THIS OFFICIAL STATEMENT IS NOT INTENDED TO DESCRIBE ANY 2009 SERIES A BOND ON OR AFTER ITS RELEASE DATE (AS DEFINED HEREIN).

NEW ISSUE

Fitch: AAA
Moody's: Aaa
Standard & Poor's: AAA
(See "Ratings" herein)

Interest on the 2009 Series A is included in gross income for federal tax purposes.

$100,000,000
Hawaii Housing Finance and Development Corporation
(State of Hawaii)
Single Family Mortgage Purchase Revenue Bonds
2009 Series A
(Program Bonds – Federally Taxable)

Dated: December 30, 2009 **Due: July 1, 2041**
Interest to accrue from January 12, 2010

The 2009 Series A Bonds are issuable only as fully registered bonds without coupons. The 2009 Series A Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the 2009 Series A Bonds. Individual purchases will be made in book-entry form only in the principal amount of $10,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the 2009 Series A Bonds. Principal of and interest on the 2009 Series A Bonds are payable by U.S. Bank National Association, as Trustee, to DTC, which will be responsible for remitting such principal and interest to its Participants, which will be responsible for remitting such principal and interest to the Beneficial Owners of such Bonds, as described under the caption "BOOK-ENTRY PROVISIONS" herein.

The 2009 Series A Bonds are being issued by Hawaii Housing Finance and Development Corporation (the "Corporation") to provide funds: to purchase single pool mortgage-backed securities (the "Fannie Mae Securities") guaranteed as to timely payment of principal and interest by Fannie Mae, each backed by pools of mortgage loans that have been made by participating mortgage lenders to eligible borrowers in order to finance the purchase of newly constructed or existing single family residences (including townhouses and condominium units) located in the State of Hawaii. See "THE 2009 Series A BONDS—Redemption."

The 2009 Series A Bonds are subject to redemption on the terms and conditions described herein.

This cover page contains certain information for quick reference only. It is not a summary of relevant information. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision.

The 2009 Series A Bonds are special obligations of the Corporation payable solely from Revenues and other moneys pledged under the Indenture, on a parity with other series of Bonds issued under the Indenture. The 2009 Series A Bonds shall not constitute a general or moral obligation of the State of Hawaii or a charge upon the general fund of the State of Hawaii, and the full faith and credit of neither the State of Hawaii nor any political subdivision thereof are pledged to the payment of the principal of and interest on the 2009 Series A Bonds. The 2009 Series A Bonds are not guaranteed as to the payment of principal and interest by Fannie Mae.

The issuance of the 2009 Series A Bonds is subject to certain conditions including the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Corporation. It is expected that the 2009 Series A Bonds in definitive form will be delivered to DTC in New York, New York, on or about December 30, 2009, for settlement on January 12, 2010.

December 18, 2009

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 sale of the 2009 Series A Bonds and if given or made, such other information or representations must not be relied upon as having been authorized by the Corporation. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the 2009 Series A Bonds, by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement has been provided by the Corporation and by other sources believed by the Corporation to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the Corporation described herein since the date hereof.

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OFFICIAL STATEMENT
of
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
(State of Hawaii)
relating to its
$100,000,000
Single Family Mortgage Purchase Revenue Bonds
2009 Series A

INTRODUCTION

This Official Statement, including the cover page, the inside cover page and appendices hereto (the "Official Statement"), is provided to furnish information with respect to the sale by the Hawaii Housing Finance and Development Corporation (the "Corporation") of its Single Family Mortgage Purchase Revenue Bonds, 2009 Series A (the "2009 Series A Bonds").

The Corporation, a public body and a body corporate and politic duly organized and existing under the provisions of Chapter 201H, Hawaii Revised Statutes, as amended (the "Act"), was established for the purpose of consolidating the jurisdiction, functions, powers, duties and authority previously exercised by the Hawaii Housing Authority (the "Authority"), its successors from time to time and the Rental Housing Trust Fund. The Corporation is responsible for developing and financing low and moderate income housing and administering home ownership functions previously the responsibility of predecessors of the Corporation. Unless the context otherwise indicates, the term "Corporation" shall also be used to refer to its predecessors in describing or referring to powers originally granted to its predecessors but transferred to the Corporation. The Corporation is empowered under the Act to raise funds through the sale of revenue bonds and to make those funds available at affordable interest rates to meet the housing needs of persons and families of low and moderate income living in the State of Hawaii (the "State"). See "THE CORPORATION—Purpose and Powers."

The 2009 Series A Bonds are being issued under, pursuant to and in full compliance with the Constitution of the State and the statutes of the State, including particularly Part III of Chapter 39, Hawaii Revised Statutes, as amended, and Part III of Chapter 201H, Hawaii Revised Statutes, as amended, and under and pursuant to a resolution of the Board of Directors of the Corporation, duly adopted on December 10, 2009, and a Trust Indenture, dated as of January 1, 1980 (the "Trust Indenture"), between the Corporation and U.S. Bank National Association, as successor trustee (the "Trustee"), as amended and supplemented, and a Thirty-second Supplemental Trust Indenture, dated as of December 1, 2009 (the "Supplemental Indenture"), between the Corporation and the Trustee. The Trust Indenture, as heretofore amended and supplemented and as amended and supplemented by the Supplemental Indenture, is referred to as the "Indenture." See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Certain Definitions" for the definitions of certain capitalized terms used in the Indenture and this Official Statement. All capitalized terms used in the Indenture and not defined in this Official Statement shall have the respective meanings set forth in the Indenture.

The 2009 Series A Bonds are being issued in connection with a Federal stimulus program designed to provide a special market for bonds of housing finance agencies. Pursuant to that New Issue Bond Program (the "NIB Program"), the Corporation will deliver the 2009 Series A Bonds to Fannie Mae and Freddie Mac (together, the "GSEs"). The GSEs, in turn, will deliver the 2009 Series A Bonds into a trust that will issue GSE-guaranteed securities backed by the 2009 Series A Bonds to the U.S. Treasury ("Treasury") for purchase. Proceeds of that purchase by Treasury, representing proceeds of the sale of the 2009 Series A Bonds in an amount equal to 100% of the principal amount of the 2009 Series A Bonds (less net GSE fees and expenses), will be delivered by Treasury to the Trustee. The Trustee will deposit such proceeds into the Escrow Fund established by the Supplemental Indenture (an amount equal to the net GSE fees and expenses having been previously funded to the Escrow Fund by a Corporation contribution). Amounts deposited in the Escrow Fund will be held as security for the 2009 Series A Bonds until the conversion of interest rates on the 2009 Series A Bonds on a date established pursuant to the NIB Program (a "Release Date") to a short term interest rate to be in effect for two months and an interest rate fixed to maturity to be in effect thereafter established pursuant to the NIB Program (the "Long-Term Rates"), or redemption, of all or any portion of the 2009 Series A Bonds. Release Date may occur on up to three dates during calendar year

2010 selected by the Corporation. Any such 2009 Series A Bonds so converted are referred to herein as the "Converted 2009 Series A Bonds" and any 2009 Series A Bonds not so converted are referred to herein as "Escrow 2009 Series A Bonds". On the related Release Date, proceeds of Converted 2009 Series A Bonds held in the Escrow Fund will be transferred to the Debt Service Reserve Account in an amount equal to the Debt Reserve Requirement and the balance will be transferred to the Loan Fund established under the Indenture. Amounts deposited in the Loan Fund will be available to make mortgage loans. Amounts in the Escrow Fund do not secure and are not available to pay any Bonds other than the Escrow 2009 Series A Bonds. The NIB Program requires that the principal amount of Converted 2009 Series A Bonds, on the Release Date thereof, be matched by a Corporation offering and sale to the public markets of parity Bonds under the Indenture ("Market Bonds") in a principal amount that represents 40% of the total principal amount of the Market Bonds so sold and the Converted Bonds subject to such Conversion collectively.

As of December 1, 2009, the Corporation had outstanding $142,640,000 of bonds secured under the Indenture. The Indenture provides for the issuance of additional bonds to further the Program (as hereinafter defined) or to refund outstanding bonds. All bonds outstanding under the Indenture, including previously issued bonds, the 2009 Series A Bonds and all such additional bonds, are hereinafter collectively called the "Bonds". All Bonds are and will be secured equally and ratably by the pledge and covenants contained in the Indenture.

The Bonds are special obligations of the Corporation payable solely from the Revenues and other moneys pledged under the Indenture. "Revenues" include all amounts paid or required to be paid with respect to principal and interest from time to time on the mortgage loans purchased with the proceeds of the Bonds (the "Mortgage Loans"), including Mortgage Loans held in the form of single pool mortgage-backed securities (the "Fannie Mae Securities") guaranteed as to timely payment of principal and interest by Fannie Mae. "Revenues" also include all interest received on moneys or securities held pursuant to the Indenture and paid into the Revenue Fund. The Bonds are secured by a pledge of all of the Mortgage Loans, the Revenues and all moneys and securities held in any of the funds or accounts established under the Indenture.

The Bonds shall not constitute a general or moral obligation of the State or a charge upon the general fund of the State, and the full faith and credit of neither the State nor any political subdivision thereof are pledged to the payment of the principal of and interest on the Bonds. The Act does not provide that the Corporation may request payment on the Bonds by the State and the State is not obligated to appropriate moneys for such purpose. The Bonds are not guaranteed as to the payment of principal and interest by Fannie Mae.

The 2009 Series A Bonds are being issued by the Corporation to provide funds to purchase Fannie Mae Securities each backed by pools of Mortgage Loans which have been made by participating mortgage lenders (the "Mortgage Lenders") to eligible borrowers in order to finance the purchase of newly constructed or existing single family residences (including townhouses and condominium units) located in the State.

The Corporation intends to use amounts made available as a result of the issuance of the 2009 Series A Bonds and certain other amounts to implement a program to acquire Fannie Mae Securities backed by Mortgage Loans (the "2010 Lending Program"). There can be no assurance that the Corporation will be able to purchase Fannie Mae Securities in amounts sufficient to utilize all of such amounts. If such amounts are not expended to purchase Mortgage Loans, an amount equal to the unexpended funds, and excess amounts in the Debt Service Reserve Account will be applied by the Corporation to the redemption of the 2009 Series A Bonds. See "THE 2009 Series A BONDS—Special Redemption."

This introduction is a summary of relevant information and is subject in all respects to the more complete information set forth in this Official Statement. The references to and summaries and descriptions of the Act, the Indenture, the Bonds, the Program, and other statutes, instruments and documents which are included in this Official Statement do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by references to the appropriate statute, instrument or document.

CONTINUING DISCLOSURE

The Corporation has covenanted for the benefit of the Holders and Beneficial Owners of the 2009 Series A Bonds to provide certain financial information and operating data relating to the Corporation not later than nine months following the end of the Corporation's fiscal year, commencing with a report for the Corporation's fiscal year ending June 30, 2010 (the "Annual Bond Disclosure Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Bond Disclosure Report will be filed with the Municipal Securities Rulemaking Board (the "MSRB"). The notices of material events will also be filed with the MSRB. The specific nature of the information to be contained in the Annual Bond Disclosure Report and the notices of material events is set forth in Appendix III - Form of Continuing Disclosure Agreement.

The Corporation and its predecessors made similar undertakings with respect to other bonds issued by them. In certain instances described below, HCDCH did not file its annual bond disclosure report in a timely manner. The Corporation has addressed the causes for such failures and is currently in compliance with the continuing disclosure requirements for all bonds for which it has an obligation to file an annual bond disclosure report. The Corporation believes that the actions it has taken will prevent any such delayed filings in the future.

The annual reports for Bonds issued under the Indenture, including the 1997 Series A and B Bonds and the 1998 Series A, B and C Bonds, for the fiscal years ending June 30, 1997, and June 30, 1999, which should have filed prior to the end of March 1998 and March 2000, respectively, were filed on October 7, 1998, and April 27, 2000, respectively. All required annual reports with respect to Bonds for fiscal year 2000 and thereafter have been filed in a timely manner.

The annual reports for certain bonds issued by the Corporation other than Bonds for fiscal years 1995 through 2002 were inadvertently not filed as required on a timely basis. All of such annual reports were filed in July 2003. For fiscal year 2003, the University of Hawaii was delayed in providing information about itself to HCDCH relating to bonds issued by the Corporation for the University. As a result, the annual report for the University bonds for fiscal year 2003 was not filed until June 10, 2004.

Neither the Corporation nor any of its predecessors has failed to comply in any other respect with any previous undertaking pursuant to Rule 15c2-12 and, as noted above, the Corporation believes that the actions it has taken will prevent any such delayed filings in the future.

THE CORPORATION

Purpose and Powers

The Corporation has been granted powers, among others, to acquire real or personal property by purchase or by exercise of the power of eminent domain to provide housing; to study and undertake projects for the clearing, replanning or reconstruction of areas in which unsafe or unsanitary dwelling or housing conditions exist; to counsel prospective homeowners and other persons and governmental agencies on housing issues and to apply for and receive federal assistance, insurance or guaranties. The Corporation has the power to issue bonds for its purposes and to secure payment thereof by a pledge of specified property of the Corporation. The Legislature of the State of Hawaii has authorized the Corporation to issue, with the approval of the Governor, revenue bonds in an aggregate principal amount of $2,275,000,000 to make funds available for single family housing programs, of which amount to date the Corporation has issued $1,751,740,000 principal amount. The Legislature has also authorized an aggregate principal amount of $500,000,000 in revenue bonds for privately owned multifamily rental housing projects, of which amount to date the Corporation has issued $167,798,000 of bonds. The Legislature has also authorized an aggregate principal amount of $375,000,000 in revenue bonds for the Corporation's Hawaii Rental Housing System Revenue Bond Program, of which amount to date the Corporation has issued $227,280,000 of bonds.

Organization

For administrative purposes only, the Corporation is considered a part of the State's Department of Business, Economic Development and Tourism. The Corporation's Board of Directors consists of nine members, six of whom are public members appointed by the Governor, with at least one from each of the counties of Honolulu, Hawaii, Maui and Kauai. The Director of Business, Economic Development and Tourism and the Director of Finance or their designated representatives and a representative of the Governor's office and ex-officio voting members. The Board of Directors selects from its public members a Chairperson and Vice-Chairperson. All Corporation action must be taken by the affirmative vote of at least five members.

The members and officers of the Corporation and the dates of expiration of their respective terms are as follows:

Charles King	Chairman (Kauai). Owner and President, King Auto Centers and King Windward Nissan. Term expires June 30, 2010.
David Lawrence	Vice Chairman (Maui). Home Mortgage Consultant, Wells Fargo Home Mortgage of Hawaii. Term expires June 30, 2012.
Betty Lou Larson	Secretary (At-Large - Private Nonprofit). Housing Programs Director, Catholic Charities Hawaii. Term expires June 30, 2013.
Georgina Kawamura	(Ex-Officio). Director of Finance, State of Hawaii, Department of Budget and Finance. Term is indeterminate.
Theodore E. Liu	(Ex-Officio). Director. State of Hawaii, Department of Business, Economic Development and Tourism. Term is indeterminate.
Linda Smith	Ex-Officio. Senior Policy Advisor, Office of the Governor. Term is indeterminate.
Ralph Mesick	(At-Large). Executive Vice President. Bank of Hawaii. Term expires June 30, 2012.
Allan Los Banos, Jr.	(Oahu). Safety Coordinator/Program Specialist, Hawaii Masons and Plasterers Training Program. Term expires June 30, 2010.
Francis L. Jung	(Hawaii). Senior Partner, Jung & Vassar P.C. Term expires June 30, 2013.

Staff

Principal members of the Corporation's staff with responsibilities for various aspects of the Program are as follows:

Karen Seddon, Executive Director. Ms. Seddon has served as the Executive Director of the Corporation since July 2008 and she previously held the position of Development Branch Chief from December 2006. A graduate of Oregon State University's School of Engineering, Ms. Seddon began her career with Peter Kiewit Son's, Inc. She later joined Goodfellow Bros., Inc. and then was the Development Manager at Kapalua Land Company, Ltd. Before becoming the Director of Land Development at D.R. Horton — Schuler Division. On October 31, 2009, she was conferred the degree of Master of Business Administration from the University of Phoenix.

Darren K. Ueki, Finance Manager. Mr. Ueki has served as Finance Manager for the Corporation since January 2001. Previously, Mr. Ueki served as a Project Resource Specialist for the Corporation since February 1990. Prior to joining the Corporation, Mr. Ueki was a Program Budget Analyst with the Department of Budget and Finance. He received a B.B.A. degree in Economics from the University of Hawaii.

Dean Sakata, Finance Specialist. Mr. Sakata has served as a Finance Specialist since December 2001. Prior to joining the Corporation, Mr. Sakata worked as a Relationship Manager at Key Community Development Corporation and at Bank of America. He received an M.B.A. from Portland State University and a B.B.A. degree in Finance from the University of Hawaii.

The Corporation has been authorized to employ up to 32 permanent positions with an additional authorization to retain 49 personnel on a contractual basis. The Corporation currently maintains approximately 81 positions (permanent and contractual) to manage, operate and maintain its various housing projects. The number of positions assigned to each of the housing program areas are: Central Administration/Technical/Support Services: 45 (25 permanent; 20 contractual); Housing Development: 19 (4 permanent; 15 contractual); and Housing Finance: 17 (3 permanent; 14 contractual).

The Corporation's office is located at 677 Queen Street, Suite 300, Honolulu, Hawaii 96813, and its telephone number is 808-587-0641.

The Program

The Single Family Mortgage Purchase Program (the "Program") has been the Corporation's primary program to assist Eligible Borrowers to finance the purchase of Single Family Residences. As of June 30, 2009, proceeds of Bonds previously issued under the Program have been used to purchase 10,025 Mortgage Loans with a total original principal amount of $1,071,190,139. See "THE PROGRAM" and "PORTFOLIO INFORMATION WITH RESPECT TO THE PROGRAM" for more detailed information.

THE 2009 SERIES A BONDS

General Description

THIS OFFICIAL STATEMENT IS ONLY INTENDED TO DESCRIBE THE 2009 SERIES A BONDS DURING THE PERIOD THEY ARE ESCROW 2009 SERIES A BONDS AND GENERALLY DOES NOT DESCRIBE THE 2009 SERIES A BONDS SUBSEQUENT TO CONVERSION (AS DEFINED HEREIN).

General

The 2009 Series A Bonds will be issued as fully registered bonds in denominations of $10,000 principal amount and integral multiples thereof. The 2009 Series A Bonds will be dated December 30, 2009 and will mature on July 1, 2041. The 2009 Series A Bonds, during the period they are Escrow 2009 Series A Bonds, will initially bear interest at the Short Term Rate. "Short Term Rate" means, for the period from January 12, 2010 to the Release Date, the interest rate which produces an interest payment on such Release Date relative to the Program Bonds with respect to which escrowed proceeds are subject to release on such Release Date equal to Investment Earnings. For purposes of this provision, "Investment Earnings" means total investment earnings on the portion of the Escrow Fund related to the Escrow 2009 Series A Bonds with respect to which a Release Date is occurring (the "Escrow Date"). Interest on the 2009 Series A Bonds is payable on the Release Date, the Conversion Date, the effective date of the Long Term Rate and January 1 and July 1 of each year thereafter until maturity or prior redemption.

Conversion Dates

As required by the NIB Program, on no more than three dates established during calendar year 2010, the Corporation may designate a date (each, a "Release Date") on which the interest rate on Escrow 2009 Series A Bonds in a principal amount designated by the Corporation will be subject to Conversion to interest rates provided for in the NIB Program in connection with transfer of an amount from the Escrow Fund to the Debt Service Reserve Account and Loan Fund equal to the principal amount of the related Converted 2009 Series A Bonds. The Trustee shall deliver a notice of Conversion (or redemption) to the GSEs, at least fourteen (14) days prior to the related Conversion Date.

Redemption Provisions

The 2009 Series A Bonds are subject to redemption as described below.

Optional Redemption of 2009 Series A Bonds. The Escrow 2009 Series A Bonds will be redeemable in whole or in part (in minimum denominations of $10,000 and integral multiples of $10,000 in excess thereof) on the first Business Day of each month at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date. Redemptions shall be made without any redemption premium.

Special Redemption of 2009 Series A Bonds.

(a) Any Escrow 2009 Series A Bonds with respect to which a Release Date has not occurred prior to January 1, 2011 are subject to mandatory redemption on February 1, 2011 (or an earlier date selected by the Housing Development Fund), at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

(b) The 2009 Series A Bonds are subject to mandatory redemption in whole, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, on the first business day at least thirty (30) days after the issue date of the 2009 Series A Bonds, if there is delivered by mail or by electronic means to the Trustee on or prior to the issue date of the 2009 Series A Bonds a certificate that a document required to be delivered by the Housing Development Fund or the GSEs has been withdrawn and the GSEs have not, prior to the date 20 days following the issue date, provided the Trustee a written waiver.

(c) Within ten (10) business days of receipt by the Trustee of notice that a rating on the 2009 Series A Bonds has been withdrawn or fallen below "Baa3" or "BBB", all proceeds that are held in the Escrow Fund shall be used to mandatorily redeem a corresponding amount of 2009 Series A Bonds, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, to the redemption date.

With respect to the redemptions set forth in (a), (b) and (c) above, moneys still on deposit in the Escrow Fund shall be used for any such redemption; if Escrow Fund moneys are not sufficient, then any available moneys under the Resolutions shall also be used for any such redemption.

Sinking Fund Redemption of 2009 Series A Bonds. The Converted 2009 Series A Bonds will be subject to redemption from Sinking Fund Installments to be established by the Housing Development Fund on or before the last Release Date. The other redemption provisions of 2009 Series A Bonds bearing interest at a Long Term Rate will be established on the related Release Date.

Notices and Effect of Redemption

Notice of any redemption will be mailed to the registered owner of any Bond all or a portion of which is to be redeemed at its last address, if any, appearing on the registry books of the Corporation kept by the Trustee at least 30 days but not more than 60 days prior to the redemption date. Notice of redemption having been given pursuant to the Indenture, as described above, the Bonds or portions thereof designated for redemption shall become due and payable on the date fixed for redemption and, if the Corporation provides the Trustee with moneys sufficient for the payment of the redemption price, and interest to accrue to the redemption date, such Bonds or portions thereof shall cease to bear interest from the redemption date.

If DTC or its nominee is the registered owner of any 2009 Series A Bonds to be redeemed, notice of redemption will be given to DTC or its nominee as the registered owner of such 2009 Series A Bond. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner of any 2009 Series A Bond to be redeemed shall not affect the validity of the redemption of such Bond. See "BOOK-ENTRY PROVISIONS."

BOOK-ENTRY PROVISIONS

The Depository Trust Company ("DTC"), New York, New York will act as securities depository for the 2009 Series A Bonds. The 2009 Series A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee).One fully-registered Bond certificate will be issued for the 2009 Series A Bonds of the same Series, maturity and interest rate, each in the aggregate principal amount of such Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect

Participants").The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Ownership interests in the 2009 Series A Bonds may be purchased only in the minimum authorized denomination or any multiple thereof. Purchases of 2009 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Bonds on DTC's records. The ownership interest of each actual purchaser of each 2009 Series A Bond (for purposes of the book-entry procedures for such Bonds, the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, 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 2009 Series A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2009 Series A Bonds, except in the event that use of the book-entry system for such Bonds is discontinued. To facilitate subsequent transfers, all 2009 Series A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 2009 Series A 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 2009 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to Cede & Co. If less than all of the 2009 Series A Bonds, within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to 2009 Series A Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of bonds 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 such Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2009 Series A Bonds will be made to DTC by U.S. Bank National Association, as paying agent and bond registrar for the Bonds (the "Paying Agent" and the "Bond Registrar"). DTC's practice is to credit Direct Participants' accounts on each payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable 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 each Participant and not of DTC, the Trustee, the Paying Agent, the Bond Registrar or the Corporation, 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 Paying Agent, 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.

For every transfer and exchange of 2009 Series A Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto, and any reasonable fees and expenses of the Bond Registrar and costs incurred in preparing bond certificates. Neither the Corporation nor the Bond Registrar shall be required to transfer or exchange 2009 Series A Bonds from the Record Date applicable to such Bonds through and including the next succeeding Bond Payment Date for such Bonds or from the Record Date next preceding any selection of such Bonds to be redeemed or thereafter until after the first mailing of any notice of redemption, or to transfer or exchange any such Bonds called for redemption. For purposes hereof, Record Date shall mean in the case of each Bond Payment Date, the Bond Registrar's close of business on the fifteenth day of the month immediately preceding such Bond Payment Date, or, if such date is not a Business Day, the next preceding Business Day; and, in the case of each redemption, such Record Date shall be specified by the Bond Registrar in the notice of redemption, provided that such Record Date shall be not less than fifteen calendar days before the mailing of such notice of redemption.

DTC may discontinue providing its services as securities depository with respect to the 2009 Series A Bonds at any time by giving reasonable notice to the Corporation or the Trustee. DTC's services with respect to the 2009 Series A Bonds may be discontinued or terminated at any time by (i) DTC or (ii) by the Corporation upon determination by the Corporation that the use of DTC is not in the best interests of the Corporation and the Beneficial Owners of such Bonds. In the event that DTC's services are so discontinued or terminated (either by DTC or by the Corporation), the Corporation shall attempt to locate another qualified securities depository, unless the Corporation determines that it is in the best interests of the Corporation not to continue the book-entry-only system of transfer. If the Corporation either fails to locate another qualified securities depository to replace DTC or makes such determination, the Corporation shall execute and deliver to the Beneficial Owners, or their nominees, replacement 2009 Series A Bonds in substantially the form provided for in the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and other sources that the Corporation believes to be reliable, but the Corporation takes no responsibility for the accuracy thereof.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

Special Obligations of the Corporation; Pledged Property

The Bonds, including the 2009 Series A Bonds, are special obligations of the Corporation, payable solely from the Revenues, funds and accounts held by the Trustee under the Indenture. The Bonds are secured by a pledge of all of the Mortgage Loans, the Revenues and all moneys and securities held in any of the funds or accounts established under the Indenture. The covenants and agreements set forth in the Indenture to be performed by the Corporation are for the equal and proportionate benefit, security and protection of the holders of the Bonds and all Bonds rank pari passu under the Indenture.

The 2009 Series A Bonds shall not constitute a general or moral obligation of the State or a charge upon the general fund of the State, and the full faith and credit of neither the State nor any political subdivision thereof are pledged to the payment of the principal of and interest on the Bonds. The Act does not provide that the Corporation may request payment on the Bonds by the State and the State is not obligated to appropriate moneys for such purpose.

Revenues

The Indenture defines "Revenues" to mean:(i) all amounts paid or required to be paid with respect to principal and interest from time to time on the Mortgage Loans (excluding amounts applied to reimburse advances made by any Pool Insurer), including prepayments, amounts paid on account of acceleration of any Mortgage Loan, the proceeds received from the sale or other disposition of any Mortgage Loan, the proceeds of any insurance policy related to a Mortgage Loan or the proceeds of any collateral securing any Mortgage Loan, including payments under any Fannie Mae Security, and (ii) all interest received on moneys or securities held pursuant to the Indenture and paid or to be paid into the Revenue Fund. The Indenture requires that no Mortgage Loan may be sold or disposed of unless the Corporation determines that such action is in the best interests of the Corporation and of the Bondholders and does not adversely affect the Corporation's ability to pay debt service on the Bonds.

