

RESOURCE MANAGEMENT COMMITTEE
Dan Ahuna, Chairperson
Robert K. Lindsey, Jr., Vice Chairperson
Leina'ala Ahu Isa, At-Large
Kalei Akaka, O'ahu
Keli'i Akina, At-Large
Brendon Kalei'aina Lee, At-Large
Carmen Hulu Lindsey, Maui
Colette Y. Machado, Moloka'i/Lāna'i
John Waihe'e IV, At-Large



**STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS**

WORKSHOP OF THE COMMITTEE ON RESOURCE MANAGEMENT

DATE: Wednesday, February 27, 2019
TIME: 10:00 am
PLACE: OHA Board Room, Nā Lama Kukui
560 N. Nimitz Hwy., Suite 200
Honolulu, HI 96817

AGENDA

- I. Call to Order
- II. Public Testimony*
- III. Approval of Minutes†
 - A. January 9, 2019
- IV. New Business
 - A. Workshop: Conducted by SPIRE (Certified Public Accountants for Fiscal Sustainability) on structure, organization and decision points related to OHA financial policies and rules.
- V. Adjournment

If you require an auxiliary aid or accommodation due to a disability, please contact Albert Tiberi at telephone number 594-1754 or by email at: albertt@oha.org no later than three (3) business days prior to the date of the meeting.

*Notice: Persons wishing to provide testimony are requested to submit 13 copies of their testimony to the Chief Executive Officer at 560 N. Nimitz, Suite 200, Honolulu, HI, 96817 or fax to 594-1868, or email BOTmeetings@oha.org 48 hours prior to the scheduled meeting. Persons wishing to testify orally may do so at the meeting, provided that oral testimony shall be limited to five minutes.

† Notice: The 72 Hour rule, pursuant to OHA BOT Operations Manual, Section 49, shall be waived for distribution of new committee materials.

‡ Notice: This portion of the meeting will be closed pursuant to HRS § 92-5.

A handwritten signature in black ink that reads "Dan Ahuna".

Trustee Dan Ahuna
Chairperson, Committee on Resource Management

A handwritten date in black ink that reads "2/20/19".

Date

**STATE OF HAWAII'
OFFICE OF HAWAIIAN AFFAIRS
560 N. NIMITZ HIGHWAY, SUITE 200
COMMITTEE ON RESOURCE MANAGEMENT
MINUTES
JANUARY 9, 2019 1:30 p.m.**

ATTENDANCE:

Chairperson Leina'ala Ahu Isa
Trustee Dan Ahuna
Trustee Kalei Akaka
Trustee Keli'i Akina
Trustee Brendon Kalei'āina Lee
Trustee Carmen Hulu Lindsey
Trustee Colette Machado
Trustee John Waihe'e, IV

EXCUSED:

Vice Chairperson Robert Lindsey

BOT STAFF:

Kama Hopkins
Kauikeaolani Wailehua
Claudine Calpito
Ron Porter
Lehua Itokazu
Lopaka Baptiste
Carol Hoomanawanui
Dayna Pa
Leiann Durant
Zuri Aki
Lady Elizabeth Garrett
Alvin Akee
Maria Calderon
Paul Harleman

ADMINISTRATION STAFF:

Kamana'opono Crabbe, CEO
Sylvia Hussey, COO
Momilani Lazo, CEO EXEC ASST
Albert Tiberi, CC
Raina Gushiken, CC
Everett Ohta, CC
Jim McMahon, ADV
Lisa Victor, ISRM
Daniel Santos, ISRM
Mahi La Pierre, HLID
Mehana Hind, CE
Miles Nishijima, LPD
Scott Hayashi, LAND ASSET
Sterling Wong, PRO
Kahealani Peleras, CE

GUESTS:

Rodney Lee, SPIRE Hawaii
William Yuen, Esq.
Judy Tanaka, Esq.
Robert Klein, Esq.

I. CALL TO ORDER

Chair Ahu Isa (CAI) calls the Committee on Resource Management meeting to order for Wednesday, January 9, 2019 at **1:35 p.m.**

CAI calls for a Roll Call. Below is the record of members **PRESENT**:

MEMBERS			AT CALL TO ORDER (1:35 pm)	TIME ARRIVED
CHAIR	LEINA'ALA	AHU ISA	X	
VICE-CHAIR	ROBERT	LINDSEY		EXCUSED
TRUSTEE	DAN	AHUNA	X	
TRUSTEE	KALEI	AKAKA	X	
TRUSTEE	KELI'I	AKINA	X	
TRUSTEE	BRENDON KALEI'ĀINA	LEE	X	
TRUSTEE	HULU	LINDSEY	X	
TRUSTEE	COLETTE	MACHADO	X	
TRUSTEE	JOHN	WAIHE'E	X	
			8	1

At the Call to Order, **EIGHT (8) Trustees are PRESENT**, thereby constituting a quorum.

II. PUBLIC TESTIMONY

CAI calls on Ms. Germaine Meyers to provide public testimony.

Ms. Meyers provides testimony relating to agenda items IV. A, IV. C., and V. B. She stated that it is critical that the Board of Trustees' (BOT) to leave community concerns on its agenda and she would like to ask that the RM Charter include a whistleblower policy.

CAI calls on Ms. Ruth Bolomet to provide public testimony.

Ms. Bolomet provides testimony relating to the kulena land tax exemption application and process (**Attachment A: Testimony of Ms. Bolomet**).

Trustee Lee calls for a point of clarification since the public testimony is not addressing a specific agenda item for discussion on today's agenda.

Trustee Machado states that as the Chair she will have her staff work on addressing the confusion for beneficiaries testifying on non-agenda items.

Trustee Lee asked that the written comments submitted by Ms. Bolomet be provided to the BOT staff which can be circulated for everyone to review.

CAI calls on Ms. Kalae Balino to provide public testimony.

Ms. Balino states that she does not wish to provide testimony at this time.

CAI calls on Mr. Keoni Alvarez to provide public testimony.

Mr. Alvarez shared a follow-up on his kuleana land and wished to thank OHA for its continued support. He asked that OHA continue to provide kōkua to others in similar situations.

Trustee Lee asked for a point of clarification and notes that in fairness to the previous speaker who was not allowed to speak since the matter in which they are speaking on is not on an agenda item we need to be consistent.

CAI mentions that Mr. Alvarez contacted her office previously and asked him to finish his comments briefly.

Mr. Alvarez thanked OHA for its support and Kai Markell for allowing him to continue on with his kuleana to his land.

III. APPROVAL OF MINUTES

III. Approval of Minutes

- A. July 11, 2018
- B. July 25, 2018
- C. August 15, 2018
- D. September 5, 2018
- E. September 26, 2018
- F. October 10, 2018

CAI calls for a motion to approve the minutes of:

MOTION: To approve the minutes of July 11, 2018; July 25, 2018; August 15, 2018; September 5, 2018; September 26, 2018; and, October 10, 2018

Trustee Waihee – moved

Trustee Machado – seconded

AMENDED MOTION: To approve all minutes at once.

Trustee Lee - moved

Trustee Hulu - Lindsey seconded

Trustee Lee spoke in support of the amendment to approve all the sets of minutes at once.

CAI spoke against the motion and recommended that the committee vote on the minutes individually.

Trustee Lee withdrew his motion to amend.

Trustee Hulu Lindsey withdrew her second to the amendment.

CAI asked for clarification on page six of the minutes dated July 11, 2018 relating to the ongoing audit.

Trustee Lee stated that it was not his understanding that there would be discussion on the minutes for approval and the agenda is not listed as such. Beneficiaries should be given notice if the committee will be discussion the content of the minutes since it will then provide them with an option to provide testimony on the agenda item.

CAI notes that his point is taken; however, we would like it noted for the record that the audit is proceeding and OHA is moving forward.

Trustee Lee stated that with regard to the minutes if we allow clarifying questions to be asked then we need to allow an opportunity for public testimony.

Trustee Akina thanked CAI for mentioning the audit and asked for consideration that the audit be placed on the next agenda for discussion by all members.

Trustee Lee asked for a point of order since the ongoing audit is not listed on the current agenda.

Trustee Akina clarified that he is not discussing today rather suggesting that the item be placed on a future agenda.

Trustee Lee notes that Trustee Akina's suggestion directs the chair for future agenda items but if the conversation is at the table during the meeting then we will need to provide an opportunity for beneficiaries to testify on new business for future agenda items.

CAI stated that OHA is working on a transition plan for its LLCs.

Trustee Akina asked if the plan will be shared in executive session.

CAI stated that OHA administration is working on it and details will be shared in executive session.

CEO Crabbe explained that the direct discussion by the BOT to move forward with a transition plan will take place in executive session.

Trustee Lee thanked the administration.

Trustee Machado asked if it would be best to defer item IV. A and move to the next agenda.

Trustee Lee stated that deferring is not necessary.

CAI called for a recess to at 1:59 p.m. the meeting reconvened at 2:04 p.m.

Trustee Machado asked that all minor typographical errors be corrected to the minutes.

Trustee Hulu Lindsey noted that her staff will correct the typographical errors.

MOTION: To approve the minutes of July 11, 2018; July 25, 2018; August 15, 2018; September 5, 2018; September 26, 2018; and, October 10, 2018

Trustee Akina - moved
Trustee Lee - seconded

MEMBERS			1	2	Y	N	Kanalua	Abstain	Not Present at time of vote
CHAIR	LEINA'ALA	AHU ISA			X				
VICE-CHAIR	ROBERT	LIINDSEY	EXCUSED						
TRUSTEE	DAN	AHUNA			X				
TRUSTEE	KALEI	AKAKA			X				
TRUSTEE	KELI'I	AKINA	X		X				
TRUSTEE	BRENDON KALEI'ĀINA	LEE		X	X				
TRUSTEE	CARMEN HULU	LINDSEY			X				
TRUSTEE	COLETTE	MACHADO			X				
TRUSTEE	JOHN	WAIHE'E			X				

MOTION: [X] UNANIMOUS [] PASSED [] DEFERRED [] FAILED

Item III. A, B, C, D, E, & F passed at **2:14 p.m.**

IV. NEW BUSINESS

IV. A. Update from Administration on the management transition plan for the OHA LLCs

CAI states that the OHA Administration will provide an update on OHA LLCs in executive session.

