

BOARD OF TRUSTEES
 Colette Y. Machado, *Chairperson*
 Brendon Kalei'aina Lee, Vice Chairperson
 Leina'ala Ahu Isa, At-Large
 Dan Ahuna, Kaua'i & Ni'ihau
 Kalei Akaka, O'ahu
 Keli'i Akina, At-Large
 Carmen Hulu Lindsey, Maui
 Robert K. Lindsey, Jr., Hawai'i Island
 John Waihe'e IV, At-Large



STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
MEETING OF THE BOARD OF TRUSTEES

DATE: Thursday, September 19, 2019

TIME: 9:00 am

PLACE: Auntie Sally Kaleohano's Lū'au Hale
 799 Pi'ilani Street
 Hilo, Hawai'i, 96720

AGENDA - Amended**

- I. Call to Order
- II. Approval of Minutes
 - A. July 25, 2019†
 - B. August 7, 2019 (Community Meeting) †
 - C. August 8, 2019 (Site Visit) †
 - D. August 8, 2019†
- III. Public Testimony*
- IV. Unfinished Business
 - A. Interim CEO's 15-Minute Update on Ho'oulu Lāhui Aloha and OHA Activities
- V. New Business
 - A. Informational briefing by Robert Agres on the County of Hawai'i's Kīlauea Eruption Recovery Process and the work of the Puna Community Development Plan Action Committee. **
 - B. Committee on Resource Management
 1. Action Item RM #19-13: Approval of and authorization to amend page 1 of the Investment Policy Statement and Sections 4 ("Delegation of Authority"), Section 13 ("Procedure for Selecting and Reviewing Investment Advisors") and Section 16 ("Adding new Asset Classes"). (2nd Reading)
 2. Action Item RM #19-16: Action Regarding a Fiscal Stabilization Policy including Withdrawal Guidelines and the related Elimination of the Fiscal Reserve Withdrawal Guidelines contained within the Native Hawaiian Trust Fund Spending Policy. (2nd Reading)
- VI. Community Concerns*
- VII. Announcements
- VIII. Adjournment

If you require an auxiliary aid or accommodation due to a disability, please contact Raina Gushiken at telephone number 594-1772 or by email at: rainag@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.

** Item V.A. was added to the agenda.

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

Colette Y. Machado

Trustee Colette Y. Machado
 Chairperson, Board of Trustees

9/12/19

Date

Office of Hawaiian Affairs
Board of Trustee Meeting
September 19, 2019
9:00 am

II. Approval of Minutes

- A. July 25, 2019
- B. August 7, 2019 (Community Meeting)
- C. August 8, 2019 (Site Visit)
- D. August 8, 2019 *

**Minutes were not ready at time of folder distribution.*

**STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
560 N. Nimitz Highway, Suite 200
Honolulu, HI 96817**

**Minutes of the Office of Hawaiian Affairs Board of Trustees
Thursday, July 25, 2019
10:00 am**

ATTENDANCE:

TRUSTEE COLETTE MACHADO
TRUSTEE BRENDON KALEI'ĀINA LEE
TRUSTEE LEINAALA AHU ISA
TRUSTEE DAN AHUNA
TRUSTEE KALEI AKAKA
TRUSTEE W. KELI'I TRUSTEE KELI'I AKINA
TRUSTEE CARMEN HULU LINDSEY
TRUSTEE ROBERT LINDSEY
TRUSTEE JOHN WAIHE'E IV

ROBERT G. KLEIN, ESQ., BOARD COUNSEL

ADMINISTRATION STAFF:

SYLVIA HUSSEY, ICEO
RAINA GUSHIKEN, CC
MOMILANI LAZO, ADM CEO
MILES NISHIJIMA, LPD
EVERETT OHTA, CC
MEHANA HIND, CE
STERLING WONG, PRO
JIM MCMAHON, ADV
JIM PATTERSON, PROG
JOCELYN DOANE, PP
TIGER LI, IT
ANUHEA PATOC, PP
DAMON NABER, CP
DANIEL SANTOS III, IT
DAVIS PRICE, CO
JASON LEES, DPM
KAHEALANI PELERAS, CE
KAI MARKELL, COMP
KEOLA LINDSEY, PP
LISA WATKINS-VICTORINO, RES
PŪLAMA LIMA, LCH
WAYNE TANAKA, PP
JONATHAN CHING, LP

BOT STAFF:

CAROL HO'OMANAWANUI
LŌPAKA BAPTISTE
KAUIKEAOLANI WAILEHUA
DAYNA PA
CLAUDINE CALPITO
MELISSA WENNIHAN
NATHAN TAKEUCHI
LEHUA ITOKAZU
PRICILLA NAKAMA
ALYSSA-MARIE KAU
RONPORTER
PAUL HARLEMAN
BRANDON MITSUDA
MARIA CALDERON

GUESTS:

DEMONT CONNER
KAUI PRATT-AQUINO
ALICIA SHISHIDO
MELISSA SHISHIDO
JENNA SCANLAN
MAPUANA DESILVA
MOMI KAILIANU CONNER
KEKAI PERRY
KEIVALEI CADENA
IMAI WINCHESTER

I. CALL TO ORDER

Trustee Colette Machado Calls the Board of Trustees meeting to order at 10:03 am. Roll call is taken; Trustees Ahu Isa, Ahuna, Akaka, Akina, Lee, Carmen Hulu Lindsey, Robert Lindsey and Machado are present, constituting a quorum. Trustee John Waihe'e IV is expected to arrive shortly.

Members that have signed up for our public portion and our community concerns. You will be provided with 5 minutes and it will be monitored on the screen once you begin your testimony. Public testimony is limited to the agenda items. Community Concerns is pretty much open to what you decide to speak on relating to Native Hawaiians.

With that said for the record, the Chair would like to note that the 72 Hour rule, pursuant to OHA BOT Operations Manual, Section 49, shall be waived for the following items:

II. Approval of Minutes

A. May 30, 2019

V. New Business

- B. Action Item BOT #19-11: Approval of a Resolution to Authorize OHA Administration to Act Regarding the Rights, Safety and Well-Being of OHA Beneficiaries on Mauna Kea.

With that said, we will move to II. Approval of Minutes.

II. APPROVAL OF MINUTES

A. May 30, 2019

Trustee Brendon Kalei'āina Lee moves to approve Board of Trustee minutes for May 30, 2019.

Trustee Dan Ahuna seconds the motion.

Chair Colette Machado – It has been moved and seconded. Any discussion? Hearing none, roll call vote please.

Trustee Brendon Kalei'āina Lee moves to approve Board of Trustee minutes for May 30, 2019. Trustee Dan Ahuna seconds the motion.						
TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEINA'ALA AHU ISA			X			
TRUSTEE DAN AHUNA		x	X			
TRUSTEE KALEI AKAKA			X			
TRUSTEE KELI'I AKINA			X			
TRUSTEE BRENDON KALEI'ĀINA LEE	x		X			
TRUSTEE CARMEN HULU LINDSEY			X			
TRUSTEE ROBERT LINDSEY			X			
TRUSTEE JOHN WAIHE'E						Not present at vote
TRUSTEE COLETTE MACHADO			X			
TOTAL VOTE COUNT			8			1
MOTION: [] UNANIMOUS [x] PASSED [] DEFERRED [] FAILED Motion passes with eight (8) yes votes and one (1) excused.						

III. PUBLIC TESTIMONY

Chair Colette Machado – Members we are on III. and we are on public testimony. Our first speaker today is DeMont Connor followed by Kauai Pratt-Aquino. Please come forward.

DeMont Connor – DeMont Conner President of Ho'omana Pono Political Action Committee. I am here to testify on Action Item V.B. regarding the administrative act, regarding the rights, safety and well-being of OHA Beneficiaries on Maunakea. In the past OHA has supported TMT, in some way and stuff. But right now, we are

at a junction in the State of Hawaii where we got to decide what is priority. Is it more priority to give big business and foreign countries the right to come here and do whatever the hell they like, or is it more of a priority to listen to the people, us people?

10:07 am Trustee John Waihe'e IV arrives to meeting.

DeMont Connor – Us people, of this land. The people who from here. And I think the time has come that we make a decision and make a stand. I'd like to first of all honor member Hulu Lindsey, auntie it was so unreal. What you guys did that day, you guys went open the way for everyone to see, the whole world to see. You know when the State can come with people dressed in full riot gear, pepper spray, batons, and they standing there and they facing our kupuna who making a stand for us. You guys leading the way for us and I like honor you for that and all the kupuna that went stand. Because of that, get thousand more people there, thousands coming. I watch on Facebook, all over the world get people, all throughout America get people.

So now the question is, is big business going be, going have the way forward. So what they went go through the permitting process to do that. That doesn't make it right what they are doing. So that I why I ask this board, right now, that come together with our people, you guys all should be on the mauna. You guys all should be on the front line with our kupuna and let them know. It's the people's choice. If the people say no, its no. You know what I mean. We not going say no to everything, we cannot say no to everything. But this is a special case.

This is not about them being able to look at the stars and about science and all that. It's about us guys being able to protect what is sacred to us. We all know that. So we just got to make that stand and we get one awesome new CEO. We looking forward to working with you and we looking forward to your leadership and to communicate to the Board. It's about time that you guys, tell the State straight up already, enough already. This thing on the mauna got to stop. Yeah, you guys went through the permitting process, just because its legal doesn't make it right. Thank you guys for this time, I concede the rest of time. Aloha.

Chair Colette Machado – Thank you DeMont. The Chair would like to recognize Kauai Pratt-Aquino followed by Alicia and Melissa Shishido.

Kauai Pratt-Aquino – Good morning. Aloha Chair Machado and Trustees. My name is Kauai Pratt-Aquino and I am a beneficiary of the Office of Hawaiian Affairs and the Hawaiian Homes Commission Act. I am here today to urge this board to pass resolution number 19-11, which authorizes the administration to advocate and support the safety and wellbeing of OHA beneficiaries on Maunakea. First, it would be disingenuous to ask for your support without first expressing my disappointment in this board. I have not been happy with the conduct of this Board related to this issue. I strongly believe this Board has been disconnected to the communities you swore to protect. I am not here to attack you but to deliver the truth. I want to mahalo Trustee Hulu Lindsey and Trustee Dan Ahuna for not abandoning our communities. I witnessed both of you lay down your lives for our people with Trustee Hulu Lindsey's arrest and with Trustee Dan Ahuna living out of his car with his family on Maunakea from the inception. These two actions speak volumes to your personal commitment to our people. If any of you have not been to Pu'uhoonua o Pu'uuhuluhulu I encourage you to do so as soon as possible. With that truth, I am also here to deliver the message of kapu aloha. We are taught that despite anyone's shortcomings including this Board's failure to take a strong position of opposition, that there will always be love and compassion for you to change course. I urge that of you today.

The World can see this issue so clearly. It is a human rights crisis and the unethical pursuit of Science at the great expense of the wellbeing of our beneficiaries. Maunakea has the authority and power to unite Nations. I do not say that lightly. That was very clear to me in 2015, it is still clear to me today. I encourage this Board to recognize that authority and act accordingly. Currently our kupuna, makua and opio have been on the mauna for days not because it's the cool thing to do, it's because they understand their responsibility to our people, and our future. It's that simple. The protection of Maunakea is the only pathway forward. I had the opportunity to witness the plight of the petitioners in the contested case. One of their main arguments has been from the pro TMT group is that they had their day in court. But I think this Board sitting here understands what that day in court meant for them. Most of the petitioners in that case represented themselves against some of the most powerful law firms in Hawaii. I am

a lawyer who understands that. But in order to represent a case like that, you need competent legal representation and they didn't have that. They did their best to represent themselves but in the end in my mind, they did not have their fair chance in court. They weren't able to competently represent themselves.

If you are looking at that, they had process and they were able to defend themselves. I think that argument is weak. I've had the opportunity to see what the World is saying about Maunakea and they see it very clearly. That this project cannot proceed no matter what. I ask that OHA, this Board, take the position, a strong position to stand with the Kia'i on Maunakea. That is the only position that you have right now. Those are your beneficiaries. I don't care what your personal view is on whether you support the telescope. That has to be put aside in light of your duty of loyalty to represent these beneficiaries. I encourage you today to pass a resolution 19-11 to be able to official authorize the administration to support and advocate the kia'i on Maunakea. Thank you.

Chair Colette Machado – Mahalo Kauai. Our next speakers are Alicia and Melissa Shishido.

Melissa Shishido – It is Ailua.

Chair Colette Machado – So sorry it looked like Alicia.

Melissa Shishido – She wrote her own name. Off the mauna and she wanted to say something.

Chair Colette Machado – I apologize, it looked like Alicia, but it's Ailua.

Melissa Shishido – Ailua Iwalani Scanlan Pilialoha, my 6-year-old mo'opuna. Last week Thursday, and I am going to not repeat what Kau'i Pratt-Aquino just said because I would just repeating the same thing. In addition to that I mahalo to you as well. Because I am from Maui and I knew why you did what you did. I mahalo you. It was after that, that I booked tickets and I took my two mo'opuna there because, like I told Kumu Hokulani Holt, I said, I don't want my mo'opuna to ask what did you do, and I will tell them I took you there and sat in the sun, the cold but began to embrace kapu aloha. Because rather than get wild on it I know that, you, this Board here, has the power to protect the Kia'i that is there. Some who have not left. I left the mauna only to book another ticket to go back on Tuesday against the wishes of some of my family members I am willing to stand with the mana wahine and do what it takes. Because the mauna is not just a sacred place. It is our piko. My mo'opuna here wanted me to share that with you that she would like for you to help protect that mauna because it's going to hurt her feelings now and in to eternity. I urge you today to pass this resolution 19-11 and know that we were standing there with the kia'i from Thursday until we flew back a day or two ago. We are the beneficiaries. You have the responsibility to act on our behalf. I am not speaking for myself, I am not here alone. I travel with my ancestors, I urge you to honor them and respect them as well. From the mauna to everyone to who you are connected to in your koko to please pass this resolution and protect the kia'i for many have not even taken a shower as I was there to help braid hair and take knots out of their hair because they are not leaving. I want you to hear our heart. Pass this resolution. It is your kuleana, your responsibility. I kapu aloha everything that I am doing now. I have been transformed just from visiting the mauna. Given the opportunity, \$39 one way on Southwest, grab the car from Kona and drive up, that is what we did. Pack my 1-year-old granddaughter up and my 6 year old, bundled them up, had to go get things from the donations as well. It is amazing what is happening there. Unlike anything that is someone saying you have to go there to experience it. The Hawaiians, the Hawaiian Islands, the World is sending there to take care of kia'i. You now have your responsibility and your kuleana to do your share. Please pass 19-11. Mahalo.

Chair Colette Machado – Mahalo. Our next speaker is Jenna Scanlan.

Jenna Scanlan – Aloha mai kakou. My name is Jenna Malie Hokulani Scanlan. I come from Ko'olaupoko, Oahu. Sitting in front of you folks with my two keiki. Humbly asking that you stand us. This is a Hawaiian issue and if this is the Office of Hawaiian Affairs, this is your issue as well and I believe that if we allow corporate entities and big business to take over our 'āina, maybe one day when my keiki are my age and have their own keiki there won't be a need for an Office of Hawaiian Affairs. But that is not something we want to look forward too. Like my

mother in law said, we spent a week on the mauna, in the cold and hot and the rain and the wind. So that my keiki can one day stand up for our people too. Mahalo to you folks for even hearing this. I ask you to please pass this resolution to stand with us. If you stand for us, please stand with us and Kū kia'i mauna. Mahalo.

Chair Colette Machado - Our next speaker is Kumu Hula Mapuana de Silva.

Mapuana de Silva – Aloha Chair and Trustees. I am really honored to be able to sit in front of you today. This is my first time at something like this. I am a little nervous. I sit here on behalf of my 'ohana, and my Hālau and also ilio'ulaokalani. I think those of us who have come here today, it's really important for us to share with you our experiences on the mauna. Especially those of you who haven't been able to be there yet. I've been to many things that have been life changing experiences for me. I've been really fortunate, but I have to say being on the mauna for two days, has surpassed any other life changing experience I have gone through. I really encourage all of you to be there. When you making such an important decision as this, not just for yourselves, but for the people that you represent. Not having that first had experience, I think, kind of shortchanges us as beneficiaries. I am hoping that, those of us who come here to speak that we'll be able to share our experiences so that you have a little better understanding. I tell people that to go through iniki, you can talk about it all you want, you can explain but you have no clue what it's like unless you go thorough it yourself. Once you been through it you see the difference. For me is the same thing as going to the mauna. I've never felt so safe since I was a kid. We didn't have to lock our doors, we could be out all day, didn't have to tell our parents where we are going, we had to be home by dark. And if we did anything wrong somebody in the community would tell our parents. That is what I felt, the last time I felt safe. Until I went to the mauna. My guard was completely let down. I was fearful of nothing. I was happy to see that parents were not swearing at their children, grabbing them by their ear and telling them no. I was happy to see no rubbish on the ground, no smoking, no alcohol, no drugs, no swearing, no unkind words or thoughts. Its euphoria there but it's not just, we're not just having a party and being a happy place.

We are trying our best to live in aloha as we learn from our kupuna. As Auntie Pilahi Paki put it so nicely. Akahai lōkahi 'olu'olu ha'aha'a a me ahonui, I try to live by those words everyday. And in this place I have really found true aloha. What I was fearful of was what was outside the community, not what was inside the community. You have a big responsibility, a huge one. I am glad I am not sitting in your seat. My question is, not whether we should have the telescope or not, it's where should it be. Once we give up Maunakea, we will never ever get it back. Then what is the next thing we have to give up and what is the next thing we have to give up, when are we going to say it's enough. I've been to the people of Maunakea. I've been wanting to go there since 1986 when I learned Maunakea o Kalani from Auntie Pat Namaka Bacon. Then in 2003 when I was fortunate to learn the dance Poliahu that Kawena wrote. Finally, it was on June 17, 2019 that I finally made it to the summit, I got out of my car and stood below the four telescopes you see there and I cried and got sick to my stomach and I could barely stand up. Because what is there already is so invasive and so overwhelming to my na'au and to everything that I stand for in hula. To think that what they want to put up there is bigger than all those telescopes put together. And that we are going to go three times, more than twice as high then what is allowed in Hilo. And that when we stand there we'll no longer be able to see Haleakala. We are cutting off ourselves from our culture, from our kupuna, from our ancestors, from everything that we know when we do that.

The next, two week later on June 30th, 2019, I finally made it to Lake Waiau, I was the last one in our group of 11 all my students were there before me. The ranger took us in. It took a long time for me to get there, because I am not young anymore. I am sorry if I am going over my time. When we got to the last place the ranger was waiting for me and I looked at him and he said, Kumu, you see where your ladies are, when you reach there you will see Lake Waiau. I just broke down because I thought maybe in my lifetime I'd never be able to see Lake Waiau. And I cried all the way up to the top of that rise and the view was so over whelming. That I had to look away several times. It took me quite a while to compose myself so that I could dance Maunakea o Kalani for the Lake, for Queen Emma, at the place she visited to get rejuvenated. To be able to lead her people. That's what I want for us as a people. When we desecrate the very mauna that has so much mana for us and so much history, when we let that go, who are we going to be as Hawaiians? Where is our identity? Is it in the telescope? Not for me. It's in the mauna. Mahalo.

Chair Colette Machado – Our next speaker is Noenoe Silva.

Noenoe Silva – Aloha kakou. Mahalo for the opportunity to address you this morning. I also am in support of the resolution on the table to allow OHA to protect the beneficiaries that are up on the mauna. Like the others before me, I'd also like to ask the Board to reconsider and take a position against the TMT for all the reasons that Kumu Mapuana just said and for other reasons as well.

I didn't sign up to speak as a professor or researcher, but I am a researcher. I research Hawaiian Political History. When I look at the arguments for the TMT, some of the most persuasive arguments for our people is that we provide jobs. But what kinds of jobs, how long are those jobs going to last. Jobs in Hawaii are dependent so much on consuming the earth, consuming our 'āina, building, tearing down, rebuilding, taking land, destroying lands. So when I look at in a Historical perspective it looks to me like mokapu. For example, where if you look inside Oahu and you look at all of the sacred site on mokapu, every description ends with destroyed for the reef runway. There is multiple ones. I think we need to think about whether we want to trade our sacred places, whether we want to trade our 'āina for the temporary benefit of certain jobs and what kinds of jobs. I also just want to say that like the others before me who talked about people up on the mauna, I didn't get a chance to go yet, but what we are seeing up there is an incredible communal act of non-violent protest.

Our people are organized, orderly, wise and principled and this is something that we should be grateful for today. What has brought out people to this point, there is a lot of stereo types that the Governor trotted out, we can't all get together, we are drunk and disorderly, we are dirty, those are old stereo types obviously you have heard that about Hawaiians your whole life. When they get up there they see it's not true. We are some of the most organized people on the planet. Ever seen people that make so many organizations to get things done, as Hawaiians. We see that on the mauna especially. So it a really powerful anti-race hysteria type action that is going on right now. What has brought people together is the care of our 'āina. And as many people have said, it's not just the mauna, if the mauna goes then what's next. We have to keep protecting our places; we can't just let them go to development after development after development. So that is my plea to the Trustees today to please pass this resolution but also reconsider and pass another resolution opposing the TMT. Mahalo

Chair Colette Machado – We have Momi Connor, and after that, we have Kekai Perry.

Momi Connor – Good morning everybody. Thank you very much for hearing us out. I am in strong support of this resolution to support our people on the mauna. I had a small discussion with Uncle Dan over here about why we didn't reach the mauna. Thanks from our brother who lives on Maui who said, the reason why he wasn't going to the mauna is the rules. Every place get rules. On the mauna one thing that they hold true is kapu aloha. My braddah get aloha but he said he cannot kapu that. Cause he only going up there and screw everybody that is in kapu aloha doing what they say they going do. Which is being peaceful, civil, and be better than. To be put above all that people say we are not. In my case, my husband is on parole, that means we have to give them one week notice, we got to let them know where we going and we got to let them know we there. My husband get plenty aloha, must be because he always somehow, someway in his feet stay where we think he shouldn't be but he is there. And then for people who don't know I am married to DeMont Connor.

But like my braddah on Maui, get plenty aloha, hard for keep the kapu. That is why we stayed here and we did what we could here. So I would like you all to know that a lot of us are dying to be up there but on every island there is a Maunakea. For us in Waianae we have PVT, a'ole TMT, a'ole PVT. We have our own little mountain, trash mountain but we have our own little mountain that we fighting to keep them from building higher. On Maui, they get their water thing and their land thing. Every island get something. But we come as one, thank you Maunakea, we come as one people, one voice, one heart. So in strong support I pray that you guys pass your resolution that would support our kia'i on the mauna. Thank you.

Chair Colette Machado – Mahalo Momi. Chair would like to call Kekailoa Perry as the next testifier.

Kekailoa Perry – Aloha Trustees. I am Kekailoa Perry, Associate Professor Kamakakuokalani Center for Hawaiian Studies but more importantly kanaka maoli. I'm testifying in favor of the BOT Action Item 19-11. I sent in a testimony, so I am not going into detail but, on my way here I thought about saying something a little different. Even though I support the testimony, I feel like we are at a place in time in our history at this moment where resolutions that support the safety are critical but not enough. OHA is in a unique position because it's legislatively mandated to advocate for Native Hawaiians. It's constitutionally mandated to advocate for Native Hawaiians. No other Board that I am aware of has that direct responsibility to Native Hawaiians and it seems to me that aside from saying there should be peace and safety on the mauna. If we really, really intend for there to be peace and safety on the mauna, then what OHA should probably be doing, forgive me for being so bold, but what OHA should probably be doing is saying no more TMT on the mauna. Cause that is the way, the only way I can see that there is going to be peace and safety for the protectors on the mauna. They are not negotiating with Harry Kim to make a cultural park; they are negotiating with Harry Kim to stop the TMT. The Governor has made it clear thorough his executive order and the Attorney General has made it clear, and some of the Congressional Delegation has made it clear that they want TMT to move forward.

But where in the definition of public safety does it say that we impose law enforcement against the native people of Hawaii in favor of a privately run for an invested project. Nowhere, that is not public safety. That is not taking care of our kanaka. That is maintaining a business relationship with money and with power. I think the Trustees of OHA are in a unique position to say, not only pass this resolution and protect the safety of the people on the mauna, the protectors, but take the next step, be bold enough to say at this point in time, you folks have been neutral for a long time. Way, way too long. So bold enough to say today no to TMT. If you want to protect the mauna, if you want to protect the safety of the people there, no to TMT. And with this in the '80s I had the privilege to participate in various events with manaleo. And some of the manaleo that I was privy to passed away already. One of the things that I heard during a big conversation at the University, one manaleo said, ah mea, mea, mea niu kulolo. I tried to look it up in the Hawaiian Language Dictionary; all I saw was thing, thing, thing coconut kulolo. I couldn't really figure it out. I had to think about the context and the context at that time there were a lot of people pontificating about all kinds of things, from the mana'o of the manaleo there, the kupuna when they were asked, pehea kou mana'o, what is your mana'o on this. The kupuna said, ah mea, mea, mea niu kulolo, get so much things being said but so little substance, the niu is turning in to kulolo already. So I want to ask you folks to think about that, something from our kupuna, something from our manaleo. When is it time for OHA to look beyond the mea, mea, mea, you know and start being more substantive in the positions that you take. We've been told for many of time Hawaiians going rise up if we get into positions of power. We had one Hawaiian Governor, we get Hawaiians in all kinds of places, we have you folks, where are all in positions of power now, what we going do? Please stop TMT, take a stand mahalo.

Chair Colette Machado – Our next speaker is Keivalei Cadena.

Keivalei Cadena – Aloha Trustees, my name is Keivalei Cadena. I am a native Hawaiian and mahū. I come representing the mahū community which responded to the call for us to step up and be a part of the movement to support Maunakea and to support our Kia'i that are there on the mauna. I strongly urge you folks to sign this resolution to protect Maunakea and to take a stand with the rest of the Native Hawaiian population as the mahū has done as well. I think that all of us in this room including you folks here at this table has seen the mobilization of the Native Hawaiian community across the world stand up and sent a message that we do not want another telescope on our mountain. History has shown over the last 50 years the mismanagement and the irresponsible decision making that has happened at Maunakea. Maunakea has been a victim to red tape, bueracy, to money and to power, and its time now, in 2019, that the Native Hawaiian community has a louder voice and you folks here at this table is hour highest form of political influence at the Capital and across the State.

We urge you to support not only this resolution that you folks are speaking on today, but also to support the opposition to no longer have a discussion about TMT on Maunakea. I think it is important for us to look to our leaders at this time. In History there has been a lot of different Native Hawaiian vies and perceptions and perspectives about what is importnat to us as a people and we need our leaders to step up and guide us. OHA, frankly has not been able to do that as a group for the Native Hawaiians. We've seen our grassroots organizations

across the State and across the country mobilize us and give us our voices and put us in places of leadership. Now we need a powerful leadership at the State level to help support us. We need OHA to send a message to the rest of the Government in Honolulu and across the State and to the rest of the Native Hawaiian people in the World that we have to protect our sacred areas, our sacred lands, and our sacred kapu. What we have seen over the last three weeks at Pu'uhonua o Pu'uhuluhulu is an example of what Hawaiians are and who we are as a people. Frankly, at times, I think that the world doesn't deserve our values because of the way that things have shown themselves across the Country and across the World.

Pu'uhonua o Pu'uhuluhulu has been a shining example of who we are as people, our beliefs and our value system and the way that we are able to organize and the way that we are able to come together in strength and in education and in aloha. The way that we've sent our messages across the State and across the Country about kapu aloha, and how we are going to protect Maunakea with peace and with dignity and respect to the opposition. Those are examples of what we are as Hawaiians. Its up to you folks here at this table to co-sign and to stand up with that example and to show the people that have the power to take away this discussion of TMT now and in the future to do away with it. The Native Hawaiians have spoken, the majority has spoken, we do not want this at Maunakea. We want to take Maunakea back, we want to protect it and we want to keep it for our children and our children's children. We've lost too much already and we are working really hard to get those things back and Pu'uhuluhulu is a prime example of how hard we work to get those values and those ideologies back. Thank you for this time, as a mahū I am very honored to be able to sit at this table and use my voice to speak for Native Hawaiians. I respectfully say thank you. Aloha.

Chair Colette Machado – Mahalo. Our next speaker is Imai Winchester.

Imai Winchester – Aloha mai kakou. My name is Imaikalani Winchester, I am born and raised on this island of Oahu Kakuhihewa. For the last 15 years I have benefited from the continuum of Hawaiian Education, Hawaiian programming some of which is supplied by this Board, some of which is done in communities and grassroot efforts throughout our pae'aina. I am graduate of the University of Hawai'i, I am a graduate of Kamehameha Schools, I am what they told us to be. I have the degrees, I have also been very blessed to be mentored by important people in our community, such as Dr. Kekuni Blaisdell, Papa Soli Niheu many of you at this table know who these important gentlemen are. I continue to be mentored by very important individuals in the community that are against standing at Maunakea that are Puuhonua o Puuhuluhulu. I am also a teacher of almost 15 years at one of our local Hawaiian Focused Charter School, Halau Ku Mana. I've brought my students to several board meetings for over a decade in an effort to show the younger generation the power of voice, the power of kuleana, the power of privilege and the power of burden.

Today I am here to represent all of those things, our kuleana to express our voice coming from the mauna in to the Boardroom. Its important that you get a chance to hear everybody's message. On Monday morning I was one of eight individuals, kanaka aloha aina kia'i who chained ourselves for 12 hours to the cattle grate in an effort to stop the continued desecration of our mountain. I share the commitment like many of the hundred and thousands who are showing up there now. We can see there has been a World wide attention being called from our cousins in the South who face their own land struggles today. That is something that we also as Hawaiians and the Office of Hawaiian Affairs should also address those who support we should also return in kind our support to them.

Today, I want to spend my few moments being very clear on the proposed action BOT 19-11 the approval of a resolution to authorize the office, provide for the rights, safety and well being of beneficiaries who are being kept off of Department of Hawaiian Home Lands up there. Who are being arrested as trespassers. I believe there is a huge conflict amongst agencies around here and I would like to bring up the name Bill Aila in discussion as to how these agencies are criminalizing our people for exercising rights that have been federally protected, protected here locally and they are also our human rights as well. There is a lot of complications going on at the mauna that I think needs to be expressed to you today. I wanted to put that on the table. I also want to express my sincere gratitude to the Trustees who stood there with us, who came to listen, who came to observe, who came to feel for themselves and I extend that invitation to the rest of our Trustees and all of our Oahu ohana. To go and to feel the magic, the pono, the ea, of our people being lived, being breathed, every single day and it is truly an inspiration to

me. It has been hard for me to come back home to Honolulu after experiencing something so pure, after experiencing aloha in that fashion. Not only am I in support of providing whatever resources we have including psychological health resources for the trauma that is happening. I cannot sleep, I can barely eat, I have a hard time getting my mind off of things that need to be taken care of because of what is happening on the mauna and to our people. To sit by on the side is something that I am conditioned to do. So I am here to express my voice in as clear a way and as respectful way that I can.

I would further like to support what is already been put out there by the other testimonies here today. That the Office of Hawaiian Affairs needs to take a stand against the TMT project. We've been here, I've brought students here when it was made neutral. My students left crying and for days, and days not understanding why the Office of Hawaiian Affairs failed to take a position in favor of the protection of something that is clearly sacred to us all. I would like to be here in 5 years or 4 years latter than 2019 trying to express the same thing to the Office of Hawaiian Affairs and the Board and Trustees to please consider for the sake of our children for the sake of the generations for the sake of our people, for the sake of the protectors, to be on the right side of History. The World is watching, our cousins are watching, our brothers and sisters around the World are watching and they need to see that the Office of Hawaiian Affairs as well as the Hawaiian community and the lahui at large are united, are in alliance and I think that, I know that a strong position by the Office of Hawaiian Affairs condemning the actions of both Governor Ige as well as the Thirty Meter Telescope Project atop our most sacred piko is critical to keeping that allilance. To keeping that harmony, to keeping the flow of who we are as a people. Once again I support the resolution of this board to provide assistance and further more I support the idea or the proclimation that the Office of Hawaiian Affairs take a stance against the Thrity Meter Telescope publicly so that everyone can see our community as well as the World included. My name is Imaikalani Winchester thank you for your time. Aloha.

Chair Colette Machado – Thank you Imai. This concludes those that have signed up. Is there any others that have signed up. Is there anyone present that would like to address the board before we move on to item V. The Chairs office recieved several testimony, one came from Mahana Gomes and Kealoha Sugihyama and Jon Kahuaka'ilani Brown. We are distributing thier testimony here for your records.

After we finishe IV. I will take out of order V. B. and move that up to the first item we will discuss which is the resolution. Then go back to the USGS presentation by Delwyn Oki who has been patiently waiting.

IV. UNFINISHED BUSINESS

C. CEO's 15-Minute Update on Ho'oulu Lāhui Aloha and OHA Activities

Chair Colette Machado – With that said I would like to call on the Interim Chief Executive Officer Sylvia Hussey if there is any udpate.

Sylvia Hussey – Mahalo Chair, no I want to yield the time to the next agenda itmes.

Chair Colette Machado – Thank you. Members if you agree with me that we move B. and move it up to A. Under new business, under the resolution we can proceed in that way and then followed by the presentation on the Molokai Ground water modeling. Is that ok with everyone? With that said we'd like to move to V. B. which is BOT 19-11.

V. NEW BUSINESS

B. Action Item BOT #19-11: Approval of a Resolution to Authorize OHA Administration to Act Regarding the Rights, Safety and Well-Being of OHA Beneficiaries on Mauna Kea.

Chair Colette Machado – I'd like to call on Jocelyn.

Trustee Brendon Kalei'āina Lee – Madame Chair, Article 8 section K of our By Laws. It stipulates a waiver.

Robert Klein, Board Counsel – Trustees ordinarily the resolution would go to the BAE Committee first, but we have a provision in the By Laws that allows by a two-thirds vote of the members of the Board that the matter bypass the BAE committee and be considered directly by the Board today. We have a motion that will implement that because certain Trustees are interested in having the matter considered today directly by the Board.

Chair Colette Machado – We have a motion prepared. We are putting that on the board.

Trustee Carmen Hulu Lindsey moves to waive referral of Action Item BOT #19-11 to the Beneficiary Advocacy and Empowerment Committee and instead allow the Board of Trustees to consider the action item directly.

Trustee John Waihe'e IV seconds the motion.

Chair Colette Machado – It has been moved and seconded. Any further discussion on this matter to waive from the BAE to the BOT? Hearing none, roll call vote please.

Trustee Carmen Hulu Lindsey moves to waive referral of Action Item BOT #19-11 to the Beneficiary Advocacy and Empowerment Committee and instead allow the Board of Trustees to consider the action item directly. Trustee John Waihe'e IV seconds the motion.						
TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEINA'ALA AHU ISA			X			
TRUSTEE DAN AHUNA			X			
TRUSTEE KALEI AKAKA			X			
TRUSTEE KELI'I AKINA			X			
TRUSTEE BRENDON KALEI'ĀINA LEE			X			
TRUSTEE CARMEN HULU LINDSEY	x		X			
TRUSTEE ROBERT LINDSEY			X			
TRUSTEE JOHN WAIHE'E		x	X			
TRUSTEE COLETTE MACHADO			X			
TOTAL VOTE COUNT						
MOTION: [] UNANIMOUS [x] PASSED [] DEFERRED [] FAILED Motion passes unanimously with nine (9) yes votes.						

Chair Colette Machado – Unanimously passes with nine yes votes. We cannot proceed. The Chair would recognize the Interim CEO Sylvia and then you can introduce staff.

Sylvia Hussey – We have both Jocelyn Doane our public policy manger and Sterling Wong our public information officer. The information that they are providing is to set context and it's done so on behalf of the Ad Hoc Committee. That is their role that they are helping us with this to set context for the resolution.

Jocelyn Doane – Mahalo Trustees. You'll notice that you got a copy of the handouts in front of you. I am not planning to go over every single bullet in there unless Trustees have questions about it. I wanted to make sure that you had enough context. For today or for future decision-making or thoughts. You have the resolution in front of you as well. Today I am going to talk about really briefly to provide context OHA's strategic plan and policies, OHA's past relevant Board of Trustees Actions of which there are many relevant to this issue. Really quickly highlight for everyone the Maunakea movement, which I don't think is necessary, there is so much media exposure but it's an important context as to why and all these three reasons why we brought the resolution to you today.

(Jocelyn begins her PowerPoint presentation. Please see attached PowerPoint presentation.)

Trustee Leina‘ala Ahu Isa – Going back to 2015, I think that was really the crucial time, you can see 31 people were arrested on the mauna. To get them to take it to the Supreme Court. That was really crucial. I got sworn in January 2015, April 2015 I went up to the Mauna, Chair and I were on television showing how we donated money. I remember Chair took out like 4 or 5 \$100 bills. So my question on this resolution because I just asked Carol our Chief of Staff, what is siting, it means to place, to put, to position to build. So it says, we are reiterate this resolution has no position on the building, the siting of the TMT. I disagree, because I am opposed to the building. So if I vote no on the resolution, doesn't mean I am opposed to the resolution. I am opposed to the one word in there that I support not building the TMT. That is all I wanted to say in discussion. Mahalo Chair.

Trustee Keli‘i Akina – Thank you Jocelyn for your presentation. I want to ask you something about the content. I appreciate you sharing the context behind the mauna movement, which is very important. I am very grateful to all of the people who came today and testified and showed their heart there. My office and myself have received messages from people on both sides. Kanaka who oppose the building of the TMT and kanaka who support it. My question is do you have any summary of surveys of where our people stand, is there any information that has showed us the relative support or opposition to the TMT amongst Native Hawaiians.

Jocelyn Doane – I am only aware of one survey that was done. So I think if Trustees recall from 2015, when the matter before the board was related to our position, and it is relevant because the recommendation is to continue to remain no position. We did do a both side analysis of that time. Our recommended position for the Trustees today is specifically related to advocating for the rights and safety of our beneficiaries and their rights to exercise their traditional and customary rights specifically. And potentially providing some resources for that. I apologize, that's why you don't see a both sides analysis today because that wasn't my intention it's meant to support our recommendation. But I think Sterling is much more familiar then me with the one poll.

Sterling Wong – I think, just off the top of my head, I think there was a Star Advertiser poll done a couple of years ago that showed, I think they surveyed 70 something Native Hawaiians, and 70% of them indicated support for Maunakea, I don't know the exact year. I would have to look and I can get that information back to the Board.

(Conversation indiscernible)

Trustee Keli‘i Akina – Thank you I was simply asking if we compiled that research. I am aware, I believe the poll that you referring to is the one Star Advertiser commissioned a mainland group, called Mason Dixon Strategies. That was in 2018, it found that 77% of all residents in Hawaii are in favor of the TMT 72% were Native Hawaiians. It was a small sample group. That is why I was asking whether there were other information. The only point I am trying to ask is to what extent are our people divided on both side of the issue and what information do we have.

Sterling Wong – So the presentation is about I think not specifically about TMT. When you look at our lawsuit, and the position the agency actually has on record, the Board did approve the lawsuit. This is about total mismanagement, not about a single telescope. I think that's why we haven't looked a lot at this sort of political polling that has gone up. What we are doing instead, especially with the vacuum of no position, we look back to the structure that Jocelyn provided at the beginning of the presentation, which is all of our existing policies and positions on protecting traditional and customary rights, mālama cites and things like that. Which speak more to the mismanagement issue that the Board has actually taken a position on. Again, we are no position on TMT. So that's sort of the structure of how this presentation went, how the analysis went in to producing the reso that we are presenting to the Board today for consideration. Again this is not about TMT, specifically, this is about overall mismanagement of the mountain.

Trustee Dan Ahuna – Thank you Jocelyn and Sterling for your recommendations. I have two questions then I

would like to say comments. My first question is how funding mechanisms been identified for the decommissioning. Any funding mechanisms or do we know which telescope.

Jocelyn Doane – I think there are some funding mechanisms. I have to go look at the details of each telescope to better answer that questions. Certainly adequate funding for decommissioning is an issue that we have discussed before. I can't recall off the top of my head which one has adequate funding and which one does not.

Trustee Dan Ahuna – My second one is, there has been a lot of polls in the past that have been very bias, now there is another poll coming up by the Governor. Is it ok for our OHA board to do a UIPA request on all those results?

Robert Klein, Board Counsel – I don't think you really need to do a UIPA request, because its readily available. It should be given you are separate equal agency of Government. I don't see why they wouldn't just share it if you asked.

Trustee Dan Ahuna – The reason why I am saying this is because we are, our people are standing in unification, it's the most amazing thing. There is a lot of people up there. But I can't just say, I can't just say I talk for the people, there are a lot of people standing for our mauna all over, not just our State but the World too. It's hard for me, as a kanaka, native Hawaiian to just stand by and watch. You cannot do that. The reason why I say this is because we are all here trying to; we fight for the same thing for our beneficiaries. On Kauai, there was an emergency proclamation and it was important for us to respond to it. On Maui, there was a fire, emergency proclamation and it was important for us to respond to it. On the Big Island there was a lava flow, there was an emergency proclamation and it was important for us to respond to it. Today there is an emergency proclamation on the mauna and who is the people they are talking about? Who is the people that advocate for these people? That is us. Let's not go backwards, drink the bitter water. The message is clear, if we don't do it now, our kids won't have anything to even fight for. We got to fight now, that is the stand up there. We have to know our role; these are collective values that are carried out by people, like kapu aloha. This is a share thing. Everybody can be a part of what is going on, on the mauna. It's very, very important.

Now I am talking about emergency proclamations, let's get back to who is this emergency proclamation on. Who is the people that advocate for these people? Oh, me, so for me the reason I am like this is because we had a procedural thing just come up on the table. It's the Ad Hoc Committee, you know we've been fighting for our people for a long time but sometimes the message that comes from this Board gets distorted. I don't want this one to be distorted. This is about identity for us. This is knowing how to align with people. The people are in alignment. They are asking us to align with them. It's not hard, we don't have to be in front, we don't have to in back. We just got to go up there and stand with them. We got to make a statement out here and stand with them. Whatever it takes, we got to do that. It's funny because someone talked about they saw me and my family up there. I came home, but my kids are still up there. The reason why is because, they were at home crying, watching all these videos. People talk about culture trauma, its real for me. They are crying. The only way I can heal is get my kids up there on the mountain to participate. To be a part of it, so they can learn all about themselves. When you guys go there, it's the most amazing thing in the World. Our people stand united and we need to stand with them. And every time I hear something like attack on Hawaiian, it's not just about how we can help them. The reason why I am saying this is aloha is actually changing our World. Aloha, everybody sees us gathered and standing in aloha. An attack on a Hawaiian is an attack on the World. If we want to save the World, let's protect the Hawaiian. That's one of the most important messages we need to have at this Board table. We cannot be talking about all the other things on why we cannot support.

Let's just do this; I want to do it with all of you. I think it's important, another thing, we all need to go up there, not just a few of us. We all go up there, we all went up there before, I think we should go up there again. Everybody expects the Governor to go up there, all these leaders up there. People have asked us where is OHA? We need to go up there, the only way you will know what is going on is you need to go talk to those people. You need to see them all on the bottom and they cannot access their mauna. There is a lot of things that's bitter to this whole thing. With the week leading up to the closing of the access road, they took down the

ahu, they arrested a practitioner. The result is on the mauna that is what they are doing. They are tired of the endless cycle of neglecting our concerns. Not just decades, its centuries long. You need to advocate for our people, our people are standing for them; they want us to stand with them. Let's to this.

Chair Colette Machado – Thank Trustee Ahuna. Trustee Akaka.

Trustee Kalei Akaka – Mahalo Chair. I'd like to ask our CEO and Administration to explain the process of the implementation of the process that you will be doing to clearly communicate from administration with the Board on what we will be done by this resolution the action in taking this.

Sylvia Hussey – At the last Board meeting we gave the Board an update on currently what administration is doing. We talked about staff on the ground assisting with logistics and coordination, we talked about legal observers, we talked about a handful of volunteer attorneys to go up and assess the needs. We also talked about our digital print media staff documenting all of the various places. But Mehana has been there, so I wanted to ask her to give her perspective and experiences there of what is currently occurring and then we can talk about the other operational items to get back to you needs.

Mehana Hind – First again if I can jump off of that, legal observers we've also been, because of the supply list that has been brought to our attention of what was critically needed up there. We've been hustling, working together with the other NHO up there, and sister Trusts to be able to get basic health and wellbeing kinds of things. Up there and all the logistics figured out and funding and the negotiation between all of us, who can provide what kind of support to keeping our people well up there and healthy and safe and also taking part in what spontaneously happening up there with education efforts. They have launched their own school up there. Really, take care of the people themselves.

I was asked to go up the week prior to this weekend for a vigil, prayer vigil that occurred on the mauna, a 12 hours vigil from sunrise to sunset. I participated in that as a Kumu Hula along with other Kumu Hula. But got to witness the beginning of what was happening up there and the level of organization and the level of commitment that everybody had to maintaining health and safety and wellbeing. The kinds of training, they are not typical trainings that are going on. They are very organic training that I think someone should write some curriculum on, very soon on the way people are trained to behave and move crowds and move people from one space to the next. Then I went up this past weekend again and saw, it was much larger. When I left the previous Sunday, there were about 500-600, when I came back they were numbered in the thousands on Saturday and Sunday. Everything that I witnessed the week before just got heightened. The level of organization got heightened, the level of collaboration and cooperation between people got heightened. The people who were focused on the elements that were happening, it was like two sides of the street that were happening. There was a town built in everyone solidarity and commitment to the mauna. But there were definitely division of labor, of what kinds of activities that were happening, who were responsible for what the kupuna were all on the Maunakea access road leading that charge. Everyone else had their won kuleana.

Our on the ground people that are up there, that were up there, that are moving in and out. We are helping specifically facilitate those real basic needs you guys were given an update last week. Those commitments have not changed much at all. We have just gotten better at organizing over the week. And everyone has actually gotten better at organizing. The conversations we are having with the other Trusts have been heightened and more engaging.

Sylvia Hussey – To follow up with Trustee Akaka I wanted to assure the Trustees that the expanded authority or delegation to address that specific still have what I call guard rails and mechanisms. There's still the guard rails regarding express delegation of authority on the budget. So everything is still within the budget, all of what Mehana and Community Engagement and Advocacy has described have all occurred within the current budget parameters. So that's one of the guard rails and mechanisms there. You have expressly put on a guard rail of the CEO's ability to move funds between and among things. There is a very specific dollar amount as well as threshold to move things vertically or horizontally. That guardrail is still in place as well. There are still

delegations of authority and limitations that are guardrails for process. There are State procurement laws, the emergency declaration. Unlike other emergency declaration that have suspended procurement or allowed accelerated procurement, was not part of the declaration that was made. That was a difference, but that was a difference that really still keeps us with the current procurement rules regarding any of the pieces. Within the delegation of authorities and those rules are also the same contracting rules. So it's not like we can just go out and start awarding contracts to whomever we want to. It still needs to fall within the State Procurement pieces. Then there is also our own in house human resources policies and procedures that also have some guardrails and mechanisms. So while there are mechanisms to effect protections and advocacy, there are also somewhat guard rails to keep us, it's not being interpreted like wild, wild west kind of like, let's go out and do all of these things. So those are the guardrails and mechanisms that we currently have. In addition we would recommend putting in a reporting mechanism because this is such an important issue, we would put in a reporting mechanism back to the board to keep the Board far more connected communication wise operationally and what this looks like, what this extended authority looks like.

There is some concern that there is language in there, any other actions as may be reasonable necessary or appropriate. Just to let you know administration does not see that as carte blanche. I think there is some concern about matters, like does that include paying bail, does that include providing defense attorneys. At this point no it doesn't. Those actions are not contemplated within the guardrails and mechanisms that we have. It also does not include exercising authority that has not been delegated to administration. Nor does it include speaking, press release or saying out loud on positions that are counter to Board positions that have been taken. To me that's not reasonable, nor appropriate, nor contemplated in what that delegation would include. Are there any other questions about operationally what that might look like?

Chair Colette Machado – I want to move forward with this reso and there might be some input for some amendments to the current reso. I would like to take that right now if there are Trustees that would like to amend the current reso this is the time to do it. Then I will come back and address general issues.

Trustee Keli'i Akina – Thank you Madame Chair I would like to offer an amendment to the resolution. I think that from my understanding from what Sylvia has said and from what the language of the resolution is.

Trustee Brendon Kalei'aina Lee – Sorry Trustee, point of order Madame Chair.

Chair Colette Machado – Trustee Lee.

Trustee Brendon Kalei'aina Lee – The Board does not currently have a resolution in front of us.

Trustee Keli'i Akina – I will defer to allow that to take place.

Trustee Brendon Kalei'aina Lee – We have so moved to waive sending it to BAE. The resolution has not been brought forward. No motion has been made to bring it forward.

Trustee Carmen Hulu Lindsey – Madame Chair, I'd like to make a motion.

Chair Colette Machado – Trustee Carmen Hulu Lindsey.

Trustee Carmen Hulu Lindsey moves that the Maunakea Ad Hoc Committee approves and recommends that the Board of Trustees approve Action Item BOT #19-11, a Board resolution that implores the governor to take material steps to eliminate the high potential for physical harm to OHA's beneficiaries; expresses its kaumaha over the arrest of Native Hawaiian kūpuna; opposes use of unwarranted force and calls upon the Governor to rescind his Emergency Proclamation; and expressly authorizing OHA Administration to take action to advocate for the rights, safety, and well-being of beneficiaries engaging in peaceful protest of the decades long mismanagement of Maunakea, perpetuating Native Hawaiian traditional and customary practices, and exercising their rights to freedom of speech and assembly.

Trustee Dan Ahuna seconds the motion.

Chair Colette Machado – It has been moved and seconded.

Trustee Keli'i Akina – Would it be an appropriate time to present an amendment at this time.

Chair Colette Machado – We have moved and seconded the action item identified as BOT Action Item 19-11. I open for discussion. I will allow amendments. I will call on Trustee Akina for your amendments please.

Trustee Keli'i Akina – Thank you Madame Chair, fellow Trustees and thank you all to have testified today. I have been deeply moved by that and the commitment to our entire lāhui. I would like to offer an amendment today but first allow me to say I appreciate two things in the wording of the resolution. Number one I appreciate the fact that it's a commitment to the rights, safety and welfare of our beneficiaries. I think we all stand for that. Number two I appreciate that despite that there is controversy between Native Hawaiians over whether the TMT should exist or whether it should exist on Maunakea, that the resolution reaffirms that OHA is not taking a position on that. We can discuss that latter but at least we can move forward on this resolution united on a very specific thing. Clearly, the resolution does support members of the Hawaiian community who are protesting against the TMT, the only thing I would like to ask is that in the spirit of the unity of our lāhui that we also indicated that we acknowledge that there are many Native Hawaiians who do not oppose the TMT. Simply and acknowledgement that we have Hawaiians on both sides would be helpful. Therefore, let me give you the wording of the resolution.

(Attached to the minutes is the Amendment proposed by Trustee Akina dated July 25, 2019.)

It would go on page 4 of the attachment, I have passed it out. It pertains to page 4 of attachment A to action item. It's the 4th clause from the end. What I am offering is in brackets. Currently it states, "Be it further resolved that while the OHA Board of Trustee reiterates its lack of a position of the siting of the TMT on Maunakea, I would add, [and acknowledges OHA's Native Hawaiian beneficiaries who support the TMT project,] the rest is the same, the physical safety, psychological integrity, cultural practices and the free speech right of all Native Hawaiians are of paramount and overriding concern."

