HAWAIIAN ELECTRIC INDUSTRIES INC
Form S-3/A
July 01, 2002

As filed with the Securities and Exchange Commission on July 1, 2002.

Registration No. 333-87782

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1

to

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

HAWAIIAN ELECTRIC INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Hawaii	99-0208097
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

900 Richards Street, Honolulu, Hawaii 96813 (808) 543-5662
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

ROBERT F. MOUGEOT
Financial Vice President, Treasurer & Chief Financial Officer
Hawaiian Electric Industries, Inc.
900 Richards Street, Honolulu, Hawaii 96813 (808) 543-5641
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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Approximate date of commencement of proposed sale to public: From time to time after the effective date of this Registration Statement, as determined by market conditions.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [_]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earliest effective registration statement for the same offering. [_] ______

If this Form is a post-effective amendment filed pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_] ______

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [_]

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Preliminary Prospectus dated July 1, 2002

PROSPECTUS
[LOGO] Hawaiian Electric Company

$300,000,000

Hawaiian Electric Industries, Inc.
Medium-Term Notes, Series D
Due from 9 Months to 30 Years from Date of Issue

Hawaiian Electric Industries, Inc., or HEI, may offer from time to time up to $300,000,000 aggregate principal amount of its Medium-Term Notes, Series D, which we refer to in this prospectus as the "Notes". Each Note will be denominated in U.S. dollars and will include the following terms, unless different terms are described in the applicable pricing supplement:

- A stated maturity date from 9 months to 30 years from date of issue
- Interest payments on fixed rate Notes on each February 10 and August 10
- Interest payments on floating rate Notes on a monthly, quarterly, semiannual or annual basis
- Minimum denominations of $1,000 and integral multiples of $1,000
- Redemption and/or repayment provisions, whether mandatory, at HEI's option, at the option of the holders or none at all
- Book-entry (through The Depository Trust Company) or certificated form

- Interest at fixed or floating rates, or n all. The floating interest rate may be bas or more of the following indices plus or spread and/or multiplied by a spread multi
  - CD rate
  - Commercial paper rate
  - Federal funds rate
  - LIBOR
  - Prime rate
  - Treasury rate
  - Such other interest basis or interest formula as may be specified in the applicable pricing supplement

HEI will specify final terms for each Note in the applicable pricing supplement, which may be different from the terms described in this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus or any pricing supplement is truthful or complete. Any representation to the contrary is a criminal offense.

See "Risk Factors" beginning on page 1 for a discussion of certain factors you should consider before investing in the Notes.

HEI may sell the Notes to the Agents as principals for resale at varying or fixed offering prices or through the Agents as agents using their reasonable best efforts on HEI's behalf. Unless otherwise specified in the applicable pricing supplement, the price to the public for the Notes will be 100% of the principal amount. If HEI sells all of the Notes, HEI expects to receive proceeds of between $297,750,000 and $299,625,000 after paying the Agents' discounts and commissions of between $375,000 and $2,250,000 and before deducting expenses payable by HEI. HEI may also sell the Notes without the assistance of the Agents (whether acting as principal or as agent).

The address of HEI's principal executive offices is 900 Richards Street, Honolulu, Hawaii 96813 and its telephone number is (808) 543-5662.

Merrill Lynch & Co.

Goldman, Sachs & Co.

Robert W. Baird & Co.

Janney Montgomery Scott LLC

U.S. Bancorp Piper Jaffray Inc.

The date of this prospectus is , 2002.

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RISK FACTORS

You should carefully consider the risk factors described below, as well as the other information contained or incorporated by reference in this prospectus, before purchasing Notes.

Holding Company and Company-Wide Risks

HEI is a holding company that derives substantially all of its income from its operating subsidiaries and depends on the ability of those subsidiaries to pay dividends or make other distributions to HEI

HEI is a legal entity separate and distinct from its various subsidiaries. As a holding company with no significant operations of its own, HEI's cash flows and consequent ability to service its obligations, including the Notes, are dependent upon its receipt of dividends or other distributions from its operating subsidiaries. The ability of HEI's subsidiaries to pay dividends or make other distributions to HEI is, in turn, subject to the risks associated with those subsidiaries and their operations.

The ability of certain of HEI's subsidiaries to pay dividends or make other distributions to HEI is subject to contractual and regulatory restrictions, including:

- the provisions of an HEI agreement with the Hawaii Public Utilities Commission, or PUC, which could limit the ability of HEI's principal electric public utility subsidiary (Hawaiian Electric Company, Inc., or HECO) to pay dividends to HEI;

- the provisions of an HEI agreement entered into with federal bank regulators in connection with its acquisition of its bank subsidiary, American Savings Bank, F.S.B., or ASB, which require HEI to contribute additional capital to ASB (up to a maximum amount at December 31, 2001 of an additional $28.3 million) in order to maintain ASB's regulatory capital at a level of at least 6% of ASB's total liabilities, or at such greater amount as may be required from time to time by regulation; and

- the minimum capital and capital distribution regulations of the Office of Thrift Supervision, or OTS, that are applicable to ASB.

HEI is subject to risks associated with the Hawaii economy, volatile U.S. capital markets and changes in the interest rate environment

Because the core businesses of HEI's subsidiaries are providing local electric public utility services (through HECO and its subsidiaries) and banking services (through ASB and its subsidiaries) in Hawaii, HEI's operating results are significantly influenced by Hawaii's economy, which in turn is influenced by economic conditions in the mainland U.S. (particularly California) and Asia (particularly Japan) as a result of the impact of those conditions on tourism, which comprises approximately 25% of Hawaii's economy.

A decline in the Hawaii economy, or the U.S. or Asian economies, could lead to a decline in the kilowatthour sales and an increase in uncollected billings of HECO and its subsidiaries, higher delinquencies in ASB's loan portfolio and other adverse effects on HEI's businesses.

Changes in the U.S. capital markets can also have significant effects on HEI. For example:

- Volatility in U.S. capital markets or higher delinquencies in the assets underlying the $2.7 billion of mortgage/asset-backed securities held by ASB or the $13.1 million of income notes held by HEI as of March 31, 2002 may adversely affect their fair values in future periods.

- HEI's pension income or expense is affected by the market performance of the assets in the master pension trust maintained for the pension plans for employees of HEI and its subsidiaries, and by the

discount rate used to determine the service and interest cost components of HEI's net periodic pension cost (returns).

After the September 11, 2001 terrorist attacks on the U.S., the ongoing war on terrorism by the U.S. and the recent bankruptcies or reported financial difficulties of several major U.S. companies, conditions in the financial markets have become increasingly volatile and uncertain, even for financially healthy companies. These events and related future events could constrain the availability of capital to HEI's electric utility subsidiaries, which are capital intensive. HEI periodically issues common stock and long-term debt to meet its financing requirements (including the refinancing of short-term and long-term debt as it becomes due). If HEI's ability to access capital becomes significantly constrained, its interest costs will likely increase and could adversely affect its financial condition and future results of operations.

If Standard & Poor's or Moody's Investors Service were to downgrade HEI's or HECO's long-term debt ratings, their ability to borrow (including through HEI's sale of Notes) could be adversely affected and its future borrowing costs would likely increase. Further, if HEI's or HECO's ratings were to be downgraded, HEI and HECO might not be able to sell commercial paper or Notes under current market conditions and might be required to draw on more expensive bank lines of credit or to defer capital or other expenditures.

Because the earnings of ASB depend primarily on net interest income, interest rate risk is a significant risk of ASB's operations. HEI and its electric utility subsidiaries are also exposed to interest rate risk primarily due to their periodic borrowing requirements. Interest rates are sensitive to many factors, including general economic conditions and the policies of government and regulatory authorities. HEI cannot predict future changes in interest rates, nor be certain that interest rate risk management strategies it or its subsidiaries have implemented will be successful in managing interest rate risk.

HEI is subject to the risks associated with the geographic concentration of its businesses

The business of HECO and its electric utility subsidiaries is concentrated on the individual islands they serve in the State of Hawaii. The operations of HEI's electric utility subsidiaries are more vulnerable to service interruptions than are many U.S. mainland utilities because none of the systems of HECO and its subsidiaries are interconnected.

Certain geographic regions of the U.S. may from time to time experience natural disasters or weaker regional economic conditions and housing markets and, consequently, may experience higher rates of loss and delinquency on mortgage loans. Substantially all of the real estate underlying ASB's residential and commercial real estate loans is located in Hawaii, and a substantial portion of the real estate underlying the private-issue mortgage/asset-backed securities currently owned by ASB is located in California. These assets may be subject to a greater risk of default than other comparable assets held by financial institutions with other geographic concentrations in the event of adverse economic, political or business developments or natural hazards that may affect Hawaii and California and the ability of property owners in these regions to make payments of principal and interest on the underlying mortgages.

Increasing competition and technological advances could adversely affect HEI's businesses

The banking industry in Hawaii, and certain aspects of the electric utility industry, are competitive. The success of HEI's subsidiaries in meeting competition will continue to have a direct impact on HEI's financial performance. For example:

- ASB, which is the third largest financial institution in the state, is in direct competition for deposits and loans not only with two larger institutions that have substantial capital, technology and marketing resources, but also with smaller Hawaii institutions and other U.S. institutions, including credit unions, mutual funds, mortgage brokers, finance companies and investment banking firms. Larger financial institutions may have greater access to capital at lower costs, which may adversely affect ASB's ability to compete effectively.

- The generation sector of the electric utility industry is becoming increasingly competitive in Hawaii. Independent power producers, including alternate energy providers, and customer self-generation, with or without cogeneration, continue to be competitive factors. In January 2000, the PUC submitted to the Hawaii Legislature a status report on its investigation of competition, which stated that the PUC plans to proceed with an examination of the feasibility of competitive bidding and to review specific policies to encourage renewable energy resources in the power generation mix. HEI is unable to predict the ultimate outcome of the investigation and which (if any) of the proposals advanced by participants in the investigation will be implemented.

In addition, new technological developments, such as the commercial development of fuel cells or distributed generation or significant advances in Internet banking, may adversely affect HEI and its subsidiaries by making their operations less competitive or obsolete.

HEI may be subject to additional liabilities related to its discontinued operations and asset dispositions

HEI has discontinued or sold its international power, maritime freight transportation and real estate operations in recent years, and is completing its exit from the international power business. Problems may be encountered or liabilities may arise in the exit from these operations. The amounts that may ultimately be realized from the disposition of the international power operations could differ materially from recorded amounts, and further losses from these operations may be incurred during the phase-out period. In addition, in connection with prior dispositions of operations, additional unrecorded liabilities may arise, such as if claims are asserted under indemnities provided in connection with the dispositions.

