

RATINGS

INSURED BONDS

**STANDARD
& POOR'S**

Vincent S. Orgo
Administrative Officer
65 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2074
vincent_orgo@standardandpoors.com

reference no.: 701373

Steven G. Zimmermann
Managing Director
One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5004
steve_zimmermann@standardandpoors.com

March 10, 2005

Financial Security Assurance Inc.
1550 Spear Tower
One Market
San Francisco, CA 94105
Attention: Ms. Sheelagh Flanagan, Managing Director

Re: *\$179,735,000 State of Hawaii, Highway Revenue Bonds, dated: Date of Delivery, consisting of: \$51,640,000 2005 Series A due: July 1, 2008-2025; \$128,095,000 2005 Series B due: July 1, 2010-2021, (POLICY #204204-N)*

Dear Ms. Flanagan:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have changed the rating to "AAA" from "AA". The rating reflects our assessment of the likelihood of repayment of principal and interest based on the bond insurance policy your company is providing. Therefore, rating adjustments may result from changes in the financial position of your company or from alterations in the documents governing the issue.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

STANDARD & POOR'S
NEW YORK, NY

Ms. Sheelagh Flanagan

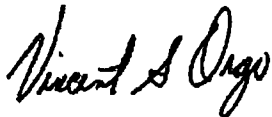
Page 2

March 10, 2005

Standard & Poor's is pleased to be of service to you. For more information please visit our website at www.standardandpoors.com. If we can be of help in any other way, please contact us. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.



By: Vincent S. Orgo
Administrative Officer

aw

STANDARD
POOR'S



Moody's Investors Service

*99 Church Street
New York, NY*

March 11, 2005

Financial Security Assurance Inc
350 Park Avenue
New York, NY 10022

To Whom It May Concern:

Moody's Investors Service has assigned the rating of Aaa (Financial Security Assurance Inc Insured - Policy No. **204204-N**) to the **\$179,735,000.00, State of Hawaii - Highway Revenue Bonds, 2005 Series A and B maturing on July 1 of the years 2008 through 2025**, dated March 15, 2005 which sold through negotiation on February 10, 2005. The rating is based upon an insurance policy provided by Financial Security Assurance Inc.

Should you have any questions regarding the above, please do not hesitate to contact the assigned analyst, Margaret Kessler at (212) 553-7884.

Sincerely yours,

Margaret Kessler

Margaret L. Kessler
Vice President/Senior Analyst

MLK / NM

Fitch Ratings

1201 East 7th Street
Powell, WY 82435

T 307 754 2012 / 800 863 4824
www.fitchratings.com

March 10, 2006

Mr. Robert P. Cochran
Chairman & Chief Executive Officer
Financial Security Assurance, Inc.
350 Park Avenue
New York, NY 10022

Re: Hawaii, State of (HI) / Policy #: 204204-N

Dear Mr. Cochran:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed on the attached Notice of Rating Action.

Ratings assigned by Fitch are based on documents and information provided to us by issuers, obligors, and/or their experts and agents, and are subject to receipt of the final closing documents. Fitch does not audit or verify the truth or accuracy of such information.

It is important that Fitch be provided with all information that may be material to its ratings so that they continue to accurately reflect the status of the rated issues. Ratings may be changed, withdrawn, suspended or placed on Rating Watch due to changes in, additions to or the inadequacy of information.

Ratings are not recommendations to buy, sell or hold securities. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect of any security.

The assignment of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement or other filing under U.S., U.K., or any other relevant securities laws.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Sincerely,



Dey Lynn Stebner
Insured Ratings Manager

DLS/bs

Enc: Notice of Rating Action
(Doc ID: 4601)