IV. B. Discussion to review with SPIRE Hawaii (Certified Public Accountants for Fiscal Sustainability) the BOT debt policy to preserve the public land trust, minimize borrowing costs, and maintain future debt capacity

CAI calls on Mr. Rodney Lee, Executive Vice President of SPIRE Hawaii.

Mr. Lee stated that OHA will be facing a balloon payment for Nā Lama Kukui (NLK) and the organization will need to consider how it can assign debt since at this time there is no explanation only operational means.

Trustee Machado asked if any handouts were prepared for today's meeting.

Mr. Lee replied no and that today was for discussion purposes only.

Trustee Akina asked regarding the sources of debt and how much of the \$380 million is encumbered. He would like to see the correlation of the debt we owe based on what has been encumbered. He understands that SPIRE is not responsible for recommending action but he would like to know what work product we will be getting. (***Attachment B: Memo from Trustee Akina relating to agenda item IV. B.***)

Mr. Lee responded that they are working on options to address the debt policy.

CAI stated that she would like an understanding of the fringe liabilities and how it relates to debt.

Trustee Hulu Lindsey asked if fringe is the exchange we receive from the State and give back or does OHA match the fringe monies.

Trustee Akina would like to see fringe and fiscal reserve included in the upcoming discussions.

Mr. Lee stated that unfortunately since 2016 the recommendations that his team shared at that time are no longer valid.

Trustee Ahuna reminded everyone that relating to the Department of Hawaiian Homelands (DHHL) it is mission related.

Trustee Hulu Lindsey stated that we should ask for the money from the State legislature to cover fringe benefits.

Trustee Machado stated that there are many moving parts since while looking at the debt policy we will also need to be mindful of the upcoming biennium budget.

CEO Crabbe stated that administration will provide an update on goals and objectives to address fiscal policies to bring everyone in alignment. He would like there to be consideration for the sequencing and timing of discussions for example focusing on debt policy -> fiscal reserve -> fringe -> DHHL since all have different factors and trends to be considered. The intention is to create a wealth strategy goal for the organization.

CAI announced that the upcoming agenda will include a quarterly update with Ray Matsuura and our managers on our investments.

Trustee Akina stated that a balance sheet with OHA obligations and overall public land trust (PLT) revenues received will be helpful.

Trustee Machado asked what was the last appraisal for NLK.

Albert Tiberi, Corp Counsel reported that the last appraisal price was \$48 million.

IV. C. Discussion on creating a Resource Management Committee charter

CAI explained that she reviewed the description of the Resource Management Committee via the OHA website and she would like to have discussion on the possible creation of a committee charter to guide the scope of the committee. She suggested looking at including compliance and an internal audit structure to the organization.

Trustee Lee stated that the scope of the committee is set forth by the BOT By-laws and therefore will require an amendment to the By-laws.

Trustee Akina noted that it is good to give attention to resource management committee and he would recommend returning to the previous structure of two separate committees.

CAI stated that the agenda item was for discussion purposes only.

MOTION: To recuse into executive session for the following purposes: (A) Approval of Minutes for April 25, 2018 and July 11, 2018; and (B) Consultation with attorney's William Yuen, Esq., Judy Tanaka, Esq., Robert Klein, Esq., on OHA's powers, privileges, and liabilities regarding OHA's role as member of Hiilei Aloha LLC and Hookele Pono LLC and management options for those LLCs pursuant to HRS Section 92-5(a)(4)

Trustee Waihe'e – moved

Trustee Machado - seconded

[Intentionally left blank]

MEMBERS			1	2	Y	N	Kanalua	Abstain	Not Present at time of vote
CHAIR	LEINA‘ALA	AHU ISA			X				
VICE-CHAIR	ROBERT	LINDSEY, JR.	EXCUSED						
TRUSTEE	DAN	AHUNA			X				
TRUSTEE	KALEI	AKAKA			X				
TRUSTEE	KELI‘I	AKINA			X				
TRUSTEE	BRENDON KALEI‘ĀINA	LEE			X				
TRUSTEE	CARMEN HULU	LINDSEY			X				
TRUSTEE	COLETTE	MACHADO		X	X				
TRUSTEE	JOHN	WAIHE‘E	X		X				
					8				1

MOTION: [X] UNANIMOUS [] PASSED [] DEFERRED [] FAILED

The open session portion of the meeting was recessed at **2:48 p.m.** and reconvened at **4:00 p.m.**

VIII. ADJOURNMENT

CAI asks for a motion to adjourn.

RM Committee meeting adjourns at **4:02 p.m.**

Respectfully submitted,

Jeremy K. Hopkins
Trustee Aide
Committee on Resource Management

As approved by the Committee on Resource Management on 2/27/2019.

Trustee Leina'ala Ahu Isa
Chair
Committee on Resource Management

ATTACHMENT(s):

- Excused Absence Memo – Trustee Robert Lindsey
- Attachment A: Testimony of Ms. Bolomet
- Attachment B: Memo from Trustee Akina relating to agenda item IV. B.



**STATE OF HAWAI'I
OFFICE OF HAWAIIAN AFFAIRS**

560 N. NIMITZ HIGHWAY, SUITE 200
HONOLULU, HAWAI'I 96817

January 8, 2019

TO: Lei Ahu Isa
Chair, Resource Management Committee

Members of the Board

FROM: Trustee Robert K. Lindsey, Jr.

SUBJECT: Excuse Absence

Aloha Chair Ahu Isa:

I regret to inform you that I am unable to attend the Resource Management Committee meeting on Wednesday, January 9 at 10:00 am.

With sincere aloha,

A handwritten signature in black ink, appearing to read "Robert K. Lindsey, Jr.", written over a horizontal line.

Trustee Robert K. Lindsey, Jr. Hawai'i Island

Attachment A

OHA January 9, 2019

On Dec. 2010, after applying for the Kuleana Land Tax Exemption, I was informed by the OHA representative who was merely doing her job, that I did not qualify for the exemption because I did not own my land, that my husband and I bought in 1998 in gold backed Swiss Francs. Our Warranty Deed was a color of title, not title.

So who owns these lands? Pupukea Ahupua`a are Kamehameha III private lands made inalienable in 1864 by Hawaiian Kingdom legislative Act 34 enacted on Jan. 3, 1865: The act is titled: An Act to Render the Royal Domain (Kamehameha III's private lands) inalienable became effective by Hawaiian Kingdom Legislative Act XXXIV.

These lands are held in allodium. Allodial Royal Patents are explained and protected in the Hawaiian Kingdom 1864 Constitution titled:

"ALLODIAL ROYAL PATENTS"

CONSTITUTION OF 1864 (KAMEHAMEHA V) ARTICLE 22

LAWS OF INHERITANCE, ALLODIAL LAW, COMMON LAW, HAWAIIAN KINGDOM LAW.

"A patent when attacked incidentally, cannot be declared void, unless it be procured by fraud, or is void on its face, or has been declared void by law. A patent cannot be avoided at law in a collateral proceeding unless it is declared void by statute, or its nullity indicated by some equally explicit statutory denunciations. Once perfect on its face is not to be avoided, in a trial at law, by anything save an elder patent. It is not to be affected by evidence or circumstances, which might show that the impeaching party might prevail in a court of equity. A patent is evidence, in a court of law, of the regularity of all previous steps to it, and no facts behind it can be investigated. A patent cannot be collaterally avoided at law, even for fraud. An allodium patent, being superior

title, must of course, prevail over colors of title; nor is it proper for dray state legislation to give such titles, which are only equitable in nature with a recognized legal status in equity courts, precedence over the legal title in a court of law". [ID. at 242, 243,245, 246]

"a patent to land is the highest evidence of title and may not be collaterally attacked" [State v. Crawford, 441p2d 586,590 (Ariz. app.1968)]

"Congress having the sole power to declare the dignity and effect it's titles has declared the patent to be the superior and conclusive evidence of the legal title." [Bagnell v. Broderick, 38 U.S. 438 (1839)];

Hawaii Revised Statutes 1.1 IS THE – Common law of the State OF Hawaii;

Current as of: 2017 | [Check for updates](#) | [Other versions](#)

1-1 Common law of the State; exceptions. The common law of England, as ascertained by English and American decisions, is declared to be the common law of the State of Hawaii in all cases, except as otherwise expressly provided by the Constitution or laws of the United States, or by the laws of the State, or fixed by Hawaiian judicial precedent, or established by Hawaiian usage; provided that no person shall be subject to criminal proceedings except as provided by the written laws of the United States or of the State.

the Absolute and Allodial Titles that originated to the Awardees of the Mahele are undisturbed and shall inure to lineal heirs of the Awardees or their assigns. This is guaranteed in the Hawaiian Kingdom Law of 1872 , Chapter 21 section 1 "...all royal patents so issued shall inure to the benefit of the heirs and assigns of the holder of the original award".

Under the THIRD ACT OF KAMEHAMEHA III 1847
SECTION 3: An Act to Organize the Judiciary Department of the Hawaiian Islands; Chapter 1, Section 3 the vested rights fo the individuals is guaranteed; "...They (the Hawaiian Kingdom Judiciary) shall have judicial regard to the rights vested and acquired by the government and the private individual, under any law, ordinance, or decree constitutionally, legally passed and promulgated, which may afterwards have been appealed and shall as to such vested and acquired rights considered such law still enforced for judicial purposes....".

Kiekie vs. Dennis 1 Haw. 69, 70, (1851) "The plaintiff's title was good against all the world....even if the King had not made this reservation, the plaintiff's title would be good; for the people's land were secured to them by the Constitution and laws of the Kingdom, and no power can convey them away, not even that of royalty itself."

The STATE OF HAWAII Corporate Private Courts lack the jurisdictional authority to supersede the US Federal 1849-1850 Treaty with the Hawaiian Island King, his Heirs or Successors.