HEI's businesses could suffer losses that are uninsured

In the ordinary course of business, HEI and its subsidiaries purchase insurance coverages (e.g., property and liability coverages) to protect against loss of or damage to their properties and against claims made by third-parties and employees for property damage or personal injuries. However, the protection provided by such insurance is limited in significant respects and, in some instances, there is no coverage. Certain of the insurance has substantial deductibles or has limits on the maximum amounts that may be recovered. For example:

- The electric utilities' overhead and underground transmission and distribution systems (with the exception of substation buildings and contents) have an estimated replacement cost of approximately $2 billion and are not insured against loss or damage because the amount of transmission and distribution system insurance available is limited and the premiums are cost prohibitive. Similarly, the electric utilities have no business interruption insurance as the premiums for such insurance would be cost prohibitive, particularly since the utilities are not interconnected to other systems. If a hurricane or other uninsured catastrophic natural disaster should occur, and the PUC does not allow the affected electric utility to recover from ratepayers restoration costs and revenues lost from business interruption, HEI's results of operations could be materially adversely affected.

- ASB generally does not obtain credit enhancements such as mortgagor bankruptcy insurance or special hazard insurance for its loans, other than standard hazard insurance. Accordingly, for loans for which no third-party insurance is obtained, ASB will be subject to the risks of borrower defaults and bankruptcies and special hazard losses, such as losses from hurricanes, earthquakes or floods.

Events like the September 11, 2001 terrorist attacks have resulted generally in a decreased availability of insurance and higher deductibles, higher premiums and more restrictive policy terms.

Increased federal and state environmental regulation may have a material adverse effect on HEI

HEI and its subsidiaries are subject to federal and state environmental laws and regulations relating to air quality, water quality, waste management, natural resources and health safety, which regulate the operation of

existing facilities, the construction and operation of new facilities and the proper cleanup and disposal of hazardous waste and toxic substances. Compliance with these legal requirements requires HECO and its subsidiaries to commit significant resources and funds toward environmental monitoring, installation of pollution control equipment and payment of emission fees. These laws and regulations, among other things, require that certain environmental permits be obtained in order to construct or operate certain facilities, and obtaining such permits can entail significant expense and cause substantial construction delays. Also, these laws and regulations may be amended from time to time, including amendments that increase the burden and expense of compliance. For example, emission and/or discharge limits may be tightened, more extensive permitting requirements may be imposed and additional substances may become regulated.

If HEI or its subsidiaries fail to comply with environmental laws and regulations, even if caused by factors beyond their control, that failure may result in civil or criminal penalties and fines. For example:

- HECO is a named party in the Honolulu Harbor environmental investigation, which is an ongoing investigation to determine the nature and extent of actual or potential releases of hazardous substances, oil, pollutants or contaminants at or near Honolulu Harbor. In addition, an HEI subsidiary and a former HEI subsidiary operated tug and barge businesses and are named parties in the Honolulu Harbor investigation. In connection with the 1999 sale of the former subsidiary, HEI agreed to indemnify the purchaser for costs attributed to that former subsidiary's use of Honolulu Harbor while HEI was the owner of that subsidiary.

- If ASB is forced to foreclose on a defaulted mortgage loan, conditions with the underlying real property may cause ASB to be subject to environmental liabilities exceeding the value of the property.

HEI's results of operations could be adversely affected if it and its subsidiaries do not prevail on tax positions they take

Governmental taxing authorities could challenge a tax return position taken by HEI or its subsidiaries and, if the taxing authorities prevail, HEI's results of operations and financial condition may be adversely affected. For example, adverse tax consequences would result if:

- ASB Realty Corporation, a subsidiary of ASB, failed to qualify as a REIT; or

- ASB does not prevail in its position, for State of Hawaii tax purposes, that it is entitled to a dividends received deduction on approximately $13 million of dividends paid to it by ASB Realty Corporation.

HEI could be subject to the risk of uninsured losses in excess of its reserves for litigation matters

Certain of HEI's subsidiaries are involved in routine litigation in the ordinary course of their businesses, most of which is covered by insurance (subject to policy limits and deductibles). However, other litigation may arise that is not routine or involves claims that may not be covered by insurance. For example:

- HECO and HEI are defendants in a suit, brought as a purported qui tam and class action, which claims that the State of Hawaii and HECO's other customers have been overcharged for electricity as a result of allegedly excessive prices charged under a power purchase agreement between defendants HECO and AES Hawaii, Inc. The complaint asserts that HECO's payments to AES Hawaii, Inc. for power have been "excessive" by over $1 billion since September 1992, and that approval of the power purchase agreement by the PUC in 1989 was wrongfully obtained through alleged misrepresentations or material omissions by the defendants of the estimated future costs under the power purchase agreement compared to the costs that would have been incurred had HECO-owned units been constructed instead.

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- ASB has filed a lawsuit against the broker through whom three issues of trust certificates were purchased to require the broker to buy them back from ASB and to seek recovery of any losses ASB may incur as a result of its purchase of the trust certificates. The trust certificates had been found by the Office of Thrift Supervision, or OTS, to be impermissible investments for ASB. In 2002, the broker filed a counterclaim alleging misrepresentation and fraud by ASB.

Because of the uncertainties associated with litigation, there is a risk that litigation against HEI and its subsidiaries, even if vigorously defended, could result in costs of defense and judgment or settlement amounts not covered by insurance and in excess of reserves established in HEI's financial statements.

HEI's results of operations could be significantly affected by changes in accounting principles and estimates

HEI's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Changes in these principles from time to time could materially affect HEI's results of operations. Further, in preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change include the amounts reported for investment securities, allowance for loan losses, regulatory assets, pension and other post-retirement benefit obligations, reserves for discontinued operations, current and deferred taxes, contingencies and litigation.

HECO and its subsidiaries' financial statements reflect assets and costs based on cost-based rate-making regulations. Continued accounting in this manner requires that certain criteria relating to the recoverability of such costs through rates be met. If events or circumstances should change so that the criteria are no longer satisfied, a material adverse effect on the Company's results of operations, financial position or liquidity would result if the regulatory assets (amounting to $109.6 million as of March 31, 2002) were required to be charged to expense.

ELECTRIC UTILITY RISKS

HEI's electric utility operations are significantly influenced by weather conditions

HECO and its subsidiaries' results of operations can be affected by changes in the weather. Weather conditions directly influence the demand for electricity. In addition, severe weather can be destructive, causing outages, property damage and requiring HECO and its subsidiaries to incur additional expenses.

HEI's electric utility operations depend heavily on third party suppliers of fuel oil and purchased power

The electric utilities rely on fuel oil suppliers and shippers and independent power producers to deliver fuel oil and power, respectively, in accordance with contractual agreements. Approximately 75% of the net energy expected to be generated or purchased by HECO and its subsidiaries in 2002 will be generated from the burning of oil, and purchases of power by HECO and its subsidiaries provided about 39% of their total net energy generated and purchased in 2001. Failure or delay by oil suppliers and shippers to provide fuel pursuant to existing contracts, or failure by a major independent power producer to deliver the firm capacity anticipated in its power purchase agreement, could interrupt the ability of the electric utilities to deliver electricity, thereby materially adversely affecting HEI's results of operations and financial condition. In addition, as these contractual agreements end, the electric utilities may not be able to purchase fuel and power on terms equivalent to the current contractual agreements.

HECO and its subsidiaries may be significantly affected by the actions of the PUC

The rates that HECO and its subsidiaries are allowed to charge for its services are one of the most important items influencing HEI's financial position, results of operations and liquidity. The PUC has broad discretion over the rates that the electric utilities charge their customers. Any adverse decision by the PUC

concerning the level or method of determining electric utility rates, the authorized returns on equity or other regulatory matters, or any prolonged delay in rendering a decision in a rate or other proceeding, could have a material adverse effect on HEI's financial condition, results of operations and liquidity. After not initiating a rate case for several years, HECO committed to the PUC in 2001 that it would commence a rate case within the following three years.

Many public utility projects require PUC approval and various permits (e.g., environmental and land use permits) from other governmental agencies. Difficulties in obtaining, or the inability to obtain, the necessary approvals or permits, any adverse decision or policy made or adopted, or any prolonged delay in rendering a decision by an agency can result in significantly increased project costs or even cancellation of projects. If a project does not proceed, or if the PUC disallows cost recovery for the project, the project costs may need to be written off in amounts that could have a material adverse effect on HEI. Two major capital improvement projects have encountered substantial opposition. The Keahole power plant project, which has been seriously delayed, involves plans of Hawaii Electric Light Company, Inc., or HELCO, to install combustion turbines and a heat steam recovery generator, then to convert the units to a dual-train combined cycle unit at its Keahole plant on the island of Hawaii. The Kamoku-Pukele transmission line project involves HECO's plans to construct a part underground/part overhead transmission line from its Kamoku substation to Pukele substation on the island of Oahu. As of March 31, 2002, HELCO's costs incurred in its efforts to put the combustion turbines into service and to support existing units amounted to approximately $75 million and HECO's accumulated costs related to the transmission line project amounted to approximately $15 million.

HECO's electric generating facilities are subject to operational risks

Operation of electric generating facilities involves certain risks which can adversely affect energy output and efficiency levels. Included among these risks are increased prices for fuel and fuel transportation as existing contracts expire (particularly if the PUC were to no longer permit the electric utilities to pass such price increases through to customers through their energy cost adjustment clauses), facility shutdowns due to a breakdown or failure of equipment or processes or interruptions in fuel supply, labor disputes, inability to comply with regulatory or permit requirements, disruptions in delivery of electricity, operator error and catastrophic events such as fires, explosions, floods or other similar occurrences affecting the electric generating facilities of HEI's subsidiaries.

HEI's electric utilities may be adversely affected by the adoption of adverse legislation

Congress and the Hawaii Legislature periodically consider legislation that could have positive or negative effects on HEI's electric utilities and their customers. For example, Congress is still considering an energy plan that could increase the domestic supply of oil as well as increase support for energy conservation programs and mandate the use of renewables by utilities. The 2002 Hawaii Legislature considered measures that would undertake a comprehensive audit of the state's electric utility regulatory policies, energy policies and support for reducing Hawaii's dependence on imported petroleum for electrical generation. HEI cannot predict the likelihood that such measures will be enacted into law or their potential effect on the electric utilities.