Colleagues I believe that if we include our acknowledgement of our lāhui on both sides of the issues we can stand united in affirming this resolution.

Trustee Robert Lindsey seconds the motion.

Trustee Dan Ahuna – What is the difference between traditional, customary rights on this island and traditional customary rights on that island? Why do we have to take a side on it? We do it here on all the island but why don't we want to do it up there.

Trustee Keli'i Akina – Trustee I am not certain that I understand your question. But I am not taking issue at that at all.

Trustee Dan Ahuna- Then I'd like to make an amendment, I would like to oppose TMT. I would like to amendment.

Chair Colette Machado – Where would you fit it in, you have to review the resolution.

Trustee John Waihe'e IV – There is an amendment already on the floor.

Trustee Brendon Kalei'āina Lee – Correct.

Chair Colette Machado – We haven't taken action on it. Trustee Dan Ahuna we will come back to your

amendment.

Trustee Dan Ahuna- Madame Chair, I just want to re-express to my colleagues that I stand with them in support of the spirit of this resolution. And I am merely asking that we acknowledge that we have beneficiaries on both sides of the issue that is all.

Trustee Brendon Kalei‘āina Lee – I rise at this time to speak against this amendment. In the words before it, it says, that OHA has no position, and actually the entire resolution including the intent and the resolves, don’t speak to TMT, they speak to the mismanagement of Maunakea which this board has clearly has a stance on as we have an ongoing lawsuit. This statement give one side of this issue foothold in this resolution. It does not give both sides. This resolution does not speak to, if our people are for or against the TMT. This resolution is about the Office of Hawaiian Affairs providing support to our beneficiaries on the mountain. It does not talk about TMT. This amendment would give those who have their right to support, but those who support would give them voice in this resolution and it does not give those who stand against TMT voice in this resolution. For that reason, I rise to speak against this amendment.

Trustee Carmen Hulu Lindsey – Call for the roll.

Chair Colette Machado – Before I call for the roll. I’d like to call on Trustee Leina‘ala Ahu Isa.

Trustee Leina‘ala Ahu Isa – I speak against this amendment, because it says we take no position, my position, if we are going to speak, we getting caught in between a rock and hard place. Because that forensic audit, I voted for that to extend because we were caught for or against. Then it was made out only one Trustee was against the extension. Now this same thing. I vote for this, it says no position, I am against it, so why I am going to vote for this, yet I am voting against protecting our beneficiaries the protectors on the mauna. We caught in between.

Chair Colette Machado – I have been asked to call for the roll.

Trustee Carmen Hulu Lindsey – I thought maybe staff can explain that phrase, siting of the telescope so that we all understand.

Trustee Keli‘i Akina – May I make a point of clarification.

Chair Colette Machado – Let staff respond then I will call you.

Jocelyn Doane – when we took this position in 2009, we were taking the position that we thought we supported the idea of putting TMT on Maunakea. We didn’t support the project details, or location, or any of that at the time. It was merely about saying we support the ideal of putting the Thirty Meter Telescope on Maunakea. As I understand, I wasn’t here at the time but I read the minutes.

Trustee Carmen Hulu Lindsey – So basically, if you weren’t here you can be a little confuse what that phrase means. Actually that’s a good explanation in that, when the Board took the action back then, they didn’t realize where this TMT might go.

Jocelyn Doane – All the details at the time weren’t available yet. I think there may have been discussions about location of that time. I actually think that certain native Hawaiian community members had specifically recommended that location because of less presence of certain resources. I don’t think that was necessarily part of the consideration of the board at that time.

Chair Colette Machado – Trustee Keli‘i Akina.

Trustee Keli‘i Akina - Just a quick point of clarification. Thank you Trustee Leina‘ala Ahu Isa. My

clarification is to your comment. The phrase, while the OHA Board of Trustees reiterates its lack of position on the siting of the TMT on Maunakea, is not part of my amendment. It's part of the actual resolution. So if you vote in favor of the resolution it would include that phrase, my amendment is merely the phrase that acknowledges OHA's native Hawaiian beneficiaries who support the TMT project. I am simply calling for the inclusion of them in the consideration of the resolution. Thank you.

Trustee Dan Ahuna – I just want to give a few comments. Kapu Aloha right. When I was up on the mountain, I got to stand with the kupuna and there was one DLNR officer that came up and started to ʻōlelo, one of the comments made by one of the kupuna was wow, right on but you don't use our culture against your people. So what I am trying to tell you guys is I don't want to use OHA against our people too. So there is a side. There is only one side, we have to stand to protect, not just our mauna, but protect our people. That's very important. There is a proclamation going on, that's out people up there that is all of our people up there. And I want to make sure that we not watching from the sideline, that we are up there protecting them. They are the ones up there. The ones you are talking about is at home. Watching.

Chair Colette Machado – Let me ask you if there is any further discussion on Trustee Akina's amendment.

Trustee John Waihe'e IV – I am not in favor of the amendment. Also, the way this action item has been listed an everything it regarding the rights, safety, wellbeing of OHA beneficiaries on the mauna. So if we want to do something else, or acknowledge positions or different, that is a whole separate issue we need to do at a different time.

Chair Colette Machado- I agree.

Trustee John Waihe'e IV – I don't think it's necessary to acknowledge all the different points of view when our concern is just for the safety and the rights of the people that are there right now. Whoever they might be.

Chair Colette Machado – Thank you Trustee Waihee.

Trustee Dan Ahuna - Just to reiterate, from the Ad Hoc Committee it was important to say the things we said. I don't agree with all of it. But we trying to get there. We are trying to work out, it tough.

Chair Colette Machado – Trustee Dan Ahuna I am going to cut you off because I've been asked to call the roll. Let's go with the roll call vote please.

Trustee Keli'i Akina moves to add to the 4th clause from the end. Changes are in brackets. Currently it states, "Be it further resolved that while the OHA Board of Trustee reiterates its lack of a position of the siting of the TMT on Maunakea, I would add, [and acknowledges OHA's Native Hawaiian beneficiaries who support the TMT project,] the rest is the same, the physical safety, psychological integrity, cultural practices and the free speech right of all Native Hawaiians are of paramount and overriding concern."

Trustee Robert Lindsey seconds the motion.

TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEINA'ALA AHU ISA				X		
TRUSTEE DAN AHUNA				X		
TRUSTEE KALEI AKAKA				X		
TRUSTEE KELI'I AKINA	X		X			
TRUSTEE BRENDON KALEI'ĀINA LEE				X		
TRUSTEE CARMEN HULU LINDSEY				X		
TRUSTEE ROBERT LINDSEY		x		X		

TRUSTEE JOHN	WAIHE'E				X		
TRUSTEE COLETTE	MACHADO				X		
TOTAL VOTE COUNT					8		
MOTION: [] UNANIMOUS [] PASSED [] DEFERRED [x] FAILED							
Motion fails with one (1) yes vote and eight (8) no votes.							

Chair Colette Machado – The Chair would entertain additional amendments. Is there other amendments that would like to come to the table for discussion?

Trustee Brendon Kalei'āina Lee – I have quite a few amendments. So in the effort of being expeditious we have prepared a handout that has them all.

(Please see attached handout attached from Trustee Brendon Kalei'āina Lee)

The hope is that we can go through them all and come to agreement then we can pass them all at one time. If someone wants to bifurcate one out then we can do that. It should also be noted that there was discussion with the drafter of the resolution. It says on the action item it says prepared by public policy manager.

Jocelyn Doane – Yes Chair we have a conversation yesterday.

Chair Colette Machado – Jocelyn walk us through.

Jocelyn Doane – Just to clarify though this is Trustee Lee's suggested amendment. We stand by the original draft.

Trustee Brendon Kalei'āina Lee – I'll do it Jocelyn.

Jocelyn Doane – No I can do it, it's easy. The first edits are on page 2 at the very bottom in the last whereas clause. The recommendation is to delete, in repose to the July 10 announcement. I don't think it's necessary to have that in there. As did Trustee Lee. The next one is on page 3 the second whereas clause. So we are going to tone down a little bit, so the suggestion is to tone down a little bit some moderate inflammatory descriptions that we use. Trustee Lee's recommendation is to delete, the clear and unwarranted bias against those concern for Maunakea and highly likely and clearly foreseeable with possible, and then replacing will with may. As we explained to Trustee Lee at the time, that, that language was written which was included in the letter from the Chair of the Board and the Chair of the Ad Hoc, we did believe at the time that safety issues were imminent so his recommendation is to soften it a little bit in light of the current situation.

The next change is changing the kaumaha of the Trustees from a Be it further resolved clause to a whereas, so it's basically the same language. The next one is the fifth paragraph, the recommendation is to delete in the face of governmental indifference, social injustice and systemic oppression. The next one is to change the reiteration of the Board's position no position to a whereas clause rather than a be it further resolved clause. The language is almost identical except we changed lack of a with no. The next change is moving up

Trustee Keli'i Akina – Where?

Jocelyn Doane – I just read the second to the last paragraph and now I am on the last paragraph. The one that I just described is the 6th paragraph. Now I am moving on to the last paragraph. All this is doing is moving this Be it resolve clause which is the meat of the reso. On the fourth page, all the other changes on the fourth page is because we moved this exact language to the other changes. It's pretty simple actually.

Trustee Dan Ahuna – The clear and unwarranted bias against those concern about Maunakea. There has been a lot of things that have been said. Even the Governor has said things that I don't think, it's exactly true. I am concerned about deleting this part because it's a century old ongoing struggle that we live in and we don't see any benefits to our Hawaiians but for the enrichments for their own purposes. I question that one. The other one

I question is, in the face of governmental indifferences, social injustice and systematic oppression and now therefore. That is going on every single day. I don't want to lie, I don't want to leave it out, I don't want to water it down. That is what it is, that is what is going on up there that is the psychological trauma going on every day. The last one I just a question, it thought it would be great to have it. But I think I am ok if you can explain to me the last amendment again. The kaumaha one.

Jocelyn Doane – Chair, so the last as it relates to Trustee Ahuna's last question. We just moved the deep kaumaha language to a whereas clause.

Trustee Dan Ahuna – Ok.

Jocelyn Doane – I keep saying we but that's just I helped Trustee Lee draft it. Then as it relates to the other points that you've made, we just moved it up Trustee. I will differ to Trustee Lee to express why his recommendation is to strike.

Trustee Brendon Kalei'āina Lee – I will be happy to answer Trustee Ahuna's concerns. I will take them in order.

Trustee Dan Ahuna – Yes just those two.

Trustee Brendon Kalei'āina Lee – The first one, while I don't necessarily disagree Trustee Ahuna I don't, I didn't believe that our intent of this resolution was to pick a fight. Some of the language the strength of which the language was saying read as I am drawing a line in the sand, lets pick a fight. I believed that the intent was for us to help our people not to pick a fight. That was the reason for the softening of the language. As to you second one, in face of governmental indifference, I know a lot of people aren't going to like this but the 9 of us sitting here at this table are government and I don't believe we have indifference towards our people or we wouldn't be sitting here. It doesn't specifically say, who, it just says the Government and that was the reason why I felt that should be taken out. I know you didn't care anymore about because the language is still there. The reason we move it to a whereas is because it's defending our position of the action that we want taken. It's actually not an action. So it should be a whereas, it's a fact.

Trustee Dan Ahuna – Thank you.

Trustee Keli'i Akina – I would like to affirm the entire package of amendments proposed by Trustee Lee and to commend him on the very good work. These amendment reflect concerns and have resolve concerns that I have had with the resolution. And they allow me to vote in favor of the resolution. I want to thank you Trustee Lee.

Chair Colette Machado – Any further discussion. I will call to Trustee Lee to move the motion.

Trustee Leina'ala Ahu Isa – I want to bifurcate that number 6 paragraph out. Like Trustee Waihee talked about.

Chair Colette Machado – What page is that?

Trustee Leina'ala Ahu Isa – Page 3 paragraph 6, whereas OHA Board of Trustees reiterates no position on the siting, or building of the TMT. Can we take that out because I am for protecting, helping our beneficiaries, but I am against the building of the TMT, I don't know how I can vote for this and not vote for this.

Chair Colette Machado – I think we circled this several times at the table. This is not about retaking our position as TMT. I going tell you that is just the background.

(Conversation indiscernible)

Trustee Leina'ala Ahu Isa – The Board of Trustee take no position.

Jocelyn Doane – I think Trustee Lee's recommendation to move it to a whereas clause is addressing Trustee Leina'ala Ahu Isa's concern. So you are voting on basically the be it resolved clauses, whereas, I mean of course you can make a recommendation to amend them, but they are basically background. The way that Trustee Lee's

amendments are written you are not revoting to say no position. That is not what the vote will be on that amendment.

Trustee Brendon Kalei‘āina Lee – The whereas is just stating fact.

Chair Colette Machado – Factual background.

Trustee Dan Ahuna – Just because you answered by question doesn’t mean, I still want it. But I can understand the first one. But the second one, the social injustice, we need to hold our government accountable. I’d like to bifurcate that one.

Trustee Brendon Kalei‘āina Lee – I am happy to take each amendment individually. I was trying to expedite. We can then that can allow us to vote on all the rest. Trustee Dan Ahuna, I have a question to you. Is it the social injustice and system oppression you want left in? But you ok with taking out in the fact of Governmental indifference.

Trustee Dan Ahuna – I want that whole thing, the face of go governmental indifference and social. I like that.

Jocelyn Doan – Chair can I make a suggestion that might be amendable. What if we said and voice their concerns in the face of Social injustice, and systemic oppression.

Trustee Dan Ahuna – I am ok with that. I like work; I want to pass this thing.

Chair Colette Machado – Are you ok with that?

Trustee Brendon Kalei‘āina Lee – I am ok with that change.

Trustee Keli‘i Akina – And I am also ok with that change. I think the important thing here is that we are not accusing the government of governmental indifference. It’s important for us to be partner with the rest of Government and resolving the tensions on Maunakea. So I affirm this language.

Trustee Kalei Akaka – I would also like to commend Trustee Lee’s and Jocelyn your edits here. I am in agreement of them, that makes me feel more comfortable with this resolution going forward and also in Trustee Akina acknowledging that it is utmost importance that we are able to focus on the healing process of our people with our Government with all that are involved here and that we are able to so this in a safe manner. Safety is of the utmost importance. And I feel that the love and aloha of our people are here, and I mahalo all that are involved in this, our people, those at the mauna, those not at the mauna, Mayor Harry Kim for his efforts form this point forward, all those in the Department of Transportation, our law enforcement, all our sisters and brothers I’d like to mahalo everyone for the love that they have put into this and they will continue to work together on this.

Trustee Carmen Hulu Lindsey – I’d like to satisfy Trustee Leina‘ala Ahu Isa and take out that paragraph completely.

Trustee John Waihe‘e IV – Yes, is it necessary to reiterate that.

Trustee Carmen Hulu Lindsey – Yes, just take it out as part of this amendment.

Trustee Brendon Kalei‘āina Lee -That is what I wanted. Point of order Madame Chair.

Chair Colette Machado – Trustee Lee.

Trustee Brendon Kalei‘āina Lee – So no one else has called a point of order on me. We actually have no more on the floor to amend.

Chair Colette Machado – I’ve been whispering to you we don’t have a motion.

Trustee John Waihe‘e IV – We made a motion.

Trustee Brendon Kalei‘āina Lee – No that motion was for Trustee Akina.

Chair Colette Machado – I was ready to take an action for roll call he said to wait till we gave input.

Trustee Brendon Kalei‘āina Lee – We voted on the amendment.

Trustee John Waihe‘e IV - Trustee Carmen Hulu Lindsey made a motion on the original motion and he tried to amend it.

Trustee Brendon Kalei‘āina Lee – Yes, and I am amending the original motion. That is allowable.

Trustee Carmen Hulu Lindsey – Well not we corrected it all, just make the motion as it’s corrected.

Trustee Brendon Kalei‘āina Lee – No, because no one has come to agreement with that.

Trustee Carmen Hulu Lindsey – I think most have.

Chair Colette Machado – Does anyone have an objection to remove that statement?

Trustee John Waihe‘e IV – No objections to removing that statement.

Trustee Leina‘ala Ahu Isa – I don’t.

Trustee Carmen Hulu Lindsey – I don’t.

Trustee Brendon Kalei‘āina Lee – I actually wanted to remove it, this was a compromise.

Trustee Carmen Hulu Lindsey – Agreed upon.

(Conversation indiscernible)

Trustee Brendon Kalei‘āina Lee moves to amend the resolution of action item BOT 19-11 as seen in the handouts provided to the Trustees and what was provided up on the screen. With the additional changes of leaving in social injustice and systemic oppression and deleting the be it further resolved that while OHA Board of Trustees reiterates it lack of position.

Trustee Kalei Akaka seconds the motion.

Chair Colette Machado – Trustee Akaka has seconded the motion. Any more discussion?

Trustee Carmen Hulu Lindsey – Call for the vote.

Chair Colette Machado – Thank you Trustee Hulu. Roll call vote.

Jocelyn Doane – Do we need a second on Trustee Lindsey’s motion before you can move to amend?

Trustee John Waihe‘e IV - Yes.

Trustee Brendon Kalei‘āina Lee – There was a second.

Jocelyn Doane – Who was the second?

Trustee Brendon Kalei‘āina Lee – Trustee John Waihe‘e IV.

Trustee Carmen Hulu Lindsey – I had two second, actually.

Trustee Brendon Kalei‘āina Lee – Yes, she did, but it was Trustee Waihee.

Trustee Dan Ahuna – I no need second nothing, you can second whatever you like do.

Chair Colette Machado – The record will reflect Trustee John Waihe'e IV seconded Trustee Carmen Hulu Lindsey. Are we ready to take the roll call? Roll call.

Trustee Brendon Kalei'āina Lee moves to amend the resolution of action item BOT 19-11 as seen in the handouts provided to the Trustees and what was provided up on the screen. With the additional changes of leaving in social injustice and systemic oppression and deleting the be it further resolved that while OHA Board of Trustees reiterates it lack of position.						
Trustee Kalei Akaka seconds the motion.						
TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEINA'ALA AHU ISA				X		
TRUSTEE DAN AHUNA				X		
TRUSTEE KALEI AKAKA		X		X		
TRUSTEE KELI'I AKINA				X		
TRUSTEE BRENDON KALEI'ĀINA LEE	X			X		
TRUSTEE CARMEN HULU LINDSEY				X		
TRUSTEE ROBERT LINDSEY				X		
TRUSTEE JOHN WAIHE'E				X		
TRUSTEE COLETTE MACHADO				X		
TOTAL VOTE COUNT				9		
MOTION: [x] UNANIMOUS [] PASSED [] DEFERRED [x] FAILED						
Motion passes unanimously with nine (9) yes votes.						

Chair Colette Machado – Members congratulations. We will go back to the main motion.

Trustee Carmen Hulu Lindsey moves that the Maunakea Ad Hoc Committee approves and recommends that the Board of Trustees approve Action Item BOT #19-11, a Board resolution that implores the governor to take material steps to eliminate the high potential for physical harm to OHA's beneficiaries; expresses its kaumaha over the arrest of Native Hawaiian kūpuna; opposes use of unwarranted force and calls upon the Governor to rescind his Emergency Proclamation; and expressly authorizing OHA Administration to take action to advocate for the rights, safety, and well-being of beneficiaries engaging in peaceful protest of the decades long mismanagement of Maunakea, perpetuating Native Hawaiian traditional and customary practices, and exercising their rights to freedom of speech and assembly, as amended.						
Trustee John Waihe'e IV seconds the motion.						
TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEINA'ALA AHU ISA				X		
TRUSTEE DAN AHUNA				X		
TRUSTEE KALEI AKAKA				X		
TRUSTEE KELI'I AKINA				X		
TRUSTEE BRENDON KALEI'ĀINA LEE				X		
TRUSTEE CARMEN HULU LINDSEY	X			X		
TRUSTEE ROBERT LINDSEY				X		
TRUSTEE JOHN WAIHE'E		X		X		
TRUSTEE COLETTE MACHADO				X		
TOTAL VOTE COUNT				9		
MOTION: [x] UNANIMOUS [] PASSED [] DEFERRED [x] FAILED						
Motion passes unanimously with nine (9) yes votes.						

(Please see approved resolution attached to the minutes.)

Chair Colette Machado – We are going to take a recess and then we will come back and fulfill as much of the agenda that we can.

12:04 pm Chair Colette Machado calls recess.

12:15 pm Chair Colette Machado reconvenes the meeting.

Chair Colette Machado – I wanted to address the agenda today. In consultation with our Board Attorney, we will be going into executive session to talk about VI. A. and B. We will differ the approval of the minutes because they are not ready. I am requesting that Administration relating to the Strategic Planning workshop that, that be referred to the Molokai meeting on the 8th for the BOT to hear. Because it's an important matter. I am not sure after this meeting we are not convening again till the 22nd of August on Oahu.

Sylvia Hussey – Is it ok if we at least leave the materials that they brought between now and then the Molokai, for discussion.

Chair Colette Machado – Do they have it right now? Can we distribute it and we will reschedule up there. Sylvia we can get the material.

Sylvia Hussey – They have it Jim will bring it in.

Chair Colette Machado – Members we are going to defer the BOT Workshop on OHA Strategic Planning 2020+ we are going to move that to Molokai for discussion on August 8th.

A. Presentation by Delwyn Oki from the U.S. Geological Survey (USGS), regarding the USGS Central Molokai Groundwater Model and its preliminary results.

Chair Colette Machado – I wanted to let you know why this item is on our agenda. The USGS results of the Central Molokai Groundwater, the reason why I put Mr. Delwyn Oki on the agenda with USGS is that, when you come to Molokai this will be an issue that will be talked about by the Community in our Community Meeting as well as at the BOT meeting the next morning. I attended a June 1st Community Meeting that was presented by Mr. Delwyn Oki on the results of the survey that was done. We cost shared the amount with DHHL and the Department of Water from County.

Everett Ohta- Thank you Chair, good morning Trustees. I am here to introduce this morning Dr. Delwyn Oki from the US Geological Survey. He is here to present on the Central Molokai and Eastern Groundwater recharge and availability study. As Chair Machado mentioned this study was co-sponsored, co-funded with OHA, DHHL, and Maui County Department of Water Supply. OHA and DHHL really got involved with funding of this study as a result of litigation that happened in the mid-90s we were involved with when the Water Commission was considering a water use permit application for Molokai Ranch that was going to pump ground water and we were concerned, both agencies were concerned about the lack of analysis about the impacts of that pumping to traditional and customary practices on the resources on the coast line that were benefiting from fresh water discharge Makai side and also for the water reservation of DHHL and the impact of that water permit application of the Ranch on DHHL's water reservations. That litigation was long standing and was recently settled in December 2018 when the Hawaii Supreme Court issued a fair verbal ruling for OHA, DHHL Maui County and Water Commission, which ended the contested case that had been ongoing for some 25 years or so. But never the less we are still looking at water permit issues on Molokai, there are still pending permit applications from the Ranch, from DHHL and for Maui County all relating to their use of water going forward. What we are hoping is that the information presented by Dr. Oki is able to inform the decision making of the Water Commission and ensure that the interests of OHA, DHHL and beneficiaries on the island on all protected in a way that wasn't protected or considered fully back in the 90s. With that thank you again for your time, today and I will turn it over to Dr. Oki.

Dr. Delwyn Oki – Good afternoon Chair and Trustees. I want to first of all thank you for including the USGS on your very busy agenda. I am here as Everett mentioned, I will give you a very brief overview of the work that we've recently concluded and hoping to get out to the public within the next 6 months or so. This was funded with USGS working in cooperation with OHA, DHHL and the County Department of Water Supply. I'll briefly talk today about, describe what is ground water and conceptually what happens when you pump a well because there are going to be impacts. I'll show you one slide of the State's groundwater management framework that is relevant to Molokai then I'll briefly go over some selected results from our study just to give you flavor of what we have done.

What is ground water? We've all had some experience with ground water as kids, when we go to the beach and we dig a hole in the sand and we see standing water. That is actually ground water that is the unexposed water table that you see when you see standing water at the bottom of the hole. Below that water table is what we call the saturated zone that is where all the sand or rocks the pores are completely filled with water. That's what we refer to as ground water. Above the water table or above that standing water you see in the whole in the sand is what we call the unsaturated zone. It's not completely dry, it does contain water but it's not water that you can readily extract like you can in the saturated zone. So this is where the wells are developing ground water from is from the saturated zone. These are just a few examples of exposed ground water. You can dig a hole at the beach and hit ground water or you can dig a hole in the rock and hit ground water. These are some exposures, a dug hole on the windward side on the Big Island there are some nice exposed ground water in some of these fractures in the lava at Kaloko Honokōhau. I'm sure many of us have driven by Pearl Ridge, and seen the watercress farms. Those watercress farms are all spring fed and that represents ground water discharge from one of the most important aquifers on this island. The Pearl Harbor Aquifer.

Most of the ground water of relevance to Molokai is developed from a fresh water lens system. The fresh water lens system consists of a relatively thin body of fresh water that floats on a zone of brackish water which itself sits atop salt water. That salt water is water that has the same salinity as ocean water basically. In fact, the salt water which is in the rock is actually derived from the ocean. Most of the fresh ground water on Molokai that's being developed is from what we call a fresh water lens system a thinner upper fresh water zone. These fresh water lens systems are somewhat vulnerable to the effects of wells, pumping a well. So in the left frame you see a situation in which the well is producing fresh water, it's not being impacted by the brackish water or transition zone. But if you start pumping a well at too high a rate, what happens is you start bringing up some of the brackish water and it's going to affect the quality of the water that pump. If that water gets too salty, it's going to be undrinkable. The other effect that happens when you pump a well is that water that naturally flowing through the aquifer and discharging at point of natural discharge, like springs or to the ocean or to streams. When you pump a well, you are going to ultimately reduce the amount of water that discharges to these natural areas that receive a discharge by an amount equal to the amount of how much water you pump. So if you pump a well at a million gallons a day over long term, ultimately you are doing to reduce the natural discharge by an equal amount of a million gallons a day.

This is an impact that will always happen. It's an impact that is recognized and it's just a matter of whether these impacts are acceptable or not to various stakeholders that you can determine whether you should or should not pump a particular well. So this is the State manages ground water on an island wide basis by kind of dividing the island into these aquifer systems. Some of the lines on the map really don't represent any real geologic boundaries, they are mainly either topographic or some other boundary lines. Some line actually do represent the geology, but for most of Moloka'i, the lines are really just lines on the map. What the State does is in each of these aquifer systems they estimate a sustainable yield value which limits ground water development. The most important aquifer system on Molokai is in central Molokai. The Kualpu'u Aquifer System where the State has estimated that you can get about 5 million gallons per day of fresh water out of that system. There method of estimating sustainable yield is really a back of the envelope calculation. It was initially developed mainly to protect existing wells from getting to salty. But in recent years, one of the things that has come up is the protection of near shore ecosystems. Protection of cultural practices that are depended upon ground water discharge. So for example on Molokai, there are a lot of coastal fishponds on the southern coast and these fishponds do receive ground water discharge. When you pump a well you have the potential to reduce that

discharge to these fishponds. So there is an impact there. It's whether or not that impact is acceptable or not to all stakeholders. That kind of determines whether or not wells should be pumped or not. That is kind of the background.

We recently, we trying to wrap up our study, which has lasted a lot longer than I thought I would for a number of reasons. But we are here where we are now and the overall objective of the study was to help stakeholders understand ground water availability on Molokai and in particular in the Kualpu'u Aquifer System. What we did to try to address that objective was to develop a numerical ground water model. It is just a computerized model, it's kind of, like how the weather service they have their computer models to predict storms. Ground water hydrologist have ground water models to help them understand the subsurface how water flows. So we developed this model and then we also with input from various State and County agencies, we ran a number of scenarios. I'll show you a few examples of that. This is kind of an oblique view of the area on Molokai that we modeled.

Trustee Carmen Hulu Lindsey – Is that a side view?

Dr. Delwyn Oki – You can kind of see island out shape there, it's an oblique view. So it's kind of viewed from above but at an angle. This model incorporates a lot of processes, as far a ground water models go it's fairly complex. Because you can make simplifying assumptions in these models but this one kind of tried to simulate all of the important processes so that we can understand water availability in a better way. What I want to show you next is an animation kind of documenting or estimating what happened historically in the Kualpu'u Aquifer system. So this is a top view of the modeled area. The blue area represents fresh water, and the red represents salty water. In fact, the red area is mostly off shore beneath the ocean. Let me give you a brief over view of what the animation is going to show. What I did is I took a slice of the aquifer, and you can see that on the map, there is a vertical line going through, I took a slice of the aquifer and then I am going to try to look at it from the side. It's like you take a slice of cake and then you look at it from the side that is what we are going to be looking at. In the two colorful panels there the top one it shows you the distribution of what in the aquifer, the blue being the fresh water and the red being salt water. But to help kind of clarify what is going on and to understand what happens to the transition zone over time, what I am going to show you in the animation is I am going to remove all that fresh water, that core of fresh water you can actually drink. So water with less than 1% salinity I blank out so that you can see the effects of when wells are brought online in the Kualpu'u area over time and you can see the rise of transition zone.

12:30 pm Trustee Keli'i Akina leaves the meeting.

Dr. Delwyn Oki – There is also a little bar graph in the upper right corner of the animation that is going to show you how pumpage is changed over time. So this it he animation. It's going to show you what happening, we are going to slice through the aquifer firs form the East side then slice form the West side so now we have a vertical section and we are going to turn it on its side so you can see what is going on in the aquifer. Again, the red is the salt water and the blue is the fresh water. You see it's thicker in the Kualpu'u area, and its gets thinner as you go to the coast. Now we just removed all that fresh water core so we can see over time when the Kualpu'u Aquifer System begins to be pumped by these wells that are kind of popping up, those vertical dots you see on the screen. Now we are in 1968, 1970, it's kind of marching through time.

Trustee Carmen Hulu Lindsey – What is the altitude of Kualpu'u?

Dr. Delwyn Oki – The ground altitude of Kualpu'u is probably about 900 -1,000 feet around there. But what I am showing is basically closer to sea level in the ground water system. So you can see over time the brackish water transition zone has come up. It will go through this animation again one more time so you can get a better picture of it. Here we slice through the aquifer and then we are going to turn it on its side, and we will zoom in to the Kualpu'u area so it's like you are seeing a side view of the piece of cake. It's going to march through time now and you can see there is a clock in the upper right, 1942, 1944. Most of the pumping in Kualpu'u started happening a little latter in the period during about 1990, the pumping started getting a little bit heavier.

That is kind of where you see most of the action in terms of the movement of the transition zone, that brackish water zone. It starts coming upwards, '84, '86, '88, now you start seeing that rise in the transition zone. It brings it up to about 2012. This is the model that we developed and I am going to show you a couple of applications of the model that we developed in terms of how the quality of the water from wells might be impacted and also how the discharge of ground water to the near shore ecosystems might be impacted.

First of all, we kind of ran a base line condition looking at average current conditions so in the model I represented average just 2016 to 2017 withdrawal rates in the Kualpu'u Aquifer System. So the blue line represents the Kualpu'u Aquifer System, the green wells are all existing wells in the Kualpu'u Aquifer System. These include two wells that DHHL maintains, one well that the County maintains and then well 17, which is privately operated. You can see all the wells are kind of bunched together in the Kualpu'u area but under average 2016-2017 withdrawal rates these wells appear to produce water of reasonable quality. And the color coding here and you will see the different colors popping up later on but in this particular map all of the wells are colored as green, which means that the quality of the water that is being pumped out of there is relatively fresh. It remains less than a hundred milligrams per liter chloride concentration and to put that into perspective EPA has a secondary standard for drinking water of 215 milligrams per liter. So these green dots represent water quality that is below the EPA standard, it is fresher than what the EPA would recommend so it's clearly drinkable a water. This is kind of the baseline scenario for average recent conditions. The State Commission on Water Resource Management has a number of pending water use permits before them that they will have to decide upon and we have these rates represented in the model. You can see what happens now that if we put those pending water use rates in it results in an increase in withdrawal from the Kualpu'u area, it went from 1.5 to about closer to 2.7 or so. You can see that the color of one of the wells changes from green to yellow. So you kind of getting into that zone where the water quality is getting slightly degraded by the effects of the combined pumpage in the area. But it's probably still going to be acceptable, it's still less than what the secondary standard set by EPA of 250 milligrams per liter. So that's just what the pending water use permits rates in the model. But both DHHL and the County are envisioning increased withdrawals from Kualpu'u. I ran a whole suite of scenarios based on input from the various agencies and I am going to show you this one here as one example in which we increase withdrawal from the Kualpu'u area up to about 3.5 million gallons per day and we included some hypothetical well sites that new site B indicated on the map the one green site. But you can see that when the model is pumped at this high a rate, you start seeing some cautionary flags being raised in fact one of the wells, the County's Kualpu'u mauka well turn red indicating it's starting to get close and this particular example it actually exceed the EPA standard of 25 milligrams per liter. The model can be used to evaluate different scenarios, different distributions of pumping, and different locations of new wells that might be considered. These are just a few examples of the utility of the model that we produced. It's not in any way similar to how the State currently estimates sustainable yield, which is kind of a back of the envelop calculation. This is a numerical model that integrated everything that we know about the system in terms of the hydrology and geology.

The other thing that I mention is the ground water discharges on Molokai to the coastal area; this map depicts the distribution of that ground water discharge for that base line case where we are simulating average 2016-2017 withdrawal rates. Again, you can see all the well in Kualpu'u stay green. What I have depicted here by color is where you have larger amounts of ground water discharge being the red colors and where you have lesser amount of ground water discharge being the light blue colors. So this is kind of a distribution along the coast. But it get a little higher as you move towards the East because its wetter out there. Everett had asked that I include some information that was done back in the '90s because there are a number of sites that have been identified by the Molokai Community as being important for subsistence purposes. So there is fishing and ocean gathering sites off shore that could potentially be impacted by any changes in ground water discharge to the near shore environment. So what we used the model for then was to evaluate, how much if you pump certain amount of water, how much are you going to effect that coast discharge and where are you going to affect it. I'll just give you one example of that. This is the example where I pump the model at the pending water us permit rates, so the total withdrawal from the aquifer was increased from the previous slide which was about 1.5 million gallons per day in this scenario two we are pumping the wells in the Kualpu'u area with pending water use permit rates. We increase it by over a million gallons per day to about 2.7 million gallons per

day. That is going to have an impact. You can see here in these color coded cells where the impact is greatest. It is typically going to be greatest immediately south of the Kualpu'u area where you see some of the darker blue squares. This kind of give you a general sense for what we can do with the model and what the water commission has available to them or will have available to them to help evaluate different types of withdrawals scenarios from Kualapu'u in terms of their impacts to wells and also the near shore environment.

To summarize, we developed the numerical ground water model to help evaluate different withdrawal scenarios. The model results indicate that additional ground water relative to the existing rates is likely it can be developed but its important to note that any additional withdrawal from Kualpu'u is going to have an impact on both the quality of water that you withdraw from Kualpu'u as well as the quantity of water that discharges to ocean. And the impacts are really a function of how you develop the system. I depends where you pump and how much you pump. This is something that the ground water model is very good at helping to evaluate. That's it; the next steps for us would be to try to get this out to the public by the end of the year.

Trustee Kalei Akaka – Mahalo for that wonderful presentation and very fascinating digital images you shared. Is it possible to get a soft copy of this?

Dr. Delwyn Oki – I can probably share a copy with Everett, it a fairly large file. But yeah I can work with Everett.

Chair Colette Machado – I want you to describe how important this is because the current sustainable yield is estimated by the Water Commission at this rate, but we are looking down the future that we will have to go in and change that. Because some precautionary purposes we have to look at reconsidering based on your data.

Dr. Delwyn Oki – The State is estimated the sustainable yield as 5 million gallons per day. We use the model and it's really a function of where you put your wells. So it's possible we can work with the model to help define whether or not you can get that 5 million gallons per day. We've done once scenario which indicates that you might be able to get at least 4 or so. But there are some uncertainty with the model; I will be the first to admit that having been the person to develop it. There is a lot that we don't know and we can improve this model as we get more information and that means drilling more wells. So it's kind of where we are at now.

Trustee Dan Ahuna – I live on a pretty wet island Kauai. Out of our ahupua'a depends on these springs. The ground water the fresh layer does it, I've learned that the more we take out from that ground water it doesn't apply that pressure so those springs, is it true is that how those springs work on the lower areas, because of the pressure so we need the volume in the ground water so that pressure can be healthy.

Dr. Delwyn Oki – Yes, the ground water discharge at springs are definitely related to how much volume of water you are going to have in the aquifer. If you start reducing that volume you are going to start reducing that discharge.

Trustee Dan Ahuna – Yes, I think that is important to know.

Trustee Robert Lindsey – Mr. Oki, I am kind of spooked, I like your presentation. But what I see is you got the salt water pushing up into the fresh water zone and that is beginning to get thinner. Then you have evaporation from the top. You know that is taking up water into the atmosphere. You have two things occurring at the same time.

Dr. Delwyn Oki – You can't control the evaporation, evaporation is going to remove some of the water that is ultimately going to recharge the aquifer. We've made estimates of how much water actually gets down into the Kualpu'u aquifer as part of this study. Incorporating the evaporation, transpiration that is going to have to happen. Anytime you have plants, you are going to lose water to the atmosphere. But yeah, there are going to be consequences to pumping wells at a great rate and that is going to be that rise in the transition zone is one effect.

Trustee Robert Lindsey – Now with global warning it's spooky.

Dr. Delwyn Oki – Yes, there are some estimates out there that would suggest that ground water recharge made be decreased in the future on Molokai. But it's still in a kind of early phases of exploration in terms projecting out to the future. But we did as part of our study we did look at what would happen in ground water recharged were produced in a future climate and those results wouldn't surprise you would indicate that things start getting worst by getting saltier water.

12:24 pm Trustee Keli'i Akina returns to the meeting.

Trustee Kalei Akaka – I wanted to ask about what solutions and options we are looking at moving forward for the next set of decades and beyond. Looking at this one of my first thoughts is that we need to have more trees on Molokai to bring more water in through the rains. Are there different ways we can talk more about collaborating on this.

Dr. Delwyn Oki – Well Kualpu'u is where the wells are, it's not extremely wet but one of the things that help in terms of spreading out impacts is to start spreading out the pumpage. That would mean developing wells further toward the east in the Kualpu'u area. We don't really have a lot of information as you get further to the East, most of our information is in that little cluster that you folks will see that cluster of wells. They are very close together. But much of our information is focused in that general area. I've always pushed to try and get more information further East.

Trustee Kalei Akaka – Have you folks collaborated with any groups such as UH their doctorate program that they study the water table, the rains that come in and so forth? I do know that there is a program there.

Dr. Delwyn Oki – We have done some work with the University and we've collaborated with them on a number of things. One of them being looking at ground water recharge. In fact, I believe we will be coming out soon with a demonstration product that will allow you to change climate and land cover on Oahu and see how that impacts ground water recharge. That is going to be coming out in the coming months.

Trustee Kalei Akaka – Have perhaps ancient practices been taken into consideration, how things were done in those times that have worked that we can look at incorporating.

12:47 pm Trustee Robert Lindsey leaves the meeting.

Dr. Delwyn Oki – Traditional practices was not to drill wells in the middle of the island. They would typically dig wells near the coast and when you do that you have a smaller impact. But when you drill deeper wells further inland, you get the benefit of getting fresher water but the one cost is that you are going to actually have a bigger impact over a bigger area. So the closer you put your wells and this is what was done historically, closer you put your wells near the ocean the better off you are in terms of impact. The water is not going to be as fresh perhaps but you can reduce your impact.

Trustee Carmen Hulu Lindsey – Maybe I missed something earlier, Mr. Oki is doing this Molokai Ground Water to expand the water on Molokai and is this Kualpu'u going to service how far on the island. Because I know what our water on Maui services. All the way from Iao down to Wailea. I just wondered, and of course, the next question is who is going to develop it. I am just curious.

Everett Ohta – You know the USGS study is really looking at what those impact are going to be from certain scenarios that are proposed by the major water purveyors on island at this point which in this we are looking at DHHL, Maui County and the Ranch. Those are going to be the entities that are figuring out how to develop and the Water Commission is going to have a roll in approving certain well pumping so this is something going to be able to play into the Water Commission decision making as to how that kind of development occurs. What

are acceptable levels of impacts both from the Water Commission's perspective as well as the Community itself. So that's one of the main reason why the parties, OHA, DHHL and Maui County funded this study to understand that impact. The four wells actually get drilled and understanding what is are the best practices to access ground water on island.

Trustee Carmen Hulu Lindsey – So based on this model, how far reach of this water going to be available for the residents.

Everett Ohta – Are you talking about the existing distribution system?

Trustee Carmen Hulu Lindsey – This model that he is proposing, all the way up Kualpu'u which I think is above the airport. How far out is it going to go to East End?

Dr. Delwyn Oki – The model covers, this is the extent of the model as it is currently constructed. It does extend out to the East end. The County does have their own water system and it's kind of a separate system in terms of what it does in Kualpu'u versus what it does in Kawela and in Ualapue. I don't think they are fully connected. They are have these different water systems. But they have expressed interest in the past in moving some of their development out east. But it's largely currently driven by where they can get the biggest bang for their buck, where they need the water the most and where they have an existing water system.

Chair Colette Machado – Anything more to add?

Everett Ohta – Not that is about it. Just for the Trustees' information, Chair is currently looking at some of the site visits that are going to be available on Molokai. One of the things that is being planned is a site visit to the DHHL wells that have been depicted in Dr. Oki's map so Trustees can see what is happening on the ground where these wells are located and how they fit in with the topography of Kualpu'u area so they can see how these systems are set up and get guided by the DHHL staff we will have there.

Chair Colette Machado – Thank you for being patient Delwyn and I am sure we will see you again.

VI. EXECUTIVE SESSION

Chair Colette Machado - With that, we can now recuse ourselves into Executive Session pursuant to 92-5 (a)(4).

Trustee Brendon Kalei'aina Lee moves to recuse into Executive Session pursuant to §92-5 (a)(4).

Trustee Carmen Hulu Lindsey seconds the motion.

Chair Colette Machado – Roll call please.

Trustee Brendon Kalei'aina Lee moves to recuse into Executive Session pursuant to §92-5 (a)(4). Trustee Carmen Hulu Lindsey seconds the motion.						
TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEINA'ALA AHU ISA			X			
TRUSTEE DAN AHUNA			X			
TRUSTEE KALEI AKAKA			X			
TRUSTEE KELI'I AKINA			X			
TRUSTEE BRENDON KALEI'AINA LEE			X			
TRUSTEE CARMEN HULU LINDSEY			X			

TRUSTEE ROBERT LINDSEY						Left meeting at 12:47pm
TRUSTEE JOHN WAIHE'E			X			
TRUSTEE COLETTE MACHADO			X			
TOTAL VOTE COUNT			8			1
MOTION: [] UNANIMOUS [x] PASSED [] DEFERRED [] FAILED						
Motion passes with eight (8) yes votes and one (1) excused.						

Chair Colette Machado – We will now recuse ourselves into Executive Session.

The Board resolved into Executive Session at 12:52 pm.

- A. Consultation with Board Counsel Robert G. Klein, Esq. re: questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities regarding Civil No. 17-1-1823-11 JPC, OHA v. State, et. al. *Pursuant to HRS §92-5(a)(4).*
- B. Consultation with Board Counsel Robert G. Klein, Esq. re: questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities relating to the State Auditor's request for confidential and Attorney-Client privileged materials, information and the legal basis for the establishment of the Limited Liabilities Corporations (LLCs), *Pursuant to HRS §92-5(a)(4).*
- C. Approval of Minutes
 - 1. May 2, 2019
 - 2. May 30, 2019

Items under C. were deferred.

The Board reconvenes in open session at 2:07 pm.

VII. COMMUNITY CONCERNS

2:07 pm Trustee Kalei Akaka leaves the meeting.

Chair Colette Machado – I have three people who have signed up for community concerns, I am not sure if they are still around. We will need to check on that. Richard Soo, DeMont Connor and Jenna Scanlan these are three that have signed up for community concerns.

Everett Ohta – There is no one around and reception said they haven't seen anyone.

VIII. BOT WORKSHOP

- A. OHA Strategic Planning 2020+ Phase III, *Workshop One*, Presentation and facilitation by DTL on (1) results from the Strategic Plan Survey and Community Focus Groups and (2) discuss the next steps toward identifying strategies based on the data.

Item deferred to the August 8th Meeting on Molokai.

IX. ANNOUNCEMENTS

None

X. ADJOURNMENT

Trustee Brendon Kalei‘āina Lee moves to adjourn.

Trustee Carmen Hulu Lindsey seconds the motion.

Chair Colette Machado – It has been moved and seconded, roll call vote please.

Trustee Brendon Kalei‘āina Lee moves to adjourn. Trustee Carmen Hulu Lindsey seconds the motion.						
TRUSTEE	1	2	‘AE (YES)	A‘OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
TRUSTEE LEINA‘ALA AHU ISA						Excused
TRUSTEE DAN AHUNA			X			
TRUSTEE KALEI AKAKA						Excused
TRUSTEE KELI‘I AKINA			X			
TRUSTEE BRENDON KALEI‘ĀINA LEE	x		X			
TRUSTEE CARMEN HULU LINDSEY		x	X			
TRUSTEE ROBERT LINDSEY						Excused
TRUSTEE JOHN WAIHE‘E						Excused
TRUSTEE COLETTE MACHADO			X			
TOTAL VOTE COUNT			5			4
MOTION: [] UNANIMOUS [x] PASSED [] DEFERRED [] FAILED						
Motion passes with five (5) yes votes and four (4) excused.						

The meeting was adjourned at 2:11 pm.

Respectfully submitted,

Dayna Pa, Board Secretary

As approved by the Board of Trustees on _____.

Colette Y. Machado, Chairperson
Board of Trustees

Attachment:

1. Testimony from Mahana Gomes dated July 24, 2019
2. Testimony from Kealoha Sugiyama dated July 22, 2019
3. Testimony from Joh Kehuaka‘ilani Brown recieved July 22, 2019.
4. Maunakea Resolution PowerPoint dated July 25, 2019
5. Amendments to the Resolution from Trustee Keli‘i Akina dated July 25, 2019.
6. Amendments to the Resolution from Trustee Brendon Kalei‘āina Lee dated July 25, 2019
7. Approved Resolution as amended.

July 24, 2019

Mahana Gomes

Kamuela, HI 96743

Office of Hawaiian Affairs
Chairwoman Colette Machado
737 Lower Main St., Ste B2
Wailuku, HI 96793

Re: Humanity, Environmental and Water Quality Protection and Pollution Rules, Controls and Programs: EPA 40CFR 122, HAR Title 11 Chapter 54, HAR Title 55, HRS 341, HRS 343, HAR Chapter 11-200 regarding the proposed TMT Project

Aloha Chairwoman Machado,

My name is Mahana Gomes. I am a Kanaka Maoli of Hawai'i, a State of Hawaii Licensed Water Distribution System Operator (DSO) Grade III and a concerned community member. I write to you today very concerned with Hawai'i's current regulatory matrix and methodology of analysis and verification regarding the Thirty Millimeter Telescope (TMT) Project. My research has indicated that the project is in violation of the National Pollutant Discharge Elimination System (NPDES) and the Environmental Impact Statement Rules (EIS) and that no Final Environmental Impact Statement has been published and accepted for the project. These rules were put in place by our legislators to protect Public Health and Safety and mitigate any potential risk to our communities and environment.

As you may already be aware, 40 CFR Chapter I. *Environmental Protection Agency*; Subchapter D: *Water Program Part 122 The National Pollutant Discharge Elimination System(NPDES)*, HAR Title 11 Chapter 54 *Water Quality Standard* and HAR Title 11 Chapter 55 *Water Pollution Control* are Rules that are established, implemented and upheld in order to protect public health and provide control for water quality and pollution. Permits such as Individual NPDES Permits (issued at a State Level) and Grading Permits (issued at a County Level) are tools put in place for our regulatory agencies such as the Department of Health or County of Hawaii Department of Public Works (to name a few, but not limited to) to administer Best Management Practices in order to monitor, prevent or reduce pollution of our waters. Pollution from treatment, operating procedures, runoff, spills, etc.

Additionally, HAR Chapter 11-200: *Environmental Impact Statement Rules*; HRS 341: *Environment Quality Control* and HRS 343: *Environmental Impact Statements* are Rules to stimulate, expand, coordinate, and review the balance of humanity's wellbeing and humanity's environment.

HRS 343-1 "The legislature finds that the quality of humanity's environment is critical to humanity's wellbeing, that humanity's activities have broad and profound effects upon the interrelations of all components of the environment, and that an environmental review process will integrate the review of environmental concerns with existing planning processes of the State and counties and alert decision makers to significant environmental effects which may result from the implementation of certain actions. The legislature further finds that the process of reviewing environmental effects is desirable because environmental consciousness is enhanced, cooperation and coordination are encouraged, and public participation during the review process benefits all parties involved and society as a whole."

Tools such as an Environmental Impact Statement (EIS) or an Environmental Assessment (EA) are established so that our regulatory agencies such as the Office of Conservation and Coastal Lands, the Office of Environmental Quality and the Environmental Quality Commission or the Hawai'i State Historic Preservation Division, DLNR (to name a few, but not limited to) can monitor, review and work to maintain the balance of our environment and humanity's wellbeing.

Basis for my concern and results of my research:

NPDES Permit: State of Hawaii Dept of Health

- ~NPDES Original Application submitted by TMT Observatory Corporation 3/31/14.
- ~Original Permit Granted June 12, 2014 expiration Midnight June 11, 2019.
- ~Renewal Application submitted by TMT Observatory Corporation 11/16/18.
- ~Notice of Public Hearing for TMT NPDES Permit issued 5/23/19.
- ~Public Hearing held and recorded 6/25/19.
- ~Notice of TMT Contested Case Hearing regarding said NPDES permit application released by Department of Health Clean Water Branch, receiving requests until August 9, 2019.
- ~In the original and the renewal applications information refers only to construction activities; no information regarding operational activities and impacts of actual telescope found.
- ~The amount of flow reported in the application regarding potential storm water runoff reflects 12 cubic feet/sec (approx. 7.75million gallons per day). I am concerned with such a high value and question the verification conducted to validate this amount of runoff.
- ~No record of current signed and approved NPDES Permit.

Grading and Stockpiling Permits: County of Hawaii Dept of Public Works

- ~Approved Grading Permit # 6133 for Owner TIO Observatory, LLC.
- ~Approved Stockpiling Permit # 6134 for Owner TIO Observatory, LLC.
- ~How is it that a Grading Permit has been issued at a County Level when the State has not yet approved the NPDES Permit for which the potential erosion from grading and storm runoff could impact the lower communities of Waimea, Hāmākua and Hilo (to name a few, but not limited to) through storm runoff identified within the NPDES permit application through discharge points such as the Kemole Ditch, Pohakuloa Ditch and Wailuku River (to name a few).
- ~Why is the NPDES Applicant/Owner different then the Grading and Stockpiling Applicant/Owner? One states TMT Observatory Corporation and one states TIO Observatory, LLC.

