer facility charges to be collected by the RACs or Off-Airport RACs and remitted to the Trustee for the benefit of the Department, or, if no Bonds remain Outstanding, remitted directly to the Department, as further defined and provided in each RAC Agreement or in any agreements with Off-Airport RACs.

CFC Revenue Fund means the fund of such name established pursuant to Indenture.

CFC Revenues means the Customer Facility Charges actually collected and remitted to the State or its designee during any period.

CFC Stabilization Fund means the fund of such name established pursuant to Indenture.

CFC Stabilization Fund Minimum Requirement means, unless modified pursuant to the provisions of a future Supplemental Indenture, $0.

CFC Statute means Section 261-7 of the Hawaii Revised Statutes.

Code or *IRC* means the Internal Revenue Code of 1986, as from time to time amended, and any regulations promulgated thereunder, including without limitation any Treasury Regulations or Temporary or Proposed Regulations, as the same shall from time to time be amended including (until modified, amended or superseded) Treasury Regulations or Temporary or Proposed Regulations under the Internal Revenue Code of 1954, as amended.

Completion Certificate means, with respect to each CRCF, a certificate from the Department delivered to the Trustee stating that such CRCF has been completed.

Completion Date means, with respect to each CRCF, the earlier to occur of (i) the date on which such CRCF is completed as evidenced by the delivery of a Completion Certificate and (ii) the date of abandonment of such CRCF.

Concession means the right and obligation to operate a nonexclusive concession on the Premises for the rental or other similar use of Automobiles, subject to the terms of the applicable Agreement.

Concession Recovery Fee means a separate statement of and charge on Customer invoices or rental agreements, which is not required but will not be prohibited by the State, provided that such Concession Recovery Fee meets all of the following conditions: (a) such Concession Recovery Fee is permitted by the laws of the State and all other applicable laws, including, without limitation, the requirements of the United States Federal Trade Commission, as in effect from time to time, as well as any commitment to or contractual obligation by RAC with the Attorney General of the State or any group of State Attorneys General; (b) such Concession Recovery Fee shall be titled "Concession Recovery Fee", "Concession Recoupment Fee", or such other name as is first approved by the State in writing; (c) the Concession Recovery Fee must be shown on the Customer rental car agreement and invoiced with other RAC charges (i.e., "above the tax line"); (d) the Concession Recovery Fee as stated on the invoice and charged to the Customer shall be no more than eleven and eleven one hundredths of a percent (11.11%) of Gross Receipts (and specifically included in Gross Receipts for purposes of this calculation); (e) RAC shall neither identify, treat, or refer to the Concession Recovery Fee as a tax or levy nor state or imply that the State is requiring the pass-through or collection of such Concession Recovery Fee; and (f) RAC shall not pass through, unbundle, or list any fees (other than a Concession Recovery Fee, vehicle license fee payable to the State or the City, and CFC) as a separate item on its Customer invoices, except with the State's prior written approval in each instance.

Consultant means any one or more consultants selected by the Department with expertise in the administration, financing, planning, maintenance and operations of airports and facilities thereof, and who, in the case of an individual, shall not be a member, officer or employee of the Department.

Consulting Engineer means a registered or licensed engineer or engineers, or firm or firms of engineers, with expertise in the field of designing, preparing plans and specifications for, supervising the construction, improvement and expansion of, and supervising the maintenance of, airports and aviation facilities, entitled to practice and practicing as such under the laws of the State, who, in the case of any individual, shall not be a director, officer or employee of the Department.

Continuing Disclosure Undertakings means the Continuing Disclosure Undertakings of the Department relating to Bonds, as from time to time in effect.

Contract Day means, with respect to rentals of Automobiles, up to a 25-hour period (or fraction thereof) for the first Contract Day, and successive 24-hour periods (or fractions thereof) for each successive Contract Day.

Counsel means an attorney or a firm of attorneys admitted to practice law in the highest court of any state of the United States of America.

CRCF means, individually, a consolidated car rental facility at an Airport, including the associated structures, roadways, facilities, infrastructure improvements to utilities and other infrastructure to support the consolidated car rental facility and the real property on which such facility is located, and all other property, improvements, fixtures, equipment and facilities incorporated in and that support such consolidated car rental facility.

CRCF Project Costs means, with respect to each CRCF, all costs of such CRCF, including without limitation costs of the construction manager, the program manager and allocated costs of program administration, the costs of issuing any related series of Bonds, and other costs chargeable to the capital account of such CRCF, in each case to the extent that such costs are permitted under the CFC Statute.

Customer means a Person that rents, picks up, or enters into a written agreement for the rental of an Automobile from RAC either (i) at the Statewide Airports Car Rental Facilities System, (ii) at a location other than the Statewide Airports Car Rental Facilities System if, and only if, Common Use Transportation Systems are used to transport such customer to and from the rental car facilities comprising the Statewide Airports Car Rental Facilities System or (iii) at a location other than the Statewide Airports Car Rental Facilities System if RAC has entered into a valid Agreement with respect of such CRCF at such Airport.

CUTS or *Common Use Transportation System* means the buses, busing systems and other systems and vehicles related thereto and used on roadways or fixed guideways on the Airport premises to or from the CRFCs.

Date of Issuance means, with respect to the Series 2019A Bonds, August 27, 2019, the date of original issuance and delivery of such Bonds.

Debt Service Fund means the fund established pursuant to the Indenture.

Debt Service Reserve Fund means the fund established pursuant to the Indenture.

Default means any Event of Default or any event or condition which, with the passage of time or giving of notice or both, would constitute an Event of Default.

Default Rate means the rate of twelve percent (12.0%) per annum, unless a lesser interest rate shall then be the maximum rate permissible by Law with respect thereto, in which event said lesser rate shall be the Default Rate.

Defeasance Obligations means non-callable investment securities of the type set forth in paragraphs (a) or (b) of the definition of Qualified Investments.

Deficiency Certificate means a certificate signed by an Authorized Officer of the Department and filed with the Trustee setting forth the monthly deposit amounts to be made pursuant hereto in order to fully restore the amount on deposit in the CFC Stabilization Fund, Debt Service Reserve Fund or Rolling Coverage Fund, as applicable, to the applicable Fund Requirement within one year of any Funding Event.

Department means the Department of Transportation of the State of Hawaii.

Department of Budget and Finance means the Department of Budget and Finance of the State of Hawaii.

Depositary means any bank or trust company, which may include the Trustee, duly authorized by Law to engage in the banking business and selected by the Department as a depositary of moneys under the provisions of the Indenture.

Discount Rate means the rate of interest equal to the average interest rate for United States treasury bills with a remaining term most closely approximating one-half (1/2) of the remaining scheduled Term of the applicable Agreement, determined as of the date for which such Discount Rate is to be first applied thereunder.

Discretionary Fund means the fund of such name established pursuant to Indenture.

Draw Down Date means the twenty-fifth (25th) day of each month or, if such day is not a Business Day, the next succeeding Business Day of each month that any Bonds remain Outstanding.

DSRF Requirement means (a) at any time when no Tax-Exempt Bonds are Outstanding, one hundred percent (100%) of the Maximum Annual Debt Service on the Bonds (expressly excluding Subordinate Bonds) then outstanding, or (b) when any Tax-Exempt Bonds are Outstanding, the lowest of (i) one hundred percent (100%) of the Maximum Annual Debt Service on the Bonds (expressly excluding Subordinate Bonds) then outstanding, (ii) one hundred twenty-five percent (125%) of average annual debt service on the Bonds (expressly excluding Subordinate Bonds) then outstanding or (iii) ten percent (10%) of the stated principal amount of the Bonds (expressly excluding Subordinate Bonds) then outstanding.

Eligible Costs means (a) Debt Service; (b) any and all costs incurred, paid or required to be paid by the State in connection with or otherwise relating to the design, construction, and financing of the Statewide Airports Car Rental Facilities System; (c) any and all costs incurred, paid or required to be paid by the State in connection with or otherwise relating to the operation, maintenance, and repair of the CUTS, and including, specifically and without limitation, the capital cost of acquisition of Common Use Transportation System buses, busing systems, and other vehicles used on roadways or fixed guideways, to the extent related to the Statewide Airports Car Rental Facilities System; (d) any and all costs incurred, paid or required to be paid by the State in connection with or otherwise relating to the operation, maintenance, repair, and replacement of the Statewide Airports Car Rental Facilities System, or any portion or portions thereof, from time to time; (e) any and all costs incurred, paid or required to be paid by the State in connection with or otherwise relating to RAC reallocation at a CRCF in accordance with Appendix A hereto, and (f) such other permitted costs as may be identified in the CFC Statute, the Bond Statute, the Bond Documents, and/or any loan documents from time to time, (except to the extent that any of the foregoing costs described in clauses (b) through (f) are funded from the initial proceeds of a Series of Bonds and comprise part of the Debt Service, it being the intention that there shall be no "double counting" of any such costs).

Facility means the CRCF at which the Premises under the applicable Agreement is located.

Federal Obligation means any direct obligation of, or any obligation the full and timely payment of principal of and interest on which is guaranteed by, the United States of America.

Fiscal Year means the Department's Fiscal Year, commencing on July 1 and expiring on the following June 30.

Fitch means Fitch Ratings, Inc. a corporation duly organized and existing under the laws of the State of New York, its successors and assigns.

Fixed Rate means one or more nonfloating, nonvariable interest rates which apply to a Series of Bonds.

Funding Event shall mean shall mean (i) the issuance of a Series of Bonds which increases the Fund Requirement of the Debt Service Reserve Fund or Rolling Coverage Fund, but only to the extent that such increased Fund Requirement is not otherwise satisfied pursuant to the provisions of the Supplemental Indenture providing for the issuance thereof; (ii) a draw upon the CFC Stabilization Fund, Debt Service Reserve Fund or Rolling Coverage Fund; or (iii) a decrease in the amount on deposit in the CFC Stabilization Fund, Debt Service Reserve Fund or Rolling Coverage Fund to less than 90% of the applicable Fund Requirement as a result of a decline in the market value of investments on deposit therein.

Gross Receipts means all revenues paid or due to RAC arising out of or in connection with its operations at the Facility, including, without limitation: (a) all time and mileage revenues, all amounts charged to Customers at the commencement or conclusion of the rental transaction for the cost of furnishing and/or replacing fuel by RAC and all revenues from the sale of personal accident insurance, or any insurance of a similar nature; (b) all Concession Recovery Fees; and (c) all other revenues paid or due to RAC arising out of or in connection with its operations at the Facility. Gross Receipts shall not include: (i) amounts of any federal, State of Hawaii, or municipal taxes; (ii) CFCs collected by RAC; (iii) amounts for credits, refunds, or adjustments to Customers for transactions made at the Facility at the time of, or prior to, the close out of the rental transaction and shown on the Customer contract (without markup or additional fees); (iv) sums received by RAC for damage to Automobiles or RAC's property or premises, or from loss, conversion, or abandonment of Automobiles (without markup or additional fees) (v) sums received by reason of RAC's disposal of personal property (capital assets) (without markup or additional fees); (vi) sums received by RAC from its Customers for traffic tickets, parking tickets, highway tolls, towing charges, impound fees, and other similar governmental fines and charges actually paid by RAC on behalf of such Customers (without markup or additional fees); and (vii) sums received by RAC for pass through charges collected by RAC from its Customers with respect to damage repair, parts replacement, and extraordinary cleaning of vehicles, and towing and transporting of damaged vehicles, rented by such Customers, and replacement of keys for such vehicles (without markup or additional fees). The retroactive adjustment by RAC of Gross Receipts designated as volume discounts or rebates, corporate discounts or rebates, or any other designation of any nature, or for any purpose, is prohibited. RAC shall not be credited with nor allowed to have any reduction in the amount of the Gross Receipts which results from any arrangements for a rebate, kickback, or hidden credit given or allowed to any customer; provided, however, that RAC may allow customary discounts on sales of commodities and products to its own employees and to volume purchasers pursuant to the applicable Agreement.

Impositions mean any and all charges, assessments, taxes, and other fees which are charged, assessed, or otherwise imposed upon the Statewide Airports Car Rental Facilities System by any private or public authority.

Interest Payment Date means, for the Series 2019 Bonds, January 1 and July 1 of each year, commencing January 1, 2020.

Maturity Date means, for the Series 2019 Bonds, July 1, 2047.

Maximum Annual Debt Service for all Bonds that are Outstanding means the maximum annual scheduled payments of principal of and interest on such Bonds in any future Bond Year, excluding any accrued or capitalized interest.

Maximum Rate means the maximum rate of interest on the relevant obligation as may be established by the Supplemental Indenture providing for the issuance thereof, and in all events, a rate not exceeding that permitted by applicable Law.

Minimum Annual Requirement means, for each Bond Year, the sum of 115% of Aggregate Debt Service for all Outstanding Bonds plus the amount necessary, from time to time, to increase the amount on deposit in the Rolling Coverage Fund, Debt Service Reserve Fund, Rebate Fund, Administrative Expense Fund, Capital Improvements, Repair and Replacement Fund and CFC Stabilization Fund to the amount required to be deposited into such Fund.

Minimum Annual Requirement Deficiency Payment means the payments of the Minimum Annual Requirement Deficiency pursuant to the RAC Agreements.

Monthly CFC Stabilization Fund Minimum Requirement shall mean, for each month, (i) the amount specified by the Department in a Deficiency Certificate filed with the Trustee or (ii) if no Deficiency Certificate shall have been filed with the Trustee in connection with a Funding Event, an amount equal to one-twelfth of the amount by which the CFC Stabilization Fund Minimum Requirement exceeded the amount on deposit in the CFC Stabilization Fund upon the occurrence of such Funding Event.

Monthly Debt Service Reserve Fund Requirement shall mean, for each month, (i) the amount specified by the Department in a Deficiency Certificate filed with the Trustee or (ii) if no Deficiency Certificate shall have been filed with the Trustee in connection with a Funding Event, an amount equal to one-twelfth of the amount by which the DSRF Requirement exceeded the amount on deposit in the Debt Service Reserve Fund upon the occurrence of such Funding Event.

Monthly Rolling Coverage Fund Requirement shall mean, for each month, (i) the amount specified by the Department in a Deficiency Certificate filed with the Trustee or (ii) if no Deficiency Certificate shall have been filed with the Trustee in connection with a Funding Event, an amount equal to one-twelfth of the amount by which the Rolling Coverage Fund Requirement exceeded the amount on deposit in the Rolling Coverage Fund upon the occurrence of such Funding Event.

Moody's means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns.

Motor Vehicle means any rental motor vehicle within the meaning of Section 251-1 of the Hawaii Revised Statutes § 251-2(a)(2012).

Off-Airport RAC or *RACs* means a rental car company that (i) is a party to a valid permit with the State, and (ii) picks up its Customers at part of a CRCF or related improvements within the Statewide Airports Car Rental Facilities System.

On-Airport Rental Car Company means a rental car company that (i) is a party to a valid Agreement with the State, and (ii) is operating its on-airport rental car concession at part of the Statewide Airports Car Rental Facilities System.

Operating Expenses means the costs and expenses incurred in connection with operating and maintaining the Statewide Airports Car Rental Facilities System, including CUTS Expenses, which are eligible to be paid from CFCs.

Operation and Maintenance Fund means the fund established pursuant to the Indenture.

Operation and Maintenance Fund Requirement means, for each month during a Fiscal Year, an amount equal to the amount determined by the Department and shown in the annual budget for annual operation and maintenance expenses of the Statewide Airports Car Rental Facilities System multiplied by a fraction, the numerator of which being the number of months which have passed since the beginning of such Fiscal Year and the denominator of which being twelve, minus all disbursements made from the Operation and Maintenance Fund during such Fiscal Year.

Operation and Maintenance Request means any valid request for reimbursement of Operating Expenses submitted to the State in accordance with the RAC Agreements.

Participant means, with respect to DTC or another Securities Depository, a member of or participant in DTC or such other Securities Depository, respectively.

Payment Commencement Date means, for each Agreement, the earlier of: (i) the day on which the applicable RAC commences operation of its Concession at the Premises, or (ii) six (6) months following the date on which the State authorizes the RAC to access the Facility for the purpose of commencing construction of the RAC Improvements; provided, however, that the such date shall not be prior to the date on which the Facility is reasonably available for the commencement of construction of the RAC Improvements.

Payment Date means each Interest Payment Date, Maturity Date, Principal Payment Date or any other date on which any principal of, premium, if any, or interest on any Bond is due and payable for any reason, including without limitation upon any redemption or prepayment of Bonds.

Person means a corporation, association, partnership, limited liability company, joint venture, trust, organization, business, individual or government or any governmental agency or political subdivision thereof.

Pledged Receipts means all CFCs received or receivable by the Trustee for the account of the Department, all Minimum Annual Requirement Deficiency Payments payable by the RACs, all casualty insurance proceeds and condemnation awards required to be applied pursuant to the Indenture, all moneys, investments and proceeds on deposit in the Project Fund, the Debt Service Fund, the Reserve Funds, the Subordinate Debt Service Fund, the Subordinate Reserve Fund, the Operation and Maintenance Fund, the Capital Improvements, Repair and Replacement Fund, the Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund, the CFC Stabilization Fund and the Discretionary Fund and interest and investment earnings thereon, subject to the provisions of the Indenture regarding moneys for the benefit of the holders of particular Bonds, and any other moneys collected from Off-Airport RACs or from users of the Statewide Airports Car Rental Facilities System other than the RACs and designated by an Authorized Officer of the Department as Pledged Receipts. The Pledged Receipts shall not include moneys, investments and proceeds in the Rebate Fund and shall not include the Unassigned Rights.

Principal Payment Date means, for each Series of Bonds, the dates for the payment of principal as set forth in the Supplemental Indenture providing for the issuance thereof.

Project Fund means the fund established pursuant to the Indenture.

Qualified Collateral means:

(a) Federal Obligations;

(b) direct and general obligations of any State of the United States of America or any political subdivision of the State which are rated in one of the two highest rating categories by any two Rating Agencies without regard to any refinement or gradation of rating category by numerical modifier or otherwise; and

(c) public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or project notes issued by public housing authorities, or project notes issued by local public agencies, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America.

Qualified Investments means:

(a) Federal Obligations;

(b) pre-refunded municipal obligations meeting the following conditions:

(i) the municipal obligations are not subject to redemption prior to maturity, or the trustee therefor has been given irrevocable instructions concerning their calling and redemption and the issuer thereof has covenanted not to redeem such obligations other than as set forth in such instructions;

(ii) the municipal obligations are secured by cash and/or Federal Obligations, which Federal Obligations may be applied only to interest, principal and premium payments of such municipal obligations;

(iii) the principal of and interest on the Federal Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations;

(iv) the Federal Obligations serving as security for the municipal obligations are held by an escrow agent or trustee;

(v) the Federal Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and

(vi) the municipal obligations are rated in the highest rating category by any two Rating Agencies without regard to any refinement or gradation of rating category by numerical modifier or otherwise;

(c) deposits or certificates of deposit or similar arrangements issued by any bank or national banking association, including the Trustee, which deposits, to the extent not insured by the Federal Deposit Insurance Corporation, shall be secured by Qualified Collateral having a current market value (exclusive of accrued interest) at least equal to the amount of such deposits, marked to market monthly, and which Qualified Collateral shall have been deposited in trust by such bank or national banking association with the trust department of the Trustee or with a Federal Reserve Bank or branch or, with the written approval of the Department and the Trustee, with another bank, trust company or national banking association for the benefit of the Department and the appropriate Fund or Account as collateral security for such deposits;

(d) direct and general obligations of any state of the United States of America or any political subdivision of the State of Hawaii which are rated in one of the two highest rating categories by any two Rating Agencies without regard to any refinement or gradation of rating category by numerical modifier or otherwise;

(e) obligations issued by any of the following agencies: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Banks System, Federal Land Banks, Export Import Bank, Tennessee Valley Authority, Government National Mortgage Association, Farmers Home Administration, United States Postal Service, Fannie Mae, Student Loan Marketing Association, Federal Farm Credit Bureau, Federal Home Loan Mortgage Corporation, Federal Housing Administration, any agency or instrumentality of the United States of America and any corporation controlled and supervised by, and acting as an agency or instrumentality of, the United States of America;

(f) any repurchase agreements collateralized by securities described in clause (a) or (e) above with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank or parent holding company providing a guaranty has an uninsured, unsecured and unguaranteed rating in one of the three highest rating categories by any two Rating Agencies without regard to any refinement or gradation of rating category by numerical modifier or otherwise, provided;

(i) a specific written agreement governs the transaction;

(ii) the securities are held by a depository acting solely as agent for the Trustee, and such third party is (x) a Federal Reserve Bank, or (y) a bank which is a member of the Federal Deposit Insurance Corporation and with combined capital, surplus and undivided profits of not less than $25,000,000, and the Trustee shall have received written confirmation from such third party that it holds such securities;

(iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 1 C.F.R 306.1 et seq. or 31 C.F.R 350.0 et seq. in such securities is created for the benefit of the Trustee;

(iv) the repurchase agreement has a term of one year or less, or the collateral securities will be valued no less frequently than monthly and will be liquidated if any deficiency in the required collateral percentage is not restored within two business days of such valuation;

(v) the repurchase agreement matures at least 10 days (or other appropriate liquidation period) prior to a Payment Date; and

(vi) the fair market value of the securities in relation to the amount of the repurchase obligations, including principal and interest, is equal to at least 100 percent;

(g) shares of an investment company, organized under the Investment Company Act of 1940, as amended, which invests its assets exclusively in obligations of the type described in clauses (a) to (e), including such entities for which the Trustee or an affiliate provides investment advice or other services;

(h) investment agreements which represent the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed by a financial institution, in either case that has an unsecured rating, or which agreement is itself rated, as of the date of execution thereof, in one of the three highest rating categories by any two Rating Agencies without regard to any refinement or gradation of rating category by numerical modifier or otherwise;

(i) long-term or medium-term corporate debt instruments issued or guaranteed by any corporation that is rated in the highest rating category by any two Rating Agencies without regard to any refinement or gradation of rating category by numerical modifier or otherwise;

(j) prime commercial paper of a United States corporation, finance company or banking institution rated in the highest short-term rating category by any two Rating Agencies maintaining a rating on such paper; and

(k) any other type of investment in which the Department directs the Trustee in writing to invest, provided that there is delivered to the Trustee a certificate of an Authorized Officer of the Department stating that each Rating Agency has been informed of the proposal to invest in such investment and each Rating Agency has confirmed that such investment will not adversely affect the rating then assigned by such Rating Agency to any Bonds.