BANK RISKS

Fluctuations in interest rates could adversely affect ASB's business

Interest rate risk is a significant risk of ASB's operations. ASB's net interest income consists primarily of interest income received on fixed-rate and adjustable-rate loans, mortgage/asset-backed securities and investments and interest expense consisting primarily of interest paid on deposits and borrowings. Although the Bank pursues an asset-liability management strategy designed to control its risk from changes in market interest rates, interest rate risk arises when an interest-earning asset matures or when its interest rate changes in a time frame different from that of the supporting interest-bearing liability. Changes in market interest rates, including changes in the relationship between short-term and long-term market interest rates or between different interest

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rate indices, can impact ASB's interest rate spread, that is, the difference between the interest rates it charges on interest-earning assets, such as loans, and the interest rates it pays on interest-bearing liabilities, such as deposits. Unfavorable movements in interest rates could result in lower net interest income.

Significant increases in market interest rates, or the perception that an increase may occur, could adversely affect ASB's ability to originate new loans, attract low-costing core deposits and grow. An increase in market interest rates could also adversely affect the ability of ASB's floating-rate borrowers to meet their higher payment obligations. If this occurred, it could cause an increase in nonperforming assets and charge-offs. Conversely, a decrease in interest rates could result in an acceleration in the prepayment of loans and mortgage/asset-backed securities and impact the Bank's ability to reinvest its liquidity in similar yielding assets.

ASB's operations are affected by many disparate factors beyond its control

ASB's results of operations depend primarily on the level of net interest income generated by ASB's interest-earning assets and interest-bearing liabilities and the supply of and demand for its products and services (i.e., loans and deposits). ASB's results of operations may be affected by various factors, many of which are beyond the control of ASB, such as:

- local and other economic and political conditions affecting employment and real estate values,
- the ability of owners to make mortgage payments and tenants to make lease payments,
- the ability of a mortgaged property to attract and retain tenants,

- the ability of owners to obtain insurance and the ability of ASB to place insurance where owners fail to do so,
- interest rate levels and the availability of credit to refinance such loans at or prior to maturity and
- increased operating costs.

ASB and its subsidiaries are significantly affected by banking and related regulations

ASB is subject to examination and comprehensive regulation by the Department of Treasury, the OTS and the Federal Deposit Insurance Corporation, and is subject to reserve requirements established by the Board of Governors of the Federal Reserve System. By reason of the regulation of its subsidiary, ASB Realty Corporation, ASB is also subject to regulation by the Hawaii Commissioner of Financial Institutions. Regulation by these agencies focuses mostly on the adequacy of ASB's capital, maintaining ASB's status as a "qualified thrift lender", or a QTL, and the results of periodic "safety and soundness" examinations conducted by the OTS. Because ASB and ASB Realty Corporation are indirect subsidiaries of HEI, federal and State of Hawaii regulatory authorities have the right to examine HEI and its respective activities.

Under certain circumstances, including any determination that ASB's relationship with HEI results in an unsafe and unsound banking practice, these regulatory authorities have the authority to restrict the ability of ASB to transfer assets and to make distributions to its stockholders (including payment of dividends to HEI), or they could seek to require HEI to sever its relationship with or divest its ownership of ASB. Payment by ASB of dividends to HEI may also be restricted by the OTS under its prompt corrective action regulations or its capital distribution regulations if ASB's capital position deteriorates. In order to maintain its status as a QTL, ASB is required to maintain at least 65% of its assets in "qualified thrift investments," which include housing-related loans as well as certain small business loans, education loans, loans made through credit card accounts and a basket (not exceeding 20% of total assets) of other consumer loans and other assets. Savings associations that fail to maintain QTL status are subject to various penalties, including limitations on their activities. In ASB's case, the activities of HEI and HEI's other subsidiaries would also be subject to restrictions, and a failure or inability to comply with those restrictions could effectively result in the required divestiture of ASB.

ASB's business is subject to risks associated with expanding its business and commercial lending activities

While business and commercial lending are a small part of ASB's loan portfolio, ASB has a strategy to expand these lines of business. These types of loans generally present greater credit risks than traditional residential mortgages.

Generally, both business and commercial real estate loans have shorter terms to maturity and earn higher rates than residential mortgage loans. Only the assets of the business typically secure business loans. In such cases, upon default, any collateral repossessed may not be sufficient to repay the outstanding loan balance. In addition, loan collections are dependent on the borrower's continuing financial stability and, thus, are more likely to be affected by current economic conditions and adverse business developments.

Commercial real estate properties tend to be unique and are more difficult to value than residential real estate properties. Commercial real estate loans may not be fully amortizing, meaning that they may have a significant principal balance or "balloon" payment due at maturity. In addition, commercial real estate properties, particularly industrial and warehouse properties, are generally subject to relatively greater environmental risks than noncommercial properties and to the corresponding burdens and costs of compliance with environmental laws and regulations. Also, there may be costs and delays involved in enforcing rights of a property owner against tenants in default under the terms of leases with respect to commercial properties. For example, tenants may seek the protection of bankruptcy laws, which could result in termination of such tenant's lease.

In addition to the inherent risk in business and commercial real estate lending described above, the expansion of these new lines of business present execution risks including the ability of ASB to attract personnel experienced in underwriting such loans and the ability of ASB to appropriately evaluate credit risk associated with such loans in determining the adequacy of the allowance for loan losses.

THE COMPANY

HEI was incorporated in 1981 under the laws of the State of Hawaii and is a holding company whose principal subsidiaries engage in the electric public utility and bank businesses in the State of Hawaii. HEI's predecessor, HECO, was incorporated in 1891 under the laws of the Kingdom of Hawaii (now the State of Hawaii). As a result of a 1983 corporate reorganization, HECO became an HEI subsidiary and the common shareholders of HECO became common shareholders of HEI. By virtue of its ownership of utility subsidiaries, HEI is a holding company under the Public Utility Holding Company Act of 1935, but claims exemption from all provisions thereof, except Section 9(a)(2), through the required annual filing of a report on SEC Form U-3A-2. HEI's executive offices are located at 900 Richards Street, Honolulu, Hawaii 96813, and its telephone number is (808) 543-5662.

HECO is a regulated electric public utility company engaged in the production, purchase, transmission, distribution and sale of electric energy on the island of Oahu, in the State of Hawaii. HECO's subsidiaries, Hawaii Electric Light Company, Inc., or HELCO, incorporated on December 5, 1894, and Maui Electric Company, Limited, or MECO, incorporated on April 28, 1921, are also regulated electric public utilities, and provide electric service on the islands of Hawaii, Maui, Lanai and Molokai in the State of Hawaii. HECO and its subsidiaries serve approximately 400,000 customers in a service area of approximately 5,766 square miles.

HEI's other principal subsidiary is ASB, with branches throughout the State of Hawaii. ASB, acquired in 1988, is a federally chartered savings bank with 71 branches as of March 31, 2002, providing a wide range of banking services to individual and corporate customers within Hawaii. As of December 31, 2001, ASB was the third largest financial institution in Hawaii based on total assets of $6.0 billion and deposits of $3.7 billion.

HEI's subsidiary, HEI Power Corp., or HEIPC, was formed in 1995 to pursue independent power and integrated energy service projects in Asia and the Pacific through direct and indirect subsidiaries formed in connection with those projects, known as the HEIPC Group. In October 2001, the HEI Board of Directors adopted a final plan to exit this international power business, which was reported as a discontinued operation in the third quarter of 2001. In connection with exiting the international power business, the HEIPC Group has sold a subsidiary that had repaired and operated a generating plant in Guam and has written off all of its investments in China and the Philippines except for the investment in approximately 22% of the outstanding common stock

of Cagayan Electric Power Light Co., Inc., an electric distribution company in the Philippines. As of December 31, 2001, the remaining net assets of the discontinued international power operations, after writeoffs and writedowns, amounted to $7 million.

For additional information concerning HEI's and its subsidiaries' businesses and affairs, including their capital requirements and external financing plans, pending legal and regulatory proceedings, descriptions of certain laws and regulations to which those companies are subject, and possible restrictions on the ability of certain of HEI's subsidiaries to pay dividends or make other distributions to HEI, prospective purchasers should refer to the documents incorporated by reference that are listed under the caption "Where You Can Find More Information."

RATIO OF EARNINGS TO FIXED CHARGES

The following tables set forth the ratio of earnings to fixed charges for HEI and its subsidiaries for the periods indicated.

	Years Ended December 31,					Three Months Ended
	1997	1998	1999	2000	2001	March 31, 2002
Ratio of Earnings to Fixed Charges, excluding interest on ASB deposits....	1.91	1.88	1.83	1.76	1.82	1.98
Ratio of Earnings to Fixed Charges, including interest on ASB deposits....	1.59	1.48	1.50	1.49	1.52	1.67

For purposes of calculating the ratio of earnings to fixed charges, "earnings" represent the sum of (i) pretax income from continuing operations (excluding undistributed net income or net loss from less-than-fifty-percent-owned persons) and (ii) fixed charges (excluding capitalized interest). "Fixed charges" are calculated both excluding and including interest on ASB's deposits during the applicable periods and represent the sum of (i) interest, whether capitalized or expensed, but excluding interest on nonrecourse debt from leveraged leases which is not included in interest expense in HEI's consolidated statements of income, (ii) amortization of debt expense and discount or premium related to any indebtedness, whether capitalized or expensed, (iii) the interest factor in rental expense, (iv) the preferred stock dividend requirements of HEI's subsidiaries, increased to an amount representing the pretax earnings required to cover such dividend requirements and (v) the preferred securities distribution requirements of trust subsidiaries.

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USE OF PROCEEDS

HEI expects to use the net proceeds from the sale of the Notes to reduce its short-term debt, to repay other indebtedness (including refinancing previously issued Notes), to make investments in and loans to subsidiaries (principally to help finance their capital expenditure programs and their investments in subsidiaries and to retire debt) and for its working capital and general corporate purposes. The use of proceeds in connection with a particular issuance of Notes will be set forth in the applicable pricing supplement.

WHERE YOU CAN FIND MORE INFORMATION

This prospectus is part of a registration statement on Form S-3 filed with the SEC under the Securities Act of 1933. The registration statement contains additional information and exhibits not included in this prospectus and refers to documents that are filed as exhibits to other SEC filings. HEI is subject to the informational requirements of the Securities Exchange Act of 1934 and, therefore, files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy the registration statement and any document that HEI files at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. You can call the SEC's toll-free telephone number at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains a web site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies (such as HEI) that file documents with the SEC electronically. The documents can be found by searching the EDGAR Archives at the SEC's web site. HEI's SEC filings, and other information with respect to HEI, may also be obtained on the Internet at HEI's web site at http://www.hei.com. This information on HEI's website is not incorporated by reference in this prospectus.