Environmental Impact Statement (EIS): Office of Conservation and Coastal Lands, the Office of Environmental Quality Control and the Department of Land and Natural Resources

- ~In April of 2010, Final Impact Statements (3 volumes) submitted for the Thirty Meter Telescope Project with a Determination NA.
- ~In February 2018, Environmental Impact Statement Preparation Notice (EISPN) for Land Authorizations for Long Term Continuous Astronomy on Mauna Kea was published.
- ~No current record found of a Final Environmental Impact Statement (FEIS) submitted and or accepted for the TMT Project since the EISPN was published.
- ~Section 3 Overview of the Existing Environment and Section 4 Potential Impacts to be Explored of the published EISPN are critical to the understanding of humanity and environmental wellbeing impacts this project will have. To name a few: Soils, Runoff, Erosion, Hydrology, Climate and Air Quality, Hazardous Materials, Solid Waste, Potable Water, Wastewater.
- ~Without a published and accepted EIS how has the State and County agencies evaluated the impacts to our local communities? To our current infrastructure? To our current resources not just in the project area but Island wide, Statewide? As an example, our community of Waimea (heavy farming and agriculture practices) resides below Mauna Kea and in events of heavy rains and runoff, flooding already occurs in certain areas.

Without an EIS to evaluate the 12cfs (7.75mgd) of potential storm water runoff from construction activities (per NPDES permit application) how do we know the impacts to our Waimea, Hāmākua or even our Hilo Community? How do we know what processes must be put in place to protect our communities from additional flooding or potential erosion contamination? How do we know the effects on our low-lying coastal shorelines and ecosystems? What protective measures need to be taken to protect them?

~Without a published and accepted EIS and or a NPDES permit application that includes the project in operation not just construction, how do we know the impacts to our landfills, wastewater treatment facilities, water purveyors and our source water after the project is completed and operations begin?

~How can any type of Grading or stockpiling permit, NPDES permit be granted when one of the very first regulatory protective layers for humanity and our environment has not been completed, published and or accepted; the EIS?

~We as a State, a Community are already faced with addressing: 1) no cesspools by 2050, 2) our landfill(s) reaching capacity limits, 3) certain communities have been under water restrictions for extended periods of time, 4) civil infrastructure improvements and upgrades continue to rise in planning and budgeting discussions. How has the County and State agencies analyzed the impacts of this project without completing the processes put in place to properly assess?

In closing, I'd like to share a part of my mo'olelo. I am a Licensed State of Hawai'i Water Distribution System Operator who has taken an *oath to uphold* the Clean Water Act of 1972 and the Safe Drinking Water Act of 1974 and all the encompassing Rules and Agencies listed above. It is on a daily basis that I along with other Operators like myself work hard to *Protect Public Health and Protect the Quality and Quantity of our Communities Water and Wastewater Resources*. As a Kanaka Maoli, *Lunawai* (steward of water) is in my DNA. The practices we as Operators use today are not new, they may fall under new titles and rules but the kuleana carries forward from lifetimes ago.

As Operators we are trained to recognize a technical process in the water Industry called "*Short Circuiting*". This is not an acceptable process by Regulation nor by Regulatory Agencies. We as Operators producing safe drinking water for our Communities are held *accountable* to this. Short Circuiting in simple terms, is when proper treatment contact time/detention time is not achieved because of an improperly designed system or a process that goes unmonitored and or unmaintained. Activation of the treatment or protective measure is compromised. The results of Short Circuiting can lead to severe negative impacts to public health and our resources.

I am asking that you, a Political Leader and Steward of our Community, please, STOP the Short Circuiting. ACTIVATE the Protection Process. Protect our people and our environment. Investigate all that I have shared above. Hold accountable all who, like me, have taken an oath or been charged with the responsibility to uphold these rules and regulations in order to protect the wellbeing of humanity and the environment.

It is not about whether you are for TMT or not. It is greater and older than that. It is about having the courage to stand up and uphold the kuleana that we have and enforce all that has been established to protect our Hawai'i; all encompassing.

Please take immediate action! Our Hawai'i is counting on all of us!

Mahalo,



Mahana Gomes

Dayna Pa

From: Colette Machado
Sent: Thursday, July 25, 2019 8:39 AM
To: Dayna Pa
Subject: FW: News from HawaiiFreePress July 21, 2019

From: Kealoha Sugiyama <:@gmail.com>
Sent: Monday, July 22, 2019 8:13 PM
To: Brendon Lee <brendonl@oha.org>; Colette Machado <colettem@oha.org>; Dr. Lei Ahu Isa <leia@oha.org>; Dan Ahuna <dana@oha.org>; Kaleihikina Akaka <kaleia@oha.org>; Hulu Lindsey <hulul@oha.org>; Robert Lindsey <robertl@oha.org>; Crayn Akina <crayna@oha.org>; Keli'i Akina <TrusteeAkina@oha.org>; Kealoha Sugiyama <@gmail.com>
Subject: Fwd: News from HawaiiFreePress July 21, 2019

As servants of Hawaiian Affairs, where are your kokua and kuleana to the safety and welfare of na Kia'i Mauna people? All those thousands of na Kanaka are the PROTECTORS (not protestors) for OUR sacred mauna. Their kuleana is about no more desecration of the sacred mauna. Have all of you been to Hawaii island to see how OHA Trustees can provide any needed supplies and kokua as a mahalo for their commitment to the ancestral lands and cultural practices? I'm not concerned whether you're for the TMT; however, I am concerned of your silent representation to the people you should be representing at that mauna. I don't see you on any of the local news. AUWE.

FYI, forwarding Hawaii Free Press. KEALOHA

----- Forwarded message -----

From: **HawaiiFreePress** <editor@hawaiifreepress.com>
Date: Mon, Jul 22, 2019 at 10:22 AM
Subject: News from HawaiiFreePress July 21, 2019
To: <acallforlove@gmail.com>

Having trouble viewing this email? [CLICK HERE](#)

Hawai'i Free Press

Today's News Read
July 21, 2019

OHA Trustees Ready to Stab Protesters in the Back--for a price

Jon Kahuaka'ilani Brown / Hawai'i
Re: Telescopes for Astronomy

OFFICE OF
HAWAIIAN AFFAIRS
STATE OF HAWAII
RECEIVED-BOT

2019 JUL 22 P 12: 54

I am a native Hawaiian; born and raised on the islands of Hawai'i.

The purpose of this writing is to make known that I, like so many other Native Hawaiians, have no innate sense of sacrilege being imposed upon sites sacred to our ancestors when used for the purpose of expanding the knowledge of man's "forever" frontier; the universe.

Of course, I speak of Mauna Kea, Mauna Loa and Haleakala with respect to building telescopes for astronomical purposes.

In so many ways, the islands of Hawai'i have been the show-case of what this planet produced over time; the magnificence of which is seldom matched elsewhere on our globe. As such, Hawai'i is one example of what the world has to offer at its natural best. Hawai'i can also serve as the gauge for what impact the human race brings upon itself. The importance the stars played in the discovery of these islands only the earliest navigators can attest, but it is playing it back to seek knowledge coming from that infinite sphere of mystery.

As a location, beyond its beauty and natural abundance, there is little the islands bring that can affect the quality of human existence elsewhere on earth. So why would we deny ourselves the "honor" of this exclusive opportunity given the islands are blessed with these great mountains that offer the best land-based access to the universe.

Of course, I do not mean to imply the historical use of the mountains have not been without desecration in the scientific pursuit of knowledge. In that regard, the uproar has come late. But conscience is a growing anomaly. When held in check past its rightful due date, it has the effect of overbearing-amplification to make up for lost time.

It should not be necessary to convince any applicant who is granted use of these mounts of their sacred value, especially from that field of intellectuals seeking their use.

Take care and bathe the mountains with the piety they deserve and they will provide generations with unimaginable insight that will enhance the knowledge and existence of man indefinitely.

In that regard, the Hawaiian protestors have it right. They are addressing their caretaker responsibility of the land. Through the diligence of our ancestors, their knowledge of the stars and their environment (and providence), they were the first human to inhabit this place they named Hawai'i (or "place of god; heaven"). Hawaiians, therefore, **have** that inherent responsibility.

However, no one people own anything or anyplace in this world. History teaches that while different people have geographical possession and/or control of a particular mass for a period, all things change with time. Even the strongest suffer the inevitable humbling of history (ex: the Roman Empire, the Egyptian and Chinese dynasties etc.). Ask the American Indian.

So, while the Native Hawaiian has an inherent bond with Hawai'i as theirs; it is - until it isn't. Destiny will prevail. In so many cases, the dominant interest in any given environment dictate the manner of possession. Back in the day, the Hawaiian culture could have been greatly influenced by the English, the French, the Russians etc., depending on the degree to which they imposed their dominance. As history mandated, it would be America.

So myself, as a Native Hawaiian, recognize these islands belong to man; not to any one culture. Do we, as Hawaiians, owe it to man to share in the generosity of our blessing? Absolutely; while maintaining that its gift will come with conditions of care that we will have a bearing on as long as we are capable.

It now lies with responsible administrators to impose strict oversight for future use of these sacred mountains. The act will serve to perpetuate and acknowledge the rightful place these mounts represent in earths service to man.

"Ua mau ke ea o ka aina ika pono"

The life of the land is preserved in righteousness....

@yahoo.com

Maunakea Resolution: Authorizing Administration to Take Action to Advocate for the Rights, Safety, and Well-Being of Beneficiaries Engaging in Peaceful Protest of the Decades-long Mismanagement of Maunakea, Perpetuating NH T&C Practices, and Exercising their Rights to Freedom of Speech & Assembly

BOT
BOT 19-11
7/25/19



Outline

- OHA Strategic Plan and Policies
- OHA BOT Relevant Past Positions
- Maunakea Movement
- 19-11 Maunakea Resolution



OHA Strategic Priorities



Executive Board Policy Manual

Native Hawaiian Rights and Entitlements

2.1.b. OHA shall advocate for Native Hawaiian rights and entitlements including:

1. Educational opportunities, economic development services, health and human services, and housing services; and
2. The protection of and access to natural resources that are an important part of the culture and lifestyle of Native Hawaiians.

Hawaiian Culture

2.1.c. Consistent with its fiduciary responsibility, OHA shall pursue, protect, and promote:

1. The cultural practices of Native Hawaiians;
2. The integrity of the Native Hawaiian culture and cultural sites; and
3. The understanding of the Native Hawaiian culture, practices and traditions to ensure that the activities, values, beliefs, ideas, and heritage of the Native Hawaiian people continue to be preserved, promoted, and perpetuated.

2.1.d. In its endeavor to pursue, protect and promote Native Hawaiian culture, OHA shall be committed to living and practicing the values, traditions and protocols of the Native Hawaiian culture in the conduct of its operations.



Lāhui Policies

- BOT 19-06 Passed 5/30/19
- Lāhui Policies
 - E Mālama (to protect)
 - E Ho'omau (to perpetuate)
 - E Ho'oulu Lāhui (to grow the nation)



Maunakea: History of Astronomy Development

- 1968 – BLNR leased 11,288 acres of “ceded,” PLT lands in MKSR to UH for “an observatory,” 65 years, exp: 12/31/2033
- 1970s & 1980s – 3 telescopes built by 1974; BLNR finds construction violations; Governor Ariyoshi & community voice concerns
- 1970s – first management plan (followed by 1983 & 1985 MK Development & Management Plans (*estab. cap of 13 “telescopes”), 1995 Revised MP, 2000 MKSR Master Plan “Update,” 2009 Comprehensive Management Plan and Sub-Plans)
- 1985 – flurry of development
- 1986 – Hale Pōhaku mid-level facilities leased to UH, 65 years, exp. 2/28/1941
- Late 1990s – **after the fact subleases requested**; habitat destruction and trash concerns; more community calls for moratorium; 1999 development of three telescopes
- 1998 – **scathing audit**, three follow ups – more needs to be done
- Early 2000s
 - 13th telescope built (Submillimeter)
 - Keck “Outriggers” proposed but dropped after extensive litigation (including by OHA) over environmental impacts in 2006
- 2010 Decommissioning Sub-Plan (not binding on observatories) – suggested at least 5 observatories to be decommissioned by 2033
- 2011 TMT CDUP hearings begin; CDUP approved in 2013, invalidated in 2015, re-approved in 2017
- 2014 – Maunakea Master Lease cancellation and reissuance and TMT sublease proposed
 - **Master Lease now pending an EIS**
 - TMT sublease was vacated, and eventually revalidated in 2018



Relevant Past BOT Positions

- 1980 until today – plethora of legal action and BOT approved advocacy in furtherance of protecting T&C practices & natural and cultural resources/sites
- 2006 – OHA files lawsuit re inadequacy of environmental review for Keck Outrigger Observatory
- 7/2/09 – BOT supports siting of TMT on Maunakea
- 1/3/13 – BOT resolution urged BLNR to exercise high stewardship and afford strongest consideration to the rights of NHs and Sacred sites, including those on Mauna Kea, in the CDUP Process; to recognize T&C rights and appropriately mitigate in CDUP
- 4/30/15 – BOT “no position” on siting of TMT
 - Motion: “that the [BOT] rescinds its support of the selection of Maunakea, Hawai’i, as the site for the proposed [TMT] Project” – 6 ‘Ae, 0 ‘A’ole, 1 Kanalua, 2 Excused
- 9/10/15 – Creation of Mauna Kea Ad Hoc Committee
- 10/20/16 – Standing Rock Resolution approved by BOT
- 11/7/17 – BOT Files Lawsuit against State of Hawai’i and UH re mismanagement
- 2018 – HB1985 HD1 SD1 – SWA
 - Etab MKMA to manage MK, majority of members are NH, all members HI Island residents, puts OHA on MK Advisory Council



Mauna Kea Ad Hoc Committee

- On Sept. 10, 2015, Board created the Ad Hoc Committee on Mauna Kea
 - Members: Trustee Ahuna (Chair), OHA CEO (Vice Chair), Jocelyn Doane, Robert Klein, and Sterling Wong
- Ad Hoc has served as OHA lead on Maunakea issues
 - Serves as lead for agency in discussions with state/UH/county officials
 - Recommended board lawsuit against state & UH for mismanagement; filed in 2017
 - Vets/approves all OHA public/media statements on Maunakea
 - Reviews Maunakea issues



OHA's Mismanagement Lawsuit

Cites failures to:

- Budget and fund proper management of Maunakea's sacred and "ceded" lands;
- Prudently negotiate sublease terms – for example, by allowing the existing telescopes to pay a nominal rent of \$1, or not pay rent at all, despite their significant impacts and Maunakea's overwhelming and longstanding management needs;
- Adequately implement the 2009 CMP, with 32 of 54 management actions that specifically affect Native Hawaiians remaining incomplete;
- Create an environment respectful of Maunakea's cultural landscape, including by not adequately protecting Native Hawaiian traditional and customary rights and practices on Maunakea;
- Manage access to Maunakea and activities on Maunakea, which has led to vehicular accidents, personal injuries and deaths, and hazardous material spills, among other incidents; and
- Manage observatory development and decommissioning.



OHA's Mismanagement Lawsuit

Relief requested:

- Declaration that the Defendants (State, UH, and BLNR) breached their fiduciary duties to properly manage Maunakea;
- Injunction requiring Defendants to fulfill their trust duties and prohibiting actions that violate trust duties;
- Accounting of the cost of managing Maunakea consistent with trust;
- Rescission of the Mauna Kea General Lease to UH;
- Restitution to make the trust whole and damages; and
- Attorneys' fees, etc. and other relief as deemed fair and equitable.



Post OHA Lawsuit

- Admin. Rules
 - UH re-initiated consultation with OHA; OHA concerns expressed in writing in **2011, 2018, and 2019** and during consultation in 2018 (BOR set to approve 8/22/19).
 - **The current administrative rules draft continues to inadequately address a number of issues critical to the protection of Native Hawaiian traditional and customary practices, and the underlying resources, sites, and overall environment upon which they depend**
 - Need for **transparency and accountability**, not delegation of responsibility to a single person, in decisions potentially impacting T&C practices
 - Need for **meaningful and mandatory consultation with OHA, Kahu Kū Mauna, practitioners, and families** in decision-making
 - Need to ensure all **revenue generating uses adequately support management**, for protection of T&C practices, resources, and sites, i.e. via telescope subleasing rules
 - Rules point to CMP to address issues not addressed, but CMP points to rules
- Decommissioning processes started for Caltech Submillimeter & Hōkū Kea
 - Environmental due diligence process, site deconstruction & removal plan, site restoration plan, remedial action plan
- Minimal access controls – continued inappropriate & resource damaging behavior
- OHA & NHs – consultation minimal, zero real decision-making authority i.e. passage of CR-5, -7, OHA and practitioner requests for more dialogue



Protect Mauna Kea Movement

- 1970s – community concern about telescope development/protecting mauna
- 1990s & 2000s – construction debris and violations, telescope proliferation, management concerns, state audits, suit by OHA over Keck

2015 & 2019 - Kū Kia'i Mauna

- 3/2015 – TMT ground-breaking halted
- 4/2015 – 31 arrested
- Media explosion
- Massive support – political, religious, recognizable figures
- 7/2019 - 34+ arrested, many kūpuna; 169K+ signatures



Ad Hoc Recommended Resolution

- Implores state to take steps to eliminate the potential for physical harm and psychological trauma by:
 - 1) Condemning and prohibiting further government action to provoke or intimidate cultural practitioners;
 - 2) Coordinating with relevant state and county agencies, UH, OHA, and community members;
 - 3) Prohibiting, unconditionally, the use of any and all unwarranted force; and
 - 4) Ensuring the safety of all who wish to exercise their cultural practices and right to peaceful expression and opposition;
- Expresses deep kaumaha over the arrest of kūpuna and other peaceful protesters;
- Opposes the use of unwarranted force (e.g., Long Range Acoustic Devices, batons, tear gas) and calls upon Governor to rescind Emergency Proclamation;
- Reiterates OHA's lack of a position on the siting of the TMT on Maunakea, while highlighting our concern for the physical safety, psychological integrity, cultural practices, and free speech rights of all Native Hawaiians; and
- **Expressly authorizes OHA Administration to:**
 - Advocate for the rights, safety, and well-being of beneficiaries engaging in peaceful protests, perpetuating their constitutionally protected T&C practices, and exercising their constitutionally protected rights of freedom of speech and assembly (e.g., negotiation of rules of engagement);
 - Advocate for the establishment and maintenance of pu'uhonua or safe spaces;
 - Support the observation and documentation of actions by law enforcement, government, university or community personnel; and
 - Assess and provide for beneficiaries' health, safety, and legal needs.



Proposed Amendment

(page 4 of Attachment A to the Action Item; 4th clause from the end)

“Be it further resolved that while the OHA Board of Trustees reiterates its lack of a position on the siting of the TMT on Maunakea [and acknowledges OHA’s Native Hawaiian beneficiaries who support the TMT project,] the physical safety, psychological integrity, cultural practices and the free speech rights of all Native Hawaiians are of paramount and overriding concern.”

RESOLUTION EXPLICITLY AUTHORIZING THE OFFICE OF HAWAIIAN AFFAIRS' ADMINISTRATION TO TAKE ACTION TO ADVOCATE FOR THE RIGHTS, SAFETY, AND WELL-BEING OF BENEFICIARIES ENGAGING IN PEACEFUL PROTEST OF THE DECADES-LONG MISMANAGEMENT OF MAUNAKEA, PERPETUATING NATIVE HAWAIIAN TRADITIONAL AND CUSTOMARY PRACTICES, AND EXERCISING THEIR RIGHTS TO FREEDOM OF SPEECH AND ASSEMBLY

WHEREAS, on November 7, 2017, the Office of Hawaiian Affairs (OHA) filed a lawsuit in First Circuit court against the State of Hawai'i and the University of Hawai'i (UH) for their longstanding and well-documented mismanagement of Maunakea, contrary to the public trust and the terms of UH's lease of these "ceded" and culturally sacred lands; and

WHEREAS, four state audits spanning twenty years have documented and criticized the state and UH's mismanagement of Maunakea; and

WHEREAS, the initial audit from 1998 concluded that "little was done" to protect the natural resources on Maunakea since the first telescope was constructed in 1968, and that UH did not allocate sufficient resources to protect Maunakea's natural and cultural resources because it focused primarily on astronomy development; and

WHEREAS, three follow-up state audits revealed that while some progress had been made, more needed to be done; and

WHEREAS, despite having been granted rulemaking authority by the state Legislature in 2009 to improve its management of Maunakea, and despite the 2014 audit's direct warning that "[u]ntil [UH] adopts administrative rules for its Maunakea lands, UH cannot fulfill its stewardship responsibilities," to this day UH has not promulgated a single administrative rule, and has repeatedly failed to draft rules that would adequately address critical management and cultural concerns expressed by OHA and Native Hawaiians for years, if not decades; and

WHEREAS, in a 2010 study, UH conceded that from a cumulative perspective, past, present and reasonably foreseeable future activities on Maunakea resulted and will result in substantial and adverse impacts to the Mauna's cultural, archaeological, historical, and natural resources and sites; and

WHEREAS, in 2015, the leadership of both the state and UH publicly admitted to their management failures, with Governor David Ige conceding that the state has "not done right by" and "failed" the mountain, and UH President David Lassner stating that UH "has not yet met all of [its] obligations to the mountain or the expectations of the community"; and

WHEREAS, in 2015, OHA entered in good faith into a mediated process with the state and UH to address these management shortcomings, which, after a two-year process, was ultimately unsuccessful; and

WHEREAS, OHA's subsequent lawsuit asserts that as trustees of Maunakea, both the state and UH have breached their moral and legal obligations to appropriately manage Maunakea; and

WHEREAS, OHA's lawsuit identifies numerous issues and failings that have contributed to the continued mismanagement of Maunakea by the state and UH, including the:

- Failure to budget and fund proper management of Maunakea;
 - Failure to prudently negotiate sublease terms – for example, by allowing the existing telescopes to pay a nominal rent of \$1, or not pay rent at all, despite their significant impacts and Maunakea's overwhelming and longstanding management needs;
 - Failure to adequately implement the 2009 Comprehensive Management Plan, with 32 of the 54 management actions that specifically affect Native Hawaiians remaining incomplete;
 - Failure to create an environment respectful of Maunakea's cultural landscape, including by not adequately protecting Native Hawaiian traditional and customary rights and practices on Maunakea;
 - Failure to manage access to Maunakea and activities on Maunakea, which has led to vehicular accidents, personal injuries and deaths, and hazardous material spills, among other incidents; and
 - Failure to manage observatory development and decommissioning;
- and

WHEREAS, OHA has continuously advocated for improved management of Maunakea before the Legislature, the UH Board of Regents, UH's Office of Mauna Kea Management, and the state Board of Land and Natural Resources; and

WHEREAS, OHA finds that even after filing its 2017 lawsuit, the state and UH have failed to take meaningful steps to address their management failures, and inappropriate activities and public safety incidents have continued to occur, cultural structures have been destroyed, and implementation of critical comprehensive management plan action items have remained unperformed, all with little response, much less corrective action, by the state and UH; and

WHEREAS, on June 20, 2019, state and county law enforcement arrested a member of the Native Hawaiian community and dismantled cultural and religious structures on Maunakea, with no consultation with or warning to the Native Hawaiian community; and

WHEREAS, on July 10, 2019, Governor David Ige, UH President David Lassner, and Thirty Meter Telescope (TMT) International Observatory Board of Governors' Chairman Henry Yang announced that construction for the TMT would begin on July 15; and

WHEREAS, on July 17, 2019, over 30 Native Hawaiians and others, including many kūpuna, some beacons of the Native Hawaiian community, were arrested for engaging in peaceful protest and civil disobedience on Maunakea ~~in response to the July 10 announcement~~; and

WHEREAS, on July 17, 2019, Governor David Ige issued an Emergency Proclamation that allowed the suspension of various laws for the purpose of calling into active service the Hawaii National Guard and ordering the Adjutant General of the Hawaii National Guard to activate Hawaii National Guard units; and

WHEREAS, in light of the ongoing neglect and mismanagement of Maunakea, ~~the clear and unwarranted bias against those concerned for Maunakea,~~ and the continued and reaffirmed commitment of many Native Hawaiians and others to demonstrate until their ongoing concerns have been addressed, it is ~~highly likely and clearly foreseeable~~possible that confrontations and demonstrations ~~will may~~ result in bodily harm and psychological trauma to OHA's beneficiaries and others at the hands of the state, UH, and law enforcement; and

WHEREAS, the OHA Board of Trustees expresses deep kaumaha over the arrest of Native Hawaiian kūpuna and others engaged in peaceful protest over the continual dismissal and rejection of Native Hawaiians' concerns over the mismanagement of Maunakea; and

WHEREAS, Native Hawaiians have endured injustices that have persisted, unaddressed, for over a century, manifested today in systemic inequities that permeate our criminal justice system, public education institutions, land use and planning decisions, natural and cultural resource management, state funding prioritization, and, notably, the management and administration of Maunakea as well as other sacred spaces; and

WHEREAS, Native Hawaiians have a well-established history of relying on their freedom of expression and assembly and on the use of civil disobedience to amplify their long-denied rights and voice their concerns in the face of ~~governmental indifference~~, social injustice, and systemic oppression; and now, therefore,

~~**WHEREAS**~~ **BE IT FURTHER RESOLVED**, that while the OHA Board of Trustees reiterates its lack of ~~any~~ position on the siting of the TMT on Maunakea, the physical safety, psychological integrity, cultural practices, and free speech rights of all Native Hawaiians are of paramount and overriding concern; ~~now, therefore, and~~

BE IT FURTHER RESOLVED, that the OHA Board of Trustees expressly authorizes the OHA Administration to advocate for the rights, safety, and well-being of OHA beneficiaries engaging in peaceful protests of the state's decades-long pattern of mismanagement of Maunakea, perpetuating their constitutionally protected Native Hawaiian traditional and customary practices, and exercising their constitutionally protected rights of freedom of speech and assembly, including but not limited to: the negotiation of rules of engagement; the establishment and maintenance of pu'uhonua or safe spaces; the observation and documentation of actions by law enforcement, government, university or community personnel; an assessment and provision of health, safety, and legal needs; and any other actions as may be reasonably necessary or appropriate; and

BE IT FURTHER RESOLVED, that the OHA Board of Trustees respectfully implores that the state take material steps to eliminate the clearly foreseeable and high potential for physical harm and psychological trauma to Native Hawaiians seeking to uphold their cultural and spiritual beliefs and to voice their opposition to the decades-long pattern of mismanagement of Maunakea, by 1) condemning and prohibiting any further government action to provoke or intimidate Native Hawaiian cultural practitioners and others seeking to protect Maunakea; 2) coordinating with relevant state and county agencies, UH officials, OHA representatives, and Native Hawaiian community members to meaningfully alleviate tensions; 3) prohibiting, unconditionally, the use of any and all unwarranted force against Native Hawaiians and others engaged in peaceful protest on Maunakea; and 4) ensuring the safety of all who wish to exercise their cultural practices and right to peaceful expression and opposition; and

~~**BE IT FURTHER RESOLVED**, that the OHA Board of Trustees expresses deep kaumaha over the arrest of Native Hawaiian kūpuna and others engaged in peaceful protest over the continual dismissal and rejection of Native Hawaiians' concerns over the mismanagement of Maunakea; and~~

BE IT FURTHER RESOLVED, that the OHA Board of Trustees strongly opposes the use of unwarranted force, such as the use of Long Range Acoustic Devices, batons, tear gas, or any other action that may result in physical harm or psychological trauma, against Native Hawaiians engaged in peaceful protest on Maunakea and calls upon the Governor to rescind his Emergency Proclamation dated July 17, 2019; and

~~**BE IT FURTHER RESOLVED**, that while the OHA Board of Trustees reiterates its lack of a position on the siting of the TMT on Maunakea, the physical safety, psychological integrity, cultural practices, and free speech rights of all Native Hawaiians are of paramount and overriding concern; and~~

~~**BE IT FURTHER RESOLVED**, that the OHA Board of Trustees expressly authorizes the OHA Administration to advocate for the rights, safety, and well being of OHA beneficiaries engaging in peaceful protests of the state's decades long pattern of mismanagement of Maunakea, perpetuating their constitutionally protected Native Hawaiian traditional and customary practices, and exercising their constitutionally protected rights of freedom of speech and assembly, including but not limited to: the negotiation of rules of engagement; the establishment and maintenance of pu'uhonua or safe spaces; the observation and documentation of actions by law enforcement, government, university or community personnel; an assessment and provision of health, safety, and legal needs; and any other actions as may be reasonably necessary or appropriate; and~~

BE IT FURTHER RESOLVED, that certified copies of this Resolution be transmitted to the Governor of the State of Hawai'i, the Attorney General of the State of Hawai'i, the Chair of the state Board of Land and Natural Resources, the President of the University of Hawai'i, and the Mayor of the County of Hawai'i.

ADOPTED, this ____th day of ____ 2019, island of O'ahu, State of Hawai'i, by the Board of Trustees of the Office of Hawaiian Affairs in its regular meeting assembled.

A Resolution of the Office of Hawaiian Affairs

RESOLUTION EXPLICITLY AUTHORIZING THE OFFICE OF HAWAIIAN AFFAIRS' ADMINISTRATION TO TAKE ACTION TO ADVOCATE FOR THE RIGHTS, SAFETY, AND WELL-BEING OF BENEFICIARIES ENGAGING IN PEACEFUL PROTEST OF THE DECADES-LONG MISMANAGEMENT OF MAUNAKEA, PERPETUATING NATIVE HAWAIIAN TRADITIONAL AND CUSTOMARY PRACTICES, AND EXERCISING THEIR RIGHTS TO FREEDOM OF SPEECH AND ASSEMBLY

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WHEREAS, four state audits spanning twenty years have documented and criticized the state and UH's mismanagement of Maunakea; and

WHEREAS, the initial audit from 1998 concluded that "little was done" to protect the natural resources on Maunakea since the first telescope was constructed in 1968, and that UH did not allocate sufficient resources to protect Maunakea's natural and cultural resources because it focused primarily on astronomy development; and

WHEREAS, three follow-up state audits revealed that while some progress had been made, more needed to be done; and

WHEREAS, despite having been granted rulemaking authority by the state Legislature in 2009 to improve its management of Maunakea, and despite the 2014 audit's direct warning that "[u]ntil [UH] adopts administrative rules for its Maunakea lands, UH cannot fulfill its stewardship responsibilities," to this day UH has not promulgated a single administrative rule, and has repeatedly failed to draft rules that would adequately address critical management and cultural concerns expressed by OHA and Native Hawaiians for years, if not decades; and

WHEREAS, in a 2010 study, UH conceded that from a cumulative perspective, past, present and reasonably foreseeable future activities on Maunakea resulted and will result in substantial and adverse impacts to the Mauna's cultural, archaeological, historical, and natural resources and sites; and

WHEREAS, in 2015, the leadership of both the state and UH publicly admitted to their management failures, with Governor David Ige conceding that the state has "not done right by" and "failed" the mountain, and UH President David Lassner stating that UH "has not yet met all of [its] obligations to the mountain or the expectations of the community"; and

WHEREAS, in 2015, OHA entered in good faith into a mediated process with the state and UH to address these management shortcomings, which, after a two-year process, was ultimately unsuccessful; and

A Resolution of the Office of Hawaiian Affairs

WHEREAS, OHA's subsequent lawsuit asserts that as trustees of Maunakea, both the state and UH have breached their moral and legal obligations to appropriately manage Maunakea; and

WHEREAS, OHA's lawsuit identifies numerous issues and failings that have contributed to the continued mismanagement of Maunakea by the state and UH, including the:

- Failure to budget and fund proper management of Maunakea;
- Failure to prudently negotiate sublease terms – for example, by allowing the existing telescopes to pay a nominal rent of \$1, or not pay rent at all, despite their significant impacts and Maunakea's overwhelming and longstanding management needs;
- Failure to adequately implement the 2009 Comprehensive Management Plan, with 32 of the 54 management actions that specifically affect Native Hawaiians remaining incomplete;
- Failure to create an environment respectful of Maunakea's cultural landscape, including by not adequately protecting Native Hawaiian traditional and customary rights and practices on Maunakea;
- Failure to manage access to Maunakea and activities on Maunakea, which has led to vehicular accidents, personal injuries and deaths, and hazardous material spills, among other incidents; and
- Failure to manage observatory development and decommissioning; and

WHEREAS, OHA has continuously advocated for improved management of Maunakea before the Legislature, the UH Board of Regents, UH's Office of Mauna Kea Management, and the state Board of Land and Natural Resources; and

WHEREAS, OHA finds that even after filing its 2017 lawsuit, the state and UH have failed to take meaningful steps to address their management failures, and inappropriate activities and public safety incidents have continued to occur, cultural structures have been destroyed, and implementation of critical comprehensive management plan action items have remained unperformed, all with little response, much less corrective action, by the state and UH; and

WHEREAS, on June 20, 2019, state and county law enforcement arrested a member of the Native Hawaiian community and dismantled cultural and religious structures on Maunakea, with no consultation with or warning to the Native Hawaiian community; and

WHEREAS, on July 10, 2019, Governor David Ige, UH President David Lassner, and Thirty Meter Telescope (TMT) International Observatory Board of Governors' Chairman Henry Yang announced that construction for the TMT would begin on July 15; and

WHEREAS, on July 17, 2019, over 30 Native Hawaiians and others, including many kūpuna, some beacons of the Native Hawaiian community, were arrested for engaging in peaceful protest and civil disobedience on Maunakea; and

WHEREAS, on July 17, 2019, Governor David Ige issued an Emergency Proclamation that allowed the suspension of various laws for the purpose of calling into active service the Hawaii National Guard and ordering the Adjutant General of the Hawaii National Guard to activate Hawaii National Guard units; and

A Resolution of the Office of Hawaiian Affairs

WHEREAS, in light of the ongoing neglect and mismanagement of Maunakea, and the continued and reaffirmed commitment of many Native Hawaiians and others to demonstrate until their ongoing concerns have been addressed, it is possible that confrontations and demonstrations may result in bodily harm and psychological trauma to OHA's beneficiaries and others at the hands of the state, UH, and law enforcement; and

WHEREAS, the OHA Board of Trustees expresses deep kaumaha over the arrest of Native Hawaiian kūpuna and others engaged in peaceful protest over the continual dismissal and rejection of Native Hawaiians' concerns over the mismanagement of Maunakea; and

WHEREAS, Native Hawaiians have endured injustices that have persisted, unaddressed, for over a century, manifested today in systemic inequities that permeate our criminal justice system, public education institutions, land use and planning decisions, natural and cultural resource management, state funding prioritization, and, notably, the management and administration of Maunakea as well as other sacred spaces; and

WHEREAS, Native Hawaiians have a well-established history of relying on their freedom of expression and assembly and on the use of civil disobedience to amplify their long-denied rights and voice their concerns in the face of social injustice, and systemic oppression; now, therefore,

BE IT RESOLVED, that the OHA Board of Trustees expressly authorizes the OHA Administration to advocate for the rights, safety, and well-being of OHA beneficiaries engaging in peaceful protests of the state's decades-long pattern of mismanagement of Maunakea, perpetuating their constitutionally protected Native Hawaiian traditional and customary practices, and exercising their constitutionally protected rights of freedom of speech and assembly, including but not limited to: the negotiation of rules of engagement; the establishment and maintenance of pu'uhonua or safe spaces; the observation and documentation of actions by law enforcement, government, university or community personnel; an assessment and provision of health, safety, and legal needs; and any other actions as may be reasonably necessary or appropriate; and

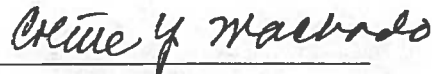
BE IT FURTHER RESOLVED, that the OHA Board of Trustees respectfully implores that the state take material steps to eliminate the clearly foreseeable and high potential for physical harm and psychological trauma to Native Hawaiians seeking to uphold their cultural and spiritual beliefs and to voice their opposition to the decades-long pattern of mismanagement of Maunakea, by 1) condemning and prohibiting any further government action to provoke or intimidate Native Hawaiian cultural practitioners and others seeking to protect Maunakea; 2) coordinating with relevant state and county agencies, UH officials, OHA representatives, and Native Hawaiian community members to meaningfully alleviate tensions; 3) prohibiting, unconditionally, the use of any and all unwarranted force against Native Hawaiians and others engaged in peaceful protest on Maunakea; and 4) ensuring the safety of all who wish to exercise their cultural practices and right to peaceful expression and opposition; and

BE IT FURTHER RESOLVED, that the OHA Board of Trustees strongly opposes the use of unwarranted force, such as the use of Long Range Acoustic Devices, batons, tear gas, or any other action that may result in physical harm or psychological trauma, against Native Hawaiians engaged in peaceful protest on Maunakea and calls upon the Governor to rescind his Emergency Proclamation dated July 17, 2019; and

A Resolution of the Office of Hawaiian Affairs

BE IT FURTHER RESOLVED, that certified copies of this Resolution be transmitted to the Governor of the State of Hawai'i, the Attorney General of the State of Hawai'i, the Chair of the state Board of Land and Natural Resources, the President of the University of Hawai'i, and the Mayor of the County of Hawai'i.

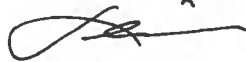
ADOPTED, this 25th day of July 2019, island of O'ahu, State of Hawai'i, by the Board of Trustees of the Office of Hawaiian Affairs in its regular meeting assembled.



Colette Y. Machado
Ke Kauhuhu, Chairperson,
Trustee, Moloka'i and Lāna'i



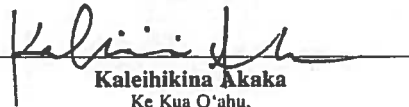
Brendon Kael'aina Lee
Ka Hope Kauhuhu, Vice Chair,
Trustee, At-Large



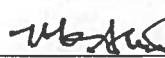
Lei Ahu Isa, Ph.D.
Ke Kua Pae Mokupuni,
Trustee, At-Large



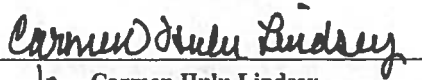
Dan Ahuna
Ke Kua Kaua'i and Ni'ihau,
Trustee, Kaua'i and Ni'ihau



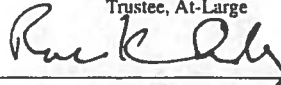
Kaleihikina Akaka
Ke Kua O'ahu,
Trustee, O'ahu



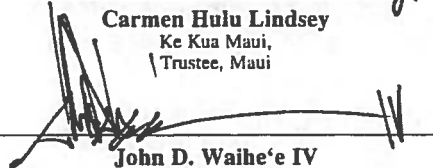
Keli'i Akina, Ph.D.
Ke Kua Pae Mokupuni,
Trustee, At-Large



Carmen Hulu Lindsey
Ke Kua Maui,
Trustee, Maui

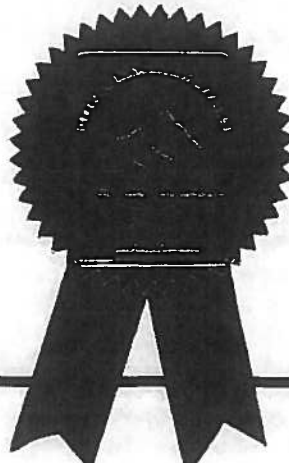


Robert K. Lindsey
Ke Kua Hawai'i,
Trustee, Hawai'i



John D. Waihe'e IV
Ke Kua Pae Mokupuni,
Trustee, At-Large

Date: July 25, 2019



**STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
Lanikeha Community Center
2200 Farrington Avenue
Ho'olehua, Moloka'i, Hawai'i 96729**

**Minutes of the Office of Hawaiian Affairs Board of Trustees Moloka'i Community Meeting
Wednesday, August 7, 2019
6:30 pm**

ATTENDANCE:

TRUSTEE COLETTE MACHADO
TRUSTEE DAN AHUNA
TRUSTEE KALEI AKAKA
TRUSTEE W. KELI'I AKINA
TRUSTEE BRENDON KALEI'ĀINA LEE
TRUSTEE CARMEN HULU LINDSEY
TRUSTEE JOHN WAIHE'E IV

ROBERT G. KLEIN, BOARD COUNSEL

EXCUSEED:

TRUSTEE LEINA'ALA AHU ISA
TRUSTEE ROBERT LINDSEY

ADMINISTRATION STAFF:

SYLVIA HUSSEY, ICEO
STERLING WONG, PRO
WAYNE TANAKA, PP
JASON LEES, DPM
PŪLAMA LIMA, LCH
KAWENA CARVALHO-MATTOS, DPM
GAYLA HALINIAK-LLOYD

BOT STAFF:

CAROL HOOMANWANUI
NATHAN TAKEUCHI
CLAUDINE CALPITO
BRANDODN MITSUDA
LŌPAKA BAPTISTE
DAYNA PA
MARIA CALDERON
LEI-ANN DURANT
ALYSSA-MARIE KAU
KAMA HOPKINS
LAURENE KALUAU-KEALOHA
CRAYN AKINA

GUESTS:

KANOELANI DAVIS
ZHANTELL DUDOIT LINDO
CORA SCHNACKENBERG
LOHIAU PAOA
JUDY CAPARIDA

I. CALL TO ORDER

Chair Colette Machado Calls the Community meeting to order at 6:30 pm. Roll call is taken; Trustees Ahuna, Akaka, Akina, Lee, Carmen Hulu Lindsey, Waihe'e and Machado are present; constituting a quorum of seven (7) trustees. Excuse memos were recieved from Trustee Leina'ala Ahu Isa and Trustee Robert Lindsey.

II. INTRODUCTIONS

Chair Colette Machado asks that each Trustee introduce themselves. Each Trustee present introduces themselves and thanks the community for coming out to the meeting and welcomes everyone to share any concerns that they have. She calls on the Chief of Staff Carol Hoomanawanui to please introduce any Board staff present at the meeting.

Carol Hoomanawanui introduces herself and introduces all Board of Trustees staff present. She asks that the staff stand to be recognized. She also introduces Robert Klein, Board Counsel.

Chair Colette Machado calls on Interim Chief Executive Office Sylvia Hussey.

Sylvia Hussey introduces herself and give a little back ground on herself. She introduces all administration staff at the meeting tonight.

III. COMMUNITY PRESENTATIONS

Chair Colette Machado begins with community presentation. She states that item A. is done the opening. The Keiki of Kualapu'u provided 'oli and song to the Trustees prior to the start of the meeting.

A. Ke Kula Kaiapuni o Kualapu'u

Protocol provided prior to the beginning of the meeting.

B. Predator Fencing – Glenn Teves

Chair Colette Machado calls on Mr. Glenn Teves.

Glenn Teves introduces himself and provides handouts and a PowerPoint presentation.

(Please see the handouts and PowerPoint presentation where are attached the minutes.)

He gives an overview of the deer crisis on Molokai. He shares some history and some of the issues of the deer population that has affected the environment, residents and also farming on Molokai. He also shows pictures of the problems that the deer has created on Molokai that vary from the shoreline to the farmlands. He also shares that deer are migrating near residential areas and schools, which puts people in danger as hunters, are hunting closer to areas where people are.

He also shares that he has a proposal that he has attached. It is a proposal to get funding from OHA to allow for fencing on some of the homesteads with commercial farm operations. He is looking to fence 5 acres on each of the commercial farms. He believes this will keep the farms in business, already two farms have gone out of business because of the deer.

Trustee Keli'i Akina thanks Glenn for the presentation and asks what is the long-term solution to the problem.

Glenn Teves states that there is a whole lot of solution. The bottom line is that the population need to be brought down, especially around residential area and public institutions. He states that he is not here to provide solutions but is hoping that OHA can facilitate the process and bring all parties together to deal with all the issues. He shares that there is also an inquiry of selling deer meat, but due to stringent federal regulations is it not a viable answer.

Trustee Carmen Hulu Lindsey states that Department of Natural Resources has hunts and inquires how many do they have a year and how is that handle.

Glenn Teves shares that Molokai is a community based island and don't need others to come in when they can do that themselves. He states that DLNR has been hesitant in coming in. He shares that community based solutions need to be looked at and not rely on the Government to solve the problem.

Trustee Carmen Hulu Lindsey asks if there are a lot of State lands that the deer are running.

Glenn Teves states that there is not that much State land, maybe about 28,000 acres of Hawaiian Home Lands, Molokai Ranch is 78-80,000 acres but access is restricted.

Chair Colette Machado thanks Glenn for the information and will refer this to administration to review and see what we can manage.

C. Moloka'i General Hospital Wound Care Clinic – Briann Childs

Chair Colette Machado calls on Briann Childs from the Moloka'i General Hospital Wound Care Clinic.

Briann Childs states that there were recent recipients of the Kulia Grant which will help them expand the wound care clinic. She shares that she has been on island since 2008 and has seen an increase of patients needing assistance with wound care. She shares that problems from diabetes often prohibits wounds from healing. The grant money will be used to expand services. They will be able to fund an equipment which will look at a patient's circulation in legs and arms and determines if patient will need to follow up with a vascular surgeon. Previously patient needed to travel to Oahu to get this specialized care. She thanks OHA for this grant.

D. Moloka'i Community Service Council – Karen Holt

Chair Colette Machado calls on Karen Holt with the Moloka'i Community Service Council.

Karen Holt greets the Trustees and introduces herself. She is the Executive Director of the Moloka'i Community Service Council. She states that they are 501 (c)(3) and have been in business since 1974. She shares that they shelter a number of different projects that need a nonprofit status to function. In 2004, she shares that they started an alternative school, as there were not options for the Molokai students. She shares with Trustees the flyer for their school, which is Ho'omana Hou, which is a Private High School. The school provides culturally integrated coursework, outdoor hands-on learning labs, caring and committed local teacher, standard High School curriculum, meets the DOE standards, degrees accepted by Colleges and individual computers for each student. She states that they have scrambled for funding from different sources over the years. This year they received funding from OHA. She shares that they have had a number of students graduate and have gone on to College or Vocational School. This year they graduate 11 seniors. She thanks OHA for the funding. She introduces one of their two teachers.

Pualand Sanchez introduces herself she is the teacher at Ho'omana Hou High School. She introduces her students.

Healani Place and Sheldene Poaipuni introduce themselves and shares a little about their story at Ho'omana Hou School. They share that they have experienced a lot more than they have at the high school. They share that the school has helped them out a lot and the teachers help them a lot and gives them the attention that they need to succeed.

Karen Holt clarifies that they have the same curriculum as the DOE and students go back and forth. Sometime students want to play sports so they go back to the High School.

Trustee Keli'i Akina thanks them for their presentation. He asks how they are funded as a private school.

Karen Holt states that it is by prayer. They are non profit, they started the school at the time when they had a large federal grant that focused on high school age schools. They modeled the idea of Keawenui which was a partnership between Kamehameha, Department of Education and the community. Kamehameha provide the site as well and personnel, DOE provided the teachers. It was designed for kids that weren't doing well in the regular classroom setting. It closed when Kamehameha had all of their issues. Over the years they have attracted a number of different funding. They received a Native Hawaiian Education grant for a couple of years, they partnered with MEO, Alu Like.

Trustee Brendon Kalei‘āina Lee Asks what is the average student body and what is the graduation rate.

Karen Holt states that the graduation rate for the students that don't go back to the High School or move away is 100%. She shares that the classroom size depends on the teacher.

Chair Colette Machado thanks Karen, the students and their teacher for their time.

E. Alu Like Ho‘āla Hou Program – Jeana Sasada

Chair Colette Machado calls on Jeana Sasad with Alu Like Ho‘āla Hou program.

Jeana Sasada thanks Trustees for coming tonight and being with the community. She introduces herself. She is the program supervisor the Ho‘āla Hou Alu Like. They were once a drug treatment facility for youth. They lost funding for that and are strictly a wellness and prevention center. They travel to all the schools on Moloka‘i and service the entire island with their prevention service and at school they do a lot of afterschool programs and community outreach. She shares what the funding from OHA will provide. It will extend their services, teaching keiki how to live healthy and positive lifestyle. Their main focus is substance abuse prevention. The funding will help in increasing the amount of visit they will be able to provide to the schools. She shares concerns of Moloka‘i with electronic cigarettes and underage drinking. She thanks OHA for funding.

Chair Colette Machado thanks Jeana for coming.

IV. STATUS OF OHA ACTIVITIES

A. Interim CEO Update on Ho‘oulu Lāhui Aloha and OHA Activities

Chair Colette Machado calls on Sylvia Hussey Interim CEO.

Sylvia Hussey states that tomorrow they will be receiving and participating in some of the strategic planning pieces. She also shares that there are some activities at Kaka‘ako Makai that they may have heard about in the news regarding a large tent on the property. She states that if they have questions please let her know and she can update them.

V. COMMUNITY CONCERNS

Chair Colette Machado states that there are three individuals that have signed up to share their views on various issues. She calls on Kanoelani Davis, followed by Zhantell Dudoit-Lindo.

Kanoelani Davis introduces herself and her partner John Hanchett. She thanks the Trustees for going up to Maunakea. She asked for the continued support and consciousness, continued aloha for Maunakea and the people up there. She wanted to make sure to share her voice, a girl from Moloka‘i and kupuna from Hawaii Island. She does not support TMT but supports the sacredness of the mauna the history and what it means to the people. She asks OHA keeps this consciousness at the forefront of not their minds and hearts but also their na‘au. She shares that there is a lot of support from Moloka‘i. She does a ‘oli for Maunakea.

Chair Colette Machado calls on Zhantell Dudoit-Lindo.

Zhantell Dudoit-Lindo thanks OHA for their continued support of the necessary programs on the island. She thanks Auntie Colette for all the work she has done over the years. Also thanks Gayla for all her help and as well as the help of OHA that Gayla provides. She shares how she and Gayla have started to provide to the

community a place to gather to learn of Maunakea, the mauna of Moloka'i as well as from different practitioners of Moloka'i. She shares how Gayla has been a great advocate on OHA's behalf within the Moloka'i Community. She states that OHA has helped gather 1,228 people to march in their rally in town for Maunakea. She thanks for OHA for all they are doing and all that they don't know what they are doing yet. She shares that OHA is doing great work on Molokai. She thanks OHA for the support on Maunakea also. She thanks Trustee Hulu as she gracefully stood on the Mauna and also as she was gracefully hauled away with the rest of the kupuna. She asks that OHA to look at the regulatory process of the permitting, they have not been getting a timely response from OHA regarding comments for permitting. She also states that after the fact permitting has been a concern on Molokai.

Chair Colette Machado calls on Cora Schnakenburg.

Cora Schnakenburg greets the Trustees. She shares that she supports Glenn Teves and the deer problem on Molokai. She shares that there have been several accidents up to Maunaloa and she was also involved in an accident. She shares that the fencing needs to be at least 9-12 feet high. She also shares that there is a sound device that can scare them away.

She also supports Ms. Childs. She shares that Na Puuwai also provides diabetes services. She thanks OHA for supporting the kupuna program. She also thanks OHA and Gayla for advocating in having the Department of Interior on Molokai for their two day workshop. She thanks Gayla for all her help and implementing in getting the community involved and informed of community meetings and event. She thanks OHA media for sharing what Molokai is doing. She also support Karen Holt and shares that many of the students parents are incarcerated and are being raised by their grandparent. She asks to continue to support the students. She also supports Jeana and shares that a lot of the students she services their parents are facing addiction and also that there is a big drug problem on Moloka'i. She shares her Ahonui Homestead Association information.

(Please see attached handouts provided by Cora regarding the Ahonui Homestead.)

Chair Colette Machado calls on Lohiau Paoa.

Lohiau Paoa introduces himself, greets the Board members and thanks them for being here. He thanks OHA for the USGS 10 year study that was done regarding the water. He shares that really helps. He asks for support for canoe paddling and kalo farmers.

Chair Colette Machado calls on Aunty Judy Caparida.

Judy Caparida greets the Trustees and introduces herself. She shares that Moloka'i is so blessed but they don't have the money. She states that the Hawaiian people are rich, the money needs to go to the people on the island on every island. The needs of Molokai is that the people need to be put on the land. She states that everyone, all Native Hawaiian Organizations need to work together to provide the needs of the Hawaiian people.

