

PHONE (808) 594-1888

Committee on Resource Management
Trustee Carmen Hulu Lindsey, Maui, *Chairperson*
Trustee John Waihe'e, IV, At-Large, *Vice-Chair*
Trustee Leina'ala Ahu Isa, At-Large
Trustee Dan Ahuna, Kaua'i / Ni'ihau
Trustee Rowena Akana, At-Large
Trustee Keli'i Akina, At-Large
Trustee Peter Apo, O'ahu
Trustee Robert K. Lindsey, Jr., Hawai'i Island
Trustee Colette Machado, Moloka'i / Lāna'i

FAX (808) 594-1868



**STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS**

MEETING OF THE COMMITTEE ON RESOURCE MANAGEMENT

DATE: October 10, 2018
TIME: 10:00 A.M.
PLACE: Maui Ola Board Room
Nā Lama Kukui
560 N. Nimitz Highway
Honolulu, HI 96817

AGENDA

- I. Call to Order
- II. Approval of Minutes
 - A. July 11, 2018
- III. Public Testimony*
- IV. New Business
 - A. NHTF 2nd Quarter Performance Review with Segal Marco Consultant Craig Chaikin
 - B. Commonfund discussion and outlook with new Portfolio Manager Joe Falcha and Tim Yates
 - C. Private Market Investment Process Discussion
- V. Community Concern*
- VI. Announcements
- VII. Adjournment

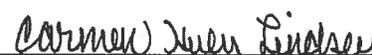
*Notice: Persons wishing to provide testimony are requested to submit 13 copies of their testimony to the Chief Executive Officer at 560 N. Nimitz, Suite 200, Honolulu, HI, 96817 or fax to 594-1868, or email BOTmeetings@oha.org 48 hours prior to the scheduled meeting. Persons wishing to testify orally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

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

***Notice: This portion of the meeting will be closed pursuant to HRS § 92-4 and 92.-5.

***Notice: Language was revised for Agenda title

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



Trustee Carmen Hulu Lindsey, Chair
Committee on Resource Management

10/3/2018
Date

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

**Minutes of the Office of Hawaiian Affairs Committee on Resource Management
October 10, 2018
10:40 a.m.**

ATTENDANCE:

Trustee Colette Machado
Trustee Carmen Hulu Lindsey
Trustee Rowena Akana

Trustee John Waihe'e, IV
Trustee Leina'ala Ahu Isa

STAFF PRESENT:

Alvin Akee
Claudine Calpito
Crayn Akina
David Laeha
Davis Price
David Laeha
Dylan Zheng
Lady Garrett
Lehua Itokazu
Lopaka Baptiste

Maria Calderon
Miles Nishijima
Paul Harleman
Raymond Matsuura

Guest and Community:

Craig Chaikin
Joe Falcha
Kai'ulani Torres
Keali'i Makekau
Tim Yates
Sam Chung

I. CALL TO ORDER

Committee Chair Hulu Lindsey calls the Committee on Resource Management to order at 10:40 a.m., noting for the record the following Trustees are present:

| | Present | Excused | Comments |
|--|----------------|----------------|--|
| TRUSTEE LEI AHU ISA | X | | |
| TRUSTEE DAN AHUNA | | X | |
| TRUSTEE ROWENA AKANA | X | | Arrives at 10:40 am. Makes quorum |
| TRUSTEE KELI'I AKINA | | X | |
| TRUSTEE PETER APO | | X | |
| TRUSTEE ROBERT LINDSEY | | X | |
| TRUSTEE COLETTE MACHADO | X | | |
| TRUSTEE JOHN WAIHE'E | X | | |
| CHAIRPERSON HULU LINDSEY | X | | |
| TOTAL | 5 | | |
| At the Call to Order, there are five (5) Trustees present. | | | |

Committee Chair Hulu Lindsey announces that she will be taking the agenda out of order and will be allowing the community concerns to speak before moving on.

V. COMMUNITY CONCERNS

Keali'i Makekau states his comments for today's meeting are regarding the audit. He states he has some concerns:

1. An article from Hawai'i Free Press does not disclose the standards being used in the book-keeping and the standards used in the audit.
2. The word Forensic Audit is not being used.