The State Courts has no authority to under its own and US jurisdictional descriptions of the Boundaries of the corporation calling itself the STATE of Hawaii to deny protections and

entitlement afforded me or other Hawaiian Kingdom Kanaka Maoli and Kanaka Maloko and Nationals vested and protected under the Hawaiian Kingdom Constitutional Law in perpetuity.

The U.S. Constitution Article 6 clause 2 states that Treaties are the Supreme Law of the Land that this Court lacks authority to supersede.

The FIRST CIRCUIT COURT OF THE STATE OF HAWAII claims to derive its jurisdictional authority over the (subject matter) private alodio title of Kamehameha III from the fraudulent annexation through the Newland's (Joint) Resolution in 1898; from the STATE OF HAWAII CONSTITUTION Article XV (Boundary description); the ADMISSIONS ACT- PUBLIC LAW 86-3; and by THE ORGANIC ACT OF 1900. The "STATE OF HAWAII'S" Jurisdictional Description is further confirmed in U.S. Title 28 section 91, which provides a jurisdictional description that does not include the metes and bounds of the Hawaiian Island Archipelago or to name its eight main inhabited islands including O'ahu where the disputed land is located.

IRC 7701(9) defines "the term "United States" when used in a geographical sense includes only the States and the District of Columbia; and IRC 7701(10) defines "the term "State" shall be construed to include the District of Columbia, where such construction is necessary to carry out provisions of this title"; and that when a definition statutes are issued with the word "includes" it means that only the items or categories listed in the definition are included, everything else is excluded: and that the District of Columbia is a political state of the United States; It is 10 miles square, and their states only include purchased property of the federal government which included the U.S. possessions like Guam and the Virgin Islands are. Since the 50 states are not mentioned in the definition of "state", they are not included".

<http://www.supremelaw.org/fedzone11/htm/chaptr12.htm> is an in depth discussion on the words; include, includes, including and what constitutes a State.

The Hawaiian Island Archipelago or any of its inhabited islands are clearly not included in any of the aforementioned jurisdictional descriptions, State of Hawaii Constitutional Acts, Resolutions, Public Laws or U.S. Jurisdictional Code.

So since King Kamehameha III private lands are inalienable as I was put on notice by this agency, and I cannot own this land with a warranty deed. It appears to me OHA has a fiduciary duty to its beneficiaries of which I am one, to protect its resources, ie. The aina, its

beneificaries and the money generated from the trust lands.

For this reason because of my failure to convince the STATE of Hawaii judiciary, its Chief Justice, the Attorney General to follow its own laws, I am demanding as a beneficiary that you intervene in this matter to get my title insurance for the title companies who are colluding with the state to pay my title insurances bought in the event my warranty deed was found to be defective.

When I was put on notice by OHA that I was not the owner by warranty deed of King Kamehameha III's private lands, I was now notice that it was unlawful for me to sell my fraudulent warranty deed.

Guaranty and Fidelity National Title Insurance Co., our two title insurance providers, has refuse my claim stating that my warranty deed is legitimate- the law clearly states otherwise.

I have done my due diligence to right the wrong of this matter. I have gone from the STATE to the Courts, to the

Attorney General, to the State Sec. of State, the US sec. of state, the US Pres. And to the UN.

As you are aware from my last visit to your meeting, the UN office of the High Commission of Human Right-mandated Independent Expert- Dr. Alfred de Zayas states that the political status of the Hawaiian Islands are that of an independent state in continuity under an fraudulent annexation and illegal US military occupation.

Despite everyone being put on notice and this memorandum being directed to the State of Hawaii Judiciary members; both judges and attorneys have ignored the memorandum, ignore state and federal laws and have abused the judicial process and misuse of legal process to uphold fraudulent and illegal takings in the Hawaiian Islands where they have no jurisdictional authority.

In addition Hawaiian women are being taxed on their Hawaiian land. The Mahele declared that women don't pay taxes- And that land cannot be confiscated for not

paying taxes. So unless it can be proven that I am not a woman in this life time, I should not be charge taxes on my Pupukea property where I am an heir to Kamehameha III and 1st and to the other allodio titles left to my tutu's in the mahele.

- 9 This can be found in the Principles of the Mahele provide documents. "Ruling Chief's of Hawaii" written by one of Hawaii's greatest Historians, Sam Kamakau, on page 428, 3rd paragraph, that the benefits of the Hawaiian Constitution was to provide a better life for the common people which included guaranteeing fishing rights to commoners, that small taxes to different land agents were abolished, that taxes paid BY women and the confiscation of property to pay taxes were abolished, amongst other benefits.

Link to what happens when loans are made. Essentially this means within America, not just Hawaiian Islands, the foreclosure is defrauding all home loan owners.

BOA Reyes-Toledo- the Hawaii Supreme Court:

Requires: UNIFORM COMMERCIAL CODE UCC 9-203(b)(2) and HRS -490:9-203:9-203(b)(1)(2)
BE MET FOR Enforcement and Attachability OF THE ASSET.

PART TWO SPECIFICALLY STATES:

In essence, I am having my assets taken by fraud and force because I am demanding truth, justice, fairness and for this Corporate State to follow its own laws.

I am being asked to concede and to not follow the law, to uphold a fraud and to look the other way. I am being asked to not stand up for my rights as a kanaka maloko, a kanaka maoli and as a direct descendent of Kamehameha I and and heir of Kamehameha III, and to date this office of Hawaiian affairs who mandate is to:

1. The support of public education- **How many of our people truly know their rights, protections and entitlements?**
2. The betterment of the conditions of native Hawaiians as defined in the Hawaiian Homes Commission Act of 1920
3. The development of farm and home ownership, **I bought and live on farm lands and have been regulated out of business with US and State laws.**
4. The making of public improvements
5. The provision of lands for public use

I am asking this Office to uphold its mandate and to protect the beneficiaries resources; its aina and the illegal tax revenue being collected by the state on these lands- and the illegal takings of this land. Please assist me in making right these wrongs.

My land is up for auction because I demand proof that the state has authority and jurisdiction to tax me a

beneficiary and heir, on my alodio title interest, on selling my alodio title lands without permission or compensation. That the state has the authority of jurisdiction to assign to foreigners with no interest and unlawful take Kamehameha III private inalienable lands.

I am asking as a beneficiary that this agency intervene in the auction of my land on moku keawe (Hawaii island) and on the illegal court actions for the private lands of Kamehameha III in Pupukea Ahupuaa as well as demanding my title insurance invocation by title guaranty and fidelity national title insurance.

I am willing to keep the money the bank is stating that my husband allegedly owns them in an escrow account and release it when they can prove:

- 1) We have a contract with them
- 2) They have a receipt proving they bought the alleged line of credit
- 3) The originating bank funded the alleged line of credit, not my husband.
- 4) The bank did not get paid off in full by the Delinquent Policy invoke upon the 91st day of delinquency that was a condition of they putting in a claim with the title insurance company to invoke the lender policy.

5) The bank did not get paid in full in 2009 by the Gov. Bailout as stated in the Loan Forensic Audit by a Certified Loan Forensic Auditor.

I have been reasonable and have done my due diligence, I am now asking this agency to uphold their fiduciary responsibility to me for the injury brought to my attention by this agency.

In 1978, a Constitutional Convention was called to review and revise the functions and responsibilities of Hawai'i's government. At the convention, the Native Hawaiian Legislative Package was considered by the delegates. Among provisions incorporated into the new state constitution was the establishment of the Office of Hawaiian Affairs as a public trust, with a mandate to better the conditions of both Native Hawaiians and the Hawaiian community in general. OHA was to be funded with a pro rata share of revenues from state lands designated as "ceded."

In fact, the public nature of these lands predated the creation of OHA by many years. The ceded lands, consisting of crown lands, once property of the Hawaiian monarchy, and of the government lands of the Kingdom of Hawai'i, totaled 1.8 million acres upon annexation in 1898. Pursuant to the Joint Resolution of Annexation, all of these lands were considered transferred or "ceded" to the United States government "for the benefit of the inhabitants of the Hawaiian Islands."

Upon statehood in 1959, the federal government returned to the State of Hawai'i all ceded lands not set aside for its own use. Section 5(f) of the Admission Act, directing the state to hold the lands in trust, listed the following five purposes:

6. The support of public education
7. The betterment of the conditions of native Hawaiians as defined in the Hawaiian Homes Commission Act of 1920
8. The development of farm and home ownership
9. The making of public improvements
10. The provision of lands for public use

In 1979, the Legislature enacted Chapter 10 of the Hawai'i Revised Statutes, implementing the changes to the constitution and making OHA a semi-autonomous "self-governing body." Subsequent legislation has further defined the amount of the revenue stream accruing to OHA.

OHA at the Legislature

As part of its mandate to advocate for Native Hawaiians, OHA annually submits a package of proposed bills to the Hawai'i State Legislature, and the agency's Board of Trustees also votes to take positions on a wide range of legislation that affects the Hawaiian community.



OFFICE OF HAWAIIAN
AFFAIRS
Interoffice Memorandum

Date: January 9, 2019
To: Board of Trustees
Via: Email
From: Trustee Akina
Subject: **RM Meeting 1.9.2019 (Debt Policy)**

I. DEBT ANALYSIS

A review of OHA's 2017 audited financial statements reveal that without the prospect of increasing revenues substantially, OHA has not much capacity in terms of debt financing.

- Per the 2017 audited financial statements, the Public Land Trust consists of \$381 million of financial assets. From those \$381 million, \$106 million is currently pledged as debt and long-term commitments, which reflects almost 30%.
- In terms of OHA's annual expenditures, currently 20% of the budget consist of non-discretionary fixed items such as debt service and the payments for the unfunded ERS and EUTF retirement liabilities.