VI. ANNOUNCEMENTS/FYI

Chair Colette Machado states that the Board meeting will be tomorrow at 9 am here. There will also be a site visit to the Kauluwai Wells at 8:15 am tomorrow.

IX. ADJOURNMENT

Chair Colette Machado adjourns the meeting

The meeting was adjourned at 7:47 pm.

Respectfully submitted,

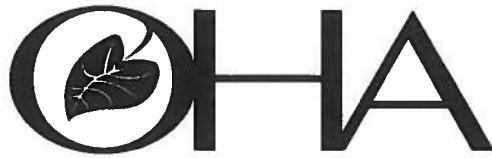
Dayna Pa, Board Secretary

As approved by the Board of Trustees on _____.

Colette Y. Machado, Chairperson
Board of Trustees

Attachment:

1. Trustee Leina‘ala Ahu Isa – Excuse Memo
2. Trustee Robert Lindsey - Excuse Memo
3. Overview of the Deer Crisis on Molokai – Handout from Glenn Teves dated August 7, 2018
4. Protecting Farm Crops from Axis Deer Damage on Molokai Hawaiian Home Lands – Handout from Glenn Teves
5. Powerpoint Presentation – Glenn Tevens Axis Deer Crisis on Molokai
6. Ho‘omana Hou High School flyer – Karen Holt
7. Handouts from Cora Schnackenberg – Ahonui Homestead Association and Strategic Plan as a Pilot Project for June 2019.



OFFICE OF HAWAIIAN AFFAIRS
Interoffice Memorandum

DATE: August 7, 2019

TO: Trustee Colette Machado, Chairperson
Trustee Brendon Kalei'aina Lee, Vice Chairperson

FROM: Trustee Leina'ala Ahu Isa

RE: Excused Absence for Board of Trustees (Molokai) Community Meeting

Aloha,

Please excuse my absence for the upcoming Board of Trustees Community Meeting, scheduled for Wednesday, August 7, 2019. Should you have any questions or concerns, please feel free to contact my office staff.

Mahalo.



STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
737 IWILEI ROAD, SUITE 200
HONOLULU, HAWAII 96817

June 25, 2019

TO: Trustee Colette Machado
Chairperson, Board of Trustees

FROM: Trustee Robert K. Lindsey, Jr.

SUBJECT: Excused Absence

Aloha Chair Machado:

I regret to inform you that I am unable to attend the Molokai Community meeting on Wednesday, August 7, 2019. Please extend my apologies to the board members.

With sincere aloha,

A handwritten signature in cursive script, reading "Robert K. Lindsey, Jr.", written over a horizontal line.

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

2019 JUN 23 A 8:33
OFFICE OF
HAWAIIAN AFFAIRS
STATE OF HAWAII
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Overview of the Deer Crisis on Molokai

Presentation to Office of Hawaiian Affairs Board of Trustees
Molokai, August 7, 2019

*by Glenn I. Teves, County Extension Agent
University of Hawaii College of Tropical Agriculture and Human Resources
Cooperative Extension Service - Molokai*

Aloha Mai Kakou,

Mahalo trustees for this opportunity to share information with you this evening. My name is Glenn Teves and I'm the Extension Agent with the University of Hawaii College of Tropical Agriculture and Human Resources and I have been in this position on Molokai for the last 38 years. I'm also a Ho'olehua homesteader, and with my wife Jane farm on our homestead to supply the local market.

I would like to provide an overview of a crisis that's impacting the entire island and this is an overpopulation of deer. Although estimates by the Molokai Invasive Species Committee, based on interviews with landowners, puts Molokai deer population at 50,000, I can safely say we really don't know how many deer are on the island unless they all stay still for a day and we can count them. But if this number was accurate, there would be 7 deer for every resident and equal to 192 deer per square mile. Even if this number was half the amount, this is much more than an island of 260 square miles can sustain. Based on surveys on Maui, the deer are believed to be increasing at 20-25% a year, and this high reproductive rate is a cause for concern on an island with only finite resources.

This is an island-wide issue and I come here to layout the parameters of this problem with the hope of receiving assistance from OHA to help facilitate a process that leads to solutions that can keep the population at a manageable level, decrease impacts on land and the nearshore, and create opportunities for the community. One project I hope to bring forth at the end of this presentation is a fencing program focused on homestead farmers to protect their commercial crops.

I would like to outline the history and some of the issues:

1. Axis deer were introduced to Molokai in 1867 as a gift to Kamehameha V and the deer were allowed to roam. Throughout the history of axis deer on Molokai there have been attempts to keep populations under control, including organized hunts and hiring professional hunters. Large herds existed on West Molokai, but hunting access was limited by Molokai Ranch. Molokai Ranch closed operations in 2008 after community opposition to development at La'au Point. Closing of cattle operations and shutting off water troughs on the ranch forced deer herds to migrate into central Molokai.

2. Over the last 10 years, the perfect storm was created by a combination of factors, including climate change. A decrease of trade winds created slow moving storms inundating the island and accelerating runoff especially in areas devoid of vegetation. Extreme summer weather with high temperatures and drought forced deer to search out new sources of food and water after overgrazing areas on West Molokai. Combined with high reproductive rates and limited access to these areas by the hunting community, the population exploded and started migrating into Ho'olehua seeking food. The deer can find water along the shore at Pala'au especially at low tide when artesian pools provide clean drinking water, but food is scarce.
3. Large plumes near usually dry river mouths dump tons of silt not only impacting the ocean, but also the land where the richest soil is in the top 1 inch. A prime example is Kapukahehu or Dixies Beach, one of the safest sand beaches for families to picnic on the west end. Today you can find it empty with part of the bay in brown water. Intense rain storms coupled with overgrazing along the stretch of river from Maunaloa to the ocean created this environmental catastrophe.
4. Impact of Subsistence Ocean Gathering: Runoff not only impacts on recreation but also nearshore ocean resources including fish, limu, and other near shore species. It will have a long term impact on subsistence ocean gathering. I've spoken to some limu practitioners and the consensus is that there's less limu on the south shore. I believe runoff is a major factor, but over-gathering may have an impact as well. Hawaii already has the highest erosion rates in the nation, and this accelerated erosion will have a long term effect on our ability to utilize the land to grow food, maintain shade, protect residences from wind, and enjoy the plants cooling effect on the island.
5. Ranching: Ranching is in decline because ranchers cannot manage pastures to reserve feed for dry months due to overgrazing by deer. The deer are one step ahead of ranchers and are eating pastures down before cattle can be moved to these areas. As a result, weeds are overtaking and degrading the quality of pastures. The quality of beef produced on Molokai has decreased because they don't have access to quality feed, and in some cases are raising more cattle than the pastures can sustain. One ranch is considering bringing in goats to eat the weeds down as a way to manage pastures. In order to fill their markets on and off-island, the Molokai Livestock Cooperative Slaughterhouse is bringing in cattle

from the Big Island to supplement their markets because they cannot depend on the quality and quantity of Molokai cattle.

6. **Danger on the Roads:** Probably the deer's biggest threat to this island is public safety on the road, and it impacts both residents and tourists alike. This stretch of road from the airport to Maunaloa and Kaluakoi is the most dangerous due to numerous herds of deer. Now the stretch from Kaunakakai to Hoolehua is becoming troublesome. Car collisions involving deer are commonplace, and one example of a serious accident involved one of our UPS delivery men, Alvin Kawa'a. Alvin was driving to Maunaloa to deliver mail, and the deer crossed the highway in front of him. To avoid a collision, he suddenly veered to the side. As the van started to tip, he jumped out, sustained serious injuries, and was out of work for several months. There have been many less serious injuries, but we shouldn't have to wait for another serious injury to do something about it. We need to develop a strategy to mitigate traffic accidents involving deer.
7. **Crop Production:** Deer are having a major impact on crop production; they damage crops seeking food and cleaning their horns, and also destroy irrigation systems seeking water. Large farms, including the corn companies and larger farmers have fenced their operations. As a result, this has increased the impact of deer on the small farms where deer are now veered to their farm by the fences. Already two homestead farmers have ceased their farm operations due to deer damage that couldn't be controlled. Fencing is a quick fix and doesn't resolve the bigger issue of controlling the population, but it keeps farmers in business. Some are fencing small portions of their farm, and will be finding that by overusing the fenced areas, they'll be running into increased nutrition and disease problems by not rotating their crops or planting cover crops. Due to the cost of fencing, which can range from \$10-12 per linear foot if someone was contracted to construct it, and this would run from \$19,000 to \$23,000 for 5 acres. Small farmers cannot afford to fence their farms. Depending on how supplies are brought in, hopefully in bulk from the mainland, costs to fence a 5-acre area can run \$12,000 to \$14,000 for 5 acres for supplies alone. Deer impact on both commercial and subsistence farmers and sooner or later we have to address both, but for now I'm concentrating on those who have a major financial investment in their homestead farm.
8. **Impacts on Residences:** Many residents are being impacted by deer in their yards. When they shed antlers and new ones grow, they have a propensity to rub off the velvet on their horns by debarking trees and will kill fruit and ornamental trees. They will eat foliage such as ti leaf. Hunters will seek out deer near

residences and put families at risk of being shot, especially hunters who don't know the area and who lives where.

9. Hunting near schools and public areas: Deer are migrating near schools and parks, and hunters will go after them when school is in session. Shots can be heard in the field near Kualapuu School. As a result, there's a shakedown at the school and police are called in to investigate. This is a threat to human life and shouldn't be happening if we respect the lives of our keiki.
10. Trespassing on homestead and private lands: These have become potential flash points creating conflicts between land owners/lessees and hunters. Not respecting others property has been going on for generations on ranches and large tracts of land, but now it's affecting everyone including homesteaders.
11. Community Access to Meat: Not all families have access to deer meat, and there may be opportunities to increase Molokai family's access to high quality protein as part of a program to keep deer populations within manageable levels.
12. Many agencies are aware of the problem but haven't been able to devise a strategy to control the deer that's acceptable to the community. The community is at odds in how to control deer, embracing it as an important subsistence protein source and an entitlement. As a result, meetings have become emotional with no agreed upon strategies or solutions.

In closing, I hope that OHA can assist in helping to facilitate discussions on the big picture with the hope that we can reach positive solutions agreed upon by residents, and also in keeping small farmers productive. Mahalo.

Protecting Farm Crops from Axis Deer Damage on Molokai Hawaiian Home Lands

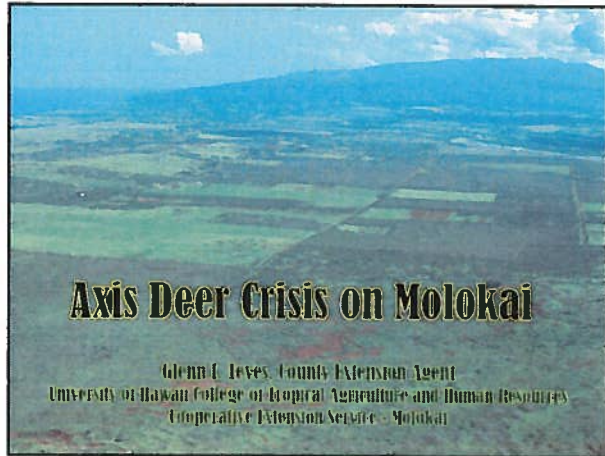
*by Glenn I. Teves, County Extension Agent <tevesg@ctahr.hawaii.edu>
University of Hawaii College of Tropical Agriculture and Human Resources
Cooperative Extension Service – Molokai*

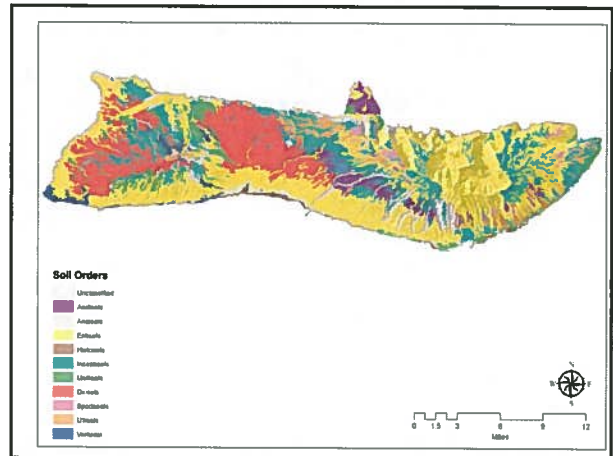
Background and Justification

- Axis Deer have created major environmental impacts on the entire island, especially on homestead agriculture by destroying crops to the point where two homestead farmers have already ceased operations, including a papaya and watermelon grower covering over 10 acres.
- Large farming operations in the central plains have constructed 8-10 feet high fences surrounding their farm operations impermeable to deer. As a result, adjacent farms who cannot afford to fence their operations have experienced increased deer pressure. Deer damage to crops has been identified as the single most important issue affecting Hawaiian homestead farmer's ability to maintain and expand operations. Many farmers feel they are in a state of emergency in controlling the deer to protect their crops.
- The goal will be to control deer on commercial homestead farms by fencing small plots to protect existing crops with room for expansion. Fencing supplies will be purchased through this program, and farmers will be responsible for erecting fences. This pilot program will target commercial farm operations as the first step, and a maximum of 5 acres per farm will be funded. The program will attempt to impact on as many commercial farms as possible, and priority will be given to those who agree on less than five acres of fencing.
- The initial funding request will be \$250,000. The bulk of the funds will be used for fencing supplies. However, a post pounder, to be attached to a tractor, will be purchased to assist farmers in erecting fences. The need to farm equipment has been identified as a priority in a strategic plan developed by Makakuoha Cooperative, a homesteader's farm cooperative to expand crop production in Hoolehua. Homesteaders growing for subsistence can also benefit from shared equipment services. Options to bring these funds to the island will need to be worked out. Overhead costs will be minimized through negotiations with a pass-through organization, possibly an on-island non-profit.
- Partners in this program will include the Office of Hawaiian Affairs, the University of Hawaii College of Tropical Agriculture and Human Resources - Cooperative

Extension Service, and Makakuoha Cooperative, Molokai Homestead Farmers Alliance, and Ho'opili Farmers Association. A community-based advisory to this program will be composed of representatives from the homestead farmers organizations.

- If the pilot program is successful, and after exhausting funds on commercial operations, the program could be expanded to address needs of additional homesteads on a smaller scale to assist subsistence farmers and home gardeners in controlling deer around their residences. This program will be coupled with a mandatory agriculture education focused on growing and caring for crops on a subsistence level.
- Realizing that a fencing program is only a band-aid solution to the problem, the larger issue of high populations of deer will need to be addressed through an island-wide plan.







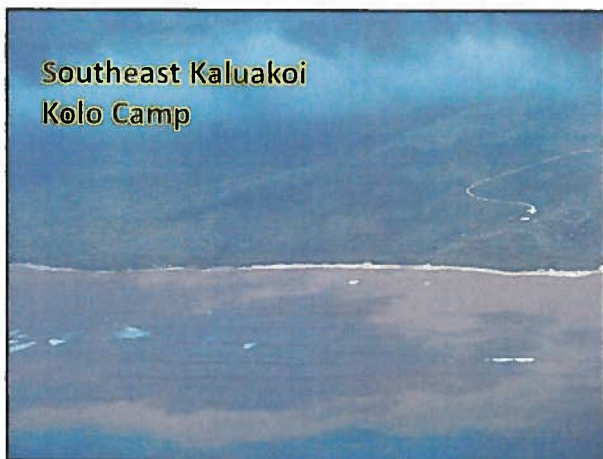
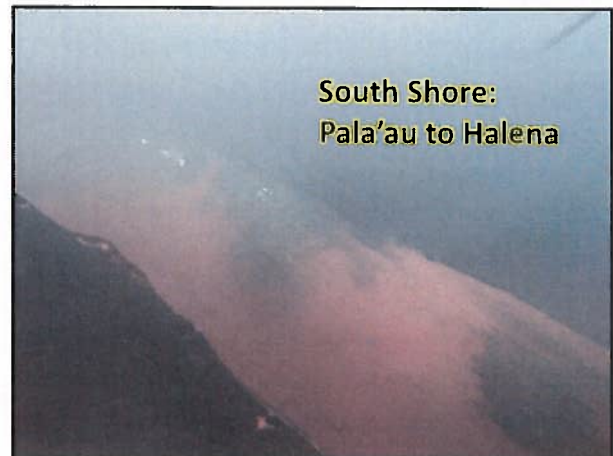
Pala'au, South Central Molokai



Kaiaka to Ilio Point, Kaluakoi



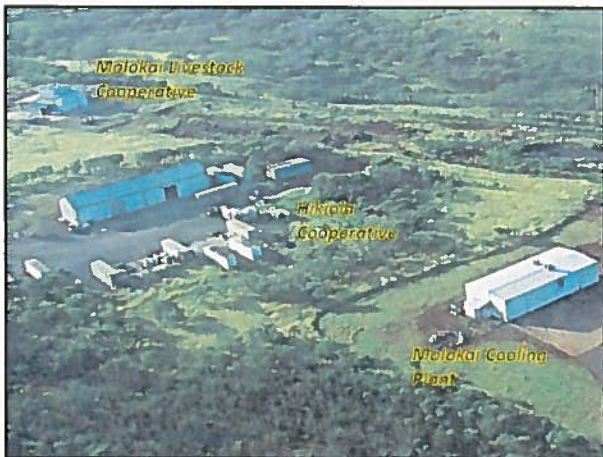
Southwest Kaluakoi:
Kapukahehu (Dixies)







Molokai Ranch



Molokai Livestock
Cooperative

Hikoma
Cooperative

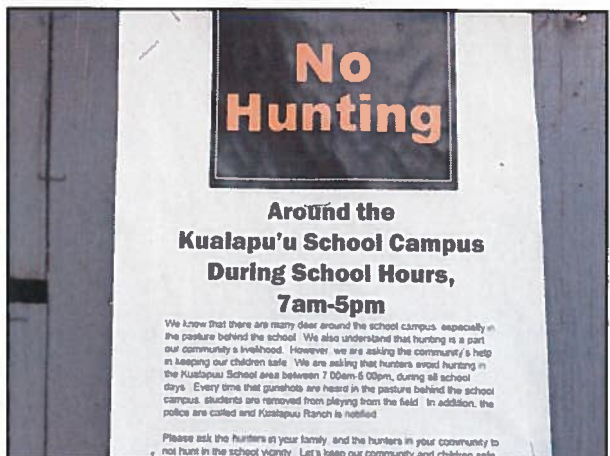
Molokai Cooling
Plant

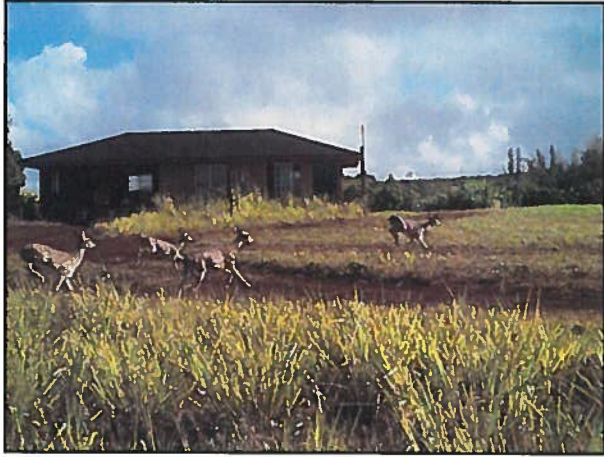


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For more information call: 553-3244***

AHONUI HOMESTEAD ASSOCIATION

DESCRIPTION:

On February 8th, 2019, Ahonui Homestead Association (AHA) was established. AHA members include DHHL applicants who have been waitlisted between 1950 and 2019, successors, and lessees.

Our Mission to restore and rehabilitate Native Hawaiians beneficiaries and/or indigenous descendants to their land as bona fide indicated by Prince Jonah Kuhio, Hawaiian Homes Commission Act, 1920 (section 213 as amended) and Hawaii Organic Act.

Our Vision is to seek restoration for Native Hawaiian beneficiaries to their land and to prevent homelessness and hardship due to the high cost of rent. To restore skills to our (Native Hawaiian) beneficiaries in budgeting, fishing, farming, repairing, maintenance, trading or bartering, gathering rights, accountability and responsibility as stewards of the land from Mauka (mountain) and Makai (ocean). To increase self-determination through self-governance to beneficiaries participating in discussions on issues, concerns, and solutions.

And to further serve, protect and preserve the interest of the Native Hawaiian beneficiaries of the Hawaiian Home Lands Trust and address the community's needs in health, education, housing, social services, kupuna care, keiki care, business, employment, culture and arts.

Strategic Plan as Pilot Project for June 2019

Vision:

- a. To restore Native Hawaiian beneficiaries to their land and to prevent houseless and hardship due to the high cost of rent.
- b. To restore skills to our (Native Hawaiian) beneficiaries in budgeting, fishing, farming, repairing, maintenance, trading or bartering, gather rights, and accountability/responsibility as stewards of the land and ocean.
- c. To increase self-determination to beneficiaries through participation in discussions on issues, concerns, and resolutions.

Mission:

To restore and rehabilitate Native Hawaiian beneficiaries and/or indigenous decedents to their land as bona fide indicated by Prince Jonah Kuhio, Hawaiian Homes Commission Act, 1920 (section 213 as amended and Hawaii Organic Act.

To obtain from the department (DHHL) as authorized to lease to the native Hawaiians the right to use and occupy the tract (parcel)...The department shall whenever tract (parcel) are available, enter into such a lease with applicants who were determined qualified (waitlisted), the department shall perform the conditions of such lease.

By Congress the "rehabilitation of native Hawaiian and their families...provide general welfare, to improve, and perpetuate the Hawaiian cultural through education, economic, politically, and socially not limited to construction, reconstruction operations and maintenance of revenue-producing improvements intended to benefit occupants of Hawaiian home lands; for investment in water and other utilities, supplies, equipment, and goods for current and future occupants."

Hawaiian Home Lands Commission (HHC) shall support and approve as cited in the Hawaiian Home Lands Commission Act section 213 as amended.

Goal:

To secure long-term agriculture lease without or with minimum infrastructure (roads) on TMK#56006017 (376.56 acre parcel) and TMK#56002026 (13.5 acre) 2 parcels combined of 390.06 acre and to restore 175 beneficiaries on their land.

To decrease agriculture waitlist, decrease stress on extended families, prevent houselessness and government intervention.

1. **Housing/Agriculture Land: Area of interest: Mauka Ualapu'e**

Ualapu'e is located approximately fifteen (15) miles east of Kaunakakai town and is identified as one of 3, Ahupua'a. Its location is perfect for farming (land/aquaculture) and sustainability. There are two parcels currently in the Ahupua'a of Ualapu'e designated as Agriculture land use and is available in DHHL inventory identified as TMK#56006017 (376.5 ac) and TMK#56002026 (13.5 ac) combined to 390 acres.

According to the Department of Hawaiian Home Lands and Molokai Island Regional Plan dated 2005/2010. A proposal to build 74 residential homes on 25 acres and developed in two phase sub-division of 27 and 47 homes on agriculture parcel. Until today there are no funds allocations, hence the project has been deferred or suspended.

The beneficiaries are requesting that DHHL who is currently the benefactor of trust, whose kuleana is to assist beneficiaries by **releasing** 390 acres to 175 beneficiaries who are currently waitlisted and are at least 50% and above of Hawaiian descendants blood quantum. Beneficiaries' plans are to cultivate the 'aina and kai for the purpose of sustainability of food and shelter for raising their families. The Beneficiaries are entitled to carry out their kuleana of stewardship per the HHC Act.

On Molokai families helping families (Ohana) are viewed valuable however there are tradeoffs for this gesture of love and that is, unintended stress, quarrels, fights, and inappropriate behaviors toward members. These behaviors and family relationships usually result in houselessness, animosity, and local government intervention.

The roads on Moloka'i are the kuleana of both the County (side streets/roads) and State the Kamehameha V Highway.

3. **Cultural Resources and Traditions:**

Ualapu'e is known significantly for sweet potatoes and traditional cultural and natural resources eco system for farming, Loko i'a (fishponds), lo'i kalo (taro patches) on the Mauka (mountain) and on Makai (ocean). In 1901, it's been reported by Cobb that Ualapu'e was known to be used commercially till 1960 until the tsunami in 1966 that damaged the fishpond. Ualapu'e fishpond is known to bring abundance for mullets and clams.

The nearest fishpond provides education, storytelling, restoration and preservation by Ma'ana non-profit organization. The Mana 'e community has a strong connection to cultural traditions and lifestyles. The community members are active on issues/concerns, and with protecting and preserving their gathering rights.

The plans are to reforest with native plants on the Mauka and Makai and to rejuvenate and cultivate the soil to its natural origin as possible to bring balance to the eco system once again.

Historical sites:

Ualapu'e has special places called Pu'ukuhe Heiau and Kahua Maika of Ka'akeke known as a game field. Ualapu'e wind is called Makaolehua (Kanepuu 1867).

Time Line:

April – June 2019 (2 1/2 months)

- a. To obtain long-term agriculture TMK#56006017 and TMK#56002026 parcels (attachment C).
- b. Applicants will be contacted by chronological dates as indicated on DHHL waitlist (attachment B). Solicit choice of "ag lots with infrastructure or without or Hoolehua or Ualapu'e.
- c. Applicant clearance with DHHL to initiate processing.
- d. DHHL to award 175 beneficiaries with 2 acres (dwelling/farming) either on TMK#56006017 or TMK#56002026 (390 acres) parcel with approximately 26-40 acres of roadways and/or community facility/utilization.

June – August 2019 (2 1/2 months)

- e. To arrange and schedule a meeting with new leases (beneficiaries).
 - Collaboration: lists of individual strength and networks
 - Initiate and engage on ideas on a Kuleana Community plan
 - Identify/suggestions operational logistics
 - Identify/suggestions emergencies pathways
 - Identify an action plan
 - Develop a draft of Community Plan
 - Plan approval & Implement plan
 - Attachments: "C" Proposed Wastewater & Solid Waste system "D" Organic toilet

August – October 2019 (2 1/2 months)

- Finance/ Trust Funds: (DHHL) funds to rehabilitate beneficiaries' to their land.
- Provide the clearance and access of roadway from main highway to parcel.
- Provide clearance around the entire parcel
- Provide clearance separating by acreage within parcel
- Beneficiaries reside on land

Indicator: Beneficiaries obtained lease status and reside on agriculture land.

November 2019 Molokai Regional Plan is submitted to HHC for approval.

Goals: To increase, restore, or obtain skills for individual growth and self-determination and governance.

- ❖ Education/Partnership and Health & Wellness (attachment E)
- ❖ Maui Equal Opportunity (MEO)-budgeting
- ❖ UH-CTAHR-Farming
- ❖ Child and Family Service-Skill Building Communication and Relationship
- ❖ Na Powai & Community faith based churches/organization - Spiritual support/wellness
- ❖ MCC or Volunteers Kumu - Hawaiian language in oral/written
- ❖ Kupuna Practitioner-Cultural practices/knowledge on limu, hula, fishing etc.
- ❖ Hui Na'auao – Education on Self-Determination & Self-Governance
- ❖ Ma'ana – Education on Restoration & Preservation
- ❖ US Department of Interior (DOI) – Educate on Native Hawaiian Rights of the 125 amendments within the HHCAct

Information will be announced by bulletin posting or mail or house to house as agreed upon by beneficiaries.

Indicators: Participant attended services and implemented skills.

2. **Policy/Legislation:** (Beneficiaries-new leases)

Goals: To collaborate and develop plan to meet families need.

Indicators: Policies and procedures are developed and implemented

3. **Organization:**

Goals: Obtain association status with membership

Indicator: Secured 35-40% members

4. **Long-Term Goals:** The Rehabilitation of Native Hawaiians per the HHC Act

- ✦ To maintain family dwelling
- ✦ To subsistence lifestyle for food sources through farming, fishing, lo'i, and aqua-culture.
- ✦ To maintaining collaboration and implementation of Molokai Regional community plan

5. **Committees:**

- a) Housing/Land
- b) Finances/Support
- c) Education/Partnership and Health/Wellness
- d) Policy/Legislation
- e) Organization/Health

REFERENCES:

1. Molokai Department of Hawaiian Home Lands (2016)
 - Beneficiaries Waitlist for agriculture (1024), Residential (771) and Pastoral (197)
2. Mana'e GIS Mapping Project dated May 2008 and Prepared by Markline LLC. and supports a Pilot Project
 - Identified ahupua'a and acreages on the east end of Molokai
 - Specifically for Loko i'a (fishponds) Lo'i (taro patches) and Mauka (mountain/hillside) farming
 - Figure 2 – Ahupua'a Map of Mana'e
 - Figure 3 Building permits issued in Mana'e
 - Figure 4 and 5 – Mana'e Wetlands, Fishponds, Ahupua'a Boundaries
 - Figure 6 and 7 – Natural and Cultural Resources
 - Figure 8 - Wetlands, Natural and Cultural Resources on Aerial Imagery
 - Figure 9 Historic Land Use Maps

(Mana'e GIS Mapping Project dated May 2008 and Prepared by Markline LLC)
3. K. Nihipali informational handout dated 1/30/19
4. Molokai Island Community Plan dated 12/17/18
5. Maui County Planning Director's Office
RE: Wellhead Protection Overlay District
 - Hualapai is identified as Overlay District Map No.11 (attachment B)
 - Protect drinking water by anticipating 2 year and 10 year changes that may impact water well.
 - Water may be accessible and available to parcel location

**STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
DHHL Kauluwai Wells nos. 1 and 2 (TMK 5-2-010:003)
Ho'olehua Water System (PWA #230)
Kala'e Highway
Kala'e, Moloka'i**

**Minutes of the Office of Hawaiian Affairs Board of Trustees Site Visit
August 8, 2019
8:15 a.m.**

ATTENDANCE:

TRUSTEE COLETTE Y. MACHADO
TRUSTEE BRENDON KALEI'ĀINA LEE
TRUSTEE DAN AHUNA
TRUSTEE KALEI AKAKA
TRUSTEE KELI'I AKINA
TRUSTEE CARMEN HULU LINDSEY

ROBERT G. KLEIN, BOARD COUNSEL

BOT STAFF:

ALYSSA-MARIE KAU
BRANDON MISUDA
NATHAN TAKEUCHI
CAROL HO'OMANAWANUI
DAYNA PA
KAMA HOPKINS

EXCUSED:

TRUSTEE LEINA'ALA AHU ISA
TRUSTEE ROBERT LINDSEY
TRUSTEE JOHN WAIHE'E IV

GUESTS:

HALEALOHA AYAU
GENE ROSS DAVIS
DAVID BUSH
ELROY MOLLENA
JONATHAN

ADMINISTRATION STAFF:

SYLVIA HUSSEY, ICEO
STERLING WONG, PRO
EVERETT OHTA, CC
PŪLAMA LIMA, LCH

I. CALL TO ORDER

Chair Colette Machado Calls the Board of Trustees site visit to order at 8:31 a.m. Trustees present are Trustees Lee, Ahuna, Akaka, Akina, Carmen Hulu Lindsey and Machado. Excuse memos were recieved from Trustee Leina'ala Ahu Isa, Trustee Robert Lindsey and Trustee John Waihe'e IV.

II. INTRODUCTIONS

Chair Colette Machado gives a background on what has led to this site visit. Dr. Delwyn Oki from the USGS about the Central Moloka'i Ground Water Model and its preliminary results briefed the Trustees previously. She thanks DHHL for this opportunity to visit their site.

III. SITE VISIT

A. DHHL Kauluwai Wells nos. 1 and 2

Chair Colette Machado clarifies that Moloka'i is a unique situation and majority of the lands that the aquifers are on is on Homestead lands. She shares that the long-term use and drinking quality of the water is a concern.

Halealoha Ayau introduces himself and welcomes everyone to Kauluwai. He is the Water Resource Management Specialist from the Department of Hawaiian Home Lands. He introduces his staff present, Gene Ross Davis who is the District Supervisor on Moloka'i, Jonathan Scheuer who is their primary consultant on water, Elroy Mollena and David Bush who are the certified operators that operators Public Water System 230 which is our DHHL water system. Currently it is the only system in DHHL that is operated all by homesteaders.

Kauluwai consists of two wells that are 1,100 feet deep, which requires a lot of horsepower to pump the water out. Because of that, it's the highest cost that the Molokai District Office faces because of the cost of electricity on Moloka'i. Electrical cost can sometimes run over \$40,000 a month. He points out the main infrastructures on the site, from the tanks to the pumps and their facility to chlorinate the water. He shares how water is distributed to the tanks that serve Hoolehua. He points out the proximity of the County Wells to the DHHL wells. This was a concern, as the various wells are located fairly close to each other. He states that in addition to the homestead they also serve Maui County, Meyer Housing, FAA Housing and Molokai Ranch.

He shares that they are in the process of putting together a \$30 million project in grants and loans from USDA to improve the water system. That includes an estimated \$5 million project to build a PV for the area to address the high cost of running the system.

Jonathan Scheuer shares that the area has a current water use permit of .367 million gallons a day. But they actually pump above that, because the actual needs of the beneficiaries and others on the island are higher than that. The new permit they are requesting will let them pump 600 million gallons a day.

Elroy Mollena and David Bush shares with the Trustees their protocol in daily operations as well as in times of severe weather. They also share how important the water is for the homesteaders.

IV. PUBLIC TESTIMONY

NONE

V. ANNOUNCEMENTS/FYI

NONE

VI. ADJOURNMENT

The site visit adjourns at 8:48 a.m.

Respectfully submitted,

Dayna Pa, Board Secretary

As approved by the Board of Trustees on _____.

Colette Y. Machado, Chairperson
Board of Trustees

Attachments:

1. Trustee Leina‘ala Ahu Isa Excuse Memo
2. Trustee Robert Lindsey, Jr. Excuse Memo
3. Trustee John Waihe‘e IV Excuse Memo



STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
737 IWILEI ROAD, SUITE 200
HONOLULU, HAWAII 96817

June 25, 2019

TO: Trustee Colette Machado
Chairperson, Board of Trustees

FROM: Trustee Robert K. Lindsey, Jr.

SUBJECT: Excused Absence

Aloha Chair Machado:

I regret to inform you that I am unable to attend the Molokai BOT meeting on Thursday, August 8, 2019. Please extend my apologies to the board members.

With sincere aloha,

A handwritten signature in cursive script, reading "Robert K. Lindsey, Jr.", written over a horizontal line.

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

2019 JUN 23 A 8:33
OFFICE OF
HAWAIIAN AFFAIRS
STATE OF HAWAII
RECEIVED-BOT

PHONE (808) 594-1888



FAX (808) 594-1868

STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
560 N. NIMITZ HIGHWAY, SUITE 200
HONOLULU, HAWAII 96817

MEMORANDUM

TO: Trustee Colette Y. Machado, Chair
Board of Trustees (BOT)

FROM: Trustee John Waihe'e, IV, Member / At-Large

OK for ↑

DATE: August 7, 2019

SUBJECT: ATTENDANCE FOR THE 08/08 BOT SITE VISIT

I am unable to attend the 08/08 Board of Trustees Site Visit prior to the BOT meeting that same morning.

Please EXCUSE my absence and extend my apologies to the rest of the Board of Trustees.

Mahalo.



OFFICE OF HAWAIIAN AFFAIRS MEMORANDUM

Mea ho'omana'o a ke Ke'ena Kuleana Hawai'i

To: Chairperson Colette Y. Machado
From: Trustee Leina'ala Ahu Isa, Ph.D.
Date: August 8, 2019
Re: Excused Absence

Please be advised that I am unable to attend the Site Visit of the Board of Trustees on Thursday, August 8, 2019, at 8:15 A.M.

If you have any questions, please contact my staff.

Mahalo!

**Office of Hawaiian Affairs
Board of Trustee Meeting
September 19, 2019
9:00 am**

V. New Business

**A. Informational briefing by Robert Agres on the
County of Hawai'i's Kīlauea Eruption Recovery
Process and the work of the Puna Community
Development Plan Action Committee.***

***If there are any materials it will be distributed at the
meeting**

**Office of Hawaiian Affairs
Board of Trustee Meeting
September 19, 2019
9:00 am**

V. New Business

B. Committee on Resource Management

- 1. Action Item RM #19-13: Approval of and authorization to amend page 1 of the Investment Policy Statement and Sections 4 (“Delegation of Authority”), Section 13 (“Procedure for Selecting and Reviewing Investment Advisors”) and Section 16 (“Adding new Asset Classes”). (2nd Reading)**
- 2. Action Item RM #19-16: Action Regarding a Fiscal Stabilization Policy including Withdrawal Guidelines and the related Elimination of the Fiscal Reserve Withdrawal Guidelines contained within the Native Hawaiian Trust Fund Spending Policy. (2nd Reading)**

OFFICE OF HAWAIIAN AFFAIRS

**MEETING OF THE
COMMITTEE ON RESOURCE
MANAGEMENT**

COMMITTEE REPORT

September 4, 2019

The Honorable Colette Machado,
Chairperson Board of Trustees
Office of Hawaiian Affairs

Madame Chair Machado,

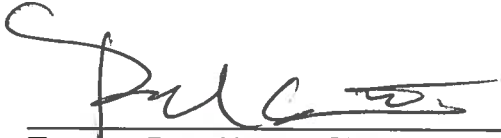
The Committee on Resource Management, having met on September 4, 2019 and after full and free discussion, recommends approval of the following action to the Board of Trustees:

To approve the amendments to the Native Hawaiian Trust Fund Investment Policy Statement as described in Exhibit A.

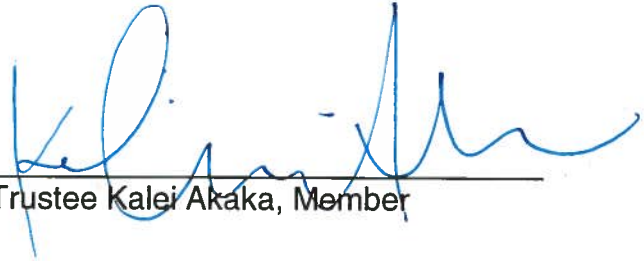
Relevant attachments are included for your information and reference. Attachment(s):

- 1) Action Item RM#19-13
- 2) RM Roll Call Vote Sheet

Respectfully submitted:



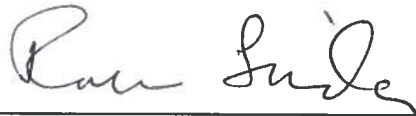
Trustee Dan Ahuna, Chair



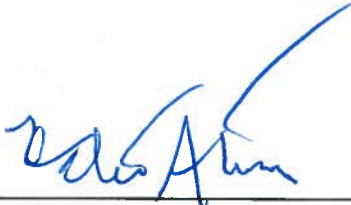
Trustee Kalei Akaka, Member

EXCUSED

Trustee Leina'ala Ahu Isa, Member



Trustee Robert Lindsey, Jr., Member



Trustee Keli'i Akina, Member



Trustee Colette Machado, Member

NOT PRESENT AT VOTE

Trustee Hulu Lindsey, Member



Trustee John Waihe'e, IV, Member



Trustee Brendon Lee, Member


OFFICE OF HAWAIIAN AFFAIRS
Action Item

Committee on Resource Management
September 4, 2019

RM - # 19-13

Action Item Issue: Approval of and authorization to amend page 1 of the Investment Policy Statement and Sections 4 ("Delegation of Authority"), Section 13 ("Procedure for Selecting and Reviewing Investment Advisors") and Section 16 ("Adding New Asset Classes").

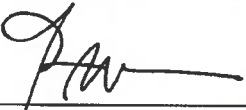
Prepared by:

 8/28/19
Raymond Matsuura, CFA Date
Pou Kako'o Mahele Kumupa'a, Investment Manager

Reviewed by:

 8/28/19
Gloria Li, Date
Ka Pou Kihi Kanaloa Wai Kūikawā, Interim CFO


Reviewed by:

 8/28/19
Raina P.B. Gushiken, Date
Ka Paepae Puka, Senior Corporate Counsel


Reviewed by:

 8/28/19
Lisa Watkins-Victorino, PH.D Date
Ka Pou Nui Kūikawā, Interim COO

Reviewed by:

 8/28/19
Sylvia M. Hussey, ED.D Date
Ka Pouhana Kūikawā, Interim CEO

Approved by:

 8/28/19
Trustee Dan Ahuna, Date
Luna Ho'omalua Komike, RM Chairperson

I. Proposed Action:

The Board of Trustees (BOT) approves the amendments to the Native Hawaiian Trust Fund (NHTF) Investment Policy Statement (IPS) as described in **Exhibit A** (OHA IPS Revisions table and redline copy of IPS).

II. Issue:

Whether or not the Board of Trustees should approve the proposed changes to the Investment Policy Statement (IPS), as described in **Exhibit A**. The proposed changes to the IPS primarily relate to the selection process for Investment Advisors. Minor textual and grammatical changes will also be made to the IPS. By effecting the changes, the NHTF will be better positioned to achieve its long-term goals by streamlining, with the Investment Consultant, the manager selection/hiring process.

III. Background:

The Board of Trustees adopted the current NHTF IPS on September 27, 2017. The IPS serves as the foundation as to how the NHTF is to be managed. It specifies the responsibilities, procedures, guidelines, and constraints for decision making and management. It is reviewed on an annual basis and proposed changes are brought before the Board for approval. .

IV. Discussion:

The recommended changes are to update and clarify the language within the IPS, specifically to Page 1, and Sections 4 (“Delegation of Authority”), 13 (“Procedure for Selecting and Reviewing Investment Advisors”) & 16 (“Adding New Asset Classes”). The removal of some of the language on Page 1 specifically addresses the word “predominately”. The NHTF is strategically moving away from the Manager-of-Managers approach to hiring Investment Advisors directly; thus gaining greater transparency and reducing costs. The minor changes to Sections 4 and 16 are to improve clarity.

Section 13 outlines the specific process for the selection of Investment Advisors for approval by the BOT. The initial screening and recommendations will be made by the Investment Consultant; see background information in **Exhibit C** (Segal Marco Advisors “Manager Research Process”). This task had been previously assigned to the in-house Investment staff following State procurement procedures which required issuing a “Request for Proposal” (RFP). This process proved to be difficult because the staff did not have the resources for a broad advisor search nor the expertise in all investment markets. Clarification of HRS 103D-102(b)(2)(F), specifically identifies Investments as exempt from State procurement.

The proposed changes will streamline the investment manager selection process by allowing the Consultant, Segal Marco Advisors, to perform the initial search and screening of the candidates. Segal, as a fiduciary to OHA, does not receive any commissions or fees for

their work in the selection process. As part of their regular duties, Segal monitors not only performance but also any changes within the firms they recommend as part of their due diligence (**Exhibit C**).

Please see **Exhibit A** for the proposed changes to the Investment Policy Statement.

V. Recommended Action:

To approve and authorize the changes to the IPS as described in **Exhibit A**.

VI. Alternative Action:

- A. To approve the NHTF IPS amendments as described in **Exhibit A**.
- B. Decline to approve the amendments to the NHTF IPS.
- C. Take no action.

VII. Time Frame: Immediate action is recommended. If approved, the changes will become effective on November 1, 2019.

VIII. Attachments:

Exhibit A: OHA IPS Revisions Table and Redline Document

Exhibit B: OHA IPS Updated Final Version

Exhibit C: Segal Marco Advisors "Manager Research Process"

OHA IPS Revisions

Section and Page	Change	Old Text	New Text
Pg. 1	Remove	predominantly utilizing the Manager-of-Managers (MoM) approach	None
4.2b, Pg. 7	Replace	Select	Approve
4.2f, Pg. 7	Replace	Annual	Quarterly
4.3m, Pg. 8	Insert	None	Evaluate and recommend (OHA staff and Consultant) new Advisors for the approval by the CEO and BOT;
13.1, Pg. 17	Replace	<p>the OHA staff will select four finalists to make an oral presentation. Evaluation factors will include three-year, five-year and ten-year performance record, as available, and the associated risks taken to achieve the returns, the quality and stability of the investment personnel and process of each company, adherence to philosophy/style and the fees charged by each company.</p> <p>A contract will be executed pursuant to the Fund's Operational Procedures.</p>	<p>it will instruct OHA staff and the Consultant to conduct a search for the Advisor and issue a public notice on OHA's website. HRS §103D-102F specifically exempts investment from the State procurement process. The selection process will include, but not be limited to, the following:</p>

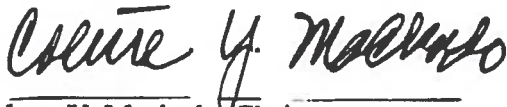


OHA IPS Revisions (cont.)

Section and Page	Change	Old Text	New Text
13.1a, Pg. 17	Insert	None	The Consultant will perform a review of the universe of available candidates for the specific assignment and provide a list of best-in-class Advisors to OHA staff from a formal screening process of qualified candidates.
13.1b, Pg. 17	Insert	None	The initial list will consist of eight to ten Advisors, but may be fewer depending on the investment approach.
13.1c, Pg. 17	Insert	None	OHA Procurement will review the list of candidates ensuring that they meet OHA's compliance standards.
13.1d, Pg. 17	Insert	None	The Consultant will provide OHA staff performance and risk statistics as available and applicable as well as a summary of each Advisor.
13.1e, Pg. 17	Insert	None	OHA staff and the Consultant will evaluate the Advisors and shorten the list to four candidates.
13.1f, Pg. 17	Insert	None	The Consultant will request each qualifying candidate to provide information which will include but is not limited to three-year, five-year and ten-year performance record, as available, and the associated risks taken to achieve the returns, the quality and stability of the investment personnel and process of each company, adherence to philosophy/style and the fees charged by each company.

NATIVE HAWAIIAN TRUST FUND
INVESTMENT POLICY STATEMENT

The following Investment Policy Statement (IPS) has been duly adopted,
~~predominantly utilizing the Manager of Managers (MoM) approach,~~ by the Office
of Hawaiian Affairs, Board of Trustees at its meeting held on August 24, 2017 and
is in full force and effect on October 1, 2017.



Colette Y. Machado, Chairperson
Board of Trustees

9/27 / 17
Date

First Reading: August 1, 2017
Second Reading: August 24, 2017

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Section 12. Trades, Exchanges & Valuation	<u>16+6</u>
Section 13. Procedures for Selecting and Reviewing Investment Advisors	<u>17+7</u>
Section 14. Liquidity Policy	<u>19+8</u>
Section 15. Errors & Omissions	<u>19+8</u>
Section 16. Adding New Asset Classes	<u>19+8</u>
Section 17. Interpretation	<u>19+9</u>
Section 18. Hawai'i Direct Investment Policy (HDIP)	<u>19+9</u>
Section 19. Enhanced Liquidity Account Investments	<u>20+0</u>
Section 20. Investment Risk Management Policy	<u>21+1</u>

Distribution:

- 9- Each OHA Trustee via Asset & Resource Management Committee
- 1- OHA BOT Secretary
- 1- OHA Chief Executive Officer
- 1- OHA Chief Operating Officer
- 1- OHA Chief Financial Officer
- 1- OHA Controller
- 1- OHA Chief Investment Officer
- 1- OHA Investment Consultant
- 5- Each Investment Advisor / Non-Marketable Alternatives Provider
- 1- Custodian

THE OFFICE OF HAWAIIAN AFFAIRS NATIVE HAWAIIAN TRUST FUND INVESTMENT POLICY STATEMENT

OBJECTIVES AND POLICY GUIDELINES

Section 1. Introduction and Scope

1.1 Introduction. This statement governs the investment of assets held in the Office of Hawaiian Affairs Native Hawaiian Trust Fund (the "Fund").

This Policy Statement is set forth so that the Board of Trustees ("BOT") of the Office of Hawaiian Affairs ("OHA"), OHA Staff, Investment Consultant, Investment Advisors and Investment Managers (where appropriate), and beneficiaries may be made aware of the investment policy with regard to the investment of the Fund's assets, the investment objectives, and the expectations and requirements with respect to the ongoing management of the Fund's assets.

1.2 The Trust. OHA's mission is to malama (protect) Hawai'i's people and environmental resources and the Trust Fund's assets, toward ensuring the perpetuation of the culture, the enhancement of lifestyle and the protection of entitlements of Native Hawaiians, while enabling the building of a strong and healthy Hawaiian people and nation, recognized nationally and internationally. The overall goal of the Fund is to provide superior investment returns to sustain the beneficiaries in perpetuity and to uphold OHA's mission.

1.3 Purpose of the Investment Policy Statement. In keeping with the fiduciary requirements and obligations of all parties involved in managing the Fund under existing Federal and State laws, the purposes of this Policy Statement (the "Statement") are to provide the:

- a) BOT, OHA staff, Consultant and Advisors with a clear and mutual understanding of the Fund's philosophy, investment objectives and policies;
- b) Advisors with guidance, objectives and limitations in investing the Fund's assets; and
- c) BOT with a meaningful basis to evaluate the Advisors' performance in order to meet the BOT's fiduciary responsibility to monitor prudently the Fund's investments.

This Statement represents the BOT's philosophy regarding the investment of the Fund's assets. The BOT will review and revise the Statement as needed to ensure that it continues to reflect the BOT's expectations and objectives. All of the BOT's modifications or amendments to the Statement shall be made in writing and will be provided to all Investment Advisors and Consultants.

It is also intended that the investment policies be sufficiently specific to be meaningful, but adequately flexible to be practicable. It is further understood that all performance standards and return objectives in this Statement are intended as evaluation tools for determining whether to continue to retain the Advisors. The parties understand that the Advisors cannot give assurance of actual investment results and that the Advisors understand that the BOT will terminate its relationship with an Advisor based on a determination that the Advisor is not achieving the performance standards.

1.4 Manager-of-Managers Approach. The BOT has elected to employ Advisors in an outsourced manager-of-managers investment approach, without necessarily bundling custodial services. There is a preference for a full discretionary approach to invest across multiple asset classes. When necessary to achieve the Fund's objectives, the BOT may hire an Advisor with a non-Manager-of-Managers approach or to manage assets with a specific asset class mandate. Under the outsourcing agreement, the Advisors will assume certain BOT fiduciary responsibilities as set forth in the applicable agreement(s) between the Advisors and the BOT. The Advisors are accountable for the prudent management of all assets subject to their oversight and, where applicable, will make all key investment decisions, such as tactical asset allocation and manager selection, within the context set by this Statement and in adherence to the duties and powers set forth in the applicable management, advisory, or trust agreements. The BOT

still maintains responsibility for imposing guidelines, targets and asset allocation constraints as set forth in this Statement, and for monitoring the Advisors to ensure they act prudently and adhere to all aspects of the Statement.

1.5 Spending Policy. The annual amount withdrawn from the Fund shall constitute no more than five percent (5%) annually of the Fund's market value, excluding any Fiscal Reserve spending, using the methodology specified in the OHA Native Hawaiian Trust Fund Spending Policy. The calculation of the maximum withdrawal amounts are set forth in the Native Hawaiian Trust Fund Spending Policy and Fiscal Reserve Withdrawal Guidelines.

Section 2. General Objectives

2.1 Prioritized Investment Objectives. The overall objectives of the Fund are in the following order of priority:

- a) To grow the Fund's assets consistently by at least inflation plus five percent annually (Consistent Capital Growth);
- b) To invest in a manner that seeks to ensure the continuous preservation of purchasing power of the overall portfolio (Capital Preservation);
- c) To achieve a portfolio return that meets or exceeds the return of the Fund's Policy Portfolio Benchmark on a net of fee basis over a long time horizon (Benchmark Outperformance); and
- d) To diversify the portfolio by asset type, security (issuer) and Investment Manager to reduce the volatility of returns (Adequate Diversification).