He includes a handout for all Trustees and submits a copy for the minutes. (See attachment). He introduces Kai'ulani and states they will share the time together.

Kai'ulani Torres greets the trustees and states the audit that will be happening is referred to as a second level audit not a forensic under the American Institute of Certified Public Accountants (AICPA). She goes over the handout that was given to the Trustees by Keali'i Makekai. She states she would like to offer her services for the audit. She hopes that an audit team is developed within OHA.

Committee Chair Hulu Lindsey thanks Keali'i and Kaiulani.

II. APPROVAL OF MINUTES

| | | | | | | |
|---|----------|----------|----------------------|------------------------|------------------------------|---------------------|
| Trustee John Waihe'e, IV moves to approve the minutes dated July 11, 2018. | | | | | | |
| Trustee Colette Machado seconds the motion. | | | | | | |
| | 1 | 2 | 'AE (YES) | 'A'OLE (NO) | KANALUA (ABSTAIN) | EXCUSE D |
| TRUSTEE LEI | | | X | | | |
| TRUSTEE DAN | | | | | | X |
| TRUSTEE ROWENA | | | X | | | |
| TRUSTEE KELI'I | | | | | | X |
| TRUSTEE PETER | | | | | | X |
| TRUSTEE ROBERT | | | | | | X |
| TRUSTEE COLETTE | | X | X | | | |
| TRUSTEE JOHN | X | | X | | | |
| CHAIRPERSON HULU | | | X | | | |
| TOTAL VOTE COUNT | | | 5 | | | |
| MOTION: [] UNANIMOUS [X] PASSED [] DEFERRED [] FAILED | | | | | | |
| Motion passes with five (5) YES votes and four (4) EXCUSED votes. | | | | | | |

IV. NEW BUSINESS

**A. NHTF 2nd Quarter Performance Review with Segal Marco Consultant
Craig Chaikin**

Miles Nishijima calls upon Raymond Matsuura.

Raymond Matsuura greets the Trustees. He announces that Glenn Ezard is no longer the consultant to OHA. He announces the new consultant, John Marco. He is the son of Segal Marco Group. John brings with him a team; Craig Chaikin who will be presenting today.

Craig Chaikin greets the Trustees and gives a brief background of himself. He refers to the Native Hawaiian Trust Fund – Summary.

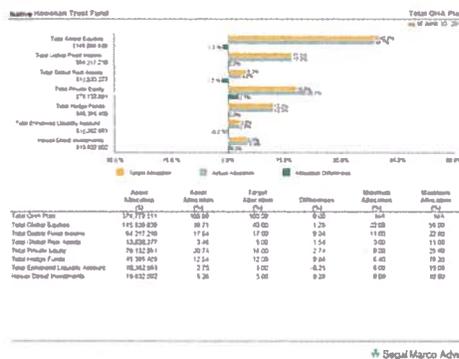


He talks on domestic equity markets and that U.S. equity markets have done well in 2018. He refers to the results for June and covers the results up to September.

Trustee Lei Ahu Isa states that she follows this stuff and her question is: *at what point do you see President Trump's tariff affect us?*

Craig Chaikin responds by stating the implications are much longer in term than they are shorter in term. It is hard to gauge what that impact will be.

He moves on to page 14:



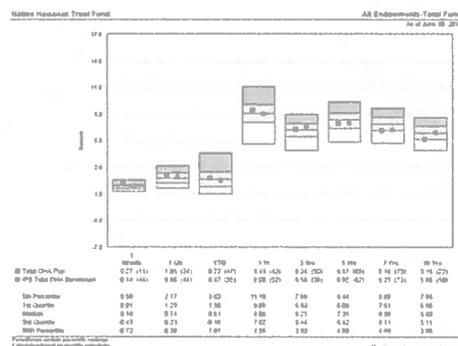
This is a quick look at the underlying allocation. He points out OHA is slightly underweight to global equities, slightly overweight to the private equity target allocation, and well within the investment policy guidelines. Next, he speaks on the results located on page 18.