RAC means a Person that operates a rental car business serving Customers under terms of a RAC Agreement with the Department and who leases space within a CRCF.

RAC Agreement means a Statewide Airports Car Rental Facilities Concession Agreement and Facility Lease, between a RAC and the State, by and through its Director of Transportation, as the same shall from time to time be in effect.

RAC Consortium means all On-Airport Rental Car Companies operating and occupying a Concession from the Statewide Airports Car Rental Facilities System from time to time pursuant to valid Agreements.

Rating Agency means, as of any date, each of Fitch, Moody's and S&P, and any other Nationally Recognized Statistical Rating Organization ("*NRSRO*") designated by the Department by notice to the Trustee; provided, however, that the Department may substitute any NRSRO for any of Fitch, Moody's or S&P by notice to the Trustee.

Rating Category means a generic securities rating category, without regard, in the case of a long-term rating category, to any refinement or gradation of such long-term rating category by a numerical modifier or otherwise.

Record Date means, with respect to the Series 2019 Bonds, June 15 and December 15 of each year.

Required Reserve Amounts means, respectively, the Rolling Coverage Fund Requirement and the DSRF Requirement for each Series of Bonds.

Reserve Funds means, collectively, the Rolling Coverage Fund, CFC Stabilization Fund and the Debt Service Reserve Fund, and no other Funds.

Revenues means CFCs, Minimum Annual Requirement Deficiency Payments and any other sums paid to the Trustee for deposit in the CFC Revenue Fund.

Rolling Coverage Fund means the fund of such name established pursuant to Indenture.

Rolling Coverage Fund Requirement means twenty-five percent (25%) of the Maximum Annual Debt Service on the Bonds (expressly excluding Subordinate Bonds) then outstanding.

Securities Act means the federal Securities Act of 1933, as amended, and any successor thereto.

Securities Depository or DTC means The Depository Trust Company and its successors and assigns or any other securities depository selected by the Department which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

S&P means S&P Global Ratings, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns.

State means the State of Hawaii.

Supplemental Indenture means each supplement to the Indenture or each other financing document entered into providing for the issuance of a Series of Additional Bonds or Subordinate Bonds or a supplement entered into for the purposes and in the manner set forth therein.

Tax-Exempt Bonds means any Series of Bonds the interest on which is excludable from the gross income of the recipient thereof for federal income tax purposes.

Tax-Exempt Facilities means facilities financed with the proceeds of Tax-Exempt Bonds and subject to the related restrictions of the Code.

Trustee means MUFG Union Bank, N.A. with it successors and, where the context may require, any separate Trustee or Co-Trustee appointed by the Trustee pursuant to the provisions of the Indenture.

Unassigned Rights means the rights of the Department under each RAC Agreement, except, as long as any Bonds remain Outstanding, the right to receive and collect CFCs and Minimum Annual Requirement Deficiency Payments.

APPENDIX D

Summary of Certain Provisions of the Indenture

This Appendix D contains a summary of certain provisions of the Indenture of Trust (the "*Indenture*") dated as of August 1, 2014 between the State of Hawaii (the "*State*") acting through the Department of Transportation (the "*Department*") and MUFG Union Bank N.A., as Trustee (the "*Trustee*") and Third Supplemental Indenture of Trust (the "*Third Supplemental Indenture*"). The summaries contained herein do not purport to be complete or to follow the exact language of the Indenture or Third Supplemental Indenture. Reference is made to full text of the Indenture and Third Supplemental Indenture for the precise wording and the complete provisions thereof. The Indenture and Third Supplemental Indenture are available upon request from the Department.

SUMMARY OF THE INDENTURE OF TRUST

Pledge and Assignment.

In order to secure the due payment of principal of and premium, if any, and interest on the Bonds and compliance by the Department with its agreements contained in the Indenture, the Department has granted, pledged and assigned to the Trustee for the benefit of the Bondholders all of its right, title and interest in and to the Pledged Receipts. The pledge and the provisions, covenants and agreements under the Indenture set forth to be performed by or on behalf of the Department with respect to the Bonds (other than the Subordinate Bonds) shall be for the equal benefit, protection and security of the holders of any and all Bonds (other than the Subordinate Bonds), and the pledge and the provisions, covenants and agreements under the Indenture set forth to be performed by or on behalf of the Department with respect to the Subordinate Bonds shall be for the equal benefit, protection and security of the holders of any and all Subordinate Bonds. Bonds (other than Subordinate Bonds) or Subordinate Bonds, respectively, regardless of the time or times of their respective issue or maturity, shall be of equal rank with the other Bonds (other than the Subordinate Bonds), or Subordinate Bonds, as the case may be, without preference, priority or distinction over any other thereof except as expressly provided in the Indenture.

In each of the RAC Agreements, the RACs shall acknowledge that the CFCs collected by the RACs prior to remittance to the Department or the Trustee, on behalf of the Department, shall be subject at all times to a first lien for the repayment of the Bonds and that the RACs shall not grant to any third party (other than the Department) any liens or encumbrances on CFCs, and that any lien or encumbrance on CFCs granted by a RAC to a third party or otherwise purported to be obtained by a third party shall be null, void and of no force or effect. In each of the RAC Agreements, the RACs shall agree that all CFCs collected by the RACs are not income, revenue or any other asset of the RACs, that the RACs have no legal or equitable ownership or property interest in the CFCs, and the RACs waive any claim to a possessory or legal or equitable ownership interest in the CFCs. Prior to remittance to the Department or the Trustee, on behalf of the Department, in each of the RAC Agreements, the RACs shall acknowledge that CFCs shall be held by the RACs as funds in trust for the benefit of the Department, and the Department (or the Trustee on its behalf) shall have complete possessory and legal and equitable ownership rights to the CFCs.

Defeasance of Lien.

When the Department has paid or has been deemed to have paid, to the holders of all of the Bonds the principal and interest and premium, if any, due or to become due thereon at the times and in the manner stipulated under the Indenture, and all other obligations owing to the Trustee under the Indenture have been paid or provided for, the lien of the Indenture on the Trust Estate shall terminate, except that, notwithstanding termination of the lien thereof, the obligations to make all payments required under the Indenture and to take any other action under the Indenture shall continue until all such obligations and actions have been paid and performed in full. Upon the written request of the Department, the Trustee shall, upon the termination of the lien thereof, promptly execute and deliver to the Department an appropriate discharge thereof except that, subject to the provisions of the Indenture, the Trustee shall continue to hold in trust amounts held pursuant to the Indenture, if any, for the payment of the principal of, premium, if any, and interest on the Bonds and moneys held for rebate to the United States of America under section 148(f) of the Code.

Authorization of Additional Bonds.

(a) One or more Series of Additional Bonds may be issued on a parity with all Outstanding Bonds (other than Subordinate Bonds) as may be requested by the Department; provided, that the issuance of any Series of Additional Bonds shall be conditioned upon the Trustee's receipt of, among other items, the following:

(i) a written order from an Authorized Officer of the Department stating that such Series of Additional Bonds has been authorized by applicable Law;

(ii) a certificate of the Department requesting the issuance of such Additional Bonds, stating that no default exists with respect to the obligations to be performed by the Department under the Indenture and that all conditions precedent provided for in this Indenture relating to the authentication and delivery of such Additional Bonds have been complied with;

(iii) an opinion of Bond Counsel addressed to the Department and the Trustee stating that all conditions precedent provided for in the Indenture relating to the authentication and delivery of such Additional Bonds have been complied with; and

(iv) in the case of Additional Bonds which do not constitute Refunding Bonds, either:

(1) a report of a Consultant to the effect that for each of the three Fiscal Years following the date of issuance of such Additional Bonds or the date of final expenditure of capitalized interest funded from such Additional Bonds, whichever is later, (i) the CFCs, at the then current level and taking into account any other level as has been approved and will be imposed during the forecast period, projected to be remitted to the Trustee (together with investment earnings on the Funds, excluding the Project Fund, held under this Indenture) are expected, as of the end of each such Fiscal Year, to be at least equal to 1.25 times the Maximum Annual Debt Service on all Bonds Outstanding (including such Additional Bonds), other than Subordinate Bonds, (ii) the Rate Covenant is expected to be satisfied, and (iii) the CFCs are projected to be sufficient to meet the Annual CFC Target; or

(2) a certificate of the Department to the effect that for any consecutive 12 months out of the immediately preceding 18 months (i) the CFCs received by the Trustee (together with investment earnings on the Funds, excluding the Project Fund, held under this Indenture) were at least equal to 1.25 times the Maximum Annual Debt Service due on all Bonds Outstanding (including such Additional Bonds), other than Subordinate Bonds, (ii) the Rate Covenant was satisfied, and (iii) the CFCs met the Annual CFC Target.

(b) Refunding Bonds may be issued and authenticated following the receipt by the Trustee of, among other items, a certificate of the Department substantially to the effect that one of the following conditions has been satisfied:

(i) after the issuance of the proposed Refunding Bonds, the Aggregate Debt Service on all Outstanding Bonds (including the proposed Refunding Bonds), assuming that Refunding Bonds bearing interest at a Variable Rate will bear interest at a fixed rate determined by an investment banker selected by the Department on the basis of then-current market conditions for long-term debt of similar tenor as the Outstanding Bonds and with a term substantially similar to the maturity dates of the Outstanding Bonds, will be less than that for each Bond Year within which any of the refunded Bonds would have been Outstanding but for their having been refunded;

(ii) that the refunding will reduce the total debt service payments on the refunded Bonds on a present value basis; or, alternatively, Refunding Bonds may be issued by complying with the provisions of the Indenture summarized under (a)(iv) above or, if such Refunding Bonds are Subordinate Bonds, by delivery by the Department of the certificate certifying the satisfaction of the relevant requirements of the Indenture; or

(iii) such series of Refunding Bonds are being issued to refund an EB-5 Bond.

Terms of Bonds.

Bonds of each Series shall be dated, shall bear interest until their maturity at such rate or rates, determined in such manner and payable on such date or dates, shall be in such form and shall have such other terms and conditions not inconsistent with the terms of the Indenture as shall be provided for in the Supplemental Indenture authorizing the issuance of such Series. All Bonds and Additional Bonds shall be payable and secured equally and ratably and on a parity with the Bonds and any Additional Bonds theretofore or thereafter issued and shall be entitled to the same benefits and security of the Indenture. Except as may be otherwise provided in the Supplemental Indenture providing for the issuance of a Series of Subordinate Bonds, Subordinate Bonds shall be payable from funds deposited to the Subordinate Debt Service Fund as provided in the Indenture and amounts, if any, deposited in one or more Accounts within a Subordinate Reserve Fund established for the benefit of such Subordinate Bonds by the Supplemental Indenture or other financing document providing for the issuance of such Subordinate Bonds.

Bonds Limited Obligations.

The Bonds shall not constitute an indebtedness of the Department or the State or a loan of credit thereof within the meaning of any constitutional or statutory limitation, the Bonds are not a general or moral obligation of the Department, the State or any political subdivision thereof and neither the faith and credit nor the taxing power of the Department, the State or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or the interest on the Bonds or other costs incident thereto. The principal of and premium, if any, and interest on the Bonds is a limited obligation payable solely from the Pledged Receipts. **NOTHING IN THE INDENTURE SHALL BE CONSTRUED AS REQUIRING THE DEPARTMENT TO USE ANY FUNDS OR REVENUES FROM ANY SOURCE OTHER THAN AS DESCRIBED THEREIN**.

Procedure for Redemption; Notice of Redemption.

(a) Unless otherwise specified in the Supplemental Indenture relating thereto, if the Department wishes to call any Bonds for redemption, it shall give notice to the Trustee of its election (which notice shall contain the information required under the Indenture) at least 35 days prior to the redemption date. In the event any of the Bonds are called for redemption, the Trustee shall give notice, in the name of the Department, of the redemption of such Bonds, which notice shall (i) specify the Bonds to be redeemed, the redemption date, the redemption price, and the place or places where amounts due upon such redemption will be payable (which shall be the principal corporate trust office of the Trustee) and, if less than all of the Bonds are to be redeemed, the numbers of the Bonds, and the portions of the Bonds, so to be redeemed, (ii) state any condition to such redemption, and (iii) state that on the redemption date, and upon the satisfaction of any such condition, the Bonds to be redeemed shall cease to bear interest. If available, CUSIP number identification shall accompany all redemption notices. Such notice may set forth any additional information relating to such redemption. Unless otherwise specified in the Supplemental Indenture relating thereto, such notice shall be given by mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption to each holder of Bonds to be redeemed at its address shown on the Registration Books (if Bonds are held in book entry form with DTC, notice shall be provided in accordance with DTC procedures); provided, however, that failure to give such notice to any Bondholder or any defect in such notice shall not affect the validity of the proceedings for the redemption of any of the other Bonds. The Trustee shall send a second notice of redemption by certified mail return receipt requested to any registered holder who has not submitted Bonds called for redemption 30 days after the redemption date, provided, however, that the failure to give any second notice by mailing, or any defect in such notice, shall not affect the validity of any proceedings for the redemption of any of the Bonds and the Trustee shall not be liable for any failure by the Trustee to send any second notice.

(b) Any Bonds and portions of Bonds which have been duly selected for redemption and which are paid in accordance under the Indenture shall cease to bear interest on the specified redemption date.

Establishment of Funds.

(a) The Department has established the following Funds: (1) Project Fund; (2) CFC Revenue Fund; (3) Debt Service Fund; (4) Rolling Coverage Fund; (5) Debt Service Reserve Fund; (6) Subordinate Debt Service Fund; (7) Subordinate Reserve Fund; (8) Rebate Fund; (9) Administrative Expense Fund; (10) Capital Improvements, Repair and Replacement Fund; (11) Operation and Maintenance Fund; (12) CFC Stabilization Fund; (13) Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund; and (14) Discretionary Fund.

(b) All such Funds shall be maintained and accounted for in accordance with the Indenture for so long as any Bonds remain Outstanding. The CFC Revenue Fund, the Project Fund, the Debt Service Fund, the Rolling Coverage Fund, the Debt Service Reserve Fund, the Subordinate Debt Service Fund, the Subordinate Reserve Fund, the Administrative Expense Fund, the Operation and Maintenance Fund, the Capital Improvements, Repair and Replacement Fund, the Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund, the CFC Stabilization Fund and the Discretionary Fund shall constitute trust funds which shall be established by the Trustee, when needed, for the benefit of the Owners of the Bonds and are part of the Trust Estate. The Rebate Fund, if any, shall be established pursuant to a Supplemental Indenture entered into in connection with the issuance of a series of Tax-Exempt Bonds and shall not constitute a trust fund held for the benefit of the Owners of the Bonds and will not be part of the Trust Estate. To the extent that the Rebate Fund shall be held by the same institution serving as the Trustee, such Fund shall be held by it as a Depositary for the Department and not as Trustee for the benefit of the Bondholders.

(c) The Department and the Trustee reserve the right to establish additional Funds, sub-funds, Accounts and subaccounts from time to time under Supplemental Indentures; and any such

Supplemental Indenture may provide that amounts on deposit in such Funds, sub-funds, Accounts and subaccounts shall be held by the Trustee for the sole and exclusive benefit of a particular Series of Bonds as may be specifically designated in such Supplemental Indenture.

Project Fund; Costs of Issuance Account.

(a) In connection with the issuance of the Initial Bonds and any Additional Bonds, unless otherwise specified in the Supplemental Indenture relating thereto, there shall be established an Account relating to such Series within the Project Fund (each a "*Project Account*") and, as determined by the Department, there may be established a cost of issuance account (each a "*Cost of Issuance Account*").

(b) The Trustee shall disburse funds on deposit in a Project Account only upon receipt of a Requisition Certificate executed by an Authorized Officer of the Department. Such amounts may be applied to pay CRCF Project Costs, including, without limitation, to reimburse advances made by the Department or the RACs for such costs. Following the delivery of the Completion Certificate for the CRCF relating to a Project Account, any amounts remaining in such Project Account shall be transferred to the related account of the Debt Service Fund; provided, however, that any amounts certified to the Trustee by the Department shall be retained within the Project Fund for payment of related CRCF Project Costs not yet due and payable. Any such retained funds remaining after full payment of all such costs shall likewise be transferred to the related account of the Debt Service Fund. In respect to disbursements for work done in connection with the construction, acquisition and installation of a CRCF, such requisition, signed by an Authorized Officer of the Department, shall be accompanied by a certificate signed by a Consulting Engineer certifying that the obligations in the stated amounts have been incurred by the Department, and that each item thereof is a proper charge against the applicable Project Account, has not been included in any prior requisition which has been paid, and insofar as any such obligation was incurred for work, materials, equipment or supplies, such work was actually performed in the furtherance of the construction, acquisition and installation of the related CRCF or such materials, equipment or supplies were delivered at the site(s) of the such CRCF for those purposes, or delivered for storage or fabrication at a place or places approved by a Consulting Engineer and under the control of the Department. Notwithstanding the foregoing, no certificate of a Consulting Engineer shall be required with respect to disbursements for Costs of Issuance or other costs that the Authorized Officer of the Department shall have certified as being costs that are not directly related to the actual construction, acquisition and installation of the CRCFs. The Trustee shall have no obligation to determine if a Consulting Engineer's certificate is required.

(c) In the event that any proceeds of casualty insurance policies or condemnation awards are delivered to the Trustee pursuant to the Indenture, for the purpose of financing the repair, reconstruction, restoration or replacement of the Statewide Airports Car Rental Facilities System or any portion thereof, the Trustee shall deposit such funds into a separate Account within the Project Fund and shall disburse such funds as provided in the Indenture. Any amounts remaining after the completion of any such restoration and provision for all costs thereof (as the same are certified by the Department to the Trustee) shall be deposited in the applicable Account or Accounts within the Debt Service Fund and applied to the payment of principal of or interest on the Bonds next coming due.

CFC Revenue Fund; Flow of Funds.

(a) All Revenues received by the Trustee shall be deposited upon receipt to the CFC Revenue Fund.

(b) On or before the Draw Down Date each month, the Trustee shall transfer moneys then on deposit in the CFC Revenue Fund in the following order of priority, but as to each Fund, only within the limitation herein below indicated with respect thereto and only after and to the extent that maximum payment within such limitation into every Fund previously mentioned has been satisfied, in accordance with the written statement of the Department, delivered on or before the Draw Down Date:

(1) First, the Trustee shall transfer to each Account within the Debt Service Fund established for a Series of Bonds (other than Subordinate Bonds) (i) amounts sufficient to pay one-sixth of the interest due on Bonds of such Series on the next succeeding Interest Payment Date if such Series bears interest at a Fixed Rate, or an amount specified in the applicable Supplemental Indenture if such Series bears interest at a Variable Rate, as applicable, net of interest earnings on deposit in such Account, provided that payments prior to the first Interest Payment Date after the issuance of a Series of Bonds shall be adjusted to the extent necessary so that the total amount of interest due on such Bonds on that Interest Payment Date will have been paid into the applicable Debt Service Account in equal installments prior to that Interest Payment Date, and (ii) (amounts sufficient to pay the principal amount of the Bonds of such Series coming due on the next succeeding Principal Payment Date multiplied by a fraction, the numerator of which shall be 1 and the denominator of which shall be the number of months between the immediately preceding Principal Payment Date and the next succeeding Principal Payment Date (including sinking fund installments), net of interest earnings on deposit in such Account, provided that payments prior to the first Principal Payment Date after the issuance of a Series of Bonds shall be adjusted to the extent necessary so that the total amount of principal due on such Bonds on that Principal Payment Date will have been paid into the applicable Debt Service Account in equal installments prior to that Principal Payment Date.

(2) Second, the Trustee shall transfer remaining moneys on deposit in the CFC Revenue Fund, if any, up to the amount of the Monthly Rolling Coverage Fund Requirement to the Rolling Coverage Fund.

(3) Third, the Trustee shall transfer remaining moneys on deposit in the CFC Revenue Fund, if any, up to the amount of the Monthly Debt Service Reserve Fund Requirement to the Debt Service Reserve Fund.