The SEC allows HEI to "incorporate by reference" the information that it files with the SEC, which means that HEI can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus and should be read with the same care. Later information that HEI files with the SEC will automatically update and supersede information in this prospectus or an earlier filed document. HEI has filed with the SEC (File No. 1-8503) and incorporates by reference the following documents: (1) HEI's Annual Report on Form 10-K for the year ended December 31, 2001; (2) HEI's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002; (3) HEI's Current Reports on Form 8-K dated January 17, 2002, January 23, 2002, January 25, 2002, February 8, 2002, March 5, 2002, March 25, 2002, April 22, 2002, May 1, 2002, June 10, 2002 and July 1, 2002; and (4) all reports and other documents subsequently filed by HEI pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act between the date of the initial filing of the registration statement of which this prospectus is a part and the effectiveness of the registration statement, as well as between the date of this prospectus and the time that all the Notes are sold.

You may request a free copy of any of these incorporated documents by writing or telephoning HEI at the following address or telephone number: Treasurer, Hawaiian Electric Industries, Inc., P.O. Box 730, Honolulu, Hawaii 96808-0730, telephone: (808) 543-5641.

You should rely only on the information contained or incorporated by reference in this prospectus and any pricing supplement. HEI has not, and the Agents have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. HEI is not, and the Agents are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus, any pricing supplement or the documents incorporated by reference is accurate only as of the date of those documents. HEI's business, financial condition, results of operations and prospects may have changed since those dates.

FORWARD-LOOKING STATEMENTS

This prospectus, which includes documents incorporated by reference, contains "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. The safe harbor provisions of the Exchange Act and the Securities Act apply to forward-looking statements made by HEI. Forward-looking statements, which include statements that are predictive in nature, depend upon or refer to future events or conditions, and usually include words such as "expects", "anticipates", "intends", "plans", "believes", "predicts", "estimates" or similar expressions. In addition, any statements concerning future financial performance (including future revenues, earnings or losses or growth rates), ongoing business strategies or prospects and possible future actions, which may be provided by management, are also forward-looking statements.

Forward-looking statements are based on current expectations and projections about future events and are subject to risks and uncertainties about HEI and its subsidiaries, the performance of the industries in which they do business and economic and market factors, among other things. These factors include the risks and uncertainties identified in this prospectus and in the incorporated documents. Forward-looking statements are not guarantees of future performance and the actual results that HEI achieves may differ materially. In addition, forward-looking statements speak only as of the date of the document in which they are made and, except for its ongoing obligations to disclose material information under the federal securities laws, HEI assumes no obligation to update these statements.

DESCRIPTION OF THE NOTES

HEI will issue Notes under an Indenture, dated as of October 15, 1988, as supplemented by a Third Supplemental Indenture (collectively, the "Indenture"), between HEI and Citibank, N.A., as trustee (the "Trustee"). This prospectus briefly outlines some of the Indenture provisions. If you would like more information about the Indenture, you should review the Indenture as filed with the SEC. See "Where You Can Find More Information" on how to locate the Indenture and the supplements to the Indenture. You may also review the Indenture and its supplements at the Trustee's offices at 399 Park Avenue, New York, New York 10043.

HEI provides information to you about the Notes in two separate documents. The first document is this prospectus, which provides general information concerning the Notes, some of which may not apply to a particular Note. The second document is a pricing supplement, which will provide final details about the terms of a specific Note and is filed with the SEC about the time the Note is sold. To the extent information in a pricing supplement about a specific Note you are purchasing differs from the information in this prospectus, you should rely on the specific information in the pricing supplement. This prospectus describes some, but not all, of the terms of the Notes, all of which may be varied by a pricing supplement.

This prospectus includes summaries of the Notes and the Indenture. If the information in this prospectus differs from the information in the Notes or the Indenture, you should in all cases rely on the information in the Notes and the Indenture.

General

The Notes are a single series of securities under the Indenture, except as described below under "Defeasance". The Indenture does not limit the amount of additional debt securities that HEI may issue in the future under additional supplements to the Indenture. Each series of debt securities, and each specific Note or other debt security of a series, may differ as to its terms. The Notes and all other debt securities which HEI has issued or may issue in the future under the Indenture will be referred to herein as the "Securities."

The Indenture contains certain limitations on the ability of HEI to incur secured indebtedness. See "Restriction on Liens" and "Restriction on Sale-Leaseback Transactions." The Indenture does not impose restrictions on the ability of HEI's subsidiaries to incur any indebtedness, including secured indebtedness. Some of HEI's subsidiaries are subject to debt instruments which impose limitations on their ability to incur indebtedness and to grant security interests. These limitations are applicable, however, only so long as the related indebtedness is outstanding and, in any event, are not enforceable by holders of the Notes.

Unless secured as described under "Restriction on Liens," the Notes will be unsecured obligations of HEI and will rank pari passu (that is, without priority and on the same creditor level in the event of a liquidation of HEI) with all other unsecured and unsubordinated indebtedness of HEI, including other Securities issued under the Indenture. As of March 31, 2002, the amount of HEI's total unsecured and unsubordinated indebtedness with which the Notes would have ranked pari passu was $453 million.

The rights of HEI, and consequently its creditors, to participate in any distribution of the assets of any of its subsidiaries is subject to the prior claims of the creditors of such subsidiaries, except to the extent that claims of HEI in its capacity as a creditor are recognized. Accordingly, the Notes will be effectively subordinated to all obligations of such subsidiaries. As of March 31, 2002, $684 million of HEI's total consolidated indebtedness of $1.137 billion was indebtedness of such subsidiaries.

The Notes are currently limited to up to $300,000,000 aggregate principal amount. Each Note will mature and be due and payable on the maturity date stated in the Note (the "Stated Maturity"), which will be from nine months to thirty years from the Original Issue Date. Each Note will also be due and payable (in whole or in part) on any earlier date on which the principal or an installment of principal of a Note becomes due and payable, whether by a declaration of acceleration, call for redemption at the option of HEI, repayment at the option of the holder or otherwise as agreed to by the purchaser and HEI and specified in the specific Note and applicable pricing supplement. The date upon which a Note is due and payable, whether the Stated Maturity or such earlier date, will be referred to as the "Maturity."

Each Note will bear interest from the date of original issuance (the "Original Issue Date") at a rate that is fixed to the maturity of the Note ("Fixed Rate Notes") or at a floating rate ("Floating Rate Notes"). The interest rate on a Fixed Rate Note is expected to be determined through negotiation with the Agents and, indirectly, their customers based on market conditions, HEI's circumstances and other factors at the time of the offering. The interest on Floating Rate Notes will be determined by reference to the Commercial Paper Rate, the Prime Rate, the London Interbank Offered Rate ("LIBOR"), the Treasury Rate, the Certificate of Deposit ("CD") Rate, the Federal Funds Rate or other interest rate basis, plus or minus a Spread and/or multiplied by a Spread Multiplier, if any, applicable to such Note that is expected to be determined through negotiation with the Agents and, indirectly, their customers, based on market conditions, HEI's circumstances and other factors at the time of the offering. See "Interest Rate." HEI may also issue a Note ("Discount Notes") at a discount from the principal amount payable at its Stated Maturity and such Discount Note will bear no interest or will bear interest at a rate that is below market interest rates at the time of issuance.

HEI may offer different interest rates at the same time depending upon, among other factors, the Stated Maturity of the Notes and the aggregate principal amount of Notes purchased in any single transaction. HEI may also offer Notes with different variable terms other than interest rates at the same time to different investors. HEI may change interest rates, interest rate formulas and other variable terms of the Notes from time to time, but no change will affect any Note already issued or as to which an offer to purchase has been accepted by HEI.

HEI will make payments of principal, premium (if any) and interest with respect to the Notes in United States dollars. HEI will issue Notes in fully registered book-entry form (each, a "Book-Entry Note"), except in certain limited circumstances, in which case HEI will issue Notes in certificated form (each, a "Definitive Note"). See "Book-Entry Notes." HEI will issue Notes in denominations of $1,000 and integral multiples of $1,000. Book-Entry Notes may be transferred or exchanged only through a participating member of The Depository Trust Company (or such other depositary as is identified in an applicable pricing supplement) (the "Depositary"). See "Book-Entry Notes." Registration of transfers of Definitive Notes will be made at the

Corporate Trust Office of the Trustee. HEI and the Trustee will not charge any service charge for any such registration of transfer or exchange of Definitive Notes. HEI may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange (other than exchanges not involving any transfer).

HEI will make payments of principal, premium (if any) and interest on Book-Entry Notes through the Trustee to the Depositary. See "Book-Entry Notes." In the case of Definitive Notes, HEI will pay principal and premium (if any) at the Maturity of each Definitive Note in immediately available funds upon presentation and surrender of the Definitive Note at the Corporate Trust Office of the Trustee in the Borough of Manhattan, The City of New York, or at such other place as HEI is entitled to designate. In the case of a permitted repayment on an Optional Repayment Date, HEI will make payment upon submission of a duly completed election form in accordance with the provisions described below. HEI will pay any interest due at the Maturity of a Definitive Note to the person to whom payment of the principal thereof and premium, if any, thereon shall be made. HEI will pay interest due on Definitive Notes other than at Maturity at the Corporate Trust Office of the Trustee or, at HEI's option, by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register. A holder of $10,000,000 or more in aggregate principal amount of Definitive Notes having the same Interest Payment Dates will be entitled to receive interest payments (other than at Maturity) by wire transfer of immediately available funds if the Trustee has received appropriate wire transfer instructions from the holder not less than 15 calendar days prior to the applicable Interest Payment Date. Any such wire transfer instructions received by the Trustee shall be effective until revoked by the holder.

Reference is made to the pricing supplement applicable to each Note for the following terms:

- the principal amount and purchase price of such Note (the "Issue Price"), which may be expressed as a percentage of the principal amount at which such Note will be issued;
- the Original Issue Date of such Note;
- the Stated Maturity of such Note;
- whether such Note is a Fixed Rate Note, a Floating Rate Note and/or a Discount Note;
- if such Note is a Fixed Rate Note, the annual interest rate, if any;

- if such Note is a Floating Rate Note, the Base Rate or Rates, the Initial Interest Rate, the Interest Determination Date or Dates, the Interest Reset Date or Dates, the Interest Payment Dates, the Index Maturity, the Maximum Interest Rate and/or Minimum Interest Rate, if any, and the Spread and/or Spread Multiplier, if any, and the Calculation Agent (if other than the Trustee), and any other terms relating to the particular method of calculating the interest rate for such Note;

- if such Note is a Discount Note, the issue price and the annual interest rate, if any;

- the date or dates from which any such interest shall accrue, if other than the Original Issue Date;

- the terms for redemption, repayment or a sinking fund, if any; and

- any other terms of such Note consistent with the provisions of the Indenture.