Both the relatively substantial amount of trust fund capital that is committed to long-term obligations and the relatively high percentage of fixed and non-discretionary items in OHA's budget are a great concern, especially because of the following:

- OHA's current Spending Policy of 5% is relatively higher than the 4% spending average among endowments and charitable foundations.
- OHA's independent Investment Consultant (CommonFund) has calculated that under the current Spending Policy, OHA beneficiaries have a 54% probability that the principal and equity of the Public Land Trust is maintained for future generations.
- The current market volatility and the looming prospect of an economic recession will likely reduce the value of the Public Land Trust substantially.

II. RECOMMENDATION

The development of a formal debt policy is a necessary step to prepare for the financing of OHA's future capital projects relating to the development of its commercial real-estate assets.

From a procedural perspective, I have the following recommendation in terms of how the Board should proceed:

- **The Board should clarify in unambiguous terms who is responsible for the actual development of a debt policy**
 - Spire's current engagement is limited to "reviewing and consulting" only.
 - This means that Spire is not responsible for "formulating options, assessing them, or recommending actions".
 - Since the Board lacks subject matter expertise in this area, it is important that the responsibility and accountability with respect to the development and drafting of financial policies is clearly defined at the front end.
- **The development of a debt policy should not be done in isolation, but rather in conjunction with a formal due diligence review and modification of the Spending and Fiscal Reserve Policies**
 - The Spending Policy requires that it be formally reviewed every two years. The last review that occurred was in 2014.
 - The Board recently imposed a moratorium on the Fiscal Reserve and Administration has promised last year to make a recommendation to the Board with respect to a new Fiscal Reserve Policy. This has not occurred.

III. FINANCIAL ANALYSIS (based upon FY 2017 audited financial statements)

Public Land Trust (Financial Assets)	\$381,020,375	<i>Share of PLT</i>
Public Land Trust	\$37,809,778	10%
Net Pension Liability	\$32,669,717	9%
Na Lama Kukui Loan	\$24,362,846	6%
Line of Credits	\$11,084,746	3%
Total Long-term Commitments:	\$105,927,087	
"Direct Debt as a % of the Public Land Trust"	28%	

OHA Actual Expenditures	\$41,761,408	<i>Share of PLT</i>
DHHL Loan Payment	\$3,000,000	7%
Loan & Line of Credit Payments	\$3,377,484	8%
Retirement Liability Payments ⁱ	\$2,179,337	5%
Total Fixed/Non-Discretionary Costs	\$8,556,821	
Debt Service Expenditure Ratio	15%	
Non-Discretionary Cost Ratio	20%	

OHA BOT Policy Workshop



February 2019

Workshop Objective and Agenda

■ Objectives

1. To set a baseline understanding of OHA's primary fiscal policies
2. To review and discuss the issues as well as the pros and cons
3. To set a path toward the development of the recommended fiscal policies

■ Agenda

1. Brief review of the issues
2. Decision tree activity
3. Review of key fiscal policy considerations

Highlighting the Issue

OHA Fiscal Policies



Focus Question #1:

Do OHA's fiscal policies sufficiently address the requirements, potential risks and potential impact of managing multiple efforts collectively?



Operations



NLK



Kaka'ako Makai

Highlighting the Issues

In actuality, each effort requires guidance from different policies and requires different decisions.



- Spending policy
- Fiscal reserve policy



- Debt Policy
- Investment Policy
- Real estate asset strategy



- Debt Policy
- Investment Policy
- Real estate asset strategy
- Legal structures
- Land policy

Policy vs. Procedure

Topic 1: What are policies, and how are they different from procedures?

The University of California Policy Process defines policies as the principles that express the culture, goals, and philosophy of the entity, and procedures as step-by-step descriptions of tasks required to support and carry out entity policies. The organization has developed a table that can help with deciding what is a policy and what is a procedure.

Policies	Procedures
Have widespread application	Have a narrower focus
Are non-negotiable, change infrequently	Are subject to change and continuous improvement
Are expressed in broad terms	Are a more detailed description of activities
Are statements of <i>what</i> and/or <i>why</i>	Are statements of <i>how</i> , <i>when</i> and/or <i>who</i> & sometimes <i>what</i>
Answer major operational issues	Detail a process

Policies and Decisions

Topic 2: How do BOT policies affect OHA decisions?

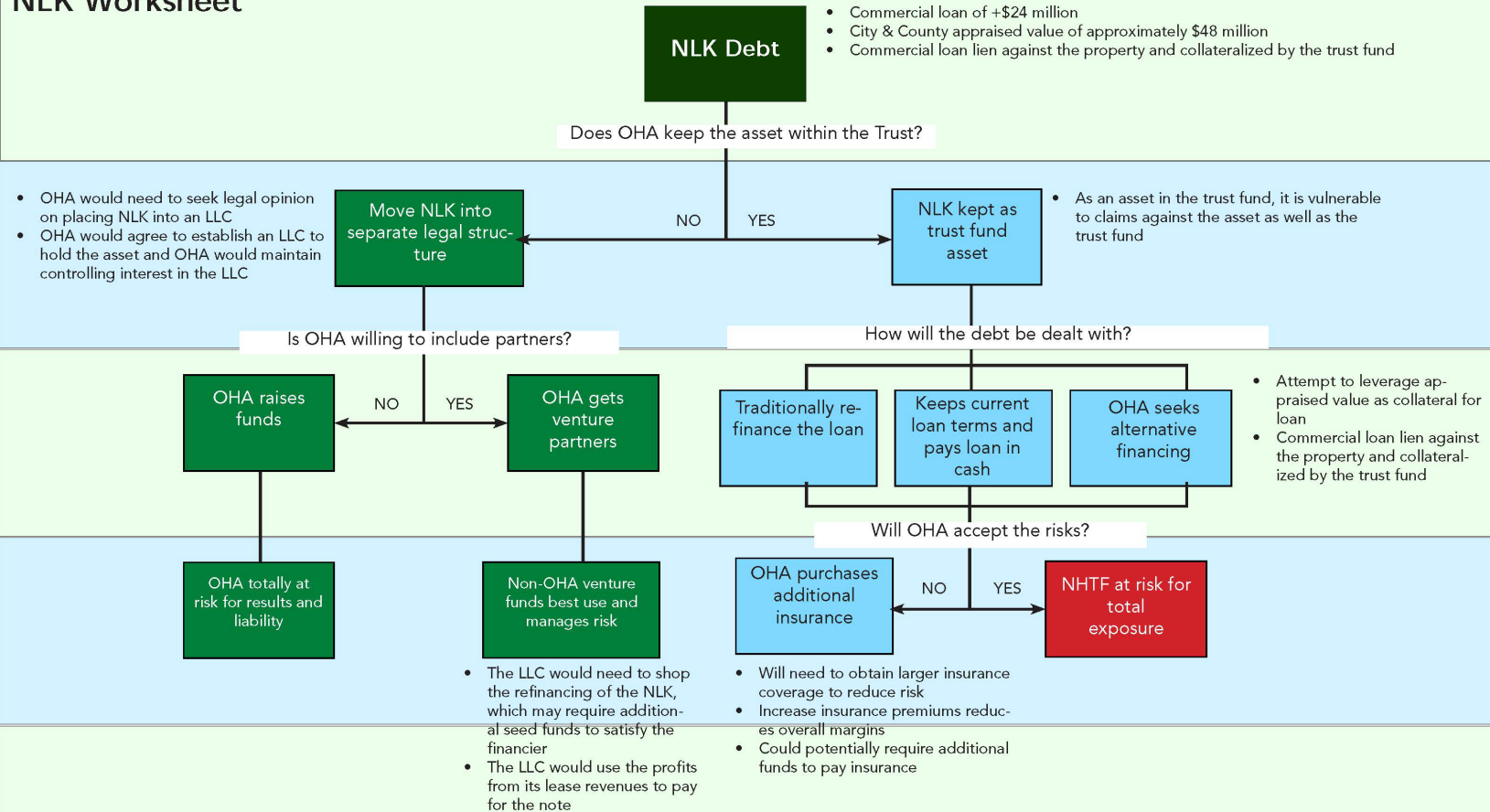
The reasons the OHA BOT should strengthen or supplement its policies and develop procedures to support its future activities are illustrated in the following example.

Example: Nā Lama Kukui development: In order to effectively develop this property or other properties, new or revised policies are necessary. Examples of policy changes that could assist are:

- ***Spending Policy*** changes: In order to fund future real estate development, OHA needs to review and modify its current Spending Policy.
- In order to achieve maximum real estate returns, OHA needs to develop a robust ***real estate investment policy***, and review and modify its current Investment Policy and structure to be consistent with the real estate investment policy.
- OHA needs an ***economic development policy***.
- OHA needs a ***debt policy*** that aligns with OHA's overall real estate plan.