(4) Fourth, the Trustee shall transfer remaining moneys on deposit in the CFC Revenue Fund, if any, after taking into account any amounts representing capitalized interest therein, to each Account within the Subordinate Debt Service Fund established for a Series of Subordinate Bonds, (i) amounts sufficient to pay one-sixth of the interest due on Subordinate Bonds of such Series on the next succeeding Interest Payment Date if such Series bears interest at a Fixed Rate, or an amount specified in the applicable Supplemental Indenture if such Series bears interest at a Variable Rate, as applicable, provided that payments prior to the first Interest Payment Date after the issuance of a Series of Subordinate Bonds shall be adjusted to the extent necessary so that the total amount of interest due on such Subordinate Bonds on that Interest Payment Date will have been paid into the applicable Subordinate Debt Service Account in equal installments prior to that Interest Payment Date, and (ii) amounts sufficient to pay the principal amount of the Subordinate Bonds of such Series coming due on the next succeeding Principal Payment Date multiplied by a fraction, the numerator of which shall be 1 and the denominator of which shall be the number of months between the immediately preceding Principal Payment Date and the next succeeding Principal Payment Date, provided that payments prior to the first Principal Payment Date after the issuance of a Series of Subordinate Bonds shall be adjusted to the extent necessary so that

the total amount of principal due on such Subordinate Bonds on that Principal Payment Date will have been paid into the applicable Subordinate Debt Service Account in equal installments prior to that Principal Payment Date.

(5) Fifth, if and to the extent required by a Supplemental Indenture or other financing document providing for the issuance of one or more Series of Subordinate Bonds, the Trustee shall transfer remaining moneys on deposit in the CFC Revenue Fund, if any, in substantially equal monthly installments over a period determined by the Department of up to twelve (12) months to the applicable Accounts within the Subordinate Reserve Fund, if any.

(6) Sixth, with respect to any Series of Tax-Exempt Bonds, the Trustee shall transfer remaining moneys on deposit in the CFC Revenue Fund, if any, to the Rebate Fund for such Series of Tax-Exempt Bonds the amounts calculated to be due to the Internal Revenue Service as arbitrage rebate for such Series of Tax-Exempt Bonds in accordance with any arbitrage rebate calculation provided to the Trustee with respect to a Series of Tax-Exempt Bonds, to the extent that funds are not already on deposit therein.

(7) Seventh, the Trustee shall transfer remaining moneys on deposit in the CFC Revenue Fund, if any, to the Administrative Expense Fund amounts necessary to cause the amount on deposit therein to equal the Administrative Expense Fund Requirement.

(8) Eighth, the Trustee shall transfer remaining moneys on deposit in the CFC Revenue Fund, if any to the Capital Improvements, Repair and Replacement Fund amounts necessary to cause the amount on deposit therein to equal the Capital Improvements, Repair and Replacement Fund Requirement.

(9) Ninth, the Trustee shall transfer remaining moneys on deposit in the CFC Revenue Fund, if any, to the Operation and Maintenance Fund amounts necessary to cause the amount on deposit therein to equal the Operation and Maintenance Fund Requirement.

(10) Tenth, the Trustee shall transfer remaining moneys on deposit in the CFC Revenue Fund, if any, up to the amount of the Monthly CFC Stabilization Fund Minimum Requirement to the CFC Stabilization Fund.

(11) Eleventh, the Trustee shall transfer remaining moneys on deposit in the CFC Revenue Fund, if any, to the Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund amounts necessary to cause the amount on deposit therein to equal the Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund Requirement, if any.

(12) Twelfth, the Trustee shall transfer all remaining moneys on deposit in the CFC Revenue Fund, if any, to the Discretionary Fund.

(c) If on any Draw Down Date, the Revenues in the CFC Revenue Fund are insufficient to make the required deposit to any Fund (including any applicable Account therein but excluding the Operation and Maintenance Fund, Capital Improvements, Repair and Replacement Fund, Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund and the Discretionary Fund) pursuant to the Indenture the Trustee shall transfer to for deposit in such Fund or such Account any and all moneys in the CFC Stabilization Fund up to the amount of such shortfall, notwithstanding the CFC Stabilization Fund Minimum Requirement, to the extent available.

(d) If, two Business Days before any Payment Date, the amounts on deposit in the Debt Service Account established for any Bonds (other than Subordinate Bonds) are insufficient to pay the interest or the principal or redemption price payable on such Bonds as the same shall become due, moneys held in the following Funds or Accounts shall be transferred to or by the Trustee from said Funds or Accounts in the following order to each such Debt Service Account in order to satisfy said deficiency therein:

(1) First, the Trustee shall transfer for deposit in the applicable Account within the Debt Service Fund any and all moneys in the CFC Stabilization Fund up to the amount of such shortfall, notwithstanding the CFC Stabilization Fund Minimum Requirement;

(2) Second, if available moneys in the CFC Stabilization Fund are insufficient to satisfy the deficiency, the Trustee shall transfer to the applicable Account within the Debt Service Fund moneys in the Rolling Coverage Fund; and

(3) Third, if available moneys in the CFC Stabilization Fund and Rolling Coverage Fund are insufficient to satisfy the deficiency, the Trustee shall transfer to the applicable Account within the Debt Service Fund moneys in the Debt Service Reserve Fund.

Debt Service Fund.

(a) Unless otherwise specified in the Supplemental Indenture relating thereto, in connection with the issuance of each Series of Bonds there shall be established an Account relating to such Series within the Debt Service Fund (each a "*Debt Service Account*").

(b) On each Principal Payment Date, funds on deposit in each such Debt Service Account shall be applied to pay principal or interest of the related Bonds then due, as applicable.

(c) If, two (2) Business Days prior to any Payment Date, the amount on deposit in any Account within the Debt Service Fund is insufficient to pay the principal, redemption price of or interest due on the applicable Series of Bonds for which such Account has been established, which is due on such Payment Date, the Trustee shall provide notice to the Department of such shortfall and, to the extent that funds in the CFC Stabilization Fund are insufficient to fund such shortfall, the Trustee shall proceed to draw upon the other Funds and Accounts held under the Indenture as provided.

(d) Notwithstanding any provision under the Indenture to the contrary, on the date that the funds on deposit in the Reserve Funds, plus the amounts if any, on deposit in the Debt Service Fund, are sufficient to pay the remaining principal of, premium, if any, and interest on all Outstanding Bonds as and when due, the Department may direct the Trustee to transfer the funds on deposit in the Reserve Funds to the Debt Service Fund and apply the same to the payment of the final maturities of principal of such Bonds, premium, if any, and interest thereon as and when due on the remaining Payment Dates.

Rolling Coverage Fund.

(a) As a condition precedent to the issuance of any Series of Bonds under the Indenture, provision must be made so that the Rolling Coverage Fund shall be funded to the Rolling Coverage Fund Requirement immediately after such issuance. Funds on deposit in the Rolling Coverage Fund shall be transferred and applied by the Trustee as provided under the Indenture to pay principal of and interest on the Bonds (other than Subordinate Bonds) in the event that the amount on deposit in the Debt Service Fund and available amounts from the CFC Stabilization Fund on any Payment Date are insufficient to pay the principal of or interest then due on any Series of Bonds (other than Subordinate Bonds).

(b) On each Principal Payment Date, following payment of principal of and interest on the Bonds due on such Payment Date, if the amount on deposit in the Rolling Coverage Fund is in excess of the Rolling Coverage Fund Requirement as calculated on such Payment Date, the difference between the amount on deposit in such Fund and the Rolling Coverage Fund Requirement shall be withdrawn from the Rolling Coverage Fund and deposited to the CFC Revenue Fund.

Debt Service Reserve Fund.

(a) As a condition precedent to the issuance of any Series of Bonds under the Indenture, provision must be made so that the Debt Service Reserve Fund shall be funded to the DSRF Requirement immediately after such issuance. Funds on deposit in the Debt Service Reserve Fund shall be transferred and applied by the Trustee as provided under the Indenture to pay principal of and interest on the Bonds (other than Subordinate Bonds) in the event that the amount on deposit in the Debt Service Fund and available amounts from the CFC Stabilization Fund and the Rolling Coverage Fund on any Payment Date are insufficient to pay the principal of or interest then due on any Series of Bonds (other than Subordinate Bonds).

(b) On each Principal Payment Date, following payment of principal of and interest on the Bonds due on such Payment Date, if the amount on deposit in the Debt Service Reserve Fund is in excess of the DSRF Requirement as calculated on such Payment Date, the difference between the amount on deposit in such Fund and the DSRF Requirement shall be withdrawn from the Debt Service Reserve Fund and deposited to the Debt Service Fund.

Rebate Fund.

In connection with the issuance of any Tax-Exempt Bonds, the Department has covenanted that it shall take all action necessary to comply with section 148 of the Code, including the payments when due of all amounts payable to the United States of America thereunder, and shall refrain from taking any action contrary to section 148 of the Code. For this purpose, a Rebate Fund will be established if required under section 148 of the Code pursuant to the Indenture and the Supplemental Indenture entered into in connection with the issuance of such Tax-Exempt Bonds.

Administrative Expense Fund.

Any interest earned on moneys and investments held within the Administrative Expense Fund shall be credited to such Fund so long as the amount on deposit in such Fund does not exceed the Administrative Expense Fund Requirement, and, on the first day of each month, shall be transferred by the Trustee into the CFC Revenue Fund in the event and to the extent that the amount on deposit in the Administrative Expense Fund exceeds the Administrative Expense Fund Requirement. The Administrative Expense Fund shall be disbursed by the Trustee to the Department upon receipt of a certificate of an Authorized Officer of the Department requesting a disbursement therefrom for use to pay Administrative Expenses.

Capital Improvements, Repair and Replacement Fund.

Any interest earned on moneys and investments held within the Capital Improvements, Repair and Replacement Fund shall be credited to such Fund so long as the amount on deposit under the Indenture does not exceed the Capital Improvements, Repair and Replacement Fund Requirement, and, on the first day of each month, shall be transferred by the Trustee into the CFC Revenue Fund in the event and to the extent that the amount then on deposit in the Capital Improvements, Repair and Replacement Fund exceeds the Capital Improvements, Repair and Replacement Fund Requirement. The Capital Improvements, Repair and Replacement Fund shall be disbursed by the Trustee to the Department's upon receipt of a certificate of an Authorized Officer of the Department requesting a disbursement therefrom for use to pay for capital improvements, repairs or replacements for the Statewide Airports Car Rental Facilities System in accordance with the RAC Agreements.

Operation and Maintenance Fund.

Any interest earned on moneys and investments held within the Operation and Maintenance Fund shall be credited to such Fund so long as the amount on deposit under the Indenture does not exceed the Operation and Maintenance Fund Requirement, and, on the first day of each month, shall be transferred by the Trustee into the CFC Revenue Fund in the event and to the extent that the amount then on deposit in the Operation and Maintenance Fund exceeds the Operation and Maintenance Fund Requirement. To the extent available under the Indenture, funds in the Operation and Maintenance Fund shall be disbursed by the Trustee to the RAC Consortium for valid Operation and Maintenance Requests upon delivery of a RAC Disbursement Certificate.

CFC Stabilization Fund.

Any interest earned on moneys and investments held within the CFC Stabilization Fund shall be credited to such Fund so long as the amount on deposit therein does not exceed the CFC Stabilization Fund Minimum Requirement, and, on the first day of each month, shall be transferred by the Trustee into the CFC Revenue Fund in the event and to the extent that the amount then on deposit in the CFC Stabilization Fund exceeds the CFC Stabilization Fund Requirement. Amounts on deposit in the CFC Stabilization Fund on any Draw Down Date shall be applied by pursuant to under the Indenture to make up deficiencies in amounts required to be on deposit in any Funds, notwithstanding the CFC Stabilization Fund Minimum Requirement. The Trustee, at the direction of the Department, may create additional Accounts within the CFC Stabilization Fund to assist in the administration of the application of funds for such purposes.

Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund.

Any interest earned on moneys and investments held within the Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund shall be credited to such Fund so long as the amount on deposit therein does not exceed the Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund Requirement, and, on the first day of each month, shall be transferred by the Trustee into the CFC Revenue Fund in the event and to the extent that the amount then on deposit exceeds the Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund Requirement. To the extent available thereunder, funds in the Unreimbursed Minimum Annual Requirement Deficiency

Payments and Operation and Maintenance Requests Fund shall be disbursed by the Trustee to the RAC Consortium upon delivery of a RAC Disbursement Certificate.

Discretionary Fund.

Any interest earned on moneys and investments held within the Discretionary Fund shall be credited to such Fund. Amounts in the Discretionary Fund shall be disbursed by the Trustee to the Department or at its order upon receipt of written instruction of the Department and used FIRST to repay any Shortfall Qualifying Amount then due and owing under the EB-5 Loan Agreement and SECOND for the enhancement, renovation, operation, and maintenance of existing rental motor vehicle customer facilities and the development of new rental motor vehicle customer facilities and related services at the Airports, including: (1) acquisition and maintenance of property or property rights for rental motor vehicle purposes; (2) acquisition of equipment for and operation of a unified shuttle bus system to and from passenger terminals and the rental motor vehicle customer facilities; (3) consultant fees; (4) management, operation, and maintenance fees for rental motor vehicle customer facilities; and (5) conceptual plans, plans, design, construction, operation, and maintenance of, or allocable to, the approved rental motor vehicle customer facilities and related services.

Investment of Moneys in Funds.

The Trustee shall invest moneys in the Project Fund, the Debt Service Fund, the Rolling Coverage Fund, the Debt Service Reserve Fund, the Subordinate Debt Service Fund, the Subordinate Reserve Fund, the Rebate Fund, the Administrative Expense Fund, the Operation and Maintenance Fund, the Capital Improvements, Repair and Replacement Fund, the Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund, the CFC Stabilization Fund and the Discretionary Fund in any Qualified Investments and shall sell or liquidate any such investment, in each case upon the written direction of the Department, subject in each case to the restrictions on investments set forth under the Indenture.

Payment of Bonds.

The Department agrees that it will promptly pay or cause to be paid the principal of and premium, if any, and interest on all Bonds as provided under the Indenture from the Pledged Receipts. The Department agrees that, except as provided therein, it will not mortgage, encumber or alienate any part of the Pledged Receipts. All agreements of the Department under this section and elsewhere in the Indenture and the Bonds and each other agreement or instrument to which the Department may be or hereafter become a party in connection with the Indenture or the Bonds are subject to the limitation described under the Indenture.

Rights of Department as Lessor; Enforcement of RAC Agreements.

(a) The Bonds and any other agreement or instrument to which the Department may be or hereafter become a party in connection with the Indenture or the Bonds are without prejudice to and shall not prohibit, restrict or derogate in any way from the Department's exercise of any of the Unassigned Rights of the Department as lessor under the RAC Agreements or from any other rights of the Department as operator of the Airports and the Statewide Airports Car Rental Facilities System. Notwithstanding any provision thereof to the contrary, the Department is under no obligation, express or implied, to the Trustee, the Bondholders or any other Person to exercise or to refrain from exercising any Unassigned Right which the Department may have under any RAC Agreement or from exercising any right, remedy or responsibility which the Department may have now or hereafter as operator of the Airports and the Statewide Airports Car Rental Facilities System, regardless of the effect of such exercise or non-exercise upon the rights and interests of the Trustee, the Bondholders or any other Person under the Indenture, the Bonds or any other such agreement or instrument.

(b) Notwithstanding the provisions summarized in subsection (a) above, the Department covenants that, to the full extent permitted by applicable law, so long as any of the Bonds remain Outstanding, it will require all RACs to collect and remit CFCs and make Minimum Annual Requirement Deficiency Payments, and the Department will take all actions legally permitted to enforce compliance by the RACs with the RAC Agreements and of their obligations thereunder, including specifically seeking specific performance by each of the RACs, to charge, collect and remit CFCs and make required Minimum Annual Requirement Deficiency Payments directly to the Trustee for the benefit of the Department. The Department covenants that so long as any of the Bonds remain Outstanding it will not enter into any RAC Agreement or consent to any amendment to a RAC Agreement which would permit direct access to the Terminals by any courtesy vehicle of a RAC or Off-Airport RAC after the related CRCF is open for business, or consent to any amendment to a RAC Agreement which would otherwise materially adversely affect the rights of Beneficial Owners without consent of a Majority of the Bondholders.

Collection of Customer Facility Charges; Rate Covenant.

(a) As long as any Bond remains Outstanding, to the full extent permitted by law, the Department shall require each RAC to charge, collect and remit directly to the Trustee for the benefit of the Department, CFCs for each Contract Day that a Motor Vehicle is rented by a Customer, and to pay directly to the Trustee for the benefit of the Department, Minimum Annual Requirement Deficiency Payments, as summarized in paragraph (c) below, and the RAC Agreements shall require the RACs to segregate such CFCs as trust funds for the benefit of the Department, and not as revenues of the RACs. In the event that any CFCs are paid to the Department and not the Trustee, the Department shall, to the extent allowed under applicable law, transfer such funds to the Trustee for deposit into the CFC Revenue Fund as soon as reasonably practicable.

(b) The Department shall, prior to the commencement of each Fiscal Year as long as any Bond is Outstanding, review and may adjust the level of the CFC, to the extent permitted by law, the Minimum Annual Requirement Deficiency or both based upon factors including the projected Aggregate Debt Service for the coming Fiscal Year, amounts necessary to fund the other accounts provided for in the Indenture, any shortfalls in CFC revenue and the Minimum Annual Requirement Deficiency compared to the Annual CFC Target that may have occurred in the then-current Fiscal Year, projections of the level of demand for rental car services at the Statewide Airports Car Rental Facilities System in the next Fiscal Year, and such other factors as the Department may determine in its sole discretion. Notwithstanding the foregoing, the Department may make unscheduled adjustments to the level of the CFC, to the extent permitted by law. As long as any Bonds remain Outstanding, the Department shall set the amount of the CFC, to the extent permitted by law, plus projected Minimum Annual Requirement Deficiency Payments at an annual level estimated to be sufficient to provide funds (i) to pay principal of and interest on the Bonds due in such Fiscal Year, (ii) to reimburse the Rolling Coverage Fund, the Debt Service Reserve Fund or the Subordinate Reserve Fund for any drawings upon such Funds over a period not to exceed twelve (12) months, as determined by the Department, (iii) to provide funds necessary to pay any "yield reduction payments" or rebate amounts due to the United States for which funds in the Rebate Fund or the CFC Stabilization Fund are not otherwise available, (iv) to maintain the balance of the CFC Stabilization Fund in an amount of no less than the CFC Stabilization Fund Minimum Requirement and to reimburse any drawings below the CFC Stabilization Fund Minimum Requirement over a period not to exceed twelve (12) months, as determined by the Department and (v) to maintain the balance of the Capital Improvements, Repair and Replacement Fund in an amount of no less than the Capital Improvements, Repair and Replacement Fund Requirement (collectively, the sum of the amounts required by (i) through (v) above, the "*Annual CFC Target*").

(c) The Department shall require each RAC to pay directly to the Trustee, for the benefit of the Department, Minimum Annual Requirement Deficiency Payments, in the aggregate, that the Department projects to be sufficient, together with CFCs projected to be collected in such Fiscal Year or portion thereof, to provide sufficient funds to meet the Annual CFC Target for such Fiscal Year and to provide additional funds equal to the difference between the CFCs and Minimum Annual Requirement Deficiency Payments (if any) received in the prior Fiscal Year and the Minimum Annual Requirement for such prior Fiscal Year.

(d) As long as any of the Bonds remain Outstanding, the aggregate amount of CFCs and Minimum Annual Requirement Deficiency Payments paid by the RACs in each Fiscal Year plus the amount on deposit in the Rolling Coverage Fund (up to an amount not to exceed 25% of the Aggregate Debt Service on the Bonds (expressly excluding Subordinate Bonds) in such Fiscal Year) to provide no less than 1.40 times the Aggregate Debt Service on the Bonds (expressly excluding Subordinate Bonds) (the "*Rate Covenant*"), and, in the event that the Rate Covenant is not satisfied in any Fiscal Year, the Department shall increase the CFC, to the extent permitted by law, the Minimum Annual Requirement Deficiency or both for the next succeeding Fiscal Year to no less than an amount, in the aggregate, that the Department projects to be sufficient to satisfy the Rate Covenant.

Insurance.

The Department shall maintain, or cause to be maintained, insurance with respect to the Statewide Airports Car Rental Facilities System against such casualties and contingencies and in such amounts not less than is reasonably prudent for owners of comparable facilities. Such policies of insurance shall name the Department and the Trustee as additional insureds as their interests may appear. Any premiums for such policies of insurance shall be paid by the RACs or by the Department.

Casualty and Condemnation.

In the event that the Statewide Airports Car Rental Facilities System or any portion thereof is damaged, taken or condemned, the net proceeds of insurance (including without limitation self-insurance) or condemnation award allocable to that portion of the Statewide Airports Car Rental Facilities System financed with proceeds of Bonds shall be applied as set forth under the Indenture to restore such damaged or condemned portion of the Statewide Airports Car Rental Facilities System to substantially the same condition as before such damage or condemnation occurred; provided, if the Department reasonably determines that such damaged or condemned portion of the Statewide Airports Car Rental Facilities System cannot be so restored, such net proceeds or condemnation award shall be deposited to the Debt Service Fund and applied to the principal of and interest on the Bonds next coming due, pro rata. In the event the Department so determines that such damage or condemnation cannot be so restored, the Department shall provide the Trustee with written notice of such determination not less than 60 days following the date of such damage or condemnation. Nothing under the Indenture shall limit the Department's power of eminent domain.