2.2 Long-Term Objective. Consistent capital growth is the primary objective of the Fund. The investment portfolio shall be designed with the objective of protecting principal while earning a rate of return that is targeted to meet or exceed the real spending rate and the strategic benchmark index of the Fund over the long term in order to preserve the Fund's assets and ensure that sufficient liquidity will be available to cover future cash requirements. Consistent capital growth is achieved by investing prudently in a wide range of asset classes to achieve proper diversification, thereby reducing volatility. Since the Advisors will focus on long-term capital appreciation, the Fund may experience a drawdown of principal, although over a full market cycle, the Advisors in aggregate are expected to produce a total annual return that will exceed inflation as measured by the Consumer Price Index (CPI) by five percent. It is anticipated that the Fund will experience an annualized average volatility of approximately 13% annually with a maximum rolling 12-month annualized volatility of roughly 20% over a market cycle.

All parties named in this Statement shall carry out their business in compliance to all existing and future applicable state and federal regulations (Regulatory Compliance Requirement) and for assets subject to their discretion maintain adequate liquidity to meet all anticipated expenditures after sufficient notice (Adequate Liquidity Requirement).

2.3 Definition of Market Cycle. Throughout this Statement the term "market cycle" is used. Market cycles include both a rising and a declining market. Generally, a rising market will be defined as a period of at least two consecutive quarters of rising stock prices and a declining market will be defined as a period of at least two consecutive quarters of declining stock prices. Therefore, a Market Cycle (the minimum period of evaluation) shall be at least one year and more typically three to six years.

2.4 Definition of Investment Consultant, Investment Advisor and Investment Manager. Throughout this Statement the terms Investment "Consultant", Investment "Advisor" and Investment "Manager" are used. Consultant shall refer to the entity hired by the OHA Chief Executive Officer ("CEO") to assist OHA staff and BOT in overseeing the Fund and to monitor and evaluate the Advisors; "Advisor" shall refer to each Fiduciary (typically utilizing the "manager-of-managers" approach) hired by the BOT to exercise investment discretion over a portion of the Fund's assets within the parameters set forth in the Statement; and "Manager" shall refer to any portfolio manager selected by the Advisors to invest the Fund's assets.

Section 3. Standards of Care

3.1 Board of Trustees and OHA Staff. The standard of care applied to the BOT and OHA internal staff assigned to the Fund shall be the "prudent person" standard, defined as follows: "Investments 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 investment, considering the probable safety of their capital as well as the probable income to be derived." The BOT may rely upon the expert advice and counsel of its external providers to satisfy the "prudent person" standard provided the BOT has established adequate controls and fulfills its oversight responsibilities regarding the external providers as outlined in this Statement.

3.2 External Providers. The standard of care applied to all external providers (i.e., Consultant, Advisors (indirectly Investment Managers hired by the Advisors), and Custodian) shall be as set forth in the agreement between the BOT or CEO, as appropriate, and each external provider. The BOT will negotiate a standard for the Investment Advisors that is similar in effect to the "prudent expert" standard, defined as: "Investments shall be managed with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims".

3.3 Code of Ethics. OHA Trustees, OHA officers, and OHA employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of their investment program, or that could impair their ability to make impartial decisions. OHA Trustees and employees involved in the investment process shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. OHA employees and officers shall refrain from undertaking personal investment transactions with entities that conduct business with the Fund. Should any Trustees have personal involvement with any direct investment transaction or any perceived conflicts of interest, the Trustee should disclose the involvement immediately and be recused from discussions and votes on said investment. OHA Trustees, officers, and employees shall abide by the Standard of Conducts established under Chapter 84 of the Hawai'i Revised Statutes and the code of ethics stated in the OHA Bylaws and, where appropriate, the OHA Employee Handbook and the BOT Executive Policy Manual.

Section 4. Delegation of Authority

The Office of Hawaiian Affairs Native Hawaiian Trust Fund maintains a structured and organized process in implementing its investment program. To accomplish the mission, objectives and desired investment returns of the Fund, the Board of Trustees has delegated authority to various individuals and organizations.

4.1 BOT Composition. The BOT currently consists of representatives from:

- a) O'ahu
- b) Kaua'i and Ni'ihau
- c) Moloka'i and Lana'i
- d) Hawai'i
- e) Maui
- f) At large (4)

4.2 BOT Responsibilities. The BOT recognizes that it may not possess sufficient expertise to manage directly the assets of the Fund. The BOT, therefore, employs the services of various external experts to act as Fiduciaries--Consultants, Advisors and/or Custodians and seeks advice from independent parties. The BOT does rely on this expertise in carrying out its responsibility to oversee the overall management of the Fund's assets, and will meet quarterly to review the performance of the Fund and the activities of the external providers for reasonable consistency with the objectives of the Fund as set forth in this Statement. When necessary, the BOT will provide

guidance to the investment process. BOT may delegate certain of its responsibilities to the CEO to assist with the implementation of this Statement. BOT responsibilities include, but are not limited to:

- a) Approve the Investment Policy Statement and all modifications to the Statement;
- b) ~~Select~~ Approve Advisors and Non-Marketable Alternatives Providers. The BOT delegates authority to the CEO to select the Custodian, Consultant and Investment Advisory Committee (IAC) members;
- c) Monitor results of all Fund assets as a whole and those assigned to each Advisor. The BOT shall include in its quarterly assessment such topics as: economic outlook, portfolio diversification, asset allocation and structure, Advisors' strategies, potential risks, and the performance of the overall portfolio as well as each of the Fund's asset classes versus its benchmark rate of return and peer institutions;
- d) Review quarterly reports regarding the activities of Advisors, Consultant, Investment Advisory Committee and OHA staff overseeing the Fund;
- e) Review quarterly reports from the Custodian and Advisors regarding the composition of each Advisor's assets under management versus the Fund's strategic target and the asset class strategies of each Advisor;
- f) Review the ~~annual~~ quarterly report of the Consultant regarding the performance of the Fund and the Advisors;
- g) As necessary, review the Fund's strategic direction or significant issues impacting the Fund or Fiduciaries, and take action as appropriate;
- h) Attend a minimum of two investment educational events held in Hawai'i per year; and
- i) Attend out-of-State training, educational or due diligence events that are recommended by the CEO and approved by the Chairperson of the BOT.

4.3 Duties of the Consultant, Investment Advisory Committee, CEO and OHA Staff. The duties of the Consultant will be as set forth in the agreement entered into between the CEO and the Consultant. The duties of the Investment Advisory Committee are as outlined in the Committee's Charter. This Committee has no authority to make decisions, but only serves to provide independent comments to the Consultant, the CEO and staff, and BOT representatives regarding the economic outlook and the Fund's assets, strategies, performance, risks and Fiduciaries. The duties of the CEO, OHA staff, Investment Advisory Committee and Consultant will be set forth in the OHA Native Hawaiian Trust Fund Operational Procedures. The CEO is responsible for approving these Operational Procedures and for reviewing and approving all investment decisions not made by an Advisor, except those reserved for the BOT. The Consultant and OHA staff are responsible for assisting the CEO and the BOT in the execution of their responsibilities. Duties of the Consultant and OHA staff jointly include, but are not limited to:

- a) Monitor the performance of each Advisor's portfolio as frequently as market conditions dictate, including review of the Advisor's monthly reports;
- b) Aggregate as necessary and monitor the performance of the Fund's investment portfolios monthly and prepare quarterly performance and Advisor activity reports for review by the CEO and BOT;
- c) Monitor the monthly reconciliation of the portfolio positions and valuations among the Custodian and Advisors (OHA staff only);
- d) Seek to ensure that assets are invested in accordance with the requirements specified in this Statement;
- e) Recommend to the CEO and implement operational procedures that will enhance the investment program of the Fund and ensure that proper internal controls are implemented to safeguard the assets of the Fund, including preparing Investment Guideline Summaries for each of the Advisors;
- f) Recommend benchmarks for approval to the CEO;
- g) Prepare periodic market-cycle and annual reviews of the Fund's investments and the Advisors' performance, including findings from annual due diligence visits for presentation to the BOT;
- h) Conduct onsite annual due diligence of the Advisors and Custodian;
- i) Coordinate and vet changes to the Investment Policy Statement and serve as chair (Consultant) and secretary (OHA staff) to the Investment Advisory Committee;
- j) Evaluate the reasonableness of recommendations of Advisors and Non-Marketable Alternatives Providers regarding investment decisions and policies requiring the approval of the CEO.
- k) Evaluate and recommend Direct Investments in Hawaii for the approval of the CEO and BOT, as appropriate;

- l) Manage the Fund's Enhanced Liquidity Account assets awaiting disbursement to OHA consistent with the Operational Procedures reviewed by the CFO and approved by the CEO; and

m) Evaluate and recommend (OHA staff and Consultant) new Advisors for the approval by the CEO and BOT;

- n) Maintain knowledge of current trends and conditions with respect to investment management through continuing education.

4.4 Duties of the Advisors. The duties of the Advisors shall be as set forth in the agreements entered into between the BOT and the Advisors, and will explicitly include this Statement as an addendum. The Advisors act as Fiduciaries of the Fund for the assets they have under management. Duties of the Advisors include, but are not limited to:

- a) Invest the assets of the Fund within the constraints of the Statement while adhering to the investment management style, concepts and principles for which they were retained by the BOT. Advisors are responsible for tactical asset allocation and manager selection unless otherwise stated in the management and/or trust agreement with OHA;
- b) Where applicable per the Advisor management agreement, for all investment decisions requiring the CEO's approval, recommend specific investments and provide strategic and/or tactical investment advice to the BOT, CEO, OHA staff, and Consultant as appropriate to render a decision that will achieve the Fund's investment objectives;
- c) Seek to achieve best execution and price for all transactions effected on behalf of the Fund with brokers and dealers qualified to execute institutional orders on an ongoing basis and if appropriate, facilitate the recapture of commissions on behalf of the Fund;
- d) Reconcile within tolerance limits monthly accounting, transaction, valuation and asset summary data with the Custodian's transactions, valuations and holdings, including resolving any discrepancies with the Custodian;
- e) For investments where a market value is not available, assist the Custodian as necessary in finding appropriate pricing sources or establishing fair value procedures.
- f) Report to the BOT on all significant matters pertaining to their firm's ownership, investment style and philosophy, changes in personnel and performance relevant to the management of the Fund. Items relevant to the Fund include those that would have a direct or indirect impact on the ability of the Advisor to continue to provide a high level of service;
- g) Vote the proxies of invested companies (or delegate the vote to Managers), as they deem appropriate, although the BOT reserves the right to vote proxies in separately managed accounts if it so chooses;
- h) Periodically conduct capital market studies and make recommendations to the BOT regarding changes to the Statement and strategic asset allocation targets and ranges based on the risk/return objectives of the Fund and the economic and market outlook. The timing of these analyses, and either reaffirmation or recommendation of modifications to this Statement, shall be as agreed upon with the BOT, but normally every two to five years, but no less frequently than every six years;
- i) Select qualified Investment Managers, and monitor existing Managers' style consistency and performance at least monthly, including due diligence of those Managers regarding personnel, ownership, risk management and the investment process;
- j) Negotiate fee arrangements and other contract terms with the investment Managers on behalf of the Fund;
- k) Communicate with the Consultant and/or OHA staff on at least a monthly basis regarding actions taken, or any material changes, issues or circumstances warranting attention including performance of the Fund, market conditions and outlook, manager-turnover, Managers' or Advisor's staff turnover, etc;
- l) Prepare and present a quarterly executive summary report to the BOT as requested by the Consultant or OHA staff including performance versus benchmarks, asset allocation, economic outlook, fees, Manager summary, and any other significant issues impacting the Fund;
- m) Assist the Consultant and OHA staff in preparing Investment Guideline Summaries for the approval of the CEO covering the assets under their management and annually prepare a compliance and derivatives usage report (Each Advisor's Investment Guideline Summary will govern the assets under their management in conjunction with the Investment Policy Statement and the Investment Management Agreement between the

Advisor and OHA);

- n) Host an annual onsite comprehensive and/or topical due diligence for the Consultant and OHA staff and officials and as requested provide portfolio analytics and style consistency adherence at the manager-level for the Advisor's commingled vehicles;
- o) Negotiate and arrange for brokerage and any applicable recordkeeping services;
- p) Render special projects at the request of the BOT, the Consultant or OHA staff; and
- q) Provide certain other services, as described elsewhere in this Statement, such as investment training, market research, educational programs, analytical tools, etc.

4.5 Duties of the Custodian. The duties of the Custodian shall be as set forth in the agreement between the BOT and the Custodian. In addition to other responsibilities contained in that agreement the Custodian will:

- a) Provide complete custody and depository services for the Fund's assets including obtaining market values or fair values for all assets on at least a monthly basis;
- b) Provide a monthly report of transactions by the Advisors and, where applicable, by OHA (Enhanced Liquidity Account) as set forth in the Custody agreement;
- c) Provide audited monthly and annual accounting statements for all the Fund's assets and transactions;
- d) Collect all interest income, dividends and principal realization and properly report them in all accounting statements;
- e) Disperse funds to cover expenses, accept funds from OHA or the Advisors, and disperse funds to OHA or the Advisors as properly instructed by CEO or OHA staff, and properly report these transactions in all accounting statements; and
- f) Reconcile monthly accounting, transaction and asset summary data and communicate and resolve any discrepancies with the Advisors.

Section 5. Asset Allocation Guidelines and Long Term Targets

The BOT prefers Advisors who can construct and manage a portfolio encompassing multiple strategic asset classes using a Manager-of-Manager approach and utilize the Fund's strategic target index as their primary benchmark (strategic target weight times strategic benchmark index return for each strategic asset class). The purpose of the strategic target asset allocation is to provide an optimal mix of investments that has the potential to produce the desired returns with the least amount of fluctuation in the overall value of the investment portfolio. The minimum and maximum levels listed below are targeting guidelines as opposed to absolute barriers; Advisors should bring asset allocations which are outside of their approved targeting range back to the range per their rebalancing policy unless granted a written exception by the CEO. The Traditional and Alternative Assets Advisors are not responsible for Hawai'i Direct Investments and the Enhanced Liquidity Account. OHA staff may hedge the allocation to Hawai'i Direct Investments in a traditional asset class managed by one or more Advisors until such investments are made. The Alternatives Advisor may hedge the under or over exposure to asset classes with barriers to entry and exit (Non-Marketable Alternatives) with similar liquid (marketable) asset classes (e.g. hedge underexposure to targeted private equity using traditional equity or marketable equity alternatives).

EXHIBIT A

5.1 Asset Allocation.

Asset Class Portfolios	Maximum	Minimum	Strategic Target	Benchmark Index	Primary Objective
Traditional Asset Classes					
Traditional Global Equities	55%	22%	40%	MSCI ACWI	Growth
Traditional Global Fixed Income	22%	11%	17%	Bloomberg US Aggregate	Income
Traditional Global Real Assets	11%	0%	5%	US TIPS +3%	Inflation Hedge
Total Traditional Assets	88%	33%	62%		
Alternative Asset Classes					
Hedge Funds	19.2%	6.4%	12%	3-Month T-Bills +4%	Volatility Management
Private Markets*	25.6%	0%	18%	MSCI ACWI +3%	Growth
Total Alternative Assets	44.8%	6.4%	30%		
Enhanced Liquidity Account					
Enhanced Liquidity	10%	0%	3%	1-3 Year Treasury	Liquidity
Hawai'i Direct Investments					
Hawai'i Direct Investments	10%	0%	5%	US TIPS +3%	Inflation Hedge
*The Private Market allocation will consist of the previous Non-Marketable Equity, Credit, and Real Assets & Opportunistic portfolios					

The Strategic Targets for the Asset Classes listed in the table above multiplied by the benchmarks recommended by the Consultant and approved by the CEO constitute the Policy Portfolio. The table below regroups the Asset Classes by their primary objective.

EXHIBIT A

Asset Class Portfolios	Maximum	Minimum	Strategic Target
Growth			
Traditional Global Equities	55%	22%	40%
Private Markets	25.6%	0%	18%
Total Growth	80.6%	22%	58%
Income			
Traditional Global Fixed Income	22%	11%	17%
Total Income	22%	11%	17%
Volatility Management			
Hedge Funds	19.2%	6.4%	12%
Inflation Hedge			
Traditional Global Real Assets	11%	0%	5%
Hawai'i Direct Investments	10%	0%	5%
Total Inflation Hedge	21%	0%	10%
Liquidity			
Enhanced Liquidity	10%	0%	3%

The CEO has the delegated power to allocate up to \$25 million from the Fund for a Direct Investment Program. Direct investments made from the Fund shall follow the guidelines set forth in the Hawai'i Direct Investment Policy section of this Statement. All Hawai'i-based Direct Investments are excluded from the discretionary Manager-of-Managers framework. The OHA staff with the assistance of the Consultant will be responsible for the due diligence, performance monitoring and reporting of such investments.

Private Market investments are accomplished outside of the discretionary Advisor framework as the Advisors do not have investment discretion over these assets. Approved Non-Marketable Alternatives Providers will provide OHA staff and the Consultant with sufficient information and analyses to evaluate their investment recommendations. The information may include Manager due diligence reports and portfolio analytics so that the CEO can make an informed decision relating to the investment. It is recognized that there may be underinvestment or overinvestment in these illiquid asset classes due to the timing of capital calls and distributions.

5.2 Benchmarks. Each Advisor will use the primary strategic benchmark index listed in their Investment Guideline

Summary as a guide in managing assets under their control. The strategic asset allocation targets and ranges, performance benchmarks, and additional investment guidelines are also set forth in each Advisor's Investment Guideline Summary or Investment Management Agreement. As necessary, the Consultant will recommend changes to the strategic targets, ranges, performance benchmarks, and any additional guidelines and the CEO must approve those changes before they become effective. The CEO will notify the BOT of Investment Guideline changes in writing.

Every new product of an Advisor must be assigned to one of the above asset classes as agreed upon between the Advisor and OHA Staff and/or the Consultant, with notification of the CEO. In addition, each investment may have a custom benchmark different from that of the asset class as agreed upon with the Consultant. The secondary benchmark is the Consumer Price Index (CPI) plus 5.0% annually for the Fund as a whole. The Consultant will also recommend, in consultation with each Advisor, peer manager and peer institution benchmarks and these will be approved by the CEO. Besides reporting portfolio performance versus these portfolio benchmarks, the Advisors shall report investment results on individual funds or portfolios versus their custom benchmarks.

The BOT recognizes that the actual asset allocation of the Fund may vary between or even outside of the minimum and maximum in the short term depending on market conditions and/or tactical asset allocation shifts. Asset classes not contemplated above or elsewhere in this Policy may be added to the Fund upon approval in writing by the BOT. The Advisors will only be responsible for meeting the investment objectives applicable to the portion of the Fund entrusted to such Advisors.

5.3 Rebalancing Policy. The primary purposes of rebalancing are to (1) ensure that the Fund's actual asset allocation does not drift too far from the strategic asset allocation; and (2) improve the performance of the Fund. The CEO will ensure that any agreement entered into with an Investment Advisor sets forth a rebalancing policy satisfactory to the BOT.

Section 6. Cash Holdings

It is the policy of the Fund that the Advisors fully invest the assets of the Fund under their control except to accommodate large cash flows. Unhedged cash and equivalents may be held in the Fund for defensive purposes at the Advisor's discretion during abnormal market conditions. The equity portion of the Advisor's portfolio should strive to maintain less than 5% of the portfolio in cash equivalents, unless the cash is hedged to achieve the appropriate asset class exposure. The fixed income portion of the Advisor's portfolio may maintain higher cash balances (e.g., as barbell strategies necessitate this exposure to cash).

Cash equivalents maximize liquidity and safety of principal. Maturities should be short enough that cash equivalents can be liquidated with a limited loss of principal. The following types of cash equivalents are eligible for investment:

- a) Money market mutual funds (2a7) which invest solely in U.S. Treasury and government agency securities;
- b) Deposits which are 100% federally insured or collateralized with U.S. government or agency securities with a market value of at least 100% of the face amount of the certificate;
- c) U.S. Treasury bills and short-term U.S. government agency securities;
- d) Overnight repurchase agreements collateralized with U.S. government or agency securities with a market value of at least 102% of the face amount; and
- e) Commercial paper of the highest two grades as rated by a nationally recognized rating agency.

Section 7. Pooled/Commingled Investments/Mutual Funds

Commingled investment vehicles where there is a pooling of securities owned by multiple clients for diversification, risk reduction, or cost benefits, include mutual funds, trust funds, private placements, and limited

partnerships, and are explicitly permissible. Although private placements and limited partnerships are exempt from both federal and state securities registration, they are considered appropriate vehicles for the Fund.

Section 8. Permissible Investments

8.1 Asset Class Definitions, Objectives, Permissible Instruments, Strategies, & Requirements. Investments in each asset class listed in Section 5, except for those investments excluded from the Advisors' responsibility, must be well diversified as defined below and in the Investment Guideline Summary or Investment Management Agreement of each Advisor. Advisors, as Fiduciaries, must exercise prudence in all matters and invest solely for the benefit of the Fund. For each asset class, the Advisors will retain Managers who invest in separate accounts or in commingled vehicles. An Advisor may select itself, an affiliated Manager, or an external Manager. Advisors may also retain Managers to provide "active overlay" strategies that use securities, currencies and derivative instruments, including but not limited to forwards, options, futures contracts, options, currency forwards, futures contracts and swaps (e.g. interest rate, credit default and total return) to replicate an index or combination of indexes. These overlay strategies will seek to (a) manage Fund exposure to various asset classes, (b) manage overall Fund risk, and (c) under certain conditions, enhance total return with tightly controlled leverage constraints.

Each Advisor must demonstrate that it has the capability to manage the risks involved in each asset class. Key to controlling risks is the ability to conduct robust ongoing due diligence on the Managers it selects and the ability to measure, manage and report portfolio risks, including issuer concentration, market, credit, duration, liquidity, leverage, currency and other major risks. The Consultant, with the assistance of OHA staff and the Advisors, must document the investment restrictions and risk controls for the portfolio of each Advisor in the Investment Guideline Summaries. The Advisors are not allowed to leverage the Fund's assets at the portfolio level without prior written approval of the BOT, although individual managers or commingled vehicles in certain asset classes and strategies may employ leverage under controlled conditions. Risk hedging in each asset class is explicitly permitted, including currency risks relative to the benchmark index and temporarily hedging the exposure in an illiquid asset class with a similar liquid asset class.

a) **Traditional Global Equity - Common & Preferred Stocks and Un-levered Equity Derivatives.** The primary role of traditional global equity is to seek to provide total return in excess of inflation, consistent with the appropriate benchmark index. Traditional equity may be actively managed in diversified portfolios of long only positions and/or long and short positions netting to approximately 100% long, be passively managed, utilize active overlay strategies, or be managed in any combination of active, passive and overlay strategies. The goal of an actively managed stock portfolio will be to achieve a net return after fees in excess of its benchmark index with comparable risk. Securities should be publicly owned and traded actively enough to insure liquidity without significantly adverse effects on price due to rapid sale. The Advisor should diversify the portfolio by geography—domestic and international, both developed and emerging markets, by investment style—value and growth, by manager, by approach—quantitative versus fundamental, by sector and industry, and capitalization—small, mid and large. An Advisor may select itself or an affiliated Manager in this asset class.

b) **Traditional Global Fixed Income – Cash Equivalents, Bonds, Loans and Un-levered Fixed Income Derivatives.** The primary role of Global Fixed Income is to seek to: 1) generate income while diversifying the investment assets, 2) provide a safe, stable return, and 3) provide a deflationary hedge. The fixed income asset class may include, but is not limited to the following components:

- a) Cash equivalents;
- b) US core credit including investment grade corporate, asset-backed, municipals and mortgage securities;
- c) High-yield securities and liquid loans; and
- d) Foreign government securities, investment grade foreign corporate debt denominated in US dollars or foreign currencies from both emerging markets and developed countries.

Advisors should ensure that managers are carefully managing portfolio duration, convexity, yield curve structure, sector exposure, issuer concentration, credit quality, non-U.S. securities, and currency risk to achieve a balanced and

reasonable risk budget relative to the benchmark index for the fixed income portfolio. An Advisor may select itself or an affiliated Manager in this asset class.

c) Global Real Assets – Real Estate Investment Trusts (REITs) and Treasury Inflation Protected Securities (TIPS).

The primary role of global real estate is to seek to provide total return in excess of inflation, consistent with an appropriate real estate benchmark index. The Managers selected by the Advisors must have demonstrated a favorable record in managing real estate portfolios. The public real estate asset portfolio of the Fund may be comprised of commingled pools and/or a portfolio of real estate investment trusts (REITs), which are well diversified by property type and geographic location. Advisors shall invest in instruments which comprise a portfolio well diversified by the four main property types, including office, retail, industrial, and multifamily residential, as well as by geographic region, and tenancy/leasing structure. If a real estate investment is made via a commingled vehicle, the prospectus or operating guidelines of that vehicle will serve as the operative policy. The Advisors are responsible for ensuring that the selected vehicle or portfolio has adequate risk controls in place and that the Manager is investing according to the operative policy. The Advisors may also invest in TIPS as a diversifier, or if they believe that they provide a better value than REITs, as an inflation hedge. An Advisor may select itself or an affiliated Manager in this asset class.

d) Low Volatility Marketable Alternatives – Funds of Hedge Funds, Individual Hedge Funds, Commodity Funds, and Mutual and Exchange Traded Funds employing alternative strategies.

The primary role of this asset class is to seek to provide a consistently positive return source above the risk free rate that has low volatility and low correlation to the other asset classes, and the secondary role is to provide an inflation hedge through a commodity allocation. This asset class consists of a diversified portfolio of hedge fund strategies deemed appropriate by the Advisor for this role, including but not limited to macro, commodity trading advisors, relative value, opportunistic, global tactical asset allocation, distressed, and opportunistic. The Alternatives Advisor may utilize funds of hedge funds, a portfolio of individual hedge funds, mutual funds or market neutral overlay strategies designed to achieve a consistently positive return above the risk free rate. The Alternatives Advisor may select itself or an affiliate as the fund-of-funds Manager or as one or more of the hedge fund Managers. The Alternatives Advisor is responsible for ensuring that the selected vehicle has adequate risk controls in place. The Alternatives Advisor will seek to ensure that Managers invest according to the offering memorandum or partnership agreement. The Alternatives Advisor may select Managers that utilize reasonable amounts of leverage at the fund-of-funds level and Managers that utilize reasonable leverage within their individual hedge funds. The liquidity requirements for individual hedge funds or hedge fund-of-funds will be defined in the Advisor's Investment Guideline Summary. Advisors should seek to avoid direct or indirect investments in funds with redemption gates or side pockets, as well as funds which lack reasonable transparency consistent with the investment strategy. Advisors should also avoid any funds with excessive fees in relation to market practice and/or expected returns, or terms which do not align the interests of the Manager with the client, as well as those that have the majority of assets in illiquid investments.

The primary role of the commodities allocation is to seek to provide a consistently positive return above inflation with a low or negative correlation to the other asset classes. Commodities provide an inflation hedge and should consist of a diversified portfolio of energy, metal, agricultural and other commodities, including but not limited to oil, natural gas, grains, metals, and livestock. The Alternatives Advisor may utilize separate accounts or commingled funds using a single Manager or a multi-manager approach. The Alternatives Advisor should utilize strategies that have at least monthly liquidity under normal conditions and further liquidity guidelines will be specified in the Advisor's Investment Guideline Summary. The Alternatives Advisor may select an affiliate as the Manager-of-Managers or as one of the Managers. The Alternatives Advisor is responsible for ensuring that the selected Managers have adequate risk controls in place, especially for separately managed accounts. The Alternatives Advisor will seek to ensure that Managers utilizing funds invest according to the offering memorandum or partnership agreement.

e) Non-Marketable Equity Alternatives – Private Equity Funds, Funds of Private Equity Funds, Equity Hedge Funds, and Cash Equivalents & Overlay Strategies.

The primary role of Non-Marketable Equity Alternatives is to seek to provide enhanced total return to traditional equity through vehicles which may have limited liquidity and/or utilize leverage and derivatives, but employ strategies which go beyond the long only equity portfolio. Equity Alternatives include, but are not limited to, investments in private equity, venture capital, portable alpha, and long-biased equity hedge funds. The Alternatives Advisor may utilize hedge funds that correlate to the equity markets or

overlay strategies such as portable alpha to hedge an underexposure to the targeted level of Non-Marketable Equity Alternatives, and hold cash temporarily to meet capital calls. The Alternatives Advisor may select itself or an affiliated Manager to hedge an underexposure in this asset class. The CEO may approve funds of private equity funds, which consist of funds making primary and/or secondary investments in underlying private equity funds as well as some direct investments. These funds are managed for returns with low correlation to returns in the traditional equity markets, and with very little liquidity. Assets invested in these private funds are generally illiquid for five to ten or more years. The CEO needs to invest the Fund's assets in a consistent long-term approach so as to limit the vintage year risk where there is a wide range of performance depending on the year the fund is launched. The Non-Marketable Alternatives Providers will seek to ensure that general partners invest according to the offering memorandum or partnership agreement. The Providers are responsible for ensuring that the selected vehicle has adequate risk controls in place and invests within the stated style and the scope of its offering memorandum or partnership agreement. Due to the long-term nature of a private equity investment, the measurement period for complete evaluation will be over a ten-year period. A ten-year return is intended to cover at least one complete market cycle, and is consistent with the average term of private equity fund-of-funds investments. The OHA staff and Consultant will evaluate and the CEO must approve all investments in Non-Marketable funds within this asset class.

f) Non-Marketable Credit Alternatives — Mezzanine Debt Funds, Specialty Loan Funds, Distressed Debt Funds, and Credit Hedge Funds. The primary role of Non-Marketable Credit Alternatives is to seek to provide enhanced total return to traditional credit through vehicles which may have limited liquidity and/or utilize leverage and derivatives, but provide access to fixed income strategies with higher return potential. Credit alternatives include, but are not limited to mezzanine debt, bank loans, distressed debt, special situations, portable alpha, and hedge funds utilizing credit strategies. These strategies should have returns with moderate correlation to traditional fixed income returns and low correlation to the other asset classes. The Non-Marketable Alternatives Providers are responsible for ensuring that their selected vehicles have adequate risk controls in place and that their selected vehicles conform to the offering memorandum or partnership agreement. The Alternatives Advisor may select itself or an affiliated Manager to hedge an underexposure in this asset class using credit hedge funds, overlay strategies, or traditional credit strategies. The OHA staff and Consultant will evaluate and the CEO must approve all investments in Non-Marketable funds within this asset class.

g) Non-Marketable Real Assets & Opportunistic Alternatives — Natural Resource Funds, Infrastructure Funds, Commodity Funds, Master Limited Partnerships (MLP's) and unique investments that do not fit into another Asset Class. The primary role of Non-Marketable Real Assets & Opportunistic Alternative investments is to seek to provide an inflation hedge, and the secondary role is to provide enhanced total return above Traditional Real Assets by committing capital for ten years or more to private market real asset strategies. Real assets include, but are not limited to real estate, TIPS, commodities, and natural resources. The OHA Staff and Consultant will evaluate and the CEO must approve all investments in Non-Marketable funds within this asset class. The Alternatives Advisor may hedge target exposure using such marketable assets as MLP's, CTA's, REITs, TIPS, overlay strategies, or mutual and exchange-traded funds utilizing real asset strategies. The Alternatives Advisor may select itself or an affiliated Manager to hedge underexposure in this asset class.

h) Hawaii Direct Investments. The primary role of Hawaii Direct Investments is to seek a total return of five percent in excess of inflation from real property that provides office space to OHA in Hawaii. This asset class includes the legacy investment in Russell Investments Private Real Estate Fund. All direct real estate investments must be made within the context of the Direct Investment Policy Statement.

Section 9. Prohibited Investments

The following investments are prohibited. Should a prohibited transaction occur, the Advisor must report it immediately after discovery to the Consultant and OHA staff, who will report it at the next BOT meeting.

9.1 Self-Dealing Transactions. Managers cannot purchase or hold any security of the Advisor who selected them, unless permitted by law.

9.2 Financial Institution Deposits including CDs. Direct deposits may not exceed the Federal Deposit Insurance Corporation insurance limit unless they are 100% collateralized by eligible U.S. government securities or fully covered by a surety bond.

9.3 Letter Stock. Letter stock and other unregistered equity securities are prohibited except in the alternative asset classes.

Section 10. Derivatives Policy

This Derivatives Policy applies to all investments with the exception of those permitted in funds in the alternative asset classes. Investments in derivatives shall not create a leverage effect on portfolio returns and must be consistent with the asset class they are in. Structured securities, futures, forwards, total return swaps, interest rate swaps, credit default swaps, options and other derivatives are permitted only if they are used in a defensive hedging manner (e.g. to hedge a currency, equitize cash, or to create an overlay strategy or structured fixed income portfolio). Advisors will be required to report on a periodic basis (at least annually) to the BOT on their use of derivatives for any purpose and to assure compliance with this Policy.

Section 11. Voting of Proxies

The BOT has delegated the authority to Advisors and Managers to vote proxies. For separately managed accounts (not pooled vehicles), the BOT reserves its right to exercise its proxy rights when it so chooses and to vote the proxies of invested companies as it deems appropriate. The proxy voting review process and guidelines are set forth in the OHA Native Hawaiian Trust Fund Operational Procedures.

Section 12. Trades, Exchanges & Valuation

12.1 Selling or Exchanging Securities. Investment Managers may sell or exchange securities in the course of daily management of specific funds. The goal of all such trades is to maximize portfolio performance while maintaining an appropriate risk profile.

12.2 Marking to Market. To account for market fluctuations and volatility, the Custodian or its agent (independent pricing agent) will mark to market all securities at least monthly. When market values are not available, the Custodian will follow the prevailing best practices regarding fair valuation. If a significant market event takes place during the month that impacts the value of the portfolio, the Custodian or its agent will determine the impact on the portfolio.

Section 13. Procedures for Selecting and Reviewing Investment Advisors

13.1 Review Process. Fund investments will be managed by professional Advisors and Managers except to the extent the BOT specifically delegates investment authority for other strategies for which the Fund's Advisors do not have specific expertise under the Manager-of-Managers' approach or for OHA's Enhanced Liquidity Account. When the BOT elects to retain a new Investment Advisor(s), ~~the OHA staff will select four finalists to make an oral presentation. Evaluation factors will include three year, five year and ten year performance record, as available, and the associated risks taken to achieve the returns, the quality and stability of the investment personnel and process of each company, adherence to philosophy/style and the fees charged by each company.~~

~~A contract will be executed pursuant to the Fund's Operational Procedures. it will instruct OHA staff and the Consultant to conduct a search for the Advisor and issue a public notice on OHA's website. HRS §103D-102(b)(2)(F) specifically exempts investment from the State procurement process. The selection process will include, but not be limited to, the following:~~

- ~~a) The Consultant will perform a review of the universe of available candidates for the specific assignment and provide a list of best-in-class Advisors to OHA staff from a formal screening process of qualified candidates.~~
- ~~b) The initial list will consist of either eight to ten Advisors, but may be fewer depending on the investment approach.~~
- ~~c) OHA procurement will review the list of candidates ensuring that they meet OHA's compliance standards.~~
- ~~d) The Consultant will provide OHA staff performance and risk statistics as available and applicable as well as a summary of each Advisor.~~
- ~~e) OHA staff and the Consultant will evaluate the Advisors and shorten the list to four candidates.~~
- ~~f) The Consultant will request each qualifying candidate to provide information which will include but is not limited to three-year, five-year, and ten-year performance record, as available, and the associated risks taken to achieve the returns, the quality and stability of the investment personnel and process of each company, adherence to philosophy/style and the fees charged by each company.~~
- ~~g) OHA staff and the Consultant will provide a summary of the responses received, which will include a list of evaluation criteria to be approved by the CEO for the BOT. At least two finalists will be selected to make an oral presentation to the BOT.~~
- ~~h) Final selection will be approved by the BOT.~~
- ~~i) Timing of funds to Advisors will be based on the asset allocation, availability of funds, and structure of the investment.~~
- ~~j) OHA staff will be responsible for coordinating the contract execution with any external Advisor or Manager approved by the BOT.~~

13.2 Selection Criteria for Advisors. Criteria will be established for each Advisor search undertaken by the BOT and will be tailored to the BOT's needs. These criteria are applicable to discretionary Manager-of-Managers and may not necessarily be applicable for the Enhanced Liquidity Account Manager. In general, eligible Advisors will possess attributes including, but not limited to, the following:

- a) For Manager-of- Manager searches, the firm must exhibit capabilities to offer Manager-of-Manager programs across a variety of asset classes and are capable of utilizing qualified Hawaii-based Managers;
- b) For specific asset class searches, the firm must be experienced in managing money for institutional clients in the asset class/product category/investment style specified by the BOT;
- c) The firm must have a minimum five-year history with managing institutional assets, demonstrate continuity of key personnel, ~~and offer a reasonable fee schedule~~; shorter-term histories will be considered for entire portfolio management teams that have portable track records from predecessor firms;
- d) The firm must display a record of stability in retaining and attracting qualified investment professionals, as well as a record of managing asset growth effectively, both in gaining and retaining clients;
- e) The firm must have an asset base sufficient to accommodate the Fund's portfolio: Manager of Managers should have at least \$20 billion of discretionary institutional assets under management; the Fund's portfolio

- should represent no more than 5% of the firm's total asset base for any Advisor;
- f) The firm must demonstrate adherence to the investment style sought by the BOT, and adherence to the firm's stated investment discipline;
- g) The firm should promote good governance in its proxy voting policy and adhere to best practice standards regarding transparency, manager fee structure, leverage, and liquidity in the alternative asset classes;
- h) The firm's fees should be competitive with industry standards for each product category and overall;
- i) The firm must comply with the "Duties of the Investment Advisors" outlined in this Statement and should conform to GIPS (Global Investment Performance Standards) for performance reporting;
- j) The firm must be able to offer investment education programs to the BOT and OHA staff at least once a year; and
- k) The firm must be able to provide analytics tools and/or reports necessary for OHA staff and Consultant to monitor and analyze asset allocation, risk, and manager performance.

13.3 Criteria for Advisor Review and Monitoring. The BOT reserves the right to terminate an Investment Advisor at any time with reasonable notice as defined in the contract between the BOT and the Investment Advisor. Grounds for termination may include, but are not limited to:

- a) Failure to comply with the guidelines agreed upon for the management of the Fund's assets; including holding restricted securities and conducting prohibited transactions;
- b) Failure to achieve performance objectives specified in this Statement or the Advisor's contractual guidelines;
- c) Significant deviation from the Advisor's stated investment philosophy/style and/or process.
- d) Loss of key personnel or significant ownership changes that create instability in the organization;
- e) Evidence of illegal or unethical behavior by the Investment Advisor;
- f) Lack of willingness to cooperate with reasonable requests by the BOT, Investment Consultant or OHA staff for information, meetings or other material;
- g) Loss of confidence by the BOT; and
- h) A change in the Fund's asset allocation program which necessitates a shift of assets to another process or style.

The presence of any one, or a combination of these, factors will be carefully reviewed by the BOT, but will not necessarily result in an automatic termination.

13.4 Performance Monitoring. The OHA staff and Consultant shall monitor monthly statements and receive quarterly performance reports from the Advisors. The Advisors shall monitor, at least monthly, the investment results of each Manager under contract to determine whether or not that Manager is performing up to the standard required by the benchmark of performance specified in the Manager's contract.

13.5 Advisors Total Return Comparison. The BOT expects that each Advisor's total portfolio performance over a market cycle will meet or exceed the benchmark index established for that Advisor.

13.6 Total Portfolio Returns. The BOT expects that the Fund's combined investment results over a market cycle will be in the top 50% of a nationally recognized universe of foundations and endowments with similar sized portfolios.

13.7 Asset Class Returns. Specific asset class investment results shall be measured against benchmarks as detailed in the Advisor's Investment Guideline Summary.

13.8 Advisor Alerts. Advisors are expected to keep the BOT, OHA staff and Consultant informed of any material changes in their respective firms (i.e. change in personnel, ownership, policy, etc.).

13.9 Termination. If at any time the standard required is not being met by an Advisor, the BOT will determine what action will be taken toward the Investment Advisor. The decision to terminate an Investment Advisor shall be by majority vote of the BOT present at the meeting subject to the contractual agreement.

Section 14. Liquidity Policy

The Redemption liquidity of the total Trust Fund will be maintained with a minimum 65% of the Fund's assets able to be liquidated at market value under normal conditions on at least a quarterly basis (advance notification and some restrictions may apply). Investments with liquidity less than quarterly require the approval of the CEO. At least 50% of the total Trust Fund's assets must be liquid on at least a monthly basis at market value without restriction or advance notice longer than five business days under normal conditions. The Liquidity requirements for each Advisor and the assets under their management will be specified in their Investment Guideline Summaries and/or Investment Management Agreements.

Section 15. Errors & Omissions

The Advisor is to correct any material violation of the provisions of this Statement within a reasonable time period upon discovery. The Advisor will reimburse the Fund for a realized loss resulting from a material violation as agreed in the contract between the BOT and the Advisor.

Section 16. Adding New Asset Classes

The Investment Consultant with the assistance of OHA staff will work with the Advisors to assign each investment (e.g. fund) to an asset class portfolio, a custom benchmark index, and a peer manager universe. If the Advisor proposes an investment that does not fit into one of the approved asset classes listed in Section 5, the Advisor will prepare a written recommendation to the OHA staff / Consultant justifying the investment. The recommendation must include a description, of the new asset class, rationale for including the new investment, historical returns and risk statistics, liquidity, analysis of impact on the risk/return of the Fund, the benchmark index and manager peer universe. —OHA staff and the Consultant will provide a recommendation to the BOT. Adding a new asset class will require the approval of the CEO and the BOT.

Section 17. Interpretation

This Statement will be incorporated as an addendum in the agreements between the OHA BOT and each Advisor. In the event of any conflict or inconsistency between the terms of the agreement and this Statement, other than the Section 4.4 Duties of the Investment Advisors and anything designated as a Fundamental Investment Policy, the terms of the agreement with the Advisor shall govern.

Section 18. Hawai'i Direct Investment Policy (HDIP)

The CEO has the delegated power to allocate up to \$25 million, but not to exceed 10% of the market value of the Fund at the time of investment, on a cost basis for Hawai'i Direct Investments, including real estate and equity positions in companies based in Hawaii or with significant operations in Hawaii. Approved uses for this allocation include the acquisition of corporate real estate that OHA will occupy in whole or in part and funding BOT-approved lending programs for Native Hawaiians. This allocation may not be used for any other purpose until the acquisition of OHA's first corporate headquarter real estate property is complete. Investments other than corporate real estate and BOT-approved lending programs must be approved by a supermajority vote of the BOT. The combined cost of all direct investments, less any return of capital to the Fund from these direct investments, cannot exceed the \$25 million allocation.

18.2 Delegation of Authority. All final acquisition, development, and/or disposition decisions of Hawai'i direct investments must be approved by the BOT. The BOT delegates to the CEO the authority to:

- a) Administer the HDIP and approve and implement procedures to carry it out;
- b) Delegate duties to OHA staff as necessary to fulfill and implement this policy;
- c) Deny opportunities that do not satisfy current policy, guidelines, and/or criteria approved by the BOT;
- d) Execute contract and agreements;
- e) Conduct investment due diligence, negotiations, and on-going performance monitoring;
- f) Structure real estate financing terms for approval by the BOT;
- g) As necessary, oversee and manage the operational functions associated with each investment, including selecting and terminating service providers, negotiating leases and setting fee schedules (including market-based lease terms for OHA occupied space), obtaining and approving permits, licensing, and leasing, approving tenant improvements, sub-leases, evictions, use and service agreements, and making all other operational decisions associated with the investment; and
- h) Determine when to segregate assets to fund acquisitions and to place those assets with OHA staff to invest in the Enhanced Liquidity Account (ELA) until acquisitions are closed. These funds do not count toward the spending limit on annual transfers to the ELA

The BOT reserves the right to approve all other decisions not listed above.

18.3 Permissible Investment. For OHA's headquarter corporate real estate acquisition, OHA is to invest in real estate located on the island of O'ahu. OHA may own such investments in its own name or, to the extent permitted by law, through title holding entities, and may transfer real estate properties from direct ownership to a title holding entity, or vice versa, during the course of the holding period of the investment. Realized gains generated from real estate dispositions should credit the cost of the investment allocated to the direct investment program.

All direct investments should demonstrate the ability to generate current income and capital gains consistent with the asset class benchmark index and Fund's long-term objective.

18.4 Leverage. OHA may finance the acquisition of corporate real estate with a mortgage. The property may be pledged as collateral under a non-recourse structure to OHA. Any amount of recourse back to OHA, including an OHA guarantee, will be considered a use of capital and therefore be counted toward the \$25 million allocation.

18.5 Market Valuation. Market valuation of corporate real estate is determined by biennial appraisals conducted by a reputable independent appraisal firm and that value will be utilized until the next appraisal. Prior to the first appraisal, the market value of the asset is assumed to equal its acquisition cost.

Section 19. Enhanced Liquidity Account Investments

The BOT has authorized the use of an Enhanced Liquidity Account (ELA) utilizing primarily short-term and intermediate-term U.S. government and agency securities, TIPS, MLP's, liquid alternative risk premia strategies, and passive beta strategies to manage OHA's short-term (less than 18 months) cash flow. The ELA may be managed internally by OHA staff or externally by a registered investment advisor. The primary objectives of the ELA are to expedite the ability to meet fiscal obligations and efficiently manage short-term cash needs; a secondary objective is to provide a highly liquid, low volatility, low or anti-correlating asset to the Fund. As such, OHA may hold up to 10% of the net assets of the Fund in the ELA. The custody of short-term investment assets shall remain with OHA's Fund Custodian.

19.1 Permissible Investments. Assets held within the ELA must have no less than monthly liquidity under normal conditions. Passive index mutual funds, passive exchange-traded funds, passive institutional commingled funds, liquid alternative risk premia strategies, short-term U.S. government and agency securities, cash, and cash equivalents are permitted. A list of allowable investment vehicles for each asset class must be reviewed by the CFO

and Consultant, approved by the CEO, and presented to the BOT for review. OHA staff or its external Manager may only select from this Approved List of investments vehicles in the ELA.

19.2 Asset Allocation and Rebalancing. The investments should be highly liquid with low volatility. Under normal conditions, the ELA's assets should be targeted no more than 2.0 percentage points (absolute) away from the strategic target allocation set forth in the ELA Manager's Investment Guideline Summary or Investment Management Agreement. OHA staff and the Consultant will devise a targeting and rebalancing process with a maximum tolerance approved by the CEO. If managed internally, OHA staff will execute the process; otherwise the external Manager will execute the process. Decisions to target the asset allocation outside of the maximum 2.0% tolerance shall be reviewed by the Investment Advisory Committee and/or CFO, approved by the CEO, and reported to the BOT prior to implementation.

19.3 Internal Controls. Internal operational controls and procedures relating to short-term investments shall be outlined in the OHA Native Hawaiian Trust Fund Operational Procedures.

19.4 Advisor and Manager Selection. The BOT will approve OHA staff under the supervision of the CFO and CEO as the Advisor and an external Manager to manage the ELA. The external Manager may not have full investment discretion; therefore, provisions relating to discretionary Advisors in this Statement may not necessarily apply to the ELA Manager. The duties of the ELA Manager shall be established based on the Investment Management Agreement between the Manager and the BOT. BOT presentations by four finalists are not necessary for ELA Manager selection.

19.5 ELA Policy Benchmark & Investment Guidelines. The Policy performance benchmark for the ELA shall be the combination of market indexes and the risk free rate as set forth in the Manager's Investment Guideline Summary or Investment Management Agreement, which will also establish investment guidelines for managing the account.

Section 20. Investment Risk Management Policy

The Native Hawaiian Trust Fund ("NHTF") Investment Risk Management Policy is designed to ensure that there are risk control measures in place to identify, monitor, and manage the level of risks and to balance the long-term expected risk and return objectives of the NHTF investment portfolio. The OHA Board of Trustees ("BOT") recognizes that the undertaking of risks is generally unavoidable in investment management. The purpose of this policy is not to eliminate risks, but to understand the risks through the implementation of disciplined processes and procedures. Risk control measures include continuous monitoring and timely reporting by OHA staff to ensure the effectiveness of OHA's investment risk management system. This Policy is not intended to provide an exhaustive list of risks or provide a comprehensive list of process and procedures to identify and mitigate risks. Rather, this policy provides generally accepted approaches to risk management that can be implemented through investment guidelines and operational policies and procedures.

Risk Management

Key risk factors may stem from internal or external sources. The assessment of risk may be both qualitative and quantitative. The OHA staff and Consultant shall conduct an annual qualitative risk assessment identifying key risk factors, sources of risk, risk mitigants, and remediation plan, if necessary, to manage these risks. OHA staff shall also provide quantitative risk reporting to the BOT using commonly accepted quantitative risk reporting measures on a quarterly basis. Risk management measures may include the following:

- 1) Establish internal policies and procedures to minimize operational and legal risks;
- 2) Establish investment guidelines for eligible investments, diversification, rebalancing, liquidity, leverage, and use of derivatives;

- 3) Annual reporting of portfolio volatility (measured using standard deviation of returns) and expected volatility and return provided by the Investment Advisors;
- 4) Annual reporting of tracking error for OHA's liquid assets;
- 5) Annual reporting of leverage, currency risk, concentration risk, and liquidity risk;
- 6) Annual external financial audit by a reputable independent audit firm; and
- 7) Periodic review of the Investment Policy Statement and Risk Management Policy as necessary to assess the relevance and effectiveness of these policies.

Implementation

It is the responsibility of OHA's Chief Executive Officer to ensure that risk management policies and procedures are in place to identify, monitor, and manage investment risk. It is the OHA staff's responsibility to implement internal procedures and continuously monitor the investment portfolio and Advisor activities to ensure policy and guideline compliance. OHA staff shall rely on most recent data available provided by the Custodian and Advisors to analyze risk statistics and provide risk reporting. A risk management review shall be provided to the BOT by the Investment Consultant on an annual basis, or more frequently as needed.

OHA IPS Revisions (cont.)

Section and Page	Change	Old Text	New Text
13.1g, Pg. 17	Insert	None	OHA staff and the Consultant will provide a summary of the responses received, which will include a list of evaluation criteria to be approved by the CEO for the BOT. At least two finalists will be selected to make an oral presentation to the BOT.
13.1h, Pg. 17	Insert	None	Final selection will be approved by the BOT.
13.1i, Pg. 17	Insert	None	Timing of funds to Advisors will be based on the asset allocation, availability of funds, and structure of the investment.
13.1j, Pg. 17	Insert	None	OHA staff will be responsible for coordinating the contract execution with any external Advisor or Manager approved by the BOT.
13.2c, Pg. 17	Remove	and offer a reasonable fee schedule	None
16, Pg. 19	Insert	None	OHA staff and the consultant will provide a recommendation to the BOT.

NATIVE HAWAIIAN TRUST FUND

INVESTMENT POLICY STATEMENT

The following Investment Policy Statement (IPS) has been duly adopted,
by the Office of Hawaiian Affairs, Board of Trustees at its meeting
held on October 3, 2019 and is in full force and effect on November 1, 2019.

Colette Y. Machado, Chairperson
Board of Trustees

Date

First Reading: September 5, 2019
Second Reading: October 3, 2019

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Distribution:

- 9- Each OHA Trustee via Asset & Resource Management Committee
- 1- OHA BOT Secretary
- 1- OHA Chief Executive Officer
- 1- OHA Chief Operating Officer
- 1- OHA Chief Financial Officer
- 1- OHA Controller
- 1- OHA Chief Investment Officer
- 1- OHA Investment Consultant
- 5- Each Investment Advisor / Non-Marketable Alternatives Provider
- 1- Custodian

THE OFFICE OF HAWAIIAN AFFAIRS NATIVE HAWAIIAN TRUST FUND INVESTMENT POLICY STATEMENT

OBJECTIVES AND POLICY GUIDELINES

Section 1. Introduction and Scope

1.1 Introduction. This statement governs the investment of assets held in the Office of Hawaiian Affairs Native Hawaiian Trust Fund (the "Fund").