Relative Hedgefund Trust Fund **Comparative Performance**
As of June 30, 2014

| Investment | Assets Under Management | 1 Yr | 3 Yr | 5 Yr | 10 Yr | 1 Yr | 3 Yr | 5 Yr | 10 Yr |
|------------------------|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total OHA Fund | \$ 2.27 (11) | 9.95 (24) | 8.72 (47) | 8.19 (22) | 6.58 (25) | 6.87 (25) | 5.16 (27) | 5.16 (27) | 3.98 (35) |
| 16 Quartile | \$ 91 | 1.29 | 1.58 | 0.89 | 4.52 | 8.89 | 7.61 | 5.85 | 5.85 |
| Median | \$ 58 | 0.21 | 0.81 | 0.88 | 0.21 | 7.29 | 6.80 | 6.23 | 6.23 |
| 3rd Quartile | \$ 43 | 0.21 | 0.48 | 0.72 | 0.44 | 6.42 | 6.11 | 5.11 | 5.11 |
| 90th Percentile | \$ 12 | 0.30 | 1.01 | 1.00 | 1.00 | 4.98 | 4.64 | 3.95 | 3.95 |

Segal Marco Advisors

The top line shows that the portfolio is up .72% through June. The July and August updates – they were very good months. This makes the total portfolio update through August up 2.5%; this is significantly good. Next page is 24.



Segal Marco Advisors

He shares that it is always good to look at what your results are against the benchmarks but to also look to what are your peers doing? The lower your numbers are, the better your ranking. He points out the quarter to date number. The 34th percentile – means you are better than 66% of the peers in this universe. Definitely good numbers and strong returns here.

Moving on to page 29 – Private equity portfolios.

Other Hedgefund Portfolios **Comparative Performance**
As of June 30, 2014

| Investment | Assets Under Management | 1 Yr | 3 Yr | 5 Yr | 10 Yr |
|------------------------|-------------------------|-----------|-----------|-----------|-----------|
| Total OHA Fund | \$ 2.27 (11) | 9.95 (24) | 8.72 (47) | 8.19 (22) | 6.58 (25) |
| 16 Quartile | \$ 91 | 1.29 | 1.58 | 0.89 | 4.52 |
| Median | \$ 58 | 0.21 | 0.81 | 0.88 | 0.21 |
| 3rd Quartile | \$ 43 | 0.21 | 0.48 | 0.72 | 0.44 |
| 90th Percentile | \$ 12 | 0.30 | 1.01 | 1.00 | 1.00 |

Segal Marco Advisors

He points out the TVPI number. This number looks at the distribution fund as well as the remainder market value, adds them up and then divides it by the amount of capital that is put into the fund. It is more or less how much the return you are getting per dollar. Looking at the total number on the bottom 1.4, this means the sum of your private marketing investment, you've been paid back \$1.40 for every dollar that you've invested.

Raymond Matsuura introduces the next group to speak. Joe Falcha and Tim Yates from Commonfund.

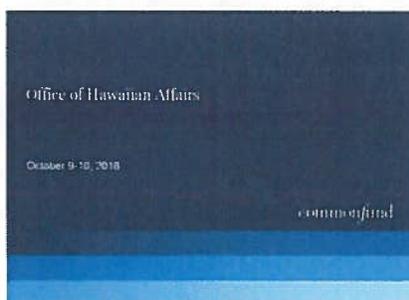
B. Commonfund discussion and outlook with new Portfolio Manager Joe Falcha and Tim Yates

Raymond Matsuura announces that Joe has taken over for Tom Sneed as the Portfolio Manager. As a short background he states that commonfund was hired back in 2011/2012 as an alternative manager, to do hedgefunds, private investments, and set up a strategy to fund those private investments. Over time, Commonfund became a traditional manager from an alternative manager. He turns the time over to Joe.

Trustee Rowena Akana states while OHA changed, what Commonfund is doing for the organization you have not changed the mission. This is one of the reasons why we went with Commonfund.

Tim Yates greets the Trustees, he states that the Commonfund mission has not changed. It is a non-profit entity that manages mostly capital on behalf of non-profits although they do have a few longer pools of capital with pension funds. They manage about 25 billion dollars on behalf of 1,400 clients.