Events of Default; Defaults.

The occurrence of any of the following events shall constitute an "Event of Default" under the Indenture:

(a) Failure to pay interest on any Bond when due and payable.

(b) Failure to pay any principal of, or premium on, any Bond when due and payable, whether at stated maturity or pursuant to any redemption or purchase requirement under the Indenture or under any Supplemental Indenture.

(c) Failure by the Department to observe or perform any other covenant, condition or agreement on its part to be observed or performed in the Indenture or the Bonds for a period of 60 days after written notice of such failure shall have been given to the Department by the Trustee; provided, however, that if such observance or performance requires work to be done, actions to be taken or conditions to be remedied which by its or their nature cannot reasonably be done, taken or remedied, as the case may be, within such 60-day period, no Event of Default under this subsection (c) shall be deemed to have occurred or to exist if and so long as the Department shall have commenced such work, action or remediation within such 60-day period and provided written notice thereof to the Trustee and shall diligently and continuously prosecute the same to completion; provided, however, that, except as described under subsection (a) or (b) above, any failure to satisfy a Fund Requirement shall not constitute an Event of Default.

Within five days after actual knowledge by an Authorized Officer of the Trustee of an Event of Default under subsection (a) or (b) above, the Trustee shall give written notice to the Department and all of the Bondholders.

Remedies; Rights of Bondholders.

(a) Upon the continuance of an Event of Default, if so requested by a Majority of the Bondholders, and if satisfactory indemnity has been furnished to it, the Trustee shall exercise such of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, shall deem most effective to enforce and protect the interests of the Bondholders.

(b) No remedy under the Indenture is intended to be exclusive, and to the extent permitted by law each remedy shall be cumulative and in addition to any other remedy thereunder or now or hereafter existing.

(c) No delay or omission to exercise any right or power shall impair such right or power or constitute a waiver of any Default or Event of Default or acquiescence therein; and each such right and power pay be exercised as often as deemed expedient.

(d) No waiver by the Trustee or the Bondholders of any Default or Event of Default shall extend to any subsequent Default or Event of Default.

Right of Bondholders to Direct Proceedings.

A Majority of the Bondholders shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the appointment of a receiver or any other proceedings thereunder; provided that such direction shall be in accordance with applicable Law and the Indenture and provided further that the Trustee shall be indemnified to its satisfaction.

Application of Moneys After Event of Default.

Upon the occurrence of an Event of Default, there shall be deposited in the CFC Revenue Fund all moneys and proceeds held or received by the Trustee or any receiver pursuant to the Indenture or any related document or the exercise of any rights granted under the Indenture, except amounts in the Rebate Fund (to the extent applicable), which shall be held and applied in accordance with the Indenture, and all moneys in the CFC Revenue Fund (except funds for which provision has been made under the Indenture) shall be applied after first paying all Costs of Collection incurred by the Trustee or any receiver and any fees, compensation and reimbursement of expenses then owing to the Trustee under the Indenture: (i) FIRST to the payment of interest then due on the Bonds (other than Subordinate Bonds) without regard to when such interest became due, (ii) SECOND to the payment of principal and premium, if any, then due on the Bonds (other than Subordinate Bonds), without regard to when such principal or premium, if any, became due, (iii) THIRD to the payment of interest then due on the Subordinate Bonds without regard to when such interest became due, and (iv) FOURTH to the payment of principal and premium, if any, then due on the Subordinate Bonds, without regard to when such principal or premium, if any, became due; or in such other order as may be determined by the Trustee with the written consent of all the Bondholders; provided, however, that funds collected from any Account of the Project Fund shall be applied solely to the payment of principal of and interest on the Series of Bonds secured by such Account. Payments shall be made ratably, according to the amounts due respectively for interest and principal and premium, if any, among Bondholders entitled to receive the payment being made.

Rights and Remedies of Bondholders.

No Bondholder shall have any right to institute any proceedings for the enforcement of the Indenture or any right or remedy granted under the Indenture unless (i) an Event of Default is continuing, (ii) an Authorized Officer of the Trustee is deemed to have notice or knowledge thereof or has been notified as provided under the Indenture, (iii) a Majority of the Bondholders shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to exercise its powers or to institute such proceeding in its own name, and have offered to the Trustee indemnity satisfactory to it, and (iv) the Trustee shall have failed or refused to exercise its power or to institute such proceeding for a period of no less than 60 days after receipt of such written request. Such notice, request and offer of indemnity shall at the option of the Trustee be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action for the enforcement of the Indenture or of any right or remedy granted under the Indenture; it being understood and intended that the holders of the Bonds shall have no right to affect or prejudice the lien of the Indenture by their action or to enforce any right under the Indenture except in the manner provided and that proceedings shall be instituted and maintained in the manner provided and for the benefit of the holders of all Bonds then outstanding. Notwithstanding the foregoing, each Bondholder shall have a right of action to enforce the payment of the principal of and premium, if any, and interest on any Bond held by it at and after the maturity thereof, from the sources and in the manner expressed in such Bond.

Waivers of Events of Default.

The Trustee shall waive (in advance or otherwise) any Event of Default and its consequences and rescind any declaration of maturity of principal upon the written request of a Majority of the Bondholders or, in the case of an Event of Default whose waiver would constitute a violation of the provisions of the Indenture summarized under the heading "Supplemental Indenture Requiring Consent of Bondholders" below, the Bondholder or Bondholders whose consent is required by such provision, but no such waiver (except as specifically provided therein) or rescission shall extend to any subsequent or other Event of Default.

Resignation by Trustee; Removal.

The Trustee may at any time resign from the trusts created by the Indenture by giving 30 days' written notice to the Department and to each Bondholder, but such resignation will not take effect until the appointment of a successor Trustee, acceptance by the successor Trustee of such trusts and assignment to such successor Trustee of the rights of the predecessor Trustee under the Indenture. The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Trustee by a Majority of the Bondholders, but such removal shall not take effect until the appointment of a successor Trustee and acceptance by the successor Trustee of such trusts. The Trustee may also be removed at any time for any breach of trust, or for acting or proceeding in violation of, or for failing to act or proceeding in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee, by any court of competent jurisdiction upon the application of the holders of not less than 25% in aggregate principal amount of the Bonds, excluding any Bonds held by or for the account of the Department. The Department may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of the Department by filing with the Trustee an instrument signed by an Authorized Officer and by mailing notice thereof to the Bondholders at their addresses shown on the registration books kept by the Trustee. Any removal of the Trustee will take effect upon the appointment of a successor Trustee.

Supplemental Indentures Not Requiring Consent of Bondholders.

The Department and the Trustee may, without the consent of, or notice to, any of the Bondholders enter into indentures of trust supplemental to the Indenture and financing statements or other instruments evidencing the existence of a lien as shall not, in their opinion, be inconsistent with the terms and provisions hereof or thereof for any one or more of the following purposes: (a) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture; (b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee; (c) to subject to the lien and pledge of the Indenture additional revenues or collateral; (d) to evidence any succession to the Department and the assumption by such successor of the agreements of the Department contained in the Indenture and the Bonds; (e) to the extent required by law, to permit registration of the Bonds under the Securities Act, the Trust Indenture Act, or any applicable state securities law, and to permit qualification of the Indenture under the Trust Indenture Act; (f) to revise the provisions of the Indenture or any related document or certificate relating to rebate of arbitrage profits to the United States, provided the Trustee shall have received an opinion of Bond Counsel that such revision does not adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes; (g) to effect any other change in the Indenture which, in the judgment of the Trustee, is not to the prejudice of the holders of the Bonds; (h) to provide for the issuance of Bonds, including without limitation to provide for the establishment of additional Accounts in the various Funds as necessary to reflect the parity or subordinate status of such Series of Bonds; and (i) to modify the definition of Qualified Investments as directed by the Department, provided that the Department shall have provided evidence to the Trustee that the details of such modification have been provided in writing to each Rating Agency then assigning a rating to an Outstanding Bond and that each such Rating Agency has either (i) confirmed in writing that such modification will not adversely affect such ratings or (ii) issued a rating on a Series of Bonds to be issued which is not lower than the rating assigned by such Rating Agency to Outstanding Bonds prior to such modification, or any other evidence satisfactory to the Trustee that modification will not adversely affect the then current ratings, if any, assigned to the Bonds by any Rating Agency.

Supplemental Indenture Requiring Consent of Bondholders.

In addition to Supplemental Indentures described in the preceding section, a Majority of the Bondholders shall have the right, from time to time, to consent to and approve the execution by the parties to the Indenture or other indentures of trust supplemental hereto or thereto for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture of trust; provided, however, that nothing in the provisions of the Indenture summarized in this section shall permit (i) an extension of the stated maturity of the principal of or the interest on any Bond without the consent of the holder of such Bond; (ii) a reduction in the principal amount of any Bond, the rate of interest thereon or the premium, if applicable, to be paid upon the redemption thereof prior to maturity without the consent of the holder of such Bond; (iii) an extension of the date for making any scheduled mandatory redemption without the consent of all of the Bondholders of the affected Series; (iv) the establishment of a privilege or priority of any Bond or Bonds over any other Bond or Bonds (other than Subordinate Bonds) without the consent of all the Bondholders; (v) a reduction in the percentage of the aggregate principal amount of Bonds the holders of which are required to consent to any such supplemental indenture of trust without the consent of the holders of all the Bonds at the time outstanding which would be affected by the action to be taken; (vi) a release of collateral granted under the Indenture without the consent of all of the Bondholders, except as expressly provided therein; or (vii) a modification of the rights, duties or immunities of the Department or the Trustee without the written consent of the affected party.

If at any time the Department shall request the Trustee to enter into any supplemental indenture of trust pursuant to the provisions of the Indenture summarized under this heading, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution to be made in the manner summarized under "Procedure for Redemption; Notice of Redemption" above; provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of the proceedings.

Such notice shall briefly set forth the nature of the proposed supplemental indenture of trust and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders. Except as otherwise provided in the Indenture, if, within 60 days or such longer period (not to exceed two years) as shall be prescribed by the Department following the final mailing of such notice, not less than a Majority of the Bondholders at the time of the execution of any such supplemental indenture of trust shall have consented to and approved the execution thereof, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Department from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture of trust as in this Section permitted and provided, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

For the purposes of the Indenture, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase, may approve a supplemental indenture and may consent to a modification or amendment of the Indenture or any supplemental indenture and other modifications permitted in the manner provided in the Indenture, except that no proof of ownership shall be required, and with the same effect as a consent given by the holder of such Bonds.

Amendments to RAC Agreements.

The provisions of the foregoing section providing for Bondholder consent to certain Supplemental Indentures shall also apply to the modification provisions of the RAC Agreements and to the definitions of terms used therein as so used in a manner that could materially and adversely affect the Bondholders, but shall not apply to any other provisions of the RAC Agreements, including without limitation the Unassigned Rights; and with respect to the modification or waiver of such other provisions of the RAC Agreements, the consent of the Bondholders shall not be required.

Modification by Unanimous Consent.

Notwithstanding anything contained elsewhere in the Indenture, the rights and obligations of the Department, the Trustee and the holders of the Bonds, and the terms and provisions of the Bonds and the Indenture, or any supplemental indenture of trust may be modified or altered in any respect with the consent of the Department, the Trustee and the holders of all of the Bonds then outstanding.

SUMMARY OF THE THIRD SUPPLEMENTAL INDENTURE

Payment on the Series 2019A Bonds.

Interest on the Series 2019A Bonds shall be payable on each applicable Interest Payment Date. The Series 2019A Bonds shall bear interest from the date thereof or from and including the most recent Interest Payment Date with respect to which interest has been paid or duly provided for. The principal of, premium, if any, and the interest on the Series 2019A Bonds shall be payable in lawful money of the United States of America. Principal of and redemption premium, if any, on all Series 2019A Bonds shall be payable at the principal corporate trust office of the Trustee upon the presentation and surrender of the Series 2019A Bonds as the same become due and payable. Interest on the Series 2019A Bonds shall be paid by check drawn upon the Trustee and mailed to the persons in whose names the Series 2019A Bonds are registered at the address of each such person as it appears on the registration books maintained by the Registrar for the Bonds at the close of business on the Record Date next preceding each Interest Payment Date or at such other address as is furnished in writing by such Bondholder to the Registrar for the Bonds. Interest on the Series 2019A Bonds shall be paid by wire transfer to any Bondholder who at the close of business on such Record Date has given written notice of its wire transfer address in the continental United States to the Registrar for the Bonds prior to such Record Date (which notice may provide that it will remain in effect until revoked), provided that each such wire transfer shall be made only with respect to a Bondholder of $1,000,000 or more in aggregate original principal amount of the Series 2019A Bonds as of the close of business on such Record Date.

Book-Entry-Only System.

The Series 2019A Bonds will be issued initially as one fully registered bond for each maturity in the name of Cede & Co, as nominee of The Depository Trust Company, New York, New York, and deposited in the custody of DTC. The Beneficial Owners will not receive physical delivery of such Series 2019A Bonds. Individual purchases of such Bonds may be made in book-entry form only in principal amounts equal to Authorized Denominations thereof. Payments of principal of and premium, if any, and interest on such Bonds will be made to DTC or its nominee as Bondholder.

DTC shall pay interest to the Beneficial Owners of record through its Participants as of the close of business on the Record Date. DTC shall pay the redemption price of such Series 2019A Bonds called for redemption to the Beneficial Owners of record through its Participants in accordance with its customary procedures. The Trustee shall notify DTC, to the extent possible, of any notice required to be given pursuant to the Indenture not less than 15 days prior to the date upon which such notice is required to be given.

Transfer of ownership interests in the Series 2019A Bonds shall be made by DTC and its Participants, acting as nominees of the Beneficial Owners, in accordance with rules specified by DTC and its Participants.

Bond certificates will be issued directly to owners of such Series 2019A Bonds other than DTC, or its nominee, upon the occurrence of the following events (subject to the provisions summarized below):

(i) DTC determines not to continue to act as securities depository for such Series 2019A Bonds; or

(ii) the Department with the consent of the Trustee has advised DTC of its determination that DTC is incapable of discharging its duties; or

(iii) the Department with the consent of the Trustee has determined that it is in the best interest of the Bondholders not to continue the Book-Entry-Only System of transfer or that interests of the Beneficial Owners of such Bonds might be adversely affected if the Book-Entry-Only System of transfer is continued.

Upon occurrence of the event described in (i) or (ii) above the Department shall attempt to locate another qualified Securities Depository. If the Department fails to locate another qualified Securities Depository to replace DTC, the Trustee shall authenticate and deliver such Series 2019A Bonds in certificated form. In the event the Department makes the determination noted in (ii) or (iii) above (or occurrence of any events that would permit the Department to make any such determination), and has made provisions to notify the Beneficial Owners of such Bonds of the availability of Bond certificates by mailing an appropriate notice to DTC, the Department shall cause the Trustee to authenticate and deliver Series 2019A Bonds in certificated form. Principal of and interest on such Series 2019A Bonds shall be payable, and such Series 2019A Bond shall be transferrable, as otherwise provided in the Indenture.

Redemption Dates and Prices.

The Series 2019A Bonds shall be subject to redemption prior to maturity in the amounts, at the times and in the manner provided in the Third Supplemental Indenture.

(a) *Optional Redemption*. The Series 2019A Bonds maturing on or after July 1, 2030 will be subject to redemption at the option of the State, in the order of maturity as directed by the State, on or after July 1, 2029 in whole or in part on any date, by lot within any single maturity, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the purchase or redemption date.

(b) *Make-Whole Optional Redemption*. In addition to the foregoing, the Series 2019A Bonds are subject to redemption prior to July 1, 2029 at the option of the Department, in whole or in part (and if in part on a pro rata basis), on any date, at a redemption price (the "*Make-Whole Premium*") equal to the greater of:

(1) 100% of the principal amount of the Series 2019A Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2019A Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2019A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Comparable Treasury Yield (defined below) plus 20 basis points with respect to the Series 2019A Bonds;

(3) plus, in each case, accrued interest on such Series 2019A Bonds to be redeemed to the redemption date.

For purposes of calculating the Make Whole Premium with respect to the optional make-whole redemption of the Series 2019A Bonds, the following terms shall have the following meanings:

"*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 State (which may be one of the institutions that served as an underwriter for the Series 2019A Bonds).

"*Comparable Treasury Issue*" means the United States Treasury security selected by the Calculation Agent as having a maturity comparable to the remaining term to maturity of the Series 2019A Bonds being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the Series 2019A Bonds being redeemed.

"*Comparable Treasury Price*" means, with respect to any date on which a Series 2019A 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 or (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 at least three business days but no more than 20 business days 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 2019A Bond being redeemed. The Comparable Treasury Yield will be determined at least three business days but no more than 20 business days preceding the 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 2019A Bonds being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury securities that have a constant maturity: (i) closest to and greater than the remaining term to maturity of the Series 2019A Bonds being redeemed; and (ii) closest to and less than the remaining term to maturity of the Series 2019A Bonds 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 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 Taxable Bonds) appointed by the State and reasonably acceptable to the Calculation Agent.

(c) *Mandatory Sinking Fund Redemption*. The Series 2019A Bonds maturing on July 1, 2039 (the "*2039 Term Bonds*") are subject to mandatory redemption, in part by lot as provided in the Indenture from mandatory Sinking Fund Payments, on January 1 in each of the years and in the respective principal amounts set forth below, at a redemption price equal to the principal amount thereof to be redeemed:

Year	Principal Amount
2035	$6,930,000
2036	7,140,000
2037	7,355,000
2038	7,580,000
2039†	7,805,000

† Stated Maturity

The Series 2019A Bonds maturing on July 1, 2047 (the "*2047 Term Bonds*" and, together with the 2039 Term Bonds, the "*Term Bonds*") are subject to mandatory redemption, in part by lot as provided in the Indenture from mandatory Sinking Fund Payments, on January 1 in each of the years and in the respective principal amounts set forth below, at a redemption price equal to the principal amount thereof to be redeemed:

Year	Principal Amount
2040	$8,050,000
2041	8,305,000
2042	8,570,000
2043	8,845,000
2044	9,125,000
2045	9,420,000
2046	9,720,000
2047†	10,030,000

† Stated Maturity

If the Department redeems Term Bonds pursuant to optional redemption or purchases Bonds subject to mandatory redemption and cancels the same, then an amount equal to the principal amount of Bonds of such maturity so redeemed or purchased shall be deducted from the Principal Installments as provided for such Term Bonds of such maturity in such order as the Director shall determine.

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APPENDIX E

Summary of Certain Provisions of the ConRAC Leases

This Appendix E contains a summary of certain provisions of the Statewide Airports Car Rental Facilities Concession Agreements and Facilities Leases between the State of Hawaii (the "*State*") acting through the Department of Transportation (the "*Department*") and the rental car operators (the "*RACs*") (each an "*Agreement*"). These summaries have been created from the template Agreement offered by the Department to RACs but, other than the restrictions summarized under the heading "**SUMMARY OF THE INDENTURE OF TRUST – Amendments to RAC Agreements**" in **APPENDIX D**, the actual executed Agreements may contain modified terms and are subject to further revisions over time in accordance with the terms thereof. The summaries contained herein do not purport to be complete or to follow the exact language of each of the Agreements. Reference is made to full text of the Agreements for the precise wording and the complete provisions thereof. The Agreements are available upon request from the Department.

Term.

Each Agreement will run until the (a) the later to occur of (i) the thirtieth (30th) anniversary of the Payment Commencement Date or (ii) the retirement of all Bonds or (b) an earlier termination as provided in the applicable Agreement; provided, however, that in no event shall the Expiration Date be later than the sixty fifth (65th) anniversary of the Effective Date of any Agreement. In the event that the Concession is not extended after a re-bid, the State will have the right to terminate the Agreement upon not less than thirty (30) days' written notice to the applicable RAC.

The State may, but will not be obligated to, permit a RAC to holdover on or at the Premises beyond the expiration of the applicable Agreement, subject to the terms and conditions set forth therein.

On the Expiration Date or upon any earlier termination of the Agreement or RAC's right to possession of the Premises under the Agreement, fee simple title to all RAC Improvements therein, to the extent not theretofore vested in the State pursuant to the terms of the Agreement, shall revert to the State without the necessity of any further action by either party thereunder; provided, however, that upon the State's request, RAC shall execute and deliver to the State (in recordable form) all documents necessary to evidence such conveyance, including, without limitation, a bill of sale. RAC shall deliver to the State executed counterparts of any service and maintenance contracts that are in RAC's possession and are then affecting the Premises and RAC Improvements, true and complete maintenance records for the Premises and RAC Improvements, all original licenses and permits then pertaining to the Premises and RAC Improvements, permanent certificates of occupancy then in effect for the Premises and RAC Improvements, and all assignable warranties and guarantees then in effect which RAC has received in connection with any work or services performed or equipment installed in the Premises and RAC Improvements, together with a duly executed assignment of any of the foregoing to the State (but as to any service and maintenance contracts, only to the extent the State requests assignment), and all financial reports, documents, books, and records whatsoever relating to the maintenance or condition of the Premises and RAC Improvements.