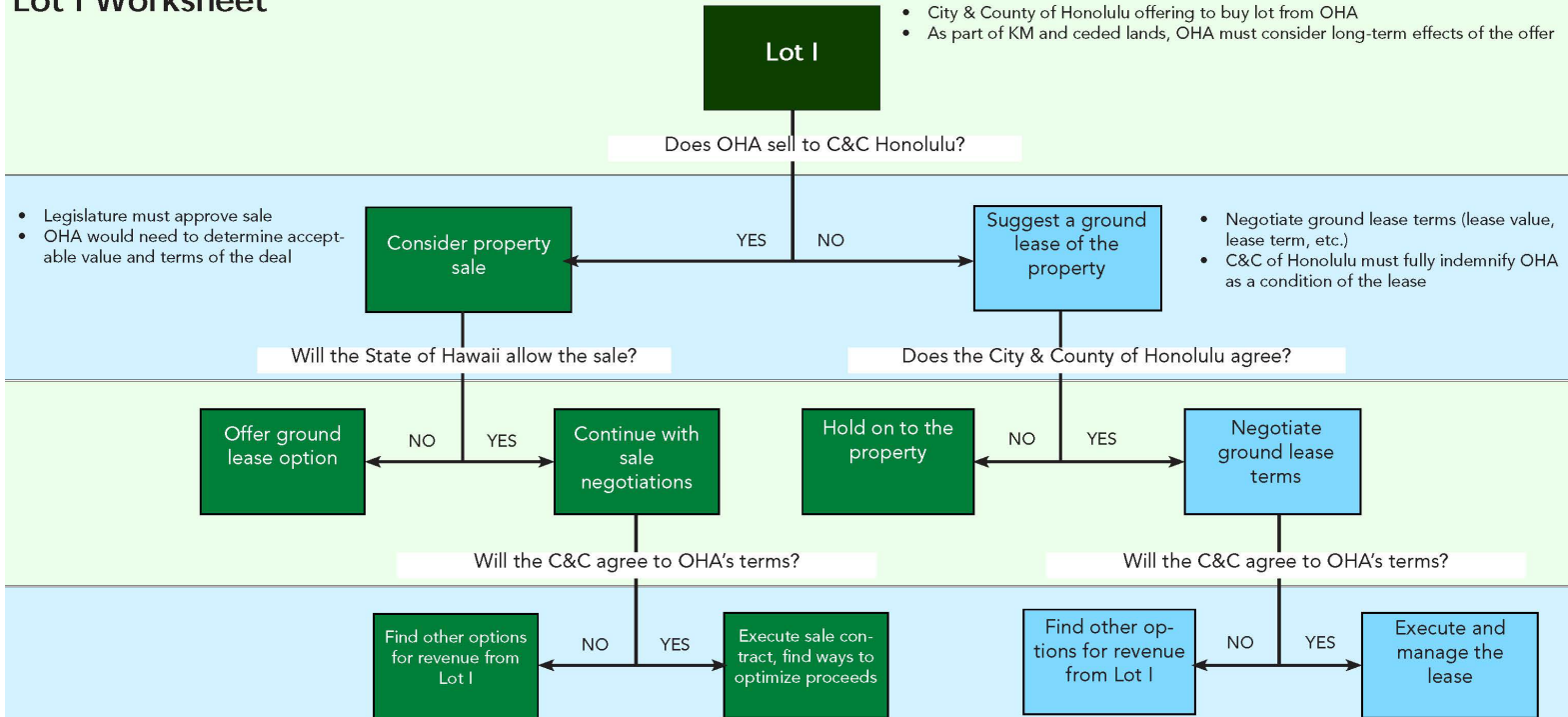
Policy Discussion Worksheet Exercise #1 – Na Lama Kukui

NLK Worksheet



Policy Discussion Worksheet Exercise #2 – KM Lot I

Lot I Worksheet



Key Policy Decisions – Pros and Cons Discussion

■ Debt

- Internal Rules?
- What projects are eligible?
- Which assets can be committed as collateral and which assets should not?
- How to best protect the NHTF?

■ Investment

- Distinction between financial and real assets
- Should OHA use a blended return goal?
- How would this affect OHA's risk profile?

■ Land

- OHA maintains three (3) different classifications of land: legacy, programmatic, commercial. What does OHA want to achieve for each?
- How does it intend to manage and fund each type?
- How does OHA intend to protect itself from risks of ownership or activities on land?
- How does OHA become more effective managers of each classification of land?

■ Economic Development

- Which forms are the best ones to attract investors, lenders or partners?
- What are the pros and cons of using the “State law corporation” and “State limited liability corporation” forms for all ventures?
- What benefits/detriments could come if other business forms are considered?

Key Policy Decisions – Pros and Cons Discussion

■ Spending

- Internal rules?
- Spending vs. investment
- Proper consideration

■ Fiscal Reserve

- Applicability
- Usage and limitations
- Funding and management

Problem Statement #2:

OHA's fiscal policies are not structured in a way that they are usable

Action Item ARM-BAE 13-01 Amending Bylaws-Changes and Executive Policy Manual-BOT Staff Options (see Attachment A)

Action Item BOT 15-03 Amending Bylaws-Reorg Standing Committee Structure and Create Resource Mgmt Committee

BOT Bylaws, Approved November 8, 2007

2.1 ARM-BAE 07.22 Executive Policy Manual, Fiduciary Duty of Confidentiality

OHA BOT Executive Policy Manual

2.3 BAE 13-02 Protect Ceded Lands 2.7 BAE 15-07 Policy on Protecting Iwi Kupuna

OHA Fiscal_Procedures_Manual,_Vol._III,_June_2008

NH Trust Fund Spending Policy, as Amended, February 27, 2014[3200]

2.10 RM 16-02 Policy on Trespassing and Illegal Camping on OHA Property

2.9 BR 16-1 Attachment B, Code of Conduct and Sanctions for Violation of the Code of Conduct

2.6 BAE 15-06 Adopt OHA Water Policy and Water Backgrounder

2.10 RM 16-02 Policy on Trespassing and Illegal Camping on OHA Property

OHA BOT Operations Manual - Complete Version

Action Item ARM-BAE 07-22 Amending Bylaws-Duties of Members

Action Item BOT 09-05 Amending Bylaws-Re-designation of Position Title Admin to CEO

Action Item BR 16-1 Amending Bylaws-Trustee Code of Conduct and Sanctions

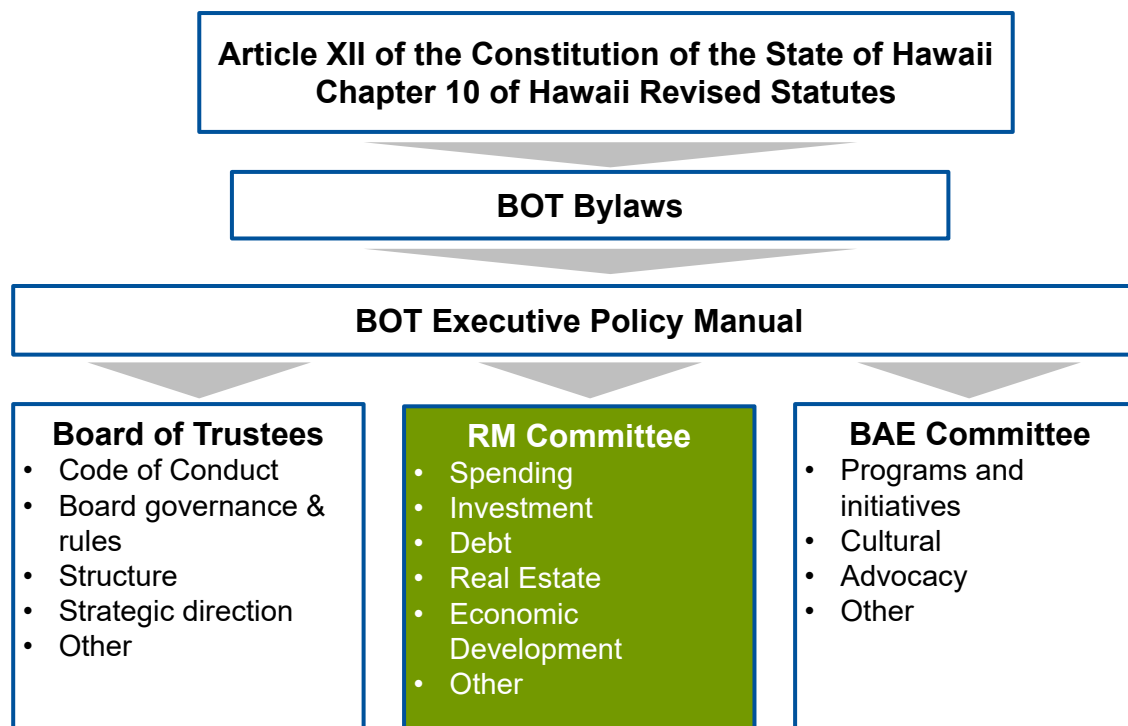
2.4 ARM-BAE 13-01 Protect Change BOT Staff Policies
2.5 ARM 13-11 Re: Trustee Sponsorship and Allowance

2.2 BOT 09-05 Redesignation, Position Title to CEO

2.8 BAE 16-01 International engagement
Action Item BOT 14-01-Creation of LAP Committee

Governance documents structure

Policies and policy documents require logic and structure to be useful, easy to reference, and foundational for guidance, governance and decision making.



Next Steps

What are the next steps?

- Document all of the feedback in the workshop
- Develop draft policy documents
- Submit them for review at RM committee meeting



Clarity affords focus.

Thomas Leonard

“ quote fancy

Discussion Support Slides

Not all debt is bad

- THE DEBT - DIFFERENCE



What is Good Debt?

In general, good debt is that which increases your net worth and/or helps you to generate value. Good debt allows you to manage your finances more effectively, to leverage your wealth, to buy things you need and to handle unforeseen emergencies.

What is Bad Debt?

Bad debt is that which does not increase wealth and/or is used to purchase goods or services that have no lasting value.

The Debt Policy is needed to:

- Protect OHA from taking on debt that is **unqualified debt**. Debt that has not been fully understood nor determined how the debt is going to be repaid.
- The second part will cover when it is the opposite, when it is **qualified debt**. In what instances is it favorable to take to take on debt.
- In both cases, there are rules for the Board to consider, describing the procedures in which the Board should look at debt.

Fiduciary Duty - Being Fiscally Prudent

Prudent Person. Debt shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for financing, considering the probable safety of their capital as well as the probable income to be derived.

Standards of Care

Code of Ethics

- The standard of care applied to the Board, Administration and any external service providers for debts shall be the "prudent person" standard. Conflicts of interest that may impair impartial decision-making shall be disclosed.

Best Practices

- The Board and Administration shall model best practices in the stewardship of OHA's debt involvements in keeping with the fiduciary requirements and obligations under existing Federal and State laws.

Authority and Responsibility

▪ Responsibilities of the Board

- The Board is responsible for overseeing the Policy and will meet at the direction of the Chair of the OHA Land and Property Committee to provide leadership and guidance to the debt process.
- The Board is required to review the Administration's policy and procedure at the outset each time it's revised.

▪ Responsibilities of the Administration

- The Administration is responsible for implementing debt transactions and management on behalf of and under the direction of the Board.