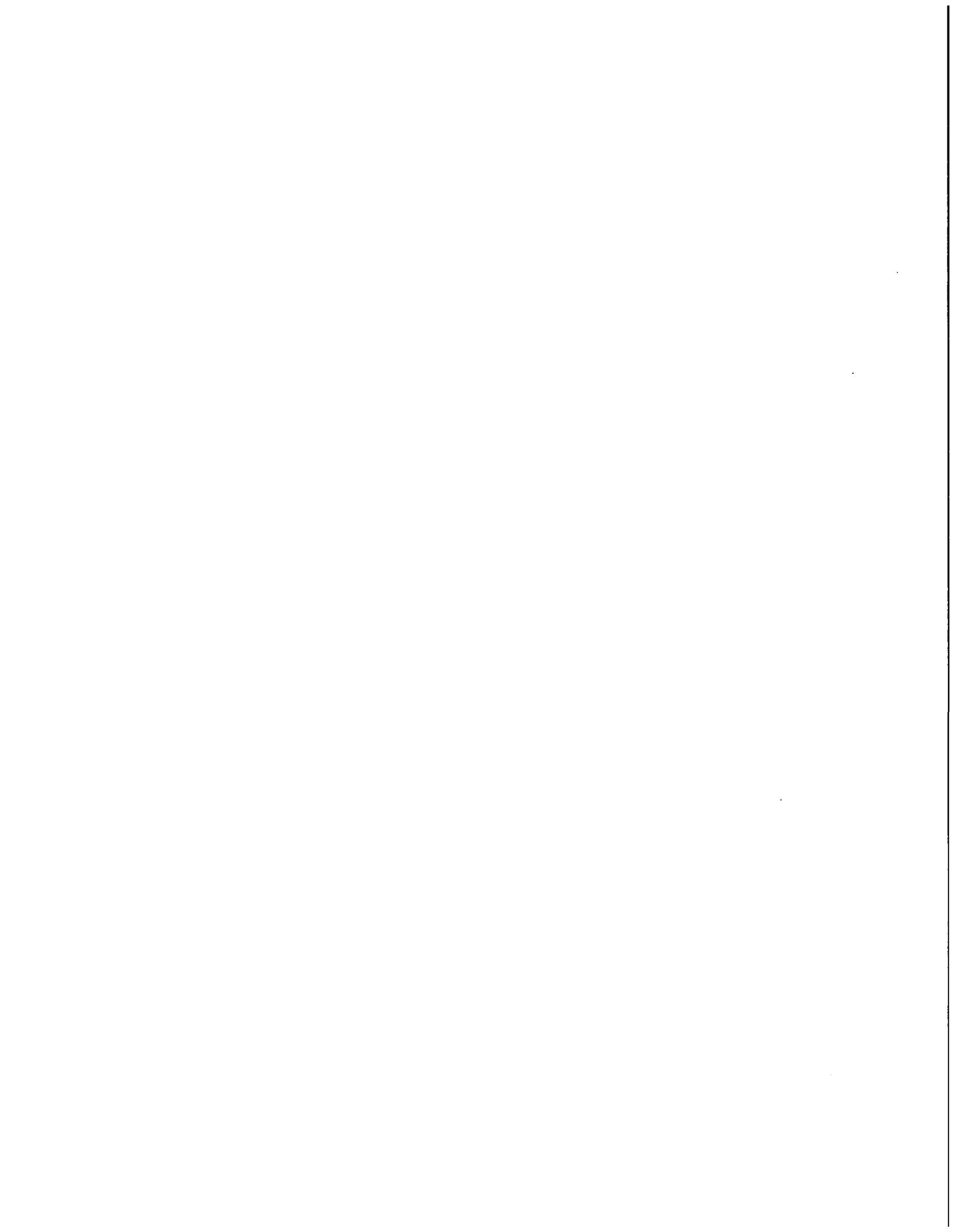
Notice of Rating Action

<u>Bond Description</u>	<u>Par Amount</u>	<u>Rating Type</u>	<u>Action</u>	<u>Rating</u>	<u>Outlook/ Watch</u>	<u>Eff Date</u>	<u>Notes</u>
Hawaii, State of (HI) hwy rev bonds ser 2005A (Insured: Financial Security Assurance, Inc.)	\$55,820,000	Long Term	Upgrade	AAA	RO:Sta	10-Mar-2005	1
Hawaii, State of (HI) hwy rev rdg bonds ser 2005B (Insured: Financial Security Assurance, Inc.)	\$123,915,000	Long Term	Upgrade	AAA	RO:Sta	10-Mar-2005	1

Key: RO: Rating Outlook, RW: Rating Watch; Pos: Positive; Neg: Negative; Sta: Stable; Evo: Evolving

Notes

- 1 The rating is based solely on credit enhancement provided by a bond insurance policy issued by Financial Security Assurance Inc., which has an Insurer Financial Strength rating of 'AAA'.



RATINGS

UNINSURED BONDS

**STANDARD
& POOR'S**

Steven J. Murphy
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Managing Director
One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5004
steve_zimmermann@standardandpoors.com

reference no.: 701373

February 4, 2005

State of Hawaii, Department of Budget and Finance
250 South Hotel Street, Room 105
Honolulu, HI 96813
Attention: Ms. Georgina K. Kawamura, Director of Finance

Re: *US\$85,190,000 Hawaii, Hawaii, Highway Revenue Bonds, Series 2005AB, dated: Date of Delivery, due: July 1, 2025*

Dear Ms. Kawamura:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of "AA". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on

Ms. Georgina K. Kawamura

Page 2

February 4, 2005

CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

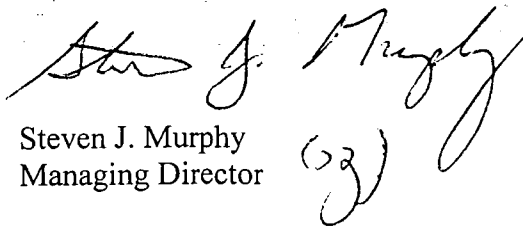
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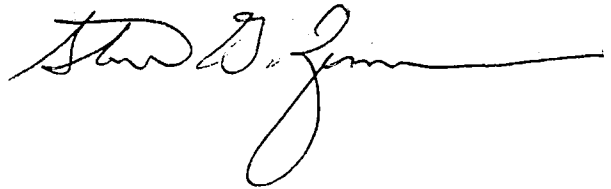
Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

Standard & Poor's is pleased to be of service to you. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. If we can be of help in any other way, please call or contact us at nypublicfinance@standardandpoors.com. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.