The State shall have the right and option, to be exercised in its sole and absolute discretion, to require the re-bidding of any Agreement as to the Concession rights granted thereunder once every ten (10) years during the Term thereof, and, in such event, RAC may be required to re-bid for the rights and license granted under such Agreement as part of the State's then applicable public bidding process (and, in the event that RAC elects not to re-bid as aforesaid, the State shall be entitled in such instance to terminate the Agreement). In the event that a RAC is outbid in connection with any such periodic re-bidding for the Facility, the State shall have the right to terminate the applicable Agreement upon not less than thirty (30) days' written notice to RAC. In the event that RAC is a successful bidder in any such periodic re-bidding, RAC and the State shall execute a written amendment to the applicable Agreement, confirming the modified terms and provisions applicable thereto.

RAC Payments.

A. Minimum Annual Requirement Deficiency.

1. For each Agreement Year, as soon as reasonably possible, the State shall provide each RAC and the other On-Airport Rental Car Companies with a statement of the estimated monthly installments of Minimum Annual Requirement Deficiency (the "*Minimum Annual Requirement Deficiency Estimate*"). Such Minimum Annual Requirement Deficiency Estimate shall set forth the Minimum Annual Requirement Deficiency which is intended to be the amount projected to be sufficient, together with the estimated or forecasted CFC Revenues and funds available therefor within the CFC Revenue Fund for such Agreement Year, to satisfy the Minimum Annual Requirement. RAC shall pay to the Trustee or the State, as appropriate, concurrently with its monthly payment of Ground Rent, its Proportionate Share of the estimated Minimum Annual Requirement Deficiency, if any, as set forth in such Minimum Annual Requirement Estimate. Such Minimum Annual Requirement Deficiency payment shall be paid by RAC as and when the same becomes due and payable under the Agreement without setoff, deduction, credit, or discount.

2. As soon as reasonably practicable following the end of each Agreement Year, the State shall prepare a statement comparing the actual amount of the Minimum Annual Requirement Deficiency to the Minimum Annual Requirement Deficiency Estimate (the "*Minimum Annual Requirement Settlement Statement*"). If the actual Minimum Annual Requirement Deficiency exceeds the estimated Minimum Annual Requirement Deficiency, RAC shall pay to the Trustee or the State, as the case may be, within sixty (60) calendar days, its Proportionate Share of the amount of such shortfall (the "*Additional Minimum Annual Requirement Deficiency*"). Any such Additional Minimum Annual Requirement Deficiency which remains unpaid from and after such sixty (60)-day period shall bear interest at the Default Rate under the Agreement from the date due until paid. If such Minimum Annual Requirement Settlement Statement indicates that the total amount of the Minimum Annual Requirement for such Agreement Year is less than the total amount of CFC Revenues attributable to such Agreement Year, the State may apply such excess CFC Revenues, at the State's discretion, first to other Eligible Costs and then as otherwise permitted under the terms and provisions of the CFC Statute or the Bond Documents, as the case may be. The CFCs generally and CFC Revenues specifically shall be governed by the provisions under the Agreement and the CFC Statute.

3. At the end of each Bond Year, commencing with the conclusion of the first Bond Year after the Payment Commencement Date, RAC, through the RAC Consortium, shall have the right to request reimbursement from CFC Revenues by submitting a written reimbursement request to the State for Minimum Annual Requirement Deficiency payments made in connection with the terms of the applicable Agreement summarized under this subheading for which there has been no prior reimbursement. Subject to the terms and provisions of the Agreement and of the Indenture, the State agrees to reimburse the RAC Consortium as provided above to the extent that funds are available for such purpose under the Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund held under the Indenture. The State will process invoices within thirty (30) days after receipt thereof, and will also instruct such parties as may be necessary to remit payment to the RAC Consortium within sixty (60) days

after receipt of a properly completed reimbursement request. The Operating Agreement shall provide for the means and priority of distribution of any such reimbursement and any reimbursement pursuant to the Agreement among the RAC and the other On-Airport Rental Car Companies.

B. CFC Collections.

1. Each RAC shall be required to collect CFCs upon execution of the applicable Agreement or earlier if so required by the terms and provisions of the CFC Statute, the Bond Documents or such Agreement. RAC shall promptly remit to the Trustee (or as otherwise directed by the State) the CFCs required to be charged, and at the times required, under the CFC Statute, the Bond Documents, and the Agreement, as the case may be (regardless of whether such amounts are actually collected), and shall provide written confirmation thereof to the State.

2. On or before the twentieth (20th) day of each calendar month during the Term (provided, however, with respect to the month in which the Commencement Date falls, RAC may furnish such report at the time its next monthly report is due), and on or before the twentieth (20th) day of the calendar month immediately following the expiration or other termination of the related Agreement, RAC shall submit to the State, in form and substance approved by and acceptable to the State from time to time, a written report (the "**CFC Report**") specifying for the prior calendar month (i) the total number of Automobile rental contracts entered into by RAC with Customers at each Airport, (ii) the total number of Contract Days thereunder at each Airport, and (iii) the total amount of CFCs payable by RAC in connection with such contracts. RAC shall remit to the Trustee (or as otherwise directed by the State) concurrently with such CFC Report the total amount of CFCs due and payable for such calendar month. Any such CFCs which are not paid on such date shall bear interest at the Default Rate from the date due until paid. In the event RAC shall fail to timely furnish to the State any CFC Report, the State shall have the right (but shall not be obligated) to conduct an audit of RAC's books and records (which books and records shall be prepared and maintained in accordance with, and shall include all of the information required under the agreement) and to prepare such reports at RAC's expense. Moreover, in the event that RAC fails to timely furnish any such CFC Report or fails to make available its books and records, the State shall have the right to estimate the CFCs due and payable under the related Agreement. The State shall furnish to RAC from time to time on a monthly basis a report showing, in the aggregate, the total number of Contract Days reported for each Airport and the total amount of CFCs payable in connection with such Contract Days under the related Agreement at each Airport.

3. The audit rights set forth in the Agreement shall apply and shall be available to the State with respect to the CFCs and collections thereof; provided, (i) if any such audit with respect to CFCs shall disclose that RAC's CFC Report(s) understated CFC collections to the extent of one percent (1%) or more, RAC shall promptly pay to the State the cost of said audit in addition to the deficiency (together with interest on such deficiency at the Default Rate from the date due until paid), which deficiency shall be payable in any event, or (ii) if any such audit with respect to CFCs and collections thereof shall disclose that RAC's CFC report(s) understated CFC collections by less than one percent (1%), RAC shall promptly pay to the State one half (1/2) the cost of said audit in addition to the deficiency (together with interest on such deficiency at the Default Rate from the date due until paid), which deficiency shall be payable in any event. If the State requires or performs more than one (1) audit during any calendar year during the Term of an Agreement, the cost of any audit during such calendar year following the initial audit for such calendar year shall be paid by the State (except to the extent that (i) the initial or prior audit for such calendar year revealed a deficiency of one percent (1%) or more or (ii) such audit reveals a

deficiency of one percent (1%) or more, in which case the aforementioned provisions shall apply).

4. The State is authorized to mandate the manner in which RAC identifies the CFC on Automobile rental contracts from time to time, and RAC shall so identify the CFC within thirty (30) days following notification thereof from the State. RAC shall charge its Customers the total amount of the CFC due under each Automobile rental contract at the time the final number of Contract Days is determined thereunder, and shall remit such total amount of CFCs to the Trustee pursuant to the terms and provisions of the agreement (and any failure of RAC to so charge or collect such CFCs shall not relieve RAC for its responsibility to remit the full amount of such CFCs to the Trustee or the State under the applicable Agreement).

5. RAC shall not intentionally divert Automobile rentals to other locations to avoid the imposition or collection of CFCs. All CFCs which would otherwise have been imposed upon and collected from such intentionally diverted rentals may, at the option of the State, be charged to and due and payable by RAC as additional CFCs under the applicable Agreement.

6. Each RAC covenants and agrees that it will not be entitled to any rights to offset or other reduction in the requirements of the applicable Agreement and shall be required to remit to the Trustee (or as otherwise directed by the State) all CFCs imposed and payable regardless of any amounts that may be owed or due to RAC by the State. Any and all CFCs collected by RAC prior to remittance to the Trustee or the State, as the case may be, shall be subject at all times to a first lien for the repayment of the Bonds. In no event shall RAC grant to any third party (other than the State) any liens or encumbrances on CFCs, and any and all liens or encumbrances on CFCs so granted by RAC to any third party, or otherwise purported to be obtained by any third party, shall be null, void, and of no force or effect. In no event shall any CFCs collected by RAC constitute, or be deemed to constitute, income, revenue, or any other asset of RAC, it being acknowledged, understood, and agreed that (i) RAC shall have no legal or equitable ownership or property interest in or to the CFCs, and (ii) RAC has waived any and all claims to a possessory or legal or equitable ownership interest in or to the CFCs. Prior to remittance to the Trustee or the State, as the case may be, CFCs shall be held by RAC as funds in trust for the benefit of the Trustee (or as otherwise directed by the State) and the Trustee or the State, as the case may be, shall have full and complete possessory and legal and equitable ownership rights in and to the CFCs. RAC shall not be entitled to any compensation for collection and remittance of the CFCs, but RAC may retain any interest earned on the CFCs between the time of collection and remittance to the Trustee or the State, as the case may be.

Construction, Maintenance, Repair and Operating Expenses.

A. Facility Improvements.

1. Construction of RAC Improvements. Each RAC covenants and agrees and it is an express condition of the applicable Agreement that RAC shall, with due diligence and at RAC's sole cost and expense commence the construction within the Premises of the improvements described under such Agreement.

a. RAC may not commence construction of the RAC Improvements in the Premises without the State's prior written approval of the plans and specifications relating thereto (the "*RAC Improvement Plans*"), which approval shall not be unreasonably withheld, conditioned, or delayed, and receipt of all necessary State of

Hawaii, county, city and other governmental approvals, licenses, and permits in connection therewith.

b. RAC shall deliver to and for the benefit of the State, no later than thirty (30) days prior to commencement of construction of RAC Improvements, dual performance and payment bonds. Performance and payment bond or bonds are required by the State and shall comply with the provisions of applicable State of Hawaii statutes.

c. Once commenced, RAC shall diligently prosecute construction, and RAC shall substantially complete the RAC Improvements within the time required by the applicable Agreement. For purposes of the RAC Improvements, "*RAC Improvement Substantial Completion*" shall mean the completion, in accordance with the RAC Improvement Plans and applicable laws, of all RAC Improvements, other than minor punch list items, and shall include issuance of a certificate of substantial completion by the architect and engineer in a customary form reasonably required by the State. If any work does not comply with the provisions of the applicable Agreement, the State may, by notice to RAC, require that RAC stop the work and take steps necessary to cause corrections to be made.

d. RAC shall pay all costs of the construction incurred by RAC when due, and shall require all contractors to deliver sworn statements of persons furnishing materials and labor before any payment is made and waivers of lien for all work for which payment is made, in order to prevent attachment of mechanic's liens or other liens by reason of work, labor, services, or materials furnished with respect to the Premises.

e. During the course of the construction, the State, and its architects, engineers, agents, and employees on behalf of the State with responsibilities relating to the Premises may enter upon and inspect the Premises for the purpose of verifying that the RAC Improvements are proceeding in accordance with the requirements of the applicable Agreement.

f. Any work performed at the direction of RAC or any On-Airport Rental Car Company, even though performed by contractors, shall be the responsibility of RAC or the On-Airport Rental Car Company directing such work. During any construction by RAC or any other On-Airport Rental Car Company, RAC or such On-Airport Rental Car Company, as the case may be, shall be solely responsible for the support, maintenance, safety, and protection of the facilities of the State resulting from such construction activities, and for the safety and protection of all persons or employees and of all property therein. All work shall be performed in accordance with (and all RAC Improvements, when completed, shall comply with) the RAC Improvement Plans and other documents submitted to and approved by the State, with such design standards as the State shall have in effect from time to time, Airport and construction conditions in effect at the time of construction, and any other applicable federal, state, or local laws.

2. Maintenance, Repair and Operating Expenses.

a. RAC shall, at all times during the Term of its Agreement, at its sole cost and expense, operate and keep the Premises and (together with the RAC Consortium) the Statewide Airports Car Rental Facilities System in good condition and repair, in a safe, secure, clean and sanitary condition, and in full compliance with any and all applicable laws and such rules, regulations and standards as the State shall maintain in effect from time to time, including, without limitation, the State's Operation and Maintenance Standards and made a part thereof. RAC shall be responsible for all maintenance, repair and replacements of and to the Premises and the Statewide Airports Car Rental Facilities System, of any kind or nature whatsoever (except to the extent that the same are the express responsibility of the State as provided under the applicable Agreement). RAC's obligations shall include, without limitation, the following: except for damage caused by, or replacement or repairs required as a result of, any act or omission of the State, or any of its respective officers, agents, employees, contractors, guests, invitees, or licensees, and subject to inclusion of the costs thereof as part of Operating Expenses from time to time (except as thereinafter provided), RAC, together with the RAC Consortium, as appropriate, will (i) perform general maintenance, repair, and replacement of the common areas of the Consolidated Rental Car Facilities, including, without limitation, the parking facilities or areas, access roads, driveways, truck ways, sidewalks, and passageways associated therewith, as may be reasonably required from time to time; (ii) maintain the Premises and make all repairs to all equipment thereon, including, without limitation, all engines, boilers, machinery, pipes, ducts, conduits, plumbing, heating, ventilating and air conditioning systems and installations, wiring, gas, steam and electrical fittings, ASTs, and all other equipment of every nature whatsoever; (iii) maintain, replace, and repair the interior portions of the Premises, including all fixtures, appurtenances, plate glass, windows, window glass, walls, floors, docks, ceilings, and doors; (iv) maintain and repair the movable and removable fixtures of RAC located in or appurtenant to the Premises, including, without limitation, any RAC Improvements installed; (v) keep the Premises and the Facility Property free from filth, overloading, danger of fire or any pest or nuisance, and repair and/or replace any damage or breakage done by RAC, or any of its respective officers, agents, employees, contractors, guests, invitees, or licensees, including, without limitation, damage done to the Premises or the Facility Property by equipment installations of RAC; and (vi) perform general maintenance, repair, and replacement of the CUTS as may be reasonably required from time to time. Except for items which are the State's responsibility under an Agreement, if any portion of the Statewide Airports Car Rental Facilities System or any system or equipment in the Statewide Airports Car Rental Facilities System which RAC or the RAC Consortium is obligated to maintain or repair cannot be fully repaired or restored, RAC or the RAC Consortium, as appropriate, will promptly replace such portion of the Statewide Airports Car Rental Facilities System or such system or equipment. In the event RAC or the RAC Consortium fails to perform any of their obligations under the Agreements, and fails to cure or commence to cure such failure within fifteen (15) calendar days after written notice from the State, or to thereafter diligently proceed to complete such cure, the State may (but shall not be obligated) to enter such portion of the Statewide Airports Car Rental Facilities System, inclusive of the Premises, at any time to undertake any maintenance, repairs, alterations, improvements or additions as the State shall direct or deem necessary for the maintenance, repair, safety, protection, preservation, or improvement of the Statewide Airports Car Rental Facilities System, or as the State may be required to do by any governmental department or agency, or by the order or decree of any court or by any other proper authority. Any and all costs and expenses of such repairs, alterations, improvements or additions made by the State shall be due and payable by RAC or the RAC Consortium to the State within thirty (30) days following the State's invoice therefor, and if not paid within such 30-day period, shall bear interest at the Default Rate until paid.

b. RAC and the other On-Airport Rental Car Companies, through the RAC Consortium, shall pay all Operating Expenses and Impositions incurred for or in connection with the Statewide Airports Car Rental Facilities System as the same become due and payable.

c. Ninety (90) days prior to the commencement of each Bond Year, RAC, through the RAC Consortium, shall deliver to the State a detailed budget for Operating Expenses for the upcoming Bond Year for approval by the State. The State shall be entitled to object by written notice delivered to the RAC Consortium within fifteen (15) days following the date on which the RAC Consortium submits the detailed Operating Expenses budget (failing which the State shall be deemed to have accepted and agreed to such budget for purposes of the Agreement and the Indenture). In the event that the State objects to such budget, RAC and the State agree to negotiate in good faith for a period not to exceed thirty (30) days in an attempt to reach agreement on such matter. In the event that the State and the RAC Consortium have failed to reach agreement on such matter upon the expiration of such 30-day period, such disputed matter shall be submitted to an independent third party consultant who is reasonably acceptable to each of the State and RAC and who (i) does not regularly represent and is not otherwise affiliated with either the State or any On-Airport Rental Car Company, (ii) is duly licensed and in good standing, (iii) is familiar with current industry practices and standards governing operating expenses in the context of commercial properties comparable to the Statewide Airports Car Rental Facilities System, and (iv) has at least ten (10) years' experience within the previous fifteen (15) years as a consultant working in the greater Honolulu metropolitan area. Within thirty (30) days following such selection, such consultant shall make a recommendation as to what modifications, if any, should be made to such Operating Expenses budget, which recommendation shall be made in accordance prevailing industry practices, as the case may be.

d. Commencing with the first calendar month after the Payment Commencement Date, RAC, through the RAC Consortium, shall have the right to request reimbursement from CFC Revenues by submitting a written reimbursement request to the State for Operating Expenses incurred and paid by RAC or the RAC Consortium for the Statewide Airports Car Rental Facilities System for the preceding calendar month. Subject to the terms and provisions of the Agreement and of the Indenture, the State agrees to reimburse the RAC Consortium as provided above to the extent that funds are available for such purpose under the Operation and Maintenance Fund held under the Indenture. The State retains the right to reject any request for reimbursement, or portion thereof, that contains unauthorized, improper, or insufficiently documented costs and/or charges, including costs and/or charges that require prior written approval from the State in order to be considered for reimbursement where such approval was not first obtained. The State will process invoices within thirty (30) days after receipt thereof, and will also instruct such parties as may be necessary to remit payment to the RAC Consortium within sixty (60) days after receipt of a properly completed reimbursement request.

At the end of each Bond Year, commencing with the conclusion of the first Bond Year after the Payment Commencement Date, RAC, through the RAC Consortium, shall have the right to request reimbursement from CFC Revenues by submitting a written reimbursement request to the State for any Operating Expenses which were not reimbursed pursuant to the forgoing provisions and for which there has been no prior reimbursement. Subject to the terms and provisions hereof and of the Indenture, the State agrees to reimburse the RAC Consortium as provided above to the extent that funds are available for such purpose under the Unreimbursed Minimum Annual Requirement Deficiency Payments and Operation and Maintenance Requests Fund held under the

Indenture. The State will process invoices within thirty (30) days after receipt thereof, and will also instruct such parties as may be necessary to remit payment to the RAC Consortium within sixty (60) days after receipt of a properly completed reimbursement request.

The Operating Agreement shall provide for the means and priority of distribution of any such reimbursement and any reimbursement among the RAC and the other On-Airport Rental Car Companies.

3. Covenant Against Liens. No party, including RAC, shall have any right to file any liens against the Premises, the Facility, or any other property of the State of Hawaii, and RAC shall keep the Premises and the Facility Improvements free and clear of liens or claims of liens in any way arising out of the construction, improvement, or use thereof by RAC. RAC shall promptly take such steps as are necessary to release any claim for lien or attempted claim for lien from the Premises arising out of the construction, improvement, or use thereof by RAC. RAC shall not be deemed to be in default of the applicable Agreement in the event any lien shall attach or shall exist which is prohibited by or which is contrary to or in violation of the provisions of such Agreement, (a) if such lien shall arise as a matter of law, but the amount of said lien be not yet due and payable, or (b) if any such lien shall arise and RAC shall continuously, diligently, and in good faith contest the same, or the validity thereof, by appropriate legal proceedings which shall operate to prevent the foreclosure of any such lien, provided that RAC shall give advance written notification to the State that it is the intent of RAC to contest the validity or collection thereof and RAC shall also comply with the further following provisions under the Agreement. In the event RAC contests any such lien, RAC shall give a satisfactory indemnity to the State or deposit with the State a letter of credit, cash, or security reasonably satisfactory to the State in an amount equal to the amount of the claim or lien, plus such interest and penalties, court costs, or other charges as the State, any fee mortgagee, or title insurer may reasonably estimate to be payable by RAC at the conclusion of such litigation or is required to provide insurance over any potential lien. In the event such letter of credit, cash or securities shall be so deposited, the same shall be held until such claim or other imposition shall have been released and discharged and shall thereupon be returned to RAC, less any amounts expended by the State to procure such release or discharge, or any loss, cost, damage, reasonable attorneys' fees or expense incurred by the State by virtue of the contest of such lien.

4. Ownership of Improvements. The State shall own all Facility Improvements and RAC Improvements now existing or thereafter constructed (excluding the trade fixtures, trade equipment, supplies and personal property of RAC).

5. Alterations. RAC shall have the right from time to time after the completion of the initial RAC Improvements in accordance with the under the Agreement, and at RAC's sole cost and expense, to make alterations and changes ("*Alterations*") in or to the Premises (except as thereinafter provided), provided RAC shall not then be in default in the performance of any of RAC's covenants or agreements in the Agreement; and further provided that Substantial Alterations (as defined in the Agreement) may be made only with the written consent of the State, which consent shall not be unreasonably withheld or delayed.

Insurance.

RAC shall procure, at its sole cost and expense, and keep in effect at all times during the term of the Agreement, the types and amounts of insurance coverages specified therein. All insurance required to be furnished by RAC shall be pursuant to policies in form and substance satisfactory to State and issued by companies of sound and adequate financial responsibility, who are licensed and authorized to do business in the State of Hawaii, all to the satisfaction of State. The State may, upon reasonable notice and reasonable grounds, increase or change the insurance required under the Agreements, in which event each RAC shall obtain such additional or modified insurance.