The Indenture provides that upon receipt of all Revenues, the Corporation promptly must deposit such revenues with the Trustee in the Revenue Fund. The Trustee is required by the Indenture to pay semiannually from the Revenue Fund amounts in the following order:(a) to fund the Principal Account in an amount equal to all Mortgage Principal Payments, (b) to fund the Interest Account, if and to the extent required, for payment of interest due on the Bonds, (c) to fund the Principal Account, if and to the extent required, for payment of principal due on the Bonds if principal is due on the interest payment date for which the credit is made, otherwise one-half of principal becoming due on the interest payment date next succeeding such date, (d) to fund the Debt Service Reserve Account to the extent, if any, required to restore such Account to its Requirement, (e) to fund the Mortgage Loan Reserve Fund to the extent, if any, required to restore such Fund to its Requirement, (f) to fund the Expense Account to the extent, if any, required so that the amount therein shall equal one-half of the budgeted Corporation Expenses, (g) to deposit in the Loan Fund for credit to the Series Loan Accounts therein pro rata until all amounts in the Debt Service Reserve Account, the Mortgage Loan Reserve Fund (excluding amounts in the Insurance Account and the accounts attributable to Section 203/234 FHA Mortgage Loans and Section 245 Mortgage Loans, as described below under "Mortgage Loan Reserve Fund"), and the Loan Fund, and the aggregate outstanding principal balance of all Mortgage Loans, less the then applicable amount of the Mortgage Payments Credit, are at least equal to 102% of the aggregate principal amount of outstanding Bonds, and (h) to deposit remaining amounts in the General Account. Mortgage Principal Payments, and Revenues deposited in the Series Loan Accounts and General Account, are available in certain circumstances to be applied to a par redemption of the 2009 Series A Bonds (see "THE 2009 Series A BONDS—Special Redemption").

Debt Service Reserve Account

The Indenture creates the Debt Service Reserve Account in the Debt Service Fund as a reserve for the payment of the principal of and interest and redemption price, if any, on the Bonds. The Indenture provides for an amount to be deposited to the credit of the Debt Service Reserve Account which will increase the amount then on deposit to equal the Debt Reserve Requirement, defined by the Indenture as the aggregate of the amounts established by the supplemental indentures providing for the issuance of each Series of Bonds, provided that such aggregate amount shall be at least equal to 10% of the aggregate principal amount of Bonds then outstanding. Moneys in the Debt Service Reserve Account are not available for any purpose other than payment of debt service on the Bonds. The Debt Reserve Requirement for the 2009 Series A Bonds is established by the Indenture at 10% of the principal amount of 2009 Series A Bonds outstanding. All amounts on deposit in the Debt Service Reserve Account in excess of the Debt Reserve Requirement are transferable at the request of the Corporation to the Principal Account for application to the redemption or purchase of Bonds.

Mortgage Loan Reserve Fund

The Indenture establishes the Mortgage Loan Reserve Fund primarily as a reserve for the payment of losses of principal on Mortgage Loans, but the Mortgage Loan Reserve Fund also may be used to meet deficiencies in the Debt Service Reserve Account. The Indenture requires with respect to any Series of Bonds that the Mortgage Loan Reserve Fund be funded from other than Bond proceeds. The Indenture defines the Mortgage Reserve Requirement as aggregate of the amounts established by the supplemental indentures providing for the issuance of each Series of Bonds, which aggregate amount shall be at least equal to the greater of:(i) the sum of 1% of the aggregate unpaid principal balances of all Mortgage Loans and 1% of the amount on deposit in the Loan Fund, or (ii) the unguaranteed and uninsured portions of the aggregate unpaid principal balances of all Mortgage Loans as to which:(a) foreclosure proceedings have been commenced by the filing of a foreclosure complaint with the appropriate court, or (b) payments thereon are more than 180 days delinquent, whichever shall have first occurred. The Indenture also creates additional accounts within the Mortgage Loan Reserve Fund applicable separately to Mortgage Loans insured by FHA under its Section 203 program or Section 234 program and Mortgage Loans insured by FHA under its Section 245 program, such accounts to be funded from amounts other than Bond proceeds as an additional increment of the Mortgage Reserve Requirement. The account applicable to Section 203/234 FHA Mortgage Loans was funded from Revenues in an amount equal to 1.385% of the unpaid aggregate principal balance of such Mortgage Loans purchased by the Corporation and the account applicable to Section 245 FHA Mortgage Loans was funded from Revenues in an amount equal to 1.765% of the unpaid aggregate principal balance of such Mortgage Loans purchased by the Corporation. On a periodic basis, certain available amounts in the Revenue Fund, the Expense Fund and the General Account shall be transferred to the Mortgage Loan Reserve Fund so that the balance therein continues to at least equal the Mortgage Reserve Requirement. For the Fiscal Year ending June 30, 2009, the Corporation was not required to transfer any amounts from the Expense Fund to the Mortgage Loan Reserve Fund to maintain the Mortgage Reserve Requirement. The Supplemental Indenture establishes the minimum Mortgage Reserve Requirement in connection with the 2009 Series A Bonds required by the Indenture.

The Corporation has established in the Mortgage Loan Reserve Fund a special account (the "Insurance Account"), to be funded and maintained in an amount equal to the unpaid principal balance of the Mortgage Loans financed with proceeds of the 1980 Series A and B Bonds and the 1983 Series A, B and C Bonds, exclusive of such Mortgage Loans insured by FHA (the "Covered Mortgage Loans").

Amounts in the Mortgage Loan Reserve Fund may be used only for payments related to losses on Mortgage Loans due to unpaid principal on a Mortgage Loan or loss upon sale, assignment, transfer or other disposal of a Mortgage Loan and, with respect to the Insurance Account, only with respect to Covered Mortgage Loans and, subject to the foregoing, for payment of debt service on the Bonds. Any amounts in the Mortgage Loan Reserve Fund in excess of the Mortgage Reserve Requirement shall, upon request of the Corporation, be paid into the Revenue Fund.

Additional Bonds

The Indenture permits the issuance of additional parity Bonds to provide funds for the purpose of purchasing Mortgage Loans and Fannie Mae Securities and to refund outstanding Bonds issued under the Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Additional Bonds" and "Refunding Bonds".

SOURCES AND USES OF FUNDS

The sources of funds and uses in connection with the 2009 Series A Bonds are expected to be as follows:

Sources	
Corporation Contribution	$310,000
2009 Series A Bond Proceeds	$100,000,000
Total	$100,310,000
Uses	
Escrow Fund	$100,000,000
Costs of Issuance	$157,500
Net GSE Fees and Expenses	$152,500
Total	$100,310,000

YIELD AND CASH FLOW REQUIREMENTS

The Corporation has covenanted not to purchase a Mortgage Loan or a Fannie Mae Security from original Bond proceeds or prepayments of Mortgage Loans, including prepayments received under Fannie Mae Securities, made with Bond proceeds unless the Yield on such Mortgage Loan exceeds the Yield on the Bonds of the Series of Bonds issued to finance such Mortgage Loan or Fannie Mae Security by at least 0.25% plus the servicing fee payable on such Mortgage Loan. The foregoing Yield test will not apply to the extent that the moneys in the Principal Account, the Debt Service Reserve Account, the Mortgage Loan Reserve Fund (excluding amounts in the Insurance Account and the accounts attributable to Section 203/234 FHA Mortgage Loans and Section 245 Mortgage Loans, as described in "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Mortgage Loan Reserve Fund"), and the outstanding principal balance of all Mortgage Loans exceed 102% of the principal amount of all Bonds outstanding. For the purpose of applying such Yield test, amounts shall first be deemed to be applied to the purchase of Mortgage Loans, including Fannie Mae Securities, made from original Bond proceeds until amounts shall have been disbursed aggregating the initial deposit of Bond proceeds in the Series Loan Account. Thereafter, amounts shall be deemed to be applied to Mortgage Loans, including Fannie Mae Securities, purchased from prepayments.

For purposes of this covenant the term "Yield" means:(a) with respect to the yield on Mortgage Loans, an annual percentage rate determined on the basis of a standard table of mortgage yields, for equal monthly payments of self-amortizing mortgages held to maturity, and (b) with respect to the yield on any Series of Bonds, an annual percentage rate which, when discounting all Principal Installments and interest payments required to be made with respect to such Series of Bonds, results in an amount equal to the proceeds from the sale of such Series of Bonds received by the Corporation on the date of delivery thereof (computed in accordance with the actuarial or "Canadian" method).

The Indenture also contains covenants which require the Corporation to deliver to the Trustee a "Cash Flow Statement" which compares on a Bond Year by Bond Year basis:(a) all anticipated Revenues plus all amounts expected to be on deposit in funds and accounts held under the Indenture, with (b) the Aggregate Debt Service owing on the Bonds and all amounts required to be on deposit in such funds and accounts. The Cash Flow Statement is required to be filed with the Trustee:(i) whenever any Series of Bonds is issued, (ii) prior to making transfers from the General Account to be used by the Corporation free and clear of the lien of the Indenture, and (iii) prior to certain redemptions or purchases of any Bonds.

The Corporation may not take any of the actions described above unless the Corporation delivers a Cash Flow Statement to the Trustee giving effect to the action proposed to be taken and demonstrating in the current and in each succeeding Bond Year that:(i) anticipated Revenues, which may include reasonably anticipated prepayments of Mortgage Loans, plus (ii) all amounts then expected to be on deposit in funds and accounts held under the Indenture are at least equal to the total of the Aggregate Debt Service for such Bond Year and all amounts required by the Indenture to be on deposit in funds and accounts held thereunder. Notwithstanding the foregoing, in the case of any Cash Flow Statement filed in connection with:(a) transfers from the General Account which aggregate more than $1,000,000 in any one Bond Year, or (b) any purchase or redemption of Bonds for which a Cash Flow Statement is required, the Cash Flow Statement shall demonstrate compliance with the requirements of the preceding sentence if Revenues are anticipated on the basis of 0% and 500% of the rate set forth in the most recent mortgage maturity experience table for mortgages having the same terms insured under Section 203 of the National Housing Act and published by the Federal Housing Administration in "Survivorship and Decrement Tables for HUD/FHA Home Mortgage Insurance Program" for the region, or, if available, the State.

The Cash Flow Statement shall set forth the assumptions upon which the estimates therein are based and the Corporation shall administer the Program and perform under the Indenture in all material respects in accordance with the assumptions set forth in the Cash Flow Statement most recently filed with the Trustee. Facts reflected in a Cash Flow Statement shall be as of a date not more than 45 days prior to the date of delivery thereof.

The Supplemental Indenture imposes additional restrictions on the withdrawal of funds from the Indenture.

Prepayment Assumptions

The Corporation has established in the supplemental indentures authorizing the issuance under the Indenture of previous Series of Bonds schedules for the payment of the principal of and Sinking Fund Installments on such Bonds, based, as to all such Bonds other than those issued to fund the Debt Service Reserve Account, upon the Corporation's estimate of regularly scheduled repayments on the Mortgage Loans and certain assumptions as to prepayments (both voluntary and involuntary) on such Mortgage Loans.

Prepayments may result from, among other reasons, Eligible Borrowers who refinance their Mortgage Loans either to obtain a lower interest rate or to reduce their total monthly payments and from Mortgagors who sell their homes. The Corporation cannot predict the level of prepayments (including such voluntary prepayments and any foreclosures) that the Corporation will experience for the Mortgage Loans financed with proceeds of the 2009 Series A Bonds.

THE PROGRAM

General

The Corporation had, as of November 30, 2009, utilized Bond proceeds to purchase 10,025 Mortgage Loans originated by Mortgage Lenders and insured by FHA, VA or qualified private mortgage insurers or backed by Fannie Mae Securities. See "PORTFOLIO INFORMATION WITH RESPECT TO THE PROGRAM—Status of Mortgage Loan Portfolio." These Mortgage Loans were originated and are being serviced by mortgage lenders in accordance with various Program requirements imposed under the Corporation's Procedural Guide for the Program. Under the 2009 Lending Program, the Corporation intends to use the proceeds of the 2009 Series A Bonds for the purchase of Fannie Mae Securities backed by mortgage loans originated by participating Mortgage Lenders.

PORTFOLIO INFORMATION WITH RESPECT TO THE PROGRAM

Certain Information with Respect to the Mortgage Loans

The Corporation has originated 10,025 mortgage loans as of June 30, 2009, consisting of 3,781 (37.72%) mortgage loans backed by Fannie Mae Securities, 5,719 (57.05%) level amortization loans (not including mortgage loans backed by Fannie Mae Securities), 295 (2.94%) Growing Equity Mortgage loans and 230 (2.29%) graduated payment mortgages insured by FHA under Section 245 of the National Housing Act, as amended. Of the level amortization loans, 1,548 (27.07%) were HOME and ACTION mortgage loans which have initial graduated payment terms and are backed by pledged savings accounts which provide the Corporation with a level stream of income as if such mortgage loans were amortizing on a level basis.

The eligible borrowers have a median age of 31 years and consist primarily of 2 and 3 member households. The mortgage loans originated under the Program have an average original principal amount of $106,852 and are secured by single family residences having an average sales price of $117,552. Approximately 54% of such single family residences are condominium and townhouse units; approximately 46% of the mortgage loans are secured by mortgages on newly constructed single family housing, and approximately 17.91% of such single family residences are on leasehold land. The Corporation did not originate mortgage loans during the period July 1, 2008 through June 30, 2009.

Through June 30, 2009, 76.71% of the mortgage loans purchased under the Program were on single family residences located in the City and County of Honolulu, where approximately 80% of the State's population is located. The following table illustrates the location of all mortgage loans originated under the Program in the State of Hawaii through June 30, 2009:

County	Loans Originated	Percentage
Honolulu	7,691	76.71%
Hawaii	937	9.35%
Maui	943	9.41%
Kauai	454	4.53%
Total	10,025	100.00%

The Mortgage Loans were originated with the following loan to value ratios:

Loan to Value Ratio	Number of Loans	Percentage
Over 95%	3,010	30.02%
91%-95%	3,025	30.17%
86%-90%	2,060	20.55%
80%-85%	1,330	13.27%
Under 80%	600	5.99%
Total	10,025	100.00%

Status of Mortgage Loan Portfolio

The Corporation's portfolio of 1,053 outstanding mortgage loans as of June 30, 2009, aggregating $125,075,434 in outstanding principal amount, consisted of 897 (85.19%) mortgage loans backed by Fannie Mae Securities, 154 (14.62%) level amortization loans (not including mortgage loans backed by Fannie Mae Securities), and 2 (0.19%) graduated payment mortgages insured by FHA under Section 245 of the National Housing Act, as amended. Of the level amortization loans, 24 (15.38%) are HOME and ACTION mortgage loans which have initial graduated payment terms and are backed by pledged savings accounts which provide the Corporation with a level stream of income as if such mortgage loans were amortizing on a level basis.

Of the 1,053 outstanding mortgage loans, 897 are backed by Fannie Mae Securities, representing an outstanding principal balance of approximately $120,363,313, which is approximately 96.23% of the outstanding principal balance of all mortgage loans. The balance consists of 59 mortgage loans insured by FHA, representing an outstanding principal balance of approximately $2,400,646 (approximately 1.92% of the outstanding principal balance of all mortgage loans), 93 mortgage loans backed by other primary mortgage insurance, representing an outstanding principal balance of approximately $2,240,003 (approximately 1.79% of the outstanding principal balance of all mortgage loans), and 4 mortgage loans not backed by primary mortgage insurance, representing an outstanding principal balance of approximately $71,472 (approximately 0.06% of the outstanding principal balance of the mortgage loans).

Certain Information Related to Delinquency and Foreclosure in the State

As of June 30, 2009, the Program delinquency rate with respect to mortgage loans outstanding (not including mortgage loans backed by Fannie Mae Securities) was 1.92%, representing 3 delinquent loans out of a total of 156 of such mortgage loans outstanding:

No. of Days Delinquent	No. of Loans	Percentage of Outstanding Mortgage Loans
30 – 59	2	1.28%
60 – 89	0	0.00%
90 and over	1	0.64%
Total	3	1.92%

None of such mortgage loans are in foreclosure. As of June 30, 2009, based on the National Delinquency Survey prepared by the Economic and Research Department of the Mortgage Bankers' Association of America, the total delinquency rate with respect to 1 to 4 unit mortgage loans for the State of Hawaii was 5.84% and, as of such date, the foreclosure rate for the State for mortgage loans in foreclosure at the end of the quarter was 6.32%. These rates are based on over 167,919 mortgage loans. Hawaii's experience compares with a national total delinquency rate of 8.86% and a foreclosure rate of 7.97%, based on 44,721,256 loans.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Indenture, to which reference is hereby made, and copies of which are available from the Corporation. Certain provisions of the Indenture have been summarized in the sections of this Official Statement entitled "THE 2009 SERIES A BONDS" and "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS".

Certain Definitions

The following are definitions in summary form of certain terms contained in the Indenture and used herein:

Act: Part III of Chapter 201H, Hawaii Revised Statutes, as may be from time to time amended and supplemented.

Aggregate Debt Service: In any Bond Year, as of any date of calculation, the sum of the amounts of Debt Service for such Bond Year with respect to all Series of Bonds issued under the Indenture.

Annual Budget: The annual budget, relating to the Program, as amended or supplemented, adopted or in effect for a particular Fiscal Year, such Fiscal Year, as of the date of the Indenture, being the twelve month period ending June 30 of each year.

Authorized Officer of the Corporation: The Executive Director or any officer or employee of the Corporation authorized to perform specific acts or duties by resolution duly adopted by the Corporation.

Bond Year: Each 12 month period ending June 30.

Counsel's Opinion: An opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds (who may also be counsel to the Corporation) selected by the Corporation and satisfactory to the Trustee.

Debt Reserve Requirement: As of any date of calculation, with respect to all Series of Bonds, the aggregate of amounts established by the Supplemental Indentures providing for the issuance of each Series of Bonds which aggregate amount shall be at least equal to 10% of the aggregate principal amount of all Series of Bonds then outstanding. Where expressly limited to a particular Series of Bonds, such term shall mean the aforementioned amount established by the applicable Supplemental Indenture.

Debt Service: With respect to any particular Bond Year and any Series of Bonds, an amount equal to the sum of (i) interest payable on such Bonds during such Bond Year exclusive of capitalized interest, plus (ii) the Principal Installment or Installments of such Bonds payable during such Bond Year. Such interest and Principal Installments for such Series shall be calculated on the assumption that no Bonds will be retired except by payment on the date thereof.

Investment Securities: Any of the following, if and to the extent the same are at the time legal for investment of Corporation funds:

(i) direct obligations of or obligations guaranteed by the full faith and credit of the United States of America;

(ii) bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following agencies: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of United States; Federal Land Banks; Fannie Mae (excluding interest only stripped mortgage-backed securities); the United States Postal Service; the Government National Mortgage Association; or the Federal Financing Bank or any agency or instrumentality of the United States of America or any other corporation wholly-owned by the United States of America, in each case, so long as such obligations provide for the timely payment of principal and interest;

(iii) New Housing Authority Bonds, Temporary Notes or Preliminary Loan Notes issued by public agencies or municipalities 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 any agency thereof; or Project Notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America or any agency thereof;

(iv) direct and general obligations of any state of the United States or any political subdivision of any such state, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided that at the time of their purchase under the Indenture, such obligations are rated in either of the two highest rating categories by each nationally recognized bond rating agency then maintaining a rating on its Bonds; and

(v) repurchase agreements the underlying securities of which are obligations described in items (i) and (ii) above.

Mortgage Loan: A note or bond secured by a mortgage which is eligible at the time of purchase for purchase by the Corporation under the requirements of the Indenture and is purchased with proceeds of Bonds or other moneys pledged under the Indenture and is held under the Indenture, including a single pool mortgage backed security guaranteed as to timely payment of principal and interest by Fannie Mae and a fully modified mortgage backed security guaranteed as to timely payment of principal and interest by the Government National Mortgage Association, in each case, representing the right to receive interest (net of servicing and guaranty fees) and principal on mortgage loans eligible for purchase by the Corporation pursuant to the Act and the Program.

Mortgage Principal Payment: With respect to any Mortgage Loan, the amounts paid or required to be paid from time to time as principal with respect to such Mortgage Loan or mortgage backed security, including amounts paid with respect to principal on account of acceleration of the due date of such Mortgage Loan or prepayment of all or part of such Mortgage Loan and shall include amounts received with respect to principal as shall be determined by the Corporation from the sale or other disposition of any Mortgage Loan or of any mortgage backed security or any collateral securing any Mortgage Loan or amounts transferred from the Mortgage Loan Reserve Fund pursuant to the Indenture or from any insurer or guarantor of any Mortgage Loan or any issuer of a mortgage backed security.

Mortgage Reserve Requirement: As of any date of calculation, with respect to all Series of Bonds, the aggregate of amounts established by the Supplemental Indentures providing for the issuance of each Series of Bonds, which aggregate amount shall be at least equal to (1) the greater of (i) the sum of 1% of the aggregate unpaid principal balances of all Mortgage Loans and 1% of the amount on deposit in the Loan Fund, or (ii) the unguaranteed and uninsured portions of the aggregate unpaid principal balances of all Mortgage Loans as to which (a) foreclosure proceedings have been commenced by the filing of a foreclosure complaint with the appropriate court or (b) payments thereon are more than 180 days delinquent, whichever shall have first occurred; plus (2) with respect to the 1983 Series A Bonds, the 1983 Series B Bonds, the 1983 Series C Bonds, the 1984 Series A Bonds, the 1985 Series A Bonds, the 1986 Series A Bonds, the 1986 Series B Bonds, the 1988 Series A Bonds, the 1989 Series A Bonds and the 1990 Series A Bonds, 1.385% of the aggregate unpaid principal balances of all Mortgage Loans that are insured by FHA under its Section 203 Program and its Section 234 Program and that are financed from the Series Loan Account applicable to such Bonds; and 1.765% of the aggregate unpaid principal balances of all Mortgage Loans that are insured by FHA under its Section 245 Program and that are financed from the Series Loan Account applicable to such Bonds; plus (3) with respect to the Covered Mortgage Loans, the unpaid principal balance thereof.

Pledged Property: All of the Mortgage Loans, Revenues, funds established under the Indenture and Investment Securities held in any fund under the Indenture, together with all proceeds of the foregoing and all of the Corporation's right, title and interest in and to the foregoing, and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and provisions of the Indenture. The Corporation's right, title and interest in the Mortgage Loans shall not include the right to receive any payment on a Mortgage Loan for which the obligor thereon is required to be given a credit in order to comply with the Federal Tax Requirements.

Principal Installment: As of any payment date, the principal amount of serial Bonds maturing on such date and the amount of all Sinking Fund Installments due on such date.

Rule: The rules adopted by the Corporation pursuant to the Act as the same may be amended and supplemented from time to time.

Sinking Fund Installment: With respect to any Series of Bonds, the amount or amounts required to be deposited in the Debt Service Fund and credited to the Principal Account therein by one or more Supplemental Indentures in order to periodically redeem any Bonds issued as "term bonds".

Supplemental Indenture: Any indenture supplemental to or amendatory of the Indenture, entered into by the Corporation in accordance with the Indenture.

Additional Bonds (Indenture, Section 2.3 B.)

Issuance of additional Bonds is conditioned upon, among other things, delivery of (i) the Corporation's certificate that the Corporation is not in default in the payment of the principal of, Redemption Price, if any, and interest on the Bonds then outstanding, or in the performance of any of the covenants and agreements contained in the Indenture or in the event of default, a Counsel's Opinion that such default does not deprive any Bondholder in any material respect of the security afforded by the Indenture, and (ii) a Cash Flow Statement (see "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Yield and Cash Flow Requirements" herein).

Refunding Bonds (Indenture, Section 2.3 C.)

One or more Series of Bonds ("Refunding Bonds") may be issued to refund any or all of the Bonds then outstanding provided that, (i) if less than all of such Bonds are refunded, the Corporation determines that there will be a savings to the Corporation over the life of the outstanding Bonds or that the amounts required to be paid into the Interest Account and Principal Account in the Debt Service Fund to pay the principal of and interest on Bonds in any year after the issuance of Refunding Bonds shall not be greater than the amount which would have been payable into the Interest Account and Principal Account if the Bonds to be refunded were not so refunded, (ii) the Corporation certifies that the Corporation is not in default in the payment of principal of, Redemption Price, if any, and interest on the Bonds then outstanding, or in the performance of any of the covenants and agreements contained in the Indenture or if there exists an event of default, there is furnished a Counsel's Opinion that such default does not deprive any Bondholder in any material respect of the security afforded by the Indenture, and (iii) a Cash Flow Statement is delivered (see "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Yield and Cash Flow Requirements" herein).

Loan Fund (Indenture, Sections 5.1 and 5.2, Twenty-Second Supplemental Indenture)

Prior to the purchase of any Mortgage Loan by the Corporation, the Trustee, upon the written request of the Corporation signed by an Authorized Officer of the Corporation, shall withdraw from the Loan Fund an amount sufficient to pay the purchase price of Mortgage Loans purchased by the Corporation, including any accrued interest. The Trustee shall at any time upon the written request of the Corporation transfer amounts on credit to a Series Loan Account in the Loan Fund to the Principal Account in the Debt Service Fund for the purpose of paying the principal of Bonds of the Series for which such Series Loan Account was created which are being redeemed or purchased.

Series Loan Account: The Supplemental Indenture providing for the issuance of each Series of Bonds shall require the Trustee to establish a Series Loan Account in the Loan Fund for such Series of Bonds. Certain of the proceeds from the sale of such Bonds will be deposited in the Loan Fund to the credit of the applicable Series Loan Account.

In addition, the Trustee shall withdraw from the Revenue Fund and deposit in the Loan Fund, after payments to the Debt Service Reserve Account, the Mortgage Loan Reserve Fund and the Expense Fund, (i) for credit to the Series Loan Accounts on a pro rata basis, all Revenues on deposit therein until the sum of moneys and Investment Securities on deposit in the Debt Service Reserve Account, the Mortgage Loan Reserve Fund (excluding amounts in the Insurance Account and the accounts attributable to Section 203/234 FHA Mortgage Loans and Section 245 Mortgage Loans, as described in "Sources of Payment and Security for the Bonds—Mortgage Loan Reserve Fund"), and the Loan Fund, and the aggregate of the outstanding principal balances of Mortgage Loans owned by the Corporation, shall at least equal 102% of all Outstanding Bonds and (ii) such additional amounts for credit to such Series Loan Accounts, as the Corporation shall direct. Also, the Trustee, at the direction of the Corporation, shall transfer Mortgage Principal Payments in the Principal Account in the Debt Service Fund not otherwise needed to pay Principal Installments on the Bonds to the Series Loan Account applicable to such Mortgage Principal Payments. Furthermore, amounts in the General Account not required for the purposes of eliminating a deficiency in the Debt Service Reserve Account, the Mortgage Loan Reserve Fund and the Expense Fund may be deposited in Series Loan Accounts.

In addition, the Supplemental Indenture authorizing the issuance of the 2009 Series A Bonds provides that the Corporation may at any time determine that the amounts on credit to the 2009 Series A Loan Account which constitute proceeds of the 2009 Series A Bonds and which are not committed to the purchase of Mortgage Loans on the date of such determination are unexpended proceeds of the 2009 Series A Bonds, and direct the Trustee to apply such transferred moneys to the redemption or purchase of 2009 Series A Bonds to the greatest extent possible.