By: Steven J. Murphy
Managing Director



cm

enclosures

cc: Mr. Brian Colon
A.G. Edwards & Sons, Inc.

**Standard & Poor's Ratings Services
Terms and Conditions
Applicable To
U.S. Public Finance Ratings**

Request for a rating. Standard & Poor's issues public finance ratings for a fee upon request from an issuer, or from an underwriter, financial advisor, investor, insurance company, or other entity, provided that the obligor and issuer (if different from the obligor) each has knowledge of the request. The term "issuer/obligor" in these Terms and Conditions means the issuer and the obligor if the obligor is different from the issuer.

Agreement to Accept Terms and Conditions. Standard & Poor's assigns Public Finance ratings subject to the terms and conditions stated herein and in the rating letter. The issuer/obligor's use of a Standard & Poor's public finance rating constitutes agreement to comply in all respects with the terms and conditions contained herein and in the rating letter and acknowledges the issuer/obligor's understanding of the scope and limitations of the Standard & Poor's rating as stated herein and in the rating letter.

Fees and expenses. In consideration of our analytic review and issuance of the rating, the issuer/obligor agrees to pay Standard & Poor's a rating fee. Payment of the fee is not conditioned on Standard & Poor's issuance of any particular rating. In most cases an annual surveillance fee will be charged for so long as we maintain the rating. The issuer/obligor will reimburse Standard & Poor's for reasonable travel and legal expenses if such expenses are not included in the fee. Should the rating not be issued, the issuer/obligor agrees to compensate Standard & Poor's based on the time, effort, and charges incurred through the date upon which it is determined that the rating will not be issued.

Scope of Rating. The issuer/obligor understands and agrees that (i) an issuer rating reflects Standard & Poor's current opinion of the issuer/obligor's overall financial capacity to pay its financial obligations as they come due, (ii) an issue rating reflects Standard & Poor's current opinion of the likelihood that the issuer/obligor will make payments of principal and interest on a timely basis in accordance with the terms of the obligation, (iii) a rating is an opinion and is not a verifiable statement of fact, (iv) ratings are based on information supplied to Standard & Poor's by the issuer/obligor or by its agents and upon other information obtained by Standard & Poor's from other sources it considers reliable, (v) Standard & Poor's does not perform an audit in connection with any rating and a rating does not represent an audit by Standard & Poor's, (vi) Standard & Poor's relies on the issuer/obligor, its accountants, counsel, and other experts for the accuracy and completeness of the information submitted in connection with the rating and surveillance process, (vii) Standard & Poor's undertakes no duty of due diligence or independent verification of any information, (viii) Standard & Poor's does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information, (ix) Standard & Poor's may raise, lower, suspend, place on CreditWatch, or withdraw a rating at any time, in Standard & Poor's sole discretion, and (x) a rating is not a "market" rating nor a recommendation to buy, hold, or sell any financial obligation.

Publication. Standard & Poor's reserves the right to publish, disseminate, or license others to publish or disseminate the rating and the rationale for the rating unless the issuer/obligor specifically requests that the rating be assigned and maintained on a confidential basis. If a confidential rating subsequently becomes public through disclosure by the issuer/obligor or a third party other than Standard & Poor's, Standard & Poor's reserves the right to publish it. Standard & Poor's may publish explanations of Standard & Poor's ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Standard & Poor's ability to modify or refine Standard & Poor's criteria at any time as Standard & Poor's deems appropriate.

Information to be Provided by the Issuer/obligor. The issuer/obligor shall meet with Standard & Poor's for an analytic review at any reasonable time Standard & Poor's requests. The issuer/obligor also agrees to provide Standard & Poor's promptly with all information relevant to the rating and surveillance of the rating including information on material changes to information previously supplied to Standard & Poor's. The rating may be affected by Standard & Poor's opinion of the accuracy, completeness, timeliness, and reliability of information received from the issuer/obligor or its agents. Standard & Poor's undertakes no duty of due diligence or independent verification of

information provided by the issuer/obligor or its agents. Standard & Poor's reserves the right to withdraw the rating if the issuer/obligor or its agents fails to provide Standard & Poor's with accurate, complete, timely, or reliable information.

Standard & Poor's Not an Advisor, Fiduciary, or Expert. The issuer/obligor understands and agrees that Standard & Poor's is not acting as an investment, financial, or other advisor to the issuer/obligor and that the issuer/obligor should not and cannot rely upon the rating or any other information provided by Standard & Poor's as investment or financial advice. Nothing in this Agreement is intended to or should be construed as creating a fiduciary relationship between Standard & Poor's and the issuer/obligor or between Standard & Poor's and recipients of the rating. The issuer/obligor understands and agrees that Standard & Poor's has not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the U.S. Securities Act of 1933.