This Policy Statement is set forth so that the Board of Trustees ("BOT") of the Office of Hawaiian Affairs ("OHA"), OHA Staff, Investment Consultant, Investment Advisors and Investment Managers (where appropriate), and beneficiaries may be made aware of the investment policy with regard to the investment of the Fund's assets, the investment objectives, and the expectations and requirements with respect to the ongoing management of the Fund's assets.

1.2 The Trust. OHA's mission is to malama (protect) Hawai'i's people and environmental resources and the Trust Fund's assets, toward ensuring the perpetuation of the culture, the enhancement of lifestyle and the protection of entitlements of Native Hawaiians, while enabling the building of a strong and healthy Hawaiian people and nation, recognized nationally and internationally. The overall goal of the Fund is to provide superior investment returns to sustain the beneficiaries in perpetuity and to uphold OHA's mission.

1.3 Purpose of the Investment Policy Statement. In keeping with the fiduciary requirements and obligations of all parties involved in managing the Fund under existing Federal and State laws, the purposes of this Policy Statement (the "Statement") are to provide the:

- a) BOT, OHA staff, Consultant and Advisors with a clear and mutual understanding of the Fund's philosophy, investment objectives and policies;
- b) Advisors with guidance, objectives and limitations in investing the Fund's assets; and
- c) BOT with a meaningful basis to evaluate the Advisors' performance in order to meet the BOT's fiduciary responsibility to monitor prudently the Fund's investments.

This Statement represents the BOT's philosophy regarding the investment of the Fund's assets. The BOT will review and revise the Statement as needed to ensure that it continues to reflect the BOT's expectations and objectives. All of the BOT's modifications or amendments to the Statement shall be made in writing and will be provided to all Investment Advisors and Consultants.

It is also intended that the investment policies be sufficiently specific to be meaningful, but adequately flexible to be practicable. It is further understood that all performance standards and return objectives in this Statement are intended as evaluation tools for determining whether to continue to retain the Advisors. The parties understand that the Advisors cannot give assurance of actual investment results and that the Advisors understand that the BOT will terminate its relationship with an Advisor based on a determination that the Advisor is not achieving the performance standards.

1.4 Manager-of-Managers Approach. The BOT has elected to employ Advisors in an outsourced manager-of-managers investment approach, without necessarily bundling custodial services. There is a preference for a full discretionary approach to invest across multiple asset classes. When necessary to achieve the Fund's objectives, the BOT may hire an Advisor with a non-Manager-of-Managers approach or to manage assets with a specific asset class mandate. Under the outsourcing agreement, the Advisors will assume certain BOT fiduciary responsibilities as set forth in the applicable agreement(s) between the Advisors and the BOT. The Advisors are accountable for the prudent management of all assets subject to their oversight and, where applicable, will make all key investment decisions, such as tactical asset allocation and manager selection, within the context set by this Statement and in adherence to the duties and powers set forth in the applicable management, advisory, or trust agreements. The BOT

still maintains responsibility for imposing guidelines, targets and asset allocation constraints as set forth in this Statement, and for monitoring the Advisors to ensure they act prudently and adhere to all aspects of the Statement.

1.5 Spending Policy. The annual amount withdrawn from the Fund shall constitute no more than five percent (5%) annually of the Fund's market value, excluding any Fiscal Reserve spending, using the methodology specified in the OHA Native Hawaiian Trust Fund Spending Policy. The calculation of the maximum withdrawal amounts are set forth in the Native Hawaiian Trust Fund Spending Policy and Fiscal Reserve Withdrawal Guidelines.

Section 2. General Objectives

2.1 Prioritized Investment Objectives. The overall objectives of the Fund are in the following order of priority:

- a) To grow the Fund's assets consistently by at least inflation plus five percent annually (Consistent Capital Growth);
- b) To invest in a manner that seeks to ensure the continuous preservation of purchasing power of the overall portfolio (Capital Preservation);
- c) To achieve a portfolio return that meets or exceeds the return of the Fund's Policy Portfolio Benchmark on a net of fee basis over a long time horizon (Benchmark Outperformance); and
- d) To diversify the portfolio by asset type, security (issuer) and Investment Manager to reduce the volatility of returns (Adequate Diversification).

2.2 Long-Term Objective. Consistent capital growth is the primary objective of the Fund. The investment portfolio shall be designed with the objective of protecting principal while earning a rate of return that is targeted to meet or exceed the real spending rate and the strategic benchmark index of the Fund over the long term in order to preserve the Fund's assets and ensure that sufficient liquidity will be available to cover future cash requirements. Consistent capital growth is achieved by investing prudently in a wide range of asset classes to achieve proper diversification, thereby reducing volatility. Since the Advisors will focus on long-term capital appreciation, the Fund may experience a drawdown of principal, although over a full market cycle, the Advisors in aggregate are expected to produce a total annual return that will exceed inflation as measured by the Consumer Price Index (CPI) by five percent. It is anticipated that the Fund will experience an annualized average volatility of approximately 13% annually with a maximum rolling 12-month annualized volatility of roughly 20% over a market cycle.

All parties named in this Statement shall carry out their business in compliance to all existing and future applicable state and federal regulations (Regulatory Compliance Requirement) and for assets subject to their discretion maintain adequate liquidity to meet all anticipated expenditures after sufficient notice (Adequate Liquidity Requirement).

2.3 Definition of Market Cycle. Throughout this Statement the term "market cycle" is used. Market cycles include both a rising and a declining market. Generally, a rising market will be defined as a period of at least two consecutive quarters of rising stock prices and a declining market will be defined as a period of at least two consecutive quarters of declining stock prices. Therefore, a Market Cycle (the minimum period of evaluation) shall be at least one year and more typically three to six years.

2.4 Definition of Investment Consultant, Investment Advisor and Investment Manager. Throughout this Statement the terms Investment "Consultant", Investment "Advisor" and Investment "Manager" are used. Consultant shall refer to the entity hired by the OHA Chief Executive Officer ("CEO") to assist OHA staff and BOT in overseeing the Fund and to monitor and evaluate the Advisors; "Advisor" shall refer to each Fiduciary (typically utilizing the "manager-of-managers" approach) hired by the BOT to exercise investment discretion over a portion of the Fund's assets within the parameters set forth in the Statement; and "Manager" shall refer to any portfolio manager selected by the Advisors to invest the Fund's assets.

Section 3. Standards of Care

3.1 Board of Trustees and OHA Staff. The standard of care applied to the BOT and OHA internal staff assigned to the Fund shall be the "prudent person" standard, defined as follows: "Investments 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 investment, considering the probable safety of their capital as well as the probable income to be derived." The BOT may rely upon the expert advice and counsel of its external providers to satisfy the "prudent person" standard provided the BOT has established adequate controls and fulfills its oversight responsibilities regarding the external providers as outlined in this Statement.

3.2 External Providers. The standard of care applied to all external providers (i.e., Consultant, Advisors (indirectly Investment Managers hired by the Advisors), and Custodian) shall be as set forth in the agreement between the BOT or CEO, as appropriate, and each external provider. The BOT will negotiate a standard for the Investment Advisors that is similar in effect to the "prudent expert" standard, defined as: "Investments shall be managed with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims".

3.3 Code of Ethics. OHA Trustees, OHA officers, and OHA employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of their investment program, or that could impair their ability to make impartial decisions. OHA Trustees and employees involved in the investment process shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. OHA employees and officers shall refrain from undertaking personal investment transactions with entities that conduct business with the Fund. Should any Trustees have personal involvement with any direct investment transaction or any perceived conflicts of interest, the Trustee should disclose the involvement immediately and be recused from discussions and votes on said investment. OHA Trustees, officers, and employees shall abide by the Standard of Conducts established under Chapter 84 of the Hawai'i Revised Statutes and the code of ethics stated in the OHA Bylaws and, where appropriate, the OHA Employee Handbook and the BOT Executive Policy Manual.

Section 4. Delegation of Authority

The Office of Hawaiian Affairs Native Hawaiian Trust Fund maintains a structured and organized process in implementing its investment program. To accomplish the mission, objectives and desired investment returns of the Fund, the Board of Trustees has delegated authority to various individuals and organizations.

4.1 BOT Composition. The BOT currently consists of representatives from:

- a) O'ahu
- b) Kaua'i and Ni'ihau
- c) Moloka'i and Lana'i
- d) Hawai'i
- e) Maui
- f) At large (4)

4.2 BOT Responsibilities. The BOT recognizes that it may not possess sufficient expertise to manage directly the assets of the Fund. The BOT, therefore, employs the services of various external experts to act as Fiduciaries--Consultants, Advisors and/or Custodians and seeks advice from independent parties. The BOT does rely on this expertise in carrying out its responsibility to oversee the overall management of the Fund's assets, and will meet quarterly to review the performance of the Fund and the activities of the external providers for reasonable consistency with the objectives of the Fund as set forth in this Statement. When necessary, the BOT will provide

guidance to the investment process. BOT may delegate certain of its responsibilities to the CEO to assist with the implementation of this Statement. BOT responsibilities include, but are not limited to:

- a) Approve the Investment Policy Statement and all modifications to the Statement;
- b) Approve Advisors and Non-Marketable Alternatives Providers. The BOT delegates authority to the CEO to select the Custodian, Consultant and Investment Advisory Committee (IAC) members;
- c) Monitor results of all Fund assets as a whole and those assigned to each Advisor. The BOT shall include in its quarterly assessment such topics as: economic outlook, portfolio diversification, asset allocation and structure, Advisors' strategies, potential risks, and the performance of the overall portfolio as well as each of the Fund's asset classes versus its benchmark rate of return and peer institutions;
- d) Review quarterly reports regarding the activities of Advisors, Consultant, Investment Advisory Committee and OHA staff overseeing the Fund;
- e) Review quarterly reports from the Custodian and Advisors regarding the composition of each Advisor's assets under management versus the Fund's strategic target and the asset class strategies of each Advisor;
- f) Review the quarterly report of the Consultant regarding the performance of the Fund and the Advisors;
- g) As necessary, review the Fund's strategic direction or significant issues impacting the Fund or Fiduciaries, and take action as appropriate;
- h) Attend a minimum of two investment educational events held in Hawai'i per year; and
- i) Attend out-of-State training, educational or due diligence events that are recommended by the CEO and approved by the Chairperson of the BOT.

4.3 Duties of the Consultant, Investment Advisory Committee, CEO and OHA Staff. The duties of the Consultant will be as set forth in the agreement entered into between the CEO and the Consultant. The duties of the Investment Advisory Committee are as outlined in the Committee's Charter. This Committee has no authority to make decisions, but only serves to provide independent comments to the Consultant, the CEO and staff, and BOT representatives regarding the economic outlook and the Fund's assets, strategies, performance, risks and Fiduciaries. The duties of the CEO, OHA staff, Investment Advisory Committee and Consultant will be set forth in the OHA Native Hawaiian Trust Fund Operational Procedures. The CEO is responsible for approving these Operational Procedures and for reviewing and approving all investment decisions not made by an Advisor, except those reserved for the BOT. The Consultant and OHA staff are responsible for assisting the CEO and the BOT in the execution of their responsibilities. Duties of the Consultant and OHA staff jointly include, but are not limited to:

- a) Monitor the performance of each Advisor's portfolio as frequently as market conditions dictate, including review of the Advisor's monthly reports;
- b) Aggregate as necessary and monitor the performance of the Fund's investment portfolios monthly and prepare quarterly performance and Advisor activity reports for review by the CEO and BOT;
- c) Monitor the monthly reconciliation of the portfolio positions and valuations among the Custodian and Advisors (OHA staff only);
- d) Seek to ensure that assets are invested in accordance with the requirements specified in this Statement;
- e) Recommend to the CEO and implement operational procedures that will enhance the investment program of the Fund and ensure that proper internal controls are implemented to safeguard the assets of the Fund, including preparing Investment Guideline Summaries for each of the Advisors;
- f) Recommend benchmarks for approval to the CEO;
- g) Prepare periodic market-cycle and annual reviews of the Fund's investments and the Advisors' performance, including findings from annual due diligence visits for presentation to the BOT;
- h) Conduct onsite annual due diligence of the Advisors and Custodian;
- i) Coordinate and vet changes to the Investment Policy Statement and serve as chair (Consultant) and secretary (OHA staff) to the Investment Advisory Committee;
- j) Evaluate the reasonableness of recommendations of Advisors and Non-Marketable Alternatives Providers regarding investment decisions and policies requiring the approval of the CEO.
- k) Evaluate and recommend Direct Investments in Hawaii for the approval of the CEO and BOT, as appropriate;
- l) Manage the Fund's Enhanced Liquidity Account assets awaiting disbursement to OHA consistent with the

Operational Procedures reviewed by the CFO and approved by the CEO; and

- m) Evaluate and recommend (OHA staff and Consultant) new Advisors for the approval by the CEO and BOT;
- n) Maintain knowledge of current trends and conditions with respect to investment management through continuing education.

4.4 Duties of the Advisors. The duties of the Advisors shall be as set forth in the agreements entered into between the BOT and the Advisors, and will explicitly include this Statement as an addendum. The Advisors act as Fiduciaries of the Fund for the assets they have under management. Duties of the Advisors include, but are not limited to:

- a) Invest the assets of the Fund within the constraints of the Statement while adhering to the investment management style, concepts and principles for which they were retained by the BOT. Advisors are responsible for tactical asset allocation and manager selection unless otherwise stated in the management and/or trust agreement with OHA;
- b) Where applicable per the Advisor management agreement, for all investment decisions requiring the CEO's approval, recommend specific investments and provide strategic and/or tactical investment advice to the BOT, CEO, OHA staff, and Consultant as appropriate to render a decision that will achieve the Fund's investment objectives;
- c) Seek to achieve best execution and price for all transactions effected on behalf of the Fund with brokers and dealers qualified to execute institutional orders on an ongoing basis and if appropriate, facilitate the recapture of commissions on behalf of the Fund;
- d) Reconcile within tolerance limits monthly accounting, transaction, valuation and asset summary data with the Custodian's transactions, valuations and holdings, including resolving any discrepancies with the Custodian;
- e) For investments where a market value is not available, assist the Custodian as necessary in finding appropriate pricing sources or establishing fair value procedures.
- f) Report to the BOT on all significant matters pertaining to their firm's ownership, investment style and philosophy, changes in personnel and performance relevant to the management of the Fund. Items relevant to the Fund include those that would have a direct or indirect impact on the ability of the Advisor to continue to provide a high level of service;
- g) Vote the proxies of invested companies (or delegate the vote to Managers), as they deem appropriate, although the BOT reserves the right to vote proxies in separately managed accounts if it so chooses;
- h) Periodically conduct capital market studies and make recommendations to the BOT regarding changes to the Statement and strategic asset allocation targets and ranges based on the risk/return objectives of the Fund and the economic and market outlook. The timing of these analyses, and either reaffirmation or recommendation of modifications to this Statement, shall be as agreed upon with the BOT, but normally every two to five years, but no less frequently than every six years;
- i) Select qualified Investment Managers, and monitor existing Managers' style consistency and performance at least monthly, including due diligence of those Managers regarding personnel, ownership, risk management and the investment process;
- j) Negotiate fee arrangements and other contract terms with the investment Managers on behalf of the Fund;
- k) Communicate with the Consultant and/or OHA staff on at least a monthly basis regarding actions taken, or any material changes, issues or circumstances warranting attention including performance of the Fund, market conditions and outlook, manager-turnover, Managers' or Advisor's staff turnover, etc;
- l) Prepare and present a quarterly executive summary report to the BOT as requested by the Consultant or OHA staff including performance versus benchmarks, asset allocation, economic outlook, fees, Manager summary, and any other significant issues impacting the Fund;
- m) Assist the Consultant and OHA staff in preparing Investment Guideline Summaries for the approval of the CEO covering the assets under their management and annually prepare a compliance and derivatives usage report (Each Advisor's Investment Guideline Summary will govern the assets under their management in conjunction with the Investment Policy Statement and the Investment Management Agreement between the

Advisor and OHA);

- n) Host an annual onsite comprehensive and/or topical due diligence for the Consultant and OHA staff and officials and as requested provide portfolio analytics and style consistency adherence at the manager-level for the Advisor's commingled vehicles;
- o) Negotiate and arrange for brokerage and any applicable recordkeeping services;
- p) Render special projects at the request of the BOT, the Consultant or OHA staff; and
- q) Provide certain other services, as described elsewhere in this Statement, such as investment training, market research, educational programs, analytical tools, etc.

4.5 Duties of the Custodian. The duties of the Custodian shall be as set forth in the agreement between the BOT and the Custodian. In addition to other responsibilities contained in that agreement the Custodian will:

- a) Provide complete custody and depository services for the Fund's assets including obtaining market values or fair values for all assets on at least a monthly basis;
- b) Provide a monthly report of transactions by the Advisors and, where applicable, by OHA (Enhanced Liquidity Account) as set forth in the Custody agreement;
- c) Provide audited monthly and annual accounting statements for all the Fund's assets and transactions;
- d) Collect all interest income, dividends and principal realization and properly report them in all accounting statements;
- e) Disperse funds to cover expenses, accept funds from OHA or the Advisors, and disperse funds to OHA or the Advisors as properly instructed by CEO or OHA staff, and properly report these transactions in all accounting statements; and
- f) Reconcile monthly accounting, transaction and asset summary data and communicate and resolve any discrepancies with the Advisors.

Section 5. Asset Allocation Guidelines and Long Term Targets

The BOT prefers Advisors who can construct and manage a portfolio encompassing multiple strategic asset classes using a Manager-of-Manager approach and utilize the Fund's strategic target index as their primary benchmark (strategic target weight times strategic benchmark index return for each strategic asset class). The purpose of the strategic target asset allocation is to provide an optimal mix of investments that has the potential to produce the desired returns with the least amount of fluctuation in the overall value of the investment portfolio. The minimum and maximum levels listed below are targeting guidelines as opposed to absolute barriers; Advisors should bring asset allocations which are outside of their approved targeting range back to the range per their rebalancing policy unless granted a written exception by the CEO. The Traditional and Alternative Assets Advisors are not responsible for Hawai'i Direct Investments and the Enhanced Liquidity Account. OHA staff may hedge the allocation to Hawai'i Direct Investments in a traditional asset class managed by one or more Advisors until such investments are made. The Alternatives Advisor may hedge the under or over exposure to asset classes with barriers to entry and exit (Non-Marketable Alternatives) with similar liquid (marketable) asset classes (e.g. hedge underexposure to targeted private equity using traditional equity or marketable equity alternatives).

EXHIBIT B

5.1 Asset Allocation.

Asset Class Portfolios	Maximum	Minimum	Strategic Target	Benchmark Index	Primary Objective
Traditional Asset Classes					
Traditional Global Equities	55%	22%	40%	MSCI ACWI	Growth
Traditional Global Fixed Income	22%	11%	17%	Bloomberg US Aggregate	Income
Traditional Global Real Assets	11%	0%	5%	US TIPS +3%	Inflation Hedge
Total Traditional Assets	88%	33%	62%		
Alternative Asset Classes					
Hedge Funds	19.2%	6.4%	12%	3-Month T-Bills +4%	Volatility Management
Private Markets*	25.6%	0%	18%	MSCI ACWI +3%	Growth
Total Alternative Assets	44.8%	6.4%	30%		
Enhanced Liquidity Account					
Enhanced Liquidity	10%	0%	3%	1-3 Year Treasury	Liquidity
Hawai'i Direct Investments					
Hawai'i Direct Investments	10%	0%	5%	US TIPS +3%	Inflation Hedge
*The Private Market allocation will consist of the previous Non-Marketable Equity, Credit, and Real Assets & Opportunistic portfolios					

The Strategic Targets for the Asset Classes listed in the table above multiplied by the benchmarks recommended by the Consultant and approved by the CEO constitute the Policy Portfolio. The table below regroups the Asset Classes by their primary objective.

EXHIBIT B

Asset Class Portfolios	Maximum	Minimum	Strategic Target
Growth			
Traditional Global Equities	55%	22%	40%
Private Markets	25.6%	0%	18%
Total Growth	80.6%	22%	58%
Income			
Traditional Global Fixed Income	22%	11%	17%
Total Income	22%	11%	17%
Volatility Management			
Hedge Funds	19.2%	6.4%	12%
Inflation Hedge			
Traditional Global Real Assets	11%	0%	5%
Hawai'i Direct Investments	10%	0%	5%
Total Inflation Hedge	21%	0%	10%
Liquidity			
Enhanced Liquidity	10%	0%	3%

The CEO has the delegated power to allocate up to \$25 million from the Fund for a Direct Investment Program. Direct investments made from the Fund shall follow the guidelines set forth in the Hawai'i Direct Investment Policy section of this Statement. All Hawai'i-based Direct Investments are excluded from the discretionary Manager-of-Managers framework. The OHA staff with the assistance of the Consultant will be responsible for the due diligence, performance monitoring and reporting of such investments.

Private Market investments are accomplished outside of the discretionary Advisor framework as the Advisors do not have investment discretion over these assets. Approved Non-Marketable Alternatives Providers will provide OHA staff and the Consultant with sufficient information and analyses to evaluate their investment recommendations. The information may include Manager due diligence reports and portfolio analytics so that the CEO can make an informed decision relating to the investment. It is recognized that there may be underinvestment or overinvestment in these illiquid asset classes due to the timing of capital calls and distributions.

5.2 Benchmarks. Each Advisor will use the primary strategic benchmark index listed in their Investment Guideline

Summary as a guide in managing assets under their control. The strategic asset allocation targets and ranges, performance benchmarks, and additional investment guidelines are also set forth in each Advisor's Investment Guideline Summary or Investment Management Agreement. As necessary, the Consultant will recommend changes to the strategic targets, ranges, performance benchmarks, and any additional guidelines and the CEO must approve those changes before they become effective. The CEO will notify the BOT of Investment Guideline changes in writing.

Every new product of an Advisor must be assigned to one of the above asset classes as agreed upon between the Advisor and OHA Staff and/or the Consultant, with notification of the CEO. In addition, each investment may have a custom benchmark different from that of the asset class as agreed upon with the Consultant. The secondary benchmark is the Consumer Price Index (CPI) plus 5.0% annually for the Fund as a whole. The Consultant will also recommend, in consultation with each Advisor, peer manager and peer institution benchmarks and these will be approved by the CEO. Besides reporting portfolio performance versus these portfolio benchmarks, the Advisors shall report investment results on individual funds or portfolios versus their custom benchmarks.

The BOT recognizes that the actual asset allocation of the Fund may vary between or even outside of the minimum and maximum in the short term depending on market conditions and/or tactical asset allocation shifts. Asset classes not contemplated above or elsewhere in this Policy may be added to the Fund upon approval in writing by the BOT. The Advisors will only be responsible for meeting the investment objectives applicable to the portion of the Fund entrusted to such Advisors.

5.3 Rebalancing Policy. The primary purposes of rebalancing are to (1) ensure that the Fund's actual asset allocation does not drift too far from the strategic asset allocation; and (2) improve the performance of the Fund. The CEO will ensure that any agreement entered into with an Investment Advisor sets forth a rebalancing policy satisfactory to the BOT.

Section 6: Cash Holdings

It is the policy of the Fund that the Advisors fully invest the assets of the Fund under their control except to accommodate large cash flows. Unhedged cash and equivalents may be held in the Fund for defensive purposes at the Advisor's discretion during abnormal market conditions. The equity portion of the Advisor's portfolio should strive to maintain less than 5% of the portfolio in cash equivalents, unless the cash is hedged to achieve the appropriate asset class exposure. The fixed income portion of the Advisor's portfolio may maintain higher cash balances (e.g., as barbell strategies necessitate this exposure to cash).

Cash equivalents maximize liquidity and safety of principal. Maturities should be short enough that cash equivalents can be liquidated with a limited loss of principal. The following types of cash equivalents are eligible for investment:

- a) Money market mutual funds (2a7) which invest solely in U.S. Treasury and government agency securities;
- b) Deposits which are 100% federally insured or collateralized with U.S. government or agency securities with a market value of at least 100% of the face amount of the certificate;
- c) U.S. Treasury bills and short-term U.S. government agency securities;
- d) Overnight repurchase agreements collateralized with U.S. government or agency securities with a market value of at least 102% of the face amount; and
- e) Commercial paper of the highest two grades as rated by a nationally recognized rating agency.

Section 7. Pooled/Commingled Investments/Mutual Funds

Commingled investment vehicles where there is a pooling of securities owned by multiple clients for diversification, risk reduction, or cost benefits, include mutual funds, trust funds, private placements, and limited

partnerships, and are explicitly permissible. Although private placements and limited partnerships are exempt from both federal and state securities registration, they are considered appropriate vehicles for the Fund.

Section 8. Permissible Investments

8.1 Asset Class Definitions, Objectives, Permissible Instruments, Strategies, & Requirements. Investments in each asset class listed in Section 5, except for those investments excluded from the Advisors' responsibility, must be well diversified as defined below and in the Investment Guideline Summary or Investment Management Agreement of each Advisor. Advisors, as Fiduciaries, must exercise prudence in all matters and invest solely for the benefit of the Fund. For each asset class, the Advisors will retain Managers who invest in separate accounts or in commingled vehicles. An Advisor may select itself, an affiliated Manager, or an external Manager. Advisors may also retain Managers to provide "active overlay" strategies that use securities, currencies and derivative instruments, including but not limited to forwards, options, futures contracts, options, currency forwards, futures contracts and swaps (e.g. interest rate, credit default and total return) to replicate an index or combination of indexes. These overlay strategies will seek to (a) manage Fund exposure to various asset classes, (b) manage overall Fund risk, and (c) under certain conditions, enhance total return with tightly controlled leverage constraints.

Each Advisor must demonstrate that it has the capability to manage the risks involved in each asset class. Key to controlling risks is the ability to conduct robust ongoing due diligence on the Managers it selects and the ability to measure, manage and report portfolio risks, including issuer concentration, market, credit, duration, liquidity, leverage, currency and other major risks. The Consultant, with the assistance of OHA staff and the Advisors, must document the investment restrictions and risk controls for the portfolio of each Advisor in the Investment Guideline Summaries. The Advisors are not allowed to leverage the Fund's assets at the portfolio level without prior written approval of the BOT, although individual managers or commingled vehicles in certain asset classes and strategies may employ leverage under controlled conditions. Risk hedging in each asset class is explicitly permitted, including currency risks relative to the benchmark index and temporarily hedging the exposure in an illiquid asset class with a similar liquid asset class.

a) **Traditional Global Equity - Common & Preferred Stocks and Un-levered Equity Derivatives.** The primary role of traditional global equity is to seek to provide total return in excess of inflation, consistent with the appropriate benchmark index. Traditional equity may be actively managed in diversified portfolios of long only positions and/or long and short positions netting to approximately 100% long, be passively managed, utilize active overlay strategies, or be managed in any combination of active, passive and overlay strategies. The goal of an actively managed stock portfolio will be to achieve a net return after fees in excess of its benchmark index with comparable risk. Securities should be publicly owned and traded actively enough to insure liquidity without significantly adverse effects on price due to rapid sale. The Advisor should diversify the portfolio by geography—domestic and international, both developed and emerging markets, by investment style—value and growth, by manager, by approach—quantitative versus fundamental, by sector and industry, and capitalization—small, mid and large. An Advisor may select itself or an affiliated Manager in this asset class.

b) **Traditional Global Fixed Income – Cash Equivalents, Bonds, Loans and Un-levered Fixed Income Derivatives.** The primary role of Global Fixed Income is to seek to: 1) generate income while diversifying the investment assets, 2) provide a safe, stable return, and 3) provide a deflationary hedge. The fixed income asset class may include, but is not limited to the following components:

- a) Cash equivalents;
- b) US core credit including investment grade corporate, asset-backed, municipals and mortgage securities;
- c) High-yield securities and liquid loans; and
- d) Foreign government securities, investment grade foreign corporate debt denominated in US dollars or foreign currencies from both emerging markets and developed countries.

Advisors should ensure that managers are carefully managing portfolio duration, convexity, yield curve structure, sector exposure, issuer concentration, credit quality, non-U.S. securities, and currency risk to achieve a balanced and

reasonable risk budget relative to the benchmark index for the fixed income portfolio. An Advisor may select itself or an affiliated Manager in this asset class.

c) Global Real Assets – Real Estate Investment Trusts (REITs) and Treasury Inflation Protected Securities (TIPS).

The primary role of global real estate is to seek to provide total return in excess of inflation, consistent with an appropriate real estate benchmark index. The Managers selected by the Advisors must have demonstrated a favorable record in managing real estate portfolios. The public real estate asset portfolio of the Fund may be comprised of commingled pools and/or a portfolio of real estate investment trusts (REITs), which are well diversified by property type and geographic location. Advisors shall invest in instruments which comprise a portfolio well diversified by the four main property types, including office, retail, industrial, and multifamily residential, as well as by geographic region, and tenancy/leasing structure. If a real estate investment is made via a commingled vehicle, the prospectus or operating guidelines of that vehicle will serve as the operative policy. The Advisors are responsible for ensuring that the selected vehicle or portfolio has adequate risk controls in place and that the Manager is investing according to the operative policy. The Advisors may also invest in TIPS as a diversifier, or if they believe that they provide a better value than REITs, as an inflation hedge. An Advisor may select itself or an affiliated Manager in this asset class.

d) Low Volatility Marketable Alternatives – Funds of Hedge Funds, Individual Hedge Funds, Commodity Funds, and Mutual and Exchange Traded Funds employing alternative strategies.

The primary role of this asset class is to seek to provide a consistently positive return source above the risk free rate that has low volatility and low correlation to the other asset classes, and the secondary role is to provide an inflation hedge through a commodity allocation. This asset class consists of a diversified portfolio of hedge fund strategies deemed appropriate by the Advisor for this role, including but not limited to macro, commodity trading advisors, relative value, opportunistic, global tactical asset allocation, distressed, and opportunistic. The Alternatives Advisor may utilize funds of hedge funds, a portfolio of individual hedge funds, mutual funds or market neutral overlay strategies designed to achieve a consistently positive return above the risk free rate. The Alternatives Advisor may select itself or an affiliate as the fund-of-funds Manager or as one or more of the hedge fund Managers. The Alternatives Advisor is responsible for ensuring that the selected vehicle has adequate risk controls in place. The Alternatives Advisor will seek to ensure that Managers invest according to the offering memorandum or partnership agreement. The Alternatives Advisor may select Managers that utilize reasonable amounts of leverage at the fund-of-funds level and Managers that utilize reasonable leverage within their individual hedge funds. The liquidity requirements for individual hedge funds or hedge fund-of-funds will be defined in the Advisor's Investment Guideline Summary. Advisors should seek to avoid direct or indirect investments in funds with redemption gates or side pockets, as well as funds which lack reasonable transparency consistent with the investment strategy. Advisors should also avoid any funds with excessive fees in relation to market practice and/or expected returns, or terms which do not align the interests of the Manager with the client, as well as those that have the majority of assets in illiquid investments.

The primary role of the commodities allocation is to seek to provide a consistently positive return above inflation with a low or negative correlation to the other asset classes. Commodities provide an inflation hedge and should consist of a diversified portfolio of energy, metal, agricultural and other commodities, including but not limited to oil, natural gas, grains, metals, and livestock. The Alternatives Advisor may utilize separate accounts or commingled funds using a single Manager or a multi-manager approach. The Alternatives Advisor should utilize strategies that have at least monthly liquidity under normal conditions and further liquidity guidelines will be specified in the Advisor's Investment Guideline Summary. The Alternatives Advisor may select an affiliate as the Manager-of-Managers or as one of the Managers. The Alternatives Advisor is responsible for ensuring that the selected Managers have adequate risk controls in place, especially for separately managed accounts. The Alternatives Advisor will seek to ensure that Managers utilizing funds invest according to the offering memorandum or partnership agreement.

e) Non-Marketable Equity Alternatives – Private Equity Funds, Funds of Private Equity Funds, Equity Hedge Funds, and Cash Equivalents & Overlay Strategies.

The primary role of Non-Marketable Equity Alternatives is to seek to provide enhanced total return to traditional equity through vehicles which may have limited liquidity and/or utilize leverage and derivatives, but employ strategies which go beyond the long only equity portfolio. Equity Alternatives include, but are not limited to, investments in private equity, venture capital, portable alpha, and long-biased equity hedge funds. The Alternatives Advisor may utilize hedge funds that correlate to the equity markets or

overlay strategies such as portable alpha to hedge an underexposure to the targeted level of Non-Marketable Equity Alternatives, and hold cash temporarily to meet capital calls. The Alternatives Advisor may select itself or an affiliated Manager to hedge an underexposure in this asset class. The CEO may approve funds of private equity funds, which consist of funds making primary and/or secondary investments in underlying private equity funds as well as some direct investments. These funds are managed for returns with low correlation to returns in the traditional equity markets, and with very little liquidity. Assets invested in these private funds are generally illiquid for five to ten or more years. The CEO needs to invest the Fund's assets in a consistent long-term approach so as to limit the vintage year risk where there is a wide range of performance depending on the year the fund is launched. The Non-Marketable Alternatives Providers will seek to ensure that general partners invest according to the offering memorandum or partnership agreement. The Providers are responsible for ensuring that the selected vehicle has adequate risk controls in place and invests within the stated style and the scope of its offering memorandum or partnership agreement. Due to the long-term nature of a private equity investment, the measurement period for complete evaluation will be over a ten-year period. A ten-year return is intended to cover at least one complete market cycle, and is consistent with the average term of private equity fund-of-funds investments. The OHA staff and Consultant will evaluate and the CEO must approve all investments in Non-Marketable funds within this asset class.

f) Non-Marketable Credit Alternatives — Mezzanine Debt Funds, Specialty Loan Funds, Distressed Debt Funds, and Credit Hedge Funds. The primary role of Non-Marketable Credit Alternatives is to seek to provide enhanced total return to traditional credit through vehicles which may have limited liquidity and/or utilize leverage and derivatives, but provide access to fixed income strategies with higher return potential. Credit alternatives include, but are not limited to mezzanine debt, bank loans, distressed debt, special situations, portable alpha, and hedge funds utilizing credit strategies. These strategies should have returns with moderate correlation to traditional fixed income returns and low correlation to the other asset classes. The Non-Marketable Alternatives Providers are responsible for ensuring that their selected vehicles have adequate risk controls in place and that their selected vehicles conform to the offering memorandum or partnership agreement. The Alternatives Advisor may select itself or an affiliated Manager to hedge an underexposure in this asset class using credit hedge funds, overlay strategies, or traditional credit strategies. The OHA staff and Consultant will evaluate and the CEO must approve all investments in Non-Marketable funds within this asset class.

g) Non-Marketable Real Assets & Opportunistic Alternatives — Natural Resource Funds, Infrastructure Funds, Commodity Funds, Master Limited Partnerships (MLP's) and unique investments that do not fit into another Asset Class. The primary role of Non-Marketable Real Assets & Opportunistic Alternative investments is to seek to provide an inflation hedge, and the secondary role is to provide enhanced total return above Traditional Real Assets by committing capital for ten years or more to private market real asset strategies. Real assets include, but are not limited to real estate, TIPS, commodities, and natural resources. The OHA Staff and Consultant will evaluate and the CEO must approve all investments in Non-Marketable funds within this asset class. The Alternatives Advisor may hedge target exposure using such marketable assets as MLP's, CTA's, REITs, TIPS, overlay strategies, or mutual and exchange-traded funds utilizing real asset strategies. The Alternatives Advisor may select itself or an affiliated Manager to hedge underexposure in this asset class.

h) Hawaii Direct Investments. The primary role of Hawaii Direct Investments is to seek a total return of five percent in excess of inflation from real property that provides office space to OHA in Hawaii. This asset class includes the legacy investment in Russell Investments Private Real Estate Fund. All direct real estate investments must be made within the context of the Direct Investment Policy Statement.

Section 9. Prohibited Investments

The following investments are prohibited. Should a prohibited transaction occur, the Advisor must report it immediately after discovery to the Consultant and OHA staff, who will report it at the next BOT meeting.

9.1 Self-Dealing Transactions. Managers cannot purchase or hold any security of the Advisor who selected them, unless permitted by law.

9.2 Financial Institution Deposits including CDs. Direct deposits may not exceed the Federal Deposit Insurance Corporation insurance limit unless they are 100% collateralized by eligible U.S. government securities or fully covered by a surety bond.

9.3 Letter Stock. Letter stock and other unregistered equity securities are prohibited except in the alternative asset classes.

Section 10. Derivatives Policy

This Derivatives Policy applies to all investments with the exception of those permitted in funds in the alternative asset classes. Investments in derivatives shall not create a leverage effect on portfolio returns and must be consistent with the asset class they are in. Structured securities, futures, forwards, total return swaps, interest rate swaps, credit default swaps, options and other derivatives are permitted only if they are used in a defensive hedging manner (e.g. to hedge a currency, equitize cash, or to create an overlay strategy or structured fixed income portfolio). Advisors will be required to report on a periodic basis (at least annually) to the BOT on their use of derivatives for any purpose and to assure compliance with this Policy.

Section 11. Voting of Proxies

The BOT has delegated the authority to Advisors and Managers to vote proxies. For separately managed accounts (not pooled vehicles), the BOT reserves its right to exercise its proxy rights when it so chooses and to vote the proxies of invested companies as it deems appropriate. The proxy voting review process and guidelines are set forth in the OHA Native Hawaiian Trust Fund Operational Procedures.

Section 12. Trades, Exchanges & Valuation

12.1 Selling or Exchanging Securities. Investment Managers may sell or exchange securities in the course of daily management of specific funds. The goal of all such trades is to maximize portfolio performance while maintaining an appropriate risk profile.

12.2 Marking to Market. To account for market fluctuations and volatility, the Custodian or its agent (independent pricing agent) will mark to market all securities at least monthly. When market values are not available, the Custodian will follow the prevailing best practices regarding fair valuation. If a significant market event takes place during the month that impacts the value of the portfolio, the Custodian or its agent will determine the impact on the portfolio.

Section 13. Procedures for Selecting and Reviewing Investment Advisors

13.1 Review Process. Fund investments will be managed by professional Advisors and Managers except to the extent the BOT specifically delegates investment authority for other strategies for which the Fund's Advisors do not have specific expertise under the Manager-of-Managers' approach or for OHA's Enhanced Liquidity Account. When the BOT elects to retain a new Investment Advisor(s), it will instruct OHA staff and the Consultant to conduct a search for the Advisor and issue a public notice on OHA's website. HRS §103D-102(b)(2)(F) specifically exempts investment from the State procurement process. The selection process will include, but not be limited to, the following:

- a) The Consultant will perform a review of the universe of available candidates for the specific assignment and provide a list of best-in-class Advisors to OHA staff from a formal screening process of qualified candidates.
- b) The initial list will consist of either eight to ten Advisors, but may be fewer depending on the investment approach.
- c) OHA procurement will review the list of candidates ensuring that they meet OHA's compliance standards.
- d) The Consultant will provide OHA staff performance and risk statistics as available and applicable as well as a summary of each Advisor.
- e) OHA staff and the Consultant will evaluate the Advisors and shorten the list to four candidates.
- f) The Consultant will request each qualifying candidate to provide information which will include but is not limited to three-year, five-year, and ten-year performance record, as available, and the associated risks taken to achieve the returns, the quality and stability of the investment personnel and process of each company, adherence to philosophy/style and the fees charged by each company.
- g) OHA staff and the Consultant will provide a summary of the responses received, which will include a list of evaluation criteria to be approved by the CEO for the BOT. At least two finalists will be selected to make an oral presentation to the BOT.
- h) Final selection will be approved by the BOT.
- i) Timing of funds to Advisors will be based on the asset allocation, availability of funds, and structure of the investment.
- j) OHA staff will be responsible for coordinating the contract execution with any external Advisor or Manager approved by the BOT.

13.2 Selection Criteria for Advisors. Criteria will be established for each Advisor search undertaken by the BOT and will be tailored to the BOT's needs. These criteria are applicable to discretionary Manager-of-Managers and may not necessarily be applicable for the Enhanced Liquidity Account Manager. In general, eligible Advisors will possess attributes including, but not limited to, the following:

- a) For Manager-of- Manager searches, the firm must exhibit capabilities to offer Manager-of-Manager programs across a variety of asset classes and are capable of utilizing qualified Hawaii-based Managers;
- b) For specific asset class searches, the firm must be experienced in managing money for institutional clients in the asset class/product category/investment style specified by the BOT;
- c) The firm must have a minimum five-year history with managing institutional assets, demonstrate continuity of key personnel,; shorter-term histories will be considered for entire portfolio management teams that have portable track records from predecessor firms;
- d) The firm must display a record of stability in retaining and attracting qualified investment professionals, as well as a record of managing asset growth effectively, both in gaining and retaining clients;
- e) The firm must have an asset base sufficient to accommodate the Fund's portfolio: Manager of Managers should have at least \$20 billion of discretionary institutional assets under management; the Fund's portfolio should represent no more than 5% of the firm's total asset base for any Advisor;
- f) The firm must demonstrate adherence to the investment style sought by the BOT, and adherence to the firm's stated investment discipline;
- g) The firm should promote good governance in its proxy voting policy and adhere to best practice standards regarding transparency, manager fee structure, leverage, and liquidity in the alternative asset classes;

- h) The firm's fees should be competitive with industry standards for each product category and overall;
- i) The firm must comply with the "Duties of the Investment Advisors" outlined in this Statement and should conform to GIPS (Global Investment Performance Standards) for performance reporting;
- j) The firm must be able to offer investment education programs to the BOT and OHA staff at least once a year; and
- k) The firm must be able to provide analytics tools and/or reports necessary for OHA staff and Consultant to monitor and analyze asset allocation, risk, and manager performance.

13.3 Criteria for Advisor Review and Monitoring. The BOT reserves the right to terminate an Investment Advisor at any time with reasonable notice as defined in the contract between the BOT and the Investment Advisor. Grounds for termination may include, but are not limited to:

- a) Failure to comply with the guidelines agreed upon for the management of the Fund's assets; including holding restricted securities and conducting prohibited transactions;
- b) Failure to achieve performance objectives specified in this Statement or the Advisor's contractual guidelines;
- c) Significant deviation from the Advisor's stated investment philosophy/style and/or process.
- d) Loss of key personnel or significant ownership changes that create instability in the organization;
- e) Evidence of illegal or unethical behavior by the Investment Advisor;
- f) Lack of willingness to cooperate with reasonable requests by the BOT, Investment Consultant or OHA staff for information, meetings or other material;
- g) Loss of confidence by the BOT; and
- h) A change in the Fund's asset allocation program which necessitates a shift of assets to another process or style.

The presence of any one, or a combination of these, factors will be carefully reviewed by the BOT, but will not necessarily result in an automatic termination.

13.4 Performance Monitoring. The OHA staff and Consultant shall monitor monthly statements and receive quarterly performance reports from the Advisors. The Advisors shall monitor, at least monthly, the investment results of each Manager under contract to determine whether or not that Manager is performing up to the standard required by the benchmark of performance specified in the Manager's contract.

13.5 Advisors Total Return Comparison. The BOT expects that each Advisor's total portfolio performance over a market cycle will meet or exceed the benchmark index established for that Advisor.

13.6 Total Portfolio Returns. The BOT expects that the Fund's combined investment results over a market cycle will be in the top 50% of a nationally recognized universe of foundations and endowments with similar sized portfolios.

13.7 Asset Class Returns. Specific asset class investment results shall be measured against benchmarks as detailed in the Advisor's Investment Guideline Summary.

13.8 Advisor Alerts. Advisors are expected to keep the BOT, OHA staff and Consultant informed of any material changes in their respective firms (i.e. change in personnel, ownership, policy, etc.).

13.9 Termination. If at any time the standard required is not being met by an Advisor, the BOT will determine what action will be taken toward the Investment Advisor. The decision to terminate an Investment Advisor shall be by majority vote of the BOT present at the meeting subject to the contractual agreement.

Section 14. Liquidity Policy

The Redemption liquidity of the total Trust Fund will be maintained with a minimum 65% of the Fund's assets able to be liquidated at market value under normal conditions on at least a quarterly basis (advance notification and some

restrictions may apply). Investments with liquidity less than quarterly require the approval of the CEO. At least 50% of the total Trust Fund's assets must be liquid on at least a monthly basis at market value without restriction or advance notice longer than five business days under normal conditions. The Liquidity requirements for each Advisor and the assets under their management will be specified in their Investment Guideline Summaries and/or Investment Management Agreements.

Section 15. Errors & Omissions

The Advisor is to correct any material violation of the provisions of this Statement within a reasonable time period upon discovery. The Advisor will reimburse the Fund for a realized loss resulting from a material violation as agreed in the contract between the BOT and the Advisor.

Section 16. Adding New Asset Classes

The Investment Consultant with the assistance of OHA staff will work with the Advisors to assign each investment (e.g. fund) to an asset class portfolio, a custom benchmark index, and a peer manager universe. If the Advisor proposes an investment that does not fit into one of the approved asset classes listed in Section 5, the Advisor will prepare a written recommendation to the OHA staff / Consultant justifying the investment. The recommendation must include a description, of the new asset class, rationale for including the new investment, historical returns and risk statistics, liquidity, analysis of impact on the risk/return of the Fund, the benchmark index and manager peer universe. OHA staff and the consultant will provide a recommendation to the BOT. Adding a new asset class will require the approval of the CEO and the BOT.

Section 17. Interpretation

This Statement will be incorporated as an addendum in the agreements between the OHA BOT and each Advisor. In the event of any conflict or inconsistency between the terms of the agreement and this Statement, other than the Section 4.4 Duties of the Investment Advisors and anything designated as a Fundamental Investment Policy, the terms of the agreement with the Advisor shall govern.

Section 18. Hawai'i Direct Investment Policy (HDIP)

The CEO has the delegated power to allocate up to \$25 million, but not to exceed 10% of the market value of the Fund at the time of investment, on a cost basis for Hawai'i Direct Investments, including real estate and equity positions in companies based in Hawaii or with significant operations in Hawaii. Approved uses for this allocation include the acquisition of corporate real estate that OHA will occupy in whole or in part and funding BOT-approved lending programs for Native Hawaiians. This allocation may not be used for any other purpose until the acquisition of OHA's first corporate headquarter real estate property is complete. Investments other than corporate real estate and BOT-approved lending programs must be approved by a supermajority vote of the BOT. The combined cost of all direct investments, less any return of capital to the Fund from these direct investments, cannot exceed the \$25 million allocation.

18.2 Delegation of Authority. All final acquisition, development, and/or disposition decisions of Hawai'i direct investments must be approved by the BOT. The BOT delegates to the CEO the authority to:

- a) Administer the HDIP and approve and implement procedures to carry it out;
- b) Delegate duties to OHA staff as necessary to fulfill and implement this policy;

- c) Deny opportunities that do not satisfy current policy, guidelines, and/or criteria approved by the BOT;
- d) Execute contract and agreements;
- e) Conduct investment due diligence, negotiations, and on-going performance monitoring;
- f) Structure real estate financing terms for approval by the BOT;
- g) As necessary, oversee and manage the operational functions associated with each investment, including selecting and terminating service providers, negotiating leases and setting fee schedules (including market-based lease terms for OHA occupied space), obtaining and approving permits, licensing, and leasing, approving tenant improvements, sub-leases, evictions, use and service agreements, and making all other operational decisions associated with the investment; and
- h) Determine when to segregate assets to fund acquisitions and to place those assets with OHA staff to invest in the Enhanced Liquidity Account (ELA) until acquisitions are closed. These funds do not count toward the spending limit on annual transfers to the ELA

The BOT reserves the right to approve all other decisions not listed above.

18.3 Permissible Investment. For OHA's headquarter corporate real estate acquisition, OHA is to invest in real estate located on the island of O'ahu. OHA may own such investments in its own name or, to the extent permitted by law, through title holding entities, and may transfer real estate properties from direct ownership to a title holding entity, or vice versa, during the course of the holding period of the investment. Realized gains generated from real estate dispositions should credit the cost of the investment allocated to the direct investment program.

All direct investments should demonstrate the ability to generate current income and capital gains consistent with the asset class benchmark index and Fund's long-term objective.

18.4 Leverage. OHA may finance the acquisition of corporate real estate with a mortgage. The property may be pledged as collateral under a non-recourse structure to OHA. Any amount of recourse back to OHA, including an OHA guarantee, will be considered a use of capital and therefore be counted toward the \$25 million allocation.

18.5 Market Valuation. Market valuation of corporate real estate is determined by biennial appraisals conducted by a reputable independent appraisal firm and that value will be utilized until the next appraisal. Prior to the first appraisal, the market value of the asset is assumed to equal its acquisition cost.

Section 19. Enhanced Liquidity Account Investments

The BOT has authorized the use of an Enhanced Liquidity Account (ELA) utilizing primarily short-term and intermediate-term U.S. government and agency securities, TIPS, MLP's, liquid alternative risk premia strategies, and passive beta strategies to manage OHA's short-term (less than 18 months) cash flow. The ELA may be managed internally by OHA staff or externally by a registered investment advisor. The primary objectives of the ELA are to expedite the ability to meet fiscal obligations and efficiently manage short-term cash needs; a secondary objective is to provide a highly liquid, low volatility, low or anti-correlating asset to the Fund. As such, OHA may hold up to 10% of the net assets of the Fund in the ELA. The custody of short-term investment assets shall remain with OHA's Fund Custodian.

19.1 Permissible Investments. Assets held within the ELA must have no less than monthly liquidity under normal conditions. Passive index mutual funds, passive exchange-traded funds, passive institutional commingled funds, liquid alternative risk premia strategies, short-term U.S. government and agency securities, cash, and cash equivalents are permitted. A list of allowable investment vehicles for each asset class must be reviewed by the CFO and Consultant, approved by the CEO, and presented to the BOT for review. OHA staff or its external Manager may only select from this Approved List of investments vehicles in the ELA.

19.2 Asset Allocation and Rebalancing. The investments should be highly liquid with low volatility. Under normal conditions, the ELA's assets should be targeted no more than 2.0 percentage points (absolute) away from the

strategic target allocation set forth in the ELA Manager's Investment Guideline Summary or Investment Management Agreement. OHA staff and the Consultant will devise a targeting and rebalancing process with a maximum tolerance approved by the CEO. If managed internally, OHA staff will execute the process; otherwise the external Manager will execute the process. Decisions to target the asset allocation outside of the maximum 2.0% tolerance shall be reviewed by the Investment Advisory Committee and/or CFO, approved by the CEO, and reported to the BOT prior to implementation.

19.3 Internal Controls. Internal operational controls and procedures relating to short-term investments shall be outlined in the OHA Native Hawaiian Trust Fund Operational Procedures.

19.4 Advisor and Manager Selection. The BOT will approve OHA staff under the supervision of the CFO and CEO as the Advisor and an external Manager to manage the ELA. The external Manager may not have full investment discretion; therefore, provisions relating to discretionary Advisors in this Statement may not necessarily apply to the ELA Manager. The duties of the ELA Manager shall be established based on the Investment Management Agreement between the Manager and the BOT. BOT presentations by four finalists are not necessary for ELA Manager selection.

19.5 ELA Policy Benchmark & Investment Guidelines. The Policy performance benchmark for the ELA shall be the combination of market indexes and the risk free rate as set forth in the Manager's Investment Guideline Summary or Investment Management Agreement, which will also establish investment guidelines for managing the account.