Establishment of Funds and Accounts (Indenture, Section 5.1 through 5.6)

The Indenture establishes the following funds and accounts, each held by the Trustee (the Loan Fund and Series Loan Account were described above):

- Loan Fund
  - Series Loan Account
- Revenue Fund
  - General Account
- Debt Service Fund
  - Interest Account
  - Principal Account
  - Debt Service Reserve Account
- Mortgage Loan Reserve Fund
  - FHA 203/234 Account
  - FHA 245 Account
  - Insurance Account
- Expense Fund

Revenue Fund (Indenture, Section 5.2, Twenty-Second Supplemental Indenture)

All Revenues shall be deposited in the Revenue Fund. On or before each interest payment date on any Bonds then outstanding, amounts in the Revenue Fund shall be withdrawn and allocated to the following funds and accounts on a preliminary basis in the order set forth below; provided, however, that any such amounts so withdrawn and allocated for payment of interest and Principal Installments on the Bonds due on such interest payment date shall not be less than the amounts so due.

1. To the Debt Service Fund (i) for credit to the Principal Account therein an amount equal to all Mortgage Principal Payments on deposit in the Revenue Fund, (ii) for credit to the Interest Account, if and to the extent required, an amount so that the balance in said Account shall on the date of such credit be at least equal to any due and unpaid interest and the interest to become due on the outstanding Bonds on the interest payment date for which such credit is made, (iii) for credit to the Principal Account, if and to the extent required, so that (a) if no Principal Installment is due on the interest payment date for which such credit is made, the balance in said Account on the date of such credit shall be at least equal to the sum of any due and unpaid Principal Installment and one-half of any Principal Installment becoming due on the outstanding Bonds on the interest payment date next succeeding the interest payment date for which such credit is made; and (b) if a Principal Installment is due on the interest payment date for which such credit is made, the balance in said Account on such date shall be at least equal to the sum of any due and unpaid Principal Installment and any Principal Installment to become due on the outstanding Bonds on the interest payment date for which such credit is made, and (iv) for credit to the Debt Service Reserve Account, if and to the extent required, an amount such that the balance therein shall equal the Debt Reserve Requirement (calculated as of the interest payment date for which such credit is made taking into consideration any Principal Installments or redemptions to be made on such interest payment date);

2. To the Mortgage Loan Reserve Fund, if and to the extent required, an amount so that the balance in said Fund on the interest payment date for which such credit is made shall equal the Mortgage Reserve Requirement (calculated based on data not more than 60 days prior to such interest payment date);

3. To the Expense Fund, if and to the extent required, an amount so that the balance in said Fund on the interest payment date for which such credit is made shall equal one-half of Corporation expenses provided in the Annual Budget (including premiums on all mortgage pool insurance policies);

4. To the Loan Fund, for credit to Series Loan Accounts (i) pro rata on the basis of the respective principal amounts of Outstanding Bonds of the applicable Series of Bonds, until the sum of the moneys and Investment Securities on deposit in the Debt Service Reserve Account, the Mortgage Loan Reserve Fund (excluding amounts in the Insurance Account and the accounts attributable to Section 203/234 FHA Mortgage Loans and Section 245 Mortgage Loans, as described in "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Mortgage Loan Reserve Fund"), and the Loan Fund and the aggregate of the outstanding principal balances of Mortgage Loans owned by the Corporation, less the then applicable Mortgage Payments Credit, if any, shall at least equal 102% of the principal amount of the Bonds then outstanding, and (ii) such additional amounts as the Corporation shall direct; and

5. To the General Account, to the extent of any remaining balance on deposit in the Revenue Fund.

No later than 21 days after each interest payment date, the deposits referred to above shall be finalized and further appropriations of moneys received on or prior to such interest payment date from the Revenue Fund and transfers of funds deposited on a preliminary basis on or prior to such interest payment date among the various Funds and Accounts established by the Indenture may be made for the purpose of finalizing such deposits. Such deposits upon finalization shall be deemed to be finalized as of such interest payment date.

Principal Account; Interest Account (Indenture, Section 5.3)

The Trustee shall pay out of the Interest Account the amount required for the interest on any of the Bonds as the same become due and payable, out of the Principal Account the amount required for the payment of Principal Installments as they become due and payable, and out of the Principal Account and the Interest Account, respectively, the amounts required for the payment of the Redemption Price of and interest on the Bonds then to be redeemed. Such amounts shall be paid by the Trustee to the Paying Agents to permit the above payments to be made as the same become due, but not earlier than one day prior to the due date.

With respect to any Sinking Fund Installment the Trustee shall apply amounts in the Principal Account (together with amounts in the Interest Account with respect to any interest becoming due on the Bonds for which such Sinking Fund Installment was established) for the redemption of Bonds of the Series and maturity for which such Sinking Fund Installment was established to satisfy Sinking Fund Installment requirements. The Trustee shall give notice of redemption in accordance with the Indenture as soon as practicable after the 40th day preceding the due date of any such Sinking Fund Installment.

The Trustee, upon receipt of a written request signed by an Authorized Officer of the Corporation, shall purchase Bonds in the open market at any time during the period between an interest payment date for the Bonds and the forty-fifth day preceding the next interest payment date and at a price no greater than the applicable Redemption Price for such Bonds. Such request shall also designate the Series of Bonds to be purchased, the maturity within such Series to be purchased and the source of payment of the purchase price, and shall direct any necessary transfer of moneys, shall designate the principal amount of Bonds within such maturity to be purchased, and if any of the Bonds are term Bonds, shall designate the years in which Sinking Fund Installments are to be reduced and the amount by which such Sinking Fund Installments are to be reduced; provided, prior to any such purchase, the Corporation may be required to file a Cash Flow Statement in accordance with the Indenture. See "Cash Flow Statement (Indenture, Section 6.11, Twenty-Fourth Supplemental Indenture)" below.

The Trustee, at the direction of the Corporation, shall transfer Mortgage Principal Payments in the Principal Account not otherwise needed to pay Principal Installments on the Bonds to the Series Loan Account in the Loan Fund applicable to such Mortgage Principal Payments.

To the extent that at any time moneys are not available in the Principal Account or Interest Account in the Debt Service Fund for the payment of principal of and Redemption Price and interest on the Bonds when due, the deficiency therein shall be made up from the following funds or accounts and in the following order of priority:

first,	from the Revenue Fund;
second,	from the General Account;
third,	from the Mortgage Loan Reserve Fund;
fourth,	from the Expense Fund;
fifth,	from the Debt Service Reserve Account;
sixth,	from the Interest Account;
seventh,	from the Principal Account; and
eighth,	from the Series Loan Accounts.

Debt Service Reserve Account (Indenture, Section 5.4)

If on any interest payment date for the Bonds, after giving effect to all transfers from the Revenue Fund, the General Account, the Mortgage Loan Reserve Fund and the Expense Fund, the amounts in the Principal Account and the Interest Account shall be less than the amounts required to be in such Accounts, the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to eliminate the deficiency, first in the Interest Account and second in the Principal Account.

Prior to the allocation from the Revenue Fund on or prior to each interest payment date, the Trustee shall calculate the amount of the Debt Reserve Requirement as of such date and shall determine the amount, if any, then in the Debt Service Reserve Account which is in excess of such Debt Reserve Requirement. The amount of such excess shall, upon the request of the Corporation, immediately prior to such allocation, be transferred to the Principal Account.

Expense Fund (Indenture, Section 5.5)

The Trustee shall apply amounts in the Expense Fund from time to time as may be required by the Corporation for reasonable and necessary Corporation expenses upon a written requisition by an Authorized Officer of the Corporation, provided that no payment shall be made by the Trustee to the extent that the amount of such payment is in excess of the unencumbered balance of the Expense Fund.

To the extent that amounts on deposit in the Expense Fund exceed one-half of Corporation expenses provided in the Annual Budget, such excess may be transferred to the Revenue Fund for credit to the General Account.

Mortgage Loan Reserve Fund (Indenture, Section 5.6)

Prior to each interest payment date, the Corporation shall calculate the amount of the Mortgage Reserve Requirement and the Trustee shall determine the amount of any excess in the Mortgage Loan Reserve Fund. The Trustee shall notify the Corporation of any excess and, at the request of the Corporation, the excess shall be transferred to the Revenue Fund.

At the time the Corporation shall determine that a Mortgage Loan is uncollectible or shall sell, assign, transfer or otherwise dispose of a Mortgage Loan, the Corporation shall deliver to the Trustee a certificate of an Authorized Officer of the Corporation certifying as to such determination or disposal, as the case may be, and the amount of loss or proceeds of disposal. The Trustee shall withdraw from the Mortgage Loan Reserve Fund an amount equal to the loss incurred or the difference, if any, between the unpaid principal balance of such Mortgage Loan and the principal portion of proceeds of such disposal and deposit such amount in the Revenue Fund.

General Account (Indenture, Section 5.7, Twenty-Second Supplemental Indenture)

On or before each interest payment date, amounts in the General Account shall be applied by the Corporation to make up any deficiencies in the Interest Account, the Principal Account, the Debt Service Reserve Account, the Mortgage Loan Reserve Fund and the Expense Fund, in that order. Any remaining amount in the General Account upon a written request of the Corporation may be deposited in Series Loan Accounts in the Loan Fund, used to redeem Bonds, to pay Corporation expenses or establish reserves therefor or for any other purpose or payment authorized or required by law free and clear of the lien of the Indenture; provided that no payments shall be made free and clear of the lien of the Indenture unless a Cash Flow Statement (for required contents of a Cash Flow Statement see "Sources of Payment and Security for the Bonds—Yield and Cash Flow Requirements" herein) is filed with the Trustee.

Investment of Certain Funds and Accounts (Indenture, Section 5.8, Fourth Supplemental Indenture, Twenty-Seventh Supplemental Indenture)

Moneys held in the Revenue Fund, the Loan Fund, the Debt Service Reserve Account, the Expense Fund and the Mortgage Loan Reserve Fund and accounts therein shall be invested and reinvested by the Trustee (i) in Investment Securities which shall mature prior to the dates when the moneys held will be needed for payments to be made from each such fund or account, or (ii) to the extent permitted by law, in certificates of deposit or similar banking arrangements issued by or time deposits with the Trustee or any bank, trust company, national banking association, savings and loan association, savings bank or other banking institution or association organized under the laws of the United States or any state thereof. Such certificates of deposit, similar banking arrangements or time deposits shall be collaterally secured by Investment Securities having a market value of not less than the amount of the certificates of deposit, similar banking arrangements or time deposits so secured; provided, however, that it shall not be necessary for such certificates of deposit, similar banking arrangements or time deposits to be so secured to the extent that they are insured by the Federal Deposit Insurance Corporation, and (iii) to the extent permitted by law, money market funds the assets of which are required to be invested in Investment Securities described in clause (i) or (ii) of the definition of such term set forth under "Certain Definitions" herein; provided the amount which may be invested in such money market funds at any time shall not exceed $1,000,000. Notwithstanding anything in the Indenture to the contrary, Investment Securities, certificates of deposit, similar banking arrangements and time deposits in all funds and accounts shall mature and moneys invested in money market funds shall be readily available not later than such times as shall be necessary to provide moneys when needed for payments to be made from such funds.

The Corporation may at any time give to the Trustee written directions respecting the investment of any moneys required to be invested under the Indenture, subject, however, to the provisions of the Indenture, and the

Trustee shall then invest such moneys as so directed by the Corporation. Upon the written request of the Trustee, accompanied by a memorandum setting forth the details of any proposed investment of moneys under the Indenture, the Corporation will either approve such proposed investment or will give written directions to the Trustee respecting the investment of such moneys.

All interest, except that representing a return of accrued interest paid in connection with a purchase by the Trustee of any investment, earned on any moneys or investments in all funds and accounts shall be paid into the Revenue Fund.

Enforcement of Mortgage Loans (Indenture, Section 6.6, Fifth Supplemental Indenture)

The Corporation shall diligently enforce and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Mortgage Loans, including the prompt payment of all Mortgage Loan payments and all other amounts due the Corporation thereunder. The Corporation shall not release the obligations of any obligor under any Mortgage Loan and shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Corporation and of the Bondholders under or with respect to each Mortgage Loan; provided that the Corporation shall have the power and authority to settle a default on any Mortgage Loan on such terms as the Corporation shall determine to be in the best interests of the Corporation and the Bondholders. The Corporation may forbear from taking actions with respect to enforcement of a Mortgage Loan if the Corporation determines such forbearance to be in the best interests of the Corporation and the Bondholders.

Whenever it shall be necessary in order to protect and enforce the rights of the Corporation under a Mortgage Loan and to protect and enforce the rights and interests of Bondholders under the Indenture, the Corporation shall take steps to enforce any policy or certificate of insurance or guaranty relating to such Mortgage Loan and to foreclose the Mortgage Loan or enforce the security interest and to collect, hold and maintain or to sell or otherwise dispose of the property securing the Mortgage Loan which is in default under the provisions of such Mortgage Loan and, if the Corporation deems such to be advisable, shall bid for and purchase such property at any sale thereof and acquire and take possession of such property.

Assignment or Disposition of Mortgage Loans (Indenture, Section 6.7, Twenty-Third Supplemental Indenture)

The Corporation shall not sell, assign, transfer or otherwise dispose of any Mortgage Loan or any of the rights of the Corporation with respect to any Mortgage Loan unless the Corporation determines that such action is in the best interests of the Corporation and the Bondholders and will not adversely affect the ability of the Corporation to pay when due the principal or Redemption Price of and interest on the Bonds, in which case such Mortgage Loan may be so disposed of by the Corporation free and clear of the pledge of the Indenture.

Amendment of Mortgage Loans (Indenture, Section 6.8)

The Corporation shall not consent to, or agree to permit, any amendment or modification of any Mortgage Loan which will in any manner materially impair or materially adversely affect the rights or security of the Bondholders under the Indenture in such Mortgage Loan except for amendments and modifications made in connection with settling any default on any Mortgage Loan which settlement the Corporation determines to be in the best interests of the Corporation and the Bondholders.

Cash Flow Statement (Indenture, Section 6.11, Twenty-Fourth Supplemental Indenture)

The Corporation shall have on file with the Trustee a current Cash Flow Statement, dated as of any particular date:(i) whenever any Series of Bonds is issued, (ii) prior to making any transfer from the General Account to be used by the Corporation free and clear of the lien of the Indenture, and (iii) prior to certain redemptions or purchases of any Bonds. Notwithstanding the foregoing, in the case of any Cash Flow Statement filed in connection with:(a) transfers from the General Account which aggregate more than $1,000,000 in any one Bond Year, or (b) any purchase or redemption of Bonds for which a Cash Flow Statement is required, the Cash Flow Statement shall demonstrate compliance with the requirements of the preceding sentence if Revenues are anticipated on the basis of 0% and 500% of the rate set forth in the most recent mortgage maturity experience table for mortgages having the same terms insured under Section 203 or the National Housing Act and published by the Federal Housing Administration in "Survivorship and Decrement Tables for HUD/FHA Home Mortgage Insurance Program" for the region, or, if available, the State.

(For a definition of Cash Flow Statement see "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Yield and Cash Flow Requirements" herein.)

Accounts and Reports to Bondholders (Indenture, Sections 6.12 and 6.17)

The Corporation will permit the Trustee and any Bondholder to inspect the Corporation's books of records and accounts. The Corporation will also furnish a copy of a quarterly report on Mortgage Loan delinquencies, the redemption history for each Series of Bonds and information about outstanding balances and insurance coverage to any Bondholder upon request.

Qualifications, Resignation or Removal of Trustee and Agents (Indenture, Section 7.1, Twenty-Fifth Supplemental Indenture)

The Trustee shall at all times be a trust company or bank having the powers of a trust company within or without the State, and any such Trustee shall have at all times a combined capital stock, capital surplus and undivided profits of not less than $7,500,000 and shall at all times meet all the requirements of law for the performance of the duties of the Trustee specified in the Indenture.

The Trustee may resign at any time by giving not less than sixty days' notice to the Corporation and by publishing a notice of resignation at least once not later than ten days after the giving of such notice in the same newspaper in which notices of redemption of Bonds are to be published pursuant to the Indenture.

In case at any time (1) the Trustee shall cease to be eligible in accordance with the provisions of the Indenture and shall fail to resign after written request therefor has been given to such Trustee by the Corporation or by any holder of a Bond who has been a bona fide holder of a Bond for at least six months, or (2) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of such Trustee or of its property shall be appointed, or any public officer shall take charge or control of such Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then in any such case the Corporation may remove such Trustee by an instrument in writing or any such holder of a Bond may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of such Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, remove such Trustee.

The Trustee may be removed at any time by the written direction or upon affirmative vote of the holders of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized.

The Trustee may execute any of the trusts or powers or perform any duties under the Indenture directly or by or through agents or attorneys.

Defaults and Remedies (Indenture, Sections 8.1, 8.2 and 8.7)

Events of Default specified in the Indenture include:(1) failure to pay principal or Redemption Price of any Bond when due; (2) failure to pay any interest installment or any Sinking Fund Installment thereon when due; (3) failure for 30 days to make payments into the Revenue Fund; (4) failure for 60 days after written notice thereof in the performance or observance of any other covenants, agreements or conditions; (5) the institution of proceedings with the consent of the State to effect a composition between the State and its creditors if the claim of such creditor is payable from any Pledged Property or other moneys pledged to the Bonds or to adjust the claims of such creditors pursuant to any Federal or state statute now or hereafter enacted; (6) the entering of an order or decree with or without the consent of the State appointing a receiver or receivers of the Program or any of the moneys thereof and such order shall not be vacated, discharged or stayed on appeal within sixty (60) days after the entering of said order; (7) assumption by any court of competent jurisdiction of custody or control of the Program or any of the moneys thereof and such custody or control continues for 90 days from the date of assumption; and (8) the Corporation shall for any reason be rendered incapable of fulfilling its obligations.

Upon the occurrence of any such Event of Default which shall not be remedied, the Trustee may, and upon the request of the holders of twenty-five percent in principal amount of Bonds outstanding shall, by giving 30 days written notice to the Corporation, declare the principal of and interest on all Bonds outstanding to be due and payable immediately and upon such declaration the same shall become and be immediately due and payable. However, if any time after such declaration but (i) before any judgment or decree for the payment of moneys due shall have been obtained and entered and (ii) before the Bonds shall mature, all overdue interest payments together with reasonable expenses, charges and liabilities of the Trustee and the holders of the Bonds and their agents and attorneys and all other sums payable by the Corporation under the Indenture shall either be paid by or for the Corporation or provisions satisfactory to the Trustee shall be made for such payment and all defaults under the Bonds and the Indenture shall be made good, the holders of a majority in principal amount of Bonds outstanding, by written notice to the Corporation and the Trustee, may rescind such declaration and annul such default in its entirety.

In addition, the Trustee and the Bondholders shall be entitled to all the rights and remedies otherwise provided or permitted by law or under the Indenture.

Supplemental Indentures (Indenture, Sections 9.1 and 9.2)

The Corporation may enter into a Supplemental Indenture, without the consent of any Bondholder, for the following purposes:(i) to provide for the issuance of Bonds under the Indenture; (ii) to make. any changes, modifications, amendments or deletions to the Indenture that are required to qualify the Indenture under the Trust Indenture Act of 1939; or (iii) if the provisions of such Supplemental Indenture shall not adversely affect the rights of the holders of the Bonds then outstanding, to make any changes or corrections for the purpose of curing an ambiguity, inconsistent provision, omission, mistake or manifest error in the Indenture, to add additional covenants and agreements of the Corporation to further secure payment of the Bonds, to surrender any right, power or privilege reserved to or conferred upon the Corporation by the Indenture, to confirm as further assurance any lien, pledge or charge, to grant additional rights, remedies and powers to the Bondholders or to grant to the Trustee for the benefit of the Bondholders additional rights, duties, remedies, power or authority.

The Corporation may enter into a Supplemental Indenture, with the consent of the holders of at least two-thirds in principal amount of the Bonds then outstanding, for the purpose of adding any provisions to or changing or eliminating any provisions of the Indenture, or modifying or amending the rights and obligations of the Corporation under the Indenture or modifying or amending the rights of the holders of the Bonds and coupons outstanding. The consent of the holder of each such Bond affected is required for amendments or supplements of the following kind:(1) amending the maturity date for the payment of the principal of any Bond, the dates for the payment of interest thereon, the terms of redemption thereof, reduction of the principal amount of any Bond or the rate of interest thereon, or the Redemption Price payable upon the redemption or prepayment thereof; (2) reducing the percentage of Bonds, the holders of which must consent to any Supplemental Indenture amending or supplementing the provisions of the Indenture; (3) granting to any Bond or Bonds any preference over any other Bond or Bonds secured by the Indenture; (4) authorizing the creation of any pledge of the Pledged Property prior, superior or equal to the pledge of and lien thereon created by the Indenture for payment of the Bonds except as provided for the issuance of additional Bonds; or (5) depriving any Bondholder in any material respect of the security afforded by the Indenture.

Defeasance (Indenture, Section 11.1)

The obligations of the Corporation under and pursuant to the Indenture and the liens, pledges, charges, trusts, covenants and agreements of the Corporation created therein shall be fully discharged and satisfied as to any Bond and such Bond shall no longer be deemed outstanding:(i) when such Bond shall have been cancelled or surrendered for cancellation and is subject thereto or shall have been purchased by the Trustee from moneys held pursuant to the Indenture; or (ii) as to any Bond not so cancelled, surrendered or purchased, when payment of the principal and the applicable Redemption Price of such Bond, plus interest accrued thereon to the due date thereof (whether due date be by reason of maturity or redemption) either:(a) shall have been made or caused to be made in accordance with the terms thereof or (b) shall have been provided by irrevocably depositing with the Trustee and irrevocably appropriating exclusively for such payment:(1) moneys sufficient to make such payment; or (2) direct obligations of or obligations guaranteed by the United States maturing as to principal and interest in such amount and at such times to insure sufficient moneys for such payment; or (3) a combination of both such moneys and obligations, whichever the Corporation deems to be in its best interest, and all necessary fees, compensation and expenses of the Trustee and the Paying Agents pertaining to the Bond being defeased shall have been paid or payment therefor provided.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed or otherwise prepaid prior to the stated maturities thereof, no deposit under clause (b) of subparagraph (ii) above shall constitute such payment, discharge and satisfaction as aforesaid:

(A) as to any such Bonds as are not at the time of the making of such deposit immediately redeemable or prepayable in accordance with the provisions of the Indenture and of such Bonds, until either (1) such Bonds shall have been irrevocably called or designated for redemption or prepayment on the first date thereafter that such Bonds may be redeemed or prepaid in accordance with the provisions of the Indenture and of such Bonds or (2) ninety (90) days prior to the respective stated maturities thereof;

(B) as to any such Bonds as are at the time of making of such deposit immediately redeemable or prepayable in accordance with the provisions of the Indenture or such Bonds until (1) ninety (90) days prior to the date fixed for their redemption or prepayment or (2) ninety (90) days prior to the respective stated maturities thereof; and

(C) as to all such Bonds which are to be redeemed or prepaid to their respective stated maturities, until proper notice of such redemption or prepayment shall have been previously published in accordance with the Indenture or irrevocable provision shall have been made for the giving of such notice.

All moneys or Investment Securities set aside and held in trust for the payment of Bonds and coupons, as aforesaid, shall be applied to and used solely for the payment of such Bonds and coupons to be redeemed or prepaid.

TAX MATTERS

Interest on the 2009 Series A Bonds is included in gross income for Federal income tax purposes pursuant to the Code.

Holders of the 2009 Series A Bonds should consult with their own tax advisors concerning the United States Federal income tax and other consequences with respect to the acquisition, ownership and disposition of the 2009 Series A Bonds as well as any other tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

IRS Circular 230 Disclosure. The advice under the caption, "Tax Matters", was written to support the marketing of the 2009 Series A Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, each prospective purchaser of the 2009 Series A Bonds is advised that (i) any Federal tax advice contained in this official statement (including any attachments) or in writings furnished by counsel to the Corporation is not intended to be used, and cannot be used by any bondholder, for the purpose of avoiding penalties that may be imposed on the bondholder under the Code, and (ii) the bondholder should seek advice based on the bondholder's particular circumstances from an independent tax advisor.

Prospective purchasers of the Series 2009A Bonds should consult with their own tax advisors regarding the foregoing matters.

LEGALITY OF BONDS FOR INVESTMENT

Under the Act, the Bonds are legal investments for the State and all of its public officers, political subdivisions, and public bodies, all banks, trust companies, savings banks, savings and loan associations, investment companies, insurance companies and associations, and all personal representatives, guardians, trustees, and other fiduciaries in the State. The 2009 Series A Bonds and other obligations of the Corporation shall be authorized security for all public deposits and shall be fully negotiable in the State.

ABSENCE OF LITIGATION

There is no litigation of any nature now pending or threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2009 Series A Bonds or the purchase of Mortgage Loans or Fannie Mae Securities comprising Mortgage Loans from proceeds of the 2009 Series A Bonds, or in any way contesting or affecting the validity of the 2009 Series A Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the 2009 Series A Bonds, or the existence or powers of the Corporation.

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("Standard & Poor's") have assigned to the 2009 Series A Bonds the ratings of "AAA," "Aaa" and "AAA," respectively.

The Corporation has furnished Fitch, Moody's and Standard & Poor's (the "Rating Agencies") certain information and materials concerning the 2009 Series A Bonds and the Corporation. Generally, the Rating Agencies base their ratings on such information and materials and also on such investigations, studies and assumptions that they may undertake independently. There is no assurance that any such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by any Rating Agency, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of any rating may have an adverse effect on the secondary market price of the 2009 Series A Bonds.

Any explanation of the significance of the ratings may be obtained only from the Rating Agencies.

CERTAIN LEGAL MATTERS

All legal matters incident to the authorization, issuance and delivery of the 2009 Series A Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. The form of their proposed legal opinion is contained in Appendix II.

The Supplemental Indenture providing for the issuance of the 2009 Series A Bonds will be approved as to legality by the Attorney General of the State.

FINANCIAL STATEMENTS

The financial statements of the Single Family Mortgage Purchase Revenue Bond Fund as of and for the Fiscal Year ended June 30, 2009, are set forth in Appendix III to this Official Statement. These financial statements have been audited by KMH LLP, independent certified public accountants, whose report is set forth in Appendix III.

The audited financial statements of the Single Family Mortgage Purchase Revenue Fund for future years will be available upon request from the Corporation.

The audited combined financial statements for the Corporation for the Fiscal Year ended June 30, 2009, are available upon request from the Corporation and relate to the general financial condition of the Corporation as of such date. Property or amounts described in such financial statements (other than the Program) are not pledged to and should not be considered as security for the 2009 Series A Bonds.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representations are made that any of the estimates will be realized.

The references in this Official Statement to Acts of the Legislature, the Indenture, the Origination Agreement, and other documents referred to in this Official Statement are brief summaries of certain provisions of such documents. Such summaries do not purport to be complete and reference is made to such documents for full and complete statements of such provisions.

The execution and delivery of this Official Statement has been duly authorized by the Corporation.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

By: Karen Seddon
Executive Director

APPENDIX I

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Hawaii Housing Finance and Development Corporation

Financial Statements
June 30, 2008
Together with Independent Auditor's Report

Submitted by

THE AUDITOR
STATE OF HAWAII

Table of Contents

Hawaii Housing Finance and Development Corporation

Management Discussion and Analysis
June 30, 2008

The management of the Hawaii Housing Finance and Development Corporation (Corporation) offers readers of the Corporation's financial statements this narrative overview and analysis of their financial activities for the fiscal year ended (FYE) June 30, 2008. This document should be read in conjunction with the audited financial statements. All amounts presented in tables, unless otherwise indicated, are expressed in thousands of dollars.