Limitation on Damages. The issuer/obligor agrees that Standard & Poor's, its officers, directors, shareholders, and employees shall not be liable to the issuer/obligor or any other person for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the rating or the related analytic services provided for in an aggregate amount in excess of the aggregate fees paid to Standard & Poor's for the rating, except for Standard & Poor's gross negligence or willful misconduct. In no event shall Standard & Poor's, its officers, directors, shareholders, or employees be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, legal fees, or losses (including, without limitation, lost profits and opportunity costs). In furtherance and not in limitation of the foregoing, Standard & Poor's will not be liable in respect of any decisions made by the issuer/obligor or any other person as a result of the issuance of the rating or the related analytic services provided by Standard & Poor's hereunder or based on anything that appears to be advice or recommendations. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. The issuer/obligor acknowledges and agrees that Standard & Poor's does not waive any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Term. This Agreement shall terminate when the ratings are withdrawn. Notwithstanding the foregoing, the paragraphs above, "Standard & Poor's Not an Advisor, Fiduciary, or Expert" and "Limitation on Damages", shall survive the termination of this Agreement or any withdrawal of a rating.

Third Parties. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary to this Agreement or to the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Complete Agreement. This Agreement constitutes the complete agreement between the parties with respect to its subject matter. This Agreement may not be modified except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties agree that the state and federal courts of New York shall be the exclusive forums for any dispute arising out of this Agreement and the parties hereby consent to the personal jurisdiction of such courts.

**STANDARD
& POOR'S**

Steven J. Murphy
Managing Director
55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2066
steve_murphy@standardandpoors.com

Steven G. Zimmermann
Managing Director
One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5004
steve_zimmermann@standardandpoors.com

reference no.: 40111385

February 4, 2005

State of Hawaii, Department of Budget and Finance
250 South Hotel Street, Room 105
Honolulu, HI 96813
Attention: Ms. Georgina K. Kawamura, Director of Finance

Re: *Hawaii (Hawaii Department of Transportation) Gas Tax (FSA) (SPUR)*

Dear Ms. Kawamura:

Standard & Poor's has reviewed the Standard & Poor's underlying rating (SPUR) on the above-referenced obligations. After such review, we have affirmed the "AA" rating and stable outlook. A copy of the rationale supporting the rating and outlook is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Ms. Georgina K. Kawamura

Page 2

February 4, 2005

Please send all information to:

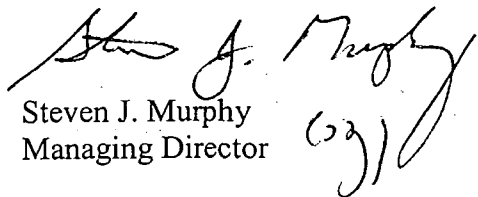
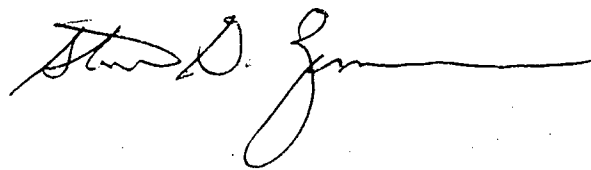
Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

If you have any questions, or if we can be of help in any other way, please feel free to call or contact us at nypublicfinance@standardandpoors.com. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. We appreciate the opportunity to work with you and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.

By: Steven J. Murphy
Managing Director

Handwritten signature of Steven J. Murphy in black ink, written over the typed name. The signature is cursive and includes a large flourish at the end.Handwritten signature of Steven D. Jones in black ink, written to the right of the typed name. The signature is cursive and includes a long horizontal flourish.

cm
enclosure

cc: Mr. Brian Colon
A.G. Edwards & Sons, Inc.

**STANDARD
& POOR'S**

Steven J. Murphy
Managing Director
55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2066
steve_murphy@standardandpoors.com

Steven G. Zimmermann
Managing Director
One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5004
steve_zimmermann@standardandpoors.com

reference no.: 34989002

February 4, 2005

State of Hawaii, Department of Budget and Finance
250 South Hotel Street, Room 105
Honolulu, HI 96813
Attention: Ms. Georgina K. Kawamura, Director of Finance

Re: *Hawaii (Hawaii Department of Transportation) Gas Tax*

Dear Ms. Kawamura:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have affirmed the "AA" rating and stable outlook. A copy of the rationale supporting the rating and outlook is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

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Ms. Georgina K. Kawamura
Page 2
February 4, 2005

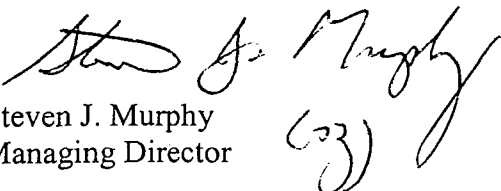
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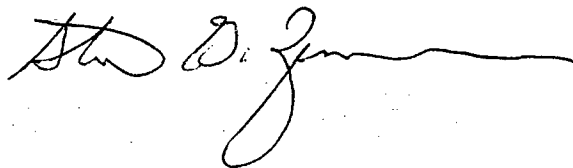
Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

If you have any questions, or if we can be of help in any other way, please feel free to call or contact us at nypublicfinance@standardandpoors.com. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. We appreciate the opportunity to work with you and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.