Interest Rate

General

Each interest-bearing Note will bear interest from its Original Issue Date at the rate per annum, in the case of a Fixed Rate Note, or pursuant to the interest rate formula, in the case of a Floating Rate Note, specified in the Note and in the applicable pricing supplement, until the principal thereof is paid or made available for payment. Interest payments on the Notes will be in an amount equal to the interest accrued from and including the immediately preceding Interest Payment Date (as defined below) in respect of which interest has been paid or duly made available for payment (or from and including the Original Issue Date, if no interest has been paid or

duly made available for payment since that date) to but excluding the applicable Interest Payment Date or Maturity (each, an "Interest Period"). Interest will be payable in arrears to the holders of such Notes (which, in the case of Book-Entry Notes, will be a nominee of the Depositary) on the Regular Record Date (as defined below) for each Interest Payment Date and, in the case of interest payable at Maturity, to the person to whom principal shall be payable at Maturity.

HEI will make the first payment of interest on any Note originally issued between a Regular Record Date and the related Interest Payment Date to the holder of the Note on the next Regular Record Date. The payment will be made on the Interest Payment Date following such next Regular Record Date. The "Regular Record Date" with respect to any Note shall be the date (whether or not a Business Day) that is 15 calendar days prior to the related Interest Payment Date. However, any interest not punctually paid or duly provided for will no longer be payable to the holder of the Note on the Regular Record Date and instead will be paid either (a) to the holder of record on a special record date to be fixed by the Trustee in accordance with the Indenture or (b) in such other lawful manner that is selected by HEI and deemed practicable by the Trustee.

Fixed Rate Notes

HEI will pay interest on Fixed Rate Notes semiannually on February 10 and

August 10 of each year (each, an "Interest Payment Date" with respect to Fixed Rate Notes), and at Maturity with respect to the principal then maturing. Interest on Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months. If any Interest Payment Date or the Maturity of a Fixed Rate Note falls on a day that is not a Business Day, the applicable payments may be made on the next Business Day. In such case, no interest will accrue on the amount so payable for such period of delay.

Floating Rate Notes

Each Floating Rate Note will bear interest at a rate determined by reference to one or more interest rate bases (each, a "Base Rate"), which may be adjusted by a Spread and/or Spread Multiplier (each as described below). The applicable pricing supplement will designate one or more of the following Base Rates as applicable to each Floating Rate Note:

- the Commercial Paper Rate (such Note being a "Commercial Paper Rate Note");
- the Prime Rate (such Note being a "Prime Rate Note");
- LIBOR (such Note being a "LIBOR Note");
- the Treasury Rate (such Note being a "Treasury Rate Note");
- the CD Rate (such Note being a "CD Rate Note");
- the Federal Funds Rate (such Note being a "Federal Funds Rate Note"); or
- such other Base Rate or interest rate formula as is set forth in such pricing supplement and in such Floating Rate Note.

If the Base Rate for a Note is LIBOR, the applicable pricing supplement and Note will also specify the Designated LIBOR Page, as explained below.

The interest rate on each Floating Rate Note will be calculated by reference to the specified Base Rate or Rates (a) plus or minus the Spread, if any, and/or (b) multiplied by the Spread Multiplier, if any. The "Spread" is the number of basis points (one one-hundredth of a percentage point) specified in the pricing supplement to be added to or subtracted from the Base Rate for such Note to calculate the interest rate for such Floating Rate Note. The "Spread Multiplier" is the percentage specified in the pricing supplement to be multiplied by the Base Rate (or by the Base Rate increased or decreased by the Spread) to calculate the interest rate for such Floating Rate Note. The "Index Maturity" for any Floating Rate Note is the period to maturity of the instrument or obligation from which the Base Rate or Rates is calculated.

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The interest rate with respect to each Base Rate will be determined in accordance with the applicable provisions below. Except as set forth above or in an applicable pricing supplement, the interest rate in effect on each day shall be (a) if such day is an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding such Interest Reset Date, or (b) if such day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding the most recent Interest Reset Date.

Interest Reset Dates. The rate of interest on each Floating Rate Note will be reset daily, weekly, monthly, quarterly, semiannually or annually (each, an "Interest Reset Date"), as specified in the applicable Note and pricing supplement. The Interest Reset Date will be as follows:

Type of Floating Rate Note	Interest Reset Date
Notes which reset daily....................	Each Business Day
Notes (other than Treasury Rate Notes) which reset weekly............................	Wednesday of each week
Treasury Rate Notes which reset weekly......	Tuesday of each week
Notes which reset monthly..................	Third Wednesday of each month
Notes which reset quarterly................	Third Wednesday of January, April, July and October of each year
Notes which reset semi-annually............	Third Wednesday of the two months of each year specified in the applicable Note and pricing supplement
Notes which reset annually.................	Third Wednesday of the one month of each year specified in the applicable Note and pricing supplement

Notwithstanding the foregoing, the interest rate in effect from the Original Issue Date to the first Interest Reset Date with respect to a Floating Rate Note will be the Initial Interest Rate (as set forth in the applicable Note and pricing supplement). Any Interest Reset Date that does not fall on a Business Day will be postponed to the next Business Day. In the case of a LIBOR Note, however, if such next succeeding Business Day falls in the next calendar month, the Interest Reset Date will be the preceding Business Day. The term "Business Day" means any day other than a Saturday or Sunday or any other day on which banks in The City of New York are generally authorized or obligated by law or executive order to close and, with respect to LIBOR Notes, is also a London Business Day. As used herein, "London Business Day" means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

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Interest Payment Dates. Except as provided below or in an applicable pricing supplement, interest will be payable on the following dates ("Interest Payment Dates" with respect to Floating Rate Notes):

Type of Floating Rate Note	Interest Payment Date
Notes which reset daily, weekly or monthly	Third Wednesday of each month or the third Wednesday of January, April, July and October of each year, as specified in the

	applicable Note and pricing supplement
Notes which reset quarterly..............	Third Wednesday of January, April, July and October of each year
Notes which reset semi-annually...........	Third Wednesday of the two months of each year specified in the applicable Note and pricing supplement
Notes which reset annually................	Third Wednesday of the one month of each year specified in the applicable Note and pricing supplement
All Notes.................................	At Maturity with respect to the principal then maturing

If any Interest Payment Date other than the Maturity Date for any Floating Rate Note would otherwise be a day that is not a Business Day, such Interest Payment Date will be postponed to the next succeeding Business Day, and interest will continue to accrue in respect of the payment made on that next succeeding Business Day, except that in the case of a Floating Rate Note as to which LIBOR is an applicable Base Rate and that Business Day falls in the next succeeding calendar month, the particular Interest Payment Date will be the immediately preceding Business Day. If the Maturity Date of a Floating Rate Note falls on a day that is not a Business Day, HEI will make the required payment of principal, premium, if any, and interest on the next succeeding Business Day, and no additional interest will accrue in respect of the payment made on that next succeeding Business Day.

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Interest Determination Dates. The Interest Determination Dates for Floating Rate Notes pertaining to an Interest Reset Date will be as follows:

Type of Floating Rate Note	Interest Determination Date
Commercial Paper Rate Note......	Second Business Day preceding such Interest Reset Date
Prime Rate Note.................	Business Day preceding such Interest Reset Date
CD Rate Note....................	Second Business Day preceding such Interest Reset Date
Federal Funds Rate Note.........	Business Day preceding such Interest Reset Date
LIBOR Note......................	Second London Business Day preceding such Interest Reset Date
Treasury Rate Note..............	Day of the week in which such Interest Reset Date falls on which day Treasury bills would normally be auctioned by the U.S. Department of the Treasury, as described

	below
Note with two or more Base Rates	Most recent Business Day that is at least two Business Days prior to the applicable Interest Reset Date for such Floating Rate Note on which each Base Rate is determinable

Treasury bills are generally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that such auction may be held on the preceding Friday. If, as a result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Interest Determination Date for the Treasury Rate Note pertaining to the Interest Reset Date occurring in the next succeeding week.

Each Base Rate will be determined as of the Interest Determination Date, and the applicable interest rate will take effect on the applicable Interest Reset Date.

Maximum and Minimum Interest Rates. The pricing supplement applicable to a Floating Rate Note may provide that such Note has either or both of (a) a maximum limitation, or ceiling, on the rate of interest which may accrue during any Interest Period (a "Maximum Interest Rate"), and (b) a minimum limitation, or floor, on the rate of interest which may accrue during any Interest Period (a "Minimum Interest Rate"). In addition to any Maximum Interest Rate that may be applicable to any Floating Rate Note pursuant to the above provisions, the interest rate on the Floating Rate Notes will in no event be higher than the maximum rate permitted by New York or Hawaii law, whichever is lower, as the same may be modified by United States law of general application.

Floating Rate Determinations and Calculations

Except as otherwise provided herein, all percentages resulting from any calculations on any Floating Rate Notes will be rounded to the nearest one hundred-thousandth of a percentage point (with five one-millionths of a percentage point being rounded up, e.g., 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655)), and all dollar amounts used in or resulting from such calculation on any Floating Rate Notes will be rounded to the nearest cent (with one half cent being rounded up).

Accrued interest on a Floating Rate Note is calculated by multiplying the principal amount of such Floating Rate Note by an accrued interest factor. Such accrued interest factor is computed by adding the interest factors calculated for each day in the applicable Interest Period. The interest factor (expressed as a decimal) for each such day is computed by dividing the interest rate (expressed as a decimal) applicable to such date by 360, in the case of Commercial Paper Rate Notes, Prime Rate Notes, LIBOR Notes, CD Rate Notes or Federal Funds Rate Notes, or by the actual number of days in the year, in the case of Treasury Rate Notes. The interest factor for Floating Rate Notes for which the interest rate is calculated with reference to two or more Base Rates will be calculated in each period in the same manner as if only the lowest, highest or average of the applicable Base Rate applied, as specified in the applicable Note and pricing supplement.

The Trustee shall be the calculation agent (the "Calculation Agent") and shall calculate the interest rate on Floating Rate Notes on or before each Calculation Date. Upon the request of the holder of any Floating Rate Note, the

Calculation Agent will provide the interest rate then in effect, and, if determined, the interest rate that will become effective on the next Interest Reset Date with respect to such Floating Rate Note. The Calculation Agent's determination of any interest rate will be final and binding in the absence of manifest error. The "Calculation Date," if applicable, pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date, or, if such day is not a Business Day, the next succeeding Business Day and (ii) the Business Day preceding the applicable Interest Payment Date or Maturity, as the case may be.

The Calculation Agent shall determine each Base Rate in accordance with the following provisions. To the extent a Base Rate is determined by reference to the offered rates or quotations of dealers, banks, trust companies, brokers or others selected by the Calculation Agent as described below, such parties may include the Calculation Agent, the Agents and/or their respective affiliates, as the case may be.