Introduction

The Hawaii Housing Finance and Development Corporation (the Corporation) was established by the State Legislature effective July 1, 2006 in accordance with Act 196, SLH 2005, as amended by Act 180, SLH 2006.

The Corporation's mission is to increase the supply of workforce and affordable homes by providing tools and resources to facilitate housing development. Tools and resources include housing tax credits, low interest construction loans, equity gap loans, developable land and expedited land use approvals.

The Corporation is administratively attached to the State Department of Business, Economic Development and Tourism. The Corporation's Board of Directors consists of nine members, six of whom are public members appointed by the Governor, and confirmed by the State Senate. Public members are appointed from each of the counties of Honolulu, Hawaii, Maui and Kauai. At least four of the public members must have knowledge and expertise in public or private financing and development of affordable housing. At least one public member represents community advocates for low-income housing affiliated with private nonprofit organizations that serve the residents of low-income housing. The Director of Business, Economic Development and Tourism; the Director of Finance; and a representative of the Governor's Office are ex-officio voting members. All Corporation action is taken by the affirmative vote of at least five members.

Hawaii Housing Finance and Development Corporation

Management Discussion and Analysis
June 30, 2008

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the financial statements of the Corporation for the period ended June 30, 2008. The financial statements consist of Management's Discussion and Analysis, the basic financial statements, related notes to the financial statements and other required supplementary information. These components are described below:

1. Basic Financial Statements

   The basic financial statements include two kinds of statements that present different views of the Corporation:

   - The first two statements are Corporation-wide financial statements that provide information about the Corporation's overall financial position and results of operations. These statements are presented on an accrual basis of accounting and consist of the Statement of Net Assets and the Statement of Activities.

   - The remaining statements are the fund financial statements of the Corporation's governmental funds, for which activities are funded primarily from appropriations from the State, and the Corporation's major and non-major proprietary funds, which operate similar to business-type activities. The governmental funds are presented on a modified accrual basis of accounting while the proprietary and the fiduciary funds are presented on an accrual basis of accounting.

   - The basic financial statements also include a "Notes to Financial Statements" section that explains some of the information in the government-wide and the fund financial statements and provides more detailed data.

   - The "Notes to Financial Statements" are followed by a "Supplementary Information" section, which presents a budgetary comparison schedule, which is required supplementary information, and information on non-major funds, which is not required.

2. Government-Wide Financial Statements

   The government-wide statements report information about the Corporation as a whole using accounting methods similar to those used by private sector companies. The statement of net assets provides both short-term and long-term information about the Corporation's financial position, which assists in assessing the Corporation's economic condition at the end of the fiscal year. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Most of the Corporation's activities are business-type activities and are reported in its proprietary funds. The government-wide financial statements include two statements:

- The *statement of net assets* presents all of the Corporation's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases and decreases in the Corporation's net assets may serve as a useful indicator of the health of the financial position of the Corporation.

- The *statement of activities* presents information indicating how the Corporation's net assets changed during the most recent fiscal year.

The government-wide financial statements of the Corporation are divided into two categories:

- Governmental activities – The activities in this section are primarily supported by State or Federal appropriations or by Federal contributions.

- Business-type activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users.

3. Fund Financial Statements

The fund financial statements provide more detailed information about the Corporation's most significant funds and not the Corporation as a whole. The financial activities of the Corporation are recorded in individual funds, each of which is deemed to be a separate accounting entity. Funds are either reported as a major fund or a non-major fund. The Governmental Accounting Standards Board (GASB) issued Statement 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments* sets forth the minimum criteria for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and are detailed in the combining section of the financial statements.

The Corporation has three types of funds:

- Governmental Funds:

  - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

- Governmental fund financial statements help determine whether there are more or fewer financial resources that can be spent in the near future to finance the Corporation's programs.

- The focus of the governmental funds is narrower than that of the government-wide financial statements; therefore it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision.

- Both the governmental fund balance sheet and the governmental statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

- Proprietary Funds – the Corporation's only type of proprietary funds are its enterprise funds, which are used to account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing services to customers.

- Fiduciary Fund is not reflected in the government-wide financial statement because the resources of those funds are not available to support the Corporation's own programs.

4. Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

5. Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the major governmental fund as presented in the governmental fund financial statements. Also, management's discussion and analysis is considered supplementary information and is required to precede the financial statements.

6. Other Information

The combining financial statements of the non-major enterprise funds are presented as other information.

Government-Wide Financial Analysis

As noted earlier, the *statement of net assets* presents all of the Corporation's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of the Corporation's financial position. As indicated below, as of June 30, 2008, the Corporation's total net asset balance was approximately $378,347,000 an increase of $63,950,000 (or 20.3%) from the previous year.

Government-Wide
Condensed Statement of Net Assets
June 30, 2008 and 2007
(In thousand of dollars)

	Governmental Activities		Business Activities		Total		Total Percent Change
	2008	2007	2008	2007	2008	2007	
Current assets	$ 182	$ 1,469	$ 280,595	$ 240,109	$ 280,777	$ 241,578	16.2%
Assets held by trustee	-	-	308,006	318,715	308,006	318,715	-3.4%
Capital assets	389	161	107,409	87,137	107,798	87,298	23.5%
Other assets	-	-	174,404	95,973	174,404	95,973	81.7%
Total assets	$ 571	$ 1,630	$ 870,414	$ 741,934	$ 870,985	$ 743,564	17.1%
Current liabilities	$ -	$ -	$ 98,810	$ 63,017	$ 98,810	$ 63,017	56.8%
Long-term liabilities	-	-	393,828	366,150	393,828	366,150	7.6%
Total liabilities	-	-	492,638	429,167	492,638	429,167	14.8%
Net assets							
Invested in capital assets net of related debt	389	161	3,789	(18,981)	4,178	(18,820)	-122.2%
Restricted	-	-	308,596	319,291	308,596	319,291	-3.3%
Unrestricted	182	1,469	65,391	12,457	65,573	13,926	370.9%
Total net assets	571	1,630	377,776	312,767	378,347	314,397	20.3%
Total liabilities and net assets	$ 571	$ 1,630	$ 870,414	$ 741,934	$ 870,985	$ 743,564	17.1%

Current assets increased by approximately $39,199,000 (or 16.2%) during 2008 primarily related to an increase in cash of approximately $28,000,000 in the Rental Housing Trust Fund of which $15,000,000 relates to a cash infusion from Act 213. The remaining increase in cash in the Rental Housing Trust Fund is related to revenues generated in excess of expenditures.

Assets held by trustee result from the trust indentures of the revenue bond funds requiring cash and investments to be held by a trustee. These assets decreased by approximately $10,709,000 (or 3.4%) during 2008 due to the use of these assets to redeem previously outstanding bonds. Restricted net assets, which represent resources that are subject to external restrictions on how they may be used, primarily include the assets held by trustee and decreased by approximately $10,695,000 (or 3.3%) during 2008.

Capital assets increased by approximately $20,499,000 (or 23.5%) during 2008 primarily due to the acquisition of the Kukui Gardens Parcel A.

Other assets increase by approximately $78,431,000 (or 81.7%) during 2008 primarily due to approximately $53,000,000 of mortgage notes receivable received to secure new conduit debt issued by the Multifamily Revenue Bond Housing Fund and an increase in notes receivable of approximately $29,000,000 in the Dwelling Unit Revolving Fund received from the buyer of Kukui Gardens Parcel A.

Current liabilities increased by approximately $35,793,000 (or 56.8%) during 2008 primarily due to the recognition of approximately $25,000,000 of deferred income related to the Kukui Gardens project, an increase in the current portion of revenue bonds payable of approximately $7,000,000 and an increase in the estimated future cost of land sold of approximately $3,000,000.

Long-term liabilities increased by approximately $27,678,000 (or 7.6%) primarily due to the issuance of $53,400,000 in revenue bonds in the Multi Family Revenue Bond Fund which included $45,000,000 for the acquisition financing for the Kukui Gardens and $8,400,000 for the Kahului Town Terrace project. Bond redemptions totaled $18,200,000.

Net assets invested in capital assets consist of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "net assets invested in capital assets, net of related debt."

The statement of activities below presents information indicating how the Corporation's net assets changed during the most recent fiscal year.

Government-Wide
Statement of Activities
Years Ended June 30, 2008 and June 30, 2007
(In thousand of dollars)

	Governmental Activities		Business Activities		Total		Total Percent Change
	2008	2007	2008	2007	2008	2007	
Revenues							
Program revenues:							
Charges for services	$ -	$ -	$ 50,828	$ 60,159	$ 50,828	$ 60,159	-15.5%
Operating grants and contributions	2,854	4,135	58,976	18,972	61,830	23,107	167.6%
Capital grants and contributions	-	-	-	-	-	-	-
General revenues:							
State allotted appropriations, net of lapses	102	2,323	-	200	102	2,523	-96.0%
Total revenues	2,956	6,458	109,804	79,331	112,760	85,789	31.4%
Expenses							
Governmental activities							
Expenditures - Disbursements	4,015	4,828	-	-	4,015	4,828	-16.8%
Business-type activities							
Rental assistance program	-	-	1,518	1,622	1,518	1,622	-6.4%
Housing development program	-	-	6,287	6,429	6,287	6,429	-2.2%
Multi-family mortgage loan programs	-	-	6,664	8,801	6,664	8,801	-24.3%
Single-family mortgage loan program	-	-	11,472	13,728	11,472	13,728	-16.4%
Rental housing program	-	-	17,352	17,455	17,352	17,455	-0.6%
Others	-	-	1,500	1,386	1,500	1,386	8.2%
Total government-wide expenses	4,015	4,828	44,793	49,421	48,808	54,249	-10.0%
Excess of revenues over expenses	(1,059)	1,630	65,011	29,910	63,952	31,540	102.8%
Transfers	-	-	(2)	(113)	(2)	(113)	98.2%
Change in net assets	(1,059)	1,630	65,009	29,797	63,950	31,427	103.5%
Total net assets, beginning of year	1,630	-	312,767	282,970	314,397	282,970	11.1%
Total net assets, end of year	$ 571	$ 1,630	$377,776	$ 312,767	$378,347	$ 314,397	20.3%

Governmental Activities

For the fiscal year ending June 30, 2008, total net assets of the governmental activities decreased by approximately $1,059,000, from $1,630,000 in 2007 to $571,000 in 2008 primarily due to expenditures for low income housing services.

Business-type Activities

Revenues of the Corporation's business-type activities were primarily from charges for services, program investment income and federal assistance program funds. Charges for services consist primarily of rental income and interest income on loans related to the Corporation's lending programs. The majority of the program investment income is from income earned within the Corporation's bond funds and is restricted to those funds.

For the fiscal year ending June 30, 2008, business-type activities increased the Corporation's net assets by $65,009,000. Key elements of this increase are as follows:

- Charges for services decreased by approximately $9,331,000 (or 15.5%) to $50,828,000 in 2008 from $60,159,000 in 2007 primarily as a result of a decrease of approximately $4,960,000 in conveyance taxes to the Rental Housing Trust Fund during 2008 and a decrease of approximately $4,000,000 in unit sales in the Dwelling Unit Revolving Fund.

- Operating grants and contributions increased by $40,004,000 to $58,976,000 in 2008 from $18,972,000 in 2007 primarily due to the improvement in the change in fair-value of mortgage-backed securities of $2,400,000 in the Single Family Mortgage Purchase Revenue Bond Fund and $2,800,000 in the Multifamily Revenue Bond Fund, $15,000,000 appropriated in Act 213, SLH 2007 to the Rental Housing Trust Fund and the $25,000,000 appropriated within Act 231, SHL 2007 to reimburse the Dwelling Unit Revolving Fund for the acquisition of Parcel A of the Kukui Gardens rental housing complex.

Expenses related to multifamily mortgage loan programs decreased by $2,137,000 to $6,664,000 in 2008 from $8,801,000 in 2007.

Financial Analysis of the Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirement.

Governmental Funds

At June 30, 2008, the Corporation's governmental funds reported a combined ending fund balance of $182,000, a decrease of $1,287,000 in comparison to the combined $1,469,000 fund balance at June 30, 2007. The decrease was primarily due to the following:

- The fund balance of the General Fund decreased $1,287,000 due to State allotted appropriations of $102,000, less related expenditures of $1,389,000.

Proprietary Funds

The proprietary fund consists of five major and several non-major funds. The five major funds are: 1) Rental Housing Trust Fund, 2) Dwelling Unit Revolving Fund, 3) Hawaii Rental Housing System Revenue Bond Fund, 4) Single Family Mortgage Purchase Revenue Bond Fund and 5) Multifamily Housing Revenue Bond Fund.

- The *Rental Housing Trust Fund* provides developers of qualified rental housing projects with loans and/or grants for the development, predevelopment, construction, acquisition, preservation and rehabilitation of rental housing units. The fund recognized an increase in net assets of $33,893,000 in 2008, compared to $21,633,000 in 2007. The 2008 increase in net assets consisted of conveyance tax collections of $19,204,000 and interest income of $1,144,000 less operating expenses of $2,516,000 and a contribution from the State of $15,000,000 pursuant to Act 213, SLH 2007.

  Conveyance taxes decreased by $4,960,000 (or 20.5%) to $19,204,000 in 2008 from $24,164,000 in 2007. Interest income on cash balances decreased by $934,000 (or 44.9%) to $1,144,000 in 2008 from $2,078,000 in 2007 primarily due to the change in fair value amounts of the investments in the State Treasury Investment Pool during 2008.

- The *Dwelling Unit Revolving Fund* accounts for State funds used for acquiring, developing, selling, leasing and renting residential, commercial and industrial properties, providing interim financing, which generates rents, sales proceeds and interest earnings from the financing and investment of such funds. The fund had an increase in net assets of $24,521,000 in 2008, which was an increase of $18,549,000 (or 310.6%) over the increase in net assets of $5,972,000 in 2007. The 2008 increase in net assets consisted of operating losses of $1,391,000 and non-operating income of $25,912,000. The non-operating income consists primarily of the receipt of $25,000,000 appropriated in Act 231, SHL 2007 for the acquisition of Parcel A of the Kukui Gardens rental housing complex. Interest income on cash balances decreased by $2,804,000 (or 75.4%) to $915,000 in 2008 from $3,719,000 in 2007 primarily due to the change in fair value amount of the investments in the State Treasury Investment Pool during 2008.

- The *Hawaii Rental Housing System Revenue Bond Fund* accounts for special funds for housing projects or systems of housing projects financed from proceeds of bonds secured under the same trust indenture. The fund accounts for six multifamily rental housing projects located throughout the State. The fund had a decrease in net assets, and a loss before transfers, of $951,000 in 2008, which was a decrease of $115,000 (or 7.6%) from the loss before transfers of $1,029,000 in 2007. The decrease in the loss before transfers of the fund is due to the decrease in operating expenses of $54,000 (or 0.4%) to $12,300,000 in 2008 from $12,353,000 in 2007. Operating revenues increased by $391,000 (or 2.7%) to $14,802,000 in 2008 from $14,411,000 in 2007 and non-operating expenses increased by $367,000 (or 11.9%) to $3,453,000 in 2008 from $3,087,000 in 2007.

- The *Single Family Mortgage Purchase Revenue Bond Fund* accounts for the proceeds from the issuance of bonds used to make below-market interest rate mortgage loans and the repayment, interest, and earnings from such loans and investment of such funds. Net assets in the fund increased by $6,011,000 substantially due to a $2,400,000 increase in the fair-value of mortgage-backed securities and a decrease in arbitrage rebate expense of $1,387,000 from $1,511,000 in 2007 to $124,000 in 2008. The continued refinancing of mortgage-backed securities resulted in management continuing to use available cash to redeem the related bonds outstanding. Accordingly, interest income from mortgage-backed securities declined by $734,000 from $9,272,000 in 2007 to $8,538,000 in 2008 and interest income from cash declined by $775,000 from $7,305,000 in 2007 to $6,531,000 in 2008.

- The *Multifamily Housing Revenue Bond Fund* accounts for the proceeds from the issuance of bonds to provide interim construction loans and/or permanent financing at below market interest rates to facilitate the construction or rehabilitation of affordable housing projects. There was a decrease in net assets of $465,000 in 2008 primarily due to the defeasance of GNMA Series 2000 multifamily bonds. Interest income from mortgages increased by $785,000 from $506,000 in 2007 to $1,291,000 in 2008 and interest income from cash and investments declined by $463,000 from $1,771,000 in 2007 to $1,308,000 in 2008. Interest expense related to outstanding bonds decreased by $766,000 from $2,184,000 in 2007 to $2,950,000 in 2008.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2008, the Corporation had invested approximately $107,798,000 (net of accumulated depreciation of $83,131,000) in a broad range of capital assets. This amount represents an increase of approximately $20,500,000 (or 23.5%) over the prior year, primarily due to the acquisition of Parcel A, Kukui Gardens rental housing complex.

Corporation's Capital Assets
Years Ended June 30, 2008 and June 30, 2007
(In thousand of dollars)

	Governmental Activities		Business Activities		Total		Total Percent Change
	2008	2007	2008	2007	2008	2007	
Land	$ -	$ -	$ 43,454	$ 20,274	$ 43,454	$ 20,274	114.3%
Buildings and improvements	-	-	145,234	142,407	145,234	142,407	2.0%
Equipment	448	176	1,793	1,792	2,241	1,968	13.9%
Construction in progress	-	-	-	837	-	837	-100.00%
Total	448	176	190,481	165,310	190,929	165,486	15.4%
Accumulated depreciation	(59)	(15)	(83,072)	(78,173)	(83,131)	(78,188)	6.3%
Total Capital Assets, net	$ 389	$ 161	$107,409	$ 87,137	$107,798	$ 87,298	23.5%

Debt Administration

Through June 30, 2008, approximately $2.18 billion of revenue bonds have been issued. The revenue bonds are payable solely from the revenues and other monies and assets of the Revenue Bond Funds and other assets of the Corporation pledged under the various bond indentures. Revenue bonds payable increased by approximately $35,468,000 to approximately $400,110,000 at June 30, 2008 from approximately $364,642,000 at June 30, 2007. During the year ended June 30, 2008, the Corporation issued $53,420,000 in new bonds for the Multifamily Housing System and had bond redemptions of approximately $18,225,000. As defined in the bond indentures, under certain conditions, revenue bonds may be redeemed without premium prior to maturity. Included in the current year bond redemptions were early redemptions of approximately $8,615,000.

During fiscal year 2008, Moody's Investors Service's rating of the Corporation continued to be A2 with a negative outlook. The Corporation's bond ratings for the Single Family Mortgage Purchase Revenue Bond program were as follows:

- Standard & Poor's Rating Services: AAA
- Moody's Investors Service: Aaa
- Fitch Ratings: AAA

Currently Known Facts, Decisions, or Conditions

- On July 1, 2008, the Corporation redeemed $5.1 million of outstanding revenue bonds from the Single Family Mortgage Purchase Revenue Bond Fund.

- In November, 2008, the Corporation issued $33.5 million of Hula Mae Multifamily bonds for the Lokahi Ka'u project, a 306 unit family project located in Kona on the Island of Hawaii.

Requests for Information

This report is designed to provide an overview of the Corporation's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to the Fiscal Manager, Hawaii Housing Finance and Development Corporation, 677 Queen Street, Suite 300, Honolulu, Hawaii 96813.

KMH LLP

A Hawaii Limited Liability Partnership

Independent Auditor's Report

The Auditor
State of Hawaii

The Board of Directors
Hawaii Housing Finance and Development Corporation:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of governmental funds and proprietary funds all as listed under "basic financial statements" in the accompanying table of contents of Hawaii Housing Finance and Development Corporation (Corporation) as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Corporation are intended to present the financial position, changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate other fund information of the State of Hawaii that is attributable to the transactions of the Corporation. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2008, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, the Corporation's cash and interest income, previously reported at $201,562,760 and $11,041,645, respectively, should have been $202,295,078 and $11,773,963, respectively. This discovery was made subsequent to the issuance of the financial statements. The financial statements have been restated to reflect this correction.

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In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of governmental funds and proprietary funds of the Corporation as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 1 to 12 and Budgetary Comparison Schedules on page 71 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on Management's Discussion and Analysis or on the Budgetary Comparison Schedules.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements taken as a whole. The supplementary information as listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KMH LLP

KMH LLP

Honolulu, Hawaii
March 27, 2009
Except for the second paragraph in Note 3 as to which the date is May 13, 2009

Hawaii Housing Finance and Development Corporation

Government-Wide
Statement of Net Assets
June 30, 2008

Assets	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash	$ -	$ 202,295,078	$ 202,295,078
Receivables:			
Mortgage loans	-	7,739,317	7,739,317
Notes and loans	-	11,863,626	11,863,626
Accrued interest	-	8,564,991	8,564,991
Tenant receivables, less allowance for doubtful accounts of $1,670,774	-	100,815	100,815
Other	-	2,855,424	2,855,424
	-	31,124,173	31,124,173
Due from other funds	-	3,306,698	3,306,698
Due from other governments	53,616	-	53,616
Internal balances	(53,616)	53,616	-
Due from other State of Hawaii Departments	181,729	20,844,391	21,026,120
Inventories --			
Developments in progress and dwelling units	-	22,060,985	22,060,985
Net investment in direct financing lease	-	570,486	570,486
Prepaid expenses and other assets	-	204,658	204,658
Deposits held in trust	-	5,717	5,717
Deferred bond issuance costs	-	129,272	129,272
Total current assets	181,729	280,595,074	280,776,803
Assets Held by Trustees Under Revenue Bond Programs:			
Cash and cash equivalent	-	34,823,630	34,823,630
Investments	-	273,182,373	273,182,373
	-	308,006,003	308,006,003
Investments	-	6,547,685	6,547,685
Mortgage Loans, net of current portion	-	121,891,904	121,891,904
Notes and Loans, net of current portion	-	29,054,552	29,054,552
Restricted Deposits and Funded Reserves	-	590,430	590,430
Net Investment in Financing Lease, net of current portion	-	14,461,804	14,461,804
Deferred Bond Issuance Costs, net of current portion	-	1,858,272	1,858,272
Capital Assets, less accumulated depreciation	389,197	107,408,318	107,797,515
Total assets	$ 570,926	$ 870,414,042	$ 870,984,968

The accompanying notes are an integral part of this statement.

Hawaii Housing Finance and Development Corporation

Government-Wide
Statement of Net Assets (continued)
June 30, 2008

Liabilities and Net Assets	Governmental Activities	Business-type Activities	Total
Current Liabilities:			
Accounts payable	$ -	$ 2,477,904	$ 2,477,904
Accrued expenses:			
Interest	-	7,908,934	7,908,934
Other	-	1,257,306	1,257,306
Accrued lease rent payable	-	696,800	696,800
Due to other funds	-	3,306,698	3,306,698
Due to State of Hawaii, including Office of Hawaiian Affairs	-	5,583,604	5,583,604
Security deposits	-	1,936,389	1,936,389
Notes payable	-	13,475	13,475
Mortgage payable	-	37,024	37,024
Revenue bonds payable, less deferred refunding cost	-	15,737,553	15,737,553
Deferred income	-	25,113,316	25,113,316
Deferred commitment fees	-	338,597	338,597
Deferred gain on sale of units and land	-	1,642,801	1,642,801
Estimated future costs of land sold	-	32,759,434	32,759,434
Total current liabilities	-	98,809,835	98,809,835
Deferred Commitment Fees, net of current portion	-	901,013	901,013
Arbitrage Rebate Payable	-	2,757,205	2,757,205
Notes Payable, net of current portion	-	248,564	248,564
Mortgage Payable, net of current portion	-	5,548,567	5,548,567
Revenue Bonds Payable, less deferred refunding costs, net of current portion	-	384,372,552	384,372,552
Commitments and Contingencies			
Net Assets:			
Invested in capital assets, net of related debt	389,197	3,789,321	4,178,518
Restricted by legislation and contractual agreements	-	308,596,433	308,596,433
Unrestricted	181,729	65,390,552	65,572,281
Total net assets	570,926	377,776,306	378,347,232
Total liabilities and net assets	$ 570,926	$ 870,414,042	$ 870,984,968

The accompanying notes are an integral part of this statement.

Hawaii Housing Finance and Development Corporation

Government-Wide
Statement of Activities
June 30, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental activities--							
Low income housing service and assistance program	$ 4,014,594	$ -	$ 2,854,400	$ -	$ (1,160,194)	$ -	$ (1,160,194)
Total governmental activities	4,014,594	-	2,854,400	-	(1,160,194)	-	(1,160,194)
Business-type activities:							
Rental assistance program	1,518,610	121,540	971,803	-	-	(425,267)	(425,267)
Housing development program	6,286,677	3,161,790	27,646,105	-	-	24,521,218	24,521,218
Multi-family mortgage loan programs	6,663,778	22,463,490	20,160,934	-	-	35,960,646	35,960,646
Single-family mortgage loan program	11,472,105	8,538,439	8,930,939	-	-	5,997,273	5,997,273
Rental housing program	17,351,713	15,174,177	1,041,222	-	-	(1,136,314)	(1,136,314)
Others	1,500,985	1,369,063	224,983	-	-	93,061	93,061
Total business-type activities	44,793,868	50,828,499	58,975,986	-	-	65,010,617	65,010,617
Total government-wide	$ 48,808,462	$ 50,828,499	$ 61,830,386	$ -	(1,160,194)	65,010,617	63,850,423
State Allotted Appropriations, net of lapses					101,657	-	101,657
Net Transfers					-	(1,563)	(1,563)
Total general revenues and transfers					101,657	(1,563)	100,094
Change in net assets					(1,058,537)	65,009,054	63,950,517
Net Assets, July 1, 2007					1,629,463	312,767,252	314,396,715
Net Assets, June 30, 2008					$ 570,926	$ 377,776,306	$ 378,347,232

The accompanying notes are an integral part of this statement.

Hawaii Housing Finance and Development Corporation

Governmental Funds
Balance Sheet
June 30, 2008

	General Fund	Nonmajor Governmental Fund	Total Governmental Funds
Assets			
Due from State	$ 181,729	$ -	$ 181,729
Due from other agencies	-	53,616	53,616
Total assets	$ 181,729	$ 53,616	$ 235,345
Liabilities and Fund Balance			
Liabilities --			
Internal balances	$ -	$ 53,616	$ 53,616
Total liabilities	-	53,616	53,616
Fund Balances - Unrestricted			
Reserved for encumbrances	181,729	-	181,729
Total liabilities and fund balance	$ 181,729	$ 53,616	$ 235,345

The accompanying notes are an integral part of this statement.

Hawaii Housing Finance and Development Corporation

Reconciliation of the Governmental Fund Balance to the
Statement of Net Assets
June 30, 2008

Total fund balance - governmental funds		$	181,729
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. These assets consist of the following:			
Equipment	448,264		
Accumulated depreciation	(59,067)		
Total capital assets			389,197
Net assets of governmental activities		$	570,926

The accompanying notes are an integral part of this statement.

Hawaii Housing Finance and Development Corporation

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2008

	General Fund	Nonmajor Governmental Fund	Total Governmental Funds
Revenues:			
State allotted appropriations	$ 101,657	$ -	$ 101,657
Intergovernmental revenue	-	2,854,400	2,854,400
Total revenues	101,657	2,854,400	2,956,057
Expenditures:			
Low income housing services	898,772	-	898,772
Capital outlays	388,351	-	388,351
Project	-	2,765,782	2,765,782
Personnel services	101,657	54,809	156,466
Administration	-	33,809	33,809
Professional services	-	-	-
Total expenditures	1,388,780	2,854,400	4,243,180
Change in fund balance	(1,287,123)	-	(1,287,123)
Fund Balance at July 1, 2007	1,468,852	-	1,468,852
Fund Balance at June 30, 2008	$ 181,729	$ -	$ 181,729

The accompanying notes are an integral part of this statement.