By:  Steven J. Murphy
Managing Director (3)



cm
enclosure

cc: Mr. Brian Colon
A.G. Edwards & Sons, Inc.



Moody's Investors Service

99 Church Street
New York, New York 10007

February 8, 2005

Mr. Rodney K. Haraga
Director
Hawaii Department of Transportation
869 Punchbowl Street
Honolulu, HI 96813

Dear Mr. Haraga:

We wish to inform you that on February 07, 2005, Moody's Rating Committee reviewed and assigned a rating of **Aa3** to the State of Hawaii's Highway Revenue Bonds, 2005 Series A and Series B.

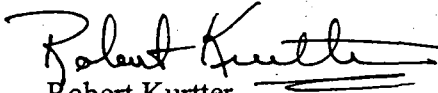
In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, including annual financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's ratings desk.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Nicole Johnson, at 212-553-4573.

Sincerely,


Robert Kurtter
Senior Vice President

cc: Mr. Brian Colon
Managing Director
A.G. Edwards & Sons, Inc.
1675 Broadway, Suite 2700
Denver, CO 80202

High Profile New Issue

Published February 8, 2005

Hawaii Department of Transportation

Hawaii (State of)

Ratings & Contacts

Category	Moody's Rating	Analyst	Phone
Highway Revenue Bonds	Aa3	Nicole Johnson Robert Kurtter	212.553.4573 212.553.4453

Details of Bond Sale

Sale Date:	Week of February 14, 2005	Key Issuer Contacts	Phone
Amount:	\$85,190,000	Rodney Haraga, Director	808-587-2150
Sale Details:	2005 Series A and B	Hawaii Department of Transportation	
Security:	Highway User Tax Revenues	Georgina K. Kawamura, Director of Finance	808-586-1518
Use of proceeds:	Capital improvements to roads statewide and refunding portion of outstanding Series 1996 bonds.	Hawaii Department of Budget and Finance	

Key Indicators

State of Hawaii Department of Transportation

Type of System:	Statewide highway system
Pledged Revenues:	Fuel taxes (44%) Registration fees (10%) Weight taxes (16%) Rental/Tour vehicle surcharges (23%) Interest & miscellaneous revenues (7%)
Pledged Revenues, FY2004	\$182.2 million
Average Annual Growth Pledged Revenues, FY1995 - 2004:	3.1%
Maximum Debt Service Coverage (Revenue Bonds only), by FY 2004 revenues	6.3 times
Maximum Total Debt Service[1] Coverage by FY 2004 revenues	4.0 times
Reserve Requirement:	One-half maximum annual debt service
Additional Bonds Test:	Two times maximum annual debt service on historical basis.

[1] Revenue and General Obligation bonds paid from highway revenues.

Opinion

Rating Rationale

Moody's Investors Service has assigned a rating of Aa3 to the State of Hawaii's highway revenue bonds, in conjunction with the upcoming sale of the Highway Revenue Bonds 2005 Series A and B. Proceeds of the bonds will be used to finance various capital improvement projects for the statewide systems of highways, streets, and roads. The bonds are limited obligations of the state and are secured by a gross pledge of Highway Fund revenues, including fuel tax and various registration fees and surcharges. The assigned rating reflects the ample coverage provided by the gross revenue pledge to the payment of these bonds, the diverse revenue stream dedicated to the Highway Fund and pledged to the payment of the highway revenue bonds, and the state's covenant to maintain resources for debt service payments. However, the bonds do not constitute a general obligation of the state, nor do they constitute a charge upon the General Fund.

Outlook

The credit outlook for Hawaii's highway revenues bonds at the Aa3 level is stable reflecting our expectation that pledged revenue collections will continue to provide adequate coverage even during a severe economic downturn.

What would make the rating move - UP

- Legal provisions consistent with higher rating levels on highway revenue bonds.
- Maintenance of strong debt service coverage levels.

What would make the rating move - DOWN

- Severe revenue falloff resulting in significantly lower debt service coverage.
- Weakened legal covenants.
- Increased leveraging to fund capital commitments without commensurate revenue growth or new revenue resources.



Rating History

Date of Rating Change	Rating
March 1997	Aa3[1]
March 1993	Aa

[1] Rating refinement.