Commercial Paper Rate Notes. Commercial Paper Rate Notes will bear interest at the interest rates (calculated with reference to the Commercial Paper Rate and the Spread and/or Spread Multiplier, if any) specified in the Commercial Paper Rate Notes and in the applicable pricing supplement.

The "Commercial Paper Rate," with respect to each Interest Reset Date, will be determined by the Calculation Agent on the Calculation Date and will be the Money Market Yield (as defined below) as of the Interest Determination Date next preceding such Interest Reset Date of the rate for commercial paper having the Index Maturity specified in the applicable Note and pricing supplement, as such rate shall be published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates", or any successor publication (such publication being hereinafter called "H.15(519)"), under the heading "Commercial Paper--Nonfinancial". In the event that such rate is not published prior to 3:00 P.M., New York City time, on the related Calculation Date, then the Commercial Paper Rate with respect to such Interest Reset Date will be the Money Market Yield on the applicable Interest Determination Date of the rate for commercial paper of the Index Maturity specified in the applicable Note and pricing supplement as published in the daily update of H.15(519), available through the world-wide web site of the Board of Governors of the Federal Reserve System at http://federalreserve.gov/releases/h15/update, or any successor site or publication (such site or publication being hereinafter called "H.15 Daily Update"), under the heading "Commercial Paper--Nonfinancial" (with an Index Maturity of one month or three months being deemed to be equivalent to an Index Maturity of 30 days or 90 days, respectively). If by 3:00 P.M., New York City time, on such Calculation Date such rate is not yet published in either H.15(519) or H.15 Daily Update, then the Commercial Paper Rate will be calculated by the Calculation Agent and shall be the Money Market Yield of the arithmetic mean of the offered rates as of 11:00 A.M., New York City time, on the applicable Interest Determination Date of three leading dealers of commercial paper in The City of New York selected by the Calculation Agent, in its discretion, for commercial paper of the specified Index Maturity placed for an industrial issuer whose bond rating is "Aa," or the equivalent, from a nationally recognized statistical rating organization. If the dealers selected as aforesaid by the Calculation Agent are not quoting offered rates as described in the preceding sentence, the Commercial Paper Rate with respect to such Interest Reset Date will be the Commercial Paper Rate in effect under the Note on such Interest Determination Date.

"Money Market Yield" shall be a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360 \times 100}{360 - (D \times M)}$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the applicable Interest Reset Period.

Prime Rate Notes. Prime Rate Notes will bear interest at the interest rates (calculated with reference to the Prime Rate and the Spread and/or Spread Multiplier, if any) specified in the Prime Rate Notes and in the applicable pricing supplement.

The "Prime Rate," with respect to each Interest Reset Date, will be determined by the Calculation Agent on the Calculation Date and will be the rate as of the Interest Determination Date next preceding such Interest Reset Date as published in H.15(519) under the heading "Bank Prime Loan". In the event that such rate is not published prior to 3:00 P.M., New York City time, on the related Calculation Date, then the Prime Rate with respect to such Interest Reset Date will be the applicable rate as published in H.15 Daily Update under the heading "Bank Prime Loan." If by 3:00 P.M., New York City time, on such Calculation Date such rate is not yet published in either H.15(519) or H.15 Daily Update, then the Prime Rate will be calculated by the Calculation Agent and will be the arithmetic mean of the rates of interest publicly announced by each bank that appears on such Interest Determination Date on the display designated as page "USPRIME1" on the Reuters Monitor Money Rates Service (or any successor service or such other page as may replace the USPRIME1 page on that service for the purpose of displaying prime rates or base lending rates of major United States banks) ("Reuters Screen USPRIME1 Page") as such bank's prime rate or base lending rate as of 11:00 A.M., New York City time, on such Interest Determination Date. If fewer than four such rates appear on the Reuters Screen USPRIME1 Page as of 3:00 P.M., New York City time, on the applicable Interest Determination Date, the Prime Rate with respect to such Interest Reset Date will be the arithmetic mean of the prime rates or base lending rates (quoted on the basis of the actual number of days in the year divided by a 360-day year) as of the close of business on such Interest Determination Date as furnished in The City of New York by the major money center banks, if any, that have provided such quotations and by a reasonable number of substitute banks or trust companies to obtain four such prime rate quotations, provided such substitute banks or trust companies are organized and doing business under the laws of the United States, or any state thereof, each having total equity capital of at least $500 million and being subject to supervision or examination by federal or state authority, selected by the Calculation Agent to provide such rate or rates. If the banks or trust companies selected as aforesaid by the Calculation Agent are not quoting rates as described in the preceding sentence, the Prime Rate with respect to such Interest Reset Date will be the Prime Rate in effect on such Interest Determination Date.

LIBOR Notes. Each LIBOR Note will bear interest at the interest rate (calculated with reference to LIBOR and the Spread and/or Spread Multiplier if any) as specified in the LIBOR Note and in the applicable pricing supplement.

"LIBOR," with respect to each Interest Reset Date, will be determined by the Calculation Agent in accordance with the following provisions:

- With respect to an Interest Determination Date, LIBOR will be either: (a) if "LIBOR Reuters" is specified in the applicable Note and pricing supplement, the arithmetic mean of the offered rates (unless the Designated LIBOR Page by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in U.S. dollars having the Index Maturity specified in such Note and pricing supplement, commencing on the applicable Interest Reset Date, that appear (or, if only a single rate is required as aforesaid, appears) on the Designated LIBOR Page as of 11:00 A.M., London time, on such Interest Determination Date, or (b) if "LIBOR Telerate" is specified in

the applicable Note and pricing supplement or if neither "LIBOR Reuters" nor "LIBOR Telerate" is specified in the applicable Note and pricing supplement as the method for calculating LIBOR, the rate for deposits in U.S. dollars having the Index Maturity specified in such Note and pricing supplement, commencing on such Interest Reset Date, that appears on the Designated LIBOR Page as of 11:00 A.M., London time, on such Interest Determination Date. If fewer than two such offered rates so appear, or if no such rate so appears where the Designated LIBOR Page provides only for a single rate, LIBOR on such Interest Determination Date will be determined in accordance with the provisions described in the following paragraph.

. With respect to a Interest Determination Date on which fewer offered rates appear than are required in the preceding paragraph, the Calculation Agent will request the principal London offices of each of four major reference banks (which may include the Agents or their affiliates) in the London interbank market as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in U.S. dollars for the period of the Index Maturity specified in the applicable Note and pricing supplement, commencing on the applicable Interest Reset Date to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such Interest Determination Date and in a principal amount that is representative for a single transaction in U.S. dollars in such market at such time. If at least two such quotations are so provided, then LIBOR on such Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, then LIBOR on such Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., New York City time, on such Interest Determination Date by three major banks in The City of New York selected by the Calculation Agent for loans in U.S. dollars to leading European banks, having the Index Maturity specified in the applicable Note and pricing supplement and in a principal amount that is representative for a single transaction in U.S. dollars in such market at such time. If the banks so selected by the Calculation Agent are not quoting rates as described in the preceding sentence, LIBOR determined as of such Interest Determination Date will be LIBOR in effect under the Note on such Interest Determination Date.

"Designated LIBOR Page" means (a) if "LIBOR Reuters" is specified in the applicable pricing supplement, the display in the Reuter Monitor Money Rates Service (or any successor service) on the page specified in such pricing supplement (or any other page as may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for U.S. dollars, or (b) if "LIBOR Telerate" is specified in the applicable pricing supplement or neither "LIBOR Reuters" nor "LIBOR Telerate" is specified in the applicable pricing supplement as the method for calculating LIBOR, the display on Moneyline Telerate (or any successor service) on the page specified in such pricing supplement (or any other page as may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for U.S. dollars.

Treasury Rate Notes. Treasury Rate Notes will bear interest at the interest rates (calculated with reference to the Treasury Rate and the Spread and/or Spread Multiplier, if any) specified in the Treasury Rate Notes and in the applicable pricing supplement.

The "Treasury Rate," with respect to each Interest Reset Date, will be determined by the Calculation Agent on the Calculation Date and will be the rate for the auction held on the Interest Determination Date (the "Auction") next preceding such Interest Reset Date of direct obligations of the United States ("Treasury bills") having the Index Maturity specified in the applicable Note and pricing supplement as published under the heading "INVESTMENT RATE" on the display on Moneyline Telerate (or any successor service) on page 56 (or any other page as may replace that page on that service) or page 57 (or any other page as may replace that page on that service). In the event that such rate is not published prior to 3:00 P.M., New York City time, on the related Calculation Date, then the Treasury Rate with respect to such Interest Reset Date will be the Bond Equivalent Yield (as defined below) of the rate for the applicable Treasury bills as published in H.15 Daily Update under the heading "U.S. Government Securities/Treasury Bills/Auction High." In the event that the rate referred to in the preceding sentence is not published prior to 3:00 P.M., New York City time, on the related

Calculation Date, then the Treasury Rate with respect to such Interest Reset Date will be the Bond Equivalent Yield of the auction rate of the applicable Treasury bills as announced by the United States Department of the Treasury. In the event that the rate referred to in the preceding sentence is not so announced by the United States Department of the Treasury, or if the Auction is not held, then the Treasury Rate with respect to such Interest Reset Date will be the Bond Equivalent Yield of the rate for the applicable Treasury bills as published in H.15(519) under the heading "U.S. Government Securities/Treasury Bills/Secondary Market." In the event that the rate referred to in the preceding sentence is not published prior to 3:00 P.M., New York City time, on the related Calculation Date, then the Treasury Rate with respect to such Interest Reset Date will be the rate for the applicable Treasury Bills as published in H.15 Daily Update under the heading "U.S. Government Securities/Treasury Bills/Secondary Market." In the event that the rate referred to in the preceding sentence is not published prior to 3:00 P.M., New York City time, on the related Calculation Date, then the Treasury Rate will be calculated by the Calculation Agent and shall be the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Interest Determination Date, of three primary United States government securities dealers selected by the Calculation Agent, in its discretion, for the issue of Treasury bills with a remaining maturity closest to the Index Maturity designated in the applicable Note and pricing supplement. If the dealers selected as aforesaid by the Calculation Agent are not quoting bid rates as described in the preceding sentence, the Treasury Rate with respect to such Interest Reset Date will be the Treasury Rate in effect under the Note on such Interest Determination Date.

"Bond Equivalent Yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Bond Equivalent Yield} = \frac{D \times N \times 100}{360 - (D \times M)}$$

where "D" refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis and expressed as a decimal, "N" refers to 365 or 366, as the case may be, and "M" refers to the actual number of days in the applicable Interest Reset Period.