Joe Falcha greets the Trustees, and shares that he's been with Commonfund for 14 years. He starts off by presenting the Commonfund booklet dated October 9-10, 2018.



He refers to page 6 and speaks on the conferences such as the Commonfund Forum. Page 7 he mentions the service and operations team consisting of 65 people. He states to the board that they have access to all of the investment people. Page 8, he speaks of the team for OHA; besides him and Tim, there is Ellen Blix and Rachel Clivaz.

Your Commonfund Team Office of Hawaiian Affairs

ONA Team

Tuesday Yano
Joseph Falcha, CMAA
Diana Ito
Roshel Olova

Head of Strategic Initiatives, Managing Director
Director, Strategic Initiatives
Managing Director, Total, Business Development
Analyst, Strategic Initiatives

| Investments | Analysis | Independent Risk Management | Investor Services | Institute |
|---|--|---|---|---|
| <ul style="list-style-type: none"> Portfolio construction Manager selection and due diligence Rebalancing / Reinvesting Risk management | <ul style="list-style-type: none"> Allocation modeling Spillover analysis Cost flow modeling Performance attribution | <ul style="list-style-type: none"> Operational due diligence Direct lending and portfolio analysis Overweight and coverage | <ul style="list-style-type: none"> Transactions Performance reporting Asset support Third party reporting | <ul style="list-style-type: none"> Peer benchmarking Research Educational and training Compliance standards |

See report later: InvestmentProcess
commonfund | October 10, 2018



Page 15 he touches upon the hike with Fed rates and expects another one in December and possibly two more in 2019. Not knowing about mid-term elections this could be a challenge. Overall the market is still strong. Next on page 18 is the portfolio that Commonfund manages.

Office of Hawaiian Affairs | Portfolio Summary As of June 30, 2018

| Investment Fund | Current Balance (\$ mil) | Net Assets (\$ mil) | Current Market Value |
|--|--------------------------|----------------------|----------------------|
| Private Equity Fund | 124,427,364 | 124,427,364 | 124,427,364 |
| Real Estate Fund | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 |
| Fixed Income Fund | 50,000,000 | 50,000,000 | 50,000,000 |
| Commodity Fund | 25,000,000 | 25,000,000 | 25,000,000 |
| Global Equity Fund | 10,000,000 | 10,000,000 | 10,000,000 |
| Other Funds | 1,000,000 | 1,000,000 | 1,000,000 |
| Total All Commonfund Portfolios | 1,201,427,364 | 1,201,427,364 | 1,201,427,364 |

See report later: InvestmentProcess
commonfund | October 10, 2018

There are five pieces; private capital, private equity, and venture capital resources that Commonfund manages for OHA. This is the first piece and they are long term investments. Marketable funds have four different portfolios; Diversified / Hedge Fund Portfolios, a Total Equity Portfolio, Total Credit Portfolio, and Total Real Assets. He asks if there are any questions.

Trustee Rowena Akana asks if he sees anything affecting OHA's portfolio due to the President's actions. She points out the new NAFTA agreement and the Tariffs.

Joe Falcha says he believes there is nothing short term to worry about.

Trustee Lei Ahu Isa speaks on trust funds with potential recessions in 2020.

In audible.

She states interest rates will affect mortgages. Inventory will go up because people are expecting a smaller market that qualify for loans. She wants to know if the Feds are allowing banks to loosen up their equity or the reserves or will stay the same.

Joe Falcha states he believes they are the same. He is not aware of any changes made.

Raymond Matsuura believes nothing is changing.

Trustee Lei Ahu she states her concern is globally.

Joe Falcha offers his comments. He states his first reply is for political risk. This is the hardest to underwrite as an investment manager. He offers the following example – if you take the last three big political events; Brexit, Trump election, and the downgrading of treasuries. If he had been given a crystal ball that had high definition reception to predict the outcome of those events, they still would've gotten the market reaction wrong. He states when they think of investment decisions, it is long-term. Investors serving perpetual pools of assets in those cases.