Hawaii Housing Finance and Development Corporation

Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities
June 30, 2008

Net change in fund balances - total governmental funds		$ (1,287,123)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense during the year.		
Capital outlay	272,430	
Depreciation expense	(43,844)	
		228,586
Change in net assets - governmental activities		$ (1,058,537)

The accompanying notes are an integral part of this statement.

Hawaii Housing Finance and Development Corporation

Proprietary Funds
Statement of Net Assets
June 30, 2008

Assets	Rental Housing Trust Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing System Revenue Bond Fund	Single Family Mortgage Purchase Revenue Bond Fund	Multifamily Housing Revenue Bond Fund	Other Enterprise Funds	Total Enterprise Funds
Current Assets:							
Cash	$ 89,283,525	$ 79,364,266	$ 1,917,208	$ -	$ -	$ 31,730,079	$ 202,295,078
Receivables.							
Mortgage loans	349,190	62,628	-	696,059	6,567,553	63,887	7,739,317
Notes and loans	-	11,863,626	-	-	-	-	11,863,626
Accrued interest	2,558,202	1,159,330	44,458	3,803,797	204,425	794,779	8,564,991
Tenant receivables, less allowance for doubtful accounts of $1,670,774	-	12,577	64,004	-	-	24,234	100,815
Other	-	2,020,013	790,238	-	15,358	29,815	2,855,424
	2,907,392	15,118,174	898,700	4,499,856	6,787,336	912,715	31,124,173
Due from other funds	35	628,056	-	-	352,378	2,326,229	3,306,698
Internal balances	-	-	-	-	-	53,616	53,616
Due from other State of Hawaii Departments	-	20,844,391	-	-	-	-	20,844,391
Inventories	-	22,060,985	-	-	-	-	22,060,985
Net investment in financing lease	-	-	-	-	-	570,486	570,486
Prepaid expenses and other assets	-	29,952	62,322	7,205	-	105,179	204,658
Deposits held in trust	-	-	-	-	-	5,717	5,717
Deferred bond issuance costs	-	-	48,952	62,318	-	18,002	129,272
Total current assets	92,190,952	138,045,824	2,927,182	4,569,379	7,139,714	35,722,023	280,595,074
Assets Held by Trustees Under Revenue Bond Programs:							
Cash and cash equivalent	-	-	31,622,788	3,190,770	10,072	-	34,823,630
Investments	-	-	-	241,280,873	31,901,500	-	273,182,373
	-	-	31,622,788	244,471,643	31,911,572	-	308,006,003
Investments	-	-	-	-	-	6,547,685	6,547,685
Mortgage Loans, net of current portion	58,636,446	545,391	-	5,343,849	53,919,863	3,446,355	121,891,904
Notes and Loans, net of current portion	-	29,054,552	-	-	-	-	29,054,552
Restricted Deposits and Funded Reserves	-	-	-	-	-	590,430	590,430
Net Investment in Financing Lease, net of current portion	-	-	-	-	-	14,461,804	14,461,804
Deferred Bond Issuance Costs, net of current portion	-	-	681,430	950,350	-	226,492	1,858,272
Capital Assets, less accumulated depreciation	-	27,716,886	75,049,571	2,148	-	4,639,713	107,408,318
Total assets	$ 150,827,398	$ 195,362,653	$ 110,280,971	$ 255,337,369	$ 92,971,149	$ 65,634,502	$ 870,414,042

The accompanying notes are an integral part of this statement.

Hawaii Housing Finance and Development Corporation

Proprietary Funds
Statement of Net Assets (continued)
June 30, 2008

Liabilities and Net Assets	Rental Housing Trust Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing System Revenue Bond Fund	Single Family Mortgage Purchase Revenue Bond Fund	Multifamily Housing Revenue Bond Fund	Other Enterprise Funds	Total Enterprise Funds
Current Liabilities:							
Accounts payable	$ -	$ 835,448	$ 1,413,482	$ 51,895	$ -	$ 177,079	$ 2,477,904
Accrued expenses:							
Interest	16,335	-	1,718,973	5,109,217	864,863	199,546	7,908,934
Other	-	795,909	96,100	160,111	20,072	185,114	1,257,306
Accrued lease rent payable	-	696,800	-	-	-	-	696,800
Due to other funds	-	-	102,977	232,141	-	2,971,580	3,306,698
Due to State of Hawaii, including Office of Hawaiian Affairs	-	5,573,604	-	-	-	10,000	5,583,604
Security deposits	-	76,652	941,998	-	-	917,739	1,936,389
Notes payable	-	13,475	-	-	-	-	13,475
Mortgage payable	-	-	-	-	-	37,024	37,024
Revenue bonds payable, less deferred refunding cost	-	-	2,355,000	5,940,000	6,982,553	460,000	15,737,553
Deferred income	-	25,015,913	97,403	-	-	-	25,113,316
Deferred commitment fees	-	-	-	338,597	-	-	338,597
Deferred gain on sale of units and land	-	1,642,801	-	-	-	-	1,642,801
Estimated future costs of land sold	-	32,759,434	-	-	-	-	32,759,434
Total current liabilities	16,335	67,410,036	6,725,933	11,831,961	7,867,488	4,958,082	98,809,835
Deferred Commitment Fees, net of current portion	-	-	-	901,013	-	-	901,013
Arbitrage Rebate Payable	-	-	-	2,757,205	-	-	2,757,205
Notes Payable, net of current portion	-	248,564	-	-	-	-	248,564
Mortgage Payable, net of current portion	-	-	-	-	-	5,548,567	5,548,567
Revenue Bonds Payable, less deferred refunding cost, net of current portion	-	-	96,146,749	192,540,940	82,324,863	13,360,000	384,372,552
Commitments and Contingencies							
Net Assets:							
Invested in capital assets, net of related debt	-	27,454,847	(22,721,796)	2,148	-	(945,878)	3,789,321
Restricted by legislation and contractual agreements	-	-	31,622,788	244,471,643	31,911,572	590,430	308,596,433
Unrestricted	150,811,063	100,249,206	(1,492,703)	(197,167,541)	(29,132,774)	42,123,301	65,390,552
Total net assets	150,811,063	127,704,053	7,408,289	47,306,250	2,778,798	41,767,853	377,776,306
Total liabilities and net assets	$ 150,827,398	$ 195,362,653	$ 110,280,971	$ 255,337,369	$ 92,971,149	$ 65,634,502	$ 870,414,042

The accompanying notes are an integral part of this statement

Hawaii Housing Finance and Development Corporation

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year Ended June 30, 2008

	Rental Housing Trust Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing System Revenue Bond Fund	Single Family Mortgage Purchase Revenue Bond Fund	Multifamily Housing Revenue Bond Fund	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues:							
Interest on mortgages, notes, loans, mortgage-backed securities, and net investment in financing lease	$ 1,060,354	$ 1,730,765	$ -	$ 8,538,202	$ 1,291,058	$ 838,331	$ 13,458,710
Net increase in fair value of mortgage-backed securities	-	-	-	2,400,063	-	-	2,400,063
Conveyance tax	19,204,010	-	-	-	-	-	19,204,010
Sales of land	-	518,000	-	-	-	-	518,000
Sales of unit	-	380,000	-	-	-	-	380,000
Rental	-	1,267,920	14,101,764	-	-	362,341	15,732,025
Other	1,012	995,870	700,420	237	177,351	1,553,816	3,428,706
Total operating revenues	20,265,376	4,892,555	14,802,184	10,938,502	1,468,409	2,754,488	55,121,514
Operating Expenses:							
Cost of land and units sold	-	172,365	-	-	-	-	172,365
Project	-	1,525,226	6,779,378	-	-	-	8,304,604
Personnel services	111,718	2,761,400	400,067	403,481	92,714	1,132,077	4,901,457
Depreciation	-	108,525	4,676,729	804	-	153,415	4,939,473
Housing assistance payments	-	-	-	-	-	1,369,618	1,369,618
Administration	25,898	1,001,003	30,730	214,379	15,936	477,613	1,765,559
Provision for losses	-	44,577	106,004	-	-	125,858	276,439
Loan servicing fees	-	-	-	26,603	-	-	26,603
Professional services	20,814	170,265	6,089	49,083	17,709	139,796	403,756
Transitional and emergency housing grant	2,356,000	-	-	-	-	-	2,356,000
Insurance	-	-	-	10,767	-	-	10,767
Repairs and maintenance	1,119	452,627	1,864	15,672	1,865	27,313	500,460
Utilities	-	-	-	5,436	-	62,940	68,376
Capital expenditures	113	30,609	123,498	4,567	180	783	159,750
Interest expense	-	-	-	10,432,063	2,949,817	-	13,381,880
Other	-	16,560	175,325	-	215,345	33,910	441,140
Total operating expenses	2,515,662	6,283,157	12,299,684	11,162,855	3,293,566	3,523,323	39,078,247
Operating income (loss) carried forward	$ 17,749,714	$ (1,390,602)	$ 2,502,500	$ (224,353)	$ (1,825,157)	$ (768,835)	$ 16,043,267

The accompanying notes are an integral part of this statement.

Hawaii Housing Finance and Development Corporation

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets (continued)
Year Ended June 30, 2008

	Rental Housing Trust Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing System Revenue Bond Fund	Single Family Mortgage Purchase Revenue Bond Fund	Multifamily Housing Revenue Bond Fund	Other Enterprise Funds	Total Enterprise Funds
Operating income (loss) brought forward	$ 17,749,714	$ (1,390,602)	$ 2,502,500	$ (224,353)	$ (1,825,157)	$ (768,835)	$ 16,043,267
Nonoperating Revenues (Expenses):							
Interest income - cash and investments	1,143,569	915,340	1,026,770	6,530,606	1,307,947	849,731	11,773,963
Net increase in fair value of investments	-	-	-	-	2,709,418	161,507	2,870,925
Contribution from State	15,000,000	25,000,000	-	-	-	-	40,000,000
Interest expense	-	(3,520)	(4,190,199)	-	-	(907,655)	(5,101,374)
Trustee fees	-	-	(7,056)	(70,770)	(11,110)	-	(88,936)
Amortization of deferred bond issuance costs	-	-	(122,067)	(100,378)	-	(18,002)	(240,447)
Insurance expense	-	-	(125,163)	-	-	-	(125,163)
Arbitrage rebate	-	-	-	(124,101)	-	-	(124,101)
Other (expenses) revenues	-	-	(35,600)	-	-	38,083	2,483
Net nonoperating revenues (expenses)	16,143,569	25,911,820	(3,453,315)	6,235,357	4,006,255	123,664	48,967,350
Income (loss) before transfers	33,893,283	24,521,218	(950,815)	6,011,004	2,181,098	(645,171)	65,010,617
Net Operating Transfers	-	-	-	-	-	(1,563)	(1,563)
Change in net assets	33,893,283	24,521,218	(950,815)	6,011,004	2,181,098	(646,734)	65,009,054
Fund Net Assets, July 1, 2007	116,917,780	103,182,835	8,359,104	41,295,246	597,700	42,414,587	312,767,252
Fund Net Assets, June 30, 2008	$ 150,811,063	$ 127,704,053	$ 7,408,289	$ 47,306,250	$ 2,778,798	$ 41,767,853	$ 377,776,306

The accompanying notes are an integral part of this statement.

Hawaii Housing Finance and Development Corporation

Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2008

	Rental Housing Trust Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing System Revenue Bond Fund	Single Family Mortgage Purchase Revenue Bond Fund	Multifamily Housing Revenue Bond Fund	Other Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities							
Cash received from renters	$ -	$ 1,313,692	$ 14,239,056	$ -	$ -	$ 403,670	$ 15,956,418
Cash received from borrowers							
Principal repayments	382,863	17,804	-	1,443,461	734,519	332,266	2,910,913
Interest income	595,936	1,053,217	-	8,013,459	1,291,058	182,410	11,136,080
Cash received from net investment in financing lease	-	-	-	-	-	1,238,740	1,238,740
Cash received from sale of land	-	744,526	-	-	-	-	744,526
Cash received from conveyance taxes	19,204,010	-	-	-	-	-	19,204,010
Cash received for payments on mortgage-backed securities	-	-	-	17,674,276	-	-	17,674,276
Cash to borrower	-	-	-	-	(53,420,000)	-	(53,420,000)
Cash payments for grants	(2,356,000)	-	-	-	-	-	(2,356,000)
Cash payments for acquisition of mortgage-backed securities	-	-	-	(7,624,745)	-	-	(7,624,745)
Cash payments for issuance of loans receivable	(5,807,509)	(9,927,412)	-	-	-	-	(15,734,921)
Cash payments for interest	-	-	-	(10,558,721)	(2,807,797)	-	(13,366,518)
Cash payments to employees	(62,149)	(2,761,400)	(321,470)	(363,698)	(92,714)	(1,126,177)	(4,727,608)
Cash payments to suppliers	(92,710)	(2,684,975)	(7,504,778)	(366,922)	(251,553)	(2,299,337)	(13,200,275)
Cash (payments to) receipts from other funds	(1,425)	(226,664)	(90,889)	(26,958)	(58,611)	415,493	10,946
Other cash receipts (payments)	1,012	3,294,902	525,245	(10,570)	176,421	1,617,809	5,604,819
Net cash provided by (used in) operating activities	11,864,028	(9,176,310)	6,847,164	8,179,582	(54,428,677)	764,874	(35,949,339)
Cash Flows from Noncapital Financing Activities:							
Principal paid on revenue bond maturities and redemptions	-	-	-	(14,355,000)	-	-	(14,355,000)
Arbitrage rebate paid	-	-	-	(699,805)	-	-	(699,805)
Interest paid to the Department of Budget and Finance	-	-	-	-	-	(1,137)	(1,137)
Cash received from borrower	-	-	-	-	-	3,073,648	3,073,648
Operating transfers out	-	-	-	-	-	(1,563)	(1,563)
Net cash (used in) provided by noncapital financing activities	-	-	-	(15,054,805)	-	3,070,948	(11,983,857)
Cash Flows from Capital and Related Financing Activities:							
Principal paid on revenue bond maturities and redemptions	-	-	(2,310,000)	-	(1,124,519)	(435,000)	(3,869,519)
Other financing source - new bond issuance	-	-	-	-	53,420,000	-	53,420,000
Issuance of notes receivable	-	(4,054,552)	-	-	-	-	(4,054,552)
Principal paid on mortgage loans	-	-	-	-	-	(35,170)	(35,170)
Interest paid on revenue bonds	-	-	(4,209,575)	-	-	(911,818)	(5,121,393)
Principal payments on notes payable	-	(43,067)	-	-	-	-	(43,067)
Payments of interest	-	(3,520)	-	-	-	-	(3,520)
Payments for acquisition of property and equipment	-	(57,623,658)	(2,122,912)	-	-	-	(59,746,570)
Proceeds from sale of property and equipment		36,678,210					36,678,210
Contributions from State	15,000,000	25,000,000	-	-	-	-	40,000,000
Net cash provided by (used in) capital and related financing activities	15,000,000	(46,587)	(8,642,487)	-	52,295,481	(1,381,988)	57,224,419
Subtotal carried forward	$ 26,864,028	$ (9,222,897)	$ (1,795,323)	$ (6,875,223)	$ (2,133,196)	$ 2,453,834	$ 9,291,223

The accompanying notes are an integral part of this statement.

Hawaii Housing Finance and Development Corporation

Proprietary Funds
Statement of Cash Flows (continued)
Year Ended June 30, 2008

	Rental Housing Trust Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing System Revenue Bond Fund	Single Family Mortgage Purchase Revenue Bond Fund	Multifamily Housing Revenue Bond Fund	Other Enterprise Funds	Total Enterprise Funds
Subtotal brought forward	$ 26,864,028	$ (9,222,897)	$ (1,795,323)	$ (6,875,223)	$ (2,133,196)	$ 2,453,834	$ 9,291,223
Cash Flows from Investing Activities:							
Purchases of investments	-	-	-	(35,442,611)	(29,470,687)	-	(64,913,298)
Proceeds from maturities of investments	-	-	-	35,172,885	30,371,251	2,258	65,546,394
Receipts of interest	1,195,407	566,202	1,108,301	3,675,071	1,229,983	849,638	8,624,602
Net decrease in restricted deposits and funded reserves	-	-	-	-	-	(14,401)	(14,401)
Net cash provided by investing activities	1,195,407	566,202	1,108,301	3,405,345	2,130,547	837,495	9,243,297
Net increase (decrease) in cash and cash equivalents	28,059,435	(8,656,695)	(687,022)	(3,469,878)	(2,649)	3,291,329	18,534,520
Cash and Cash Equivalents, July 1, 2007	61,224,090	88,020,961	34,227,018	6,660,648	12,721	28,438,750	218,584,188
Cash and Cash Equivalents, June 30, 2008	$ 89,283,525	$ 79,364,266	$ 33,539,996	$ 3,190,770	$ 10,072	$ 31,730,079	$ 237,118,708

The accompanying notes are an integral part of this statement.

Hawaii Housing Finance and Development Corporation

Proprietary Funds
Statement of Cash Flows (continued)
Year Ended June 30, 2008

	Rental Housing Trust Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing System Revenue Bond Fund	Single Family Mortgage Purchase Revenue Bond Fund	Multifamily Housing Revenue Bond Fund	Other Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities:							
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	$ 17,749,714	$ (1,390,602)	$ 2,502,500	$ (224,353)	$ (1,825,157)	$ (768,835)	$ 16,043,267
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Net increase in fair value of mortgage-backed securities	-	-	-	(2,400,063)	-	-	(2,400,063)
Depreciation	-	108,525	4,676,729	804	-	153,415	4,939,473
Provision for losses	-	44,577	106,004	-	-	-	150,581
Changes in assets and liabilities:							
Mortgage loans receivable	(5,424,646)	(9,909,608)	-	1,443,461	(52,685,481)	222,393	(66,353,881)
Notes and loans receivable	-	-	-	-	-	-	-
Accrued interest receivable on mortgages, notes and loans	(464,418)	9,876	-	-	-	35,676	(418,866)
Tenant receivables	-	(2,373)	(18,845)	-	-	9,458	(11,760)
Other receivables	-	99,032	150	-	(930)	64,018	162,270
Due from other funds	(35)	(189,820)	-	95,232	(57,623)	(263,857)	(416,103)
Due from State of Hawaii	-	1,512,576	-	-	-	-	1,512,576
Inventories	-	(3,355,142)	-	-	-	-	(3,355,142)
Prepaid expenses and other assets	-	-	(61,477)	1,271	-	7,116	(53,090)
Net investment in lease financing	-	-	-	-	-	547,118	547,118
Investments in mortgage-backed securities	-	-	-	10,049,531	-	-	10,049,531
Accounts payable	-	108,959	(501,742)	(62,415)	-	7,159	(448,039)
Accrued interest payable	-	-	-	(328,252)	-	-	(328,252)
Accrued lease rent payable	-	696,800	-	-	-	-	696,800
Other accrued expenses	4,803	354,061	78,597	50,509	141,502	(76,675)	552,797
Due to other funds	(1,390)	(36,844)	(90,889)	(122,190)	(988)	686,144	433,843
Security deposits	-	44,349	91,443	-	-	141,744	277,536
Deferred income	-	3,796	64,694	-	-	-	68,490
Deferred refunding costs	-	-	-	200,790	-	-	200,790
Deferred commitment fees	-	-	-	(524,743)	-	-	(524,743)
Deferred gain on sale of units and land	-	(153,474)	-	-	-	-	(153,474)
Estimated future costs of land sold	-	2,879,002	-	-	-	-	2,879,002
Net cash provided by (used in) operating activities	$ 11,864,028	$ (9,176,310)	$ 6,847,164	$ 8,179,582	$ (54,428,677)	$ 764,874	$ (35,949,339)

The accompanying notes are an integral part of this statement

Hawaii Housing Finance and Development Corporation

Fiduciary Fund
Statement of Fiduciary Net Assets
June 30, 2008

		Private Purpose Trust
Assets		
Cash	$	203,484
Total assets	$	203,484
Liabilities and Net Assets		
Liabilities	$	185,608
Total liabilities		185,608
Net Assets --		
Held in trust		17,876
Total liabilities and net assets	$	203,484

The accompanying notes are an integral part of this statement.

1. Organization and Significant Accounting Policies

a. General

Chapter 201E, Hawaii Revised Statutes and Act 337, Session Laws of Hawaii (SLH) 1987, created the Housing Finance and Development Corporation (HFDC). The HFDC was created to perform housing finance, housing development and residential leasehold functions. The Hawaii Housing Authority, State of Hawaii (Authority) was organized pursuant to the provisions of Chapter 356, Hawaii Revised Statutes. The Authority was created to provide safe and sanitary dwelling accommodations for low and moderate-income residents of Hawaii.

In accordance with Act 350, SLH 1997, effective July 1, 1998, the functions and employees of HFDC as well as those of the Authority and the Rental Housing Trust Fund Commission were transferred to the newly created Housing and Community Development Corporation of Hawaii (HCDCH). The purpose of Act 350, SLH 1997, was to consolidate all state housing functions previously administered by the Authority, HFDC and the Rental Housing Trust Fund Commission. HCDCH was a public body and a body corporate and politic and was, for administrative purposes only, considered to be a part of the State Department of Business, Economic Development and Tourism. In accordance with Act 92, SLH 2003, effective July 1, 2003, the functions and employees of HCDCH were transferred to the State Department of Human Services for administrative purposes.

In accordance with Act 196, SLH 2005, as amended by Act 180, SLH 2006, HCDCH was split into two organizations to more effectively concentrate on the development of affordable housing. Effective July 1, 2006 HCDCH was bifurcated into (1) the Hawaii Public Housing Administration (HPHA) and (2) the Hawaii Housing Finance and Development Corporation (the Corporation).

For financial reporting purposes, the Corporation includes all funds that are controlled by or dependent on the Corporation's Board of Directors. Control by or dependence on the Corporation was determined on the basis of statutory authority and monies flowing through the Corporation to each fund.

The financial statements of the Corporation are intended to present the financial position, changes in financial position, and cash flows where applicable, of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the State of Hawaii that is attributable to the transactions of the Corporation. They do not purport to, and do not, present fairly the financial position of the

1. Organization and Significant Accounting Policies (continued)

a. General (continued)

State of Hawaii as of June 30, 2008, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. The State Comptroller maintains the central accounts for all State funds and publishes financial statements for the State annually, which include the Corporation's financial activities.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements, the statement of net assets and the statement of activities, report information of all of the non-fiduciary activities of the Corporation. Governmental activities, which normally are supported by State allotments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. State allotments and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than program revenues. The Corporation does employ an indirect cost allocation system.

Net assets are restricted when constraints placed on them are either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

The fund financial statements are provided for governmental funds, proprietary funds, and fiduciary fund. Major individual governmental fund and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are summarized into a single column. The Corporation's fiduciary fund is presented in the fund

1. **Organization and Significant Accounting Policies (continued)**

b. Government-Wide and Fund Financial Statements (continued)

financial statements. Since by definition their assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities as obligations of the government, their funds are not incorporated into the government-wide statements.

c. Measurement Focus and Basis of Accounting

i. Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Interest expense of approximately $18,482,000 was included as direct function expenses during the year ended June 30, 2008.

ii. Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. In applying the susceptible to accrual concept to intergovernmental revenues, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when applicable requirements, including timing requirements are met.

Principal revenue sources considered susceptible to accrual include federal grants and interest on investments. Some revenue items that are considered measurable and available to finance operations during the year from an accounting perspective are not available for expenditure due to the State's present appropriation system. These revenues have been accrued in accordance with generally accepted accounting principles since they have been earned and are expected to be collected within 60 days of the end of the period. Other revenues are considered to be measurable and available only when cash is received by the Corporation.

1. Organization and Significant Accounting Policies (continued)

c. Measurement Focus and Basis of Accounting (continued)

ii. Governmental Fund Financial Statements (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include employees' vested vacation, which is recorded as an expenditure when utilized or paid. The amount of unmatured long-term indebtedness related to accumulated vacation at June 30, 2008 has been reported in the government-wide financial statements.

iii. Proprietary Funds and Fiduciary Fund

The financial statements of proprietary funds and the fiduciary fund are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Each proprietary fund has the option under Governmental Accounting Standards Board (GASB) Statement 20, *Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities that Use Proprietary Fund Accounting*, to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Corporation has elected to not apply FASB statements after the applicable date.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services or goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the Corporation's enterprise funds are interest income, rental income, land sales and conveyance tax revenues. Interest income from investments are reported as nonoperating income.

d. Fund Accounting

The financial activities of the Corporation are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Corporation uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate the legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

1. Organization and Significant Accounting Policies (continued)

d. Fund Accounting (continued)

GASB Statement 34 sets forth minimum criteria for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

i. Governmental Funds

General Fund – The General Fund is the general operating fund of the Corporation. It is used to account for all financial activities except those required to be accounted for in another fund. The annual operating budget as authorized by the State Legislature provides the basic framework within which the resources and obligations of the general fund are accounted.

Federal Grant Program Fund – The Federal Grant Program Fund is used to account for all financial activities that are funded by federal grants. Substantially all of the fund's activity relates to providing affordable housing to residents of the State of Hawaii.

ii. Proprietary Funds

Enterprise Funds – These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to customers, or where sound financial management dictates that periodic determinations of results of operations are appropriate. Enterprise funds include the Rental Housing Trust Fund, the Dwelling Unit Revolving Fund, revenue bond funds and other funds.

Under the revenue bond funds, proceeds from bond issues are used to make below-market interest rate mortgage loans to persons and families of low to moderate income for the purchase of owner-occupied single-family and condominium dwellings; provide interim construction loans and permanent financing of affordable rental housing projects; and to finance multifamily housing projects. These funds include the Hawaii Rental Housing System Revenue Bond Fund, the Single Family Mortgage Purchase Revenue Bond Fund, the Multifamily Revenue Bond Fund, and the University of Hawaii Faculty Housing Program Revenue Bond Fund.

1. **Organization and Significant Accounting Policies (continued)**

   d. **Fund Accounting (continued)**

      ii. **Proprietary Funds (continued)**

The other funds include the Fee Simple Residential Revolving Fund, Rental Assistance Revolving Fund, Housing Finance Revolving Fund, Kekuilani Gardens Project, Disbursing Fund, Pineapple Workers and Retirees Housing Assistance Fund, Grant-in-aid Fund, Hamakua and Waialua.

The Corporation reports the following as major proprietary funds:

Rental Housing Trust Fund provides developers of qualified rental housing projects with loans and/or grants for the development, predevelopment, construction, acquisition, preservation and rehabilitation of rental housing units.

Dwelling Unit Revolving Fund accounts for state funds used for acquiring, developing, selling, leasing and renting residential, commercial and industrial properties, providing mortgage and interim financing and rental income and sales proceeds and interest earnings from the financing and investment of such funds.

Hawaii Rental Housing System Revenue Bond Fund accounts for special funds to account for housing projects or systems of housing projects financed from the proceeds of bonds secured under the same trust indenture. The fund accounts for six multifamily rental housing projects located throughout the State of Hawaii.