Upon failure of the applicable RAC to provide and maintain the insurance required under an Agreement after a ten (10)-day prior written notice to comply from State, State may, but shall not be required to, procure such insurance at such RAC's sole cost and expense and RAC agrees to immediately reimburse State for any and all costs thereof plus fifteen percent (15%) for administrative overhead. Any lapse in, or failure by RAC to procure, maintain, and keep in full force and effect, such insurance coverage as is required under the applicable Agreement, at any time during and throughout the term thereof, shall be a violation of such Agreement and shall give State the right to assess additional rent and charges and/or terminate such Agreement.

The RAC shall provide proof of all specified insurance and related requirements to State either by production of the actual insurance policies, by use of State's own endorsement forms, by broker's letter acceptable to State in both form and content, or by other written evidence of insurance acceptable to State, together with appropriate written evidence, satisfactory to State, that the insurance premiums thereon have been paid.

The RAC agrees that the insurance limits specified by State shall be reviewed for adequacy annually throughout the term of the applicable Agreement by State, which may, thereafter, require RAC to adjust the amounts of insurance coverage to whatever amounts State deems to be adequate.

Damage and Destruction.

1. State's right to terminate. If a Facility is totally destroyed by storm, fire or other casualty, or damaged to the extent that, in the State's reasonable opinion, the damage cannot be restored, or if the damage is not covered by standard "all risks" property insurance (or such other property insurance as may be maintained by the State from time to time), the State shall have the right to terminate the applicable Agreements effective as of the date of such destruction or damage by written notice delivered to RAC on or before thirty (30) days following the State's notice described in the next sentence, and rent and fees shall be accounted for as between the State and RAC as of that date. The State shall provide RAC with written notice no later than sixty (60) days following the date of such damage of the estimated time needed to restore and whether the State elects to restore.

2. State restoration. If a Facility is damaged by any such casualty but the State does not elect to terminate the Agreement, such Agreement shall remain in full force and effect. The State shall notify RAC in writing no later than sixty (60) days after the date of such damage that such damage will be restored (and will include the State's good faith estimate of the date the restoration will be complete), and the State shall promptly commence to diligently restore the shell and core portions of the Facility (including the Facility Improvements, as the same may be modified to conform to applicable laws then in effect, but excluding any RAC Work Items, as defined under the Agreement) to substantially the same condition as before such damage occurred (any such activity being a "*State Restoration*") as soon as reasonably practicable, subject to force majeure events and delays attributable to the acts or omissions of RAC. RAC may not terminate the Agreement (and shall otherwise remain liable for the performance of all of its obligations thereunder in accordance with the terms and provisions thereof). RAC's Proportionate Share of Operating Expenses and Impositions (but specifically excluding any Minimum Annual Requirement Deficiency obligations) shall be reduced or abated on a pro rata basis during the

period of such State Restoration to the extent that the Premises is not habitable as a result of such casualty.

3. RAC restoration. In the event of damage to, or destruction of, any RAC Improvements, Alterations, or other RAC work, or of the fixtures and equipment within the Premises (collectively, the "*RAC Work Items*"), by fire or other casualty, RAC shall promptly, at its expense, repair, restore, or rebuild such RAC Work Items to the condition existing prior to the happening of such fire or other casualty (any such activity being a "*RAC Restoration*"). Rent shall not be reduced or abated during the period of such RAC Restoration even if the Premises is not habitable and the RAC Work Items are not usable, and RAC may not terminate the Agreement, except as expressly provided in the Agreement.

4. Insurance proceeds, additional security. Provided that the insurer does not deny liability as to the insureds, and provided RAC is not then in default, all sums arising by reason of loss under the property insurance required under the Agreement shall be available to RAC for the work. All proceeds shall be payable to the State which may disburse proceeds through an escrow on satisfaction of conditions established by the State (which may include retention requirements, waivers of lien and sworn statements, architect's certificates, and other evidence of satisfactory completion and payment for work) or payable directly to RAC or contractors, at the State's option. RAC shall deposit with the State any excess cost of the RAC Restoration over the amount held by the State as proceeds of the insurance within thirty (30) days from the date of the determination of the cost of the RAC Restoration; but in no event later than commencement of work. At all times the undisbursed balance remaining in the hands of the State shall be at least sufficient to pay for the cost of completion of the work free and clear of liens; any deficiency shall be paid to the State by RAC. RAC shall diligently pursue the repair or rebuilding of the RAC Work Items (but in any event within the time period in which RAC was required to complete the RAC Improvements under the Agreement. If RAC does not repair or rebuild the RAC Work Items or proceed diligently to repair or restore the RAC Work Items and fails to cure or correct any such default after notice and expiration of applicable cure periods under the Agreement, or there are insurance proceeds remaining after repair or rebuilding, all insurance proceeds shall belong to and be payable to the State, and RAC shall assign all such proceeds to the State.

5. Damage in last year of Term. In case of damage or destruction of all or any material portion of the Premises which occurs during the last twelve (12) months of the applicable Term, either RAC or the State shall have the option of terminating the Agreement as of the date of such damage or destruction by notice in writing given to the other party within thirty (30) days after the occurrence of such damage or destruction. In such event, the State shall be entitled to the proceeds of any RAC insurance covering any part of the Premises on account of such damage or destruction (excluding any insurance coverage for the RAC Work Items), and RAC shall assign all such insurance proceeds to the State.

6. Indenture governs. Notwithstanding anything in the Agreement to the contrary, while the Bonds remain outstanding, the terms and provisions of the Indenture shall govern and control in the event of damage or destruction to the Premises.

Concession Operation.

A. Quality and Price Control. RAC shall be required to provide late model Automobiles (not more than three (3) years old at any time), which Automobiles shall be maintained by RAC in first class operating and mechanical condition and repair and in a clean and attractive condition.

RAC shall furnish all services authorized under the Agreement to its customers and patrons upon a fair and equal, and nondiscriminatory basis; and charge fair, reasonable, and nondiscriminatory prices; provided, however, that RAC may make or give such reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions as RAC may desire to RAC's employees or volume purchasers.

B. Type of Operation.

1. First class. RAC shall maintain and operate the Concession in an orderly, proper, and first class manner, which, in the sole judgment of the State, does not annoy or disturb, or is not offensive to others at the Airports.

2. Hours of operation. The Concession shall be maintained and operated during hours approved by the State, seven (7) days per week (unless a different schedule for any part of the Concession operation shall be first approved in writing by the State). The State may require that the Concession be maintained and operated in excess of the hours designated by the State per day as is necessary or desirable to adequately serve the demands of air travelers for the Concession services.

3. No Diversion. RAC shall not intentionally divert Automobile rentals to other locations. Intentional diversion shall include, without limitation, RAC advising, directing, or otherwise suggesting to a customer or prospective customer arriving at the Airports that such customer or prospective customer rent an Automobile at any off Airport location, whether from RAC or some other rental car provider, regardless of the basis or reason for such advice, direction, or suggestion. All such intentionally diverted revenues shall be included in Gross Receipts.

C. Personnel. RAC shall retain an active, qualified, competent, experienced manager or other similarly authorized representative at the Airports to supervise all Concession and Premises operations. RAC's manager shall be authorized to represent and act for and on behalf of RAC at all times. In the absence of the designated manager, one or more responsible subordinates shall be on duty at the Airports to perform and act on behalf of RAC. RAC shall provide and continuously inform the State of the names and contact numbers (telephone, facsimile, cellular/pager, and e-mail) of the manager and responsible subordinate(s).

D. Prompt payment of Taxes. On the Effective Date and throughout the term of the Agreement, RAC must not be in arrears in the payment of taxes, rents, or other obligations owing the State or any county of the State.

E. Common Use Transportation System. RAC agrees that, commencing on the Payment Commencement Date (or such other date as may be directed by the State) and continuing for the remainder of the Term under the applicable Agreement, RAC shall transport all Customers of RAC between the Facility and the passenger terminals exclusively by use of a CUTS, which system shall be operated by the RAC Consortium, unless otherwise agreed by the State, for each CRCF, and which CUTS shall use the common buses or other vehicle designated by the State from time to time to serve the CRCF and the passenger terminals (provided, however, that RAC shall be permitted to provide direct transportation solely with respect to Customers that have bona fide and verifiable physical disabilities which reasonably preclude use of the CUTS).

Compliance with Laws.

RAC shall, at all times during the term of the Agreement, comply with all applicable laws, statutes, rules, regulations, orders, and ordinances of all governmental authorities, including, without limitation, the United States of America, State of Hawaii, the county and the city, and any political subdivision or agency, authority, or commission thereof, which may have jurisdiction to pass laws, statutes, or ordinances or make and enforce orders, rules, and regulations with respect to the Concession, the Premises, or the Airports. RAC shall take out and keep current all licenses and permits required by any governmental authority for RAC's conduct of the Concession at or on the Premises and the Airports, and pay promptly when due all fees. RAC shall comply with any and all of the performance requirements covering the Airports of the State and all applicable performance access procedures, rules, or regulations prescribed by the State and/or the TSA.

Termination or Transfer by State.

A. Events of Breach or Violation. RAC shall be in breach or violation of the Agreement, and the State will have the right to terminate the Agreement, if any one or more of the following events (each an "*Event of Default*") occur:

1. Transfer of interest. When, without the prior written approval or consent of the State, any interest of RAC under the Agreement is transferred or assigned, whether voluntarily or involuntarily, by reason of assignment, sublease of Premises or otherwise, stock transfer, operation of law, or death, to any other individual, limited or general partnership, joint venture, firm, company, corporation, limited liability company, or any other entity; or

2. Ownership change. When the ownership of RAC, without the prior written approval or consent of the State, is changed by inter vivos stock transfer to one or more individuals or entities who are not stockholders at the inception of the Agreement, or if RAC is a partnership, whether limited or general, by the introduction of a new partner or partners, whether limited or general, who was not a partner or who were not partners at the inception of the Agreement, or if RAC is a limited liability company, by the introduction of a new member or manager who was not or who were not a member or a manager partners at the inception of the Agreement; or

3. Partnership dissolution. If RAC is a partnership of any type and the partnership is dissolved as a result of any act or omission of its partners, or any one of them, or by operation of law, or the order or decree of any court having jurisdiction, or for any other reason whatsoever; or

4. Receivership. When, by or pursuant to, or under authority of any legislative act, resolution, or rule, or any order or decree of any court or governmental board, agency, or officer having jurisdiction, a receiver, trustee, or liquidator takes possession of all or substantially all of the property of RAC, and such possession or control continues in effect for a period of at least fifteen (15) days without being contested by RAC in good faith by proper legal proceedings within said 15-day period; or

5. Abandonment. When RAC voluntarily abandons, deserts, or vacates the Premises or a significant portion of the Premises, or discontinues its operation of the Concession on or at the Premises; or

6. Prevented from use. After exhausting or abandoning any right of further appeal, RAC is prevented for a period of at least ninety (90) days by the action of any governmental agency from using the Premises, regardless of the fault of RAC; or

7. Suspension. The happening of any act which results in the suspension or revocation of the rights, powers, licenses, permits, or authorities necessary for the conduct and operation of the Concession authorized under the Agreement for a period of more than thirty (30) days; or

8. Successor corporation. RAC becomes, without the prior written approval of the State, a successor or merged corporation in a merger, a constituent corporation in a consolidation, or a corporation in dissolution; or

9. Attachment. When any attachment, judgment, lien, or encumbrance is filed against RAC's interest in the Premises because of any act or omission of RAC, and said attachment, judgment, lien, or encumbrance is not discharged or contested by RAC in good faith by proper legal proceedings within thirty (30) days; or

10. Failure to pay fees. When RAC fails to duly and punctually pay the fees and charges required under the Agreement, including any interest, service charges, or late fees, or to make any other payment required under the Agreement when due to the State upon the lapse of five (5) business days after RAC's receipt of a written notice from the State demanding such payment or payments; or

11. Failure to pay taxes. When RAC fails to duly and punctually make payments due to any agency of the State of Hawaii or any political subdivision (county) of the State of Hawaii, including, but not limited to, payments for any permit, license, or the Agreement, general excise taxes, workers' compensation payments, unemployment taxes, real property taxes, etc., and such payments are not made within thirty (30) days of their due dates; or

12. Poor quality control. When RAC fails to provide, maintain, and upgrade, as necessary, the quality of Concession merchandise or services to the satisfaction of the State, as required by under the Agreement, within fifteen (15) days from and after receipt of written notice from the State to correct or cure the condition objected to; or

13. Failure to perform. When RAC fails to keep, perform, and observe each and every other agreement, promise, covenant, term, and condition set forth in the applicable Agreement, on its part to be kept, performed, or observed, and such failure shall continue for a period of more than thirty (30) days after RAC's receipt of a written notice from the State of such breach or violation by personal service or registered mail or certified mail to RAC, except where fulfillment of RAC's obligation requires activity over a period of time, and RAC begins to perform whatever may be required for fulfillment within ten (10) days after receipt of said written notice and continues such performance, showing improvement or correction, without interruption except for causes beyond RAC's control; or

14. General assignment. RAC makes a general assignment for the benefit of creditors, or files a petition or answer seeking an arrangement for its reorganization, or the readjustment of its indebtedness under any law or statute of the United States, or of any State of Hawaii law, or consents to the appointment of a receiver, trustee, or liquidator of all or substantially all of its property or its property located within the Premises; or

15. Lien. Any lien is filed against or affecting the Premises or any portion thereof, because of any act or omission of RAC and such lien is not removed or enjoined or a bond for satisfaction of such lien is not posted within thirty (30) days; or

16. Other contract. When RAC fails to cure or remedy any breach or violation of any promise, covenant, term, and condition in the Agreement or any other permit, contract, lease, or other agreement entered into between the State and RAC during the term of the Agreement; or

17. Default under other agreement(s). If RAC is in default under any other agreement which RAC has with the State including, but not limited to, any other concession or lease agreement with the State.

B. Default and Termination. In the event of any breach or violation due to the occurrence of any of the events enumerated in the Agreement, the State may, after the giving of a written notice of default in accordance with Section 171-20, HRS, pursue any available remedy, legal or equitable, it may have against RAC.

1. Failure to correct violation. If RAC fails to correct the violation(s) contained in the notice of default to the satisfaction of the State, the State may, without prejudice to any other remedy, elect to:

a. Additional charge. Assess a charge of $250.00 per day; and

b. Termination letter. Concurrent with or subsequent to the assessment of such additional charge, subject to Section 171-21, HRS, proceed to terminate the Agreement by providing a written letter of termination and notice to vacate to RAC.

2. Prohibition from bidding. In the event that the Agreement is terminated by the State because of a breach or violation as set forth in the Agreement, RAC will not be allowed to bid on or enter into any other concession agreement, facility lease, or other contract or lease offered by the State, for a period of five (5) years following the date of termination as prescribed and set forth under Section 171-13, HRS.

C. Right of Re-entry. The State shall have, as an additional remedy upon the giving of a written letter of termination and notice to vacate, as provided under the Agreement, the right to re-enter the Premises and upon the effective date of termination without further notice of any kind, and may regain and resume possession either with or without the institution of summary or any other legal proceedings or otherwise. Such re-entry, or regaining or resumption of possession, however, shall not in any manner affect, alter, or diminish any of the obligations of RAC under the Agreement, and shall in no event constitute an acceptance of surrender.

D. RAC's Rights Cease. Upon such termination by the State, all rights, powers, and privileges of RAC granted under the Agreement shall cease. Unless otherwise stated therein, RAC shall immediately vacate the Premises and RAC shall have no claim of any kind whatsoever against the State, by reason of such termination, or by reason of any act by the State incidental or related thereto.

E. Survival of RAC's Obligations.

1. RAC's obligations remain. In the event that the Agreement is terminated by the State, all of the obligations of RAC under the Agreement shall survive and shall remain in full force and effect for the full term of the Agreement as if there had been no termination.

2. Rent and Fees remain due. Subject to the State's obligation to mitigate damages, the amount of the rent, fees and charges under the Agreement shall become due and payable to the State to the same extent, at the same time, and in the same manner as if no termination had taken place. The State may maintain separate actions to recover any monies then due, or at its option and at any time, may sue to recover the full deficiency.

3. Fee amount subsequent to termination. The amount of damages due to the State by RAC for the period of time subsequent to termination shall be subject to an offset for any fees and charges received by State during the remaining term of the Agreement (as if no termination had taken place) from a succeeding operator of the Concession, and shall be determined as follows:

a. Minimum Annual Requirement Deficiency. With respect to RAC's Minimum Annual Requirement Deficiency obligation, the cumulative total thereof owed by RAC less the amount paid by RAC prior to the effective date of termination.

b. No effect on State's rights. The State and RAC agree that the damages specified above shall not affect or be construed to affect State's right to such damages in the event of termination where RAC has not received any actual Gross Receipts under the Agreement.

F. Additional Rights of State. The State, upon termination of an Agreement, may occupy the Premises and will have the right to permit any person, firm, corporation, or entity to enter upon the Premises and use the same. Such occupation by others may be of only a part of the Premises, or the whole thereof, or a part thereof, together with other space, and for a period of time the same as or different from the balance of the term remaining under the Agreement as if no termination, reentry, regaining, or resumption of possession had taken place, and on terms and conditions the same as or different from those set forth in the Agreement. The State will also have the right to repair or to make such structural or other changes in the Premises as are necessary in its judgment to maintain the suitability thereof for any uses and users including uses and purposes similar to those granted under the Agreement without affecting, altering, or diminishing the obligations of RAC thereunder.

G. Transfer by the State. To the extent permitted under the Indenture, the State shall have the right, at any time and at its sole option, to sell, transfer, or otherwise convey its right, title, and interest in and to the Agreement and/or all or any portion of the Statewide Airports Car Rental Facilities System, the Facility or the Premises, other than to an On-Airport Rental Car Company, an Off Airport Rental Car Company, an affiliate of either an On-Airport Rental Car Company or an Off Airport Rental Car Company, or a direct competitor of any On-Airport Rental Car Company, and in the event of any such sale, transfer, or conveyance by the State, the same shall operate to release the State from any future obligations and any future liability for or under any of the covenants or conditions, express or implied, therein contained in favor of RAC, and in such event, and with respect to such obligations, covenants, and conditions, RAC agrees to look solely to the successor in interest of the State in and to the Agreement. The Agreement shall not be affected by any such sale, conveyance or transfer.

Condemnation.

A. Procedure. In the event that at any time during the Term of the Agreement, all or a portion of the Premises, or all access thereto, or RAC's entire leasehold interest in all or a portion of the Premises pursuant to the Agreement, is taken or damaged by the exercise of power of eminent domain by any condemning authority, or by the State in lieu of condemnation ("*Condemnation Proceedings*"), then (whether or not this Agreement terminates by operation of law upon the exercise of such power), the share of any award resulting to the State or RAC for the taking of their respective interests in and to the Premises or damages resulting to their respective interests by reason of the exercise of such power of eminent domain, shall be separately determined in accordance with applicable law.

B. Total Taking. In the event that: (a) all of the Premises are sought to be taken by the exercise of the power of eminent domain; or (b) under the threat of condemnation, all of the Premises are conveyed to a condemning authority pursuant to an agreement between the State, RAC, and such condemning authority; or (c) a portion of the Premises are taken by eminent domain or conveyed as aforesaid under threat of condemnation and the remainder of the Premises are not capable of being restored to a condition as may be reasonably required to fulfill the intent and purpose of the Agreement; or (d) all of the Premises are taken by the exercise of the power of eminent domain for occupancy by a condemning authority for a temporary period and such temporary period extends beyond the date of the termination of the Agreement; the Agreement shall terminate effective upon the date that the condemning authority legally acquires the right of possession to the Premises; provided, however, that such termination shall not excuse the RAC from any obligation under the Agreement incurred or accrued through and including the date of such termination. In the event of termination of the Agreement as aforesaid, the Minimum Annual Requirement Deficiency, Impositions, and any other sum or sums of money and other charge whatsoever provided in the Agreement to be paid by RAC shall be paid by RAC up to the date of such termination. The amount of compensation and damages resulting to the State and RAC and respectively and to their respective interests in and to the Premises and in and to and in connection with this Agreement in the event of termination of this Agreement as aforesaid shall be determined in accordance with the provisions of the Agreement.

C. Partial Taking. In the event that less than the entire Premises and access thereto or RAC's leasehold interest in less than the entire Premises and access thereto is taken permanently by the exercise of the power of eminent domain, and if the remainder of the Premises are capable of being restored to a condition reasonably required to fulfill the intent and purpose of the Agreement, then in such event, the Agreement shall not terminate but shall remain in full force and effect and RAC shall continue to perform and observe all of the obligations of RAC thereunder, including the obligations to pay the Minimum Annual Requirement Deficiency, Operating Expenses and Impositions as provided under the Agreement, and shall restore the Premises to a condition required to fulfill the interest and purpose of the Agreement.