Three (3) Policy Rules

An overall foundation of internal rules to abide by when taking on qualified debt:

- **Rule 1: Don't take on debt you cannot repay.**
 - OHA should not issue debt that they cannot repay or that causes it to incur undue financial risk. OHA should not take out debt without a repayment solution that must consider its spending/withdrawal policy and its budget.
- **Rule 2: Debt can be taken against an asset, but only against an asset for a financial gain.**
 - OHA should consider financing alternatives, where OHA assets are not 100% at risk of liability. OHA should leverage its assets wisely by using debt strategically and prudently. Take on debt that does not risk OHA's entire portfolio.
- **Rule 3: Any type of debt should go through rigorous due diligence to diligence out potential gain.**
 - Due diligence requirements describe analysis that should be conducted prior to issuance of debt, including impact on future budgets, sufficiency of revenues dedicated to debt service or operating cost of capital asset, and impact on ability to provide future services.

All three rules must be satisfied for a qualified debt to be approved.

Funding Strategies - Reasons for the Debt

To assist OHA in the determination of debt

- **Identify eligible projects for debt financing.**
 - What projects are eligible?
- **Maintain favorable access to capital.**
 - How do you know the capital you're trying to get the financing is favorable to OHA?
- **Limit risk within the debt portfolio.**
 - How are you limiting exposure to interest rate risk and other financing and credit risks?
- **Manage credit to maintain the highest possible credit rating.**
 - When to review and decide how debt is paid out?

Define when an opportunity can be taken to meet fiscal responsibilities.

- OHA's strategy shall go beyond the State available options for debt and achieve what private institutions would do in terms of debt funding.
- One big problem with debt financing occurs when OHA starts using short-term financing for long-term assets or long-term financing for short-term financial goals.
- Debt financing should be used for long-term asset financing and short-term debt, like lines of credit, should not be used.

Methods of Financing

	Pay-As-You-Go Revenue	Save-Up-and Set-Aside Revenue	Grants and Loans	Debt Financing
Positives				
Interest is earned		<input checked="" type="checkbox"/>		
No interest paid	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Those who use the project pay for it (Aligns project users and payers at the same time)			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
The project is completed immediately			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Negatives				
Requires interest payment				<input checked="" type="checkbox"/>
Long wait time to complete project	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Risk of inflation costs	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Possible conditions for use			<input checked="" type="checkbox"/>	
Arduous qualification process			<input checked="" type="checkbox"/>	

Financial vs. Real Assets



■ **Financial Asset** - A financial asset is a tangible liquid asset that gets its value from a contractual claim. Cash, stocks, bonds, bank deposits and the like are examples of financial assets. Unlike land, property, commodities or other tangible physical assets, financial assets do not necessarily have inherent physical worth.

■ **Real Assets** - real assets are physical assets that have value due to their substance and properties. Real assets include precious metals, commodities, real estate, agricultural land, machinery and oil. They are appropriate for inclusion in most diversified portfolios because of their relatively low correlation with financial assets such as stocks and bonds.

Blended Return Goal

Blended return goal = Financial asset returns + Real asset return

■ Pros

- Establishes performance expectations for all assets
- Creates proper tension between asset types to determine best use of investment
- Allows for more diversification of resources and potentially minimizing risks

■ Cons

- Requires disciplined approach toward investment of each type of asset
- Requires additional category expertise and oversight
- Real assets create illiquidity

Land Policy



Programmatic Lands

- What is the objective?
- What are the expectations?
- What are the risks?
- How is it funded?
- How is it operated or maintained?



Legacy Lands

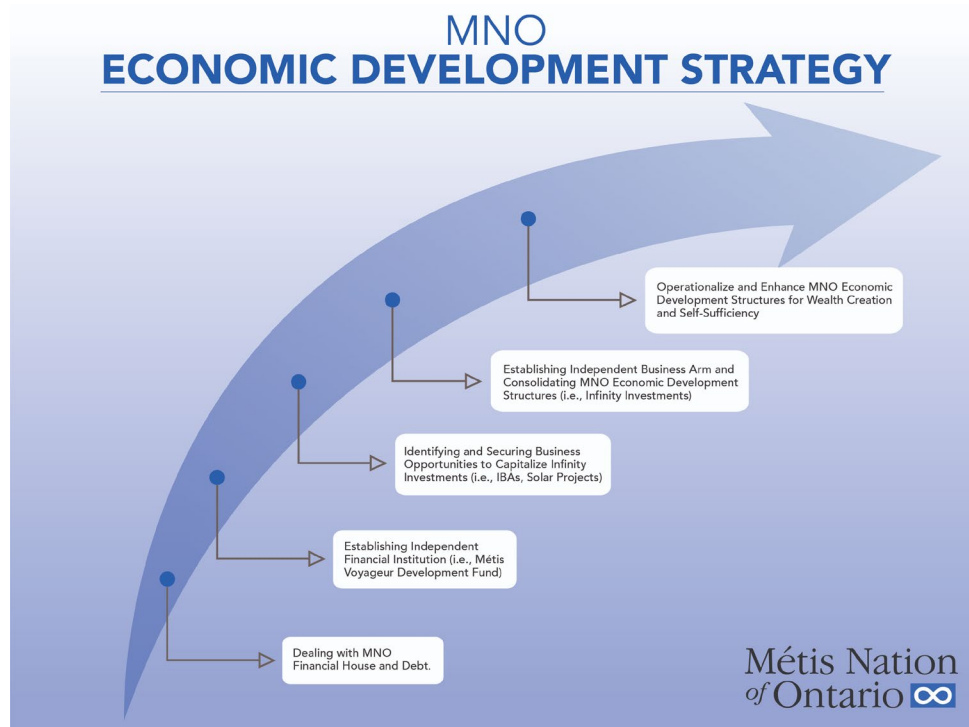
- What is the objective?
- What are the expectations?
- What are the risks?
- How is it funded?
- How is it operated or maintained?



Commercial Real Estate

- What is the objective?
- What are the expectations?
- What are the risks?
- How is it funded?
- How is it operated or maintained?

Economic Development



OHA needs an economic development policy that incorporates best practices and aligns with OHA's long-term strategies and current conditions. A robust policy should contain criteria for selecting economic development projects and operating structures, based on cultural and practical considerations. The economic policy should also include written rules for business conduct and the use of land or other resources and cultural assets. If these rules are further incorporated in development and other agreements, developers will be more likely to develop a project that is consistent with OHA's needs. One of the primary considerations when developing criteria for operating structures is OHA's need for LLC's or business forms to address:

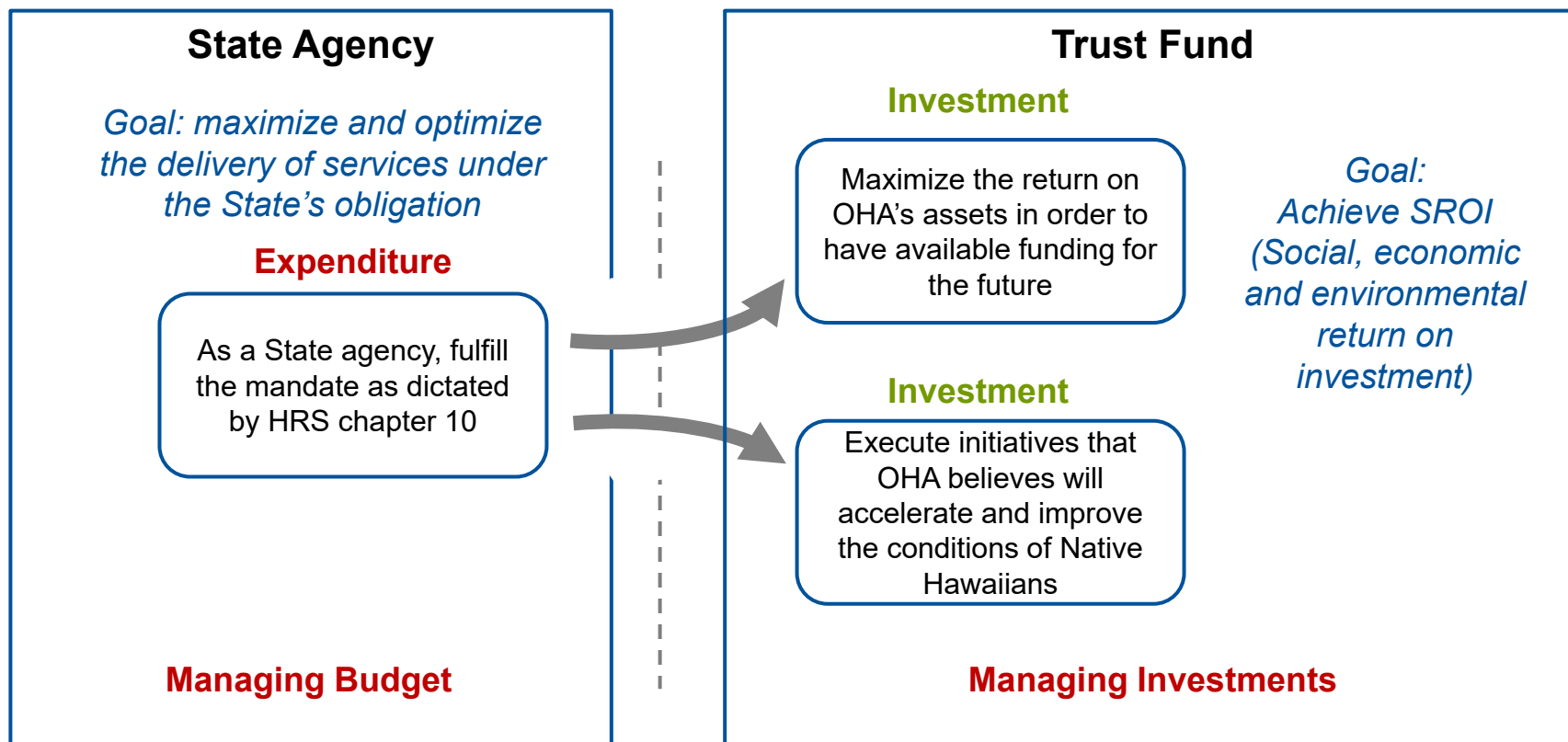
- Business development
- Investment
- Risk
- Compliance