Single Family Mortgage Purchase Revenue Bond Fund accounts for the proceeds from the issuance of bonds used to make below-market interest rate mortgage loans and the repayment, interest, and earnings from such loans and investment of such funds.

Multifamily Housing Revenue Bond Fund accounts for the proceeds from the issuance of bonds to provide interim construction loans and/or permanent financing to facilitate the construction or rehabilitation of affordable rental housing projects.

      iii. **Fiduciary Fund**

The private-purpose trust fund accounts for net assets held in a trustee capacity for others.

1. Organization and Significant Accounting Policies (continued)

e. Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities in the government-wide financial statements and proprietary funds financial statements. Capital assets are defined by the Corporation as land and those assets with estimated useful lives greater than one year and with an acquisition cost greater than:

Land improvements	$ 100,000
Building and building improvements	$ 100,000
Equipment	$ 5,000

Purchased and constructed capital assets are valued at cost. Donated assets are recorded at their fair market value at the date of donation.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements.

Depreciation expense is recorded in the government-wide and proprietary funds financial statements. The Corporation utilizes the straight-line method over the assets' estimated useful life. No depreciation is recorded for land and land improvements. Generally, the useful lives are as follows:

	Governmental Activities	Proprietary Fund and Business-Type Activities
Building and building improvements	25 years	10 – 40 years
Equipment	7 years	1 – 10 years

f. Deferred Revenues

Deferred revenues at the fund level and government-wide level arise when the Corporation receives resources before it has a legal claim to them. In subsequent periods, when the revenue recognition criteria is met, or when the Corporation has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized.

1. Organization and Significant Accounting Policies (continued)

g. Cash and Cash Equivalents

Cash and cash equivalents for the purpose of the statement of cash flows – proprietary funds, include all cash and investments with original purchased maturities of three months or less.

h. Investments

Investments in U.S. government securities, certificates of deposit and money market funds with maturities of one year or less when purchased are stated at cost. Non-participating investment contracts, generally repurchase agreements, are reported at cost. All other investments are reported at fair market value.

i. Inventories

Inventories consist of developments in progress and units available for sale. Developments in progress include construction in progress and land held for future development related to the remaining portions of three master planned community projects – Kapolei (Oahu), La`i`opua (Hawaii), and Leiali`i (Maui). Costs included in developments in progress relate to the infrastructure construction for these master planned communities. Units available for sale include constructed units, developed lots and repurchased units available for sale.

Inventories are stated at the lower of cost or estimated net realizable value. All estimated development, holding and disposition costs to the anticipated date of disposition are considered in the determination of estimated net realizable value. Estimated net realizable value represents management's estimates, based on management's plans and intentions, of sales price less development, holding and disposition costs, assuming that the development and disposition occurs in the normal course of business. Writedowns for estimated losses on inventories are recorded to the extent total estimated costs exceed total estimated revenues for a project.

The recognition of gain from the sale of units is dependent on a number of factors relating to the nature of the property sold, the terms of the sale and the future involvement of the Corporation in the property sold. If a real estate transaction does not meet established financial criteria, profit recognition is deferred and recognized under the installment or cost recovery method until such time as the criteria are met.

1. Organization and Significant Accounting Policies (continued)

j. Interfund Receivables and Payables

During the course of operations, transactions occur between funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within business-type activities are eliminated in the accompanying statement of net assets. See Note 18 for details of interfund transactions, including receivables and payables at year end.

k. Amortization

Issuance costs of revenue bonds are deferred and amortized ratably over the term of the bond principal outstanding.

l. Vacation

Employees are credited with vacation at a rate of 168 hours per calendar year. Accumulation of such vacation credits is limited to 720 hours at calendar year end and is convertible to pay upon termination of employment. Liabilities for accumulated unpaid vacation are accrued at the end of each accounting period utilizing current salary rates. Such vacation credits are recorded as accrued wages and employee benefits payable in the government-wide and the enterprise funds financial statements at the balance sheet date. Accumulated unpaid vacation estimated to be used or paid during the next year is approximately $145,000. The change in accumulated unpaid vacation during the year is approximately as follows:

Balance at July 1, 2007	Additions	Reductions	Balance at June 30, 2008
$ 502,976	$ 277,183	$ 187,131	$ 593,028

m. Allocated Costs

The Corporation provides certain administrative services to its various funds. The cost of these services is allocated to the funds based on estimates of benefits provided to the funds.

1. Organization and Significant Accounting Policies (continued)

n. Post Retirement Health Care and Life Insurance Benefits

As of June 30, 2008, the Corporation adopted GASB Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions"*. This statement establishes standards of accounting and financial reporting for other postemployment benefit (OPEB) expenses, liabilities or assets.

o. Reservations of Fund Balances

General fund balances are reserved for continuing appropriations, which are comprised of encumbrances. Encumbrances represent outstanding commitments, which generally are liquidated in the subsequent fiscal year.

p. Risk Management

Liabilities related to certain types of losses (including torts, theft of, damage to, or destruction of assets, errors or omissions, natural disasters and injuries to employees) are reported when it is probable that the losses have occurred and the amount of those losses can be reasonably estimated.

q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. Budgeting and Budgetary Control

The budget of the Corporation is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services and activities to be provided during the fiscal year, (2) the estimated revenues available to finance the operating plan, and (3) the estimated spending requirements of the operating plan. The budget represents a process through which financial policy decisions are made, implemented and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated throughout the fiscal year. Amounts reflected as budgeted revenues in the accompanying Required

2. Budgeting and Budgetary Control (continued)

Supplementary Information – Budgetary Comparison Schedule are estimates as compiled by the Corporation and reviewed by the Department of Budget and Finance. Budgeted expenditures are derived primarily from acts of the State Legislature and from other authorizations contained in the State Constitution, the Hawaii Revised Statutes and other specific appropriation acts in various Session Laws of Hawaii.

Expenditures of these appropriated funds are made pursuant to the appropriations in the biennial budget as amended by subsequent supplemental appropriations. Budgetary control is maintained at the departmental level. Budget revisions and interdepartmental transfers may be affected with certain executive and legislative branch approvals.

The General Fund has a legally appropriated annual budget. The final legally adopted budget in the accompanying Required Supplementary Information – Budgetary Comparison Schedule represents the original appropriations, transfers and other legally authorized legislative and executive changes.

To the extent not expended or encumbered, General Fund appropriations generally lapse at the end of the fiscal year or grant period for which the appropriations were made. The State Legislature or Federal Government specifies the lapse dates and any other contingencies that may terminate the authorization for other appropriations. Known lapses occurring in the year of appropriation, if any, are included in the amended budgets, and are netted against revenues in the accompanying Required Supplementary Information – Budgetary Comparison Schedule.

A comparison of both the original budget and the final budget to the actual revenues and expenditures of the general and certain special revenue funds are presented in the accompanying Required Supplementary Information – Budgetary Comparison Schedule. Differences between revenues and expenditures reported on the budgetary basis and those reported in accordance with U.S. GAAP are mainly due to revenues and expenditures of unbudgeted funds and the different methods used to recognize resource uses. For budgeting purposes, resource uses are recognized when cash disbursements are made or funds are encumbered. For financial statements presented in accordance with U.S. GAAP, expenditures are recognized when incurred and encumbrances are not reported as resources used.

A summation of the differences between revenues and expenditures reported on the budgetary basis and those reported in accordance with U.S. GAAP for the General Fund for the year ended June 30, 2008 is set forth in the Required Supplementary Information.

3. Deposits

The State maintains a cash pool that is available to all funds. The Director of Finance is responsible for the safekeeping of all monies paid into the State Treasury. The Director of Finance may invest any monies of the State, which in the Director's judgment are in excess of the amounts necessary for meeting the immediate requirements of the State. Cash is pooled with funds from other State agencies and departments and deposited with approved financial institutions or invested in the State Treasury Investment Pool. Cash accounts that participate in the investment pool accrue interest based on the average weighted cash balances of each account.

At June 30, 2008, a portion of the State Treasury Investment Pool was invested in auction rate securities. Due to ongoing issues in the credit market of the United States, particularly related to auction rate securities, the State Treasury Investment Pool recorded a decrease in fair value related to its investments in auction rate securities. The Corporation initially recorded a change in fair value of approximately $5.9 million. Subsequent to issuing the financial statements, the methodology used to calculate the change in fair value was revised resulting in a decrease to the fair value adjustment of approximately $730,000. Management restated the financial statements to reflect this adjustment which is recorded against interest income in the accompanying financial statements.

The State requires that the depository banks pledge, as collateral, government securities held in the name of the State for deposits not covered by federal deposit insurance.

At June 30, 2008, total cash reported in the Statement of Net Assets consisted of the following:

State pool and petty cash	$ 199,718,833
Cash in bank (book balance)	2,576,245
	202,295,078
Cash and cash equivalents held by Trustee	34,823,630
Deposits held in trust	5,717
Total Cash	$ 237,124,425

The bank balance of cash in bank was approximately $2,625,000, of which $200,000 was covered by federal depositary insurance and $2,425,000 was covered by collateral held by the pledging financial institution's trust department or agent in the Corporation's name.

4. Investments

Investments at June 30, 2008 are summarized by maturity (in years) as follows:

	0 - 1	1 – 5	5 - 10	10 - 20	>20	Fair Value
Government sponsored enterprises	$ –	$ –	$ 5,485,171	$ 1,055,458	$ –	$ 6,540,629
Mortgage-backed securities	4,695,097	11,834,675	59,589,459	60,378,949	–	136,498,180
Repurchase agreements	–	–	–	–	108,287,731	108,287,731
Other fixed income	1,398,207	26,901,817	–	–	–	28,300,024
Guarantee investment contracts	–	–	–	–	103,494	103,494
Total investments	$ 6,093,304	$ 38,736,492	$65,074,630	$ 61,434,407	$ 108,391,225	$ 279,730,058

Investments summarized in the table above are reflected on the accompanying statement of net assets as follows:

Investments held by trustees under revenue bond programs	$ 273,182,373
Investments – non current	6,547,685
Total investments	$ 279,730,058

Interest Rate Risk – the Corporation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – the Revenue Bond Funds' trust indentures authorize the trustees to invest in certificates of deposit, money market funds, U.S. government or agency obligations, and repurchase agreements. The Corporation has no investment policy that would further limit its investment decisions. As of June 30, 2008, all investments are rated AA to AAA by Moody's, Fitch and Standard & Poors.

4. Investments (continued)

Concentration of Credit Risk – the Corporation places no limit on the amount the Corporation may invest in any one issuer. More than 5 percent of the Corporation's investments are in the Federal National Mortgage Association, the Societe Generale, the First American Government Obligation Fund, and the U.S. Treasury. These investments are 42 percent, 30 percent, 10 percent, and 9 percent, respectively, of the Corporation's total investments.

Custodial Risk - for an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Corporation's investments that are uninsured and unregistered are held by the Corporation's trust agent in the Corporation's name. The repurchase agreements are collateralized with securities held by the pledging financial institution's collateral agent but not in the Corporation's name. The underlying securities for repurchase agreements are required to be U. S. government or agency obligations of an equal or greater market value. The Corporation monitors the market value of these securities and obtains additional collateral when appropriate.

5. Mortgage Loans and Notes and Loans Receivable

Mortgage loans and other notes and loans receivable at June 30, 2008 are comprised of the following:

	Mortgage Loans	Notes and Loans
Mortgage loans bearing interest at 0.0% to 13.5%, maturing at various dates through 2059	$ 129,631,221	$ –
Promissory notes bearing interest at 4.72%, maturing in 2065	–	29,054,552
Promissory notes bearing interest at 5% to 6%, maturing in 2009	–	11,863,626
	129,631,221	40,918,178
Less current maturities	7,739,317	–
	$ 121,891,904	$ 40,918,178

5. Mortgage Loans and Notes and Loans Receivable (continued)

Mortgage and development loans are collateralized by real property. The revenue bond funds' mortgage loans are also subject to primary mortgage and mortgage pool insurance coverage that, subject to aggregate loss limitations, reimburses the Corporation for all losses incurred, if any, from the disposition of real property acquired through foreclosure.

The promissory notes are collateralized by a second mortgage on the improvements of Kukui Gardens (see Note 14).

6. Net Investment in Financing Lease

On November 1, 1995, the Corporation entered into a lease and sublease agreement (Agreement) with the Board of Regents, University of Hawaii (University). Under the Agreement, the Corporation leases the land under the housing project from the University for an annual rent of $1 and then subleases the leased land, buildings and improvements and equipment back to the University. The University will make certain lease rental payments to the Corporation, including amounts sufficient to pay the principal, premium, if any, and interest on the bonds as the same become due and payable. The Agreement expires on June 30, 2026. Upon expiration of the Agreement, the ownership of the buildings and improvements and equipment will revert to the University.

The following lists the components of the net investment in direct financing lease as of June 30, 2008:

Total minimum lease payments to be received	$ 22,048,055
Less unearned interest income	(7,015,765)
Net investment in direct financing lease	15,032,290
Less current portion	(570,486)
	$ 14,461,804

6. Net Investment in Financing Lease (continued)

The future approximate minimum lease payments to be received through 2013 and in five-year increments thereafter are as follows:

Year ending June 30,	
2009	$ 1,232,000
2010	1,235,000
2011	1,232,000
2012	1,232,000
2013	1,230,000
2014 – 2018	6,136,000
2019 – 2023	6,107,000
2024 – 2026	3,644,055
	$ 22,048,055

7. Revenue Bond Funds – Reserve Requirements

Under the trust indentures between the Corporation and the trustees for the Single Family Mortgage Purchase Revenue Bonds, investment assets and cash are required to be held by the trustees in various accounts and funds, including debt service reserve accounts, loan funds and mortgage loan reserve funds. The uses of these assets are restricted by the terms of the indentures.

At June 30, 2008, the following debt service reserves and mortgage loan reserves required by the indentures were included in assets held by trustees under Revenue Bond Programs in the Single Family Mortgage Purchase Revenue Bond Fund.

Debt service reserve requirements	$ 20,015,000
Mortgage loan reserve requirements	1,430,000
	$ 21,445,000

At June 30, 2008, approximately $39.6 million and $7.9 million of investment securities, at cost, were being held in the debt service reserve funds and mortgage loan reserve funds, respectively.

7. Revenue Bond Funds – Reserve Requirements (continued)

Under the trust indenture agreement between the Corporation and the trustee for the Hawaii Rental Housing System Revenue Bond Fund, the Corporation is required to provide net revenues (as defined in the trust indenture agreement) together with lawfully available funds of at least 1.25 times the aggregate debt service on outstanding bonds during the bond year. Additionally, the Corporation is to provide net revenues (as defined in the trust indenture agreement) of at least 1.10 times the aggregate debt service on outstanding bonds during the bond year. At June 30, 2008, the Hawaii Rental Housing System Revenue Bond Fund provided net revenues (as defined in the trust indenture agreement) together with lawfully available funds of 5.22 times the aggregate debt service on outstanding bonds during the year, respectively, and net revenues (as defined in the trust indenture agreement) of 1.23 times the aggregate debt service on outstanding bonds during the year, respectively.

The trust indenture agreement also requires that the mortgage loan reserves for these Revenue Bond Funds be funded from other than bond proceeds and, accordingly, the reserves have been funded by commitment fees at June 30, 2008.

8. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated--				
Equipment	$ 175,834	$ 272,430	$ -	$ 448,264
Less accumulated depreciation for--				
Equipment	15,223	43,844	-	59,067
Governmental-type activities capital assets, net	$ 160,611	$ 228,586	$ -	$ 389,197

8. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	$ 20,273,924	$ 23,260,576	$ (80,555)	$ 43,453,945
Construction in progress	836,500	-	(836,500)	-
Total capital assets not being depreciated	21,110,424	23,260,576	(917,055)	43,453,945
Capital assets being depreciated:				
Building and improvements	142,406,688	39,637,622	(36,810,586)	145,233,724
Equipment	1,792,612	-	-	1,792,612
Total capital assets being depreciated	144,199,300	39,637,622	(36,810,586)	147,026,336
Less accumulated depreciation for:				
Building and improvements	76,431,938	4,919,952	(40,566)	81,311,324
Equipment	1,741,118	19,521	-	1,760,639
Total accumulated depreciation	78,173,056	4,939,473	(40,566)	83,071,963
Business-type activities capital assets, net	$ 87,136,668	$ 57,958,725	$(37,687,075)	$ 107,408,318

Current year depreciation expense was charged to function as follows:

Governmental activities--	
Low income housing service and assistance	$ 43,844
Business-type activities:	
Housing development program	$ 261,940
Single-family mortgage loan program	804
Rental housing programs	4,676,729
Total depreciation expense – business-type activities	$ 4,939,473

At June 30, 2008, capital assets for the proprietary funds consisted of the following:

	Revenue Bond Funds	Dwelling Unit Revolving Fund	Other Funds	Total
Land	$ 16,186,850	$ 26,194,595	$ 1,072,500	$ 43,453,945
Buildings and improvements	132,871,212	7,101,287	5,261,225	145,233,724
Equipment	1,507,952	204,257	80,403	1,792,612
	150,566,014	33,500,139	6,414,128	190,480,281
Less accumulated depreciation	75,514,295	5,783,253	1,774,415	83,071,963
Net capital assets	$ 75,051,719	$ 27,716,886	$ 4,639,713	$ 107,408,318

9. Mortgage and Notes Payable

The Kekuilani Gardens Project (Kekuilani) entered into a mortgage agreement in December 1996 in the amount of $5,213,614 with the U.S. Department of Agriculture (USDA) Farmers Home Administration, now known as the USDA – Rural Development (RD). The mortgage loan bears interest at 7.25 percent and is collateralized by the Kekuilani Gardens Project. Principal and interest are payable in monthly installments of $11,059 and matures on December 1, 2046. At June 30, 2008, the balance outstanding on the mortgage loan was $5,024,327.

Kekuilani also entered into an interest credit and rental assistance agreement in December 1996 with the USDA – RD, which reduces Kekuilani's principal and interest payments. During the period, Kekuilani realized approximately $256,000 of interest credit reducing the interest expense from approximately $367,000 to $111,000.

In addition, Kekuilani entered into a mortgage agreement in December 1996 in the amount of $696,267 with the Rental Housing Trust Fund. The mortgage loan bears interest at 1 percent and is collateralized by the Kekuilani Gardens Project. Principal and interest are payable in monthly installments of $1,475 and matures on January 1, 2047. At June 30, 2008, the balance outstanding on the mortgage loan was $561,264.

The Dwelling Unit Revolving Fund also has three mortgage notes payable to the USDA – RD. Two notes were originated in August 1976, and are payable in combined monthly installments of $2,207, including interest at 1 percent, with the final combined payment due in August 2009. The third note was originated in October 1994, and is payable in monthly installments of $1,315, including interest at 1 percent, due in October 2027. The notes are secured by property and rental receipts. At June 30, 2008, the balance outstanding on the mortgage note was $262,039.

Notes payable activity during the year was as follows:

	Balance at July 1, 2007	Addition	Reductions	Balance at June 30, 2008	Less Current Portion	Long-Term Portion
Mortgage payable	$ 5,620,761	$ -	$ 35,170	$ 5,585,591	$ 37,024	$ 5,548,567
Notes payable	305,106	-	43,067	262,039	13,475	248,564
Total	$ 5,925,867	$ -	$ 78,237	$ 5,847,630	$ 50,499	$ 5,797,131

9. Mortgage and Notes Payable (continued)

The approximate debt service requirement of notes payable through 2013 and in five-year increments thereafter to maturity are as follows:

	Principal	Interest	Total
Year ending June 30,			
2009	$ 50,000	$ 116,000	$ 166,000
2010	52,000	113,000	165,000
2011	54,000	111,000	165,000
2012	58,000	114,000	172,000
2013	60,000	111,000	171,000
2014-2018	345,000	517,000	862,000
2019-2023	442,000	432,000	874,000
2024-2028	552,000	313,000	865,000
2029-2033	693,000	148,000	841,000
2034-2038	965,000	12,000	977,000
2039-2043	1,355,000	6,000	1,361,000
2044-2047	1,221,630	2,000	1,223,630
	$ 5,847,630	$ 1,995,000	$ 7,842,630

10. Revenue Bonds Payable

Through June 30, 2008, approximately $2,183,318,000 of revenue bonds have been issued. The revenue bonds are payable from and secured solely by the revenues and other monies and assets of the revenue bond funds and other assets of the Corporation pledged under the indentures.

10. Revenue Bonds Payable (continued)

Revenue bonds payable at June 30, 2008 consist of the following issuances:

Single Family Mortgage Purchase revenue bonds:	
1997 Series A:	
Term bonds maturing annually through 2031 (5.00% to 5.75%)	$ 9,580,000
1997 Series B:	
Serial bonds maturing annually through 2009 (4.90% to 5.00%)	5,160,000
Term bonds maturing in 2010 through 2018 (5.45%)	29,405,000
	34,565,000
1998 Series A:	
Serial bonds maturing annually through 2014 (4.85% to 5.25%)	7,755,000
Term bonds maturing annually through 2031 (5.35% to 5.40%)	30,785,000
	38,540,000
1998 Series B:	
Term bonds maturing in 2019 through 2029 (5.30%)	11,085,000
1998 Series C:	
Term bonds maturing in 2019 through 2021 (5.35%)	4,060,000
2000 Series A:	
Term bonds maturing in 2021 through 2028 (6.275%)	25,000,000
2002 Series A:	
Serial bonds maturing annually through 2014 (4.05% to 4.80%)	3,080,000
Term bonds maturing in 2010 through 2034 (4.40% to 5.38%)	18,575,000
Placed bonds maturing in 2023 through 2034 (5.38%)	3,525,000
	25,180,000
2002 Series B:	
Term bonds maturing in 2026 through 2028 (5.25%)	1,810,000
2005 Series A:	
Term bonds maturing in 2027 through 2037 (5.00%)	6,655,000
Single Family Mortgage Purchase revenue bonds subtotal carried forward	$ 156,475,000

10. Revenue Bonds Payable (continued)

Single Family Mortgage Purchase revenue bonds subtotal brought forward	$ 156,475,000
2005 Series B:	
Serial bonds maturing annually through 2016 (3.10% to 3.90%)	10,490,000
Term bonds maturing in 2012 through 2027 (3.70% to 4.30%)	33,180,000
	43,670,000
Total Single Family Mortgage Purchase revenue bonds	$ 200,145,000
Hawaii Rental Housing System revenue bonds:	
2004 Series A:	
Serial bonds maturing in 2009 through 2013 (2.60% to 3.70%)	$ 10,670,000
Term bonds maturing in 2014 through 2034 (3.80% to 4.75%)	67,455,000
	78,125,000
2004 Series B-	
Auction rate securities maturing July 1, 2033 (3.06%)	21,425,000
Total Hawaii Rental Housing System revenue bonds	$ 99,550,000
Multifamily Housing revenue bonds:	
1999 Series (Manana Gardens Project) – term bond maturing annually through 2035 (6.30%)	$ 3,480,000
2000 Series (Sunset Villas Project) – term bonds maturing annually through 2036 (5% to 5.75%)	25,340,000
2002 Series (Hale Hoaloha Project) – mortgage installment bonds maturing annually through 2028 (6.75% until 2012 and 7.75% thereafter)	1,598,061
2005 Series (Kauhale Olu Project):	
Mortgage Installment bonds maturing in 2036 (6.375%)	5,469,355
2007 Series (Kukui Gardens Project):	
Mortgage Installment bonds maturing annually through 2042 (2.45%)	45,000,000
2008 Series (Kahului Town Terrace Project):	
Mortgage Installment bonds maturing annually through 2043 (4.29%)	8,420,000
Total Multifamily Housing revenue bonds	$ 89,307,416

10. Revenue Bonds Payable (continued)

University of Hawaii Faculty Housing Program revenue bonds --	
1995 Series --	
Term bonds maturing annually from 2008 through 2026 (5.65% and 5.70%)	$ 13,820,000
Total Revenue Bonds: .	
Revenue Bonds	402,822,416
Less deferred refunding costs (difference between reacquisition price and net carrying value of old debt)	2,712,311
Total revenue bonds	400,110,105
Less current portion	15,737,553
	$ 384,372,552

Interest on the fixed-rate Single Family Mortgage Purchase, Hawaii Rental Housing System, Multifamily Housing, and University of Hawaii Faculty Housing Program revenue bonds is payable semi-annually. The Hawaii Rental Housing System 2004 Refunding Series B bonds are auction rate securities with interest rates reset weekly based on the results of a Dutch auction process. In the event the auction process fails due to insufficient demand for the securities, the interest rate on the bonds is reset to a multiple of an index defined in the Indenture, up to a maximum interest rate of 12 percent.

The Single Family Mortgage Purchase and Hawaii Rental Housing System revenue bonds with designated maturity dates, the Multifamily Housing revenue bonds and the University of Hawaii Faculty Housing Program revenue bonds may be redeemed at the option of the Corporation commencing in 2001 for the Single Family Mortgage Purchase 1991 Series, 2004 for the Single Family Mortgage Purchase 1994 Series, 2007 for the Single Family Mortgage Purchase 1997 Series, subject to a redemption premium which ranges from 2 percent to zero; 2008 for the Single Family Mortgage Purchase 1998 Series, subject to a redemption premium that ranges from 1.5 percent to zero; 2010 for the Single Family Mortgage Purchase 2000 Series, and 2014 for the Single Family Mortgage Purchase 2002 Series, 2005 for the Hawaii Rental Housing System 2004 Series, 2010 for the Multifamily Housing 1999 Series, 2011 for the 2000 Series, subject to a redemption premium which ranges from 2 percent to zero; and 2005 for the University of Hawaii Faculty Housing Program 1995 Series subject to redemption premiums that range from 1 percent to zero. The revenue bonds may also be redeemed without premium prior to maturity, at the option of the Corporation, as funds become available from undisbursed bond proceeds, principal payments and prepayments of mortgages, excess amounts in the debt service reserve account or excess revenues (as defined in the bond indentures).

10. Revenue Bonds Payable (continued)

During February 2008, the auction process for the Hawaii Rental Housing System 2004 Refunding Series B bonds began to fail. Due to ongoing issues in the credit markets of the United States, particularly related to auction rate securities, management expects the auctions for these bonds to continue to fail. Accordingly, management is planning to refinance the bonds into fixed or variable rate securities. Management intends to cover any increased debt service costs through rent increases and existing reserves, if necessary, as provided for in the Indenture.

During the year ended June 30, 2008, early redemptions totaled $8,615,000.