D. Temporary Takings. If the temporary use of the whole or any part of the Premises shall be taken by Condemnation Proceedings as hereinabove referred to for a period which does not extend beyond the Term of the Agreement, the Agreement shall not terminate by reason thereof and RAC shall continue to pay in full the Minimum Annual Requirement Deficiency, Impositions, and other charges provided to be paid or assumed or reimbursed by RAC under the applicable Agreement, and, except only to the extent that RAC is prevented from so doing by reason of any order of the condemning authority, RAC shall continue to perform and observe all of the covenants, conditions, and obligations thereof which are provided to be observed or performed by RAC under such Agreement, all to the same extent and with the same force and effect as if such temporary use or taking had not occurred. Any award for such temporary taking, whether paid or by way of damages, rent, or otherwise shall be received, held and disbursed in the manner following:

1. An amount equal to the sum of (x) the Ground Rent for the entire period of such temporary use or taking, plus (y) the estimated amount of the Minimum Annual Requirement Deficiency and Impositions for such period (computed on the basis of the most recently ascertainable information) shall be deposited with an escrow trustee acceptable to the State and shall be from time to time applied to the payment of Ground Rent, Minimum Annual Requirement Deficiency, and Impositions as the same from time to time become due and payable;

2. The amount jointly agreed upon by the State and RAC as the estimated amount required to be expended upon the termination of such temporary use or occupancy to restore the Premises and RAC Improvements as nearly as may be reasonably possible to the condition in which same was immediately prior to such taking, shall be reserved and shall be used and available for use for such purposes (and if no agreement is reached, then the State may deduct and retain an amount reasonably estimated by the State); and

3. The remainder shall be paid over to and become the property of RAC; however, the amount of any fee or rent or other charges then owing by RAC to the State under the provisions of this Agreement, together with all unpaid Impositions, and the amount so deducted shall be paid to or upon the order of the State.

E. Taking Upon Possession. The Premises or any part thereof shall be deemed to be taken by Condemnation proceedings within the meaning of the foregoing provisions upon the transfer of possession thereof to the condemning authority; provided, however, any valuation of the State's or RAC's interests shall be as of the date of the filing of Condemnation proceedings.

F. No Restriction. Nothing in the Agreement or the existence of the Agreement shall be construed to restrict or in any way interfere with the exercise of eminent domain by the State. The State agrees that it shall not voluntarily commence or seek commencement of Condemnation proceedings against the Premises except to the extent that the State, in connection with such Condemnation proceedings (i) reimburses RAC for the then unamortized costs and expenses of any and all RAC Improvements constructed in the Premises, or any portion thereof, by RAC and each such On Airport Rental Car Company (with such RAC Improvements being amortized on a straight-line basis over a period of thirty (30) years at a rate equivalent to the Discount Rate, and (ii) makes available to RAC reasonable alternate space for the provision of rental car services by RAC to Customers at the Airports.

G. Taking of RAC's Entire Leasehold Interest. In the event of a taking of RAC's entire leasehold interest, whether or not there is a taking of the underlying fee interest, the value of such leasehold interest shall be the difference between the fair cash rental value of the Premises as improved and the rent reserved under the Agreement (including Ground Rent and Minimum Annual Requirement Deficiency), and including payment of Impositions, discounted for the present value at the Discount Rate.

Termination by RAC.

If any one of the following events shall occur, RAC may terminate the Agreement, in its entirety:

A. Abandonment. The permanent abandonment of the Airport at which the Facility is located as a terminal for the transport by air of persons, property, cargo, or mail.

B. Assumption. The lawful assumption by the United States government, or any authorized agency thereof, of the operation, control, or use of the Airport at which the Facility is located, or any substantial part or parts thereof, in such a manner as to substantially restrict RAC from operating the Concession thereon for a period of at least sixty (60) consecutive days.

C. Injunction. The issuance by any court of competent jurisdiction of an injunction in any way preventing or restraining the use of the Airport at which the Facility is located for the purposes authorized under the Agreement, and the injunction remaining in force for a period of at least sixty (60) consecutive days.

D. Breach. The breach by the State of, or its failure to perform, any of the material covenants or agreements contained in the Agreement, and either the failure of the State to remedy such breach for a period of sixty (60) days after receipt of a written notice of the existence of such breach, or, if fulfillment of the State's obligations requires activity over a period of time, the failure of the State within said sixty (60)-day period in good faith to commence the required activity and to continue the same thereafter except for causes beyond the State's control.

E. Damage. The damage or destruction of the Premises of the nature and to the extent described in the Agreement which allows RAC to terminate the Agreement.

Subordination.

A. Joint Use. Each Agreement is and shall be subordinate in all respects to the provisions of any existing or future agreements between the State and the United States government, or any agency thereof, relative to the aircraft operating areas of the Airports, the execution of which has been or may be required as a condition precedent to the expenditure of federal funds for the development of the Airports. In the event of any such inconsistency between such agreement(s) and the operation of the Concession, the Agreement or the particular terms and conditions affected hereby shall be suspended or terminated without the State being liable for any damages.

Each Agreement shall be subordinate in all respects to the provisions of any existing or future Joint Use Agreement between the State and the United States Navy, the United States Army, or the United States Air Force. In the event of any such inconsistency described in the preceding paragraph between an Agreement and any existing or future Joint Use Agreement, the Agreement or the particular terms and conditions affected thereby shall be suspended or terminated without the State being liable for any damages.

B. National Emergency. During times of war, whether declared by Congress or not, or national emergency, the State will have the right to enter into any agreement with the United States government for any military use of part or all of the landing area, the publicly owned air navigation facilities, and all other areas and facilities of the Airports. In the event any such agreement is executed, the provisions of the Agreement, insofar as they are inconsistent with the provisions of the agreement with the United States government, shall be suspended without the State being liable for any damages.

C. Rights of RAC. Nothing in the Agreement shall detract from or limit, nor be construed to detract from or limit, the rights of RAC set forth in the Agreement to seek damages or compensation from other than the State in the event of the execution of any such agreement described above, the terms of which are or may be inconsistent with the rights of RAC under the Agreement.

Sublease and Assignment.

Except as otherwise permitted by the applicable Agreement, no RAC shall, without the prior written consent of the State and, if required by law, the State of Hawaii Board of Land and Natural Resources, in each instance: (a) assign, transfer, mortgage, pledge, hypothecate, or encumber, or subject to or permit to exist upon or be subjected to any lien or charge, the related Agreement or any interest under it (including any sublease or easement); (b) allow to exist or occur any transfer of or lien upon the Premises, such Agreement, or RAC's interest therein by operation of law; (c) sublet the Premises or any part thereof; or (d) permit the use or occupancy of the Premises or any part thereof for any purpose not provided for in the Agreement or by anyone other than RAC. In no event shall any Agreement be assigned or assignable by voluntary or involuntary bankruptcy proceedings or otherwise, and in no event shall any Agreement or any rights or privileges thereunder be an asset of RAC under any bankruptcy, insolvency or reorganization proceedings. RAC shall not grant a leasehold mortgage without the State's prior written consent, which consent may be withheld or conditioned in the State's sole and absolute discretion.

Operating Agreement.

A. Execution. For each CRCF, no later than one (1) year prior to the Payment Commencement Date, RAC, and each other On-Airport Rental Car Companies operating and occupying a portion or portions of the Statewide Airports Car Rental Facilities System from time to time pursuant to a valid Agreement will enter into or join, as applicable, an operating agreement (the "*Operating Agreement*") establishing a consortium of the On-Airport Rental Car Companies at each CRCF (the "*RAC Consortium*") which provides, among other things, for (i) the maintenance and repair of the Statewide Airports Car Rental Facilities System; (ii) the operation, maintenance, repair, and replacement of the QTA pursuant to, and in accordance with, the terms and provisions of the Agreement and the other Agreements then (or to be) in effect; (iii) the hiring of a property manager, reasonably acceptable to the State, for each CRCF; (iv) the operation and maintenance of all CUTS; (v) disbursement mechanisms among the On-Airport Rental Car Companies for reimbursements received by the State or the Trustee pursuant to the provisions under the Agreement; and (vi) the allocation and assumption of liability for sums due and payable by RAC thereunder and sums due and payable by the other On-Airport Rental Car Companies then (or that will be) operating and occupying a portion or portions of the Statewide Airports Car Rental Facilities System from time to time pursuant to valid Agreements under such agreements, all as more specifically described in the Agreement.

B. Acceptable to the State. Each Operating Agreement shall be reasonably acceptable to the State in form and substance and shall remain in full force and effect, and shall not dissolve or be terminated, during the Term of the Agreements relating thereto. The Operating Agreement shall provide for the circumstance when a new On-Airport Rental Car Company replaces an existing On-Airport Rental Car Company and admission of new On-Airport Rental Car Companies in connection with the construction of any additional CRCFs. Further, the Operating Agreement shall provide for the circumstance when, following a termination of an Agreement due to default by the On-Airport Rental Car Company thereunder, the State either replaces the On-Airport Rental Car Company with a new On-Airport Rental Car Company by entering into a new Agreement or, until replacement, permits the terminated On-Airport Rental Car Company's spaces and areas to be reallocated among the remaining On-Airport Rental Car Companies in the manner described under an Agreement. The Operating Agreement shall also provide for the circumstance where the State, at its sole option, may require the addition of another On-Airport Rental Car Company to the RAC Consortium from time to time. Once an On-Airport Rental Car Company's Agreement is terminated, the State shall not permit it to occupy any portion of a CRCF. The Operating Agreement must acknowledge that no removal or replacement of an On-Airport Rental Car Company shall serve to excuse such On-Airport Rental Car Company from liability for any Environmental Damages incurred by such On-Airport Rental Car Company. The Operating Agreement may include provisions providing that responsibility for Operating Expenses, Common Use Transportation Expenses, Impositions, costs arising from compliance and other expenses which relate to a single CRCF may be payable by the On-Airport Rental Car Companies which operate Concessions at such CRCF; provided, however, that such provisions must provide that in the event of non-payment of any such amounts when due by any such On-Airport Rental Car Company, such amount shall become the joint and several obligation of all of the On-Airport Rental Car Companies, payable to the State or such other third party in a commercially reasonable manner.

C. Assignment of right. As security for RAC's obligations with respect to the Premises, RAC hereby assigns to the State its right to receive amounts paid relating to occupancy, construction, maintenance, and operation of the Premises ("*Revenues*") from the On-Airport Rental Car Companies under the Operating Agreement, including all extensions, amendments, or replacements of the Operating Agreement, together with all rents, income, issues, and profits now due or which may thereafter become due under the Operating Agreement, and together with any guaranties of obligations relating to the Premises, or the Operating Agreement; provided, however, that the rents, income, issues, and profits are assigned only up to the amount of rent and other sums payable under the Agreement. RAC agrees it will not, without the State's prior written consent: transfer, assign, or grant a performance interest in the Revenues under the Operating Agreement (provided that the State may permit grant of a security interest in certain contract rights under the Operating Agreement to a trustee or any other person first approved by the State); provide for any cross default between the Operating Agreement and any other agreement between RAC and On-Airport Rental Car Companies; permit a termination of the Operating Agreement, except as expressly provided in the Operating Agreement; collect Revenues more than one (1) month in advance (except for the initial investment in the Operating Agreement); evict or dispossess any On-Airport Rental Car Company under the Operating Agreement; waive, cancel, release, modify, excuse, discount, set off, compromise, or discharge the On-Airport Rental Car Company under the Operating Agreement from any obligations under the Operating Agreement; amend or extend the Operating Agreement; or enter into any collateral agreement with the On-Airport Rental Car Companies relating to the Premises which is not included in the Operating Agreement.

D. Consistent with Agreement. The Operating Agreement shall acknowledge each Agreement, be consistent with such Agreements, and require RAC and the other On-Airport Rental Car Companies to comply with the terms of the Agreements. The Operating Agreement shall require the On-Airport Rental Car Companies to give notice to the State of any default by any RAC thereunder and provide the State with the option to elect to cure any such default within a period commensurate with any cure period given to RAC under the Operating Agreement. In addition to the foregoing, the Operating Agreement shall prohibit the On-Airport Rental Car Companies from paying any amounts owed thereunder which have been assigned to the State more than thirty (30) days in advance and shall be expressly subordinated to the Agreement.

E. Prompt notification. The RAC Consortium shall promptly notify the State of any non-payment of Revenues (to the extent that the RAC Consortium has actual knowledge of any such non-payment of such Revenues) or other default by an On-Airport Rental Car Company under the Operating Agreement or of any notice of default received by the RAC Consortium under the Operating Agreement.

Litigation.

A. RAC Responsible. If State shall, without any fault, be made a party to any litigation initiated by or against RAC arising out of RAC's operation of this Concession, RAC shall indemnify, defend, and keep and hold harmless and if appropriate or necessary, insure the State and the State's officers, employees, and agents, from and against any all claims, demands, actions, suits, causes of action, judgments, injunctions, decisions, orders, liabilities, losses, damages, costs, and expenses arising out of or related to any such litigation, including, without limitation, paying any and all costs, charges, and reasonable attorneys' fees incurred or imposed on the State in connection with such litigation. In any action by the State for recovery of any sum due under the Agreement, or to enforce any of the terms, covenants, or conditions contained in the Agreement, State shall be entitled to recover all costs, fees, charges, and attorneys' fees incurred or imposed on the State in connection with such actions.

B. Attorneys' Fees. For purposes of the Agreement, reasonable attorneys' fees shall be based on the fees regularly charged by private attorneys who practice in the County, with the equivalent number of years of experience in the subject matter area of law for which the State's attorneys' services were rendered.

C. Prompt Notice. Each party shall give prompt written notice to the other party of any claim or suit instituted against it that may affect the other party.

D. Waiver of Claims. RAC waives any claim against the State and the State's agents for loss of revenue, loss of opportunity, and loss of anticipated profits caused by any suit or proceedings directly or indirectly attacking the validity of the Agreement or any part thereof, or by any judgment or award in any suit or proceedings declaring the Agreement null, void, or voidable, or delaying the same, or any part thereof, from being carried out.

Force Majeure.

A. State's Obligations. The State shall not be liable for any failure, delay, or interruption in performing its obligations under the Agreement due to causes or conditions beyond its control, including (but without limitation thereto) strikes, boycotts, picketing, slowdowns, work stoppages, or labor troubles of any other type, whether affecting the State, its contractors, or subcontractors.

The State shall not be obligated to supply any service or services, if and to the extent, and during any period, that the supplying of any such service or services, or the use of any component necessary therefor, shall be prohibited by any federal, state, or municipal law, rule, regulation, requirement, order, or direction; provided, however, that even if such prohibition does not expressly apply to the State, the State may choose to comply with such prohibition, in whole or in part, and in so choosing, the State shall not be obligated to supply any such service or services.

B. Fees Remain Payable. Unless and only to the extent otherwise specified in the Agreement, no abatement, diminution, or reduction of the fees, rents, or other charges payable by RAC shall be claimed by or allowed to RAC for any inconvenience, interruption, cessation, or loss of business or other loss caused, directly or indirectly, by any present or future laws, rules, requirements, orders, directions, ordinances, or regulations of the United States of America, or of the State of Hawaii, or any county or municipal governments, or of any other municipal, governmental, or lawful authority whatsoever; or by priorities, rationing, curtailment, or shortage of labor or materials, or by war, acts of terrorism, or any matter or thing resulting therefrom, or by strikes, boycotts, labor disputes, embargoes, acts of God, acts of the public enemy, acts of superior governmental authority, weather conditions, floods, riots, rebellion, or sabotage, or by any other cause or causes beyond the control of the State, nor shall the Agreement be affected by any such causes.

C. Non-economic Relief. Upon the occurrence of a force majeure event, as determined by the State, in the State's sole discretion, the State may, but is not obligated to, grant non-economic relief to RAC, the amount, extent, and duration of which shall be determined by the State, in the State's sole discretion. Examples of force majeure events include acts of God, federal or state laws, governmental regulations, orders, or restrictions, acts of superior government authority, war, warlike conditions, hostilities, acts of terrorism, acts of the public enemy, sabotage, rebellion, riots, looting, military mobilization, blockades, embargoes, or other transportation delay, strikes, lockouts, or other labor disputes, shortages of labor, inability to secure fuel, materials, supplies, or power due to shortages thereof, epidemic, fire, or flood.

D. RAC Enforcement. Nothing in the Agreement shall preclude nor be construed to preclude the enforcement by RAC of any of its rights contained in the Agreement.

Accord and Satisfaction.

A. RAC's Instructions Void. Payment by RAC or receipt by the State of a lesser amount than stipulated in the Agreement may be, at the State's sole option, deemed to be on account of the earliest due of first (1st) any interest, service charges, and late fees and second (2nd) any stipulated amounts owing (beginning with earliest such amounts owing), notwithstanding any instruction by or on behalf of RAC to the contrary, which instructions shall be null and void, and no endorsement or statement on any check or any letter accompanying any such check or payment will be deemed an accord and satisfaction, and the State may accept such check or payment without prejudice to the State's right to recover the balance of such amounts owing or rent or payment or pursue any other remedy available in the Agreement or by law.

B. Acceptance Does Not Invalidate Notice. The State may accept any partial payment from RAC without invalidation of any contractual notice required to be given under the Agreement (to the extent such contractual notice is required) and without invalidation of any notice given or required to be given pursuant to applicable law.

Liability.

In the event that one or more On-Airport Rental Car Companies fails to make a required Minimum Annual Requirement Deficiency payment within ten (10) calendar days of the time period required herein, and the amount of such failure exceeds the amount actually available to the State under the Concession Bond of such On-Airport Rental Car Companies, the State shall promptly provide a notice of such failure to the non-defaulting remaining On-Airport Rental Car Companies, including each RAC, (for purposes of this provision, the "*Non-Defaulting Rental Car Companies*") setting forth the amount of such shortfall in Minimum Annual Requirement Deficiency (the "*Minimum Annual Requirement Deficiency Shortfall*"). Upon receipt of such notice, the Non-Defaulting Rental Car Companies shall be and remain liable, on a proportional basis based upon the prorata share of the rentable square footage allocated to the each of the individual Non-Defaulting Rental Car Companies compared to the rentable square footage allocated to all of the Non-Defaulting Rental Car Companies in the Statewide Airports Car Rental Facilities System, for the Minimum Annual Requirement Deficiency Shortfall, which amount shall be due and payable ten (10) calendar days after such notice. The payment of such Minimum Annual Requirement Deficiency Shortfall by the Non-Defaulting Rental Car Companies shall not relieve the defaulting On-Airport Rental Car Company and/or RAC, as the case may be, of any of its obligations to the State, whether arising under its Agreement or any other Agreement, as the case may be, and in the event that the State, or the Trustee on the State's behalf, thereafter actually receives all or any portion of such unpaid Minimum Annual Requirement Deficiency Shortfall from the defaulting On-Airport Rental Car Company or Companies, as the case may be, which the Non-Defaulting Rental Car Companies have theretofore paid to the State, or the Trustee on the State's behalf, hereunder, the State shall, as soon as reasonably practicable thereafter, provide such Non-Defaulting Rental Car Companies with a credit against their respective obligations for the Minimum Annual Requirement Deficiency next coming due in an amount equal to such portion of the unpaid Minimum Annual Requirement Deficiency Shortfall so received by the State, or the Trustee on the State's behalf, hereunder. In addition, subject to any right of cure contained in a valid Agreement relating thereto, upon payment by the Non-Defaulting Rental Car Companies of all such unpaid Minimum Annual Requirement Deficiency Shortfall pursuant to the foregoing, any counter space, back office space, ready/return parking spaces, Motor Vehicle storage spaces, QTA space and vehicle staging lanes then allocated to the defaulting On-Airport Rental Car Company or Companies shall be relocated in accordance with the applicable Agreements. The Operating Agreement shall expressly provide for and authorize the proportional liability and the other obligations summarized under this heading.

Estoppel Statements.

A. RAC Must Deliver. Within ten (10) days after request therefor by the State, RAC shall deliver, in recordable form, an estoppel statement certifying that the Agreement is in full force and effect, the date of RAC's most recent payment of any Minimum Annual Requirement Deficiency and that RAC has no defenses or offsets outstanding, or stating those claimed, and any other information reasonably requested by the State.

B. Failure to Deliver. If RAC fails to deliver the requested estoppel statement to the State within the specified period, the following shall be deemed conclusive: (1) the Agreement is in full force and effect, without modification, except as may be represented by the State and (2) there are no uncured defaults in the State's performance and RAC has no right of offset, counterclaim, or deduction against any Minimum Annual Requirement Deficiency payable under the Agreement. Such conclusions shall be binding upon RAC. Notwithstanding these conclusions, RAC's failure to deliver the requested estoppel statement shall constitute a breach of the related Agreement.

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APPENDIX F

Form of Bond Counsel Opinion

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New York, NY 10022-2585
212.940.8800 tel
212.940.8776 fax
www.kattenlaw.com

August 27, 2019

Jade Butay
Director of Transportation
Department of Transportation
State of Hawaii
869 Punchbowl Street
Honolulu, Hawaii 96813

$194,710,000
State of Hawaii
Airports System Customer Facility Charge Revenue Bonds
Series 2019A (Taxable)

Dear Mr. Butay:

At the request of the State of Hawaii (the "*State*") acting through its Department of Transportation (the "*Department*"), we have acted as Bond Counsel in connection with the issuance of by the State of its $194,710,000 aggregate principal amount of Airports System Customer Facility Charge Revenue Bonds, Series 2019A (Taxable) (the "*Series 2019A Bonds*").