Spending – Clarifying Statutory Sections

- **[§10-1] Declaration of purpose.** (a) The people of the State of Hawaii and the United States of America as set forth and approved in the Admission Act, established a public trust which includes among other responsibilities, betterment of conditions for native Hawaiians. The people of the State of Hawaii reaffirmed their solemn trust obligation and responsibility to native Hawaiians and furthermore declared in the state constitution that there be an office of Hawaiian affairs to address the needs of the aboriginal class of people of Hawaii.
- **(b) It shall be the duty and responsibility of all state departments and instrumentalities of state government providing services and programs which affect native Hawaiians and Hawaiians to actively work toward the goals of this chapter and to cooperate with and assist wherever possible the office of Hawaiian affairs. [L 1979, c 196, pt of §2]**
- **§10-3 Purpose of the office.** The purposes of the office of Hawaiian affairs include:
 - (3) Serving as the principal public agency in this State responsible for the performance, development, and coordination of programs and activities relating to native Hawaiians and Hawaiians; except that the Hawaiian Homes Commission Act, 1920, as amended, shall be administered by the Hawaiian homes commission;
 - (4) Assessing the policies and practices of other agencies impacting on native Hawaiians and Hawaiians, and conducting advocacy efforts for native Hawaiians and Hawaiians;

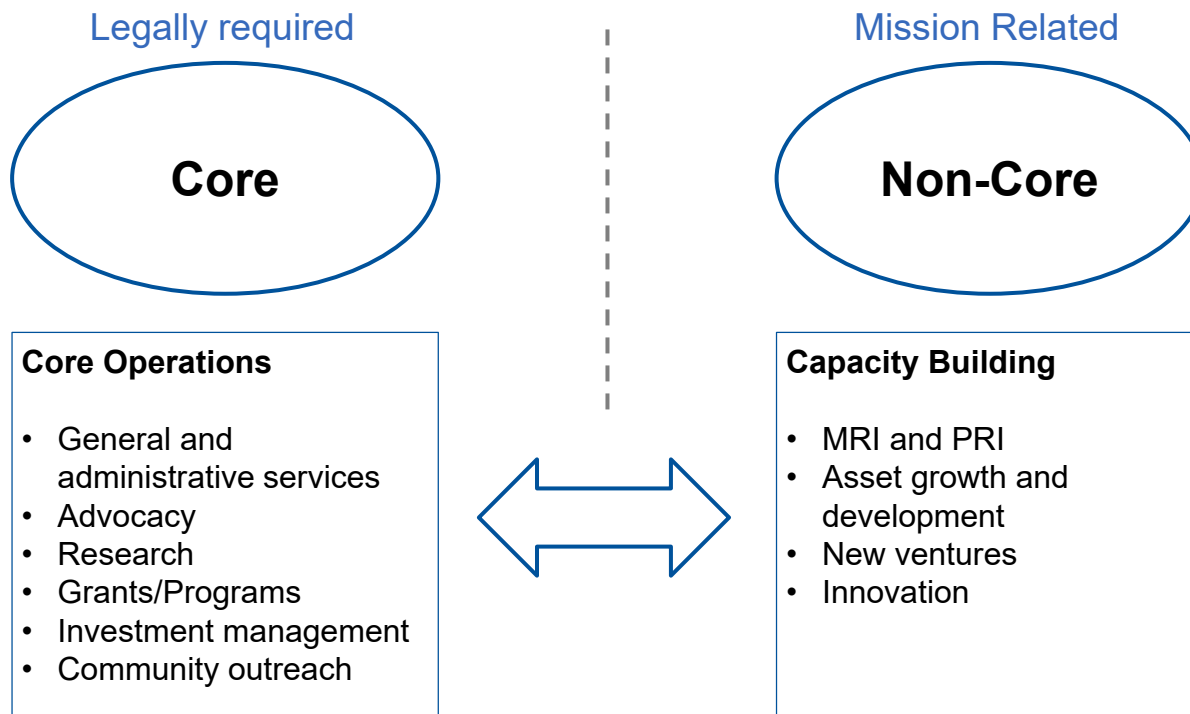
Spending - Managing through different objectives

OHA should recognize the difference between its efforts and set clear direction to achieve both its legal obligations and its mission



Core versus Non-Core

OHA must establish segmentation and prioritization of how it manages its activities. Some of those are dictated by statute, others are established based on OHA's views of how to improve the conditions of Native Hawaiians.



Lot I Worksheet

Lot I

- City & County of Honolulu offering to buy lot from OHA
- As part of KM and ceded lands, OHA must consider long-term effects of the offer

Does OHA sell to C&C Honolulu?

YES

NO

Consider property sale

Suggest a ground lease of the property

- Legislature must approve sale
- OHA would need to determine acceptable value and terms of the deal

- Negotiate ground lease terms (lease value, lease term, etc.)
- C&C of Honolulu must fully indemnify OHA as a condition of the lease

Will the State of Hawaii allow the sale?

Does the City & County of Honolulu agree?

Offer ground lease option

NO

YES

Continue with sale negotiations

Hold on to the property

NO

YES

Negotiate ground lease terms

Will the C&C agree to OHA's terms?

Will the C&C agree to OHA's terms?

Find other options for revenue from Lot I

NO

YES

Execute sale contract, find ways to optimize proceeds

Find other options for revenue from Lot I

NO

YES

Execute and manage the lease

NLK Worksheet

NLK Debt

- Commercial loan of +\$24 million
- City & County appraised value of approximately \$48 million
- Commercial loan lien against the property and collateralized by the trust fund

Does OHA keep the asset within the Trust?

NO

YES

Move NLK into
separate legal struc-
ture

NLK kept as
trust fund
asset

- OHA would need to seek legal opinion on placing NLK into an LLC
- OHA would agree to establish an LLC to hold the asset and OHA would maintain controlling interest in the LLC

- As an asset in the trust fund, it is vulnerable to claims against the asset as well as the trust fund

Is OHA willing to include partners?

NO

YES

OHA raises
funds

OHA gets
venture
partners

OHA totally at
risk for results and
liability

Non-OHA venture
funds best use and
manages risk

- The LLC would need to shop the refinancing of the NLK, which may require additional seed funds to satisfy the financier
- The LLC would use the profits from its lease revenues to pay for the note

How will the debt be dealt with?

Traditionally re-
finance the loan

Keeps current
loan terms and
pays loan in
cash

OHA seeks
alternative
financing

- Attempt to leverage appraised value as collateral for loan
- Commercial loan lien against the property and collateralized by the trust fund

Will OHA accept the risks?

NO

YES

OHA purchases
additional
insurance

NHTF at risk for
total
exposure

- Will need to obtain larger insurance coverage to reduce risk
- Increase insurance premiums reduces overall margins
- Could potentially require additional funds to pay insurance

The UCLA Foundation

INVESTMENT POLICY STATEMENT FOR ENDOWED INVESTMENT POOL

Confidential: Do Not Distribute, Duplicate or Store Electronically

On 9-5-2012, the Investment Steering Committee reviewed the IPS, and recommended approval by the Foundation Board of Directors

Reviewed by UCLA Investment Company Board of Directors, September 18, 2012

Approved by The UCLA Foundation Board of Directors, September 21, 2012

First Proposed modifications approved by UCLA Investment Company Board of Directors and The UCLA Foundation Board of Directors, June 2, 2014

Second Proposed modifications approved by UCLA Investment Company Board of Directors and The UCLA Foundation Board of Directors, March 14, 2017

Third Proposed modifications approved by UCLA Investment Company Board of Directors and The UCLA Foundation Board of Directors, June 5, 2018

Table of Contents

	<u>Page</u>
I. Introduction	3
II. Mission	3
III. Philosophy	3
IV. Investment Objectives	4
V. Spending Policy	4
VI. Asset Allocation Policy	4
VII. Portfolio Rebalancing Policy	8
VIII. Investment Documentation and Reporting	8

INTRODUCTION

The UCLA Foundation's endowment testifies to the generosity of the University's friends and alumni and their faith in University of California, Los Angeles (the "University"). The Board of Directors of The UCLA Foundation (the "Foundation") is aware of the responsibility which is theirs to prudently manage endowment funds which are given to the University. The Foundation has placed oversight responsibility for the endowment fund with its wholly owned subsidiary, UCLA Investment Company.

This Investment Policy Statement establishes policies for the administration and investment of the Foundation's endowment fund assets by UCLA Investment Company. This policy formally documents the goals, objectives, and guidelines of the endowment fund's investment program. Its purpose is to document the policies and procedures that are intended to provide the greatest probability that the funds objectives are met in a prudent manner, consistent with the established guidelines.

MISSION

The mission of the Foundation's endowment is to support the educational mission of the University by providing a reliable source of funds for current and future use. The endowment has two primary missions. First, the purchasing power of the endowment's assets must be maintained in perpetuity and, second, the endowment must achieve investment returns sufficient to sustain the level of spending necessary to support ongoing University operations.

PHILOSOPHY

At the core of this investment policy statement is a set of fundamental investment beliefs which are the underpinnings of all investment policies of The UCLA Foundation (the "Foundation"):

- Endowment funds are by definition perpetual funds. The Foundation can afford to take a very long-term view in setting investment policy.
- Taking into account the long-term nature of endowment funds, the Foundation should maintain a bias toward equity investments, which have historically produced higher long-term returns.
- Diversification can reduce risk and increase return.

INVESTMENT OBJECTIVES

The primary investment objective of the Foundation endowment is to earn an average annual real total

return of at least 5% per year over the long term, net of cost. Attainment of this objective will enable the University to maintain the purchasing power of endowment assets in perpetuity and meet its current spending policy.