Debt Statement (\$000) (as of 2/15/05)

Bond Issue	Rating	Outstanding
Highway Revenue Bonds, Series 1996 [1]	Aa3	\$8,500
Highway Revenue Bonds, Series 1998	Aa3	\$69,195
Highway Revenue Bonds, Series 2000	Aa3	\$43,855
Highway Revenue Bonds, Series 2001	Aa3	\$65,445
Highway Revenue Bonds, Series 2003	Aa3	\$41,065
Highway Revenue Bonds, Series 2005 A	Aa3	\$60,000
Highway Revenue Bonds, Series 2005 B	Aa3	\$25,180
Total Revenue Bonds		\$313,240
Total General Obligation Bonds [2]	Aa3	\$97,674

[1] 2005 Series B proceeds to refund \$26.1 million in outstanding Series 1996 bonds.

[2] Pledge to pay reimbursable general obligation bonds is subordinate to payment of highway revenue bonds.

Strengths/Opportunities:

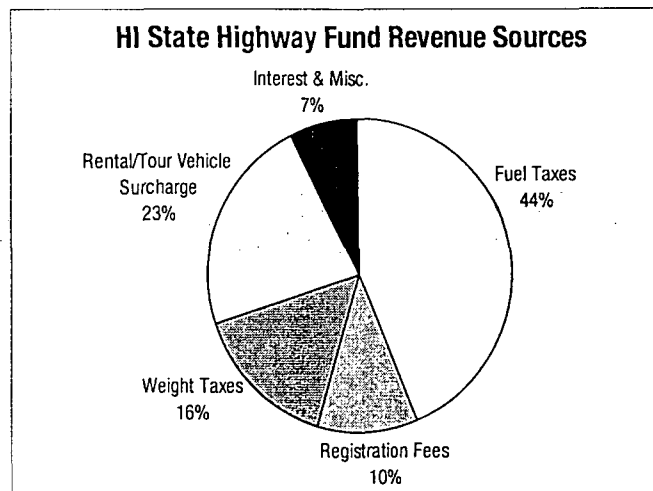
- Strong debt service coverage provided by diverse stream of pledged revenues.
- Legal provisions include two times additional bonds test.
- Historically stable revenue trends.

Weaknesses/Challenges:

- Some sensitivity of revenues to significant economic fluctuations.
- Capital demands for transportation infrastructure improvements have resulted in increased leveraging.

Pledge Of Highway Revenues Provides Strong Coverage

Historically, the state financed a major portion of its share of the cost of capital improvement projects using reimbursable general obligation bonds. Beginning in 1993, the state began financing the projects through revenue bonds, secured by a first pledge of revenues deposited into the Highway Fund. Approximately 44% of these revenues are derived from state highway fuel taxes. The balance consists primarily of vehicle registration fees, weight taxes, and surcharges for rental and tour vehicles.



The pledge to pay the reimbursable general obligation bonds is subordinate to payment of highway revenue bonds and the operations and maintenance expenses of the state's Department of Transportation Highway Division. For all outstanding debt supported by highway revenues (including reimbursable general obligation bonds), pledged revenues in fiscal 2004 provide 4 times coverage of maximum annual debt service. Excluding the general obligation bonds, coverage of peak debt service on Hawaii's highway revenue bonds alone is 6.3 times. As the state has continued debt issuance for highway purposes over the last ten years, debt service coverage on its highway revenue bonds has declined steadily from 24 times in fiscal 1995 to a still strong 9.6 times in fiscal 2004. As long as highway revenue bonds are outstanding, all principal and interest payments of the bonds will have first claim on the pledged revenues.