They focus on economic and underlying fundamental growth stories of companies and earnings and so forth for making investment decisions. It is very hard to get the political decision right and appreciate what the investment implications are. There are certainly things that Trump has done that has affected your portfolio. First; the tax cuts. This extended the economic recovery. It has put more money in consumer pockets, its helped with earnings. For now, it is not a huge risk. Some Trump policies have affected the portfolio and the dollar is strong not because of Trump but perhaps because of what the Feds are doing and the rising interest rates.

Relating to recession risk, the thing they are watching closely is the O curve. Basically, the curve of short-term rates vs. long-term rates typically goes up so you get paid more for holding longer term bonds. As it inverts, it is six to nine months on average or until the recession takes place. He has seen increase volatility and it is not a good day at the market but this is normal oppose to what was experienced in 2017; subdued level of volatility. When you say inflation is rising but still relatively low, interest rates are rising but relatively low. The Feds are increasing rates but are still accommodative, earnings continue to be strong – they continue to watch the earning season. The fundamentals remain strong. He points out everyone keeps talking about recession and equities. He wants to make it clear that they are two different things. Equity markets are forward looking mechanisms on what they expect will happen. Recession is two quarters of negative or shrinking gross domestic product (GDP). He believes there may be more of a possibility of pull backs in the markets.

Trustee Rowena Akana states she has a follow up question. She would like to know if they see the interest rates going down.

Joe Falcha states they have been saying for the last ten years' interest rates will probably go up. He states to take this information with a grain of salt. Market participants have expected higher interest rates for a long time.

Trustee Rowena Akana states even if a recession happens.

Joe Falcha states interest rates can still go down and there is still room for fixed rates in the portfolio.

Trustee Lei Ahu Isa mentions the inflation and cost of gas going up and what can be expected. She expresses her concern over how far Hawaii is far removed and how the cost affects the Hawaiian people.

Joe Falcha states like in most things in the investment space it depends on what kind of inflation. Some inflation is good and companies in equities do well because it can raise prices.

The image is a screenshot of a financial report titled "Account Summary Report" dated 10/10/2018. It contains a table with multiple columns and rows of data, including financial metrics and percentages. The table is partially obscured by a watermark and is difficult to read in detail.

He continues to page 33 and points out the snapshot of the investments made with Commonfund in the private capital programs. There are three main categories; private equity, venture capital, and natural resources.

Raymond Matsuura shares on how the selection process is made when choosing a non-private equity. He requests the Trustees to take out the handout marked *Non-Marketable Alternatives Selection Process*. He brings this to their attention as a commitment of 8 million dollars to Goldman Sachs; a co-investment too. This would be the third and last three years of private equity commitment made. With the Non-Marketable Alternative Selection Process, first the investment staff determines the capital commitments to maintain target allocation. Presently there is an 18% target allocation to private equity. Given that the portfolio is fairly mature he has estimated there will be about a 1 million dollar run-off for the next two years. Based on that, the portfolio will probably shrink about 1 million dollars every quarter. If the market goes up slightly that allocation to private equity will decrease because of the amount of distribution over the next one to two years.

Trustee Rowena Akana wonders on what is done with the \$1 million.

Raymond Matsuura states the money gets reinvested back into the portfolio. The goal is to have self-funding. Right now, Commonfund manages the calls and distributions for OHA. They place it in liquid assets and then invest into an equity fund or however they choose to allocate.

Trustee Colette Machado asks what is the total value of the *inaudible*.

Raymond Matsuura replies \$181 million. He clarifies and states it is \$376 million. *inaudible*. The next thing they look at while in the process is the consultant and staff analyzes private market sector allocation with a focus on overall risk profile. There are five private market managers that OHA can go to. These are managers that the board has approved. One of the goals is to have procurement allow to expand that range of managers. Similar to what was done for the hedge fund manager. The fourth point is the

consultant evaluates and makes recommendations with the staff. Commonfund has done this for OHA in the past and they help project what future cash needs will be.

Committee Chair Hulu Lindsey thanks Ray and the team. She states the board places a lot of trust on you. Notification to the board on any progress, negative, or changes is critical and the board needs to know.

Trustee Rowena Akana thanks Ray and she thinks he's done a good job.

VI. ANNOUNCEMENTS

Committee Chair Hulu Lindsey announces there is a BOT meeting tomorrow at 10 a.m.