Section 20. Investment Risk Management Policy

The Native Hawaiian Trust Fund ("NHTF") Investment Risk Management Policy is designed to ensure that there are risk control measures in place to identify, monitor, and manage the level of risks and to balance the long-term expected risk and return objectives of the NHTF investment portfolio. The OHA Board of Trustees ("BOT") recognizes that the undertaking of risks is generally unavoidable in investment management. The purpose of this policy is not to eliminate risks, but to understand the risks through the implementation of disciplined processes and procedures. Risk control measures include continuous monitoring and timely reporting by OHA staff to ensure the effectiveness of OHA's investment risk management system. This Policy is not intended to provide an exhaustive list of risks or provide a comprehensive list of process and procedures to identify and mitigate risks. Rather, this policy provides generally accepted approaches to risk management that can be implemented through investment guidelines and operational policies and procedures.

Risk Management

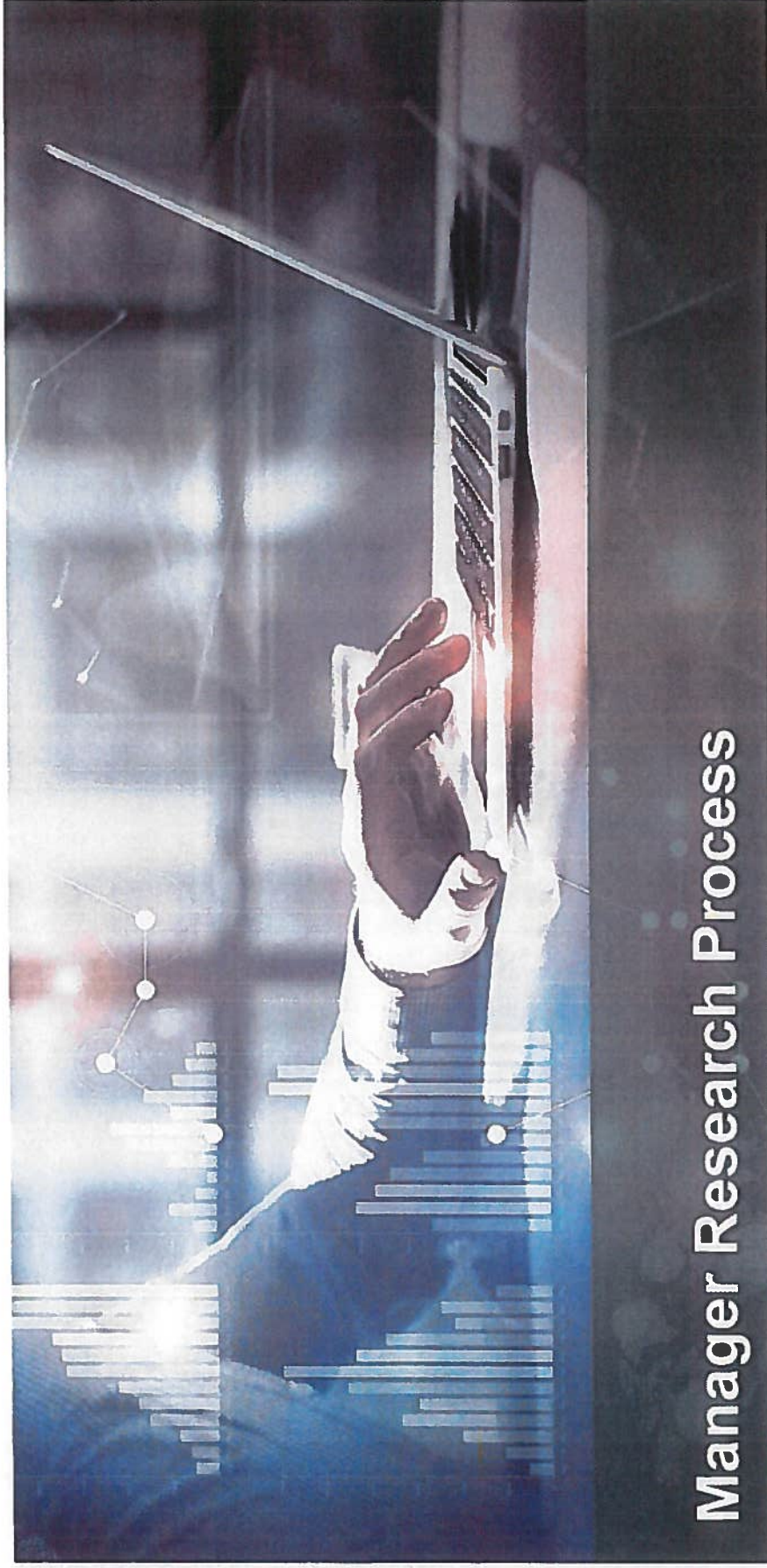
Key risk factors may stem from internal or external sources. The assessment of risk may be both qualitative and quantitative. The OHA staff and Consultant shall conduct an annual qualitative risk assessment identifying key risk factors, sources of risk, risk mitigants, and remediation plan, if necessary, to manage these risks. OHA staff shall also provide quantitative risk reporting to the BOT using commonly accepted quantitative risk reporting measures on a quarterly basis. Risk management measures may include the following:

- 1) Establish internal policies and procedures to minimize operational and legal risks;
- 2) Establish investment guidelines for eligible investments, diversification, rebalancing, liquidity, leverage, and use of derivatives;
- 3) Annual reporting of portfolio volatility (measured using standard deviation of returns) and expected volatility and return provided by the Investment Advisors;
- 4) Annual reporting of tracking error for OHA's liquid assets;
- 5) Annual reporting of leverage, currency risk, concentration risk, and liquidity risk;
- 6) Annual external financial audit by a reputable independent audit firm; and

- 7) Periodic review of the Investment Policy Statement and Risk Management Policy as necessary to assess the relevance and effectiveness of these policies.

Implementation

It is the responsibility of OHA's Chief Executive Officer to ensure that risk management policies and procedures are in place to identify, monitor, and manage investment risk. It is the OHA staff's responsibility to implement internal procedures and continuously monitor the investment portfolio and Advisor activities to ensure policy and guideline compliance. OHA staff shall rely on most recent data available provided by the Custodian and Advisors to analyze risk statistics and provide risk reporting. A risk management review shall be provided to the BOT by the Investment Consultant on an annual basis, or more frequently as needed.



Manager Research Process

July 24, 2019

John Marco

Senior Vice President

★ Segal Marco Advisors

In-Depth Research = Success in Your Portfolio

Segal Marco's three-part research team is what sets us apart:

Risk Management

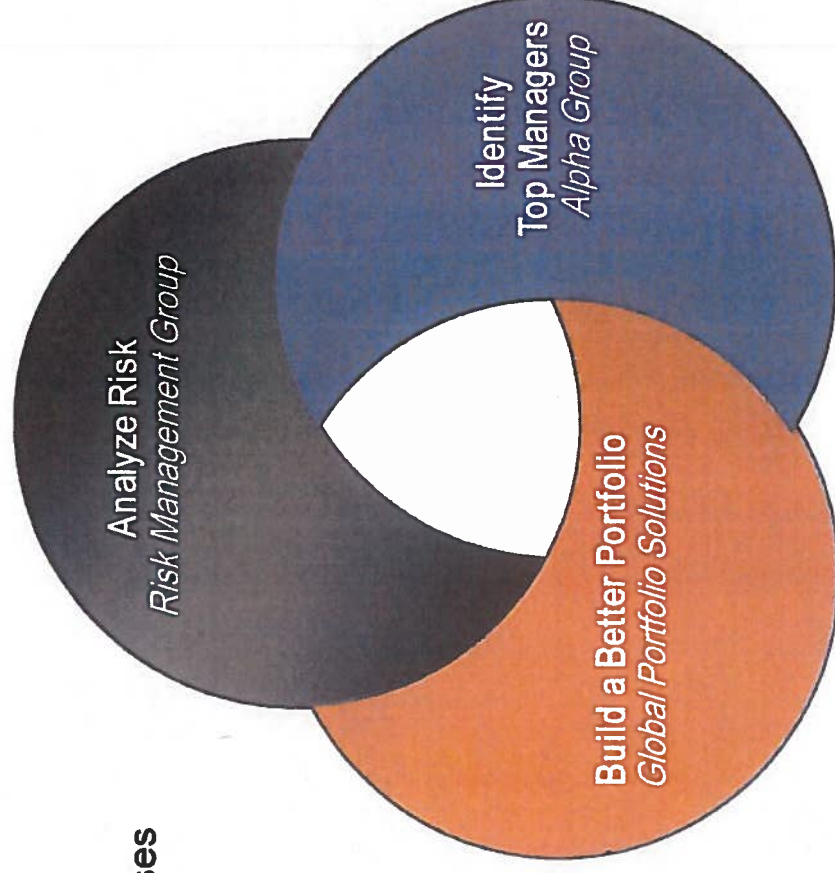
- Define strategic asset classes
- Formulate views on strategic asset classes
- Anticipate macro investment themes
- Formulate capital markets assumptions
- Formulate objective-driven investing
- Develop annual research agenda

Alpha Research

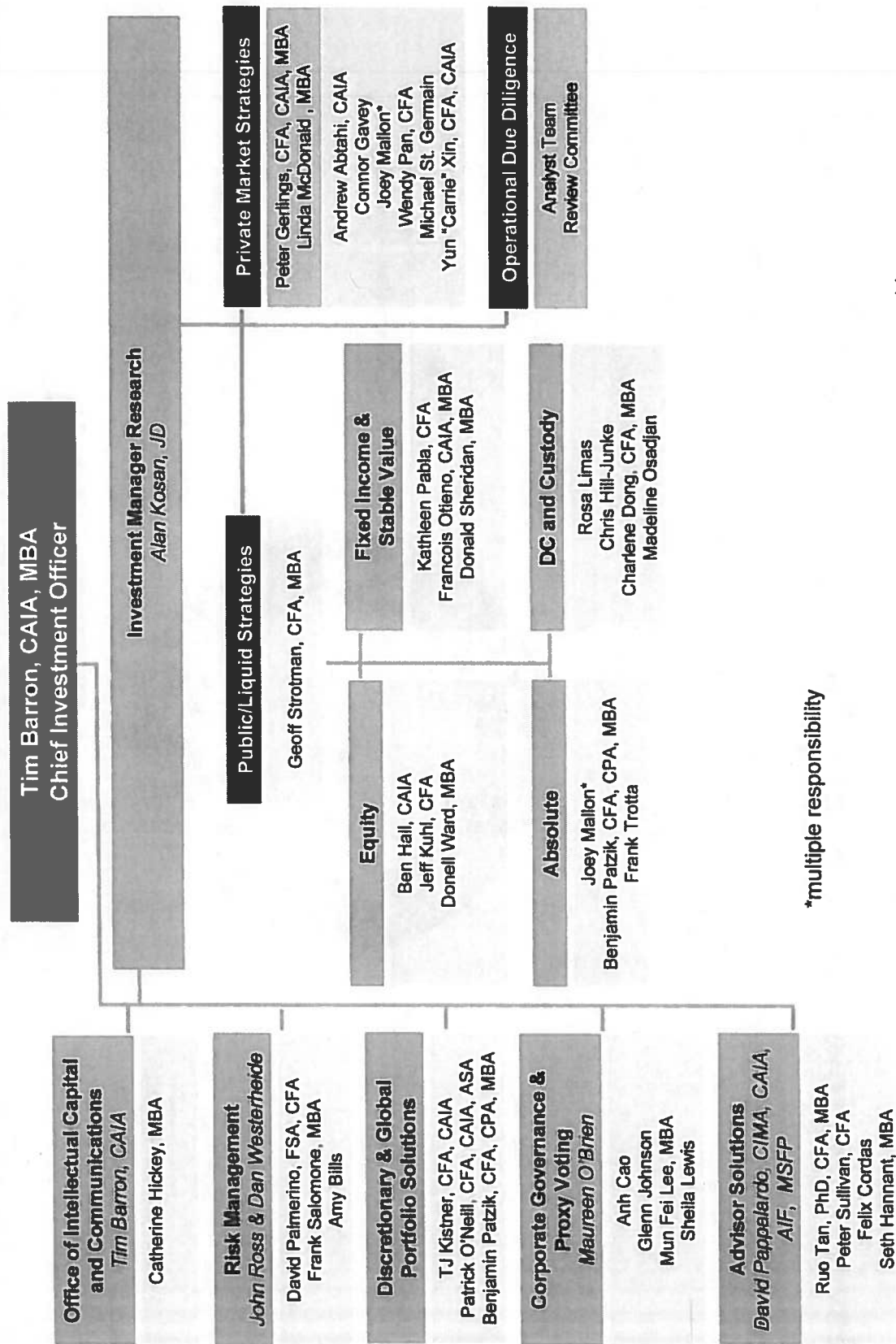
- Define investment strategy coverage
- Generate/document due diligence
- Source/monitor best-in-class investment strategies
- Seek new alpha sources
- Develop annual research agenda

Global Portfolio Solutions

- Portfolio structure
- Synthesize top-down views with bottom-up research to generate optimal portfolios for clients
- Through education, communicate optimal strategies to clients
- Develop annual research agenda

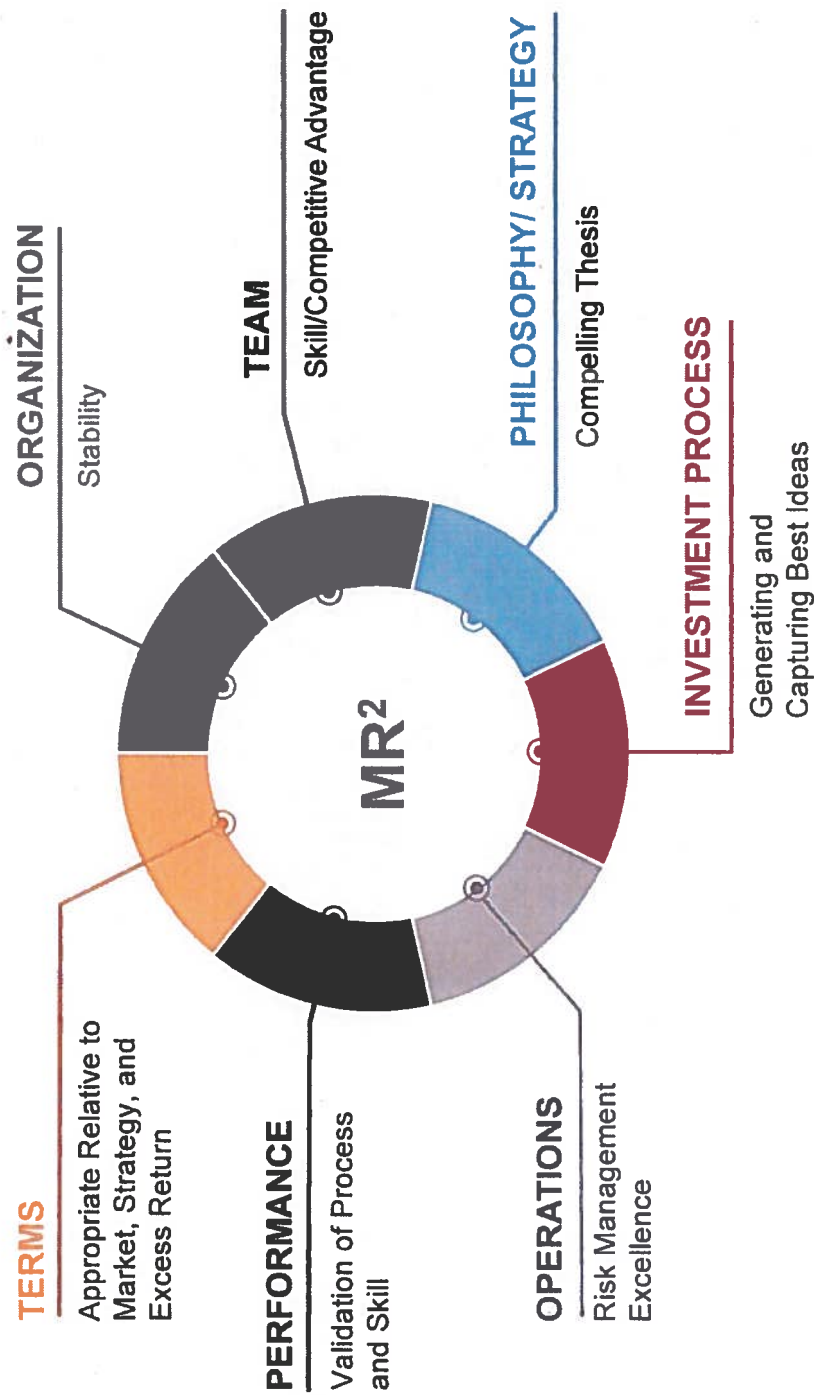


Specialized Research Capabilities



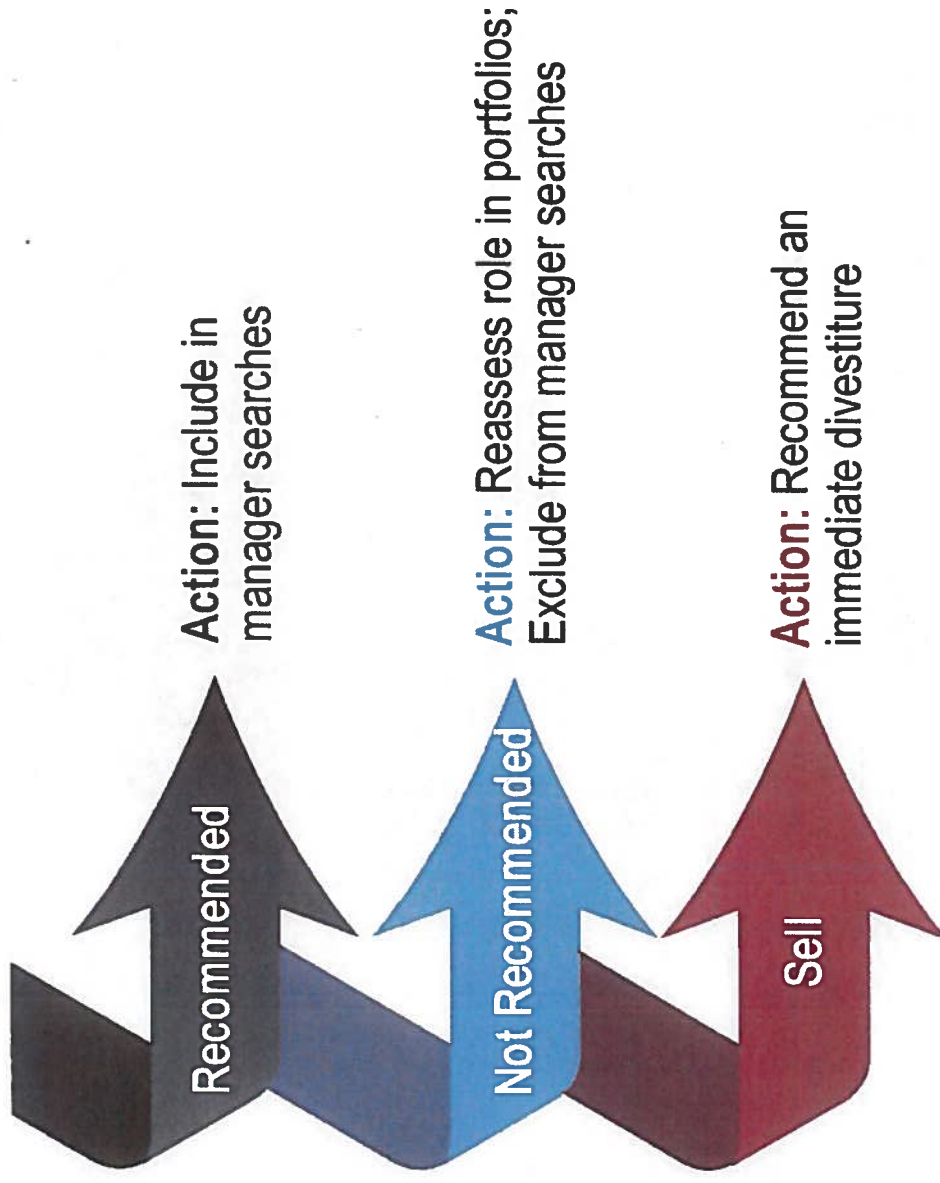
Seven Principles Critical for Investment Success

Our proprietary Manager Research and Ranking (MR²) evaluation process identifies the top-tier managers best-equipped to achieve your investment objectives.



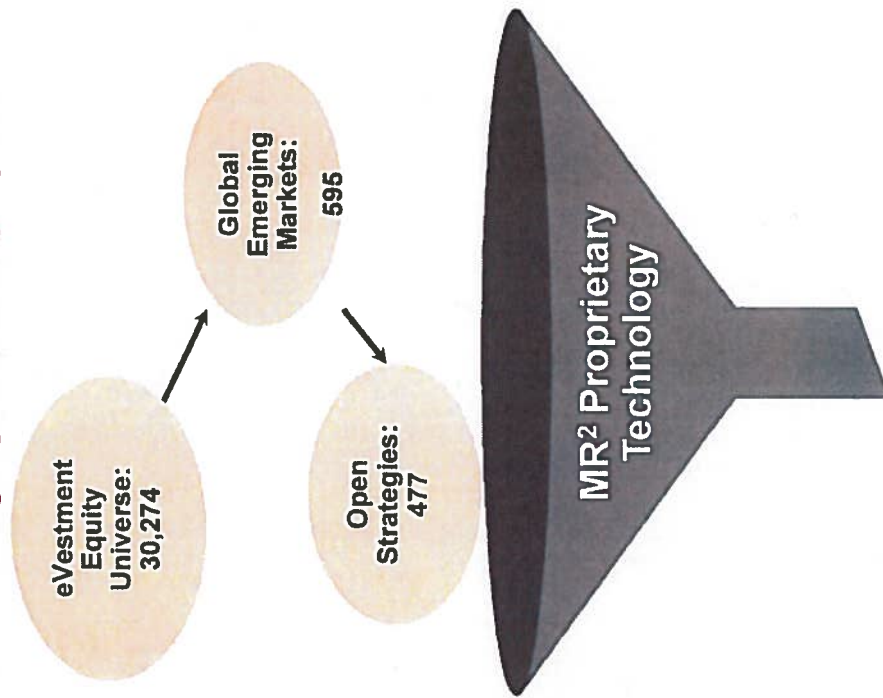
Manager Due Diligence Enhances Your Investment Lineup

Actionable ratings for managers are the result of our quantitative and qualitative due diligence process that includes 1,300 meetings annually and intensive monitoring.



Find Managers Best Suited for Your Investment Program

Example: Emerging Market Equity Universe



**Our recommended manager
best suited for your plan**

Manager Research & Coverage

- Original and fundamental research of managers, their organizations and investment processes
- Quantitative and qualitative due diligence
- Focused on risk, attribution and style

Manager Universe and Rankings

Style	Segal Marco Database ¹	Products Broadly Covered ⁵	Recommended Products
U.S. Equity	3,606 ²	1,578	179
International/Global Equity	3,002 ²	725	122
U.S. Fixed Income	2,167	659	146
International/Global Fixed Income	1,039 ²	104	56
Hedge Funds	6,038 ²	150	84
Private Equity	5,526 ³	400	193
Hard Assets	6,115 ⁴	500	220
Totals	27,493	4,116	1,000

¹ Individual active products in database. In addition, Segal Marco has access to over 23,000 mutual fund and institutional products via Morningstar Direct & Lipper.

² eVestment Alliance data

³ Venture Economics and Segal Marco data

⁴ Includes eVestment Alliance, Preqin and Segal Marco data

⁵ Enhanced research familiarity

Introduction Our Advantage

\$500+B
Assets
Under
Advisement

\$6.5B
Full
Discretion

\$5.0B
Partial
Discretion /
Alternative

100%
Institutional
Assets

**Over 50
Years**
Delivering
Results

100%
Employee
Owned /
Free of
Conflicts

An Industry Leader

- > Unmatched expertise in both investment and actuarial consulting
- > Industry leading global research platform
- > One of the largest privately held investment consulting firms in North America with a diversified client base including Public, Union, Corporate, Endowments, Foundations and Health Care entities
- > 100% employee ownership means our sole motivation is the success of our clients

Time-Tested Results

- > Our discretionary portfolios have consistently **outperformed** the median Defined Benefit plan in the InvestorForce universe
- > The scalability of our discretionary platform allows us to drive **fee savings** for our clients, **boosting total returns**
- > Our deep and experienced research team provides us **access to top-tier and capacity constrained managers and opportunities**
- > We specialize in creating **customized solutions** that are tailored to a client's specific liabilities and objectives

A Trusted Partner

- > We were **ranked the No. 1 Large U.S. Investment Consultant** in the 2018 Greenwich Quality Awards
- > We ranked No.1 in a number of categories including **advising on long-term asset allocation, knowledge of investment managers, and credibility with the Board/Investment Committee**
- > **Free of conflicts of interest** as we do not manage any assets internally

*Includes Master Manager program assets, which are not classified as either "Full Discretion" nor "Partial Discretion. Assets as of 3/31/19.

Portfolio Management

PORTFOLIO MANAGEMENT COMMITTEE

All investment and asset allocation decisions are made by a central governing committee comprised of a cross-section of the most senior investment professionals at the firm.

**TIM BARRON,
CAIA (CHAIR)**
Chief Investment
Officer

**GEOFF
STROTSMAN,
CFA**
SVP / Head of
Traditional
Manager
Research

**AMY
FOREBAUGH**
SVP / Head of
Investment
Operations

**MICHAEL
JOYCE, ESQ.**
SVP / Senior
Consultant

**PETER
GERLINGS,
CFA, CAIA**
SVP / Head of
Private Equity

**LINDA
McDONALD**
SVP / Head of
Hard Assets

**T.J. KISTNER,
CFA, CAIA**
VP / Head of
Discretionary
Portfolio
Management &
Solutions

PORTFOLIO MANAGERS AND PARTICIPATING MEMBERS

**BENJI PATZIK,
CFA, CPA**
VP / Head of
Portfolio Strategy &
Solutions

**DONALD
SHERIDAN**
Director, Fixed
Income

**BENJAMIN
HALL, CAIA**
Director, Equity

**PATRICK
McDOWELL,
CPA, CAIA**
VP / Investment
Operations

**PATRICK
O'NEILL, CFA,
CAIA, ASA,
MAAA**
Director, Global
Portfolio Solutions

**CATHERINE
HICKEY**
VP / Global
Portfolio Solutions

FIRM-WIDE SUPPORTING RESOURCES

Alpha Manager
Research

Risk
Management/Beta

Investment
Operations

Legal/Compliance

Custody Solutions

Client Services

Performance

Information
Technology



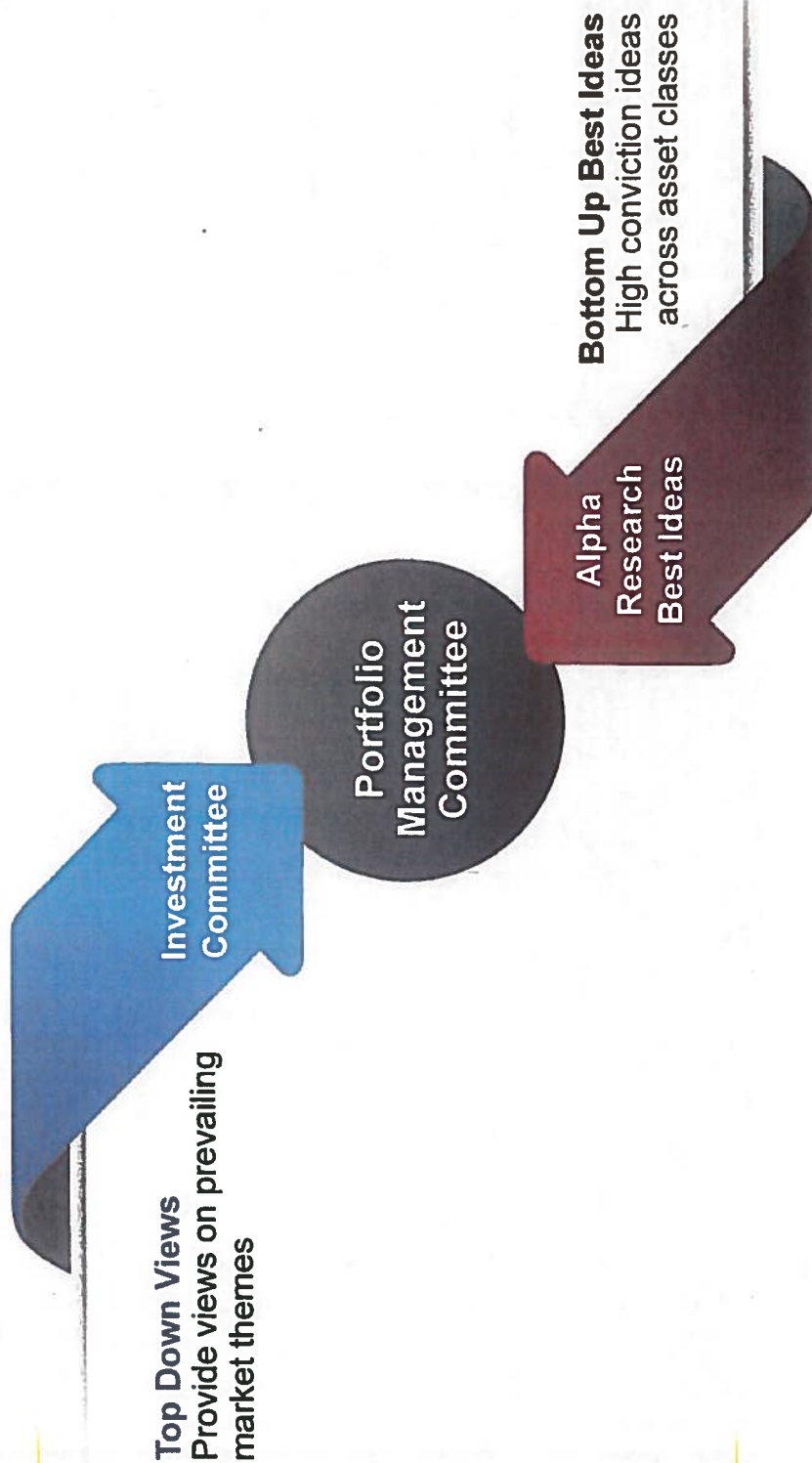
Full-time Seasoned Investment Team Research – A Global Approach

- The Global Investment Research Alliance allows us to leverage our global partners to share strategic investment ideas and have access to best in class managers outside the U.S.



Segal Marco Advisors has a global research platform

How Ideas Get Into Portfolios



Global Portfolio Solutions implements best ideas across high conviction themes within a risk, liquidity, and asset allocation framework

Manager Due Diligence Enhances Your Investment Lineup

- > With MR², managers are ranked using a proprietary "7 Principle, 34 Factor" process
- > Products are assigned actionable rankings: **Recommended, Not Recommended and Sell**

RECOMMENDED

Action: Include in manager searches

- Sound, convincing, and stable philosophy and process
- Exceptional investment professionals
- Emphasizes investment results
- Places client interests ahead of business and asset growth
- Full conviction in strategy's ability to generate superior investment results

NOT RECOMMENDED

Action: Develop an exit strategy; Exclude from manager searches

- Unstable and/or unconvincing philosophy and process
- Investment professionals have questionable investment acumen and/or limited investment experience
- Low conviction in ability to generate superior investment results
- Ineligible due to timing vs. an adverse opinion

SELL

Action: Recommend an immediate divestiture

- Philosophy and process considered unstable and/or unconvincing
- Ineffective investment professionals, high investment professional turnover and/or severe organizational distress

Office of Hawaiian Affairs
560 N Nimitz Hwy. Ste. 200
Honolulu, HI 96817

Action Item

COMMITTEE ON RESOURCE MANAGEMENT (RM)	DATE: SEPT. 4, 2019 Motion: Vote: 10:17 am
--	---

AGENDA ITEM: III. NEW BUSINESS

Action Item RM #19-13 - Approval of and authorization to amend page 1 of the Investment Policy Statement and Sections 4 ("Delegation of Authority"), Section 13 ("Procedure for Selecting and Reviewing Investment Advisors") and Section 16 ("Adding new Asset Classes")

MOTION:

To approve the amendments to the Native Hawaiian Trust Fund Investment Policy Statement as described in Exhibit A.

AMENDMENT:

MEANS OF FINANCING:

TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (2 kanalua's =ABSTENTION)	EXCUSED
LEI	AHU ISA						X
KALEI	AKAKA			X			
KELI 'I	AKINA			X			
BRENDON	LEE			X			
HULU	LINDSEY						Not present at time of vote
ROBERT	LINDSEY			X			
COLETTE	MACHADO		X	X			
JOHN	WAIHE'E	X		X			
CHAIR DAN	AHUNA			X			
TOTAL VOTE COUNT				7			

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

DISCUSSION:

DISCUSSION:

OFFICE OF HAWAIIAN AFFAIRS

**MEETING OF THE
COMMITTEE ON RESOURCE
MANAGEMENT**

COMMITTEE REPORT

September 4, 2019

The Honorable Colette Machado,
Chairperson Board of Trustees
Office of Hawaiian Affairs

Madame Chair Machado,

The Committee on Resource Management, having met on September 4, 2019 and after full and free discussion, recommends approval of the following action to the Board of Trustees:

Administration recommends the Board of Trustees (BOT): 1) Approve the new Fiscal Stabilization Policy, including Withdrawal Guidelines as detailed in Attachment A; and 2) Eliminate the Fiscal Reserve Withdrawal Guidelines contained within the Native Hawaiian Trust Fund Spending Policy as detailed in Attachment B.

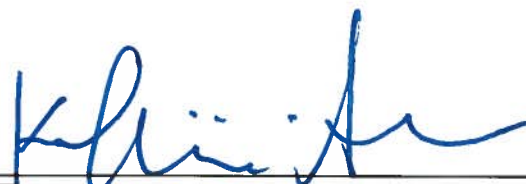
Relevant attachments are included for your information and reference. Attachment(s):

- 1) Action Item RM#19-16
- 2) RMRoll Call Vote Sheet

Respectfully submitted:



Trustee Dan Ahuna, Chair




Trustee Kalei Akaka, Member

EXCUSED

Trustee Leina'ala Ahu Isa, Member



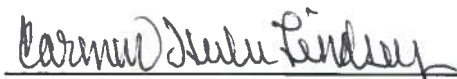
Trustee Robert Lindsey, Jr., Member



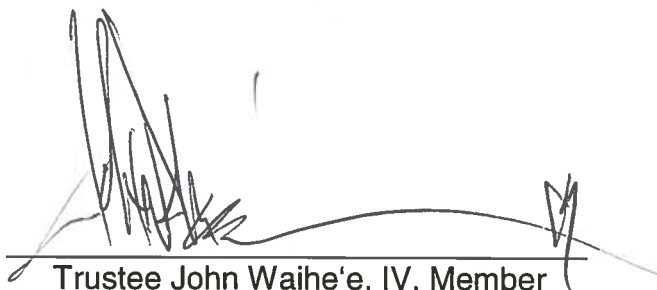
Trustee Keli'i Akina, Member



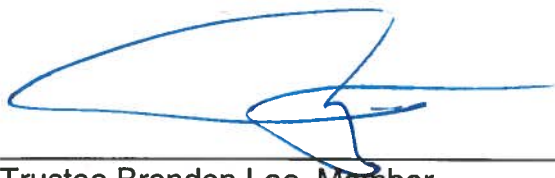
Trustee Colette Machado, Member



Trustee Hulu Lindsey, Member



Trustee John Waihe'e, IV, Member



Trustee Brendon Lee, Member

Office of Hawaiian Affairs
560 N Nimitz Hwy. Ste. 200
Honolulu, HI 96817

Action Item

**COMMITTEE ON
RESOURCE MANAGEMENT (RM)**

DATE: SEPT. 4, 2019

Motion:

Vote: 10:39 AM

AGENDA ITEM: III. NEW BUSINESS

B. Action Item RM #19-16: Action Regarding a Fiscal Stabilization Policy including Withdrawal Guidelines and the related Elimination of the Fiscal Reserve Withdrawal Guidelines contained within the Native Hawaiian Trust Fund Spending Policy

MOTION: Administration recommends the Board of Trustees (BOT): 1) Approve the new Fiscal Stabilization Policy, including Withdrawal Guidelines as detailed in Attachment A; and 2) Eliminate the Fiscal Reserve Withdrawal Guidelines contained within the Native Hawaiian Trust Fund Spending Policy as detailed in Attachment B.

AMENDMENT:

MEANS OF FINANCING:

TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (2 kanalua's =ABSTENTION)	EXCUSED
LEI	AHU ISA						X
KALEI	AKAKA			X			
KELI 'I	AKINA			X			
BRENDON	LEE			X			
HULU	LINDSEY		X	X			
ROBERT	LINDSEY			X			
COLETTE	MACHADO			X			
JOHN	WAIHE'E	X		X			
CHAIR DAN	AHUNA			X			
TOTAL VOTE COUNT				8			

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

DISCUSSION:

OFFICE OF HAWAIIAN AFFAIRS

Action Item
Committee on Resource Management
September 4, 2019

RM #19-16

Action Item: **Action Regarding a Fiscal Stabilization Policy including Withdrawal Guidelines and the related Elimination of the Fiscal Reserve Withdrawal Guidelines contained within the Native Hawaiian Trust Fund Spending Policy**

Prepared by:


Sylvia M. Hussey, Ed.D.

8/28/19

Date

Ka Pouhana Kūikawā, Interim Chief Executive Officer

Reviewed by:


Gloria Li

8/28/19

Date

Ka Pou Kihī Kanaloa Wai, Kūikawā, Interim Chief Financial Officer

Reviewed by:



Lisa Watkins-Victorino, Ph.D.

8/28/19

Date

Ka Pou Nui Kūikawā, Interim Chief Operating Officer

Reviewed by:


Sylvia M. Hussey, Ed.D.

8/28/19

Date

Ka Pouhana Kūikawā, Interim Chief Executive Officer

Reviewed by:



8/29/19

Date

Ke Kua, Trustee Dan Ahuna

Luna Ho'omalū o ke Kōmike RM

Chair of the Committee on Resource Management

RM #19-16 Action Regarding a Fiscal Stabilization Policy including Withdrawal Guidelines and the related Elimination of the Fiscal Reserve Withdrawal Guidelines contained within the Native Hawaiian Trust Fund Spending Policy

I. Proposed Action

Administration recommends the Board of Trustees (BOT): 1) Approve the new Fiscal Stabilization Policy, including Withdrawal Guidelines as detailed in Attachment A; and 2) Eliminate the Fiscal Reserve Withdrawal Guidelines contained within the Native Hawaiian Trust Fund Spending Policy as detailed in Attachment B.

II. Issue

Whether or not a new Fiscal Stabilization Policy, including Withdrawal Guidelines as detailed in Attachment A should be approved; and/or 2) Should the Fiscal Reserve Withdrawal Guidelines contained within the Native Hawaiian Trust Fund Spending Policy as detailed in Attachment B be eliminated.

III. Background and Context

Fiscal Reserve Withdrawal Guidelines. The Fiscal Reserve Withdrawal Guidelines (FRWG) are embedded in the Native Hawaiian Trust Fund Spending Policy. The Office of Hawaiian Affairs two criteria for an effective Fiscal Reserve are the following: (1) the fund collects and dispense appropriate amounts of money at appropriate times; and (2) it is simple to operate.

The purpose of the FRWG is to describe the proposed operation of OHA's fiscal reserve as established by OHA's Spending Policy. These guidelines are not policy, rather it clarifies existing policy that exists and states, "...Any funds available but not spent in previous fiscal years (Fiscal Reserve) held within the Native Hawaiian Trust Fund.

The objective of the OHA's fiscal reserve fund is designed to provide money in certain situations. Money can be authorized under any of the 3 (three) permissible purposes: budget stabilization, unpredicted one-time payments, and capital acquisitions.

The maximum designation is limited to no more than \$3,000,000 annually. Special circumstances use requires a Board of Trustees (BOT) supermajority plus 2 votes (8 affirmative votes). Deposit calculations (into the Fiscal Reserve) "shall be subject to audited financial statements for the respective fiscal year¹. Estimated year-end budget surpluses based upon unaudited records are not permissible." Operations of the fiscal reserve fund is subject to two (2)



OFFICE OF HAWAIIAN AFFAIRS

**NATIVE HAWAIIAN TRUST FUND
SPENDING POLICY, AS AMENDED**

Adopted by the Board of Trustees, September 15, 2004
Amended and adopted by the Board of Trustees on July 6, 2006
Amended and adopted by the Board of Trustees on May 31, 2009
Reviewed with no modifications by the Board of Trustees on April 18, 2012
Amended and adopted by the Board of Trustees on February 27, 2014

¹ Latest audited financial statements for the OHA is as of and for the fiscal year ended June 30, 2018. In addition, fiscal year ended June 30, 2019 audited financial statements are not anticipated to be issued until February 2020 as audit field work is not scheduled until October/November 2019.

RM #19-16 Action Regarding a Fiscal Stabilization Policy including Withdrawal Guidelines and the related Elimination of the Fiscal Reserve Withdrawal Guidelines contained within the Native Hawaiian Trust Fund Spending Policy

restrictions: the fund's balance cannot be negative after accounting for all designations; and there is no upper threshold or cap.

State Auditor, Report 18-03, February 2018. In February 2018, the State Auditor issued a report of an audit of the OHA based on the objectives at right.

The following findings

Objectives of the Audit

1. Evaluate OHA policies and actions regarding use of its Fiscal Reserve, Grants, CEO Sponsorships, and Trustee Allowances.
2. Review and report on the status of OHA's implementation of our 2013 audit recommendations.
3. Make recommendations as appropriate.

Fiscal Reserve

FUNDS THAT WERE BUDGETED but remain unspent at the end of the fiscal year stay in the Native Hawaiian Trust Fund and are designated as Fiscal Reserve. The amount designated as Fiscal Reserve carries over to the following fiscal year.

When the Fiscal Reserve was first established in 2000, it was referred to as a "rainy day fund." In 2009, OHA unofficially identified it as a source of funding for Kōla initiatives and other funding requests. Whenever the use of Fiscal Reserve funds is authorized, money is drawn from the Native Hawaiian Trust Fund. At least six trustee votes are needed to authorize the use of the Fiscal Reserve, and the board may authorize up to \$3 million in expenditures using the Fiscal Reserve each fiscal year.

Audit of the Office of Hawaiian Affairs

A Report to the Governor and the Legislature of the State of Hawai'i

Report No. 18-03
February 2018



OFFICE OF THE AUDITOR
STATE OF HAWAII

were raised in Report 18-03 related to the Fiscal Reserve:

- OHA continues to **lack a clear policy** guiding the use of its Fiscal Reserve.
- The one-time payment provision **allows for almost any Fiscal Reserve request to be approved.**
- Nine out of the 10 action items for Fiscal Reserve funding we tested **lacked required information.**
- Trustees voted on action items based on **factors outside of Fiscal Reserve guidelines.**
- The Fiscal Reserve **has been spent down rapidly.**

As a result of Report 18-03 findings and recommendations, the Board approved a moratorium.

Moratorium. On February 21, 2018 and February 28, 2018, via Action Item #18-03 (Attachments C and D, respectively) the Resource Management Committee and subsequently the BOT approved a moratorium on the use of Fiscal Reserve funds until specific policy changes were approved by the Board of Trustees (BOT). As also noted in the Action Item #18-03,

"On March 29, 2017, the Board of Trustees approved the RM Committee's recommendation to create the FSP Working and Implementation Advisory Committee ("FSP Advisory Committee"). Subsequently, RM Committee Chair, Trustee Hulu Lindsey, created collaborative FSP working groups comprised of Trustees, Administration, and subject matter experts to address the following priority areas: OHA's

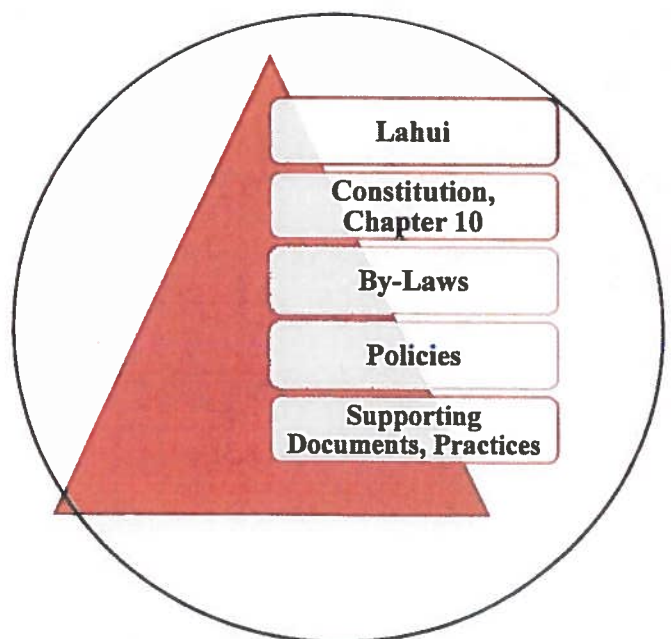
RM #19-16 Action Regarding a Fiscal Stabilization Policy including Withdrawal Guidelines and the related Elimination of the Fiscal Reserve Withdrawal Guidelines contained within the Native Hawaiian Trust Fund Spending Policy

Spending Policy, Real Estate Investments, Legal and Taxable Structure, OHA's Relationship with the Department of Hawaiian Homelands; and Pension Benefits. The FSP Spending Policy Working Group has met to discuss improvements to the spending policy and fiscal Reserve guidelines, analyzing the policies current implications and outlining the issues that need to be addressed. Additionally, the FSP Spending Policy and Real Estate Investments Working Groups have also met to discuss improvements to the Native Hawaiian Trust fund Investment Policy Statement and consideration of an investment policy statement that would apply to OHA's real estate investments. These efforts will put OHA on the path to better managing and maintaining the health of its financial resources and other assets so that the agency may continue to address both the present and future needs of Native Hawaiians. As the review, modification and/or creation, and adoption of revised fiscal and investment policy statements will take time and a concerted effort by the working groups, it is appropriate to impose a moratorium on the use of Fiscal Reserve funds until the Board of Trustees adopts the recommended changes to the Fiscal Reserve guidelines."

IV. Policy Review and Analysis²

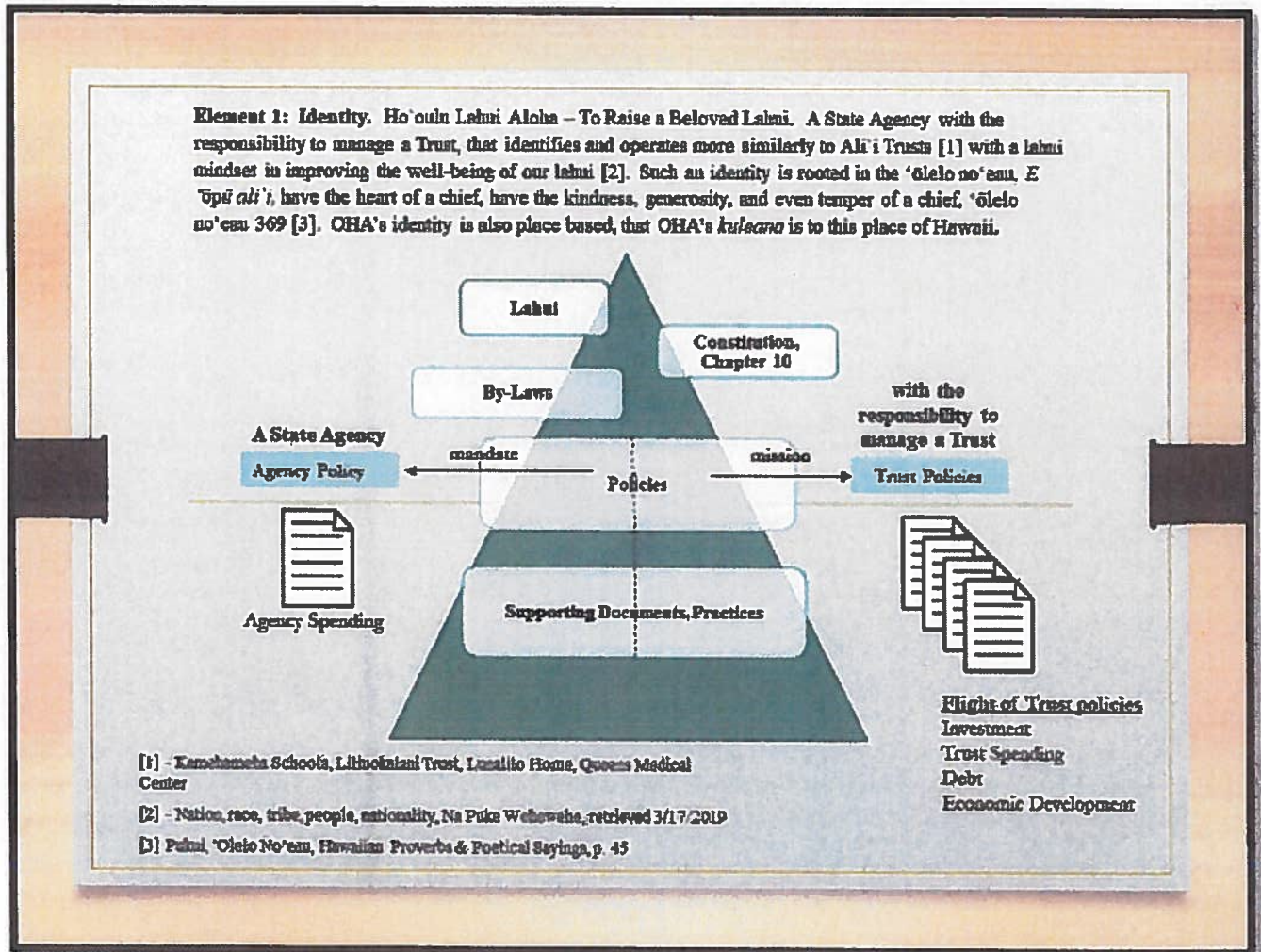
Board Governance Framework. In January 2019, the Board approved the formation of a permitted interaction group (PIG) to: Investigate various elements of governance frameworks and models, including but not limited to cultural, indigenous, native, national and international contexts. In April 2019, the Board approved the PIG's recommendation to approve the five elements of OHA's Board Governance Framework: 1) Identity; 2) Values and Mana; 3) Statutory Basis; 4) Policies; and 5) Supporting Documents and Practices (Operations).

Policy Actions. In May 2019, via Action Item #19-07, the Board took action regarding Economic Development, Debt Management, Spending and Investment and Real Estate Policies, noting particularly the following: Acknowledge the **Spending Policy** language and the existing Native Hawaiian Trust Fund (NHTF) Spending Policy, as Amended, noting Administration will return with a consolidated policy document for Board action; and Acknowledge the **Investment and Real Estate Policy** language and the existing NHTF Investment and Real Estate Vision, Mission, and Strategy policies, noting Administration will return with consolidated policy document(s) for Board action.



RM #19-16 Action Regarding a Fiscal Stabilization Policy including Withdrawal Guidelines and the related Elimination of the Fiscal Reserve Withdrawal Guidelines contained within the Native Hawaiian Trust Fund Spending Policy

Identity is expanded below and illustrates the dual nature of identity and the related impact to policies.



Policy Alignment. The new Fiscal Stabilization Policy is aligned to the existing Native Hawaiian Trust Fund, Spending and Investment policies; and the withdrawal parameters from the existing guidelines have been reviewed and mapped to the new policy.