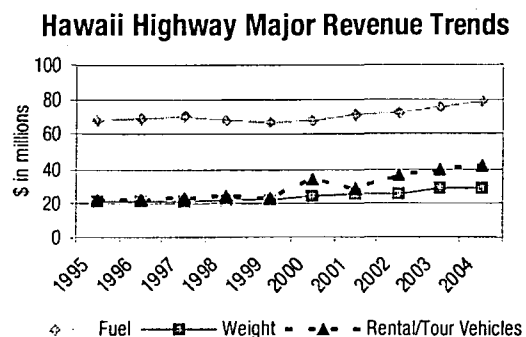
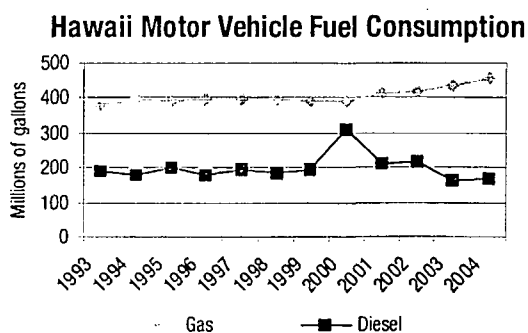
Hawaii Department of Transportation Debt Service Coverage (\$ in millions)										
HISTORICAL										
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Pledged Revenues	141.0	142.7	144.4	141.8	144.4	162.3	172.8	189.2	185.0	182.2
Debt Service Requirements - Revenue Bonds	5.9	5.9	10.0	10.4	14.4	15.0	18.0	21.5	23.7	18.9
Debt Service Coverage (X) - Revenue Bonds	24.0	24.3	14.4	13.6	10.0	10.8	9.6	8.8	7.8	9.6
Debt Service Requirements - Revenue and G.O. bonds	33.6	55.6	50.4	41.7	43.5	38.1	45.2	45.9	41.5	29.9
Total Debt Service Coverage (X)	4.2	2.6	2.9	3.4	3.3	4.3	3.8	4.1	4.5	6.1
Coverage of maximum annual revenue debt service in 2008 by fiscal 2004 pledged revenues = 6.3 times										
Coverage of maximum annual combined debt service in 2008 by fiscal 2004 pledged revenues = 4.0 times										
PROJECTED										
	2005	2006	2007	2008	2009	2010	2011			
Pledged Revenues	186.1	189.9	192.6	195.3	198.0	200.8	203.6			
Debt Service Requirements - Revenue Bonds	22.9	26.2	28.8	28.8	28.8	28.7	28.7			
Debt Service Coverage (X) - Revenue Bonds	8.1	7.2	6.7	6.8	6.9	7.0	7.1			
Debt Service Requirements - Revenue and G.O. bonds	33.8	46.5	46.5	45.9	45.3	39.5	39.2			
Total Debt Service Coverage (X)	5.5	4.1	4.1	4.3	4.4	5.1	5.2			

Legal Provisions Provide Additional Security For The Bonds

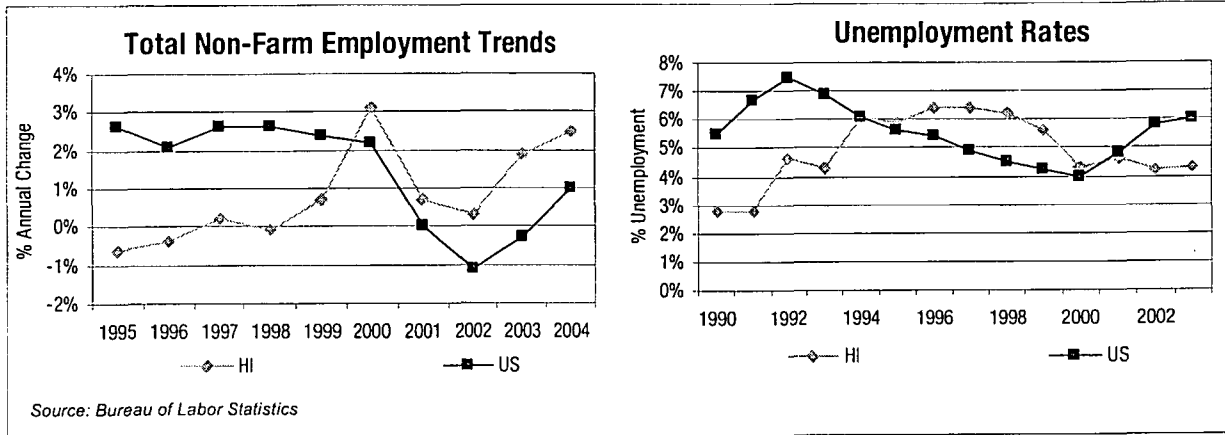
Bond provisions provide for a debt service reserve fund of one-half maximum annual debt service. The Department of Transportation is required by law to impose sufficient charges to pay for debt service, operations and maintenance, and carry out the covenants. In addition, parity bonds can only be issued if revenues for any 12 consecutive months out of the last 18 months are at least equal to two times maximum annual debt service.

Positive Pledged Revenue Growth Throughout Economic Downturns

The 1990's proved to be the weakest economic period for Hawaii since World War II. From 1990 through 1998, the state did not experience any appreciable growth as employment gains in tourism and construction - the state's growth industries of the prior two decades - came to a halt. The state experienced thousands of job losses during this period and saw its unemployment rate rise by two percentage points. But the weak economic performance of the 1990s and the dramatic fall-off in tourism the state experienced in the months after the September 11th attacks affected pledged revenues only slightly, reflecting the diversity of the pledged revenue stream. Pledged revenues include state highway fuel license taxes, vehicle registration fees and weight taxes, surcharges for rental and tour vehicles, interest income and miscellaneous other revenues. Based on the types of revenues pledged to the payment of these bonds, overall coverage for the bonds is not totally dependent on the performance of the tourism industry, as most of these taxes/fees must be paid by all residents of the state with a registered motor vehicle.