VII. ADJOURNMENT

Trustee John Waihe'e moves to adjourn the meeting.

Trustee Colette Machado seconds the motion.

| | | | | | | |
|--|----------|----------|----------------------|------------------------|------------------------------|----------------|
| Trustee John Waihe'e moves to adjourn. | | | | | | |
| Trustee Colette Machado seconds the motion. | | | | | | |
| | 1 | 2 | 'AE (YES) | 'A'OLE (NO) | KANALUA (ABSTAIN) | EXCUSED |
| TRUSTEE LEI AHU ISA | | | X | | | |
| TRUSTEE DAN AHUNA | | | | | | X |
| TRUSTEE ROWENA AKANA | | | X | | | |
| TRUSTEE KELI'I AKINA | | | | | | X |
| TRUSTEE PETER APO | | | | | | X |
| TRUSTEE ROBERT LINDSEY | | | | | | X |
| TRUSTEE COLETTE MACHADO | | X | X | | | |
| TRUSTEE JOHN WAIHE'E | X | | X | | | |
| CHAIRPERSON HULU LINDSEY | | | X | | | |
| TOTAL VOTE COUNT | | | 5 | | | |
| MOTION: [] UNANIMOUS [X] PASSED [] DEFERRED [] FAILED | | | | | | |
| Motion passes with five (5) YES votes and four (4) EXCUSED votes. | | | | | | |

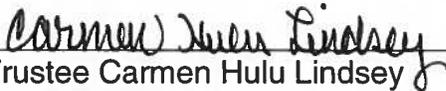
Meeting adjourns at 11:47am.

Respectfully Submitted,



Lehua Itokazu
Trustee Aide
Committee on Resource Management

As approved by the Committee on Resource Management on January 9, 2019.



Trustee Carmen Hulu Lindsey
Committee Chair
Committee on Resource Management

ATTACHMENTS:

1. Excused Memos
2. Community Sign-in
3. Keali'i Makekau Testimony
4. Commonfund Booklet (October 9-10, 2018)
5. Segal Marco Advisors – Analysis of Investment Performance)
6. Two slides



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

October 8, 2018

TO: **Hulu Lindsey**
Chair, Resource Management Committee

John Waihe'e, IV
Vice-Chair, Resource Management Committee

Members of the Board

FROM: Trustee Robert K. Lindsey, Jr.

SUBJECT: Excuse Absence

Aloha Chair Lindsey:

I regret to inform you that I am unable to attend the Resource Management Committee meeting on Wednesday, October 10, 2018 at 10:00 am.

With sincere aloha,

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

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



Office of Trustee Keli'i Akina, Ph.D.
OFFICE OF HAWAIIAN AFFAIRS
Interoffice Memorandum

Date: October 1, 2018

To: Trustee Carmen Hulu Lindsey, RM Chair
Trustee John Waihe'e IV, RM Vice Chair

Cc: Trustee Lei Ahu Isa
Trustee Dan Ahuna
Trustee Rowena Akana
Trustee Peter Apo
Trustee Robert Lindsey, Jr.
Trustee Colette Machado

From: Trustee Keli'i Akina 

Subject: RM Meeting Absence on October 10, 2018

I am unable to attend the Committee on Resource Management meeting scheduled for October 10, 2018. Please excuse my absence and extend my apologies to the members of the RM Committee.

If you have any questions, please call my office at (808) 594-1976.

Mahalo.



OFFICE OF HAWAIIAN AFFAIRS
Office of Trustee Dan Ahuna
Interoffice Memorandum

Date: October 2, 2018

To: Trustee Carmen Hulu Lindsey, Chair ✓
Committee on Resource Management (RM)

Trustee John Waihe'e, IV, Vice-Chair
Committee on Resource Management (RM)

From: Trustee Dan Ahuna

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

Subject: **RM Meeting Absence**

I am unable to attend the RM meeting scheduled for October 10, 2018. Please extend my excused absence and my sincere apologies to the members of the board.

Mahalo.