Revenue bonds activity during the year was as follows:

	Balance at July 1, 2007	Additions	Reductions	Balance at June 30, 2008
Single Family Mortgage Purchase	$ 214,500,000	$ -	$ 14,355,000	$ 200,145,000
Hawaii Rental Housing System	101,860,000	-	2,310,000	99,550,000
Multifamily Housing	37,011,935	53,420,000	1,124,519	89,307,416
University of Hawaii Faculty Housing Program	14,255,000	-	435,000	13,820,000
	367,626,935	53,420,000	18,224,519	402,822,416
Less deferred refunding amount	2,985,042	-	272,731	2,712,311
Total	$ 364,641,893	$ 53,420,000	$ 17,951,788	$ 400,110,105

10. Revenue Bonds Payable (continued)

The approximate annual debt service requirements through 2013 and in five-year increments thereafter to maturity for revenue bonds are as follows:

	Principal	Interest	Total
Year ending June 30:			
2009	$ 15,738,000	$ 19,396,000	$ 35,134,000
2010	11,316,000	18,791,000	30,107,000
2011	10,475,000	18,325,000	28,800,000
2012	45,864,000	17,204,000	63,068,000
2013	12,415,000	15,725,000	28,140,000
2014 – 2018	63,503,000	69,304,000	132,807,000
2019 – 2023	69,826,000	52,729,000	122,555,000
2024 – 2028	87,234,000	31,960,000	119,194,000
2029 – 2033	60,821,000	12,395,000	73,216,000
2034 – 2038	20,905,000	2,595,000	23,500,000
2039 – 2043	4,725,416	629,700	5,355,116
	$ 402,822,416	$ 259,053,700	$ 661,876,116

In order to ensure the exclusion of interest on the Corporation's Hawaii Rental Housing System revenue bonds and Single Family Mortgage Purchase 1989 Series A, 1990 Series A, 1991 Series A and B and 1994 Series A and B revenue bonds from gross income for federal income tax purposes, the Corporation calculates rebates due to the U.S. Treasury annually. The rebates are calculated by bond series based on the amount by which the cumulative amount of investment income exceeds the amount that would have been earned had funds been invested at the bond yield. At June 30, 2008, the Corporation determined that $2,757,205 of rebates was due to the U. S. Treasury.

11. Conduit Debt Obligations

From time to time, the Corporation has issued revenue bonds to provide financial assistance to private sector entities for the acquisition and rehabilitation of multifamily rental housing developments. These bonds are special limited obligations of the Corporation, payable solely from and secured by a pledge of payments on the mortgage-backed securities. Neither the Corporation, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. The bonds and related assets are reported in the accompanying financial statements.

As of June 30, 2008, there were six series of Conduit Revenue Bonds outstanding, with an aggregate principal amount payable of $89,307,416 reported as Multifamily Housing Revenue bonds.

12. Leases

a. Lessee

The Corporation leases land, buildings and improvements under various noncancellable operating leases expiring at various dates through 2056. Included in these leases is a noncancellable land lease that expires in 2031, with rent renegotiations scheduled for July 1, 2006, 2016 and 2026. In October 2008, the Corporation and the lessor agreed to new lease rent amounts that are effective retroactively to July 1, 2006. The new agreement calls for average annual lease rent payments of $385,000 through the next rent negotiation period on July 1, 2016. In accordance with the lease agreement, for the period July 1, 2006 through October 2008, the Corporation continued to pay its previously effective rent of $57,600 per year until the new rent was negotiated. Accordingly, as of June 30, 2008, the Corporation has accrued in the accompanying financial statements, approximately $696,800 in back lease rent due to the lessor.

The minimum rental commitments under operating leases through 2013 and in five-year increments thereafter, with consideration of a minimum annual rent increase are as follows:

Year ending June 30,	
2009	$ 769,000
2010	817,000
2011	830,000
2012	843,000
2013	857,000
2014 – 2018	4,680,000
2019 – 2023	5,054,000
2024 – 2028	5,314,000
2029 – 2033	4,899,000
2034 – 2038	3,857,000
2039 – 2043	4,367,000
2044 – 2048	4,629,000
2049 – 2053	5,240,000
2054 – 2056	3,144,000
	$ 45,300,000

Rent expense for the year ended June 30, 2008 totaled approximately $1,183,000.

12. Leases (continued)

b. Lessor

The Corporation leases land with a carrying value of approximately $25,866,000 to various developers and home buyers. The leases expire at various dates through December 2072. Lease rental income for the year ended June 30, 2008 was approximately $1,268,000.

As discussed in Note 14, the Corporation's lease related to Kukui Gardens was prepaid via a promissory note. The promissory note does not have fixed repayment terms. Accordingly, the minimum amounts to be received are excluded from the following table.

The future minimum lease rent from these operating leases at June 30, 2008 is as follows:

Year ending June 30:		
2009	$	355,000
2010		311,000
2011		310,000
2012		307,000
2013		307,000
2014 – 2018		1,652,000
2019 – 2023		1,529,000
2024 – 2027		1,137,000
	$	5,908,000

13. Commitments and Contingencies

a. Loan Guarantee

The Corporation has guaranteed up to $40,000,000 of the mortgage loans sold by it to the Employees' Retirement System of the State of Hawaii (ERS). Upon the 120th day of any delinquency or default, the Corporation is obligated to cure the arrearage of principal and interest or buy back the delinquent loan. At June 30, 2008, the outstanding balance of mortgage loans that have been sold to the ERS which are covered by the loan guarantee was approximately $32,000. At June 30, 2008, notes and loans receivables did not include any delinquent loans purchased back from the ERS.

13. Commitments and Contingencies (continued)

b. Construction Contracts

At June 30, 2008, the Dwelling Unit Revolving Fund had outstanding commitments to expend approximately $19,200,000 for land development and the construction and renovation of housing projects.

The Fiduciary Fund had outstanding construction contract commitments of approximately $203,000 at June 30, 2008.

c. Loan Commitments

At June 30, 2008, the Rental Housing Trust Fund had aggregate outstanding loan commitments in the amount of $494,998.

d. Development Costs

The Kapolei development project primarily consists of eight residential villages and certain commercial parcels spread over approximately 888 acres of land. As of June 30, 2008, all but remnant residential parcels and 42 acres of business mixed-use land have been developed and sold. The estimated future cost of land sold is recorded as a liability on the accompanying statement of net assets and relates primarily to the completion of certain infrastructure improvements at this project. This liability represents amounts charged to the cost of land sold in excess of costs incurred. Management believes that the future revenues from this project will meet or exceed the net amount of this liability and the remaining costs to be incurred on the project.

Additionally, the Corporation has been in the process of developing two master planned communities on the neighbor islands – the Leiali`i project located in the West Maui area and the Lai`o`pua project located in North Kona. As large portions of these projects are located on public trust ("ceded") land owned by the State of Hawaii, and subject to lawsuits seeking to prevent the Corporation's sale or transfer of this land, these projects have been delayed indefinitely. As of June 30, 2008, the Corporation has remaining development rights related to the second phase of the Leiali`i project and 57 acres of the Lai`o`pua project. Development costs related to the Leiali`i project were approximately $19.5 million at June 30, 2008. Management believes that the future revenues from these projects will meet or exceed the aggregate of the development costs at June 30, 2008 and the remaining costs to be incurred. Also, the Corporation has other development costs and dwelling units of approximately $2.6 million at June 30, 2008.

13. Commitments and Contingencies (continued)

e. Torts

The Corporation is involved in various actions, the outcome of which, in the opinion of management and the Attorney General, will not have a material adverse effect on the Corporation's financial position except for the OHA lawsuit described below. Losses, if any, are either covered by insurance or will be a liability against the State of Hawaii.

f. Workers' Compensation Policy

The Corporation has a retrospectively rated workers' compensation insurance policy. Based on available claim experience information, the minimum premium accrued for financial statement reporting purposes approximates the Corporation's ultimate workers' compensation cost.

g. Accumulated Sick Leave Pay

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limitation. It may be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a State employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the Employees' Retirement System of the State of Hawaii (ERS). Accumulated sick leave at June 30, 2008 amounted to approximately $1,620,000.

h. Deferred Compensation Plan

In 1984, the State established a deferred compensation plan, which enables State employees to defer a portion of their compensation. The State Department of Human Resources Development has the fiduciary responsibility of administering the plan. Deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

13. Commitments and Contingencies (continued)

i. Litigation

In November 1994, the Office of Hawaiian Affairs (OHA) filed a claim against the Corporation seeking declaratory and injunctive relief and for monetary damages pursuant to Sections 632-1 and 66-1 of the Hawaii Revised Statutes. The claim relates to certain ceded lands located in Lahaina, Maui. OHA seeks the following relief: (1) barring the Corporation from conveying and alienating the subject land from the public land trust and (2) finding any conveyance to a third party not an agency of the State or its political subdivision in violation of the Hawaii State Constitution.

In its claim, OHA also alleges that the Corporation is in violation of the Hawaii Revised Statutes Section 10-3.6 and Act 318, SLH 1992. In 1992, the Legislature enacted Act 318, which sets forth a plan to compensate OHA for land from the public land trust which was to be conveyed from the State Department of Land and Natural Resources (DLNR) to the Corporation for housing developments. Under Act 318, OHA is to be compensated 20 percent of the fair market value of ceded lands. OHA maintains that the fair market value of the Lahaina ceded lands was determined in May 1994. In November 1994, the ceded lands were conveyed from DLNR to the Corporation and a check for 20 percent of the fair market value of the property in the amount of $5,573,604 was presented to OHA. OHA claims that a timely appraisal was not performed, 90 days before the date of conveyance, and that the conveyance of the Lahaina property was illegal. The payment was rejected by OHA and a liability remains outstanding as of June 30, 2008.

In the event that OHA is not granted the injunctive and declaratory relief it seeks, OHA requests for a timely re-appraisal of the fair market value of the Lahaina ceded lands and payment in accordance with Act 318. The Corporation maintains that the fair market value was determined in August 1994 and therefore complies with the requirements of Act 318.

In November 1994, several individuals filed a claim similar to the OHA claim against DLNR and the Corporation seeking to enjoin the sale or transfer of certain ceded lands located in Lahaina, Maui, from the State to private individuals or entities. The claim alleges that the State does not have good marketable title of the ceded lands and any such sale or transfer would constitute an illegal conversion of lands. The plaintiffs seek an injunctive relief barring the Corporation from sale or transfer of the Lahaina ceded lands.

13. Commitments and Contingencies (continued)

i. Litigation (continued)

In response to the above claims, the State Department of Attorney General issued, in July 1995, its opinion as to whether the State has legal authority to sell or dispose of ceded lands. The Attorney General concluded that the State has been and remains empowered to sell trust lands subject to the terms of the trust. The above claims have resulted in delays in the Leiali'i and La'i'opua Master Planned Community projects. The Corporation is presently evaluating alternatives and remains optimistic and committed to these projects. The Corporation will continue to work with innovation and creativity to resolve these concerns fairly, while still delivering quality houses in quality communities.

In 1994, an action was filed by OHA against the State and various unnamed parties claiming the State's alleged failure to properly account for and pay to OHA monies due to OHA, under Article XII of the Hawaii State Constitution and Chapter 10 of the Hawaii Revised Statutes, for occupation by the State on certain ceded lands, as more fully described below.

In December, 2002, following a trial on the issues, the trial court confirmed the State's authority to sell ceded lands, denied the declaratory ruling that the sale of ceded lands did not directly or indirectly release or limit Hawaiian's claims to those lands which the plaintiffs requested, and ordered that judgment be entered in the State's and Corporation's favor as to Counts I, II, and III of the Amended Complaint. The plaintiffs moved for and were granted leave to file immediate appeals from the court's rulings to the Hawaii Supreme Court. Those appeals are now pending trial to determine the sufficiency of the proceeds paid to OHA by the Corporation and the State from the sale of ceded lands at issue has not been scheduled.

The ultimate outcome of appeal cannot presently be determined. Accordingly, no provision for any liability nor its effect on the projects' net realizable value, if any, that may result upon adjudication, has been made in the accompanying statement of net assets.

It has been alleged but without certainty that payments received by the Corporation for all projects developed on ceded lands are subject to the above claim. However, the ultimate outcome of the litigation and its effect on the Corporation, if any, cannot presently be determined. Accordingly, no provision for any liability, if any, that may result from the resolution of this matter has been made in the statement of net assets.

13. Commitments and Contingencies (continued)

i. Litigation (continued)

OHA et al. v. State of Hawaii, Civil No. 94-0205-01 (First Circuit)

The lands transferred to the United States by the Republic of Hawaii at Hawaii's annexation to the United States in 1898 are commonly referred to as the ceded lands. Upon Hawaii's admission to the Union in 1959, title to ceded lands still held by the United States and to lands, which the United States acquired, by exchange for ceded lands after 1898 was conveyed by the United States to the State of Hawaii. Section 5 of the Admission Act expressly provided that those lands were to be held by the State as a public trust. Certain rental housing projects of the Corporation are situated on parcels of land, which are to be held by the State as a public trust under Section 5.

In 1979, the State legislature (the "Legislature") adopted HRS Chapter 10 ("Chapter 10,"), which, as amended in 1980, specified, among other things, that OHA expend 20 percent of all funds derived by the State from the Ceded Lands for the betterment of Native Hawaiians.

In 1987, in Trustees of the Office of Hawaiian Affairs v. Yamasaki, 69 Haw. 154 (1987) ("Yamasaki"), the Hawaii Supreme Court concluded that Chapter 10 was insufficiently clear regarding the amount of monies OHA was entitled to receive from the public trust lands.

In 1990, in response to Yamasaki, the Legislature adopted Act 304, Session Laws of Hawaii 1990, which (i) defined "public land trust" and "revenue," (ii) reiterated that 20 percent of the now defined "revenue" derived from the "public land trust" was to be expended by OHA for the betterment of native Hawaiians, and (iii) established a process for OHA and the Director of Finance of the State jointly to determine the amount of monies which the State would pay OHA to retroactively settle all of OHA's claims for the period June 16, 1980 through June 30, 1991.

Since fiscal year 1992 and until the first quarter of fiscal year 2002, the State, through its departments and agencies paid 20 percent of "revenues" to OHA on a quarterly basis.

On January 14, 1994, OHA filed suit against the State alleging that the State failed to properly account for and fully pay the pro rata share of proceeds and income derived from the lands of public trust established by the Admission Act and the 1978 amendments to the State Constitution. OHA seeks an accounting of all proceeds and income, funds and revenues derived from the lands since 1978, and restitution or damages amounting to 20 percent of the proceeds and income derived from (a) the lands since November 7, 1978, (b) the lands since

13. Commitments and Contingencies (continued)

i. Litigation (continued)

June 16, 1980, and (c) the lands under Act 304, Session Laws of Hawaii 1990, as well as interest thereon. The State has denied all of OHA's substantive allegations, and asserted its sovereign immunity from suit and other jurisdictional and claim-barring defenses.

In May 1996, OHA filed four motions for partial summary judgment as to the State's liability to pay OHA 20 percent of monies from four specific sources, including rental housing projects of the Corporation situated on public trust lands. The State opposed those four motions. The State also filed a motion to dismiss on sovereign immunity grounds.

On October 24, 1996, the Circuit Court of the First Circuit of the State of Hawaii (First Circuit Court) denied the State's motion to dismiss and granted OHA's four motions for partial summary judgment. The State has filed an interlocutory appeal to the Hawaii Supreme Court from both orders. All other proceedings have been stayed pending the Hawaii Supreme Court's disposition of the appeal.

OHA's complaint and motions do not specify the State's alleged failures, nor do they state the dollar amount of the claims. The First Circuit Court's October 24, 1996 order granting OHA's motions for partial summary judgment did not determine the amounts owing. The basis and methodology for calculating any such amount are being disputed. OHA has not provided complete information for its claims for the period from 1981 through 1991, and has provided no information as to its claims for the period from 1991 to the present. The expert witness retained by OHA in this case has estimated that the State's potential liability for the four sources specified in OHA's summary judgment motions for the years 1981 through 1991 (but not thereafter) to be not less than $178,000,000, of which approximately $9,200,000 is related to gross rental income derived by the Corporation.

On June 30, 1997, the Governor approved Act 329, Session Laws of Hawaii, 1997. The purpose of this Act was to achieve a comprehensive, just and lasting resolution of all controversies relating to the proper management and disposition of the lands subject to public trust, and of the proceeds and income, which the lands generate. The Act also fixes the amount of proceeds and income OHA will receive during the two-year period at $15.1 million per year, and requires the completion, continued maintenance, and use of a comprehensive inventory of the public trust lands.

13. Commitments and Contingencies (continued)

i. Litigation (continued)

On September 12, 2001 the Hawaii Supreme Court concluded by holding that Act 304 was effectively repealed by its own terms, and that there was no judicial management standard, by which to determine whether OHA was entitled to the revenues it sought because the repeal of Act 304 revived the law which the court in Yamasaki had previously concluded was insufficiently clear to establish how much OHA was entitled to receive. The Supreme Court dismissed this case for lack of justicability. Immediately thereafter, agencies ceased paying OHA any receipts from the ceded lands.

The Legislature took no action during the 2002 and 2003 legislative sessions to establish a new mechanism for establishing how much OHA was to receive. On January 23, 2003, and pending legislative action to establish such a mechanism, the Governor issued Executive Order No. 03-03 directing state agencies to resume transferring receipts from the ceded lands to OHA. During the 2003 legislative session, the Legislature appropriated moneys from the various funds into which the ceded lands receipts had been deposited and directed the agencies to pay them to OHA. During the 2004 legislative session, the Legislature did not appropriate any moneys from the various funds. OHA continues to pursue its claims for a portion of the revenues from the ceded lands.

<u>OHA et al. v. HHA et al., Civil No. 95-2682-07 (First Circuit)</u>

On July 27, 1995, OHA filed suit against the Hawaii Housing Authority and the State Director of Finance to secure additional compensation and an itemized accounting of the sums previously paid to OHA for five specifically identified parcels of ceded lands, which were transferred to the Authority for rental housing projects. On January 11, 2000, all proceedings in this suit were stayed pending the Hawaii Supreme Court's decision in the State's appeal.

The State's potential liability, if any, therefore, may be determined either (1) by the ruling by the Hawaii Supreme Court on the State's interlocutory appeal and, if such ruling is adverse to the State, the conclusion of any subsequent trial and related appeals, or (2) by legislation enacted as a result of the process set out in Act 329. Given all of the above, and the uncertain timing of any final disposition of the case, the State is not able to predict either the ultimate outcome of the case, or the magnitude of its potential liability, if any, with any reasonable certainty. A legislative resolution or judicial decision adverse to the State could have a material adverse effect on the State's financial condition.

13. Commitments and Contingencies (continued)

i. Litigation (continued)

A legislative resolution or judicial decision adverse to the State could have a material adverse effect on the Corporation's financial condition if an adverse resolution or decision against the State includes liability for gross rental income derived by the Corporation from rental housing projects situated on lands in the public trust and the liability is imposed upon the Corporation. However, the ultimate outcome of the litigation and its effect on the Corporation, if any, cannot be determined. Accordingly, no estimate of loss has been made in the accompanying statement of net assets of the Corporation.

14. Kukui Gardens

On December 18, 2007, DURF purchased a portion of Kukui Gardens (the Project), an affordable housing project in Honolulu, Hawaii, for approximately $59,569,000. Concurrent with DURF's purchase of the Project, DURF sold the Project's improvements (including apartment units) and operating cash of approximately $38,527,000 to EAH (an unrelated third party) for no gain or loss, and leased the underlying land of approximately $21,042,000 to EAH pursuant to the terms of a 65-year land lease that expires on December 18, 2072.

To assist in financing the acquisition and redevelopment of the Project, the State contributed $25 million to DURF during December 2007. Additionally, the Multifamily Revenue Bond Fund issued $45 million of revenue bonds to provide conduit financing to EAH for their acquisition of the Project's improvements and operating cash, as well as to provide capital for rental operations and the planned renovation of the apartment units. Accordingly, the Multifamily Revenue Bond Fund has both notes receivable and revenue bonds payable of $45 million related to the Project on the accompanying statement of net assets as of June 30, 2008.

14. Kukui Gardens (continued)

Additionally, EAH executed three promissory notes to DURF in an aggregate amount of $29,055,000, including approximately $4,055,000 related to cash advanced from DURF to EAH and $25 million related to the terms of the land lease. Additionally, DURF recorded $25 million of deferred income on the accompanying statement of net assets related to this transaction. The deferred income will be amortized to rental income on a straight-line basis and the notes receivable will be reduced as cash is collected. Deferred income at June 30, 2008 related to the Project was approximately $24,776,000. Management believes that the $224,000 of rental income recognized during 2008 related to the Project is realizable. The notes bear interest at 4.72% and are for a term of 58 years, with a final maturity date of December 17, 2065. Repayment of the notes is distributed into three periods as follows: (1) December 18, 2007 to December 31, 2012, no payments due; (2) January 1, 2013 to December 31, 2042, beginning April 1, 2013, 85% of the residual cash flow generated by the rental operations of the Project after expenses, as defined; and (3) January 1, 2043 to December 17, 2065, beginning April 1, 2043, 90% of the residual cash flow generated by the rental operations of the Project after expenses, as defined, with any unpaid principal sum and accrued interest together with any other costs, expenses and other charges due to be paid at maturity.

15. Retirement Plan

All eligible employees of the State and Counties are required by Chapter 88 of the Hawaii Revised Statutes to become members of the Employees' Retirement System of the State of Hawaii (ERS), a cost-sharing multiple-employer public employee retirement plan. The ERS provides retirement benefits as well as death and disability benefits. The ERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for ERS. That report may be obtained from them.

The ERS consists of a contributory plan and a noncontributory plan. Employees covered by Social Security on June 30, 1984 were given the option of joining the noncontributory plan or remaining in the contributory plan. All new employees hired after June 30, 1984, who are covered by Social Security, are generally required to join the noncontributory plan. Both plans provide a monthly retirement allowance based on the employee's age, years of credited service, and average final compensation (AFC). The AFC is the average salary earned during the five highest paid years of service, including the vacation payment, if the employee became a member prior to January 1, 1971. The AFC for members hired on or after this date is based on the three highest paid years of service excluding the vacation payment. All benefits vest after five and ten years of credited service for the contributory and noncontributory plans, respectively. All contributions, benefits and eligibility requirements are governed by Chapter 88.

15. Retirement Plan (continued)

Most covered employees of the contributory plan are required to contribute 7.8 percent of their salary. Police officers, firefighters, investigators of the department of the prosecuting attorney and the attorney general, narcotics enforcement investigators, and public safety investigators are required to contribute 12.2 percent of their salary. The actuarial cost or funding method used to calculate the total employer contribution required is the entry age normal actuarial cost method. Under this method, the total employer contributions to the ERS is comprised of normal cost plus level annual payments required to amortize the unfunded actuarial accrued liability over the closed period ending June 30, 2029.

The Corporation's contributions for the fiscal years 2008, 2007 and 2006 of approximately $388,000, $313,000 and $1,896,000, respectively, were equal to the required contributions for each year.

16. Post Retirement Health Care and Life Insurance Benefits

The Corporation contributes to the Employers Union Trust Fund (EUTF), an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003, pursuant to Act 88, SLH of 2001. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The eligibility requirements for retiree health benefits are as follows:

For employees hired before July 1, 1996, the Corporation pays the entire base monthly contribution for employees retiring with 10 years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect family plan to cover dependents.

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with at least than 10 years of service, the Corporation makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the Corporation pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the Corporation pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the Corporation pays 100% of the base monthly contribution. Retirees in this category can elect family plan to cover dependents.

16. Post Retirement Health Care and Life Insurance Benefits (continued)

For employees hired on or after July 1, 2001, and who retire with less than 10 years of service, the Corporation makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the Corporation pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service the Corporation pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the Corporation pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

The Corporation contributed approximately $238,000, $152,000 and $137,000, respectively for the fiscal years 2008, 2007 and 2006.

Annual OPEB Cost and Net OPEB Obligation

It is the State's policy that measurement of the actuarial valuation and the annual required contribution (ARC) are made for the state as a whole and are not separately computed for the individual state departments and agencies such as the Corporation. The state allocates the ARC to the various departments and agencies based upon a systematic methodology. The Corporation's contribution for the year ended June 30, 2008 was $237,658, which represented 36% of the Corporation's share of the ARC for postretirement healthcare and life insurance benefits of $661,152.

The following is a summary of changes in postretirement liability during the fiscal year ended June 30, 2008:

Balance at June 30, 2007	$ -
Additions	661,152
Deletions	(237,658)
Balance at June 30, 2008	$ 423,494

The State's CAFR includes the required footnote disclosure and required supplementary information on the State's post-retirement health care and life insurance benefit plans.

17. Related Party Transactions

Amounts due from other State of Hawaii Departments include approximately $475,000 of miscellaneous advances previously made to other departments and approximately $20,369,000 of amounts due from the Department of Hawaiian Home Lands (DHHL) related to a previous agreement to transfer certain land and development rights to DHHL. Pursuant to this agreement, DHHL was required to commence 15 annual $2.2 million payments to the Corporation in December 2004. Effective at that time, the Corporation recorded the sale of the land and development rights at the net present value of the estimated future cash flow from DHHL using an imputed interest rate of approximately 3.3 percent. As of June 30, 2008, amounts due from DHHL include approximately $20,038,000 of principal, net of approximately $3,861,000 of imputed interest, and approximately $331,000 of accrued interest receivable. Interest income related to imputed interest on payments due from DHHL was approximately $687,000 during the year ended June 30, 2008.

The Rental Assistance Revolving Fund provides rent subsidies to certain lessees of the Corporation's various projects. Total rent subsidies provided to lessees of the Corporation's various projects approximated $957,000 during the year ended June 30, 2008. These amounts have been recorded by the Corporation as rental income in the Hawaii Rental Housing System Revenue Bond Fund. In addition, the Corporation relocated its offices to the Pohulani building in September 1992. During the year ended June 30, 2008, the Hawaii Rental Housing System Revenue Bond Fund recorded rental income of approximately $1,042,000, which was allocated as office rental expense to various funds of the Corporation. In addition, the State Department of Accounting and General Services (DAGS) incurred $885,165 in rent to the Hawaii Rental Housing System Revenue Bond Fund for leased space in the Pohulani building. The term of the lease with DAGS is from September 1992 through August 2022. The minimum annual rental is determined by multiplying the previous year's minimum annual rent by one hundred three percent (103%).

18. Segment Information

In addition to the revenue bond funds reported as major proprietary funds, the Corporation has also issued a revenue bond through the University of Hawaii Faculty Housing Program Revenue Bond Fund to provide interim and permanent financing for the construction or rehabilitation of affordable housing projects. Investors in the revenue bond rely solely on the revenue generated by the individual activities for repayment.

18. Segment Information (continued)

Condensed Statement of Net Assets, Activities and Cashflows ($ in thousands)

Assets:		
Cash	$	474
Investment in financing lease		15,032
Receivables		28
Other assets		245
Total assets	$	15,779
Liabilities:		
Bonds payable	$	13,820
Other liabilities		218
Total liabilities		14,038
Net Assets -		
Unrestricted		1,741
Total liabilities and net assets	$	15,779
Revenues – Interest	$	692
Expenses – Operating expenses		34
Operating income		658
Nonoperating (Expenses) Income:		
Interest expense		(791)
Other		19
Total nonoperating expenses		(772)
Change in net assets		(114)
Net Assets at July 1, 2007		1,855
Net Assets at June 30, 2008	$	1,741
Net Cash Provided by (Used in):		
Operating activities	$	1,257
Capital and related financing activities		(1,232)
Net increase in cash and cash equivalents		25
Cash and Cash Equivalents at July 1, 2007		449
Cash and Cash Equivalents at June 30, 2008	$	474

19. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2008 is as follows:

Due from	Rental Housing Trust Fund	Dwelling Unit Revolving Fund	Multifamily Housing Revenue Bond Fund	Nonmajor – Proprietary
Single Family	$ -	$ -	$ -	$ (232,141)
Hawaii Rental Housing System	-	-	-	(102,977)
Nonmajor – Proprietary	35	628,056	352,378	(310,233)
TOTAL	$ 35	$ 628,056	$ 352,378	$ (645,351)

All other balances are due to interfund goods or services provided or reimbursable expenditures and payments between funds.