In the last ten years Hawaii's combined primary highway revenues (before interest and miscellaneous revenues) declined only twice, in fiscal years 1999 and 2001, and in both cases the drop was minimal at -0.4% and -0.5% respectively. Interest revenues fluctuate somewhat due to rate changes and one-time events such as a \$22 million gasoline litigation settlement in fiscal 2002 and a \$2.5 million property sale in fiscal 2003 occasionally boost miscellaneous revenues. These may cause slightly greater swings in total pledged revenues although debt service coverage averaged 9.3 times in the period from fiscal year 2000 to fiscal year 2004. It should be noted the pledged revenues could absorb a 50% drop-off in collections and still provide more than 2x coverage for the bonds.



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February 10, 2005

Ms. Georgina Kawamura, Director of Finance
State of Hawaii Department of Budget & Finance
State Capitol
P.O. Box 150
Honolulu, HI 96810

Dear Ms. Kawamura:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed on the attached Notice of Rating Action.

Ratings assigned by Fitch are based on documents and information provided to us by issuers, obligors, and/or their experts and agents, and are subject to receipt of the final closing documents. Fitch does not audit or verify the truth or accuracy of such information.

It is important that Fitch be provided with all information that may be material to its ratings so that they continue to accurately reflect the status of the rated issues. Ratings may be changed, withdrawn, suspended or placed on Rating Waich due to changes in, addtlons to or the inadequacy of Information.

Ratings are not recommendations to buy, sell or hold securities. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect of any security.

The assignment of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement or other filing under U.S., U.K., or any other relevant securities laws.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Sincerely,



David T. Litvack
Managing Director
U.S. Public Finance

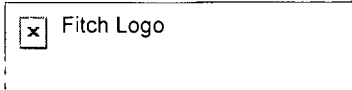
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FitchRatings

Notice of Rating Action

<u>Bond Description</u>	<u>Par Amount</u>	<u>Rating Type</u>	<u>Action</u>	<u>Rating</u>	<u>Outlook/ Watch</u>	<u>Eff Date</u>	<u>Notes</u>
Hawaii, State of (HI) hwy rev bonds ser 2005A	\$60,000,000	Long Term	New Rating	AA-		07-Feb-2005	
Hawaii, State of (HI) hwy rev rdg bonds ser 2005B	\$123,915,000	Long Term	New Rating	AA-		07-Feb-2005	



Fitch : Info Center : Press Releases

Fitch Rates Hawaii's \$85.2M Highway Revenue Bonds 'AA-' Ratings
07 Feb 2005 12:51 PM (EST)

Fitch Ratings-New York-February 7, 2005: Hawaii's \$85.2 million highway revenue bonds, comprising \$60 million 2005 series A and \$25.2 million 2005 series B, are rated 'AA-' by Fitch Ratings. The bonds are expected to be offered Feb. 15 through negotiation with A. G. Edwards & Sons, Inc. Series A bonds will be due July 1, 2006-2025 and optionally callable beginning July 1, 2015, while series B will be due July 1, 2010-2016 without optional call and will be applied to refund the callable portion of series 1996 bonds. Additionally, Fitch affirms the 'AA-' rating on \$254.2 million outstanding parity highway revenue bonds.

Highway revenue bonds are not general obligations of the state but are payable from revenues deposited into the state highway fund, principally the fuel license (gas) tax, vehicle registration fees and weight taxes, and rental motor vehicle and tour vehicle surcharge taxes, all of which become pledged user taxes upon deposit to the fund. The fuel license tax provides about 43% of pledged revenues. Rates for all have been in effect since the early 1990s, with the rental vehicle surcharge increased 50% (to \$3/day) from Sept. 1, 1999-Aug. 31, 2007; the surcharge increase flowed to the state's general fund in the first two years, and beginning in 2002, remained with the state highway fund. The state's long-range transportation program is very closely integrated with the state's general fund, as nearly half of outstanding highway bonds are from reimbursable general obligation bonds of the state. Since 1993, the state has addressed its highway capital plan with revenue bond issuance instead of general obligation debt and will continue the practice. To that end, legislation has been filed to prohibit transfers from the highway special account to the general fund notwithstanding the fact that the indenture/certificate allows for transfers in excess of 135% of the next year's debt service requirements.

Although the underlying growth of state highway fund revenues was slow in recent years with fiscal 2002's decline offset by one-time revenues, coverage is satisfactory and is still considerably above the covenanted 2 times (x) level required for issuance. While fiscal 2004 revenues were essentially flat, after six months, pledged highway revenues are on target to meet the 2.1% growth projected for fiscal 2005. Coverage of maximum debt service on both highway revenue and reimbursable general obligation bonds by fiscal 2005 expected revenues is 4.0x and 6.5x for revenue bonds alone. With revenues conservatively expected to grow about 2% also in fiscal 2006 and thereafter at 1.4% annually, coverage is projected to approximate the 4x level through 2009, increasing to over 5x after 2010 as the general obligation bond debt service substantially tapers off.

Contact: Ruth Corson Maynard +1-212-908-0596 or Richard J. Raphael +1-212-908-0506, New York.

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