RM #19-16 Action Regarding a Fiscal Stabilization Policy including Withdrawal Guidelines and the related Elimination of the Fiscal Reserve Withdrawal Guidelines contained within the Native Hawaiian Trust Fund Spending Policy

V. Existing Status of the Fiscal Reserve

As of the end of the fiscal year ending June 30, 2018, the balance of the fiscal reserve was approximately \$5.7MM.³

ATTACHMENT 3

Office of Hawaiian Affairs
Fiscal Reserve Rollforward
Actuals from FY11 to FY 18, Projected to FY 19

Moratorium in Effect (see note 2)

	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Projected
FISCAL RESERVE ROLLFORWARD	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Fiscal Reserve Balance, beginning of year	15,131,590	13,565,235	11,256,763	8,257,459	5,909,701	4,845,506	2,090,142	4,243,980	3,745,936
Additions to reserve									
Current year lapse to fiscal reserve									
BOT approved budget (less G/F)	33,821,801	32,578,746	33,624,166	33,206,173	32,476,817	32,673,225	33,116,011	32,565,384	36,014,771
Expended / Encumbered (less G/F)	(32,837,122)	(32,578,115)	(32,623,470)	(33,186,824)	(31,109,261)	(32,616,209)	(32,018,207)	(31,673,626)	(33,860,798)
Current year lapse	984,679	2,630	697	9,321	1,367,554	29,016	1,097,804	1,891,758	2,154,173
Prior year PO cancellation	1,348,976	688,891		512,821	568,251	215,630	1,027,034	12,218	1,000,000
Less board designations made for use of fiscal reserve	(3,000,000)	(3,000,000)	(3,000,000)	(2,570,000)	(3,000,000)	(3,000,000)			
Add back lapse of fiscal reserve									
Fiscal Reserve Balance, end of year	13,565,235	11,256,763	8,257,459	5,909,701	4,845,506	2,090,142	4,243,980	3,745,936	3,000,129

Note>

1) Per section IV of OHA's Native Hawaiian Trust Fund Spending Policy section entitled, "Policy/Procedure", Fiscal Reserve is defined as "Any funds available but not spent in previous fiscal years." This includes, but not limited to current year lapses, prior year PO cancellation with remaining funds, and prior year designated fiscal reserve lapses. The maximum designations allowable to be made in any fiscal year are limited to no more than \$3,000,000 annually. Under special circumstances that will require the use of funds in excess of the categories noted above, the \$3,000,000 limit may be waived by the BOT with a vote of the super majority plus 2 (8 affirmative votes).

2) BOT Approved Action Item BOT# 18-01, February 27, 2018, Moratorium on use of Trustee Sponsorship and Allowance Fund (TVAAF) and CEO-initiated Sponsorships
BOT approved to impose a moratorium on the use of Trustee Sponsorship and Allowance Fund (TVAAF) and CEO-initiated Sponsorships and the immediate return of the unced balance of th TSAAF to OHA.

VI. Reasons for Administration's Recommendation for a new Fiscal Stabilization Policy⁴

SPIRE completed an analysis and suggested consideration of a different approach to the Fiscal Reserve Guidelines ("Guidelines"). This approach suggests OHA consider the creation of a Fiscal Stabilization Fund of discrete size and limited uses to address OHA's historical needs for budget stabilization and respond to concerns by the State Auditor and other that the Guidelines require (1) more structure, (2) more rigor in the process of requesting and approving draws, and (3) more clarity about whether spending under the Guidelines is included in the maximum withdrawal limit in the OHA Spending Policy. The approach also considers this, and any other options, as interim steps toward a more comprehensive policy document that should consider how other relevant policies interact, respond and impact any new policies. It

³ Also refer to the FB20-21 Biennium Budget Book, Attachment 3

⁴ Based on May 2019 Report and related deliverables

RM #19-16 Action Regarding a Fiscal Stabilization Policy including Withdrawal Guidelines and the related Elimination of the Fiscal Reserve Withdrawal Guidelines contained within the Native Hawaiian Trust Fund Spending Policy

recognizes that, while written as a stand-alone policy, it, and any other replacement policy options should be reviewed for further amendments to track the evaluations of OHA's spending, withdrawal, debt and investment policies.

The option would replace the current Guidelines and Fiscal Reserve Fund with a new fund and fund policies. As a temporary measure, the fund could address many of OHA's annual needs for budget stabilization and emergencies, while OHA considers permanent responses to the State Auditor's concerns. We believe that OHA needs to analyze its current policies, especially those related to investment and withdrawals, so they are not contradictory, and work toward agreed-upon objectives. As recommended in the past, that effort needs to be based upon internal OHA discussions regarding organizational objectives and priorities.

Therefore, we need to emphasize that the adoption of the option is a temporary measure to address the concerns of the State Auditor while OHA (the BOT and Administration) makes the numerous, necessary decisions to shape and reconcile OHA's objectives and policies. These include:

- 1) Identifying OHA policies that are based on conflicting objectives and reconcile how they must be revised to align with each other under a uniform structure and logic.
- 2) Identifying the core and non-core functions of OHA and whether different funding and withdrawal rules should apply to each.
- 3) Identifying whether OHA needs a reserve (rainy day) fund, and what kind of reserve fund is needed.

Relevant to the last issue, it is important to re-emphasize that this option is not for a reserve (rainy day) fund. A true reserve fund is meant to address economic volatility and disaster recovery and must be based on a complete assessment of OHA's future needs, investment outlook, and other factors that could affect the level of the reserve fund needed. This assessment of reserve fund levels, structures, and withdrawal policies is complex, as shown in the studies by the Pew Charitable Trusts. A reserve assessment is consistent with the State Auditor's recommendations that OHA should (1) clarify and clearly define the purpose of the five percent spending limit, and determine whether it is necessary to establish a withdrawal rate limit to ensure the health and sustainability of the Native Hawaiian Trust Fund and (2) work with the Administration, including OHA's Investment Management staff, to determine and obtain the financial information necessary for the board to assess the short- and long-term impacts to the Native Hawaiian Trust Fund when considering the use of the Fiscal Reserve.⁵

IV. Certification of Funding Availability

N/A – no funding required for this policy establishment action item.

⁵ Report 18-03, page.

RM #19-16 Action Regarding a Fiscal Stabilization Policy including Withdrawal Guidelines and the related Elimination of the Fiscal Reserve Withdrawal Guidelines contained within the Native Hawaiian Trust Fund Spending Policy

V. Recommended Action(s)

Administration recommends the Board of Trustees (BOT): 1) Approve the new Fiscal Stabilization Policy, including Withdrawal Guidelines as detailed in Attachment A; and 2) Eliminate the Fiscal Reserve Withdrawal Guidelines contained within the Native Hawaiian Trust Fund Spending Policy as detailed in Attachment B.

VI. Alternatives

- A. Take no action, no new policy and Fiscal Reserve Withdrawal Guidelines exist as is (see Attachment D).
- B. Take alternate action (e.g., create new policy, modify existing Fiscal Reserve Withdrawal Guidelines, amend Native Hawaiian Trust Fund Spending Policy).

VII. Time Frame

This action shall be retroactively applied to be effective at the beginning of the fiscal biennium or July 1, 2019.

VIII. Attachment(s)

- A. Draft Fiscal Stabilization Policy
- B. Native Hawaiian Trust Fund (NHTF) Spending Policy including Fiscal Reserve Withdrawal Guidelines
- C. Action Item #18-03 February 27, 2018 –Board of Trustees approval of a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees
- D. Action Item #18-03 February 21, 2018 –Resource Management Committee (“RM”) recommendation to approve a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees
- E. State Auditor Report 18-03 Report Summary

**OFFICE OF HAWAIIAN AFFAIRS
FISCAL STABILIZATION POLICY**

SECTION I - PURPOSE AND INTENT

Purpose and intent. Historically, OHA has required funds to address unexpected shortfalls in available funding that had a significant effect on budget, as well as emergencies. OHA currently uses "OHA's Native Hawaiian Trust Fund Spending Policy's Fiscal Reserve Management Guidelines" (the Guidelines) to address funding needs, but the guidelines have been viewed as overly broad and unclear. This policy supersedes the guidelines and establishes a Fiscal Stabilization Fund (FSF) and the rules for its governance and maintenance, to enable OHA to have funds available for budget stabilization and emergencies, but under stricter fiscal limitations. Definitions, concepts, criteria and other elements found in the Guidelines have been mapped to the Fiscal Stabilization Policy (FSP) contained herein.

SECTION II – DEFINITIONS

Definitions. In this policy, if not inconsistent with the context:

1. **"Action Item"** refers to a draft of proposed policy or description or other action by the Board. An action item must comply with the form and content requirements set by the Board or the OHA organization.
2. **"Annual Ceded Land or Public Land Trust Revenues"** shall be the \$15.1 million annual revenues received from the State of Hawaii as of fiscal year 2006-2007, or including any adjustments to annual ceded lands revenues in the future by the State of Hawaii.
3. **"Appropriation"** refers to funds allocated for the OHA organization, set aside by formal Board action for specific use or through normal and customary government funding mechanism. An appropriation allows money to be spent; and is not an expenditure record.
4. **"Authorized Fund Uses"** means the uses described in section IV of this policy.
5. **"Beneficiary"** means as defined in HRS section 10-2.
6. **"Board" or "BOT"** means the OHA Board of Trustees, as described in Article XII, section 5 of the State Constitution and HRS chapters 10 and 13D.
7. **"Budget cycle"** means the two-year, biennium term of budget activity.
8. **"Budget process"** includes the process of developing and approving an operating budget for the fiscal biennium, as described in the BOT Executive Policy Manual section 3050, Fiscal; subsections 3.5.C and 3.5.D.
9. **"Budget Stabilization"** refers to setting aside funds for times of unexpected revenue shortfall, budget deficit, or emergency.
10. **"Chief Executive Officer" or "CEO"** means the administrator of the Office of Hawaiian Affairs, appointed by the Board pursuant to HRS section 10-10.
11. **"Chief Financial Officer" or "CFO"** means the person appointed by the administrator to be the chief financial officer of OHA or an individual that carries out the function.

RM #19-16 Action Regarding a Fiscal Stabilization Policy including Withdrawal Guidelines and the related Elimination of the Fiscal Reserve Withdrawal Guidelines contained within the Native Hawaiian Trust Fund Spending Policy

ATTACHMENT A

12. **“Contingency”** refers to an event or condition (such as an emergency) that may but is not certain to occur.
13. **“Emergency”** refers to a serious, unexpected, and often dangerous condition requiring immediate attention. Emergencies include threats to public health, welfare, or safety from a major natural disaster, infrastructure emergencies involving OHA’s real properties or legal fees and costs incurred by OHA for pending claims or litigation.
14. **“Fiscal Biennium Total Operating Budget”** means the formal document that reflects the authorized expenditures of OHA for the two fiscal years that constitute the applicable fiscal biennium.
15. **“Fiscal Reserve Fund”** means the fund prior to the establishment of the “Fiscal Stabilization Fund” under the Guidelines.
16. **“Fiscal Stabilization Fund”** means the fund established by this policy.
17. **“General Fund Appropriations from the State”** refers to appropriations determined by the State of Hawaii Legislature during each biennium and are spent for a specific purposes.
18. **“Native Hawaiian Trust Fund”** is defined as all Public Land Trust revenue emanating from 5(f) funds that is subject to OHA’s Native Hawaiian Trust Fund investment policy.
19. **“NHTE Financial Assets Portfolio”** means the Native Hawaiian Trust Fund plus any other financial asset subject to OHA’s Native Hawaiian Trust Fund investment policy.
20. **“Non-recurring”** refers to costs, charges, or expenses that occur one time only and are not likely to happen again.
21. **“Originator”** includes a person who first thinks of something and causes it to happen.
22. **“Policy”** means this Fiscal Stabilization Fund Policy.
23. **“Quarterly Withdrawal Limitation”** means the maximum quarterly withdrawals from the fund, as defined in section V(a) of this policy.
24. **“Reserve”** means something stored or kept available for future use or need, money or its equivalent kept on hand or set apart usually to meet liabilities.
25. **“RM Committee”** means the Resource Management Committee of the Board.
26. **“Shortfall”** refers to a deficit of something required or expected, such as revenues or budgeted funds.
27. **“Trustee”** means the members of the BOT, as described in Article XII, section 5 of the State Constitution and HRS chapters 10 and 13D.
28. **“Variance”** means the financial or quantitative difference between a budgeted amount and purpose for the actual amount and purpose.
29. **“Unexpected”** means not expected or unforeseen.

SECTION III – ESTABLISHMENT

A. Establishment.

1. The Fiscal Stabilization Fund (FSF) is established by an initial, one-time appropriation of \$1,500,000¹ into a separate fund account² outside the Native Hawaiian Trust Fund (NHTF) upon adoption of this policy. This appropriation shall be counted toward maximum withdrawal limitation in the BOT Spending Policy.
2. Deposits and withdrawals into the FSF shall follow the requirements of this policy. Upon adoption of this policy, “OHA’s Native Hawaiian Trust Fund Spending Policy’s Fiscal Reserve Management Guidelines” shall terminate.
3. At the discretion of the BOT, additional deposits of up to \$3,000,000 may be made in each subsequent fiscal year from funds that were budgeted from the NHTF Financial Assets Portfolio that were unspent at the end of previous fiscal years. The audited financial statements and audited processes (i.e., lapsing of prior encumbered purchase orders) for each respective fiscal year shall be used as the sole basis to determine the eligible deposits into the FSF. Annual deposits shall be counted toward the maximum withdrawal limitations in the BOT Spending Policy.
4. The monies in the FSF may be carried over from year to year, provided that the total amount in the FSF shall not exceed \$10,000,000. Funds above and beyond the \$10,000,000 cap shall be redeposited into the NHTF.
5. Withdrawals from the FSF shall not be included in the maximum withdrawal limitations in the BOT Spending Policy for the fiscal year in which the withdrawal is made.
6. Temporarily idle moneys in the FSF may be invested as directed by the BOT, and the interest earned may be either transferred permanently into the NHTF or may remain in the FSF, at the discretion of the BOT. If the interest remains in the FSF, it may serve to increase the fund balance, but in no event shall the balance of the FSF be allowed to exceed the \$10,000,000.

B. Reserves.

1. Once established, reserves for contingencies may be designated in the Fiscal Stabilization Fund to acknowledge and recognize the responsibilities of the OHA.
2. Such reserves for contingencies may include but not be limited to estimates for legal or other settlements, repatriation, budget stabilization needs and emergencies such as natural disasters.

¹ The amount of the initial deposit will be dependent on the current size of the fiscal reserve fund.

² Such fund should be a part of the OHA’s overall cash management policy

RM #19-16 Action Regarding a Fiscal Stabilization Policy including Withdrawal Guidelines and the related Elimination of the Fiscal Reserve Withdrawal Guidelines contained within the Native Hawaiian Trust Fund Spending Policy

ATTACHMENT A

SECTION IV – AUTHORIZED FUND USES

Authorized fund uses. Funds from the Fiscal Stabilization Fund may be withdrawn and used as authorized by the BOT through an Action Item for the following purposes only:

1. **Budget stabilization.** The Fiscal Stabilization Fund may be used to address unexpected shortfalls in available funding that directly translate into a significant budget decrease. Shortfalls can be considered any decrease in Annual Public Land Trust Revenues or General Fund Appropriations from the State, change in State assessments such as fringe rate, retirement or a significant financial market downturn.
2. **Emergencies.** The Fiscal Stabilization Fund may be used to address emergency expenditures directly incurred by the OHA or experienced by the OHA's beneficiaries. To qualify as an authorized fund use, the expenditures (1) must directly result from an emergency; (2) must address events or situations that are non-recurring; (3) must not have been contemplated in the budget process; and (4) cannot wait to be included in the next budget cycle. Emergencies include threats to public health, welfare, or safety from a major natural disaster, infrastructure emergencies involving OHA's real properties or legal fees and costs incurred by OHA for pending cases.
3. **Reserves.** The Fiscal Stabilization Fund may be used to activate previously designated reserves.
4. **Contingencies.** The Fiscal Stabilization Fund may be used to address contingencies either previously reserved or subsequently identified.

SECTION V – MAXIMUM WITHDRAWALS

Limitations on the maximum FSF size and related withdrawals are identified below.

Maximum withdrawals. The maximum withdrawals from this fund are limited as follows:

1. The maximum withdrawals in any given fiscal year, for any combination of authorized uses in section IV, are limited to no more than \$3,000,000 annually, and no more than \$750,000 per quarter, regardless of the total balance of the fund. The funds that are withdrawn must be used during the current fiscal year, and do not carry over to subsequent fiscal years.

Spending Guidelines

Minimum Balance	None
Maximum Designations (Annual)	\$3,000,000
Maximum Designations (Quarterly)	\$750,000

2. The fund balance cannot be negative after accounting for all authorized spending.
 - a. Funds are subject to quarterly withdrawal limitations;
 - b. The \$3,000,000 limitation is based on the fiscal year in which the designation is made,

RM #19-16 Action Regarding a Fiscal Stabilization Policy including Withdrawal Guidelines and the related Elimination of the Fiscal Reserve Withdrawal Guidelines contained within the Native Hawaiian Trust Fund Spending Policy

ATTACHMENT A

regardless of the year of funding specified in the designation. For example, if a \$2,000,000 designation is made in budget year one, to be funded in budget year two, the \$2,000,000 will count towards the limit in budget year one, and only an additional \$1,000,000 can be designated in budget year one. In budget year two, the maximum designation of \$3,000,000 is still available.

SECTION VI – REQUEST PROCEDURE

Request Procedure. Funding requests for the use of Fiscal Stabilization Fund must be submitted as an action item. To be considered, the action item must comply with Board requirements for action items, and include the following, at a minimum:

- 1 **Originator.** Identification of the originator of the initial request. If the originator is not a member of the BOT, the action item shall state that it is being made “By Request,” and include the identity of the originator, for example, “CEO” or “beneficiary.”
- 2 **Explanation.** Clear explanation of the reasons the request qualifies as an authorized fund use. The explanation must address all requirements of sections IV and V, including:
 - a. The reasons the request cannot be accommodated with other available means of financing, or why it cannot be budgeted in the next Fiscal Biennium Total Operating Budget.
 - b. An explanation of the urgency of the request and its impact on OHA or its beneficiaries if the request is denied or the decision is delayed.
 - c. Certification by the CFO that the funds are available for the request, and that maximum withdrawal restrictions will not be violated if the request is granted.
- 3 **Supporting documentation.** All supporting documentation that justifies the funding request.

SECTION VIII – DELEGATION OF RESPONSIBILITY

Delegation of Responsibility.

1. The CEO shall be responsible for the initiation of the Action Item(s) requesting funding.
2. The CFO shall be responsible for reviewing the Action Item(s), the release of funds and any documentation in relation to disbursements. All documentation must be stored in accordance with OHA’s record retention policy.
3. Any Action Item that does not comply with the requirements of this policy shall not be considered by the Board. Any non-compliant action item approved by the Board shall be considered void.

SECTION IX – VOTING REQUIREMENTS

Voting requirements. The following defines the voting requirements for Board approval of funding requests.

- (a) The Board of Trustees with six (6) affirmative votes may authorize expenditures from the Fiscal Stabilization Fund, up to the maximum designation allowable under section V, Maximum withdrawals.
- (b) The Board of Trustees with eight (8) affirmative votes may approve in excess of the \$3,000,000 withdrawal limit, provided that the amount withdrawn shall not result in the Fiscal Stabilization Fund balance falling below zero.

SECTION X – REVIEW

Review. This Policy will be reviewed as recommended by the Chair of the RM Committee, but no less than every two (2) years. Any modification to this Policy shall require six (6) votes and two (2) readings at the Board of Trustees level with external review, consultation and advice being completed prior to any modifications.



OFFICE OF HAWAIIAN AFFAIRS

NATIVE HAWAIIAN TRUST FUND SPENDING POLICY, AS AMENDED

Adopted by the Board of Trustees, September 15, 2004

Amended and adopted by the Board of Trustees on July 6, 2006

Amended and adopted by the Board of Trustees on May 21, 2009

Reviewed with no modifications by the Board of Trustees on April 18, 2012

Amended and adopted by the Board of Trustees on February 27, 2014

**OFFICE OF HAWAIIAN AFFAIRS
NATIVE HAWAIIAN TRUST FUND SPENDING POLICY**

I. PURPOSE. The purpose of this policy is to ensure the continued viability of the Office of Hawaiian Affairs (OHA) Native Hawaiian Trust Funds (NHTF) by providing specific guidelines to balance the objectives of maintaining principal and producing large, stable and predictable spending. Decisions affecting management of the NHTF focus upon four conflicting objectives:

- A. Maximize long-term total return;
- B. Maximize annual spending from the Trust;
- C. Preserve the real value (purchasing power) of the Trust's principal and of its spending distributions over the long term;
- D. Maximize the stability and predictability of spending distributions. In other words, minimize the spending shortfall risk.

II. OBJECTIVE. The following spending policy reflects the objective of distributing as much total return as is consistent with the overall defined investment objectives while protecting the value of the principal.

III. DEFINITIONS. To further clarify the spending policy, the following definitions are used:

A. **Native Hawaiian Trust Fund** defined as all Public Land Trust revenue emanating from 5(f) funds that is subject to OHA's Native Hawaiian Trust Fund investment policy.

B. **Spending Rate** is the percentage (%) applied to the average market value to determine the spend amount.

C. **Annual Spending Withdrawals** defined as the maximum amount authorized to be budgeted from the Native Hawaiian Trust Fund in one fiscal year.

D. **Moving Average Rule** – to spend a fixed percentage of the average Native Hawaiian Trust Fund's average market value (e.g., spend 5.0% of the average market value of the previous 20 quarters).

E. Annual Ceded Land Revenues – shall be the \$15.1 million (fifteen million one hundred thousand dollars) annual revenues received from the state of Hawai'i as of fiscal year 2006-2007, or including any adjustments to annual ceded lands revenues in the future by the state of Hawai'i.

F. State of Hawai'i General Fund appropriations are determined by the Legislature during each Biennium and are spent for a specific purpose.

G. To Spend is the result of multiplying the moving average rule (Moving Average) by the spending rate.

H. Spent is when actual disbursement or encumbrances of funds is made. Trustees should never appropriate funds beyond the Spending Policy calculated amount.

I. Average Market Value – shall be computed quarterly based upon the monthly statements received from OHA's Custodian of Record, the average shall be computed from the most recent 20 quarter period ending as of March 31st, fifteen months prior to the start of the budget on July 1. If real estate is included in the Native Hawaiian Trust Fund then the real property market value shall be included to compute the average market value.

J. Public Land Trust Revenue – emanating from 5(f) funds that the State of Hawai'i remits to the Office of Hawaiian Affairs.

K. Real Property Market Value – shall be based upon the latest real estate appraisal. Such an appraisal should be conducted every five (5) years or upon the sale of any respective real estate property, whichever comes first.

L. Investment – an acquisition for future income or benefit.

M. 5(f) Funds – refers to Section 5(f) of the State of Hawai'i Admissions Act.

N. Total return is defined as the sum of earned interest and dividends and realized and unrealized gains or losses, less all investment management costs (*e.g. investment consultant, custodian, money manager fees*).

O. Native Hawaiian Self-Governance Spending Withdrawal defined as a maximum cumulative authorization not to exceed \$3,000,000 to be budgeted from the

Native Hawaiian Trust Fund for self-governing efforts of the Office of Hawaiian Affairs.

IV. POLICY/PROCEDURE. Consistent with the overall investment goals of the Native Hawaiian Trust Fund, the following spending rates and rules for distribution are set forward.

A. The formula for determining annual spending withdrawals and the mechanics of its implementation shall adopt the **Moving Average Rule**, whereby;

1. OHA will spend a fixed percentage of no more than five percent (5%) of the Native Hawaiian Trust Fund's **average market value**,

plus

2. **Ceded Land Revenues** received by OHA

plus

3. **State of Hawai'i General Funds** received by OHA

plus

4. Any funds available but not spent in previous fiscal years (**Fiscal Reserve**), held within the Native Hawaiian Trust Fund.

B. Regardless of the performance of the Native Hawaiian Trust Fund, OHA's spending policy will apply. The 5% spending rate shall be applied to investment portfolio and real property assets intended to be income or benefit producing.

C. Funds available from sources other than those defined in Section IV.A. of this policy are not limited by this annual spending withdrawal formula.

V. SPECIAL SPENDING WITHDRAWAL. Public Law 103-150 recognizes that the "...indigenous Hawaiian people never directly relinquished their claims to their inherent sovereignty as a people or over their national lands..." and urges the President of the United States to "...support reconciliation efforts between the United States and the Native Hawaiian people." Act 195 was signed into law on July 6, 2011 and recognized the Native Hawaiian people as the only indigenous, aboriginal, maoli people of Hawai'i. Act 195 encourages OHA to "...continue to support the self-determination process by Native Hawaiians in the formation of their chosen governmental entity" and notes that the State has designated OHA "...as a trust vehicle

to act on behalf of Native Hawaiians until a Native Hawaiian governing entity could be reestablished...". Balancing the opportunity for the formation of a governmental entity that would empower Native Hawaiians to exercise their un-relinquished inherent sovereignty with the objectives of maintaining principal and producing large, stable and predictable spending, a special cumulative spending withdrawal of no more than \$3,000,000 can be authorized to be budgeted from the Native Hawaiian Trust Fund for self-governing efforts of the Office of Hawaiian Affairs and will be known as a **Native Hawaiian Self-Governance Spending Withdrawal**. Authorizations of funds pursuant to Section V. will require a separate Action Item appropriation request pursuant to Section 1.4.b of OHA's Board of Trustees Executive Policy Manual. This Section V. specifically disallows transfer of funds or appropriations of any kind to the Native Hawaiian Roll Commission, as established by Act 195.

VI. REVIEW

A. The Spending Policy will be reviewed at least every two years or as recommended by the Chair of the ARM Committee.

B. Modifications to the Spending Policy must meet requirements as provided by the then current By-Laws. Any modification or exceptions to OHA's Spending Policy shall require six (6) votes and two (2) readings at the Board of Trustees level and require external due diligence to be conducted.

VII. EFFECTIVE DATE. "The effective date of this policy is February 27, 2014 and this policy shall be deemed to pre-exist funds disbursed to OHA by the State pursuant to Act 178, SLH 2006."

Adopted on the 27th day of February, 2014

OFFICE OF HAWAIIAN AFFAIRS BOARD OF TRUSTEES

Colette Y. Machado

Colette Y. Machado, Chairperson

First Reading	2/20/2014
Second Reading	2/27/2014

OHA'S NATIVE HAWAIIAN TRUST FUND SPENDING POLICY'S FISCAL RESERVE WITHDRAWAL GUIDELINES

I. INTRODUCTION. The Office of Hawaiian Affairs two criteria for an effective Fiscal Reserve are the following: (1) the fund collects and dispenses appropriate amounts of money at appropriate times; and (2) it is simple to operate. Of the various alternatives studied by Administration, the fiscal reserve fund proposed here comes closest to satisfying these criteria. The purpose of this section is to describe the proposed operation of OHA's fiscal reserve as established by OHA's Spending Policy, which was initially adopted on October 31, 2000 and subsequently amended in September 2004, July 2006, and May 2009, respectively. These guidelines are not policy, rather it clarifies existing policy that exists on page 3, section IV of OHA's Native Hawaiian Trust Fund Spending Policy section entitled, "Policy/Procedure" and states "*plus*" A.3 "*Any funds available but not spent in previous fiscal years, held within the Native Hawaiian Trust Fund.*"

II. OHA'S NATIVE HAWAIIAN TRUST FUND SPENDING POLICY'S - FISCAL RESERVE. Following is a description of the fiscal reserve fund:

A. Objective. OHA's fiscal reserve fund is designed to provide money in certain situations.

B. Authorized uses. Money can be authorized under any of the 3 (three) permissible purposes as follows:

1. Budget Stabilization – To address shortfalls in funding that directly translate into a significant spending decrease for a budget year. The shortfall can be the result of a downturn in the economy that negatively impacts the value of the NHTF investments, or can be the result of a reduction in general funding or ceded land revenue payments received from the state. Costs of programs can be funded through the fiscal reserve if it is determined that not providing the funding will have a severe negative impact on OHA's beneficiaries. The amount that can be utilized under this category in any given fiscal year, cannot exceed the previous year's spending limit subject to the limitations set forth in (E.) below. In other words, the budget stabilization can be used so that the fiscal reserve will supplement the current year budget to be at least equal to the prior year budget up to the limit set forth in (E.) below.

2. Unpredicted One-time Payments – to address events or opportunities that are non-recurring in nature, have not been contemplated in the

budget process, and cannot wait to be included in the next budget cycle. This category would also include any expenditures needed to address legal issues as well as to remedy an emergency condition (which means a situation that creates a threat to public health, welfare, or safety that may arise by reason of major natural disaster, epidemic, riot, fire, or other reason.) The maximum designation amount under this category is subject to the limitations set forth in item (E.) below.

3. **Capital Acquisitions** – Major purchases of non-investment land or other capital assets that either have not been contemplated during the time of budget preparation, or cannot be addressed within the confines of the budget, and cannot wait to be included in the next budget cycle. The maximum withdrawal amount under this category is subject to the limitations set forth in item (E.) below.

C. Maximum Designations. The maximum designations allowable to be made in any given fiscal year, using any combination of items B.1. through B.3. above, are limited to no more than \$3,000,000 annually. The \$3,000,000 limitation is based on the fiscal year in which the designation is made, regardless of the year of funding specified in the designation. For example, if a \$2m designation is made in budget year 1, to be funded in budget year 2, the \$2m will count towards the limit in budget year 1, and only an additional \$1m can be designated in budget year 1. In budget year 2, the full \$3m of designations is still available.

D. Special Circumstances – There may be special circumstances that will require the use of funds in excess of the categories noted above. For example, the imminence of the passage of a federal recognition bill may trigger events for which OHA will be required to spend monies not otherwise available. In these special circumstances, the criteria set forth above can be waived by the BOT with a vote of the super majority plus 2 (8 affirmative votes). Since the "fiscal reserve" is a part of OHA's Native Hawaiian Trust Fund and not an account established separately, if and when the fiscal reserve is utilized, the funds identified will merely serve as an additional means of financing.

E. Deposit Calculations. The source of data required to calculate the amount to be "restricted" as an OHA NHTF Spending Policy Fiscal Reserve shall be subject to audited financial statements for the respective fiscal year. Estimated year-end budget surpluses based upon unaudited records are not permissible.

F. Restrictions. The operation of the fiscal reserve fund is subject to two (2) restrictions:

1. no more than the current balance of the fiscal reserve in any year will be designated from the fund (e.g., the fund's balance cannot be negative after accounting for all designations; and
2. the total amount of money earmarked as a fiscal reserve does not have an upper threshold (*cap*) imposed upon it.

G. Operation

A. Pursuant to the OHA Spending Policy, Administration is tasked with calculating the spending policy limitation for the upcoming fiscal year utilizing a 20-quarter rolling average of the Native Hawaiian Trust Fund's market value, ending as of March 31st, fifteen months prior to the start of the budget on July 1. The respective 20-quarter rolling average along with a Board of Trustees determined spending rate (up to 5%) eventually determines the upper threshold for the development of a biennium budget, which is revisited during the supplemental year to correct any upward or downward adjustments in accordance to the actual spending policy formula. Note: during the development of a biennium budget, only the first fiscal year can utilize actual figures with the second year requiring Administration to "estimate" the market value of the upcoming four quarters based upon financial analysis techniques.

B. Only upon the close of OHA's fiscal year end financial records and the successful completion of a financial audit engagement can fiscal year "expenditure" figures be utilized, less any investment related expenses, and then deducted from OHA's calculated spending policy ceiling. As a part of OHA's adjusting fiscal year end journal entry, the difference is to be accumulated to any existing fund reserve account. Note: the funds are maintained within the Native Hawaiian Trust Fund, without the benefit of interest income and/or capital gains accrual, and are merely recognized as "reserved" funds within OHA's financial statements.

III. PROCEDURE. The procedure to be followed when requesting money via these guidelines for Board consideration shall be in the form of an Action Item and must include, at a minimum, the following information:

1. Identify the originator of the request;
2. Cite specific "Authorized Use" being requested as:
 - a. **B.1. Budget Stabilization,**
 - b. **B.2. Unpredicted One-time Payments, or**

c. B.3. Capital Acquisitions

3. Cite D. Special Circumstances if applicable.
4. Explain why the request cannot be accommodated with funds from the current Core Operating Budget.
5. State the urgency of the request and its impact on OHA if the request is denied or the decision is delayed.
6. Attach a letter or proposal detailing the request in sufficient detail to reasonably draw a conclusion of merit.

IV. VOTING REQUIREMENTS.

A. The Board of Trustees with six (6) affirmative votes may authorize expenditures from the fiscal reserve up to the maximum designation allowable under Budget Stabilization, Unpredicted One-time Payments, and Capital Acquisitions categories as set forth in Section II. B.1., B.2. and B.3., respectively, above.

B. The Board of Trustees with eight (8) affirmative votes may authorize expenditures from the fiscal reserves above the maximum designation allowable under the Special Circumstances category as set forth in Section II.D. above.

Adopted on the 27th day of February, 2014

OFFICE OF HAWAIIAN AFFAIRS BOARD OF TRUSTEES



Colette Y. Machado, Chairperson

First Reading	2/20/2014
Second Reading	2/27/2014

Office of Hawaiian Affairs
560 N. Nimitz Hwy, Suite 200
Honolulu, HI 96817
Roll Call Vote Sheet

ATTACHMENT C

BOARD OF TRUSTEES MEETING

DATE: February 27, 2018

AGENDA ITEM:

V. New Business

B. Committee on Resource Management

1. RM 18-03: Moratorium on Fiscal Reserve Spending

MOTION:

Move to approve a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.

AMENDMENT:

MEANS OF FINANCING:

		1	2	'AE (YES)	A'OLE (NO)	KANALUA/ ABSTAIN	EXCUSED/ ABSENT
TRUSTEE LEINA'ALA	AHU ISA			X			
TRUSTEE DAN	AHUNA			X			
TRUSTEE ROWENA	AKANA			X			
TRUSTEE KELI'I	AKINA			X			
TRUSTEE PETER	APO			X			
TRUSTEE CARMEN HULU	LINDSEY	x		X			
TRUSTEE ROBERT	LINDSEY			X			
TRUSTEE JOHN	WAIHEE		x	X			
CHAIRPERSON COLETTE	MACHADO			X			
TOTAL VOTE COUNT				9			

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

DISCUSSION:

**COMMITTEE ON RESOURCE MANAGEMENT
(RM)**

Committee Report

February 27, 2018

The Honorable Colette Machado,
Chairperson Board of Trustees
Office of Hawaiian Affairs

Madame Chair Machado,

Your Committee on Resource Management, having met on February 21, 2018 and after full and free discussion, recommends approval of the following action to the Board of Trustees:

To approve a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.

Relevant attachments are included for your information and reference. Attachment(s):

- 1) Action Item RM #18-03
- 2) RM Roll Call Vote Sheet(1)

Respectfully submitted:

ATTACHMENT C


Trustee Carmen Hulu Lindsey, Chair

excused
Trustee Peter Apo, Member



Trustee Leina'ala Ahu Isa, Member

excused
Trustee Robert Lindsey, Member


Trustee Dan Ahuna, Member

excused
Trustee Colette Machado, Member

excused
Trustee Rowena Akana, Member



Trustee John Waihe'e, IV., Member

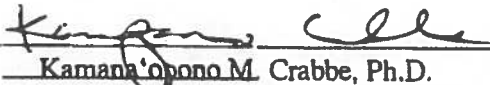

Trustee Keli'i Akina, Member

OFFICE OF HAWAIIAN AFFAIRS
Action Item
Committee on Resource Management
February 21, 2018


RM# 18-03

Action Item Issue: Whether the Resource Management Committee ("RM") shall approve a recommendation to the Board of Trustees for a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.

Prepared by:  2/16/2018
Max Mukai
Ke Kua Kāko'o, Trustee Aide
Date

Reviewed by:  2/16/18
Kamana'o M. Crabbe, Ph.D.
Ka Pouhaha, Chief Executive Officer
Date

Reviewed by:  02/16/18
Colette Y. Machado
Ke Kauhuhu, Chair of Board of Trustees
Date

Reviewed by:  2/16/2018
Hulu Lindsey
Ho'omalū Komike RM, RM Chairperson
Date

I. Action:

Approval of a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.

II. Issue:

Whether the Resource Management Committee ("RM") shall approve a recommendation to the Board of Trustees for a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.

III. Background:

On March 29, 2017, the Board of Trustees approved the RM Committee's recommendation to create the FSP Working and Implementation Advisory Committee ("FSP Advisory Committee"). Subsequently, RM Committee Chair, Trustee Hulu Lindsey, created collaborative FSP working groups comprised of Trustees, Administration, and subject matter experts to address the following priority areas: OHA's Spending Policy, Real Estate Investments, Legal and Taxable Structure, OHA's Relationship with the Department of Hawaiian Homelands; and Pension Benefits. The FSP Spending Policy Working Group has met to discuss improvements to the spending policy and Fiscal Reserve guidelines, analyzing the policies current implications and outlining the issues that need to be addressed. Additionally, the FSP Spending Policy and Real Estate Investments Working Groups have also met to discuss improvements to the Native Hawaiian Trust Fund Investment Policy Statement and consideration of an investment policy statement that would apply to OHA's real estate investments. These efforts will put OHA on the path to better managing and maintaining the health of its financial resources and other assets so that the agency may continue to address both the present and future needs of Native Hawaiians. As the review, modification and/or creation, and adoption of revised fiscal and investment policy statements will take time and a concerted effort by the working groups, it is appropriate to impose a moratorium on the use of Fiscal Reserve funds until the Board of Trustees adopts the recommended changes to the Fiscal Reserve guidelines.

IV. Alternative Actions:

- A. Recommend approval of the moratorium, and transmit the recommendation to the Board of Trustees for consideration.
- B. Decline approval of the moratorium and take no other action.
- C. Take no action.

V. Recommended Action:

To approve a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.

VI. Timeframe:

The moratorium will take effect immediately upon approval by the Board of Trustees.

VII. Funding Source:

No funding required.

VIII. Attachment:

None.

Office of Hawaiian Affairs
560 N Nimitz Hwy. Ste. 200
Honolulu, HI 96817
Roll Call Vote Sheet

Committee on Resource Management	DATE: February 21, 2018 Motion: Vote:																																																																												
AGENDA ITEM: III. New Business B. RM 18-03: Moratorium on Fiscal Reserve Spending																																																																													
MOTION: To approve a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.																																																																													
AMENDMENT:																																																																													
MEANS OF FINANCING:																																																																													
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">TRUSTEE</th> <th style="width: 5%;">1</th> <th style="width: 5%;">2</th> <th style="width: 10%;">'AE (YES)</th> <th style="width: 10%;">A'OLE (NO)</th> <th style="width: 15%;">KANALUA (ABSTAIN)</th> <th style="width: 15%;">EXCUSED</th> </tr> </thead> <tbody> <tr> <td>LEI AHU ISA</td> <td></td> <td></td> <td style="text-align: center;">X</td> <td></td> <td></td> <td></td> </tr> <tr> <td>DAN AHUNA</td> <td></td> <td></td> <td style="text-align: center;">X</td> <td></td> <td></td> <td></td> </tr> <tr> <td>ROWENA AKANA</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: center;">X</td> </tr> <tr> <td>KELI'I AKINA</td> <td></td> <td></td> <td style="text-align: center;">X</td> <td></td> <td></td> <td></td> </tr> <tr> <td>PETER APO</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: center;">X</td> </tr> <tr> <td>ROBERT LINDSEY</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: center;">X</td> </tr> <tr> <td>COLETTE MACHADO</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: center;">X</td> </tr> <tr> <td>JOHN WAIHE'E</td> <td></td> <td></td> <td style="text-align: center;">X</td> <td></td> <td></td> <td></td> </tr> <tr> <td>CHAIR HULU LINDSEY</td> <td></td> <td></td> <td style="text-align: center;">X</td> <td></td> <td></td> <td></td> </tr> <tr> <td>TOTAL VOTE COUNT</td> <td></td> <td></td> <td style="text-align: center;">5</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED	LEI AHU ISA			X				DAN AHUNA			X				ROWENA AKANA						X	KELI'I AKINA			X				PETER APO						X	ROBERT LINDSEY						X	COLETTE MACHADO						X	JOHN WAIHE'E			X				CHAIR HULU LINDSEY			X				TOTAL VOTE COUNT			5			
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MOTION: [] UNANIMOUS [X] PASSED [] DEFERRED [] FAILED

**COMMITTEE ON RESOURCE MANAGEMENT
(RM)**

Committee Report

February 27, 2018

The Honorable Colette Machado,
Chairperson Board of Trustees
Office of Hawaiian Affairs

Madame Chair Machado,

Your Committee on Resource Management, having met on February 21, 2018 and after full and free discussion, recommends approval of the following action to the Board of Trustees:

To approve a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.

Relevant attachments are included for your information and reference. Attachment(s):

- 1) Action Item RM #18-03
- 2) RM Roll Call Vote Sheet(1)

Respectfully submitted:

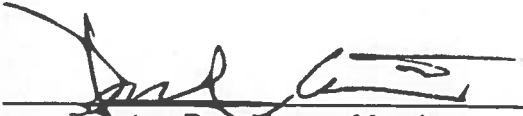
ATTACHMENT D


Trustee Carmen Hulu Lindsey, Chair

excused
Trustee Peter Apo, Member

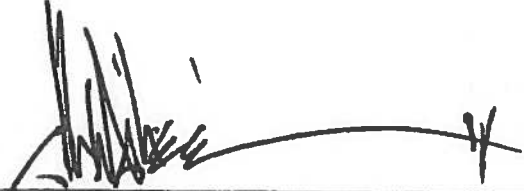

Trustee Leina'ala Ahu Isa, Member

excused
Trustee Robert Lindsey, Member


Trustee Dan Ahuna, Member

excused
Trustee Colette Machado, Member

excused
Trustee Rowena Akana, Member


Trustee John Waihe'e, IV., Member


Trustee Keli'i Akina, Member

OFFICE OF HAWAIIAN AFFAIRS
Action Item
Committee on Resource Management
February 21, 2018

RM# 18-03

Action Item Issue: Whether the Resource Management Committee ("RM") shall approve a recommendation to the Board of Trustees for a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.

Prepared by: Max Mukai 2/16/2018
Max Mukai
Ke Kua Kāko'o, Trustee Aide
Date

Reviewed by: Kamane'opono M. Crabbe, Ph.D. 1/18/18
Kamane'opono M. Crabbe, Ph.D.
Ka Pūhaha, Chief Executive Officer
Date

Reviewed by: Colette Y. Machado 02/16/18
Colette Y. Machado
Ke Kauhuhu, Chair of Board of Trustees
Date

Reviewed by: Hulu Lindsey 2/16/2018
Hulu Lindsey
Ho'omalū Komike RM, RM Chairperson
Date

I. Action:

Approval of a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.

II. Issue:

Whether the Resource Management Committee ("RM") shall approve a recommendation to the Board of Trustees for a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.

III. Background:

On March 29, 2017, the Board of Trustees approved the RM Committee's recommendation to create the FSP Working and Implementation Advisory Committee ("FSP Advisory Committee"). Subsequently, RM Committee Chair, Trustee Hulu Lindsey, created collaborative FSP working groups comprised of Trustees, Administration, and subject matter experts to address the following priority areas: OHA's Spending Policy, Real Estate Investments, Legal and Taxable Structure, OHA's Relationship with the Department of Hawaiian Homelands; and Pension Benefits. The FSP Spending Policy Working Group has met to discuss improvements to the spending policy and Fiscal Reserve guidelines, analyzing the policies current implications and outlining the issues that need to be addressed. Additionally, the FSP Spending Policy and Real Estate Investments Working Groups have also met to discuss improvements to the Native Hawaiian Trust Fund Investment Policy Statement and consideration of an investment policy statement that would apply to OHA's real estate investments. These efforts will put OHA on the path to better managing and maintaining the health of its financial resources and other assets so that the agency may continue to address both the present and future needs of Native Hawaiians. As the review, modification and/or creation, and adoption of revised fiscal and investment policy statements will take time and a concerted effort by the working groups, it is appropriate to impose a moratorium on the use of Fiscal Reserve funds until the Board of Trustees adopts the recommended changes to the Fiscal Reserve guidelines.

IV. Alternative Actions:

- A. Recommend approval of the moratorium, and transmit the recommendation to the Board of Trustees for consideration.
- B. Decline approval of the moratorium and take no other action.
- C. Take no action.

V. Recommended Action:

To approve a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.

VI. Timeframe:

The moratorium will take effect immediately upon approval by the Board of Trustees.

VII. Funding Source:

No funding required.

VIII. Attachment:

None.

Office of Hawaiian Affairs
560 N Nimitz Hwy. Ste. 200
Honolulu, HI 96817
Roll Call Vote Sheet

Committee on Resource Management**DATE: February 21, 2018****Motion:****Vote:****AGENDA ITEM: III. New Business****B. RM 18-03: Moratorium on Fiscal Reserve Spending****MOTION:**

To approve a moratorium on the use of Fiscal Reserve funds until specific policy changes are approved by the Board of Trustees.

AMENDMENT:**MEANS OF FINANCING:**

TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
LEI	AHU ISA			X			
DAN	AHUNA			X			
ROWENA	AKANA						X
KELI'I	AKINA			X			
PETER	APO						X
ROBERT	LINDSEY						X
COLETTE	MACHADO						X
JOHN	WAIHE'E			X			
CHAIR HULU	LINDSEY			X			
TOTAL VOTE COUNT				5			

MOTION: ☐ UNANIMOUS ☒ PASSED ☐ DEFERRED ☐ FAILED

Auditor's Summary

Audit of the Office of Hawaiian Affairs

Report No. 18-03



PHOTO: OHA

IN REPORT NO. 18-03, *Audit of the Office of Hawaiian Affairs*, we found that the Office of Hawaiian Affairs (OHA) has created alternate funding processes that allow the agency to regularly direct money towards a multitude of programs, projects, and individuals. At first glance, these funding opportunities appear to be guided by policies, procedures, and guidelines designed to ensure that funds are distributed fairly and equitably. In reality, however, these expenditures and other forms of discretionary spending do not undergo the rigorous vetting, monitoring, and reporting requirements of OHA's formal grant process. Some are approved by the OHA Administration without Board of Trustee vote or even knowledge.

What we found

In FY2015 and FY2016, OHA spent nearly double as much on discretionary disbursements (\$14 million) as it did on planned, budgeted, and properly publicized, vetted, and monitored grants (\$7.7 million). To fund these unplanned expenditures, OHA realigned its budget (by \$8 million) and drew from its Fiscal Reserve (\$6 million). We found that OHA has spent with little restraint, using Native Hawaiian Trust Fund moneys to pay for such things as the retirement benefits for a former trustee (\$56,300), political donations, an international conservation convention (\$500,000), as well as a beneficiary's rent (\$1,000), another beneficiary's funeral-related clothing expenses (\$1,000), and a trustee's personal legal expenses (\$1,500).

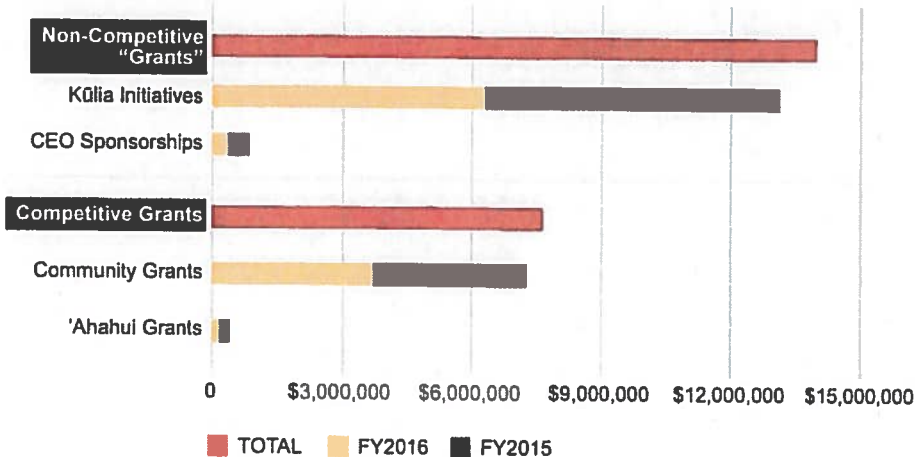
Why did these problems occur?

OHA's vague rules guiding its discretionary spending are broadly interpreted, arbitrarily enforced, and at times, disregarded. For instance, we found several occasions in which OHA's chief executive officer (CEO) ignored "do not fund" recommendations from Administration personnel and funded Sponsorships, contrary to written guidelines. We also found significant irregularities in and abuse of OHA's Trustee Allowance process, which was originally established to cover incidental expenses for trustees to develop and maintain ongoing communication with beneficiaries and the general public, but has evolved to allow a broad range of expenditures. When we asked trustees, the CEO, and other officers about questionable expenditures, the consistent justification provided was that the money helps a Native Hawaiian or Hawaiian beneficiary, thus fulfilling OHA's mission to improve the conditions and well-being of Native Hawaiians and Hawaiians.

Why do these problems matter?

The Fiscal Reserve, the source for much of OHA's discretionary spending, has been spent down rapidly in recent years. From FY2011 to FY2016, the Fiscal Reserve balance fell from \$15.1 million to a little more

Spending on non-competitive versus competitive awards



Source: Information provided by OHA's Transitional Assistance Program.

Fiscal Reserve

FUNDS THAT WERE BUDGETED but remain unspent at the end of the fiscal year stay in the Native Hawaiian Trust Fund and are designated as Fiscal Reserve.

than \$2 million, as the board spent the maximum \$3 million allowed under OHA policy each year. However, not only do OHA's spending irregularities pose risks — both great and small — to the Native Hawaiian Trust Fund, they appear to violate the OHA trustees' solemn fiduciary obligation to their beneficiaries that they will administer the trust fairly, equitably, and without self-interest. In other words, this form of behind-the-scenes giving is inherently inequitable to OHA's many other beneficiaries who may be in need of financial assistance, but are unaware of who and how to ask for help.

We acknowledge that trustees have broad discretion in determining whether a particular expenditure better the conditions of Native Hawaiians and Hawaiians, but their desire to provide assistance to a few should be tempered by their fiduciary duties to all of the beneficiaries, both present and future. Doing so would not only benefit Native Hawaiians and Hawaiians in the long term, it would help ensure that they are treated more equitably in the short term.

"If an organization is denied funding by the administration of OHA, they can come to a trustee to seek funding for their project. There's something that can be self-defeating in having these two competing processes."

— OHA trustee

Examples of Questionable Spending



Las Vegas Rodeo

On June 26, 2014, Trustee H circulated a memo to fellow board members, soliciting donations for the recipient to attend a Las Vegas rodeo competition. Trustee H donated \$1,000. Two others, Trustee A and Trustee G, responded with donations of \$500 and \$400 respectively.



Trustee to Trustee's Spouse

Trustee A donated \$1,000 to Trustee B for Trustee B's son's medical expenses. According to OHA's controller, it is possible that Trustee B was not aware that the funds were from OHA.



Spousal Support

Trustee B donated OHA funds to this community leadership program; Trustee B's spouse had been a participant in the program just three months before, from September 2013 – June 2014.



Fund DNC

Political contributions to the Democratic National Committee and the League of Women Voters made by Trustee C were allowed because they pre-dated OHA's March 4, 2014, policy statement.