20. Contribution from State

During the year ended June 30, 2008, the State contributed $40 million to the Corporation. Of the $40 million, $15 million was for the purpose of assisting with the financing of various housing projects and $25 million was to assist with the purchase of Kukui Gardens. The Corporation expended approximately $2.4 million of to finance the development of the Kahikolu 'Ohana O Wai'anae Project (Project), a transitional and emergency housing project.

21. Subsequent Events

On July 1, 2008, the Corporation redeemed $5,075,000 of outstanding revenue bonds from the Single Family Mortgage Purchase Revenue Bond Fund.

Required Supplementary Information
Other Than Management's Discussion and Analysis

Hawaii Housing Finance and Development Corporation

Required Supplementary Information
Budgetary Comparison Schedule - Major Governmental Fund
Year Ended June 30, 2008

	General Fund		
	Original Budget	Final Budget	Budgetary Actual
Revenues --			
State allotted appropriations	$ 101,657	$ 101,657	$ 101,657
Expenditures:			
Low income housing services	961,043	961,043	961,043
Capital outlay	507,809	507,809	507,809
Personnel services	101,657	101,657	101,657
Excess of revenues over expenditures	$ (1,468,852)	$ (1,468,852)	(1,468,852)
Reconciliation to GAAP Fund Balance:			
Add: Reserve for encumbrances included in budgetary expenditures			181,729
Fund Balance, July 1, 2007			1,468,852
Fund Balance, June 30, 2008			$ 181,729

See accompanying independent auditor's report.

Supplementary Information

Hawaii Housing Finance and Development Corporation

Combining Statement of Net Assets - Nonmajor Other Enterprise Funds
June 30, 2008

	University of Hawaii Faculty Housing Program Revenue Bond Fund	Fee Simple Residential Revolving Fund	Rental Assistance Revolving Fund	Housing Finance Revolving Fund	Kekuilani Gardens Project	Disbursing Fund	Pineapple Workers and Retirees Housing Assistance Fund	Grant-In-Aid Fund	Hamakua	Waialua	Total
Assets											
Current Assets:											
Cash	$ 474,054	$ 53,790	$ 26,791,127	$ 3,005,674	$ 29,184	$ 1,009,033	$ 193,751	$ 136,644	$ -	$ 36,822	$ 31,730,079
Receivables:											
Mortgage loans	-	-	-	61,844	-	-	-	-	463	1,580	63,887
Accrued interest	2,446	291	757,286	31,591	-	-	-	-	1,851	1,314	794,779
Tenant receivables, less allowance for doubtful accounts	-	-	-	-	24,234	-	-	-	-	-	24,234
Other	25,507	2,733	-	-	1,575	-	-	-	-	-	29,815
	27,953	3,024	757,286	93,435	25,809	-	-	-	2,314	2,894	912,715
Due from other funds	-	-	58	2,326,171	-	-	-	-	-	-	2,326,229
Internal balances	-	-	-	47,346	-	6,270	-	-	-	-	53,616
Net investment in financing lease	570,486	-	-	-	-	-	-	-	-	-	570,486
Prepaid expenses and other assets	-	-	105,179	-	-	-	-	-	-	-	105,179
Deposits held in trust	-	5,717	-	-	-	-	-	-	-	-	5,717
Deferred bond issuance costs	18,002	-	-	-	-	-	-	-	-	-	18,002
Total current assets	1,090,495	62,531	27,653,650	5,472,626	54,993	1,015,303	193,751	136,644	2,314	39,716	35,722,023
Investments	-	-	6,540,629	7,056	-	-	-	-	-	-	6,547,685
Mortgage Loans, net of current portion	-	-	2,249,985	1,192,145	-	-	-	-	159	4,066	3,446,355
Restricted Deposits and Funded Reserves	-	-	-	-	590,430	-	-	-	-	-	590,430
Net Investment in Financing Lease, net of current portion	14,461,804	-	-	-	-	-	-	-	-	-	14,461,804
Deferred Bond Issuance Costs, net of current portion	226,492	-	-	-	-	-	-	-	-	-	226,492
Capital Assets, less accumulated depreciation	-	-	-	-	4,639,713	-	-	-	-	-	4,639,713
Total assets	$ 15,778,791	$ 62,531	$ 36,444,264	$ 6,671,827	$ 5,285,136	$ 1,015,303	$ 193,751	$ 136,644	$ 2,473	$ 43,782	$ 65,634,502

See accompanying independent auditor's report.

Hawaii Housing Finance and Development Corporation

Combining Statement of Net Assets - Nonmajor Other Enterprise Funds (continued)
June 30, 2008

Liabilities and Net Assets	University of Hawaii Faculty Housing Program Revenue Bond Fund	Fee Simple Residential Revolving Fund	Rental Assistance Revolving Fund	Housing Finance Revolving Fund	Kekuilani Gardens Project	Disbursing Fund	Pineapple Workers and Retirees Housing Assistance Fund	Grant-In-Aid Fund	Hamakua	Waialua	Total
Current Liabilities:											
Accounts payable	$ -	$ 3,852	$ -	$ 825	$ 50,210	$ 122,192	$ -	$ -	$ -	$ -	$ 177,079
Accrued expenses:											
Interest	199,546	-	-	-	-	-	-	-	-	-	199,546
Other	-	7,142	19,458	158,514	-	-	-	-	-	-	185,114
Due to other funds	18,546	-	-	2,006,973	-	883,111	-	-	25,933	37,017	2,971,580
Due to State of Hawaii	-	-	-	-	-	10,000	-	-	-	-	10,000
Security deposits	-	5,717	-	880,151	31,871	-	-	-	-	-	917,739
Mortgage note payable	-	-	-	-	37,024	-	-	-	-	-	37,024
Revenue bonds payable, less deferred refunding cost	460,000	-	-	-	-	-	-	-	-	-	460,000
Total current liabilities	678,092	16,711	19,458	3,046,463	119,105	1,015,303	-	-	25,933	37,017	4,958,082
Mortgage Payable, net of current portion	-	-	-	-	5,548,567	-	-	-	-	-	5,548,567
Revenue Bonds Payable, net of current portion	13,360,000	-	-	-	-	-	-	-	-	-	13,360,000
Commitments and Contingencies											
Net Assets -											
Invested in capital assets, net of related debt	-	-	-	-	(945,878)	-	-	-	-	-	(945,878)
Restricted by legislation and contractual agreements	-	-	-	-	590,430	-	-	-	-	-	590,430
Unrestricted	1,740,699	45,820	36,424,806	3,625,364	(27,088)	-	193,751	136,644	(23,460)	6,765	42,123,301
Total net assets	1,740,699	45,820	36,424,806	3,625,364	(382,536)	-	193,751	136,644	(23,460)	6,765	41,767,853
Total liabilities and net assets	$ 15,778,791	$ 62,531	$ 36,444,264	$ 6,671,827	$ 5,285,136	$ 1,015,303	$ 193,751	$ 136,644	$ 2,473	$ 43,782	$ 65,634,502

See accompanying independent auditor's report

Hawaii Housing Finance and Development Corporation

Combining Statement of Revenues and Expenses - Nonmajor Other Enterprise Funds
Year Ended June 30, 2008

	University of Hawaii Faculty Housing Program Revenue Bond Fund	Fee Simple Residential Revolving Fund	Rental Assistance Revolving Fund	Housing Finance Revolving Fund	Kekuilani Gardens Project	Disbursing Fund	Pineapple Workers and Retirees Housing Assistance Fund	Grant-In-Aid Fund	Hamakua	Waialua	Total
Operating Revenues:											
Interest on mortgages, notes, loans, mortgage-backed securities, and net investment in financing lease	$ 691,622	$ -	$ 81,176	$ 65,288	$ -	$ -	$ -	$ -	$ 38	$ 207	$ 838,331
Rental	-	-	-	-	362,341	-	-	-	-	-	362,341
Other	-	7,810	40,364	1,295,965	9,652	-	200,000	-	25	-	1,553,816
Total operating revenues	691,622	7,810	121,540	1,361,253	371,993	-	200,000	-	63	207	2,754,488
Operating Expenses.											
Personnel services	11,631	-	57,168	1,037,660	20,857	-	4,761	-	-	-	1,132,077
Depreciation	-	-	-	-	153,415	-	-	-	-	-	153,415
Housing assistance payments	-	-	1,369,618	-	-	-	-	-	-	-	1,369,618
Administration	838	27	69,364	240,691	166,693	-	-	-	-	-	477,613
Professional services	20,673	13,000	20,318	67,594	4,210	-	-	-	7,000	7,001	139,796
Provision for losses	-	-	-	125,858	-	-	-	-	-	-	125,858
Repairs and maintenance	1,010	-	1,865	5,334	19,104	-	-	-	-	-	27,313
Utilities	-	-	-	-	62,940	-	-	-	-	-	62,940
Capital expenditures	-	-	180	603	-	-	-	-	-	-	783
Other	16	-	4	2,925	29,477	-	1,488	-	-	-	33,910
Total operating expenses	34,168	13,027	1,518,517	1,480,665	456,696	-	6,249	-	7,000	7,001	3,523,323
Operating income (loss)	657,454	(5,217)	(1,396,977)	(119,412)	(84,703)	-	193,751	-	(6,937)	(6,794)	(768,835)
Nonoperating Revenues (Expenses):											
Interest income - cash and investments	-	-	810,296	24,426	14,452	-	-	557	-	-	849,731
Net increase in fair value of investments	-	-	161,507	-	-	-	-	-	-	-	161,507
Interest expense	(791,270)	(861)	(93)	(183)	(115,248)	-	-	-	-	-	(907,655)
Amortization of deferred bond issuance costs	(18,002)	-	-	-	-	-	-	-	-	-	(18,002)
Other revenues	38,083	-	-	-	-	-	-	-	-	-	38,083
Total nonoperating (expenses) revenues	(771,189)	(861)	971,710	24,243	(100,796)	-	-	557	-	-	123,664
(Loss) income before operating transfers	(113,735)	(6,078)	(425,267)	(95,169)	(185,499)	-	193,751	557	(6,937)	(6,794)	(645,171)
Operating Transfers Out	-	-	-	-	-	-	-	-	(1,563)	-	(1,563)
Change in net assets	$ (113,735)	$ (6,078)	$ (425,267)	$ (95,169)	$ (185,499)	$ -	$ 193,751	$ 557	$ (8,500)	$ (6,794)	$ (646,734)

See accompanying independent auditor's report.

Hawaii Housing Finance and Development Corporation

Combining Statement of Changes in Fund Net Assets - Nonmajor Other Enterprise Funds
Year Ended June 30, 2008

	University of Hawaii Faculty Housing Program Revenue Bond Fund	Fee Simple Residential Revolving Fund	Rental Assistance Revolving Fund	Housing Finance Revolving Fund	Kekuilani Gardens Project	Disbursing Fund	Pineapple Workers and Retirees Housing Assistance Fund	Grant-In-Aid Fund	Hamakua	Waialua	Total
Net Assets, July 1, 2007	$ 1,854,434	$ 51,898	$ 36,850,073	$ 3,720,533	$ (197,037)	$ -	$ -	$ 136,087	$ (14,960)	$ 13,559	$ 42,414,587
Change in Net Assets	(113,735)	(6,078)	(425,267)	(95,169)	(185,499)	-	193,751	557	(8,500)	(6,794)	(646,734)
Net Assets, June 30, 2008	$ 1,740,699	$ 45,820	$ 36,424,806	$ 3,625,364	$ (382,536)	$ -	$ 193,751	$ 136,644	$ (23,460)	$ 6,765	$ 41,767,853

See accompanying independent auditor's report.

Hawaii Housing Finance and Development Corporation

Combining Statement of Cash Flows - Nonmajor Other Enterprise Funds
Year Ended June 30, 2008

	University of Hawaii Faculty Housing Program Revenue Bond Fund	Fee Simple Revolving Fund	Rental Assistance Revolving Fund	Housing Finance Revolving Fund	Kekuilani Gardens Project	Disbursing Fund	Pineapple Workers and Retirees Housing Assistance Fund	Grant-In-Aid Fund	Hamakua	Waialua	Total
Cash Flows from Operating Activities:											
Cash received from renters	$ -	$ -	$ -	$ -	$ 403,670	$ -	$ -	$ -	$ -	$ -	$ 403,670
Cash received from borrowers:											
Principal repayments	-	-	-	329,010	-	-	-	-	1,563	1,693	332,266
Interest income	-	-	114,291	67,849	-	-	-	-	63	207	182,410
Cash received from net investment in financing lease	1,238,740	-	-	-	-	-	-	-	-	-	1,238,740
Cash payments to employees	(10,492)	-	(57,168)	(1,037,660)	(20,857)	-	-	-	-	-	(1,126,177)
Cash payments to suppliers	(22,537)	(17,374)	(1,592,975)	(378,930)	(244,993)	(29,072)	(6,249)	-	(7,000)	(207)	(2,299,337)
Cash receipts from (payments to) other funds	11,844	49,288	5,885	(3,513)	-	345,052	-	-	6,937	-	415,493
Other cash receipts	39,342	7,810	40,364	1,320,641	9,652	-	200,000	-	-	-	1,617,809
Net cash provided by (used in) operating activities	1,256,897	39,724	(1,489,603)	297,397	147,472	315,980	193,751	-	1,563	1,693	764,874
Cash Flows from Noncapital Financing Activities											
Cash received from borrower	-	-	3,073,648	-	-	-	-	-	-	-	3,073,648
Interest paid to the Department of Budget and Finance	-	(861)	(93)	(183)	-	-	-	-	-	-	(1,137)
Operating transfers out	-	-	-	-	-	-	-	-	(1,563)	-	(1,563)
Net cash provided by (used in) noncapital financing activities	-	(861)	3,073,555	(183)	-	-	-	-	(1,563)	-	3,070,948
Cash Flows from Capital and Related Financing Activities.											
Principal paid on revenue bond maturities and redemptions	(435,000)	-	-	-	-	-	-	-	-	-	(435,000)
Principal paid on mortgage loans	-	-	-	-	(35,170)	-	-	-	-	-	(35,170)
Interest paid	(796,570)	-	-	-	(115,248)	-	-	-	-	-	(911,818)
Net cash used in capital and related financing activities	(1,231,570)	-	-	-	(150,418)	-	-	-	-	-	(1,381,988)
Cash Flows from Investing Activities											
Proceeds from maturities of investments	-	-	-	2,258	-	-	-	-	-	-	2,258
Receipts of interest	-	(93)	810,296	24,426	14,452	-	-	557	-	-	849,638
Net decrease in restricted deposits and funded reserves	-	-	-	-	(14,401)	-	-	-	-	-	(14,401)
Net cash provided by investing activities	-	(93)	810,296	26,684	51	-	-	557	-	-	837,495
Net increase (decrease) in cash and cash equivalents	25,327	38,770	2,394,248	323,898	(2,895)	315,980	193,751	557	-	1,693	3,291,329
Cash and Cash Equivalents, July 1, 2007	448,727	15,020	24,396,879	2,681,776	32,079	693,053	-	136,087	-	35,129	28,438,750
Cash and Cash Equivalents, June 30, 2008	$ 474,054	$ 53,790	$ 26,791,127	$ 3,005,674	$ 29,184	$ 1,009,033	$ 193,751	$ 136,644	$ -	$ 36,822	$ 31,730,079

See accompanying independent auditor's report

Hawaii Housing Finance and Development Corporation

Combining Statement of Cash Flows - Nonmajor Other Enterprise Funds (continued)
Year Ended June 30, 2008

	University of Hawaii Faculty Housing Program Revenue Bond Fund	Fee Simple Residential Revolving Fund	Rental Assistance Revolving Fund	Housing Finance Revolving Fund	Kekuilani Gardens Project	Disbursing Fund	Pineapple Workers and Retirees Housing Assistance Fund	Grant-In-Aid Fund	Hamakua	Waialua	Total
Cash Flows from Operating Activities:											
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:											
Operating income (loss)	$ 657,454	$ (5,217)	$ (1,396,977)	$ (119,412)	$ (84,703)	$ -	$ 193,751	$ -	$ (6,937)	$ (6,794)	$ (768,835)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:											
Depreciation	-	-	-	-	153,415	-	-	-	-	-	153,415
Changes in assets and liabilities:											
Mortgage loans receivables	-	-	-	219,137	-	-	-	-	1,563	1,693	222,393
Accrued interest receivable on mortgages, notes and loans	-	-	33,115	2,561	-	-	-	-	-	-	35,676
Tenant receivables	-	-	-	-	9,458	-	-	-	-	-	9,458
Other receivables	39,342	-	-	24,676	-	-	-	-	-	-	64,018
Due from other funds	11,844	50,000	5,885	(393,527)	-	61,941	-	-	-	-	(263,857)
Prepaid expenses and other assets	-	-	7,116	-	-	-	-	-	-	-	7,116
Net investment in lease financing	547,118	-	-	-	-	-	-	-	-	-	547,118
Deposits held in trust	-	-	-	-	33,292	-	-	-	-	-	33,292
Accounts payable	-	(1,200)	-	-	37,431	(29,072)	-	-	-	-	7,159
Other accrued expenses	1,139	(3,147)	(138,742)	64,075	-	-	-	-	-	-	(76,675)
Due to other funds	-	(712)	-	390,014	-	283,111	-	-	6,937	6,794	686,144
Security deposits	-	-	-	109,873	(1,421)	-	-	-	-	-	108,452
Net cash provided by (used in) operating activities	$ 1,256,897	$ 39,724	$ (1,489,603)	$ 297,397	$ 147,472	$ 315,980	$ 193,751	$ -	$ 1,563	$ 1,693	$ 764,874

Hawaii Housing Finance and Development Corporation

Reconciliation of Cash and Short-Term Investments
June 30, 2008

The Corporation's cash and short-term investments consists of the following as of June 30, 2008:

Equity in State Treasury investment pool - Government Wide	$ 199,718,833
Equity in State Treasury investment pool - Fiduciary Funds	203,484
Cash in banks	2,576,245
Cash and cash equivalents held by trustees	34,823,630
Deposits held in trust	5,717
	$ 237,327,909

Total cash and short-term investments are in agreement with the State Comptroller's central accounting records as of June 30, 2008, as reconciled below:

	Appropriation symbol	June 30, 2008
Cash in State Treasury		
Special Funds	S-02-800-B	203,484
	S-07-375-B	693,048
	S-08-314-B	300,000
	S-08-316-B	193,751
	S-08-320-B	75,177
	S-08-321-B	22,872
	S-08-325-B	36,822
	S-08-339-B	200,000
	S-08-374-B	53,273
	S-08-375-B	78,817,376
	S-08-376-B	2,789,313
	S-08-377-B	474,054
	S-08-378-B	26,791,127
Trust Funds	T-08-930-B	89,283,525
Total cash held in State Treasury, as reported by State Comptroller's accounting records carried forward		$ 199,933,822

See accompanying independent auditor's report.

Hawaii Housing Finance and Development Corporation

Reconciliation of Cash and Short-Term Investments
June 30, 2008

	June 30, 2008
Subtotal brought forward	$ 199,933,822
Reconciling items:	
Journal vouchers not recorded by DAGS	(5,688)
Disbursing amount	177
Other	(5,994)
	(11,505)
Cash and short-term investments held outside State Treasury:	
Cash in bank	2,576,245
Cash held by trustees	34,823,630
Deposits held in trust	5,717
	37,405,592
Cash and short-term investments on statement of net assets	$ 237,327,909

See accompanying independent auditor's report.

APPENDIX II

FORM OF PROPOSED OPINION OF BOND COUNSEL

Hawaii Housing Finance and Development
Corporation
677 Queen Street
Suite 300
Honolulu, Hawaii 96813

January 12, 2010

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
SINGLE FAMILY MORTGAGE PURCHASE REVENUE BONDS,
2009 SERIES A, $100,000,000

Ladies and Gentlemen:

At your request we have examined into the validity of $100,000,000 Single Family Mortgage Purchase Revenue Bonds, 2009 Series A (the "2009 Series A Bonds"), (the "2009 Series A Bonds") of the Hawaii Housing Finance and Development Corporation (the "Corporation") of the State of Hawaii.

The 2009 Series A Bonds recite that they 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 201H, Hawaii Revised Statutes, as amended, and Part III of Chapter 39, Hawaii Revised Statutes, as amended, and under and pursuant to a resolution of the Board of Directors of the Corporation adopted on December 10, 2009, a Trust Indenture dated as of January 1, 1980 (the "Indenture"), by and between Hawaii Housing Authority (the "Authority"), a predecessor of the Corporation, and Bishop Trust Company, Limited, in Honolulu, Hawaii, as trustee, which trustee has been succeeded by U.S. Bank National Association, as successor Trustee (the "Trustee"), as amended and supplemented, and a Thirty-second Supplemental Trust Indenture dated as of December 1, 2009 (the "Supplemental Indenture"), by and between the Corporation and the Trustee, and constitute part of a duly authorized issue of bonds issued, or to be issued, under the Indenture as supplemented from time to time, unlimited as to amount except as provided in the Indenture or as may be provided by law.

The 2009 Series A Bonds initially issued are dated December 30, 2009, bear interest from January 12, 2010 and mature on July 1, 2041. The 2009 Series A Bonds are subject to redemption and are otherwise as described in the Supplemental Indenture.

We have examined the Constitution and statutes of the State of Hawaii, duplicate executed copies of the Indenture and Supplemental Indenture, certified copies of the proceedings of the Corporation authorizing the issuance of the 2009 Series A Bonds and the execution and delivery by the Corporation of the Indenture and Supplemental Indenture, including the aforesaid resolution, and such other documents, records and proceedings as we have considered necessary or appropriate for the purpose of this opinion. We have also examined a specimen of the 2009 Series A Bonds.

In rendering this opinion, we have assumed that the United States Department of the Treasury ("Treasury") pays for the 2009 Series A Bonds pursuant to the provisions of the Settlement Agreement, dated as of December 18, 2009 (the "Settlement Agreement"), among the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the United States Treasury, the Corporation and U.S. Bank National Association, on or before January 12, 2010.

In our opinion:

1. The 2009 Series A Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the State of Hawaii and the Indenture and constitute valid special obligations of the Corporation, payable solely from and secured by a pledge of the 2009 Series A Bond proceeds, the Revenues (as defined in the Indenture), and certain reserve funds and other funds and accounts established in connection therewith, all as set forth and provided in the Indenture.

2. The Indenture has been duly authorized, executed and delivered by the Authority, the Supplemental Indenture has been duly authorized, executed and delivered by the Corporation, and assuming the due authorization, execution and delivery by the Trustee, the Indenture and the Supplemental Indenture constitute valid instruments of the Corporation in accordance with the terms thereof. The 2009 Series A Bonds are entitled to the security and benefits of the Indenture and Supplemental Indenture for the payment thereof in accordance with the terms thereof, equally and ratably with any bonds heretofore issued and hereafter issued under the Indenture in accordance with the terms thereof.

It is to be understood that the rights of the holders of the 2009 Series A Bonds under the 2009 Series A Bonds and under the Indenture and Supplemental Indenture and the enforceability thereof may be subject to the valid exercise of judicial discretion, the sovereign police powers of the State of Hawaii and the constitutional powers of the United States of America, and to valid bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights.

Very truly yours,

APPENDIX III

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") dated December __, 2009 and by and between the Hawaii Housing Finance and Development Corporation (the "Corporation") and U.S. Bank, National Association, as Trustee (the "Trustee") is executed and delivered in connection with the issuance of the Corporation's $100,000,000 aggregate principal amount of Single Family Mortgage Purchase Revenue Bonds, 2009 Series A (the "Bonds"). The parties agree as follows:

ARTICLE I
The Agreement

Section 1.1. Purpose. This Agreement shall constitute a written Agreement for the benefit of the holders of the Bonds.

Section 1.2. Annual Financial Information. (a) The Corporation shall provide Annual Financial Information with respect to each fiscal year of the Corporation, commencing with the fiscal year ending June 30, 2010, by no later than 180 days after the end of the respective fiscal year, to the MSRB.

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

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Corporation shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 1.4. Material Event Notices. (a) If a Material Event occurs, the Corporation shall provide, in a timely manner, notice of such Material Event to the MSRB and the Trustee.

(b) Any such notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

Section 1.5. Additional Disclosure Obligations. The Corporation acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Corporation and that, under some circumstances, additional disclosures or other action in addition to those required by this Agreement may be required to enable the Corporation to fully discharge all of its duties and obligations under such laws.

Section 1.6. Additional Information. Nothing in this Agreement shall be deemed to prevent the Corporation from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Material Event hereunder, in addition to that which is required by this Agreement. If the Corporation chooses to do so, the Corporation shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Material Event hereunder.

Section 1.7. No Previous Non-Compliance. The Corporation represents that, except as disclosed in the Official Statement with respect to the Bonds, since July 3, 1995, it has not failed to comply in any material respect with any previous Agreement in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE II
Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Corporation provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Material Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. Material Event Notices. The Corporation may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Corporation under this Agreement, and revoke or modify any such designation.

Section 2.4. Transmission of Information and Notices. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. Fiscal Year. (a) The Corporation's current fiscal year is the twelve-month period ending on June 30. The Corporation shall promptly notify the MSRB and the Trustee of each change in its fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE III
Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The Corporation's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Corporation (1) receives an opinion of Counsel to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to such Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied:(1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Corporation or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Corporation shall have received an opinion of Counsel to the effect as set forth in clause (2) above, (4) either (i) the Corporation shall have received either an opinion of Counsel or a determination by a person, in each case unaffiliated with the Corporation, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of holders of Bonds pursuant to Section 9.2 of the Indenture as in effect on the date of this Agreement, and (5) the Corporation shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) This Agreement may be amended without the consent of the holders of the Bonds, if all of the following conditions are satisfied:(1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the Corporation shall have received an opinion of Counsel, to the effect that performance by the Corporation under this Agreement as so amended will not result in a violation of the Rule and (3) the Corporation shall have delivered copies of such opinion and amendment to the MSRB.

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

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

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with, and inure solely to the benefit of, the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement and shall be deemed to be holders of Bonds for purposes of Section 3.3(b) hereof. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and Section 3.3(b).

(b) The obligations of the Corporation to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or (ii), in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding. The holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Corporation's obligations under this Agreement.

(c) Any failure by the Corporation to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Indenture, and the rights and remedies provided by the Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement 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.

ARTICLE IV
Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the financial information and operating data with respect to the Program, for each fiscal year of the Corporation, of the types included in the Official Statement under the caption "Portfolio Information With Respect to The Program" and (ii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

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

(2) "Audited Financial Statements" means the annual financial statements, if any, with respect to the Program, audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited Financial Statements shall be prepared in accordance with GAAP.

(3) "Counsel" means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

(4) "GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(5) "Indenture" means the Trust Indenture between Hawaii Housing Authority (a predecessor of the Corporation) and Bishop Trust Company, Limited, as Trustee, whose successor is U.S. Bank National Association, dated as of January 1, 1980, as amended and supplemented, including by the Thirty-second Supplemental Trust Indenture dated as of December 1, 2009, between the Corporation and U.S. Bank National Association, as Trustee, authorizing and providing for the issuance of the Bonds.

(6) "Material Event" means any of the following events with respect to the Bonds, whether relating to the Corporation or otherwise, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders;
- (viii) bond calls
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the securities; and
- (xi) rating changes.

(7) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(8) "Official Statement" means a "final official statement", as defined in paragraph (f)(3) of the Rule, relating to the Bonds.

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

(10) "SEC" means the United States Securities and Exchange Commission.

(11) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

By: ______________________________
Executive Director

U.S. BANK, NATIONAL ASSOCIATION

By: ______________________________