The Series 2019A Bonds are dated August 27, 2019, are in the denomination of $5,000 or any integral multiple thereof, and mature on July 1 in each of the years and in the respective principal amounts set forth below, with the Series 2019A Bonds maturing in a particular year bearing interest payable semiannually each January 1 and July 1, commencing January 1, 2020 at the rate per annum set opposite such year, as follows:

Maturity (July 1)	Amount	Interest Rate
2020	$4,915,000	1.875%
2021	5,005,000	1.825%
2022	5,100,000	1.819%
2023	5,195,000	1.988%
2024	5,300,000	2.008%
2025	5,415,000	2.185%
2026	5,535,000	2.235%
2027	5,660,000	2.283%
2028	5,795,000	2.333%
2029	5,930,000	2.353%
2030	6,075,000	2.433%
2031	6,225,000	2.503%

Maturity (July 1)	Amount	Interest Rate
2032	6,385,000	2.583%
2033	6,560,000	2.683%
2034	6,740,000	2.733%
2039	36,810,000	2.970%
2047	72,065,000	3.140%

The Series 2019A Bonds are subject to optional and sinking fund redemption by the State prior to the stated maturities thereof as set forth in the Indenture (as defined herein). The Series 2019A Bonds are transferable and exchangeable upon the terms and conditions set forth therein and have been authorized and issued pursuant to the laws of the State of Hawaii. The Series 2019A Bonds are being issued for the purpose of funding the costs of certain consolidated rental motor vehicle facility facilities at the Airports System of the State. The Series 2019A Bonds are authorized to be issued and are issued under, pursuant to, and in full compliance with the Constitution and statutes of the State of Hawaii, including particularly, Part III of Chapter 39, Hawaii Revised Statutes, as amended, and under and pursuant to that certain Indenture of Trust dated as of August 1, 2014 between the State, acting through the Department, and MUFG Union Bank N.A., as Trustee (the "*Trustee*"), as amended and supplemented (the "*Indenture*"), duly authorized and delivered under the aforesaid Part III, and pursuant to that certain Third Supplemental Indenture of Trust dated as of August 1, 2019 (the "*Supplemental Indenture*"), duly authorized and delivered under the aforesaid Part III and the Indenture. All capitalized terms used herein that are not herein otherwise defined shall have the meanings ascribed thereto in the Indenture.

The Series 2019A Bonds and any bonds heretofore or hereafter issued on a parity therewith under the Indenture are payable from the Pledged Receipts.

In rendering our opinions set forth herein, 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 State or the Department. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Supplemental Indenture.

The rights and obligations under the Series 2019A Bonds, the Indenture and the Supplemental Indenture 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 the State. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents.

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

(1) The Series 2019A Bonds have been duly authorized and issued by the State and constitute valid special obligations of the State payable solely from and secured solely by a lien upon and pledge of Pledged Receipts, on a parity with all bonds which heretofore have been or hereafter may be issued under the Indenture, as set forth in the Indenture.

(2) The provisions of the Indenture and the Supplemental Indenture are valid in accordance with their terms.

(3) Interest on the Series 2019A Bonds is exempt from all taxation by the State and any county or any political subdivision thereof, except inheritance, transfer and estate taxes and except to the extent the franchise tax imposed by the laws of the State on banks and other financial institutions may be measured with respect to the Series 2019A Bonds or income therefrom.

Interest on the Series 2019A Bonds is not exempt from federal income taxes.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We have not undertaken to determine, or to inform any person, as to any change in any existing law, regulation, ruling or judicial decision or the effect of any such change. Our engagement with respect to the Series 2019A Bonds concludes with their issuance, and we disclaim any obligation to update this letter after the date hereof.

Very truly yours,

CMS/MGM

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APPENDIX G

Form of Continuing Disclosure Certificate

Dated August 27, 2019

$194,710,000
State of Hawaii
Airports System Customer Facility Charge Revenue Bonds
Series 2019A (Taxable)

This Continuing Disclosure Certificate (this "*Disclosure Certificate*") is executed and delivered by the State of Hawaii (the "*State*") acting through the State Director of Transportation (the "*Director of Transportation*") on behalf of the Airports Division for the Airports System and the Rental Car Facilities System, in connection with the issuance of its $194,710,000 State of Hawaii Airports System Customer Facility Charge Revenue Bonds Series 2019A (Taxable) (the "*Bonds*"). The Bonds are being issued pursuant to the authority of the Constitution and laws of the State, including, in particular, certain acts of the Legislature of the State, as implemented by that certain Indenture of Trust dated as of August 1, 2014 providing for the issuance of the Bonds (as amended and supplemented, the "*Bond Indenture*"), by and between the State, acting through the Department of Transportation, and MUFG Union Bank, N.A., as trustee. Pursuant to the Bond Indenture, the State covenants and agrees as follows:

Section 1. **Purpose of Disclosure Certificate**. This Disclosure Certificate is being executed and delivered by the State acting through the Director of Transportation 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**. In addition to the definitions set forth in the Bond Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" shall mean any Department of Transportation, Airports Division CFC Annual Report provided 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 Transportation or any successor Dissemination Agent designated in writing by the State acting through the Director of Transportation and which has filed with the State a written acceptance of such designation.

"*Financial Obligation*" shall mean debt of the State, including associated derivatives or guarantees, for which no offering document has been posted to EMMA.

"*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) 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 https://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 l5c2-12(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 State acting through the Director of Transportation shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the State's fiscal year (presently June 30), commencing with the report for the Fiscal Year ending June 30, 2020, 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 Department of Transportation, Airports Division 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 (i) the State's fiscal year changes or (ii) the State shall fail provide the Annual Report by the deadline specified above, the State shall give notice of such occurrence in the same manner as for a Listed Event under Section 5(b). 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) Not later than 15 Business Days prior to said date, the State acting through the Director of Transportation shall provide the Annual Report to the Dissemination Agent (if other than the Director of Transportation). If the State acting through the Director of Transportation is unable to provide to the MSRB an Annual Report by the date required in Section 3(a) above, the State acting through the Director of Transportation shall send a notice to the MSRB in substantially the form attached as Exhibit B hereto.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Director of Transportation) file a report with the State certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. **Contents of Annual Reports**. The Department of Transportation, Airports Division CFC Annual Report shall contain or include information of the type included in the final Official Statement (the "*Official Statement*") dated August 14, 2019, relating to the Bonds as set forth under the heading "**CAR RENTAL FACILITIES CONCESSION AGREEMENTS AND FACILITY LEASES**," including the following information:

(a) Receipts of Customer Facility Charge collections for the Airports System as a whole for each fiscal year.

(b) The Debt Service Coverage Ratio of receipts of Customer Facility Charge collections for the Airports System as a whole to debt service payments for the Bonds for such fiscal year.

(c) The audited financial statements of the Department of Transportation, Airports Division for the prior fiscal year, which financial statements 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 Department of Transportation, Airports Division 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, 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 State or related public entities, which have been available to the public on the MSRB's website. The State acting through the Department of Transportation 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 State acting through the Department of Transportation shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults, if material;

3. unscheduled draws on the debt service reserves reflecting financial difficulties;

4. unscheduled draws on the credit enhancements reflecting financial difficulties;

5. substitution of the credit or liquidity providers or their failure to perform;

6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2019 Bonds, or other material events affecting the tax status of the Series 2019 Bonds, if applicable;

7. modifications to rights of bondholders, if material;

8. (A) bond calls, if material, and (B) tender offers;

9. defeasances;

10. release, substitution or sale of property securing repayment of the Series 2019 Bonds, if material;

11. rating changes;

12. the foregoing event, such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the State in a proceeding under the provisions of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq., as amended or supplemented from time to time, or any successor statute, and any and all rules and regulations issued or promulgated in connection therewith, 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 governing 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;

13. the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, 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 material agreement relating to any such actions, other than pursuant to its terms, if material;

14. appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the State, any of which affect security holders, if material; or

16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the State, any of which reflect financial difficulties.

(b) The Department shall in a timely manner, not in excess of ten (10) business days after the occurrence of a Listed Event, file notice of such occurrence with the MSRB.

Section 6. **Termination of Reporting Obligation**. The State'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 State shall give notice of such termination in the same manner as for a Listed Event under subsection 5(c).

Section 7. **Dissemination Agent**. The State acting through the Department of Transportation 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 State acting through the Department of Transportation pursuant to this Disclosure Certificate.

Section 8. **Amendment; Waiver**. Notwithstanding any other provision of this Disclosure Certificate, the State acting through the Director of Transportation 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), 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 Bond Indenture for amendments to the Bond Indenture with the consent of Holders or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or Waiver of a provision of this Disclosure Certificate, the State acting through the Director of Transportation 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 State acting through the Director of Transportation. 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(c), 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 State acting through the Department of Transportation 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 State acting through the Department of Transportation 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 State acting through the Department of Transportation 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 State acting through the Department of Transportation 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 State acting through the Department of Transportation 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 Bond Indenture with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the State acting through the Department of Transportation 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 State, 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.

STATE OF HAWAII

By ______________________________________

Director of Transportation
State of Hawaii

EXHIBIT A

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

Name of Issuer:	State of Hawaii, Department of Transportation
Names of Bond Issues:	State of Hawaii Airports System Customer Facility Charge Revenue Bonds, Series 2019A (Taxable)
Date of Issuance:	August 27, 2019

NOTICE IS HEREBY GIVEN that the State has not provided an Annual Report with respect to the above-named Bonds as required by its Continuing Disclosure Certificate dated August 27, 2019. [The State anticipates that the Annual Report will be filed by ___________.]

Dates:

STATE OF HAWAII
Acting through the Department of Transportation
By ____
Name: ____
Title: ____

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APPENDIX H

Book-Entry Only System

General. The Depository Trust Company ("*DTC*"), New York, NY, will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be issued as fully registered securities in the name of Cede & Co. (DTC's partnership nominee). One fully registered Series 2019 Bond will be issued for each maturity of each issue of the Series 2019 Bonds 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 Section17A 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 arrangement eliminates the need for physical movement of the Series 2019 Bonds. 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 a Standard & Poor's rating of AA+. 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. The rules applicable to DTC and its Direct Participants and Indirect Participants are on file with the Securities and Exchange Commission.

Purchase of Ownership Interests. Purchases of Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive credit for the Series 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (for the purposes of the discussion under "Book-Entry System," a "*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participant records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are 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 Series 2019 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Series 2019 Bonds representing their ownership interests in Series 2019 Bonds, except in the event that use of the Book-Entry System for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2019 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 Bonds are credited, which may or may not be the Beneficial Owners. The 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.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 2019 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the State 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 the Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and Interest Payments. Principal of and interest payments on the Series 2019 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payment date in accordance with their respective holdings shown on DTC's records unless DTC has no reason to believe that it will not receive payment on the payment date. 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 the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the State, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Discontinuance of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2019 Bonds are required to be printed and delivered.

Use of Certain Terms in Other Sections of the Official Statement. In reviewing this Official Statement it should be understood that while the Series 2019 Bonds are in the Book-Entry System, references in other Sections of this Official Statement to owners or holders should be read to include the person for whom the Participant acquires an interest in the Series 2019 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 or holders by the State will be given only to DTC. DTC will forward (or cause to be forwarded) the notices of the Participants by its usual procedures so that such Participants may forward (or cause to be forwarded) such notices to the Beneficial Owners.p

DTC and Book-Entry Information. Information concerning DTC and the Book-Entry System contained in this Official Statement has been obtained from DTC and other sources that the State 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 State.

Neither the State nor the Underwriters will have any responsibility or obligation to Direct Participants, to Indirect Participants or to Beneficial Owners with respect to (i) the accuracy of any records maintained by the DTC, any Direct Participants or Indirect Participants, (ii) the payment by DTC, any Direct Participants or any Indirect Participants of any amount in respect of principal of or interest on the Series 2019 Bonds, (iii) any notice which is permitted or required to be given to owners (except such notice as is required to be given by the State to DTC), (iv) any consent given or other action taken by DTC as Owner of the Series 2019 Bonds or (v) any other event or purpose.

APPENDIX I

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

REFERENCES TO "BONDS" OR "SECURITIES" MEAN THE SERIES 2019 BONDS OFFERED BY THIS OFFICIAL STATEMENT.

Minimum Unit Sales

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF $5,000 PRINCIPAL AMOUNT).

Notice to Prospective Investors in the European Economic Area

THIS OFFICIAL STATEMENT IS NOT A PROSPECTUS FOR THE PURPOSES OF EUROPEAN COMMISSION REGULATION 809/2004 OR EUROPEAN COMMISSION DIRECTIVE 2003/71/EC (AS AMENDED, INCLUDING BY EUROPEAN COMMISSION DIRECTIVE 2010/73/EU, AS APPLICABLE) (THE "*PROSPECTUS DIRECTIVE*"). IT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE BONDS WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 3 OF THE PROSPECTUS DIRECTIVE, AS IMPLEMENTED IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA, FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR SUCH OFFERS. THIS OFFICIAL STATEMENT IS ONLY ADDRESSED TO AND DIRECTED AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE AND ANY RELEVANT IMPLEMENTING MEASURE IN EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA ("*QUALIFIED INVESTORS*"). THIS OFFICIAL STATEMENT MUST NOT BE ACTED ON OR RELIED ON IN ANY SUCH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA BY PERSONS WHO ARE NOT QUALIFIED INVESTORS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO QUALIFIED INVESTORS IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA AND WILL NOT BE ENGAGED IN WITH ANY OTHER PERSONS.

Notice to Prospective Investors in the United Kingdom

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

RELEVANT PERSONS, INCLUDING IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA APPLIES TO THE STATE. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS.

Notice to Prospective Investors in Canada

THE BONDS MAY BE SOLD IN CANADA ONLY TO PURCHASERS PURCHASING, OR DEEMED TO BE PURCHASING, AS PRINCIPAL THAT ARE ACCREDITED INVESTORS, AS DEFINED IN NATIONAL INSTRUMENT 45-106 PROSPECTUS EXEMPTIONS OR SUBSECTION 73.3(1) OF THE SECURITIES ACT (ONTARIO), AND ARE PERMITTED CLIENTS, AS DEFINED IN NATIONAL INSTRUMENT 31-103 REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS. ANY RESALE OF THE BONDS MUST BE MADE IN ACCORDANCE WITH AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE PROSPECTUS REQUIREMENTS OF APPLICABLE SECURITIES LAWS.

SECURITIES LEGISLATION IN CERTAIN PROVINCES OR TERRITORIES OF CANADA MAY PROVIDE A PURCHASER WITH REMEDIES FOR RESCISSION OR DAMAGES IF THIS OFFERING MEMORANDUM (INCLUDING ANY AMENDMENT THERETO) CONTAINS A MISREPRESENTATION, PROVIDED THAT THE REMEDIES FOR RESCISSION OR DAMAGES ARE EXERCISED BY THE PURCHASER WITHIN THE TIME LIMIT PRESCRIBED BY THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE OR TERRITORY. THE PURCHASER SHOULD REFER TO ANY APPLICABLE PROVISIONS OF THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE OR TERRITORY FOR PARTICULARS OF THESE RIGHTS OR CONSULT WITH A LEGAL ADVISOR.

PURSUANT TO SECTION 3A.3 OF NATIONAL INSTRUMENT 33-105 UNDERWRITING CONFLICTS (NI 33-105), THE UNDERWRITER IS NOT REQUIRED TO COMPLY WITH THE DISCLOSURE REQUIREMENTS OF NI 33-105 REGARDING UNDERWRITER CONFLICTS OF INTEREST IN CONNECTION WITH THIS OFFERING.

Notice to Prospective Investors in Hong Kong

THE BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF ANY DOCUMENT OTHER THAN (I) IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CAP. 32 OF THE LAWS OF HONG KONG) ("*COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE*") OR WHICH DO NOT CONSTITUTE AN INVITATION TO THE PUBLIC WITHIN THE MEANING OF THE SECURITIES AND FUTURES ORDINANCE (CAP. 571 OF THE LAWS OF HONG KONG) ("*SECURITIES AND FUTURES ORDINANCE*"), OR (II) TO "PROFESSIONAL INVESTORS" AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE AND ANY RULES MADE THEREUNDER, OR (III) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A "PROSPECTUS" AS DEFINED IN THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE, AND NO ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS MAY BE ISSUED OR MAY BE IN THE POSSESSION OF ANY PERSON FOR THE PURPOSE OF ISSUE (IN EACH CASE WHETHER IN HONG KONG OR ELSEWHERE), WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC IN HONG KONG (EXCEPT IF PERMITTED TO DO

SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO "PROFESSIONAL INVESTORS" IN HONG KONG AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE AND ANY RULES MADE THEREUNDER.

Notice to Prospective Investors in Japan

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (NO. 25 OF 1948, AS AMENDED, THE "*FIEA*"). NEITHER THE BONDS NOR ANY INTEREST THEREIN MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN (AS DEFINED UNDER ITEM 5, PARAGRAPH 1, ARTICLE G OF THE FOREIGN EXCHANGE AND FOREIGN TRADE ACT (ACT NO. 228 OF 1949, AS AMENDED)), OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FIEA AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

THE PRIMARY OFFERING OF THE BONDS AND THE SOLICITATION OF AN OFFER FOR ACQUISITION THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER PARAGRAPH 1, ARTICLE 4 OF THE FIEA. AS IT IS A PRIMARY OFFERING, IN JAPAN, THE BONDS MAY ONLY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY TO, OR FOR THE BENEFIT OF CERTAIN QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED IN THE FIEA ("*QIIS*"). A QII WHO PURCHASED OR OTHERWISE OBTAINED THE BONDS CANNOT RESELL OR OTHERWISE TRANSFER THE BONDS IN JAPAN TO ANY PERSON EXCEPT ANOTHER QII.

Notice to Prospective Investors in Korea

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA FOR PUBLIC OFFERING IN KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE "*FSCMA"*). THE BONDS MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, OR OFFERED OR SOLD TO ANY PERSON FOR REOFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT AS OTHERWISE PERMITTED UNDER THE APPLICABLE LAWS AND REGULATIONS OF KOREA, INCLUDING THE FSCMA AND THE FOREIGN EXCHANGE TRANSACTION LAW AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE "*FETL*"). WITHOUT PREJUDICE TO THE FOREGOING, THE NUMBER OF BONDS OFFERED IN KOREA OR TO A RESIDENT IN KOREA SHALL BE LESS THAN FIFTY AND FOR A PERIOD OF ONE YEAR FROM THE ISSUE DATE OF THE BONDS, NONE OF THE BONDS MAY BE DIVIDED RESULTING IN AN INCREASED NUMBER OF THE BONDS. FURTHERMORE, THE BONDS MAY NOT BE RESOLD TO KOREAN RESIDENTS UNLESS THE PURCHASER OF THE BONDS COMPLIES WITH ALL APPLICABLE REGULATORY REQUIREMENTS (INCLUDING BUT NOT LIMITED TO GOVERNMENT REPORTING REQUIREMENTS UNDER THE FETL) IN CONNECTION WITH THE PURCHASE OF THE BONDS.

Notice to Prospective Investors in Singapore

THIS OFFICIAL STATEMENT HAS NOT BEEN AND WILL NOT BE REGISTERED AS AN OFFICIAL STATEMENT WITH THE MONETARY AUTHORITY OF SINGAPORE. ACCORDINGLY, THIS OFFICIAL STATEMENT AND ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF THE BONDS MAY NOT BE CIRCULATED OR DISTRIBUTED, NOR MAY THE BONDS BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) (THE "*SFA*"), (II) TO A RELEVANT PERSON, OR ANY PERSON PURSUANT TO SECTION 275(1A), AND IN ACCORDANCE WITH THE CONDITIONS, SPECIFIED IN SECTION 275 OF THE SFA OR (III) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH THE CONDITIONS OF, ANY OTHER APPLICABLE PROVISION OF THE SFA. WHERE THE BONDS ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 BY A RELEVANT PERSON WHICH IS: (A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR (B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY IS AN ACCREDITED INVESTOR, THEN SECURITIES, DEBENTURES AND UNITS OF SECURITIES AND DEBENTURES OF THAT CORPORATION OR THE BENEFICIARIES' RIGHTS AND INTEREST IN THAT TRUST SHALL NOT BE TRANSFERABLE FOR 6 MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE SECURITIES UNDER SECTION 275 EXCEPT: (I) TO AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SFA OR TO A RELEVANT PERSON, OR ANY PERSON PURSUANT TO SECTION 275(1A), AND IN ACCORDANCE WITH THE CONDITIONS, SPECIFIED IN SECTION 275 OF THE SFA; (II) WHERE NO CONSIDERATION IS GIVEN FOR THE TRANSFER; OR (III) BY OPERATION OF LAW.

Notice to Prospective Investors in Taiwan

EACH UNDERWRITER HAS REPRESENTED AND AGREED THAT THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS AND MAY NOT BE SOLD, ISSUED OR OFFERED WITHIN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTES AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN THAT REQUIRES A REGISTRATION OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN. NO PERSON OR ENTITY IN TAIWAN HAS BEEN AUTHORIZED TO OFFER, SELL, GIVE ADVICE REGARDING OR OTHERWISE INTERMEDIATE THE OFFERING AND SALE OF THE BONDS IN TAIWAN.

STATE OF HAWAII • AIRPORTS SYSTEM CUSTOMER FACILITY CHARGE REVENUE BONDS, SERIES 2019A (TAXABLE)

DEPARTMENT OF TRANSPORTATION • STATE OF HAWAII •

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