OFFICE OF HAWAIIAN AFFAIRS
INTEROFFICE MEMORANDUM

TO: Trustee Hulu Lindsey, RM Chair
Trustee John Waihe'e, RM Vice-Chair

FROM: Trustee Peter Apo

DATE: October 8, 2018

RE: RM Meeting Absence on October 10, 2018

I am unable to attend the RM Meeting at 10:00 a.m. on October 10, 2018. Please excuse my absence and extend my apologies to the members of the Committee.

If you have any questions, please call my office at 594-1879.

Mahalo.



Re: OHA contract - Not Forensic Audit

Thank you. It is a second level audit, not a forensic audit under AICPA and GAS

The CONTRACTOR's procedures shall be **designed to detect and identify possible fraud, waste, and abuse**; however, the CONTRACTOR **cannot provide absolute assurance that all instances of fraud, waste, and abuse shall be identified.** *The scope of this engagement is not to conduct an investigation of potential fraud if any indicators of fraud are identified.* Investigative procedures, which **shall not be performed** as part of this engagement, may *include, but are not limited to, undercover procedures, interviews of vendors or other third-parties/individuals* external to the OHAILLCs, review of vendor files solely in the possession of a vendor (such as payroll files), etc. To the extent that information is identified during the scope of this engagement that indicates a possibility of fraud, waste, or abuse, the CONTRACTOR shall include in its report the information identified and possible next steps should the OHA decide to conduct an investigation as part of a separate scope of work.

The CONTRACTOR's procedures shall be *designed to detect red flags of fraud and transactions that appear questionable.* However, the CONTRACTOR cannot render an opinion as to the existence of fraud. Additionally, fraud and irregularities by their very nature are most often hidden, and no absolute assurance can be given that all such matters shall be detected. The CONTRACTOR's engagement cannot be relied upon to disclose any irregularities or illegal acts, including fraud, which may exist.

The CONTRACTOR's procedures to determine whether the OHAILLC contractor met the deliverables may be limited depending on the services or products being provided in each contract. The CONTRACTOR is not a subject matter expert for all goods and services; therefore, the CONTRACTOR will be limited to verifying whether the OHAILLC contractor delivered a product based on the deliverables outlined in the contract. To the extent possible, the CONTRACTOR will inquire with OHAILLC staff to determine whether the deliverables met the expectation(s) of staff.

2. The CONTRACTOR shall inspect financial transactions for compliance with all applicable statutory requirements and internal policies, and confirm that such transactions are free from fraud, misstatements, and misrepresentations; and

3. The CONTRACTOR shall provide recommendations on organizational, structural and procedural improvement to strengthen the Board of Trustee's fiduciary oversight of the OHA and its Limited Liability Companies (hereinafter "LLCs").

Some OHA Trust (contingent) beneficiaries may have expectations that are not included in the attached audit contract. This is not a forensic audit.

Total Trust Fund Fees

| | Quarter to Date (6/30/2018) | Year to Date (6/30/2018) | Inception to Date (3/1/2003) |
|---------------------------|--------------------------------|-----------------------------|---------------------------------|
| Goldman Sachs* | 36,902 | 89,590 | 17,837,671 |
| JP Morgan | 188,650 | 399,410 | 6,225,587 |
| SSGA | 32,446 | 66,616 | 319,161 |
| Commonfund | 358,649 | 792,502 | 10,188,629 |
| PIMCO | 78,496 | 123,870 | 123,870 |
| ELA | 2,500 | 5,000 | 302,041 |
| HDI | 11,582 | 22,900 | 370,948 |
| Pantheon** | 72,167 | 142,723 | 2,089,211 |
| Highbridge | 48,583 | 121,057 | 985,062 |
| Russell | 0 | 0 | 9,026,769 |
| Total Advisor Fees | 829,975 | 1,763,668 | 47,468,949 |
| Custody Fees*** | 56,924 | 114,378 | 1,566,851 |
| Total Fees: | 886,899 | 1,878,046 | 49,035,800 |

*Goldman Sachs and Custody Fees are lagged by a quarter

**Prior to July 2011, Pantheon fees were included with Russell. Fees for Euro denominated funds were converted using the EURO/USD exchange rate

***Inception Date for Custody Fees is 1/1/2011. Fees include performance reporting and certain Advisor trading costs.