CD Rate Notes. CD Rate Notes will bear interest at the interest rates (calculated with reference to the CD Rate and the Spread and/or Spread Multiplier, if any) specified in the CD Rate Notes and in the applicable pricing supplement.

The "CD Rate," with respect to each Interest Reset Date, will be determined by the Calculation Agent on the Calculation Date and will be the rate as of the Interest Determination Date next preceding such Interest Reset Date for negotiable United States dollar certificates of deposit having the Index Maturity specified in the applicable Note and pricing supplement as published in H.15(519) under the heading "CDs (secondary market)". In the event that such rate is not published prior to 3:00 P.M., New York City time, on the related Calculation Date, then the CD Rate with respect to such Interest Reset Date shall be the rate on such Interest Determination Date for negotiable United States dollar certificates of deposit having the Index Maturity specified in the applicable Note and pricing supplement as published in H.15 Daily Update under the heading "CDs (secondary market)". If by 3:00 P.M., New York City time, on such Calculation Date such rate is not published in either H.15(519) or H.15 Daily Update, the CD Rate with respect to such Interest Reset Date shall be calculated by the Calculation Agent and shall be the arithmetic mean of the secondary market offered rates, as of 10:00 A.M., New York City time, on such Interest Determination Date, of three leading nonbank dealers in negotiable United States dollar certificates of deposit in The City of New York selected by the Calculation Agent for negotiable United States certificates of deposit of major United States money center banks with a remaining maturity closest to the Index Maturity specified in the applicable Note and pricing supplement in United States dollars. If the dealers selected as aforesaid by the Calculation Agent are not quoting rates as described in the preceding sentence, the CD Rate with respect to such Interest Reset Date will be the CD Rate in effect under the Note on such Interest Determination Date.

Federal Funds Rate Notes. Federal Funds Rate Notes will bear interest at the interest rates (calculated with reference to the Federal Funds Rate and the Spread and/or Spread Multiplier, if any) specified in the Federal Funds Rate Notes and in the applicable pricing supplement.

The "Federal Funds Rate," with respect to each Interest Reset Date, will be determined by the Calculation Agent on the Calculation Date and will be the rate as of the Interest Determination Date next preceding such Interest Reset Date for United States dollar federal funds as published in H.15(519) under the heading "Federal Funds (Effective)" and displayed on Moneyline Telerate (or any successor service) on page 120 (or any other page as may replace that page on that service). In the event that such rate does not appear on such page 120 or is not published prior to 3:00 P.M., New York City time, on the relevant Calculation Date, then the Federal Funds Rate with respect to such Interest Reset Date will be the rate on such Interest Determination Date as published in H.15 Daily Update under the heading "Federal Funds (Effective)". If by 3:00 P.M., New York City time, on such Calculation Date such rate is not published in either H.15(519) or H.15 Daily Update, the Federal Funds Rate with respect to such Interest Reset Date shall be calculated by the Calculation Agent and shall be the arithmetic mean of the rates, as of 9:00 A.M., New York City time, on the applicable Interest Determination Date, for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of United States dollar federal funds transactions in The City of New York selected by the Calculation Agent. If the brokers selected as aforesaid by the Calculation Agent are not quoting rates as described in the preceding sentence, the Federal Funds Rate with respect to such Interest Reset Date will be the Federal Funds Rate in effect under the Note on such Interest Determination Date.

Book-Entry Notes

Except as described below, the Notes will be issued as Book-Entry Notes and represented by one or more global securities (each, a "Global Security") that will be deposited with, or on behalf of, The Depository Trust Company, New York, New York ("DTC"), or such other Depositary as is designated by HEI, and registered in the name of a nominee of the Depositary.

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 Exchange Act. 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 ("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. The Agents are Direct Participants of the Depositary. 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 SEC.

Upon issuance, all Book-Entry Notes having the same issue price, issue date, maturity date, interest rate, redemption and repayment provisions, if any, and interest payment dates will be represented by one or more Global Securities and will be deposited with DTC or its custodian.

So long as the Depositary or its nominee is the registered owner of a Global Security, the Depositary or its nominee, as the case may be, will be the sole holder of the Book-Entry Notes represented thereby for all purposes under the Indenture. Except as otherwise provided below, the beneficial owners of the Global Security or Securities representing Book-Entry Notes will not be entitled to receive physical delivery of Definitive Notes and will not be considered the holders thereof for any purpose under the Indenture, and no Global Security

representing Book-Entry Notes shall be so exchangeable or transferable. Accordingly, each beneficial owner must rely on the procedures of the Depositary and, if such beneficial owner is not a Participant, on the procedures of the Participant through which such beneficial owner owns its interest in order to exercise any rights of a holder under such Global Security or the Indenture. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in certificated form. Such limits and laws may impair the ability to transfer beneficial interests in a Global Security representing Book-Entry Notes.

Purchases of Book-Entry Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for such Book-Entry Notes on DTC's records. The ownership interest of each actual purchaser of each Book-Entry Note ("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 a Global Security representing Book-Entry Notes 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 of a Global Security representing Book-Entry Notes, except in the event that use of the book-entry system for such Book-Entry Notes is discontinued.

To facilitate subsequent transfers, all Global Securities representing Book-Entry Notes which are deposited with, or on behalf of, the Depositary are registered in the name of the Depositary's nominee, Cede & Co. The deposit of Global Securities with, or on behalf of, the Depositary and their registration in the name of Cede & Co. will effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Global Securities representing the Book-Entry Notes. DTC's records reflect only the identity of the Direct Participants to whose accounts such Book-Entry Notes 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.

If applicable, redemption notices will be sent to Cede & Co. as registered holder of the Book-Entry Notes. If less than all of the Notes within an issue are being redeemed, DTC will determine in accordance with its usual procedures the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. will itself consent or vote with respect to the Global Securities representing Book-Entry Notes. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to HEI as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Book-Entry Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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.

So long as the Notes are Book-Entry Notes, principal, premium (if any) and interest payments on such Book-Entry Notes will be made by HEI in immediately available funds through the Trustee to DTC. DTC's practice is to credit Direct Participants' accounts on the date on which interest is payable in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on such date. Payments by Participants to beneficial owners will be governed by standing instructions and customary practices as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC, the Agents or HEI, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium (if any) and interest to DTC is the responsibility of HEI and the Trustee. Disbursement of such payments to Direct

Participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of Direct and Indirect Participants.

A beneficial owner shall give notice of its exercise of any option it may have to elect to have its Book-Entry Notes repaid by HEI, through its Participant, to the Trustee, and shall effect delivery of such Book-Entry Notes by causing the Direct Participant to transfer to the Trustee the Participant's interest in the Global Security or Securities representing such Book-Entry Notes on the Depositary's records. The requirement for physical delivery of Book-Entry Notes in connection with the exercise of a beneficial owner's option for repayment will be deemed satisfied when the ownership rights in the Global Security or Securities representing such Book-Entry Notes are transferred by Direct Participants to the Trustee on the Depositary's records.

Each Global Security representing Book-Entry Notes will be exchangeable for Definitive Notes of like tenor and terms and of differing authorized denominations in a like aggregate principal amount, only if (i) the Depositary notifies HEI that it is unwilling or unable to continue as Depositary for the Global Securities or HEI becomes aware that the Depositary has ceased to be a clearing agency registered under the Exchange Act and, in either such case, HEI shall not have appointed a successor to the Depositary within 90 days thereafter, (ii) HEI, in its sole discretion, determines that the Global Securities will be exchangeable for Definitive Notes or (iii) an Event of Default will have occurred and be continuing with respect to the Notes under the Indenture. Upon any such exchange, the Definitive Notes will be registered in the names of the beneficial owners of the Global Security or Securities representing Book-Entry Notes, which names will be provided by the Depositary's relevant Participants (as identified by the Depositary) to the Trustee.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources (including DTC) that HEI believes to be accurate, but HEI assumes no responsibility for the accuracy thereof. HEI assumes no responsibility for the performance by DTC or its Participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

Redemption at the Option of HEI

The Notes will not be subject to any sinking fund. The Notes will be redeemable at the option of HEI prior to the Stated Maturity only if a Redemption Commencement Date and an Initial Redemption Percentage are specified in the applicable Note and pricing supplement. If so specified, the Notes will be subject to redemption at the option of HEI on any date on and after the applicable Redemption Commencement Date in whole or from time to time in part in increments of $1,000 or such other minimum denomination specified in such pricing supplement (provided that any remaining principal amount thereof shall be at least $1,000 or such other minimum denomination), at the applicable Redemption Price (as defined below), together with unpaid interest accrued thereon to the date of redemption, on written notice given to the holders thereof not less than 30 nor more than 60 calendar days prior to the date of redemption and in accordance with the provisions of the Indenture. "Redemption Price", with respect to a Note, means an amount equal to the Initial Redemption Percentage specified in the applicable Note and pricing supplement (as adjusted by the Annual Redemption Percentage Reduction, if applicable) multiplied by the unpaid principal amount to be redeemed. The Initial Redemption Percentage, if any, applicable to a Note shall decline at each anniversary of the Redemption Commencement Date by an amount equal to the Annual Redemption Percentage

Reduction (if any) specified in the applicable Note and pricing supplement, until the Redemption Price is equal to 100% of the unpaid principal amount to be redeemed. If any Note is redeemed in part, a new Note of like tenor for the unredeemed portion and otherwise having the same terms as the partially redeemed Note will be issued in the name of the holder upon presentation and surrender of the partially redeemed Note. For a discussion of the redemption of Discount Notes, see "Discount Notes."

Repayment at the Option of the Holder

The Notes will be repayable by HEI at the option of the holders thereof prior to the Stated Maturity only if one or more Optional Repayment Dates are specified in the applicable Note and pricing supplement. If so

specified, the Notes will be subject to repayment at the option of the holders thereof on any Optional Repayment Date in whole or from time to time in part in increments of $1,000 or such other minimum denomination as is specified in the applicable pricing supplement (provided that any remaining principal amount thereof shall be at least $1,000 or such minimum denomination), at a repayment price equal to 100% of the unpaid principal amount to be repaid, together with unpaid interest accrued thereon to the date of repayment. For any Note to be repaid, such Note must be received, together with the form entitled "Option to Elect Repayment" duly completed, by the Trustee at its office maintained for such purpose in the Borough of Manhattan in The City of New York, or in such other location as HEI selects in conformity with the Indenture, not less than 30 nor more than 60 calendar days prior to the date of repayment. If any Note is repaid in part, a new Note of like tenor for the unpaid portion and otherwise having the same terms as the partially repaid Note will be issued in the name of the holder upon presentation and surrender of the partially repaid Note. For a discussion of the repayment of Discount Notes, see "Discount Notes."