A secondary investment objective of the endowment is to outperform over the long term (defined as rolling five-year periods) a blended custom benchmark based on a current asset allocation policy of: 50% MSCI All Country World Index, 15% Citigroup 3 Month Treasury Bill Index X 2, 10% Cambridge Associates LLC U.S. Private Equity Index, 5% Citigroup 3 Month Treasury Bill Index (Cash), 5% Merrill Lynch High Yield Master II Index, 5% NCREIF Property Index, and 10% Consumer Price Index for All Urban Consumers (annualized CPI-U) + 6%.

SPENDING POLICY (adopted 6-20-2000)

The Foundation's spending policy was developed to meet several objectives, namely to: (a) provide a current source of funding for UCLA endowment beneficiaries, (b) provide year-to-year budget stability and (c) meet intergenerational needs by protecting the future purchasing power of the fund against the impact of inflation.

The Foundation does not follow a specific rule for determining the spending policy. Each fiscal year, a stated payout percentage is calculated that, when applied to average market values, will result in actual payout dollars that meet the program objective.

- Twelve quarter average of market values are used to smooth monthly fluctuations
 - Prior six quarters actual investment returns
 - Forecasted next six quarters using expected returns

The combination of spendable income rate, anticipated expenses and allowance for inflation should not exceed expected returns. General economic conditions are considered in setting the spendable income rate.

ASSET ALLOCATION POLICY

The single most important investment decision is the allocation of endowment funds to various asset classes. The primary objective of the Foundation's asset allocation policy is to provide a strategic mix of asset classes which produces the highest expected investment return within a prudent risk framework.

Each asset class should not be considered alone, but by the role it plays in a diversified portfolio. Diversification among asset classes has historically increased returns and reduced overall portfolio risk. How asset classes relate to each other is the key to making asset allocation decisions within the context of overall endowment risk and return.

As stated earlier, a core fundamental investment belief of the Foundation is to maintain a bias toward equity investments, which produce higher long-term returns. In addition, the endowment's long time horizon is well suited to exploiting illiquid, less efficient markets that offer higher potential returns.

With these basic tenets in mind:

- Equity bias – increases returns
- Diversification – reduces risk
- Long time horizon,

the Foundation has decided to invest in the following asset classes:

DOMESTIC EQUITY: Publicly traded U.S. stocks are a core asset class of institutional portfolios with long-term investment horizons and modest liquidity constraints. The objective of the Domestic Equity portfolio is to generate investment returns with adequate liquidity through consistent exposure to common stock investments. The Domestic Equity portfolio may contain both a passive core and an active investment strategy. The passive core is meant to provide low-cost exposure to the U.S. equity market and will primarily be achieved through the use of, but not limited to, swaps, ETFs and other derivative products, utilized from time to time to add or reduce the directionality of the portfolio. The portfolio seeks to generate incremental returns (alpha) through its active investment strategy. The active investment strategies will include both long/short and long only managers. The primary benchmarks for the Domestic Equity portfolio are the Russell 3000 and the S&P 500.

INTERNATIONAL EQUITY: Includes publicly traded common stock of predominantly international markets, both in developed and developing/emerging regions. In general, it is perceived that through increasing industrialization, strong demographic trends and increasing depth and efficiency of capital markets in these countries, that these markets could generate higher returns than the U.S. markets. In addition, over long-term periods of time, international equities have relatively low correlations to the U.S. markets, making them not only a return source, but a portfolio diversification tool. The objective of the International Equity portfolio is to generate investment returns with adequate liquidity and to provide a diversification benefit to the entire portfolio. The International Equity portfolio takes an active investment approach due to the less efficient nature of the markets, which should generate higher returns than a passive core and will be implemented through both long/short and long only managers, potentially in all regions of the world. Despite an active approach, from time to time there may be opportunities to add or reduce directionality to international markets through the use of, but not limited to, swaps, ETFs and other derivative products. The primary benchmark for the International Equity portfolio is the MSCI All Country World ex-U.S. index.

GLOBAL EQUITY: Includes publicly traded common stock from a combination of domestic, developed international and developing/emerging international markets. The objective of the Global Equity portfolio is to generate investment returns with adequate liquidity through a globally diversified portfolio of common stocks that will provide return sources from less correlated regions of the world. The Global Equity portfolio will largely employ an active investment strategy, though from time to time may utilize swaps, ETFs and other derivative products to add or reduce the overall directionality of the portfolio. Investments in the Global Equity category typically have a broader investment mandate and cannot be classified specifically into domestic or international alone due to the global approach of the portfolio management function. An investment is generally defined as global if the investment has more than 20% of its gross exposure domiciled outside of either its home country or its primary investing region and investments will include both long/short and long only managers. The primary benchmark for the Global Equity portfolio is the MSCI All Country World index.

PRIVATE EQUITY/VENTURE CAPITAL: Includes illiquid investments in both private and public companies both domestically and internationally. These investments include venture capital, buyouts, high yield, and subordinated debt. The Private Equity/Venture Capital portfolio's objective is to earn higher returns than the public equity markets over the long term. This portfolio invests in highly illiquid positions and should generate higher returns as compensation for that illiquidity. A secondary objective of these investments is to provide diversification. The portfolio's strategy is to invest in a select number of funds managed by the highest quality management teams usually organized as limited partnerships. Managers are sought which have proprietary deal flow and whose experience enables them to bring strategic, operational, or technical expertise to a transaction in addition to financial acumen and capital. The portfolio is diversified across categories and investment stage. The Private Equity/Venture Capital portfolio's primary benchmark is the Cambridge Associates LLC U.S. Private Equity index.

MULTI-STRATEGY: Includes managers specializing in asset allocation across multiple investment strategies that have low correlations and/or market exposure to other asset classes. The objective of this asset class is to generate equity-like returns with less volatility and market exposure than global equities. Diversification across strategies and positions will be wide in order to dampen portfolio volatility. The portfolio's liquidity will be moderate, less than that of the traditional public equity portfolios, but more liquid than the Private Equity/Venture Capital portfolio. This portfolio will focus on areas and strategies where value added by active management can contribute a substantial portion of the return. The portfolio may utilize swaps, derivatives, ETFs or other instruments in order to manage risk. The primary benchmark for this asset class is 2 X Citigroup 3 Month Treasury Bill Index.

CREDIT: Includes investments in publicly and privately traded credit and credit related securities. The portfolio can hold a mix of traditional benchmark relative strategies and absolute return strategies. It is expected that many types of securities could be considered credit sensitive and the portfolio will contain, but not be limited to, bonds, equities, derivatives, currencies and private securities. The portfolio will be diversified across credit asset classes and hold a mixture of investment grade and high yield securities of performing and non-performing debt. Liquidity and volatility will vary by strategy. The portfolio will focus on capital appreciation rather than current income and will not be managed to specific duration guidelines. The primary benchmark is the Merrill Lynch High Yield Master II Index.

REAL ASSETS: Real Assets represent claims on future streams of inflation-sensitive income, supplying protection against unanticipated inflation and playing an important diversifying role in the portfolio. Real Assets are comprised of investments in oil and gas, commodities, timber, and

inflation-linked bonds. The primary benchmark is the Consumer Price Index for All Urban Consumers (annualized CPI-U) + 6%.

REAL ESTATE: The long-term objective of the Real Estate portfolio is to provide equity-like returns while providing a partial hedge against inflation. In addition, Real Estate is an extraordinary diversifier within the overall endowment due to its low correlation with other asset classes. The portfolio is directed largely to illiquid investments with a long time horizon. The primary benchmark is the NCREIF Property Index – a broad index of institutional quality private real estate.

CASH: Cash is a very risky investment for an institution with a long time horizon due to its low return and the diminution of purchasing power that entails. It is considered prudent to minimize the use of cash in the overall endowment. Outside of extraordinary market dislocation periods, cash will exist from time to time for transaction and/or rebalancing needs only.

With the above serving as the approved asset classes, the Foundation has developed the following as its optimal long-term asset allocation policy.

<u>ASSET CLASS</u>	<u>Long-Term Desired Range</u>
EQUITY	
Domestic Equity	10% - 45%
International Equity	10% - 30%
Global Equity	10% - 40%
Total Equity	30% - 75%
PRIVATE EQUITY/VENTURE	0% - 25%
MULTI-STRATEGY	5% - 20%
CREDIT	0% - 15%
REAL ASSETS	0% - 15%
REAL ESTATE	0% - 10%
CASH	0% - 10%

PORTFOLIO REBALANCING POLICY

The Foundation's Investment Policy Statement establishes the long-term asset allocation targets for the endowment and certain minimum and maximum constraints for each individual asset class. The Board of Directors of UCLA Investment Company will rely on investment staff to determine allocations within the stated ranges and to initiate rebalancing of the fund whenever minimum or maximum constraints are violated.

Rebalancing is a critical element in controlling the long-term asset allocation of the endowment. The Portfolio Rebalancing Policy will be implemented in a systematic and disciplined fashion using the following guidelines:

- In the case of an asset class being below its minimum constraint, monies will be invested in that asset class to bring it back toward its target allocation. UCLA Investment Company will use cash flow to rebalance whenever feasible. When cash is not readily available to facilitate the rebalancing, the Company will trim the asset class that is most overweight.
- In the case of an asset class being above or below its stated range, then over the subsequent two quarters, the Company will attempt to rebalance back within the stated range.
- UCLA Investment Company has the ability to make additions and withdrawals from public market investments with managers with which the Company currently has relationships with for the purpose of portfolio rebalancing.

In a market characterized by extreme volatility in which one or more asset class's minimum and/or maximum constraint is exceeded, UCLA Investment Company will develop and recommend an alternative rebalancing plan subject to the Foundation's approval should the above guidelines otherwise require the sale of investments that may not be prudent and in the best long-term interest of the Foundation.

INVESTMENT DOCUMENTATION & REPORTING

Statements will be provided quarterly to the Foundation summarizing:

- performance for the quarter and trailing periods for the portfolio
- asset allocation of total portfolio
- market value of the total portfolio

UCLA Investment Company will rely on its investment managers for voting proxies associated with its funds.

UCLA Investment Company will meet quarterly with the Foundation to review the portfolio and its investment results.