Only the Depositary may exercise a repayment option in respect of Global Securities representing Book-Entry Notes. Accordingly, beneficial owners of Global Securities that desire to exercise their repayment option, if any, with respect to all or any portion of the Book-Entry Notes represented by such Global Securities, must instruct the Participant through which they own their interest to direct the Depositary to exercise the repayment option on their behalf by delivering the related Global Security and duly completed election form to the Trustee as aforesaid. In order to ensure that such Global Security and election form are received by the Trustee on a particular day, the applicable beneficial owner must so instruct the Participant through which it owns its interest before such Participant's deadline for accepting instructions for that day. Participants may have different deadlines for accepting instructions from their customers. Accordingly, a beneficial owner should consult the Participant through which it owns an interest in a Global Security for the Participant's deadline for receiving repayment instructions. In addition, at the time such instructions are given, each such beneficial owner shall cause the Participant through which it owns its interest to transfer such beneficial owner's interest in the Global Security or Securities representing the related Book-Entry Notes, on the Depositary's records, to the Trustee. The exercise of an option to elect repayment shall be irrevocable. See "Book-Entry Notes."

If applicable, HEI will comply with the requirements of Section 14(e) of the Exchange Act and the rules promulgated thereunder, and any other securities laws or regulations, in connection with any such repayment.

Discount Notes

HEI may offer Discount Notes from time to time that have an Issue Price (as specified in the applicable pricing supplement) that is less than 100% of the principal amount thereof (i.e., par) by more than a percentage equal to the product of 0.25% and the number of full years to the Stated Maturity. Such Discount Notes will bear no interest or will bear interest at a rate that is below market rates at the time of issuance. The difference between the Issue Price of a Discount Note and 100% of the principal amount of the Note is referred to as the "Discount." In the event of redemption, repayment or acceleration of maturity of a Discount Note, the amount payable to the holder of such Discount Note will be equal to the sum of (i) the Issue Price (increased by an accrual of Discount) and, in the event of any redemption of such Discount Note (if applicable), multiplied by the Initial Redemption Percentage (as adjusted by the Annual Redemption Percentage Reduction, if applicable) and (ii) any unpaid interest accrued thereon to the date of such redemption, repayment or acceleration of maturity, as the case may be.

For purposes of determining the amount of Discount that has accrued as of any date on which redemption, repayment or acceleration of maturity occurs for a Discount Note, such Discount will be accrued using a constant yield method. The constant yield will be calculated using a 30-day month, 360-day year convention, a compounding period that, except for the Initial Period (as defined below), corresponds to the shortest period between Interest Payment Dates for the applicable Discount Note (with ratable accruals within a compounded period), a coupon rate equal to the initial coupon rate applicable to such Discount Note and an assumption that the maturity of such Discount Note will not be accelerated. If the period from the date of issue to the initial Interest Payment Date for a Discount Note (the "Initial Period") is shorter than the compounded period

for such Discount Note, a proportionate amount of the yield for an entire compounding period will be accrued. If the Initial Period is longer than the compounding period, then such period will be divided into a regular compounding period and a short period with the short period being treated as provided above.

The accrual of the applicable Discount may differ from the accrual of original issue discount, certain Discount Notes may not be treated as having original issue discount, and Notes other than Discount Notes may be treated as issued with original issue discount, in each case for United States federal income tax purposes. See "Certain United States Federal Income Tax Consequences."

Amortizing Notes

HEI may from time to time offer Notes with the amount of principal thereof and interest thereon payable in installments over the term of such Notes ("Amortizing Notes"). Interest on each Amortizing Note will be computed on the basis of a 360-day year of twelve 30-day months. Payments with respect to Amortizing Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof. Further information concerning additional terms and provisions of Amortizing Notes will be specified in the applicable pricing supplement, including a table setting forth a principal repayment schedule for such Amortizing Notes.

Other Provisions; Addenda

Any provisions of a Note, including but not limited to the specification and determination of one or more Base Rates, the calculation of the interest rate applicable to a Floating Rate Note, the Interest Payment Dates, the Stated Maturity and any redemption or repayment provisions, may be modified by the terms specified under "Other Provisions" in the Note or in an Addendum to the Note, if so specified in the Note (or any Addendum to the Note) and in the applicable pricing supplement.

Restriction on Liens

Except as described below, HEI will not create, incur, issue, assume, permit or suffer to exist any Indebtedness (as defined below) secured after the date of the Indenture by any security interest on any property of HEI (including, without limitation, property of HEI consisting of any share or shares of capital stock or indebtedness of any subsidiary of HEI), whether such property, shares or indebtedness are owned by HEI at the date of the Indenture or thereafter acquired, without effectively providing concurrently therewith that the Securities, including the Notes (together, at the option of HEI, with any other indebtedness ranking equally with the Securities and then existing or thereafter created), shall be secured equally and ratably with (or prior to) the Indebtedness so created, incurred, issued, assumed, permitted or suffered to exist.

The foregoing restrictions do not limit the ability of any subsidiary of HEI to incur, issue, assume, permit or suffer to exist any of its own indebtedness or to grant security interests on any of its properties. The foregoing restrictions also do not apply to:

(1) security interests on any property acquired, constructed or improved by HEI or on any shares of capital stock or indebtedness of any subsidiary acquired by HEI after the date of the Indenture which security interests are created or assumed at the time of or within 270 days after the acquisition of, or the expenditure of the costs of construction or improvements of, and which secure the payment of all or any part of the purchase price of, such property, shares of capital stock or indebtedness, or which secure payment of all or any part of the cost of any such construction or improvements, provided that, in the case of any such acquisition, construction or improvement, such security interest does not apply to any property or shares of capital stock or indebtedness owned by HEI other than that acquired, constructed or improved except, in the case of any such construction or improvement, any real property on which the property is so constructed or the improvement is located;

(2) security interests which exist on any property, shares of capital stock or indebtedness at the time of acquisition of such property, shares or indebtedness by HEI;

(3) security interests which exist on any property of a corporation or other Person (as defined below) at the time such corporation is merged with or into or consolidated with HEI or at the time of a sale or transfer of the properties of such corporation or other Person as an entirety or substantially as an entirety to HEI;

(4) security interests in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any State thereof, or in favor of any other country or political subdivision, (A) to secure partial progress, advance or other payments pursuant to any contract or statute, (B) to secure any indebtedness incurred or

guaranteed for the purpose of financing or refinancing all or any part of the purchase price of any property, shares of capital stock or indebtedness subject to such security interests, or (C) to secure the cost of constructing or improving any property subject to such security interests (including, without limitation, security interests incurred in connection with pollution control, industrial revenue or similar financings);

(5) security interests on any property arising in connection with any defeasance, covenant defeasance or in substance defeasance of any Indebtedness pursuant to express contractual provisions or generally accepted accounting principles;

(6) security interests on any capital stock of any corporation which is registered in the name of HEI or otherwise owned by or held for the benefit of HEI which may constitute "margin stock" as such term is defined in Section 207.2(i) of Title 12 of the Code of Federal Regulations (or any successor provisions); and

(7) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any security interest referred to above in clauses (1)-(6), inclusive; provided, however, that the principal amount of Indebtedness secured thereby shall not exceed the original principal amount of Indebtedness and that such extension, renewal or replacement shall be limited to all or a part of the property (plus improvements and construction on such property), shares of capital stock or indebtedness which was subject to the security interest so extended, renewed or replaced.

Notwithstanding the foregoing, HEI may, without equally and ratably securing the Securities, create, incur, issue, assume, permit or suffer to exist Indebtedness secured by any security interest not excepted by the foregoing clauses (1) through (7), inclusive, if the aggregate amount of such Indebtedness, together with all other Indebtedness of HEI existing at such time and secured by security interests not so excepted, does not exceed 10% of Consolidated Net Tangible Assets (as defined below).

"Indebtedness" means (1) any indebtedness, whether or not represented by bonds, debentures, notes or other securities, for the repayment of money borrowed, (2) all deferred indebtedness (including, without limitation, capitalized leases) for the payment of the purchase price of property or assets purchased, and (3) all guaranties, endorsements, assumptions or other contingent obligations in respect of, or to purchase or otherwise to acquire, indebtedness of the types described in clauses (1) and (2) above.

"Consolidated Net Tangible Assets" means the total amount of assets appearing on the consolidated balance sheet of HEI and its subsidiaries less, without duplication: (a) all current liabilities (excluding any thereof which are by their terms extendable or renewable at the sole option of the obligor without requiring the consent of the obligee to a date more than 12 months after the date of determination); (b) all reserves for depreciation and other asset valuation reserves but excluding any reserves for deferred federal income taxes arising from accelerated amortization or otherwise; (c) all intangible assets such as goodwill, trademarks, trade names, patents and unamortized debt discount and expense carried as an asset on such balance sheet; and (d) all

appropriate adjustments on account of minority interests of other persons holding common stock in any subsidiary. The Indenture states that Consolidated

Net Tangible Assets are determined in accordance with generally accepted accounting principles and as of a date not more than 90 days prior to the happening of the event for which such determination is being made.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any governmental agency or political subdivision.

Restriction on Sale-Leaseback Transactions

HEI may not engage in any Sale-Leaseback Transaction unless the amount of Sale-Leaseback Debt resulting from such transaction plus the aggregate of all other Sale-Leaseback Debt then existing, does not exceed 5% of Consolidated Net Tangible Assets. However, if a Sale-Leaseback Transaction would result in the amount of Sale-Leaseback Debt exceeding the foregoing limitation, then such transaction is permitted, but only if the excess amount of Sale-Leaseback Debt, if treated as Indebtedness secured by a security interest for the purposes of the restrictions described under "Restriction on Liens", would be permissible under such restrictions, and provided further that the amount of such excess shall be treated as Indebtedness for such purpose and not as Sale-Leaseback Debt.

"Sale-Leaseback Transaction" means any sale by HEI to any person (other than HEI or a subsidiary) after the date of the Indenture of any property owned by HEI, which sale occurs more than 270 days after the later of the acquisition, completion of construction or commencement of commercial operations of such property by HEI, if, as part of the same transaction or series of transactions, HEI leases as lessee for a period of three years or longer the same property or other substantially equivalent property which it intends to use for substantially the same purposes pursuant to a lease which contains an option or right to repurchase said property.

"Sale-Leaseback Debt" means, as to any particular lease entered into in a Sale-Leaseback Transaction, at any date as of which the amount thereof is to be determined, the total net amount of rent (determined in accordance with generally accepted accounting principles) required to be paid under such lease during the remaining term thereof, discounted from the respective due dates thereof to such date at the rate per annum which would then be used to determine lease classification under generally accepted accounting principles. The net amount of rent required to be paid under any such lease for any such period shall be the aggregate amount of the rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments