



**STATE OF HAWAII'
OFFICE OF HAWAIIAN AFFAIRS**

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

MEETING OF THE COMMITTEE ON RESOURCE MANAGEMENT

DATE: Wednesday August 21, 2019
TIME: 10:00 am
PLACE: OHA Board Room, Nā Lama Kukui
 560 N. Nimitz Hwy., Suite 200
 Honolulu, HI 96817

AGENDA

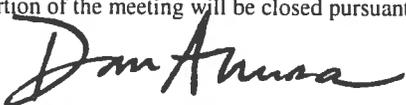
- I. Call to Order**
- II. Public Testimony***
- III. Executive Session**
 - A. Approval of Minutes: April 10, 2019[‡]
 - B. Presentation of the results of staff's due diligence analysis of a potential private placement investment opportunity utilizing Section 18. entitled "Hawai'i Direct Investment Policy" of the Native Hawaiian Trust Fund Investment Policy, in consultation with OHA Board Counsel Robert G. Klein, Esq., Corporate Counsel Raina Gushiken, OHA Interim CEO Sylvia M. Hussey, Ed.D., and Craig Chaiken, CFA with Segal Marco Advisors re: questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities related to the potential investment in Kalona Brand Company LLC and the Board's investment policy. Pursuant to HRS 92-5(a)(4).[‡]
- IV. New Business**
 - A. Action Item: RM #19-12, Consider funding the Kalona Brand Company LLC private placement Investment Opportunity in an amount not to exceed \$2.7MM from the Hawaii Direct Investment portfolio.[†]
 - B. Action Item: RM #19-10, Approval of a second amendment to BOT #12-05 – Kaka'ako Makai Policy relating to the allocation of revenue from OHA's Kaka'ako Makai properties to the Land Legacy Program
 - C. Action Item: RM #19-11, Approval of the Habitat for Humanity Maui Organization to Distribute the Previously Approved \$35,000 of Emergency Disaster Relief for Kaua'ula Maui
 - D. Presentation: Current state of Native Hawaiian Revolving Loan Fund
 - E. Presentation: Current State of Na Lama Kukui Plan[†]
 - F. Presentation: PIMCO's Tactical Opportunities Fund Strategy Review and Economic Outlook
 - G. Discussion: Fiscal Reserve Withdrawal Guidelines and Recommendations
- V. 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.

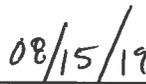
*Notice: Persons wishing to provide testimony are requested to submit 13 copies of their testimony to the Chief Executive Officer at 560 N. Nimitz, Suite 200, Honolulu, HI, 96817 or fax to 594-1868, or email BOTmeetings@oha.org 48 hours prior to the scheduled meeting. Persons wishing to testify orally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

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

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



 Trustee Dan Ahuna
 Chairperson, Committee on Resource Management



 Date

Transmission Report

Time
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08-15-2019
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PHONE (808) 594-1868

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RESOURCE MANAGEMENT COMMITTEE
Dan Ahuna, Chairperson
Robert K. Lindsey, Jr., Vice Chairperson
Lelana'ala Ahu Isa, At-Large
Kalei Akaka, O'ahu
Kelli'i Akina, At-Large
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STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS

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- IV. New Business
 - A. Action Item: RM #19-12, Consider funding the Kulona Brand Company LLC private placement Investment Opportunity in an amount not to exceed \$2.7MM from the Hawaii Direct Investment portfolio.¹
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 - C. Action Item: RM #19-11, Approval of the Habitat for Humanity Maui Organization to Distribute the Previously Approved \$35,000 of Emergency Disaster Relief for Kaa'u'ula Maui
 - D. Presentation: Current state of Native Hawaiian Revolving Loan Fund
 - E. Presentation: Current State of Na Lama Kukui Plan¹
 - F. Presentation: PIMCO's Tactical Opportunities Fund Strategy Review and Economic Outlook
 - G. Discussion: Fiscal Reserve Withdrawal Guidelines and Recommendations
- V. Adjournment

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²Notice: This portion of the meeting will be closed pursuant to HRS § 92-5.

Trustee Dan Ahuna
Chairperson, Committee on Resource Management

08/15/19
Date

Total Pages Scanned : 1

Total Pages Confirmed : 1

No.	Job	Remote Station	Start Time	Duration	Pages	Line	Mode	Job Type	Results
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Abbreviations:

HS: Host send
HR: Host receive
WS: Waiting send

PL: Polled local
PR: Polled remote
MS: Mailbox save

MP: Mailbox print
RP: Report
FF: Fax Forward

CP: Completed
FA: Fail
TU: Terminated by user

TS: Terminated by system
G3: Group 3
EC: Error Correct

**STATE OF HAWAI'I
OFFICE OF HAWAIIAN AFFAIRS
560 N. NIMITZ HIGHWAY, SUITE 200**

**COMMITTEE ON RESOURCE MANAGEMENT
MINUTES**

**August 21, 2019
10:00 am**

ATTENDANCE:

Chairperson Dan Ahuna
Trustee Kalei Akaka
Trustee Keli'i Akina
Trustee Brendon Kaleiaina Lee
Trustee Carmen Hulu Lindsey
Trustee Colette Machado
Trustee John Waihe'e, IV

Zuri Aki
Melissa Wennihan
Priscilla Nakama

ADMINISTRATION STAFF:

Sylvia Hussey, ICEO
Raina Gushiken, CC
Miles Nishijima, LPD
Lee Miller, LPD
Farah Cabrera, LPM
Raymond Matsuura, INVT
Robert Crowell, NHRLF
Lareina Meinecke, CMLP
Sterling Wong, Media
Tiger Li, ISRM
Tracy Viela, NHRLF

EXCUSED:

Vice Chairperson, Robert K. Lindsey, Jr.
Trustee Leina'ala Ahu Isa

GUESTS:

Robert G. Klein, Board Counsel
Kawika Burgess

BOT STAFF:

Kauikeaolani Wailehua
Lopaka Baptiste
Carol Hoomanawanui
Claudine Calpito
Ron Porter
Paul Harleman
Maria Calderon
Alyssa Kau
Lehua Itokazu
Lei Ann Durant

I. CALL TO ORDER

Chair Ahuna calls the Committee on Resource Management meeting for Wednesday, August 21, 2019 to order at **10:33 a.m.**

Chair Ahuna - Asks for a roll call vote. Below is the record of trustees **PRESENT:**

TRUSTEE			AT CALL TO ORDER (10:33 am)	EXCUSED
CHAIR	DAN	AHUNA	X	
TRUSTEE	LEINA'ALA	AHU ISA		EXCUSED
TRUSTEE	KALEI	AKAKA		Arrived @ 10:36 am
TRUSTEE	KELI'I	AKINA	X	
TRUSTEE	BRENDON KALEIAINA	LEE	X	
TRUSTEE	CARMEN HULU	LINDSEY	X	
VICE CHAIR	ROBERT	LINDSEY		EXCUSED
TRUSTEE	COLETTE	MACHADO	X	
TRUSTEE	JOHN	WAIHE'E	X	

At the Call to Order, **SIX (6) Trustees are PRESENT**, thereby constituting a quorum.

II. PUBLIC TESTIMONY

Chair Ahuna - Asks if there's any public testimony. Hearing none.

III. EXECUTIVE SESSION

Chair Ahuna-Asks for a roll call vote to resolve into executive session.

TRUSTEE			1	2	Y	N	KANALUA	ABSTAIN	EXCUSED
CHAIR	DAN	AHUNA			X				
TRUSTEE	LEINA'ALA	AHU ISA							EXCUSED
TRUSTEE	KALEI	AKAKA							Not present at vote
TRUSTEE	KELI'I	AKINA			X				
TRUSTEE	BRENDON KALEIAINA	LEE			X				
TRUSTEE	CARMEN HULU	LINDSEY	X		X				
VICE CHAIR	ROBERT	LINDSEY							EXCUSED
TRUSTEE	COLETTE	MACHADO		X	X				
TRUSTEE	JOHN	WAIHE'E			X				
					6				3

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

Chair Ahuna - Resolves the Board of Trustees into executive session at **10:40 a.m.**

Chair Ahuna – Announces the RM meeting is back in open session at **11:38 p.m.**

IV. NEW BUSINESS

- A. Action Item RM #19-12 – Consider funding the Kalona Brand Company LLC private placement investment opportunity in an amount of \$2.7MM from the Hawaii Direct Investment portfolio**

Trustee Waihe'e moves to approve the private placement in Kalona Brand Company LLC in an amount not to exceed \$2.7MM, from the Hawaii Direct Investment (HDI) portfolio.

Trustee Colette Machado seconds the motion.

Chair Ahuna- Asks if there's any discussion.

Discussion takes place regarding this proposed investment venture for the OHA.

Chair Ahuna - Calls for the vote. Asks if there's further discussion.

Chair Ahuna – Calls on Trustee Akina.

Trustee Akina - States that he thinks he's going to vote no. Mainly because of timing issues and priorities of what he thinks OHA's priorities should be in developing Kaka'ako and using our Direct Investment monies. Also are we able to weather the risk involved with making such an investment at this time. He commended Kawika Burgess for coming and making his presentation to the board of trustees.

Trustee Waihe'e – States he has a very strong concern about investing in a farming type of investment because he has had friends and family that have tried investments such as coffee and wine vineyards that weren't money makers.

Trustee Lee – Asks if we currently have any agricultural businesses?

Ray Matsuura – Replies he doesn't know.

Craig Chaiken - Please repeat the question.

Trustee Lee – Asks if we currently have any agricultural businesses?

Craig Chaiken – Replies he doesn't know. He would imagine there might be some exposure. The exposure would be less than 1% of the portfolio.

Trustee Lee – States that the exposure is small.

Ray Matsuura – States that we don't really invest in commodities. We do invest in real assets which is consistent with HDI.

Chair Ahuna – States the reason why HDI was created was to invest in our people with what we do here at OHA and one of the ways to do this is to be mission aligned. Maximize on our investment. Many of us spoke of financial investment. There are social returns that our people are looking for too.

Trustee Machado – Commends OHA's administration on the due diligence, review and scrubbing down and hard work that was done. How can you not do this even if there's high risk management issues relating to agriculture in Hawaii, but we have 500 acres that's by Kuakaniloko and we're very concerned about what we can do on the property. So, diversifying our agriculture is critical if that works. If we do get this successfully approved whether, we will be granted a seat on your board as one of the initial investors.

Trustee Lee – States that they made us an offer and we will need to make them an offer back. OHA would like first right of refusal for horizontal build out and a seat on your board. If this is approved today that doesn't mean, we get it.

Trustee Waihe'e moves to approve the private placement in Kalona Brand Company LLC in an amount not to exceed \$2.7MM, from the Hawaii Direct Investment (HDI) portfolio.

Trustee Colette Machado seconds the motion.

TRUSTEE			1	2	Y	N	Kanalua	Abstain	EXCUSED
CHAIR	DAN	AHUNA			X				
TRUSTEE	LEINA'ALA	AHU ISA							X
TRUSTEE	KALEI	AKAKA			X				
TRUSTEE	KELI'I	AKINA				X			
TRUSTEE	BRENDON KALEIAINA	LEE			X				
TRUSTEE	CARMEN HULU	LINDSEY			X				
VICE CHAIR	ROBERT	LINDSEY							X
TRUSTEE	COLETTE	MACHADO		X	X				
TRUSTEE	JOHN	WAIHE'E	X		X				
					6	1			2

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

B. Action Item # RM 19-10 Approval of a second amendment to BOT #12-05 - Kaka'ako Makai Policy relating to the allocation of revenue from OHA's Kaka'ako Makai properties to the Land Legacy Program

Trustee Waihe'e moves to approve a Board of Trustees (BOT) policy second amendment to the Kaka'ako Makai Policy, Section 3.A.2, originally adopted on September 20, 2012, and amended on August 1, 2012, to state:

Allocate 20% of gross revenue for grants and 50% of net revenue for OHA Legacy Land Program (net revenue equals gross revenue minus direct operating expenses, excluding Kaka'ako Makai planning and development – related costs) (*The 50% allocation of net revenues to LLP shall terminate at the end of FY 2021).

Trustee Colette Machado seconds the motion.

Chair Ahuna – Any discussion?

ICEO Hussey- States that the discussion item came in July to give the Trustees a heads up regarding the Kaka'ako Makai Policy that sunseted at the end of FY 2019.

Trustee Lee – States in the last presentation there was an item #4 that had no designations. But, in the actual action item for this meeting there are known designations and I had an idea for that. The idea was to add on a designation for net revenue that would be a scale in for capital improvement fund. Designate that this fund does not exceed \$1MM dollars for reasons that we don't want \$10MM dollars sitting in an account doing nothing when we could have better use of the money but scaling it in. So, it'll look like 3% net revenue up to 50% or \$500,000 once this threshold is met, it would drop to 2% net revenue up to 60%, drop down to 1.5% net revenue up to 75% and then down to 1% up to \$1MM dollars. Once the cap of \$1MM dollars is met then that 1% net revenue will roll into fiscal reserve. The thought behind this was that if we couldn't do an emergency capital improvement with \$1MM dollars but \$1MM dollars is a 10% down on a significant amount of money which allows us with a better debt policy to enable us to leverage that account to borrow the money needed to complete capital improvements.

ICEO Hussey – Explains that the short- term is to extend the policy so we can pick up the budgetary impacts. Then the next meeting which is Sept 4 we can bring this back as well as other policies.

Trustee Machado – States she wants to get a few clarifications. In 2019 Kaka'ako Makai generated \$4.69 million. You're asking us to allocate 20% gross revenues for grants and 50% of net revenue for OHA Legacy Land Program. Can you explain that in dollars and cents? Not by percentage.

Miles Nishijima - If we had \$4.6 million in gross revenue in fiscal '19, 10% of that will be allocated to grants which is \$460,000. If we had property expenses of \$2 MM and our net revenues ended up being \$2.6 MM then we'd take 30% of the \$2.6 MM and make those funds available for fiscal '22.

Chair Ahuna – Any other discussion? Hearing none.

Chair Ahuna - Calls for the vote.

Trustee Waihe'e moves to approve a Board of Trustees (BOT) policy second amendment to the Kaka'ako Makai Policy, Section 3.A.2, originally adopted on September 20, 2012, and amended on August 1, 2012, to state:
 Allocate 20% of gross revenue for grants and 50% of net revenue for OHA Legacy Land Program (net revenue equals gross revenue minus direct operating expenses, excluding Kaka'ako Makai planning and development – related costs) (*The 50% allocation of net revenues to LLP shall terminate at the end of FY 2021).

Trustee Colette Machado seconds the motion.

TRUSTEE			1	2	Y	N	KANALUA	ABSTAIN	EXCUSED
CHAIR	DAN	AHUNA			X				
TRUSTEE	LEINA'ALA	AHU ISA							X
TRUSTEE	KALEI	AKAKA			X				
TRUSTEE	KELI'I	AKINA			X				
TRUSTEE	BRENDON KALEIAINA	LEE			X				
TRUSTEE	CARMEN HULU	LINDSEY			X				
VICE CHAIR	ROBERT	LINDSEY							X
TRUSTEE	COLETTE	MACHADO		X	X				
TRUSTEE	JOHN	WAIHE'E	X		X				
					7				2

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

C. Action Item # RM 19-11 Approval of the Habitat for Humanity Maui Organization to Distribute the Previously Approved \$35,000 of Emergency Disaster Relief for Kaua'ula Maui

Trustee Carmen Hulu Lindsey moves to

1. Approve the selection of the Habitat for Humanity Maui Organization to distribute the previously approved \$35,000 of emergency disaster relief for Kaua'ula Maui; and
2. Authorize and approve the transfer and use of funds available in OHA's FY 20 Core Operating Budget and needs to be reallocated from Program 2100 – CEO, Object Code 57110 – Fee for Service to Program 3800 – Grants, Object Code 56530 – Grants in Aid.

Trustee Colette Machado seconds the motion.

Chair Ahuna - Asks if there's any discussion. Hearing none.

Chair Ahuna – Call for the vote.

Trustee Carmen Hulu Lindsey moves to

1. Approve the selection of the Habitat for Humanity Maui Organization to distribute the previously approved \$35,000 of emergency disaster relief for Kaua'ula Maui; and
2. Authorize and approve the transfer and use of funds available in OHA's FY 20 Core Operating Budget and needs to be reallocated from Program 2100 – CEO, Object Code 57110 – Fee for Service to Program 3800 – Grants, Object Code 56530 – Grants in Aid.

Trustee Colette Machado seconds the motion.

TRUSTEE			1	2	Y	N	KANALUA	ABSTAIN	EXCUSED
CHAIR	DAN	AHUNA			X				
TRUSTEE	LEINA'ALA	AHU ISA							X
TRUSTEE	KALEI	AKAKA			X				
TRUSTEE	KELI'I	AKINA			X				
TRUSTEE	BRENDON KALEIAINA	LEE			X				
TRUSTEE	CARMEN HULU	LINDSEY			X				
VICE CHAIR	ROBERT	LINDSEY							X
TRUSTEE	COLETTE	MACHADO		X	X				
TRUSTEE	JOHN	WAIHE'E	X		X				
					7				2

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

D. Presentation: Current state of Native Hawaiian Revolving Loan Fund

Chair Ahuna – Calls on Interim CEO Hussey

ICEO Hussey - Introduces the President and Vice President of the Native Hawaiian Revolving Loan Fund (NHRLF) Scott Kaulukukui and Nelson Moku.

Discussion occurs regarding the following topics history, roll of Administration for Native Americans (ANA) and its impacts, transitions that NHRLF has faced over the years and impacts, the strengths and challenges of our board. Also, the challenges that we face in the future for our board.

Chair Ahuna – Calls for a recess at 1:14 pm.

Chair Ahuna – Reconvenes the RM committee meeting at 1:20 pm.

Chair Ahuna – States he'd like to call on CEO Hussey for the next presentation.

ICEO Hussey – Calls on Miles Nishijima to make his presentation on item E on the agenda.

E. Presentation: Current state of Na Lama Kukui Plan

Discussion occurs regarding Na Lama Kukui.

F. Presentation: PIMCO’s Tactical Opportunities Fund Strategy Review and Economic Outlook

Discussion on PIMCO’s Tactical Opportunity fund.

Chair Ahuna – Calls on Interim CEO Hussey to present the next agenda item IV G.

G. Discussion: Fiscal Reserve Withdrawal Guidelines and Recommendations

ICEO Hussey- States that the document that the Trustees have is for discussion only. They’ll have an insight as to when Administration brings back the realignment that some of the recommendations may be made regarding the uses and reservations of the fiscal reserve.

Chair Ahuna – Any announcements? Hearing none.

VI. ADJOURNMENT

Chair Ahuna – Calls for a roll call vote to adjourn the RM meeting. Trustee Kalei Akaka moves to adjourn the RM meeting. Trustee Carmen Hulu Lindsey seconds the motion.

TRUSTEE		1	2	Y	N	EXCUSED
CHAIR DAN	AHUNA			X		
TRUSTEE LEINA’ALA	AHU ISA					Excused
TRUSTEE KALEI	AKAKA	X		X		
TRUSTEE KELI’I	AKINA			X		
TRUSTEE BRENDON KALEIAINA	LEE			X		
TRUSTEE CARMEN HULU	LINDSEY		X	X		
VICE CHAIR ROBERT	LINDSEY					Excused
TRUSTEE COLETTE	MACHADO			X		
TRUSTEE JOHN	WAIHE’E			X		
TOTAL VOTE COUNT				7		2

Chair Ahuna adjourns the meeting at **1:56 p.m.**

Respectfully submitted,



Claudine Calpito
Trustee Aide
Committee on Resource Management

As approved by the Committee on Resource Management on November 6, 2019.



Trustee Dan Ahuna
Chair
Committee on Resource Management

ATTACHMENT(s):

- Action Item RM #19-12, Consider funding the Kalona Brand Company LLC private placement Investment Opportunity in an amount not to exceed \$2.7MM from the Hawaii Direct Investment
- Action Item RM #19-10 – Approval of a second amendment to BOT #12-05 - Kaka'ako Makai Policy relating to the allocation of revenue from OHA's Kaka'ako Makai properties to the Land Legacy
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- Presentation: PIMCO's Tactical Opportunities Fund Strategy Review and Economic Outlook
- Discussion: Fiscal Reserve Withdrawal Guidelines and Recommendations
- Absence Memo – Trustee Robert K. Lindsey, Jr.
- Absence Memo – Trustee Leina'ala Ahu Isa

OFFICE OF HAWAIIAN AFFAIRS

Action Item
Committee on Resource Management
August 21, 2019

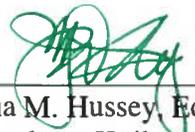
RM #19-12

Action Item: Consider funding the Kalona Brand Company LLC private placement Investment Opportunity in an amount not to exceed \$2.7MM from the Hawaii Direct Investment portfolio

Co-Prepared by:  8/21/19
Raymond Matsuura Date
Pou Kako`o Mahele Kumupa`a, Investment Manager

Reviewed by:  8/21/19
Gloria Li Date
Ka Pou Kihi Kanaloa Wai Kūikawā, Interim Chief Financial Officer

Reviewed by:  8/21/19
Lisa Watkins-Victorino, Ph.D. Date
Ka Pou Nui Kūikawā, Interim Chief Operating Officer

Co-Prepared & Reviewed by:  8/21/19
Sylvia M. Hussey, Ed.D. Date
Ka Pouhana Kūikawā, Interim Chief Executive Officer

Reviewed by:  8/21/19
Dan Ahuna Date
Luna Ho`omalua o ke Komike RM, Chair

RM #19-12: Consider funding the Kalona Brand Company LLC private placement Investment Opportunity in an amount not to exceed \$2.7MM from the Hawaii Direct Investment portfolio

I. Proposed Action

Consider funding the Kalona Brand Company LLC private placement Investment Opportunity in an amount not to exceed \$2.7MM from the Hawaii Direct Investment (HDI) portfolio.

II. Issue

Whether the Board of Trustees (BOT) should approve the private placement investment in Kalona Brand Company LLC, in an amount not to exceed \$2.7MM, from the Hawaii Direct Investment portfolio.

III. Background, Context and Investment Opportunity Summary, Due Diligence Analysis Outline and Executive Session

A. **Background, Context and Investment Opportunity Summary**¹. In early July 2019, a Hawaii based, private placement investment opportunity in Kalona Brand Company LLC, came to the attention of a Trustee; the Chair, delegated further due diligence analysis activities to Administration.

1. **The Founders.** Ho'oulu Mahi'ai LLC, an affiliate of Kamehameha Schools ("HM"), and its partners Equilibrium Capital Group ("Equilibrium") and Greenleaf Farm Management ("Greenleaf") (together, the "Founders") were launching a company to build an integrated agriculture and food business in Hawai'i, consisting primarily of cacao and including other crops such as avocado and breadfruit, on land leased from Kamehameha Schools ("KS"). KS is dedicated to the educational success of Native Hawaiians throughout the state of Hawaii, providing Hawaiian culture-based education on three K-12 campuses and 30 preschools, and partnering with the public education system and private schools for the success of Hawai'i's indigenous people. Founded by Princess Bernice Pauahi Bishop, Kamehameha is the largest private landowner in Hawaii. HM will contribute capital and administration, while Equilibrium and Greenleaf will contribute expertise, know-how, and capital sourcing. The Founders are seeking investment partners (investors) to participate in Kalona with capital and, as appropriate, contributions of know-how, network and expertise. Investors should have aligned interests in the commercial development of the Business, the benefits designed into its operations, and the expected beneficial results for the people of Hawai'i and Kalona's customers.
 - a. Kamehameha Schools is among the oldest and most respected institutions in Hawai'i, being the largest private landowner and also largest private educator in the State. HM is a single-member LLC formed by Bishop Holdings Corporation, a for-profit subsidiary of Kamehameha Schools. HM will provide capital and administrative support, and Kamehameha Schools has leased a suitable land site to Kalona on commercially reasonable terms for a long-term basis.
 - b. Equilibrium is a leading investment management company in institutional sustainable real asset strategies. Equilibrium is providing strategy and business design, access to agriculture and food operations and business expertise (both in-house at Equilibrium as well as externally through its network of relationships), research and development, and investment experience and discipline where appropriate.

¹ Source: Summary Description

RM #19-12: Consider funding the Kalona Brand Company LLC private placement Investment Opportunity in an amount not to exceed \$2.7MM from the Hawaii Direct Investment portfolio

- c. Greenleaf is providing advice and guidance on agronomy design, team building, and market assessment of the crops Kalona will be growing. Greenleaf and its founder are expected to guide the operating team both as consultant and as member on the Kalona
2. **The Company.** The company, named Kalona Brand Company LLC (“Kalona” or the “Business”), will build a farming operation with midstream capabilities of processing and marketing on a 223-acre site in Kawailoa, on the North Shore of O’ahu. The farming operation will comprise approximately 184 acres of planted trees of cacao plus windbreak trees and may include additional ground or seasonal crops (e.g., ulu, avocado) in time. The midstream operations will allow harvested crops to be processed into ingredients or consumable products that will be marketed in the Hawaiian Islands and sold to mainland and other (e.g. Pacific Rim) markets. Kalona Brand seeks to create a model of regenerative agriculture in Hawaii by developing sustainable farm operations and food systems. The Company strives for sustainable food systems that provide long term financial viability, actively engage and strengthen communities, steward the 'aina (land) with environmentally sound land use practices, and competitiveness in a global economy.

The Company plans to have a foundation for education in sustainable Agriculture and Food business for students and instructors on O’ahu and in Hawai`i more broadly; research and development collaboration opportunities in indigenous foods, traditional and modern farming methods, value chain processes, products. Foods grown will be nutritious, nutrient tracked, and safe, planned for Hawai`i and off-islands consumers. The Company plans to model productive use of Hawai`i’s agricultural land and sustainable and traditional land management models for others in Hawai`i to learn from and collaborate with.
3. **The Investment Opportunity.** There will be three (3) classes of Common Units: Class A issued to HM and Equilibrium (aka Founder Units), each with 15 votes per unit, Class B Common Units issued to HM and other equity investors as part of capital fundraising efforts, and Class C Common Units that may be reserved for the management team and/or members of the Board of Managers. The Investment Opportunity is an offer of Class B Common Units in the initial offering aggregate amount of \$5,700,000; at initial price of \$0.11/unit; a minimum investment amount of \$1,000,000; each Class B Common Unit will have one vote.
 - a. **The Board of Managers.** Provisions to elect the following individuals to the Board (a) two representatives designated by the majority of holders of Class B Common Units (Investor Nominee); and (b) three representatives designated by the Founders.
 - b. **Use of Proceeds.** The proceeds from this offering will be used to fund (a) the initial formation of the management team; (b) investment in infrastructure ahead of planting; (c) the purchase of seeds and plants; and (d) operating expenses, including site lease payments.
 - c. **Financial Returns.** Projected financial returns to be available for all investment partners, targeted total internal rate of return for the business of 12+% and current yield projected beginning in year 10.
 - d. **Qualification.** Investor must be an accredited investor as defined by Rule 501 of Regulation D promulgated under the Securities Act of 1993.

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- e. **Information Rights.** In addition to information rights provided by the Hawaii LLC Act, Class B Common Units will receive unaudited quarterly and annual financial statements and the annual business plan.
- f. **Letter of Intent (aka Term Sheet).** Investor commitment due no later than August 31, 2019.
- g. **Term Sheet (Attachment B), Purchase Agreement.** Investor execution of a Term Sheet, then a Member Interest Purchase Agreement then triggers: (a) a deposit of 10% of the purchase price, due within two (2) business days by certified or cashier's check; (b) a 15-business day due diligence period (e.g., investor has access to company books, records, business plan, marketing plan, farm plan, leases); (c) non-refundable deposit upon expiration of the due diligence period; (d) payment of the remaining purchase price no later than the closing date.

B. Due Diligence Analysis Outline. Administration identified the following due diligence alignment or analysis categories:

- 1. OHA's Strategic Foundations & Direction Alignment
- 2. Native Hawaiian Trust Fund Investment Policy Statement, Hawaii Direct Investment Policy Alignment
- 3. Offering Analysis (e.g., unit class, capital investment, term sheet, options)
- 4. Operations & Finances Analyses (e.g., business assumptions, plans, projections, proformas, market, production, manufacturing, agronomics, risks)
- 5. Intangibles Analysis (e.g., reputation, company, management, partners, advisors)
- 6. Economic Development Policy Alignment

C. Executive Session. Due to the confidential and proprietary nature of the investment opportunity, Trustees will have access to the following documents in Executive Session:

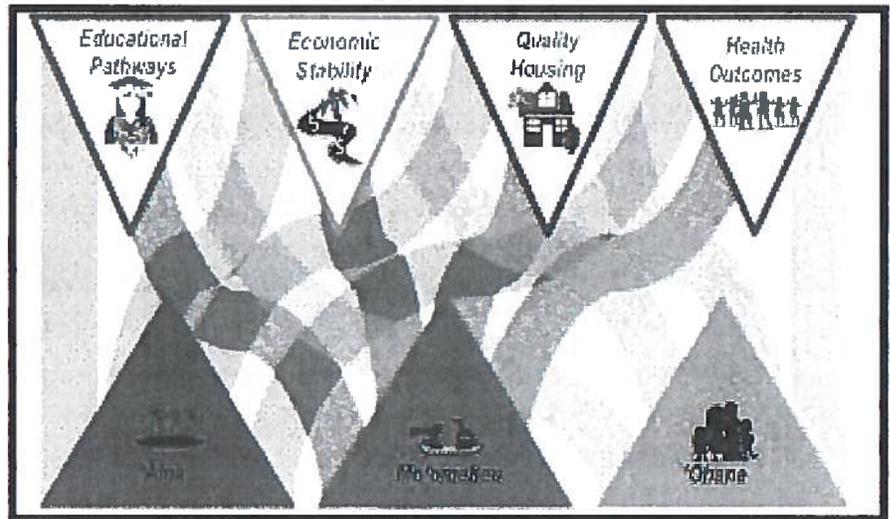
- 1. Summary Description
- 2. Information Memorandum – January 2019
- 3. Information Memorandum – February-March 2019

Additional due diligence analyses will also be shared by Administration in Executive Session.

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IV. OHA’s Strategic Foundations & Direction Alignment

In March 2019, via BOT #19-03 Approval of the foundational principles and directions for the next OHA Strategic Plan 2020+, the Trustees approved the following Strategic Foundation and Strategic Direction elements—as depicted at right.



A. Strategic Foundation

1. **'Aina.** Strengthen our ancestral connection to 'aina through responsible stewardship to preserve legacy lands and to responsibly develop economically viable lands.
2. **Mo'omeheu.** Strengthen Native Hawaiian's connection to culture by supporting opportunities to engage in 'Olelo and 'ike activities and initiatives.
3. **'Ohana.** Promote healthy 'ohana relationships by providing opportunities in communities to engage in 'aina and mo'omeheu based activities and initiatives as well as opportunities to engage in the well-being of their communities via civic participation and leadership.

'Aina, mo'omeheu, and 'ohana are foundational to the work of OHA. **This foundation is the lens through which decisions, planning, activities, initiatives, policies, procedures, and practices are made.** Pilina with 'aina, mo'omeheu, 'ohana, kaiaulu, and community partners is how we engage in the implementation of our strategies. Building pilina with communities and organizational partners is critical to successfully achieving our vision and mission.

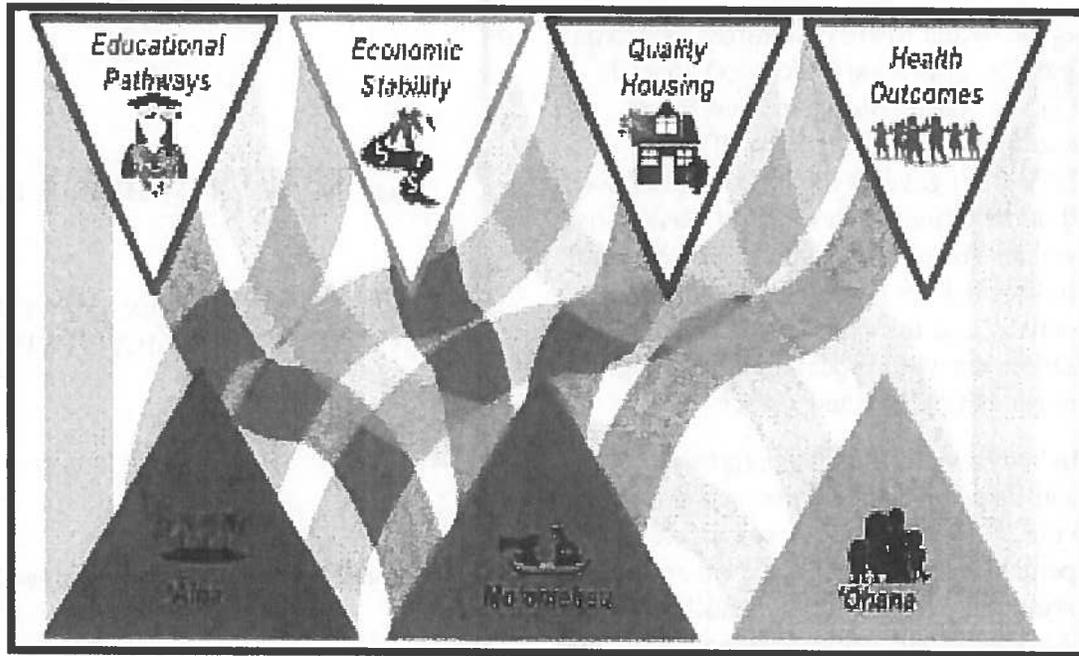
B. Strategic Directions

1. **Economic Stability.** Engaging in strategies to enhance the economic development and financial empowerment of the lāhui will ensure that Native Hawaiians progress toward a state of economic stability.
2. **Quality Housing.** Leveraging partnerships to ensure Native Hawaiians can obtain affordable rentals as well as homeownership while also engaging in opportunities to affect legislation that support Hawaiian Home Lands, overall housing costs, and housing supply will greatly enhance the ability for Native Hawaiians who so desire to remain in Hawai'i.
3. **Educational Pathways.** Supporting initiatives, leveraging partnerships, engaging in strategies to develop educational pathways that strengthen culture-based education, early education, K-12 and post-secondary education will ensure that Native Hawaiians are grounded in their past while participating in a technologically oriented future.
4. **Health Outcomes.** Supporting initiatives, leveraging partnerships, engaging in strategies to promote healthy and strong families.

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C. Alignment

Based on Administration's review of the investment opportunity information the Company is aligned to the OHA's strategic foundation of 'aina, culture as well as strategic directions of economic stability and educational pathways.



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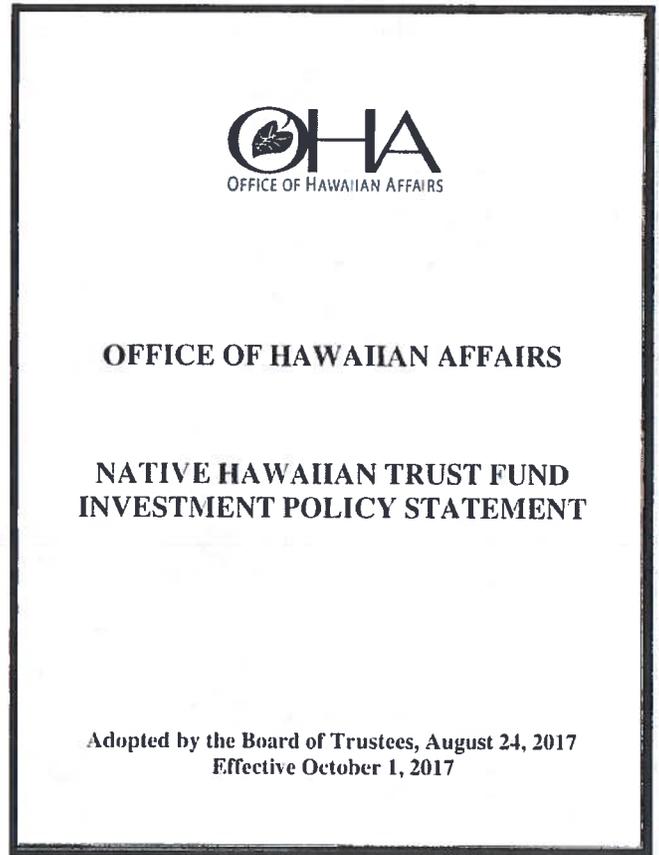
V. Native Hawaiian Trust Fund Investment Policy Statement, Hawaii Direct Investment Policy Alignment

A. Policy Overview²

Adopted by the Board of Trustees (BOT) on August 24, 2017 (and effective October 1, 2017), the Native Hawaiian Trust Fund Investment Policy Statement (“IPS” or “NHTFIPS”) governs the investment of assets held in the Office of Hawaiian (OHA) Native Hawaiian Trust Fund (“NHTF” or “the Fund”), including, but not limited to investment objectives, and the expectations and requirements with respect to the ongoing management of the Fund’s assets.

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.

The purpose of the Investment Policy Statement (“Statement”) is to provide: clear and mutual understanding the Fund’s philosophy, investment objectives and policies; guidance, objectives and limitations in investing the Fund’s assets; and evaluate the Advisors’ performance.



² Native Hawaiian Trust Fund Investment Policy Statement, Adopted by the Board of Trustees, August 24, 2017, Effective October 1, 2017, Attachment A

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B. Section 5. Asset Allocation Guidelines and Long-Term Targets (refer also to page 9 of Attachment 1)

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).

1. Table 5.1 Asset Allocation – by Asset Type (refer also to page 10 of Attachment 1)

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

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2. Table 5.2 Asset Allocation – by Primary Objective (refer also to page 11 of Attachment 1)

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%

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3. Section 18. Hawaii Direct Investment Policy.

- a. Background³. The Hawai'i Direct Investment Policy ("HDIP") was added to the Native Hawaiian Trust Fund Investment Policy Statement ("IPS") in April of 2010. The current target allocation of Hawai'i Direct Investment is approximately 5% of the Trust Fund. The HDIP allows OHA to expend the lesser of \$25 million or 10% of the

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.

current value of the Trust Fund for investments in Hawai'i. **The HDIP was added to the IPS to facilitate the purchase of an office building that would serve as OHA's corporate headquarters.**

This asset class includes the legacy investment in Russell Investments Private Real Estate Fund which is now managed by

State Street Global Advisors in the Real Assets fund. Other investments are allowed given that the direct real estate investments must be made within the context of the Direct Investment Policy Statement. Investments must include equity positions in companies based in Hawaii or with significant operations in Hawaii. 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 investments, any return of capital to the fund from these direct investments, cannot exceed the \$25 million allocation.

As indicated in the policy, "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 Hawaii 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

³ Source: Interoffice Memorandum dated August 16, 2016

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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.⁴ Investments other than corporate real estate and BOT-approved lending programs must be approved by a supermajority vote of the BOT⁵. 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."

The Office of Hawaiian Affairs Native Hawaiian Trust Fund
Statement of Investment Objectives and Policy

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.

⁴ The acquisition of "OHA's first corporate headquarter real estate property"---Na Lama Kukui was completed in the second quarter of 2012 and the renovation loan was established in the second quarter of 2013.

⁵ Six (6) votes of 9 Trustees

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D. Analysis of Current Hawaii Direct Investment Assets

1. Current HDI Balance (as of 7/31/2019)

As noted in the policy above, the combined cost of all investments cannot exceed a \$25 million allocation amount. The Hawaii Direct Investments portfolio (or the State Street Global Asset- Real Asset Fund) has a current balance of approximately \$18.0 million, representing approximately 5% of the total Native Hawaiian Trust Fund (NHTF)—the target asset allocation amount per policy. Investments in this asset class are pledged to secure both the 53.2% recourse provisions of the Bank of Hawaii Real Estate Loan and the Na Lama Kukuui Renovation Loan. In addition, a prior designated but unspent amount of \$650,000 was identified from a prior investment opportunity.

As of July 31, 2019	
1. State Street Global Asset-Real Asset Fund as of July 31, 2019 HDI (5% target of total NHTF)	\$ 17,947,594
2. Na Lama Kukui (NLK) - Bank of Hawaii loan balance (Real Estate Loan)	<u>\$19,147,368</u>
Less:	
A. 53.2% recourse to OHA	\$ 10,186,400
B. NLK build-out loan (Renovation Loan)	<u>\$ 4,431,666</u>
3. Amount Available for Hawaii Direct Investment	<u>\$ 3,329,528</u>
4. Prior Designated, Unspent Amount	<u>\$ (650,000)</u>
5. Amount Available for Hawaii Direct Investment After Consideration of the Prior Designated, Unspent Amount	<u>\$ 2,679,528</u>

Note: A recourse loan is a type of loan that can help a lender recoup its investment if a borrower fails to pay the liability and the value of the underlying asset is not enough to cover it. A recourse loan lets the lender go after other assets of that debtor that were not used as loan collateral.⁶

2. Previous HDI Approvals⁷

In August of 2012, OHA purchased Nā Lama Kukui for \$21.37 million. Rather than pay cash, OHA chose to finance the purchase 100% with a mortgage. In April of 2013, OHA modified the existing mortgage to reduce the recourse from 100% (\$21.37M) to 53.2% (\$11.37M). In June of 2013, OHA obtained a \$6.6475M credit facility from Bank of

⁶ <https://www.investopedia.com/terms/r/recourse-loan.asp>, retrieved August 17, 2019

⁷ Source: Interoffice Memorandum dated August 16, 2016

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Hawaii to finance tenant improvements and renovations which has been fully drawn down. In February of 2015, an appraisal valued the property at \$27,570,000. This approval fulfills the main purpose of HDI which is the acquisition of OHA’s first corporate headquarter real estate property.

3. Nā Lama Kukui

There are several reference points as it relates to Nā Lama Kukui, currently the only investment asset in the HDI portfolio:

ABOUT 560 NIMITZ HWY, HONOLULU, HI 96817			
Rental Rate	\$19.20 - \$30.00 /SF/Yr	Rentable Building Area	140,000 SF
Property Type	Office	Year Built	1925
Building Class	B	Operating Expenses	\$12.84 /SF/Yr

In ancient times, Kukui oil was used to light torches for fishermen and travelers. A lighthouse once stood in Iwilei, illuminating the

way for approaching ships to Honolulu. This was an industrial and commercial area that served as a leading example for Hawai‘i’s developing urban core. Today, it still is. Nā Lama Kukui (“The Kukui Torches”) carries forth that spirit of wayfinding—of visitors to this place, of kanaka and kama‘ainā connecting to Hawai‘i’s past, and of looking forward and forging ahead as a community together. Our logo is a symbol of fire, meant to evoke the guiding light of enlightenment and progress.⁸



Year, Reference Point	Valuation	Year, Reference Point	Valuation
2012, Purchase Price	\$21,370,000	2018, Real Property Assessment	Land: \$20,442,300 Building: \$9,713,000 Total: \$30,155,300
2017, Appraisal	\$31,760,000	2019, Real Property Assessment	Land: \$30,219,000 Building: \$18,138,000 Total: \$48,357,000

⁸ <https://nlkcenter.com/about/>, retrieved August 17, 2019

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VI. Offering Analysis

A. Investment Overview

Summary Financial Highlights

Shown below is a summary of the Business' key assumptions and return expectations:

Investment Overview

Capital Requirements

Total Capital Requirements	\$17.1 million (from investments and net of cash from operations)
from HM (all series)	\$4.1 million (includes \$570,000 of Founders Capital)
from Investment Partners	\$13.5 million (in 3 series, in addition HM's planned investments)

Investor Capital Raises

Total Initial Raise	\$5.7 million
Q4 2018 (company formation)	Series 1 = \$1.2 million (completed, by HM)
Q2 2019 (infrastructure)	Series 2 = \$4.5 million
Q1 2021 (plant cacao)	Series 3 = \$11.3 million

EBITDA	\$3.7 million (at fully stabilized EBITDA in Year 11)
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Year 15 EV / EBITDA	3.6x
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Acreage

Total Business acreage	223 acres
Cacao orchard (excl. windbreak)	137+ acres
Total planted acreage (cacao and windbreak)	184+ acres

Projected 15-Year Financial Returns

IRR (unlevered)	12.0%
ROI	2.6x

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B. Classes of Common Units

- Class A Common Units.** Issued to HM and Equilibrium upon formation of Kalona; represents a financial share in distributions from the Business; 15 votes per unit (compared with 1 vote per unit for Class B Common Units; and Class A Common Units elect two members to the Board of Managers.
- Class B Common Units.** Issued to HM and other equity investors as part of Kalona's capital fundraising efforts; represent a financial share in distributions; 1 vote per unit; additional Class B Common Units may be reserved as incentive compensation for designated management team members or members of the Board of Managers.
- Class C Common Units.** May be reserved for the management team and/or members of the Board of Managers; represent a financial share in distributions; and in any future appreciation of the Business post issuance.

C. Overview of Offering

Per the Term Sheet (Attachment B), the following proposed private placement of units are offered:

- **Securities Offered:** 24,545,455 Class B Common Units (Units)
- **Price Per Unit:** \$0.11 per Unit
- **Purchase Price:** The total purchase price for the Units shall be Two Million Seven Hundred Thousand and no/100 dollars (\$2,700,000).

Scenario 2

Table 1. Scenario 2 - Investor Capital Commitments

Round	Class	KS	EQ	Mgmt*	OHA	Third Party	TOTAL
Founder	A	\$570,000	\$0	\$0	\$0	\$0	\$570,000
Series 1	B	\$1,200,000	\$0	\$0	\$0	\$0	\$1,200,000
Series 2	B and C	\$1,800,000	\$0	\$0	\$2,700,000	\$0	\$4,500,000
Series 3	B and C	\$530,000	\$0	\$0	\$0	\$10,800,000	\$11,330,000
TOTAL		\$4,100,000	\$0	\$0	\$2,700,000	\$10,800,000	\$17,600,000

* Mgmt shares are Class C non-voting shares, all other shares in series 2 and 3 are class B

Table 2. Scenario 2 - Economic Shares

Round	\$/share	KS	EQ	Mgmt*	OHA	Third Party	Total
Founder	0.11	2,642,727	2,539,091	-	-	-	5,181,818
Series 1	0.11	10,909,091	-	-	-	-	10,909,091
Series 2	0.11	16,363,636	-	3,750,000	24,545,455	-	44,659,091
Series 3	0.15	3,533,333	-	3,750,000	-	72,000,000	79,283,333
TOTAL	0	33,448,788	2,539,091	7,500,000	24,545,455	72,000,000	140,033,333

* The Founders round was split 51% ownership to KS and 49% ownership to EQ

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D. Unit Valuation⁹

The offering price per Class B Unit was determined by Kalona taking into account a number of factors, including the capital budget and operating funding projected for the Business. The offering price bears no relationship to any established criteria of historical value such as book value, past earnings of the Business, earnings per Unit, or any combination thereof, since there is no operating history of Kalona or the Business. Further the Unit price does not necessarily reflect current market value for the proposed investment.

E. Risk Factors¹⁰. The purchase of the Class B common units in Kalona is speculative and involves a very high degree of risk. Each prospective investor is urged to consider carefully the risk factors discussed below and to consult its own advisers. There can be no assurance that Kalona's investment objectives will be achieved or that an investor will receive any return of or on its capital investment. In addition to the factors set forth elsewhere in this memorandum, prospective purchasers should consider, among other things the risks identified below.

1. Risks Related to the Business and Industry

- a. General risks inherent in a start-up business.
- b. Lack of significant operating history of Kalona.
- c. Kalona's financial projections are not based on actual operations.
- d. Risks inherent in operating a farming business.
- e. Risks of product contamination and product liability claims as well as negative publicity associated with food issues.
- f. Risks of incurring compliance costs in the areas of food safety and protection of human health.
- g. There is a possibility of uninsured losses.
- h. Environmental risks.
- i. Land development risks.
- j. Dependence on management and key personnel.
- k. Extreme weather conditions, natural disasters, crop diseases, pests and other natural conditions can create substantial volatility for the business and results of operations.
- l. The business is susceptible to potential climate change.
- m. The presence of endangered or threatened species on or near identified farm site could restrict its business activities.
- n. Other unforeseen business risks.

2. Market Risks and Competition

- a. The business is sensitive to fluctuations in market prices and demand for farm products.
- b. It may be difficult to accurately predict and successfully adapt to changes in market demand.
- c. The farm product market can be highly competitive, and results of operations may be adversely affected if Kalona is unable to compete effectively.

⁹ Kalona Brand Company LLC Information Memorandum, January 2019

¹⁰ Kalona Brand Company LLC Information Memorandum, January 2019

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- d. Priced reduction risk.

3. Risks Related to an Investment in Class B Units

- a. Determination of unit price.
- b. Failure to raise adequate funds from investors.
- c. Restrictions on transferability of units.
- d. The holding period for the investment could be longer than ten years.
- e. Limited participation by investors in management.
- f. The existing Founders, HM and Equilibrium, will have a substantial influence over Kalona.
- g. The offering is not registered with, and has not been reviewed by, the U.S. Securities Exchange Commission or any state or foreign securities authority.
- h. The units are subject to dilution if the Company were to sell additional units in the future.
- i. The Managers will be entitled to protection from liability and indemnification.
- j. The Managers may withhold distributions to the Members.
- k. The Members will not have a right to withdraw their capital contributions.
- l. Kalona and its activities may become subject to increased regulatory scrutiny.

4. Other Considerations

- a. Partnership Status
- b. Taxation of Members
- c. Adjusted Tax Basis
- d. Cash Distributions
- e. Character of Income from Operations
- f. Various Deductions Could Be Disallowed
- g. Limitation on Losses from Passive Activities
- h. Use of Certain Deductions
- i. At-Risk Limitation
- j. Liquidating Distributions
- k. Gain or Loss on Sale or Other Disposition of company Assets
- l. Gain or Loss on Sale or Other Disposition of Units
- m. Resolution of Disputes Involving company Items
- n. Company Tax Returns may be Audited
- o. Potential Penalties and Reporting Requirements
- p. Possible Changes in Federal Tax Laws
- q. State and Local Taxes
- r. Tax Treatment of Foreign Investors
- s. Tax-Exempt Investors
- t. Admonition

5. Certain ERISA Considerations

- a. Fiduciary Matters and Prohibited Transactions Generally
- b. Plan Assets
- c. Plan Asset Consequences – Prohibited Transaction Exemptions
- d. Considerations for Trustees, Custodians and Fiduciaries
- e. Taxation of Tax-Exempt Investors

RM #19-12: Consider funding the Kalona Brand Company LLC private placement Investment Opportunity in an amount not to exceed \$2.7MM from the Hawaii Direct Investment portfolio

- 6. Certain Securities Law and Certain Anti-Money Laundering Considerations**
 - a. Securities Act of 1933
 - b. Anti-Money Laundering Regulations and Foreign Account Tax Compliance Act
- 7. Related Party Transactions and Conflicts of Interest**
 - a. Competition with Other Farming Operations
 - b. An affiliate of HM is Kalona's Landlord
 - c. HM and Equilibrium are Parties to a Founders Participation Agreement
 - d. Other Possible Agreements
 - e. Legal and Accounting Review

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VII. Operations & Finances Analyses

Due diligence analysis activities included a review of business plans and assumptions as well as financial plans, projections and pro-forma statements (e.g., income statement, balance sheet and cash flows).

A. Business Plan Assumptions, Plans

1. **Business and Value Drivers.** Include Education (e.g., programs, research), Culture (e.g., introducing ‘ulu, historical farming and food-making know-how), Community (e.g., local jobs, workplace diversity), Environment (e.g., water savings, recycle, soil nutrients, measurable energy savings, reforestation and volume of carbon or emissions reductions), Programs (e.g., education, vocational, research, farm-to-school), Training (e.g., interns, partners) and Research and Development (e.g., avocado, ‘ulu, cacao, collaborations).
2. **Site Lease.** Kamehameha Schools, as owner of the planned site in Kawaiiloa (North Shore), Oahu, leased the site to Kalona on a long-term commercial (market) basis. The site was selected in a joint effort led by Greenleaf, with full support from HM and Kamehameha Schools. Commercial (market) lease terms are in place, to demonstrate viability of the Business.
3. **Business Variables that Drive Underlying Economics.** There are four primary variables that drive underlying economics: yield (pounds of cocoa beans per acre); selling prices (e.g., wholesale, retail), product mix (e.g., beans, blocks, chips, bars), and labor (e.g., farming/agriculture, manufacturing, operations, sales, marketing).

- In general, well-managed cacao orchards in Hawai‘i have historically achieved relatively high production (i.e. three times world averages), per Cacao Services.

Region	Cacao bean yields (lbs./acre)
Asia Average	214
World Average	348
Latin America Average	357
Africa Average	410
Kalona (assumed)	1,524
High-yield, Latin American plantations	2,230

Source: Destruction by Chocolate by Hardman Agribusiness, Kalona Brand

a. Yield. The estimated yield of 1,524 lbs. of dry cacao beans per acre is based on research and consulting from advisors as well as historical performance from similar cacao farms in Hawai‘i.

b. Selling Prices. Hawai‘i-grown cacao has historically sold at a significant premium to comparable bulk

and artisan cacao. Estimated selling prices based on comparable prices of Hawai‘i-grown cacao and Hawai‘i made chocolate. A 50 percent retail markup for all sold, consistent with current Hawai‘i chocolate sales is projected.

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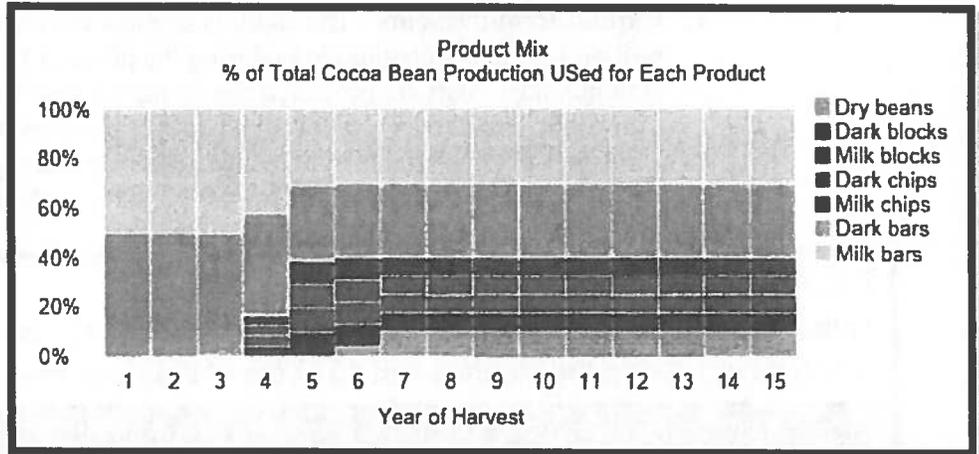
c. **Product Mix.** A diversified product mix that includes cacao beans, white label chocolate and branded chocolate is planned. In the first three years, the focus will be on cacao beans to make branded chocolate---the highest margin cacao product. Over time, lower margin white label chocolate and cacao bean products to

diversify revenue sources and customer bases is planned. At full maturity, the target is 60%, 30% and 10% of

cacao beans for branded chocolate, white label chocolate and raw ingredient, respectively.

Crop diversification, beyond the planned ulu and avocado, for local foods may include cucumber, hot pepper, watermelon, cilantro, sweet basil, eggplant, green onion, taro, lettuce, tomatoes and field squash.

d. **Labor.** Labor related to agricultural and manufacturing operations constitute the largest cost element and is projected to approximate a third of revenues. Mechanization is planned wherever possible.



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B. Financial Plan Assumptions, Projections, Proformas

Analysis activities included review of projected capital requirements, operating and capital expenditure projections,

- 1. Capital Requirements.** The capital expenditures are currently estimated to be \$10.3 million (including contingency) during the planned first 15 years of the Business. No land purchase costs are projected due to the 30-year long term lease with Kamehameha Schools (that also manages approximately 3,800 acres and 13 other leases in the same O'ahu area). Both operating and capital expenditure projections for years 1 to 11 were analyzed based on plans to plant, harvest and manufacture.

Total Capital Requirements

Total capital expenditures are currently estimated to be \$10.3 million (including contingency) during the planned first 15 years of the Business:

Capital Expenditures	Per Gross Acre	Total
Pre-Harvest		
Infrastructure	\$5,985	\$1,338,809
Development and Pre-harvest cost	19,335	4,325,313
Pre-harvest facilities	411	92,000
Pre-harvest equipment	2,911	651,287
Post-Harvest		
Post-harvest facilities	6,638	1,485,000
Post-harvest equipment	1,207	270,000
In-House Manufacturing	5,364	1,200,000
Local Foods	16,424	328,486
Total	\$58,277	\$9,690,895
Contingency	\$2,838	\$634,791
Total CapEx	\$61,115	\$10,325,686*

*Excludes \$500,000 reserves

- 2. Revenue Assumptions.** At full maturity, the target (of product mix) is 60%, 30% and 10% of cacao beans for branded chocolate, white label chocolate and raw ingredient, respectively. Accordingly, revenue assumptions were made based on the projected, targeted product mix.
- 3. Cost Assumptions.** At full stabilized production in Year 11 when the orchard is fully mature, operating expenses for farming operations are projected to be \$5.1 million with wages and benefits representing the largest element in Kalona's cost structure, totaling \$2.56 million across wages and benefits for farm laborers, non-farm professionals, and harvest labor. In addition, the largest line item, eventually will be processing and manufacturing costs for chocolate, and cost assumptions and rates are based on industry estimates from advisors.

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4. **Cash Flows.** Cash is not generated by the business from chocolate sales until the cacao trees begin fruiting in Q4 of 2022 (as projected). Investor funds, supplemented by sales proceeds from local food crop sales, are required to cover capital and operating expenses during this period. All major farm equipment (pre-and post-harvest) will be purchased in the first five years of operations and investor funds will be used to cover these expenses. Investor funds are expected to have been spent by Q4 2023. The cacao trees reach 50% of their maximum productivity in Q1 of 2026, and manufacturing equipment is purchased at this time. Dividend payments projected to begin the following year in 2028 (11 years from initial investment).
5. **Partners' Pro Forma Capital Account.** Projected investment partners' pro forma capital account identified cash capital contributions in years one to three and dividends not projected to be paid out until year 10.
6. **Monetization Options.** Included in the investment summary are monetization options following the initial 15-year term of the business, including but not limited to leveraged recapitalization (e.g., leveraged buyout), sale to private financial investors and sale to strategic buyer. The business financial plans currently assume a liquidity event in the 15th year from which projected returns are calculated.
7. **Pro Forma Income Statement, Balance Sheet and Statement of Cash Flows.** Fifteen year pro-forma income statement, balance sheet and cash flows were also analyzed.

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VIII. Intangibles¹¹ Analysis

Due diligence analysis was also completed on HM, Equilibrium, Greenleaf, current management team, etc. to consider any related intangible strengths or risks (e.g., industry reputation, capability, experience) and the related impact on the OHA's consideration of the investment opportunity.

- A. **Kamehameha Schools.** Is among the oldest and most respected institutions in Hawai'i, being the largest private landowner and also largest private educator in the State. HM is a single-member LLC formed by Bishop Holdings Corporation, a for-profit subsidiary of Kamehameha Schools. HM will provide capital and administrative support, and Kamehameha Schools has leased a suitable land site to Kalona on commercially reasonable terms for a long-term basis on the island of O'ahu.

Kamehameha Schools is responsible for the stewardship of over 365,000 acres of land on Hawaii Island, Maui, Moloka'i, O'ahu, and Kaua'i. Over 358,000 acres of those lands are dedicated to conservation and agriculture. Kamehameha Schools' most recent 'Aina Plan details the vision for managing these conservation and agriculture resources. The 'Aina Plan seeks three outcomes, with the goal of properly stewarding the natural, cultural, water, and agricultural resources on Kamehameha Schools' 'aina: 1) Healthy, abundant, and functioning 'aina; 2) Financially sustainable 'aina portfolio; and 3) Sustainable communities and systems change.

- B. **Equilibrium Capital.** Is a leading investment management company in institutional sustainable real asset strategies. Equilibrium is providing strategy and business design, access to agriculture and food operations and business expertise (both in-house at Equilibrium as well as externally through its network of relationships), research and development, and investment experience and discipline where appropriate.

Equilibrium Capital Group is an asset management company that builds and manages sustainability-driven asset portfolios for institutional investors through an owner I operator business model. Equilibrium focuses on institutional grade strategies, including Sustainable Agriculture & Food, Renewable Resources, and Sustainable Real Estate. The firm has raised institutional investor commitments of approximately \$2.4 billion across its investment strategies and is actively developing other agriculture, real estate, renewable energy, and water strategies for future offerings.

- C. **Kamehameha Schools and Equilibrium Capital.** In 2014, Kamehameha Schools partnered with Equilibrium Capital through an investment in Agriculture Capital, a sustainability-driven agriculture and food investment firm co-founded by Equilibrium Capital. Agriculture Capital invests across the value chain of citrus, hazelnut, blueberry, and table grape products and utilizes regenerative farm practices to produce better food at scale and deliver healthy returns to investors while making a difference in communities.

¹¹ Intangible noun, a: an asset (such as goodwill) that is not corporeal; b: an abstract quality or attribute, <https://www.merriam-webster.com/dictionary/intangible#other-words>, retrieved August 16, 2019

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Through this relationship, Kamehameha Schools was introduced to Eric Pond, a former founder and principal at Agriculture Capital, and his company Greenleaf Farm Management. Eric is an agriculture industry leader and expert, having sourced, developed and managed over 6,000 acres of permanent crop farmland in the Pacific Northwest over his nearly 25-year career.

Together, Kamehameha Schools and Equilibrium, supported by Greenleaf (the "Business Team"), began conducting market research and due diligence to develop a Hawai'i-based business that would focus on Kamehameha Schools' goals of stewarding the 'aina by utilizing the principles of regenerative agriculture and integrated value chains.

- D. **Greenleaf Farm Management.** Founded by Eric Pond, Greenleaf is providing advice and guidance on agronomy design, team building, and market assessment of the crops Kalona will be growing. Greenleaf and its founder are expected to guide the operating team both as consultant and as member on the Kalona Board of Managers.

Eric Pond / Greenleaf Advisors - Senior Advisor for Strategy, Operations and Agronomy
Eric, with his wife Laura, founded Greenleaf Advisors in 2016 to work with farmers and owners of farming and food production assets to enable sustainable farming practices and production of healthy and affordable food. Eric has 25 years of experience in the agriculture and food business, having built and productively managed integrated supply chain operations. He was previously a Founder and Principal at Agriculture Capital, a manager of integrated permanent crops funds jointly founded by Equilibrium. He is a native of Oregon and is committed to spending time in Hawaii both as member of the Board of Managers and advisor to Kalona. Eric is also serving as member of Kalona's Board of Managers.

- E. **Board of Directors.** The Board of Managers consisted of the following individuals: Kamuela K. Cobb-Adams, Senior Director Community Engagement & Resources, Kamehameha Schools; P. Noel Kullavanijaya, Principal and President — Capital Markets of Equilibrium Capital; Eric Pond, Founder, Greenleaf Advisors; and Benjamin Salazar, Managing Director of Finance, Kamehameha Schools. A fifth member of the Board of Directors will be appointed with the approval by the existing four members of the Board after the Series 2 units have been placed. Additional members to the Board of Managers will be added as additional investment partners are added.
- F. **Management Team.** Qualified individuals with experience in agriculture and food production in Hawaii to manage farm operations and marketing activities. The team is to comprise proven expertise necessary to build and operate the integrated supply chain business of Kalona. Managers and advisors representing agriculture and food business, agronomy and farm management, product development and manufacturing, products sales and marketing, finance and accounting, and start-up experience, have been identified and are beginning to work together.

4. Executives.

- a. **Kawika Burgess.** General Manager (President and Chief Executive Officer of Kalona) Kawika brings new business formation, operating, agriculture and management experience to Kalona. He was most recently the Chief Executive Officer of Hawaiian Islands Land Trust and was previously the founder/owner of Real

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Property Management Alliance; Chief Operating Officer of the Office of Hawaiian Affairs; the Land Assets & Operations Manager at Kamehameha Schools; Program Coordinator & Project Manager of the Hawaii Trust for Public Land; and Administrator in the Dept. of Human Services (State of Hawaii). Kawika is an alumnus of the University of Hawaii', Hilo and is a Native Hawaiian.

- b. **Aaron Ellis.** Finance Manager (Chief Financial Officer and Secretary of Kalona) Aaron brings experience in financial planning, accounting, and finance management (including cash management) to Kalona. He will be working part-time initially and will increase commitment as demands from Kalona's activities rise. He is currently the General Manager and Director of Business Development at Island Growth and previously served as Director of Business Development at Pono Pacific; and Finance Associate at Ulupono Initiative. He also provided business development advice for start-ups and non-profit organizations, Aaron grew up in Victoria, Canada and received his MBA from the University of Hawai'i.
- c. **Michael Glidden.** Farm Manager - Mike has a decade of experience working in commercial scale tropical crop production. Mike has been responsible for creating and implementing crop plans and managing field production of 500 acres of seed corn in Hawaii. He is also an Associate Director for the West Oahu Soil and Water Conservation District. Mike received his Master's in Tropical Plant and Soil Science from the University of Hawai'i. Mike was born and raised on O'ahu.
- d. **Dave Burlew.** Assistant Farm Manager - Dave has over twenty years of experience in organic farm management from production to marketing and promotion. Dave also worked on the retail side of fruits and vegetables as the produce manager for Down to Earth. Dave is originally from New Jersey and moved to Hawai'i in 2003 to attend the University of Hawai'i, where he majored in Agriculture.
- e. **Derrick Kiyabu.** Crew Leader - Derrick brings significant local farm experience having trained beginning farmers while working at GoFarm Hawai'i and the Kohala Center. Derrick was responsible for the daily operations of a 24-acre organic farm in Waianae. Derrick attended the University of Hawaii and majored in General Agriculture

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5. Advisors

- a. **Dan O'Doherty** - Advisor for Agronomy and Marketing - Dan is the Founder of Hawai'i-based Cacao Services, an expert consultant in the value chain operations for cacao. He was formerly the co-founder and President of the HawaiiCacao Foundation and Scientific Advisor & Conference Coordinator of the Hawaii Chocolate & Cacao Association. Dan is a graduate of the University of Hawaii, with a MS in Botany and Plant Biology, and Stevenson University.
- b. **Seneca Klassen** – Advisor for Products, Manufacturing/Processing and Marketing Seneca is a renowned chocolate and cacao expert, with proven expertise in product development, entrepreneurship, and business start-ups. He is the Founder of Lonohana Estate Chocolate (Hawai'i) and previously served as the Executive Vice President of Product Development at Bittersweet in California. He is a graduate University of California San Diego and has lived in Hawai'i since 2009.

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IX. Economic Development Policy Alignment

Approved by the BOT in May of 2019, the purpose of the approved Economic Development Policy (“Policy”) was to ensure that revenue enhancement and other economic development projects

undertaken by the Office of Hawaiian Affairs (“OHA”) are conducted in a manner consistent with best practices and aligned with OHA’s long-term strategies and current conditions. The policy:



Economic Development Policy

- Requires Administration to develop policies for analyzing and selecting economic development projects
- Requires Administration to develop performance standards for staff and consultants, and define permissible and impermissible projects
- Requires the Administration to develop criteria for selecting operating structures (such as LLCs and partnership)

- Requires Administration to develop policies for analyzing and selecting economic development projects

- Requires Administration to develop performance standards for staff and consultants, and define permissible and impermissible projects

- Requires the Administration to develop criteria for selecting operating structures (such as LLCs and partnership)

It is the policy of the Board to ensure the development of procedures for selecting

economic development projects and the operating structures for the projects that reflect cultural priorities and current economic conditions. The Board believes that documented procedures are important to ensure consistency within OHA regarding the use of land, cultural assets and other resources, and OHA’s expectations for business conduct. Additionally, the principles reflected in the procedures can be incorporated in development and other economic development agreements, enabling projects that are developed will be consistent with OHA’s needs and priorities.

A lack of due diligence, standards and/or criteria may occur when there is no clear policy. Because this is a new policy, implementation procedures are in development to affect the policy’s launch. Administration anticipates bringing forward such policy implementation procedures at the next available opportunity to the BOT (e.g., September 4, 2019 Resources Management Committee). Once the policy implementation procedures are approved by the BOT, any future investment opportunities (such as the Kalona opportunity) would be considered in alignment with such procedures.

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X. Investment Opportunity Analyses Insights

A. Risk Factors

1. Farming from the beginning to final product has a long-time horizon and much uncertainty (e.g., drought, disease, unpredictable weather, sabotage, supply/demand for targeted premium product, economic conditions); product will not be following popularity of organic food items.
2. No payout to investors until years 7 to 10 (at the earliest) and no liquidity.
3. Management is concentrated in one person (e.g., General Manager) and risks exist (e.g., possible “key man” clause, experience in product development).
4. Limited voting power (Class A shares have 15 per unit voting rights compared to Class B shares 1 vote per unit).
5. No protection from higher than expected equity dilution or incurring debt (senior/subordinated).
6. Subject to reputation risk/criticism (e.g., project failure), legal (e.g., branding cost), investors rights, local/foreign competitors, etc.
7. No tangible residual value for OHA, no specific exit strategy.
8. Recession forecast scenario not factored in pro forma financial statements.
9. Dual voting shares not consistent with fair governance, possibly part of Environmental, Social and Governance (ESG¹²) criteria.

B. Positive Elements

- a. Aligns with OHA mission, strategic foundations and directions and goal to make local impact investments.
- b. Investment appears to have the solid partners OHA would like to team with for the initial Hawaii Direct Investments program; and a learning experience to branch out to other projects.
- c. Kamehameha Schools is a reputable partner, however, it has much deeper pockets than OHA and will have control over any decisions (e.g., land/water is owned by KS).
- d. Low correlation with other OHA investment (e.g., inflation hedge); however, is positively correlated with gross domestic product.
- e. Equilibrium is a company with a demonstrated history of having expertise in agricultural investing.
- f. \$2.7MM maximum is less than 0.75% of total Native Hawaiian Trust Fund.

¹² Environmental, social and governance (ESG) criteria are a set of standards for a company’s operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company’s leadership, executive pay, audits, internal controls, and shareholder rights. <https://www.investopedia.com/terms/e/environmental-social-and-governance-esg-criteria.asp>, retrieved August 17, 2019

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IV. Certification of Funding Availability

N/A – core or non-core funding not required for this action item.

The investment in the Kalona Brand Company LLC, in an amount up to \$2.7MM, would be funded by the Hawaii Direct Investment portfolio of the Native Hawaiian Trust Fund.

V. Recommended Action

Approve the private placement investment in Kalona Brand Company LLC, in an amount not to exceed \$2.7MM, from the Hawaii Direct Investment (HDI) portfolio.

VI. Alternative(s)

A. Take no action.

B. Take action for another amount, other than \$2.7MM, which does not exceed the available Hawaii Direct Investment (HDI) amount; and with any unused amount to remain in the HDI portfolio

VII. Time Frame

This action shall be effective immediately upon approval by the BOT.

VIII. Attachment(s)

A. Native Hawaiian Trust Fund Investment Policy Statement, Adopted by the Board of Trustees, August 24, 2017, Effective October 1, 2017

B. DRAFT - Term Sheet



OFFICE OF HAWAIIAN AFFAIRS

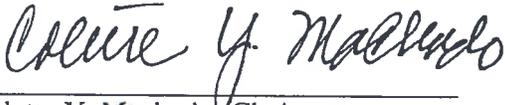
NATIVE HAWAIIAN TRUST FUND INVESTMENT POLICY STATEMENT

**Adopted by the Board of Trustees, August 24, 2017
Effective October 1, 2017**

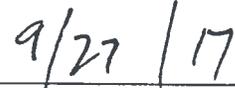
NATIVE HAWAIIAN TRUST FUND

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



Date

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

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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) Select 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 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) 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).

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.

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 Manger 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.

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. 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.

TERM SHEET OF PROPOSED PRIVATE PLACEMENT OFFERING
BY
KALONA BRAND COMPANY, LLC

THIS TERM SHEET (Term Sheet), entered into and effective as of _____, 2019, summarizes the principal terms with respect to a proposed private placement offering of certain member units by Company to Investor.

1. Issuer. KALONA BRAND COMPANY, LLC (Company), a Hawaii limited liability company.
2. Investor. THE OFFICE OF HAWAIIAN AFFAIRS (Investor), an agency of the State of Hawaii.
3. Proposed Private Placement. Company and Investor propose a private placement of Units under the following terms:
 - a. Securities Offered: 24,545,455 Class B Common Units (Units).
 - b. Price Per Unit: \$0.11 per Unit.
 - c. Purchase Price: The total purchase price for the Units shall be Two Million Seven Hundred Thousand and no/100 dollars (\$2,700,000.00).
4. Deposit. Upon mutual execution of a Member Interest Purchase Agreement (Agreement), or other similar document, Investor shall pay to Company within two (2) business days, by certified or cashier's check, a deposit equal to ten percent (10%) of the Purchase Price. Upon expiration of the Due Diligence Period, the Deposit shall be non-refundable should the proposed private placement fail to close through no fault of Company.
5. Payment. Payment of the remaining Purchase Price shall be made to Company by certified or cashier's check no later than the Closing Date.
6. Closing Date. Closing of the proposed private placement shall be thirty (30) days following mutual execution of the Agreement.
7. Due Diligence. Upon mutual execution of the Agreement, Investor shall have fifteen (15) business days to conduct due diligence as to the proposed private placement. Company shall provide reasonable access to its books and records, business plan, marketing plan, farm plan, leases, Operating Agreement, and other such confidential information reasonably necessary for Investor to conduct its due diligence.
8. Closing Conditions. The following conditions must be satisfied prior to Closing:
 - a. Approval of a Supermajority Interest of all Members, in accordance with the Paragraph 7.7(a) of the Operating Agreement;

- b. Approval by the Board of Managers, in accordance with Paragraph 10.1(c) of the Operating Agreement;
- c. Execution of the Operating Agreement by Investor;
- d. Timely payment of the Purchase Price by Investor; and
- e. Investor must be an accredited investor as defined by Rule 501 of Regulation D promulgated under the Securities Act of 1933.

9. Non-Disclosure. The Confidential Information provided to Investor is subject to a Non-Disclosure Agreement, which shall remain binding upon expiration of this Term Sheet.

10. Capitalization. Upon Closing, Purchaser will own the following percentage of total issued Units in Company, on a fully-diluted basis: 17.528 %. The following percentage is provided as an estimate only. Company reserves the right to change the number of Units issued to Investor as part of this private placement offering, whether by increasing or decreasing the number of such Units, until a binding Agreement is entered into by the Parties.

The current capitalization of Company is as follows:

	No. of Units	% of Units on a Fully-Diluted Basis (economic)
Issued & Outstanding:		
Class A Common Units	5,181,818	3.700%
Class B Common Units – to be sold in this offering*	55,568,182	39.682%
Unit options and future units to be reserved (includes Class B and class C Common Units)	79,283,333	56.617%
TOTAL	140,033,333**	99.999%

*may include class C

**includes shares reserved for management and staff.

11. Voting Rights. Each Class B Common Unit shall have one (1) vote per Unit, in accordance with Paragraph 18.28 of the Operating Agreement.

Ho‘oulu Mahi‘ai LLC (HM) and Equilibrium Capital (Equilibrium) together hold Class A (Founder Units) which have 15 votes per share, while Class B Units offered to Investors in this series 2 and future series 3 offerings are entitled to one share each. On completion of this offering, HM and Equilibrium will together have 79% votes and upon completion of planned series 3, HM and Equilibrium intend to hold together at least 51% votes.

12. Board of Managers. Pursuant to Paragraph 6.3 of the Operating Agreement, two Managers of the Board of Managers shall be elected by the affirmative vote of Members holding a majority of the outstanding Class B Common Units. Additional Managers are elected as follows: (a) One Manager elected by HM and (b) Two Managers elected by the affirmative vote of Members holding a majority of the outstanding Class A Common Units.

13. Distributions. Pursuant to Article 4 of the Operating Agreement, the Board of Managers shall have sole discretion regarding the amounts and timing of any distributions of cash available for Members.

14. Transferability of Units. Transfer of the Units by Investor are subject to restrictions based on (a) federal and state securities laws, (b) a right of first refusal in favor of the Company and the other Members, as described in Article 10 of the Operating Agreement, and (c) other terms and conditions of the Operating Agreement.

15. Information Rights. Owners of the Units will have the right to receive Company information and reports as described in the Operating Agreement. Kalona shall provide each holder of Class B Common Units with (i) unaudited quarterly financial statements and (ii) unaudited annual financial statements and the annual business plan.

16. Conversion. Company has the right to convert into a corporation pursuant to Article 15 of the Operating Agreement. In such event, owners of Units would receive securities substantially economically equivalent, with other rights and restrictions, to such Units, as described in the Operating Agreement.

17. Warrants/Options. Investor shall not be entitled to any warrants or options to purchase additional Units, except as may be provided in the Operating Agreement.

18. Operating Agreement. The Units will be subject to the terms and conditions of the Operating Agreement for the Company which should be reviewed thoroughly by the prospective Investor during the Due Diligence Period.

19. Expiration Date. This Term Sheet shall remain in effect until the earliest of: (a) execution of the Agreement or (b) the date that is thirty (30) days following execution of this Term Sheet.

20. Use of Proceeds. Proceeds from the Purchase Price may be used to fund (a) the initial formation of the management team, (b) investment in infrastructure ahead of planting, (c) the purchase of seeds and plants, and (d) the Company's operating expenses (including site lease payments). Proceeds may also be used for general corporate purposes, as determined by the Board of Managers.

21. Offering Expenses and Fees. For capital raising efforts which includes this Offering, Company agrees to pay Equilibrium for its time and expenses incurred: (i) \$50,000 for the preparation of suitable offering and diligence materials, (ii) a fixed charge of two percent (2%) of capital raised from outside investors (i.e., not including investments by HM) for a period through

November 30, 2021, and (iii) out of pocket expenses incurred by Equilibrium in support of series 2 and series 3 capital raising activities.

22. Accredited Investor. Regulation D, also known as a private placement is a United States Federal program created under the Securities Act of 1933, indoctrinated in 1982, that allows companies the ability to raise capital through the sale of equity or debt securities (private or public stock shares). Under Regulation D, an accredited investor is one with a net worth of \$1 million or more or an investor who has had a yearly income of at least \$200,000 (for an individual investor) or \$300,000 (for joint income with spouse) for the previous two years and is expected to earn at least that much in the current year.

23. Non-Binding. This Term Sheet is not legally binding on the Parties, except for the following terms, which are binding:

- a. No trustee, officer, director, security holder, employee or agent of either Party or any of their respective affiliates will have any personal liability for any obligations entered into on behalf of such party and the personal assets of any such individuals will not be subject to the claims of any person relating to the respective obligations of the Parties.
- b. Any public announcement indicating the association of the Parties to each other or any member, manager, or affiliate of Company, and the timing of such announcements, must be discussed and agreed to in advance by the Parties; provided that the Parties agree that one party may disclose such association to that party's employees, agents, or representatives as reasonably necessary to review, analyze, and evaluate the proposed private placement.
- c. Notwithstanding any Non-Disclosure Agreement executed by the Parties, each of the parties undertake to respect and preserve the confidentiality of all "Confidential Information" received from the other. "Confidential Information" means (a) the existence and contents of this Term Sheet, and (b) any information of a proprietary or confidential nature relating to the business, finances, or assets of the Parties or any of their respective affiliates or related companies that is not public information known by either of the Parties prior to the date of this Term Sheet. Neither party will disclose to third-parties Confidential Information of the other party except as may be required by applicable law or court order.
- d. Upon expiration of this Term Sheet and at the written request of one party, the other party shall return and/or destroy all copies of Confidential Information to the other party, as specified in the request, and delete any digital copies and/or files of Confidential Information.
- e. This Term Sheet and the terms herein are exclusive to each party; neither party shall be permitted to use Confidential Information or engage in any activity with the intent to or effect of circumvent(ing) the other party in relation to their respective business.

- f. The governing law of this Term Sheet shall be the laws of the State of Hawaii, and the Parties hereto agree to submit to the sole jurisdiction of the courts of the State of Hawaii.
- g. The Parties shall be responsible for their own attorneys' fees and costs incurred with respect to this Term Sheet.
- h. By signing below, each of the Parties signifies that this Term Sheet sets forth their preliminary understanding of the relationship between the Parties described herein.
- i. Any deadline or time-period specified in this Term Sheet may be extended by mutually written agreement between the Parties.

24. General Terms. This Term Sheet is intended to be a recitation of the general terms of the proposed private placement offering, the specific terms of which shall be incorporated in a binding Member Interest Purchase Agreement, or similar document. The Agreement shall contain standard representations and warranties which qualify Purchaser as a potential investor. Execution of a binding Agreement is subject to certain conditions, including approval by Company's Board of Managers. The proposed terms are summarized and do not necessarily reflect the language of the actual provisions that would be contained in the Agreement.

25. Counterparts. This Term Sheet may be executed in counterparts and delivered in PDF form, by email, or by other electronic transmission commonly used in business transactions.

IN WITNESS WHEREOF, the Parties executed this Term Sheet as of the Effective Date.

KALONA BRAND COMPANY LLC

By: _____
 Its _____

Company

THE OFFICE OF HAWAIIAN AFFAIRS

By: _____
 Its _____

Investor



ACTION ITEM

COMMITTEE ON RESOURCE MANAGEMENT

August 21, 2019

RM #19-10

Action Item Issue: Approval of a second amendment to BOT #12-05 – Kaka‘ako Makai Policy relating to the allocation of revenue from OHA’s Kaka‘ako Makai properties to the Land Legacy Program.

Prepared by:  08/13/19
Miles Nishijima Date
Ka Pou Kihi Kanaloa ‘Āina, Land Assets Director

Reviewed by:  8/13/19
Gloria Li Date
Ka Pou Kihi Kanaloa Wai, Kūikawā, Interim Chief Financial Officer

Reviewed by:  8/13/19
Raina Gushiken Date
Ka Paepae Puka, Senior Legal Counsel

Reviewed by:  8/13/19
Lisa Watkins-Victorino, Ph.D. Date
Ka Pou Nui Kūikawā, Interim Chief Operating Officer

Reviewed by:  8/14/19
Sylvia M. Hussey, Ed.D. Date
Ka Pouhana Kūikawā, Interim Chief Executive Officer

Reviewed by:  08/13/19
Ke Kua, Trustee Dan Ahuna Date
Luna Ho‘omalua o ke Kōmike Resource Management
Chair of the Committee on Resource Management

Action Item RM #19-10: Approval of a second amendment to BOT #12-05 – Kaka‘ako Makai Policy relating to the allocation of revenue from OHA’s Kaka‘ako Makai properties to the Land Legacy Program

I. Action

Approval of a Board of Trustees (BOT) Policy Second Amendment to the Kaka‘ako Makai Policy, Section 3.A.2), originally adopted on September 20, 2012, and amended on August 1, 2017, to state (deleted language is stricken; new language is bold and underscored):

Allocate ~~10%~~ **20%** of gross revenue for grants and ~~30%~~ **50%** of net revenue for OHA’s Legacy ~~Property Management~~ **Land Program** (net revenue equals gross revenue minus direct operating expenses, excluding Kaka‘ako Makai planning and development-related costs) (*The ~~30%~~ **50%** allocation of net revenues to ~~LPM~~ **LLP** shall terminate at the end of FY ~~2019~~ **2021**)

II. Issue

Whether the BOT should: A) Approve a second policy amendment to the Kaka‘ako Makai Policy, Section 3.A.2), to increase the allocation of the gross revenues from Kaka‘ako Makai (KM) to OHA’s Grants program from 10% to 20%, and to increase the allocation of the net revenues to OHA’s Legacy Land Program (LLP) from 30% to 50%; and/or B) Extend the LLP provision to beyond June 30, 2019.

The KM policy amendment from 2017 was to be revisited in two years (from the original amendment date RM #17-05) or by June 30, 2019. The LLP provision of the KM Policy expired on June 30, 2019; and therefore, any budget beyond FY21 would not consider any implications from the KM/LLP policy provision.

III. Discussion

A. Background and Discussion Basis

Refer to Attachment A for the discussion document circulated at the July 31, 2019 Resource Management Committee (RMC) meeting, including discussion prompts, tables and projections. Attachment A is an integral document to this Action Item and is incorporated by reference herein.

B. Land Legacy Program Update

At the July 31, 2019 RMC, an update was provided regarding the Land Legacy Program that will benefit from the proposed policy change (Attachments B and C).

C. Purpose of the Policy Amendment

The purpose of this second policy amendment is to: (1) provide additional funding to OHA’s Grants Program and OHA’s Legacy Land Program, thereby allowing OHA to improve on its Strategic Priorities, while addressing the need for increased funding through a sustainable and currently under-utilized source, beyond OHA’s core budget.

D. Current Status of the Kaka‘ako Makai Revenues

The current Kaka‘ako Makai Policy allocates ten percent (10%) of gross revenue for OHA’s Grants program, and thirty percent (30%) of net revenues for OHA’s Legacy Land program through June 30, 2019. OHA’s Commercial Property Management (program code 8210) uses the balance to manage the KM parcels and to reserve funds for potential future development.

Action Item RM #19-10: Approval of a second amendment to BOT #12-05 – Kaka‘ako Makai Policy relating to the allocation of revenue from OHA’s Kaka‘ako Makai properties to the Land Legacy Program

In Fiscal Year 2019 (FY19), the actual revenue from KM properties is \$4.69 million. KM’s FY19 budget was \$1.90 million for operating expenses, or 40.5% of gross revenue. Upon OHA’s request, unexpended revenue is transferred from CBRE to an internal holding account, a portion of which is used to reimburse the OHA core account for KM program expenses. The unexpended revenue in both the CBRE trust account and the internal holding account has grown from \$3.9 million as of December 31, 2016, to \$9.7 million as of June 30, 2019.

As of June 30, 2019---KM cash/investment accounts at Bank of Hawaii and State Street amounted to \$3,252,086.00 and \$5,207,107.00, earning 0.25% and 1.79% per annum, respectively.

E. Why the Policy Amendment is Necessary.

OHA’s Legacy Land Program has been evolving the way that we manage our Legacy and Programmatic lands with aims to both mitigate risk and demonstrate exemplary stewardship and management. This includes conducting pro-active, risk-adverse land management and maintenance activities, such as planning, development, and implementation of various plans and studies. As OHA continues to improve and advance its responsible land management strategies, the costs related to such efforts will increase. This is particularly the case for land management plans related to legal compliance and risk management where OHA will be compelled to take certain actions, but also applies to implementing use or development plans poised to advance OHA’s mission. Overall, these actions will equate to an increased demand for financial inputs towards Legacy and Programmatic properties that the organization has not experienced in the past.

Therefore, the proposed increased allocation of KM revenue to OHA’s Legacy Land program is intended to:

1. Provide added support to the use of OHA’s core funds for projected legacy land management activities as we transition from the master planning phase to the implementation phase, particularly for Kūkaniloko and Wao Kele o Puna;
2. Reduce the impact on the core operating budget after FY21, during which year the non-core funds for Wao Kele o Puna will be substantially used up; and
3. Provide added funds to the FY20/FY21 Biennium Budget from the increased allocation to grants.

IV. Funding

This policy amendment will not directly incur any additional expenses; and Appendix A identifies the projected additional revenue amounts to the core grants and legacy land programs.

V. Alternative Actions to Approval of Policy Amendment in Section I. Action

- A. **Decline** approval recommendation of the proposed policy amendment as stated in I.

Action Item RM #19-10: Approval of a second amendment to BOT #12-05 – Kaka‘ako Makai Policy relating to the allocation of revenue from OHA’s Kaka‘ako Makai properties to the Land Legacy Program

Action above; AND

1. Suspend any further Kaka`ako Makai Policy action (e.g., no further revenues to the Land Legacy Program from Kaka`ako Makai); OR
 2. Extend the current revenue allocation methodology (i.e., 10% gross to Grants, 30% net to Legacy Property [land] management) to a specified period (e.g., two years, five years, in perpetuity);
- B. **Amend the proposed revenue allocation methodology** in the policy amendment as state in I. Action (e.g., different %, different basis);
- C. **Amend the proposed net revenues designation** in the policy amendment or net revenues from the Land Legacy Program to other designations (e.g., iwi kupuna, homestead associations, housing, disaster reserve, collaborations, economic development).

VI. Recommended Action

Approve the Policy Amendment to Section 3.A.2) of the Board of Trustees Kaka‘ako Makai Policy as stated in I. Action above, retroactively effective July 1, 2019:

Allocate ~~10%~~ 20% of gross revenue for grants and ~~30%~~ 50% of net revenue for OHA’s Legacy ~~Property Management~~ **Land Program** (net revenue equals gross revenue minus direct operating expenses, excluding Kaka‘ako Makai planning and development-related costs) (*The ~~30%~~ 50% allocation of net revenues to **LPM LLP** shall terminate at the end of FY ~~2019~~ 2021)

VII. Timeframe

This Policy Amendment to Section 3.A.2) of the Board of Trustees Kaka‘ako Makai Policy will be effective retroactively from July 1, 2019, upon approval by the BOT after the second reading.

VIII. Attachments

- A. Discussion document from the July 31, 2019 Resource Management Committee Meeting
- B. Legacy Land Program presentation at July 31, 2019 Resource Management Committee Meeting
- C. Legacy Land Program development plans and projects presented at the July 31, 2019 Resources Management Committee Meeting
- D. RM #17-05 - Approval of an OHA Board of Trustees Policy Amendment relating to an allocation of revenue from OHA’s Kaka‘ako Makai properties.
- E. BOT #12-05 – Kaka‘ako Makai Policy



Discussion Document re: Kaka'ako Makai Policy – Revenue Allocation

Initially drafted: April 23, 2019 – Updated July 23, 2019 – Updated August 12, 2019

I. Background and Discussion Basis

Act 15, Session Laws of Hawai'i 2012 transferred 10 land parcels in Kaka'ako Makai (KM) to the Office of Hawaiian Affairs (OHA) to settle the past due portion of ceded land revenue claims. The 10 parcels conveyed, amounted to approximately 30 acres of underutilized commercial property with an estimated value of \$200 million. These parcels were substantively conveyed to OHA on July 1, 2012. Prior to this acquisition, OHA trust fund assets were primarily comprised of cash and investments. The settlement, by itself, created a substantial commercial real estate portfolio for OHA, elevating the Native Hawaiian Trust Fund to new heights. To rise to the new challenges, the Board of Trustees participated in two rounds of workshops from May 22 to 25 and August 20 to 21 (2012) to establish guiding principles and policies for property management and development of Kaka'ako Makai (KM).

Action Item RM #17-05 - Approval of an OHA Board of Trustees Policy Amendment relating to an allocation of revenue from OHA's Kaka'ako Makai properties, was the first amendment to the KM Policy; which approved the allocation of 10% of gross KM revenues for grants; and 30% of net revenue for OHA's Legacy Property Management. Net revenue, as defined, equaled gross revenue minus direct operating expenses, excluding Kaka'ako Makai planning and development-related costs. In addition, the KM policy was to be revisited in two years (from the RM #17-05) or by June 30, 2019.

Kaka'ako Makai Policy, Section 3.A.2 currently reads: Allocate 10% of gross revenue for grants and 30% of net revenue for OHA's Legacy Property Management (net revenue equals gross revenue minus direct operating expenses, excluding Kaka'ako Makai planning and development-related costs).

II. Discussion Issue Summary

As the KM policy is to be revisited in two years (per Action Item RM #17-05 and now June 30, 2019) and OHA is in the FY20-21 biennium budget construction process, considerations are provided for Trustee discussion, to assist and guide Administration in further planning, budgeting and projection activities when analyzing the consideration of a second amendment to the Kaka'ako Makai Policy, Section 3.A.2:

1. Extend the current revenue allocation methodology (i.e., 10% gross to Grants, 30% net to Legacy Property [land] management) to a specified period (e.g., two years, five years, in perpetuity);
2. Increase the revenue allocation of the **gross revenues** from Kaka'ako Makai (KM) to OHA's Grants program from 10% to 20%;
3. Increase the allocation of the **net revenues** to OHA's Legacy Land Program from 30% to 50%;

¹ Source: Action Item BOT #12-05 – Kaka'ako Makai Policy, as updated



Discussion Document re: Kaka'ako Makai Policy – Revenue Allocation

Initially drafted: April 23, 2019 – Updated July 23, 2019 – Updated August 12, 2019

4. **New designations** for gross or net revenues (e.g., homestead associations, housing, disaster reserve, collaborations); and/or
5. Other.

III. Discussion Issue Detail

A. Purpose of the Policy Amendment Discussion

The purpose of this Policy Amendment is to consider additional funding to OHA's Grants Program and OHA's Legacy Land Program, to advance OHA's Strategic Priorities, while addressing the need for increased funding through a sustainable and currently under-utilized source, beyond OHA's core budget.

B. Current Status and Implications of the Kaka'ako Makai Revenues

The current Kaka'ako Makai Policy allocates ten percent (10%) of gross revenue for OHA's Grants program, and thirty percent (30%) of net revenues for OHA's Legacy Land program through June 30, 2019. OHA's Commercial Property Management (program code 8210) uses the balance to manage the KM parcels and to reserve funds for potential future development.

In Fiscal Year 2019 (FY19), the projected revenue from KM properties is \$4.1 million. KM's FY19 budget is \$1.5 million for operating expenses, or 39% of projected gross revenue. The unexpended, next KM revenues accumulate in a CBRE (real estate development and management company) trust account. Upon OHA's request, unexpended revenue is transferred from CBRE to an internal holding account, a portion of which is used to reimburse the OHA core account for KM program expenses. The unexpended revenue in both the CBRE trust account and the internal holding account has grown from \$3.9 million as of December 31, 2016, to \$9.0 million as of February 28, 2019.

The following FY19 Budget Realignment Analysis - Kaka'ako Makai outlines and provide explanations on the major adjustments (increases/decreases). The FY19 budget was approved by the Board of Trustees on June 8, 2017² (Action Item RM#17-07), actual FY17 and FY18 amounts are now available. Table 1 below updates Table 32 (p.28) of Action Item RM#17-07 with actual FY17 and FY18 figures.

² Action Item #17-07 OHA Biennium Budget for the Fiscal Biennium Periods 2017-2018 (FY18) and 2018-2019 (FY19)



Discussion Document re: Kaka'ako Makai Policy – Revenue Allocation

Initially drafted: April 23, 2019 – Updated July 23, 2019 – Updated August 12, 2019

Table 1: Action Item RM#17-07, June 8, 2017, Table 32: Kaka'ako Makai Budget – FY18 & FY19 (p.28) BOT-Approved FY17 Realignment #1A for Comparison (updated 4/9/2019)

Kaka'ako Makai	Realign. #1A		Proposed Realign. #1	
	FY 17	FY 18	FY 18	FY 19
Beginning Balance ³	\$ 1,043,841	\$ 3,314,636	\$ 3,314,636	\$ 6,028,320
Gross Revenue (budgeted)	3,575,750	3,992,774	3,992,774	4,054,522
Less: 10% Allocation to Grants:	-357,575	-399,277	-399,277	-405,452
Sub-total Available Funds:	\$ 4,262,016	\$ 6,908,133	\$ 6,908,133	\$ 9,677,390
Less:				
Budgeted Expenditures	-\$ 2,690,708	-\$ 2,378,125	-\$ 2,378,125	-\$ 2,322,287
Estimated Net Available Funds:	\$ 1,571,308	\$ 4,530,008	\$ 4,530,008	\$ 7,355,103
Results of Operations:				
Add- True-up - Gross Revenue ⁴ (actual)	\$ 742,809	\$ 338,480	\$ 338,480	n/a
Add- Unspent Budget ⁵ (actual)	1,000,519	1,159,833	1,159,833	1,000,000
Net Available Funds:	\$ 3,314,636	\$ 6,028,320	\$ 6,028,320	\$ 8,355,103

After reconciling Table 32 (of the original FY2018-2019 budget action item), with actual FY17 and FY18 results, FY19 has a revised computed beginning balance of \$6,028,320. Kaka'ako Makai's gross revenue for FY19 is currently estimated at \$4,054,522 ⁶ per year from lease revenues. Estimated net available funds of \$8,355,103 for FY 2019 and is to be retained for contribution to future expenditures on its parcels including expenditures relating to its master planning efforts.

³ Per RM#17-07 OHA Biennium Budget for the Fiscal Biennium Periods 2017-2018 (FY18) and 2018-2019 (FY19), p. 28, "Realign. #1A FY17 Beginning Balance".

⁴ Actual FY17 and FY18 Gross Revenue exceeded projected FY17 and FY18 Gross Revenue by \$742,809 and \$388,480, respectively.

⁵ FY17 and FY18 Unspent Budget (Approved Budget less Uses) of \$1,000,519 and \$1,159,833, respectively.

⁶ Source: Kaka'ako Makai 5 Year Pro Forma FY2017, Year 3, FY19.



Discussion Document re: Kaka'ako Makai Policy – Revenue Allocation

Initially drafted: April 23, 2019 – Updated July 23, 2019 – Updated August 12, 2019

C. Table 2: History of Grants + Implications of Kaka'ako Makai Policy

<u>Fiscal Year</u>	Sources of Funding of Actual Awarded			
	<u>SOH General Fund</u>	<u>Native Hawaiian Trust Fund</u>	<u>10% KM's Gross Revenue allocated to grant fund</u>	<u>Total Awarded</u>
2014	1,135,000.00	8,509,822.59	150,000.00	9,794,822.59
2015	735,000.00	7,692,081.95	150,000.00	8,577,081.95
2016	1,460,930.00	8,248,362.00	276,161.00	9,985,453.00
2017	1,234,430.00	7,529,129.00	279,167.00	9,042,726.00
2018	734,430.00	5,770,635.00	433,997.00	6,939,062.00
2019	734,430.00	7,034,861.00	440,709.00	8,210,000.00
Total	6,034,220.00	44,784,891.54	1,730,034.00	52,549,145.54

D. Table 3: History of Legacy Land Program

<u>Fiscal Year</u>	<u>Land Legacy Program Expenditures Actual, Budgeted (2019)</u>	<u>30% Gross Add [B]</u>	<u>Total [A] + [B]</u>
2014	Budgeted: \$ 757,748.00	\$0	\$757,748.00
	Actual Exp./Encumbrances: \$ 436,635.43	N/A	N/A
	Unspent Budget: (42.38%) \$ 321,112.57	Change in Management, reprioritization of LLP work plan	
2015	Budgeted: \$ 748,333.15	\$0	\$815,580.00
	Actual Exp./ Encumbrances.: \$ 706,438.06	N/A	N/A
	Unspent Budget: (5.60%) \$ 41,895.09		
2016	Budgeted: \$ 917,408.92	\$0	\$533,829.00
	Actual Exp./ Encumbrances.: \$ 917,408.92	N/A	N/A
	Unspent Budget: (0%) \$ 0.00		
2017	Budgeted: \$ 676,867.85	\$0	\$658,034.00
	Actual Exp./ Encumbrances: \$ 410,221.52	N/A	N/A
	Unspent Budget: (39.39%) \$ 266,646.33	Planning in progress pushed design & engineering to FY18.	
2018	Budgeted: \$ 1,012,338.00	\$0	\$1,148,548.00
	Actual Exp./ Encumbrances.: \$ 905,303.66	N/A	N/A
	Unspent Budget: (10.57%) \$ 107,034.34	Planning still in progress pushed design & engineering to FY19.	
2019	Budgeted: \$ 993,120.26	\$0	\$1,093,032.41
	Actual Exp./ Encumbrances: \$ 816,437.63	N/A	N/A
	Unspent Budget: (17.79%) \$ 176,682.63	Major PR canceled, carryforward to 2020	



Discussion Document re: Kaka`ako Makai Policy – Revenue Allocation

Initially drafted: April 23, 2019 – Updated July 23, 2019 – Updated August 12, 2019

***Notes:**

- 1) In FY14 LLP and Facilities were combined under the Land and Property Management Program (3300). There was a change in program management and priorities.
- 2) Actual Expenditures and Encumbrances are based on a General Ledger Inquiry from OHA's Accounting Services Program.
- 3) LLP budgeted monies to cover any unanticipated costs related to land management that may arise during the FY.
- 4) Budget requests were based on the most ambitious progress (concurrent with the development of conceptual Master/Comprehensive Management planning processes for the LLP Properties) that could be envisioned for each property that could be foreseen prior to the biennium request. Due to the planning and/or regulatory processes associated with the projects, not all tasks were able to progress as anticipated. Additionally, challenges with procurement has disabled timely implementation of several tasks over the years resulting in pushing those tasks into the following FY.
- 5) LLP also tries to minimize any expenditures each FY, implementing necessary functions, conserving budgeted funding wherever possible.
- 6) In 2019, OHA Administration switched over to a construct that separated the LLP from one program code (8300) into multiple accounts that track each property individually. Prior to this switch, all properties were budgeted under 8300 (previously 3300) with the exception of Palauea and WKOP which are individualized (non-core accounts).

E. Table 4: Expense/Cost Projections for the Legacy Land Program

The following provides a high-level projection for the major Land Legacy Program expenditures over the next five years:

FY	Palauea	WKOP	Kūkaniloko	Pahua	WCH	Total
2020	\$160,380	\$256,610	\$713,500	\$108,500	\$121,500	\$1,360,490
2021	\$121,180	\$260,910	\$685,000	\$132,500	\$126,500	\$1,326,090
2022	\$145,200	\$581,510	\$2,769,500	\$210,500	\$164,500	\$3,871,210
2023	\$105,200	\$601,510	\$8,663,000	\$154,500	\$156,000	\$9,680,210
2024	\$99,200	\$518,610	\$6,834,500	\$123,000	\$202,000	\$7,777,310
Total	\$631,160	\$2,219,150	\$19,665,500	\$729,000	\$770,500	\$24,015,310

*Notes: The Legacy Land Program (LLP) budgeting strategy is based on the following logic:

- 1) Estimates include design, permitting, and construction estimates for capital expenditures and operation costs.
 - a. Actual design costs are estimated and construction costs are conservative. Construction costs will be informed in the design process and updated as more information is provided.
 - b. OHA Administration would like to get permission to seek external funding sources to subsidize/offset any amounts that OHA is willing to commit from core funds.



Discussion Document re: Kaka'ako Makai Policy – Revenue Allocation

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Current projections for WKOP will deplete OHA's encumbered funds in the 8320 account in/after FY21 where all funding thereafter will come from core funds.

- 2) Current projections for Palauea will likely deplete the Palauea Preserve account by end of FY21 and funding thereafter will need to come from core with subsidization from the conveyance of any of the associated properties that generate income for the fund.
- 3) Once the capital improvements on each property are completed, the operational costs will need to be re-examined and may increase or decrease dependent on the governance model that OHA establishes.
 - a. Once the capital improvements have been constructed, the annual operating budget should level off to a more stable figure as the capital outlays are the largest expense in the coming years. Pahuia and Palauea are examples of this as reflecting in the FY24 figures provided above.

F. Table 5: Implications of Kaka'ako Makai Policy for FY20 and FY 21 at 30% and 50%

FY	LLP Budget Request	KM Net Revenue	30%	Resulting Draw from Core
20	\$1,360,490	(FY18) \$ 1,614,649	\$484,394.70	\$876,095.30
21	\$1,326,090	(FY19) \$ 1,732,235	\$519,670.50	\$806,419.50

FY	LLP Budget Request	KM Net Revenue	50%	Resulting Draw from Core
20	\$1,360,490	(FY18) \$ 1,614,649	\$807,324.50	\$553,165.50
21	\$1,326,090	(FY19) \$ 1,732,235	\$866,117.50	\$459,972.50

G. Rationale for Policy Amendment Consideration

OHA's Legacy Land program has been evolving the way it manages Legacy and Programmatic lands with aims to both mitigate risk and demonstrate exemplary stewardship and management; including conducting pro-active, risk-adverse land management and maintenance activities, such as planning, development, and implementation of various plans and studies. As OHA continues to improve and advance its responsible land management strategies, the costs related to such efforts will increase. This is particularly the case for land management plans related to legal compliance and risk management where OHA will be compelled to take certain actions, but also applies to implementing use or development plans poised to advance OHA's mission. Overall, these actions will equate to an increased demand for financial inputs towards Legacy and Programmatic properties that the organization has not experienced in the past.

Therefore, any increase in allocation of KM revenue to OHA's Legacy Land program is intended to:

- 1) Provide added relief to the use of OHA's core funds for upcoming land management activities as OHA plans to transition from the master planning phase to the implementation phase, particularly for Kūkaniloko and Wao Kele o Puna;
- 2) Reduce the impact on the core operating budget after FY21, during which year the non-core funds for Wao Kele o Puna is projected to be exhausted. The account for WKOP (8320) was originally created to re-encumber monies set aside for the



Discussion Document re: Kaka`ako Makai Policy – Revenue Allocation

Initially drafted: April 23, 2019 – Updated July 23, 2019 – Updated August 12, 2019

management of WKOP via a joint management MOA with DLNR from 2006-2016 at \$225,000/year. In 2010 OHA took back all management responsibility and created the non-core account of which LLP has been expending out of exclusively. This “pot of money” is anticipated to be fully expended in FY21, at which time the budget for WKOP will begin to draw from OHA’s core funds for this first time since its acquisition; and

- 3) Provide added funds to the FY20/FY21 Biennium Budget from the increased allocation to grants.

IV. Discussion Prompts

The following prompts are offered for further Trustee discussion and Administration guidance:

- A. As it relates to the current KM Policy Language, discuss various options, including action to:
 1. **Extend** the current revenue allocation methodology (i.e., 10% gross to Grants, 30% net to Legacy Property [land] management) to a specified period (e.g., two years, five years, in perpetuity);
 2. Increase the revenue allocation of the **gross revenues** from Kaka`ako Makai (KM) to OHA’s Grants program from 10% to 20%;
 3. Increase the allocation of the **net revenues** to OHA’s Legacy Land Program from 30% to 50%;
 4. **Consider new designations** for gross or net revenues (e.g., homestead associations, housing, disaster reserve, collaborations, economic development);
 5. **End** the KM Policy revenue allocation (e.g., amend the policy, delete the language);
 6. Other.
- B. Consider similar revenue allocation designations from other commercial properties (i.e., Na Lama Kukui).
- C. Other commercial property dimension.

V. Discussion Document Attachment(s)

1. RM #17-05 - Approval of an OHA Board of Trustees Policy Amendment relating to an allocation of revenue from OHA’s Kaka`ako Makai properties.
2. BOT #12-05 – Kaka`ako Makai Policy



Legacy & Programmatic Lands
Update May 2019

Kūkaniloko

Birthing Stones of High Ranking Ali'i

Located: *Wahiawā, O'ahu* Size: *511 Acres*

Ownership: *Fee Simple* Acquired: *2012*

Purchase Price: *\$3 million*

Zoning: *Ag-1*

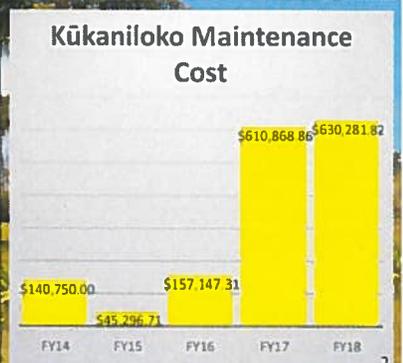
Special Conditions: *Conservation Easement*

BOT Approved Purpose of Acquisition:

- *Protect Kūkaniloko;*
- *Explore compatible agriculture;*
- *Contribute to Hawai'i's food sustainability.*

Priority Projects

1. Finalize Conceptual Master Plan (Draft approved Sep 2018);
2. Finalize Soil Conservation Plan; Continue Veg Maint.
3. Transfer 5-acre property to OHA from DLNR (EO)
4. Design- Nursery & Greenhouse; Water Storage; Interpretive & welcome center; Cultural Nodes and Circulation Pathways.



Wao Kele O Puna

The last intact lowland rainforest

Location: Puna, Hawai'i Island **Size:** 25,856 Acres

Ownership: Fee simple **Acquired:** 2006

Purchase Price: \$3.65 M

- Trust for Public Land – Negotiates purchase with Campbell Estate
- USDA Forest Legacy Program contributed \$3.35 M; and OHA contributed \$300,000 to secure title

Zoning: Conservation District – Protective sub-zone

Special Conditions:

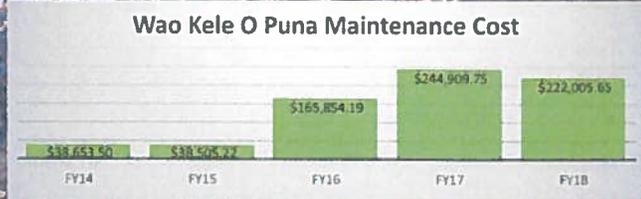
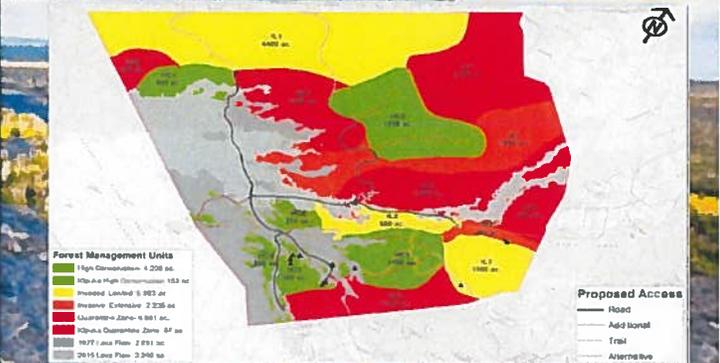
- Forest reserve and grant requirements
- Joint management w/ DLNR 2006 – 2016 (note: 2010)
- Active lava threat

BOT Approved Purpose of Acquisition:

- Protect cultural resources and Native Hawaiian customary rights;
- Ensure lands will transfer to lāhui;
- Build lāhui land management capacity.

Priority Projects:

1. Community Engagement Education and Stewardship
2. Native Habitat Restoration
3. Invasive Species Control



Palauea Cultural Preserve

Remnants of a pre-contact Hawaiian fishing village

Location: Palauea, Maui

Size: 20.7 Acres

Ownership: Fee Simple

Acquired: 2012

Unique Features: Donated with funding mechanism, house structure (896 sq. ft.), and drainage easement.

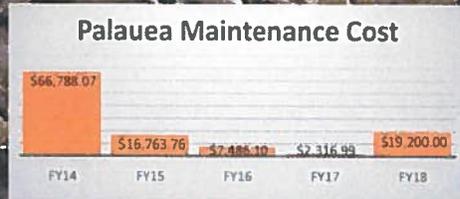
Zoning: Preservation Zone

BOT Approved Purpose of Acquisition:

- Protect and preserve cultural sites
- Enable stewardship that integrate the Native Hawaiian community
- Work with UHMC to continue their long-term stewardship

Priority Projects:

1. Preservation Plan
2. Deer Fence; Viewing area/Makai Fence
3. Education and Stewardship



Pahua Heiau

Intact Heiau Amongst Residential Development

Location: Maunaloa, O'ahu Size: 1.15 Acres

Ownership: Fee Simple Acquired: 1988

Purchase Price: Donated by KS

Zoning: R- 5 Residential

Special Conditions: Historic Use Restriction

BOT Approved Purpose of Acquisition:

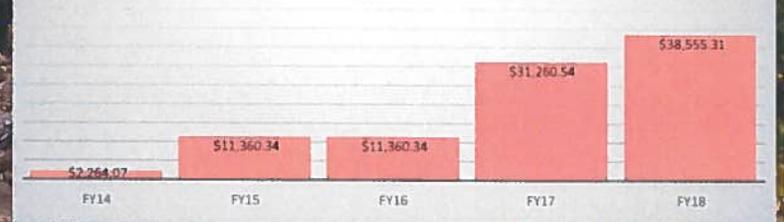
Educational/cultural opportunities for Native Hawaiians.

Priority Projects:

1. Landscape and Site Improvement plan
2. Barrier/Fence Construction



Pahua Maintenance Cost



Waialua Courthouse

On the State Historic Register Since 1979

Location: Waialua, O'ahu

Size: 1.06 Acres

Ownership: DLNR, 35 yr. Gratis lease till 2033, original lease dated 1998, amended 2012

Unique Features: Single story building (~2,000 sq ft) with baseent jail

Zoning: R-5 Residential District

Special Conditions: OHA responsible for operating and repair costs

BOT Approved Purpose of Acquisition:

Provide a base for beneficiary organizations to gather, meet, plan, practice and participate in Hawaiian culture.

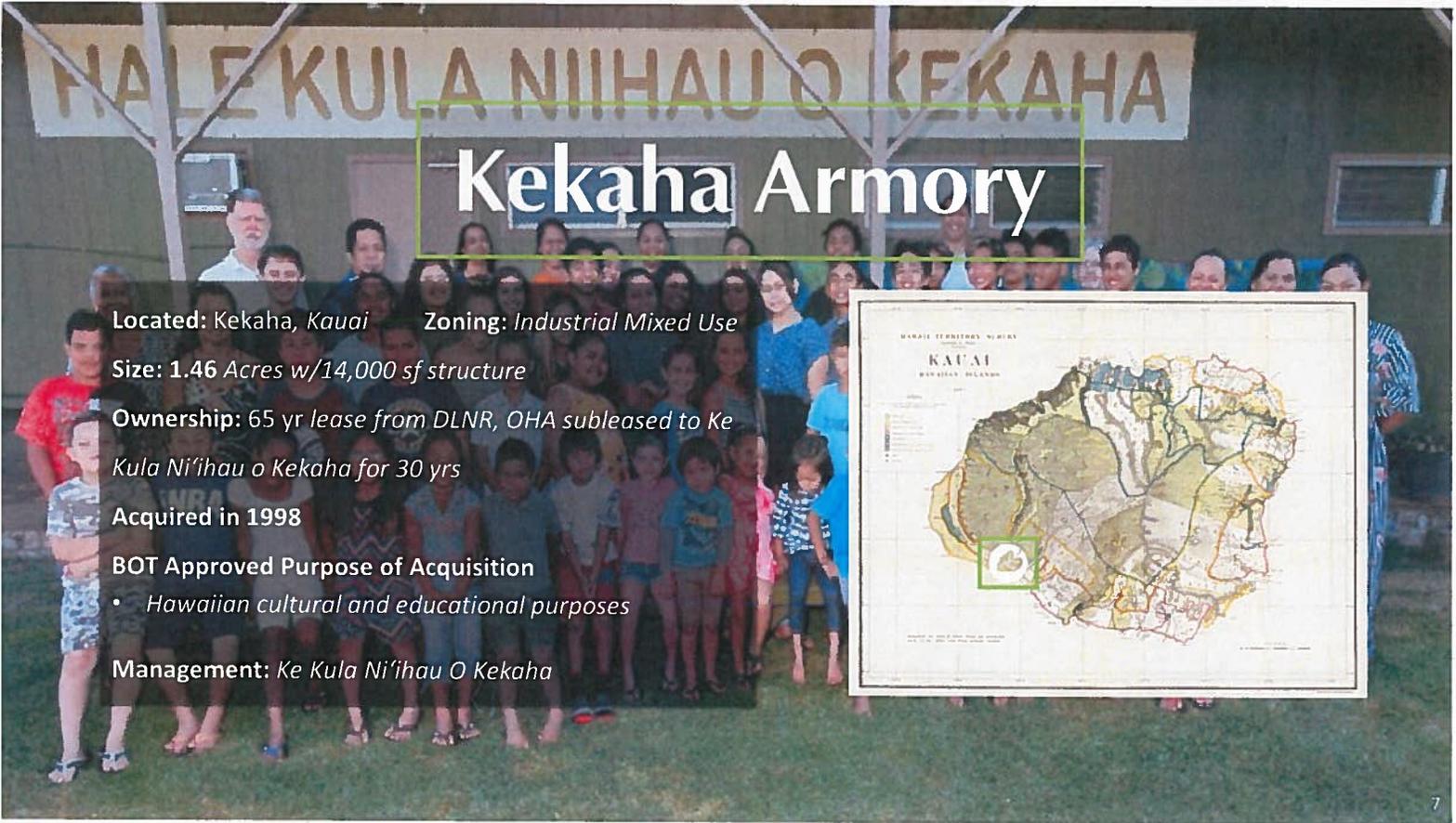
Priority Projects

1. Asbestos Inspection/Refinish floors
2. Site drainage and parking lot paving
3. Secure 3rd party management



Waialua Courthouse Maintenance Cost





Kekaha Armory

Located: Kekaha, Kauai **Zoning:** Industrial Mixed Use

Size: 1.46 Acres w/14,000 sf structure

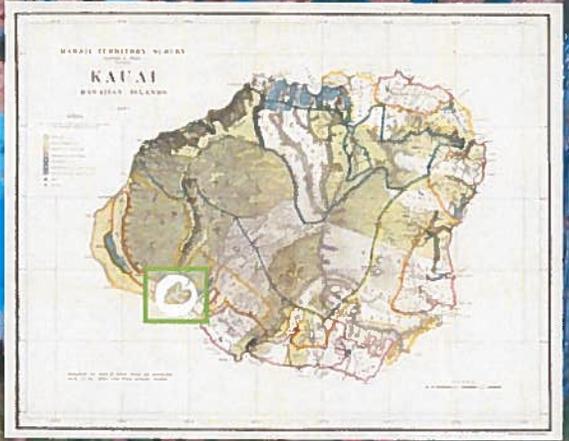
Ownership: 65 yr lease from DLNR, OHA subleased to Ke Kula Ni'ihau o Kekaha for 30 yrs

Acquired in 1998

BOT Approved Purpose of Acquisition

- Hawaiian cultural and educational purposes

Management: Ke Kula Ni'ihau O Kekaha



Ho'omana

Located: *Wailua, Kauai*

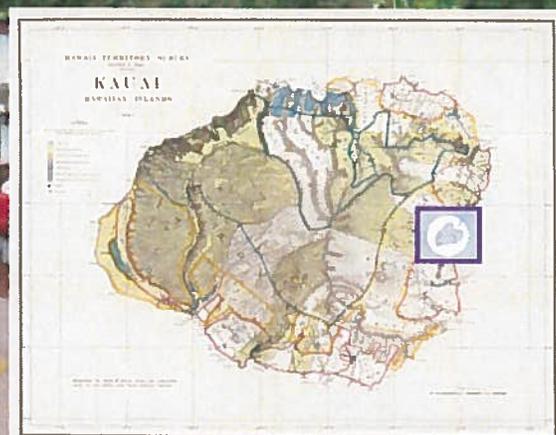
Zoning: *Open*

Size: *0.8013 Acres w/7,500 sf structure for*

Ownership: *Leased from DLNR, OHA subleased to Ho'omana*

BOT Approved Purpose of Acquisition

- *Educational purposes and community support*



JC21



Mahalo

LEGACY LAND PROGRAM

Kanaloa 'Aina



LAND ASSETS DIVISION



The Land Assets Division (LAD): Established in 2014; Commercial Properties and the Legacy Land Program

The Commercial Properties Program (LLP):

Responsible for the maintenance, management, and development for the portion of OHA's land portfolio that have been designated and Legacy and Programmatic properties.

Kaka'ako Makai

Nā Lama Kukui

OHA's Corporate Offices

The Legacy Land Program (LLP):

Responsible for the maintenance, management, and development for the portion of OHA's land portfolio that have been designated and Legacy and Programmatic properties.

Legacy Lands

Conservation, Preservation
and/or Cultural Lands.

Programmatic Lands

Agricultural, Educational, Health/Human Services,
Housing, and/or Community Lands

Pahua: Conservation/Cultural
Palaeua: Conservation/Cultural
Wao Kele o Puna: Conservation

Kūkaniloko: Cultural/Agricultural

Kekaha: Educational
Ho'omana: Human Services
Waialua Courthouse: Community

The Legacy Land Program's (LLP) Impact Focus:

LLP focuses on leveraging the properties that we are responsible for to deliver OHA's mission, vision and strategic priorities. We do so by planning, managing and developing OHA's Legacy and Programmatic landholdings to provide impact in the following categories.

<u>AINA</u>	<u>CULTURE</u>	<u>EDUCATION</u>	<u>HEALTH</u>	<u>GOVERNANCE</u>
<ul style="list-style-type: none"> • Ecological Health • Agricultural Models • Climate Adaptation • Natural Resource Management and Access • Conservation and Protection 	<ul style="list-style-type: none"> • Cultural Resource Management and Access • Community-Based Stewardship • Perpetuate Mookuauhau, Moolelo, and Use 	<ul style="list-style-type: none"> • Place-Based and Community Engaged • Lahui Aligned and Culturally Nuanced • Collaborative • Culturally Nuanced • T&C Practices • Capacity Building 	<ul style="list-style-type: none"> • Symbiotic Relationships between Kanaka/Aina • Mental, Spiritual, Physical, and Social • Strengthen Self-Worth 	<ul style="list-style-type: none"> • Advocacy for Systemic Change • Cultural Planning, Development and Business Models • Resource Management Capacity Building

Mission: Deliver Impact to Three Major Audiences

LLP focuses on delivering impact to the following audiences while simultaneously remaining compliant with all applicable laws, engaging the community in which the LLP properties are located, managing within our means, and protecting the Organization and the Trust from risks.

Lahui

Directly or indirectly supporting initiatives that align with the overarching development and betterment of the Lahui

OHA Beneficiaries

Directly or indirectly bettering the conditions for OHA's Beneficiaries.

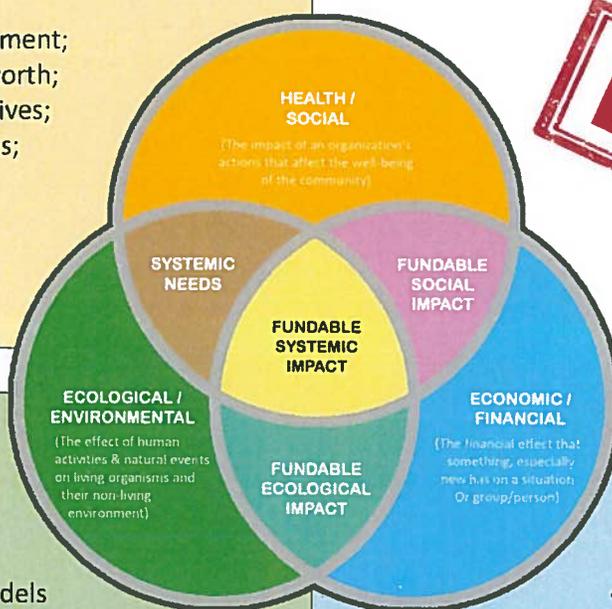
Broader Community

Directly or indirectly serve Non-Beneficiaries whom in turn helps to better the conditions for OHA's Beneficiaries

Planning for Hawaiian Nuanced Ecological, Social and Economic Impact:

Impact to Social Well-Being:

- Beneficiary & Community Involvement;
- Native Hawaiian Identity & Self-worth;
- Enable Cultural Adaptation Initiatives;
- Enable Hawaiian Cultural Practices;
- Cultural Resource Management;
- Historic & Cultural Preservation;
- Health (Mind, Body, and Spirit);
- Access and Integration;
- Education & Training



Impact to Eco./Env. Well-Being:

- Climate Change Adaptation
- Preservation & Conservation
- Ecological Impact Mitigation
- Natural Resource Regeneration
- Eco-Cultural Ag. & Vegetation Models
- Maximize Efficiency & Minimize Waste
- Ecological & Environmental Management
- Apply Traditional Hawaiian Methods in Modern Context.

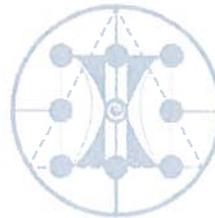
Impact to Economic Well-Being:

- Financial Risk Mitigation
- Job Creation Opportunity
- Revenue Generation Engine
- Hawaiian Minded Business Model
- Demo Eco/Socio/Ecological Impact
- Networking & Land Asset Leveraging
- Enable Third-Party Partnerships & Funding
- Offset costs for development & Maintenance

The Legacy Land Program's Foundation and Current State

LLP bases all planning, management, and development decisions based upon the purpose of acquisition and the allowable uses associated with each property. In all cases we try to minimize costs and maximize the use of property and its impact.

Kauai	<ul style="list-style-type: none"> • The Kekaha Armory [Kaua'i; IMX; 1.46 acres; Executive Order] <i>Purpose of Acquisition:</i> Hawaiian cultural and educational purposes <i>Current Use:</i> Leased to Ke Kula Ni'ihau o Kekaha <i>Current Impact:</i> Education/Culture (Minimal costs for OHA management) • Ho'omana [Kaua'i; Open; .813 acres; Lease from DLNR]; <i>Purpose of Acquisition:</i> Educational purposes and community support <i>Current Use:</i> Thrift Shop that builds capacity of youth with special needs. <i>Current Impact:</i> Education (Minimal costs for OHA management) 	Maui	<ul style="list-style-type: none"> • The Palauca Cultural Preserve [Maui; Conservation; 20.7 acres; Fee]; <i>Purpose of Acquisition:</i> Protect and preserve cultural sites; Enable stewardship that integrate the Native Hawaiian community <i>Current Use:</i> UH Maui HWST uses for educational purposes <i>Current Impact:</i> Aina/Education (MODERATE costs for OHA maint.; MODERATE costs to INCREASE IMPACT)
Oahu	<ul style="list-style-type: none"> • The Waiialua Courthouse [O'ahu; R-5; 1.06 acres; Lease from DLNR]; <i>Purpose of Acquisition:</i> Provide a base for beneficiary organizations to gather, meet, plan, practice and participate in Hawaiian culture <i>Current Use:</i> Meeting venue for beneficiaries and community <i>Current Impact:</i> Culture/Education (MODERATE costs for OHA Mngmt.; MODERATE/HIGH cost for future maint.) • Pahua Heiau [O'ahu; R-5 Residential; 1.55 acres; Fee]; <i>Purpose of Acquisition:</i> Educational/cultural opportunities for Native Hawaiians <i>Current Use:</i> Protecting cultural site in partnership with contracted stewards <i>Current Impact:</i> Aina/Culture/Education (MODERATE costs for OHA Mngmt.; MODERATE costs to INCREASE IMPACT) • Kūkaniloko (511-Acres in Wahiawa) [O'ahu; AG-1; 511 acres; Fee]; <i>Purpose of Acquisition:</i> Protect Kūkaniloko; Explore compatible agriculture; Contribute to Hawai'i's food sustainability <i>Current Use:</i> Serving as a buffer for KKL; Follow agricultural lands overgrown with invasive species. <i>Current Impact:</i> Aina (Protection from inappropriate development) (HIGH costs for OHA maint.; HIGH costs to INCREASE IMPACT) 	Hawaii	<ul style="list-style-type: none"> • Wao Kele o Puna [Hawai'i; Conservation; 25,856 acres; Fee]; <i>Purpose of Acquisition:</i> Protect cultural resources and Native Hawaiian customary rights; Ensure lands will transfer to lāhui; Build lāhui land management capacity. <i>Current Use:</i> Lowland Rainforest <i>Current Impact:</i> Aina (Protection/Conservation) (HIGH costs for OHA maint.; HIGH costs for dev. to INCREASE IMPACT)



Planning for Kūkaniloko, Central O’ahu

1. Create plans for the 511-acre property (otherwise unimproved and fallow) to protect the Birthing Stones site and align with OHA’s purposes of acquisition. Our Planning process included conducting comprehensive research about the site and engaging with the community. The engagement included: People with long-standing relationships with the site; cultural practitioners; subject matter experts; Neighboring Land Owners, the Wahiawā Neighborhood Board, the Hawaiian Civic Club of Wahiawā; Royal Societies, and the public.
 - **Kūkaniloko (511-Acres in Wahiawa) [O’ahu; AG-1; 511 acres; Fee];**
Purpose of Acquisition: Protect Kūkaniloko; Explore compatible agriculture; Contribute to Hawai’i’s food sustainability
2. The focus of the plan was centered around the purpose of acquisition with a focus on Ho’omana (protection and sanctification), Ho’ona’āu’ao (Education), and Ho’oulu’aina (Agricultural and Ecological Rehabilitation).
3. The process resulted in: A vision for the site; Guiding Themes: Educational Continuum (generationally integrated education), Hub-Spoke, and the Vegetation Continuum (Native forest- Cultural Forest - Agro-Forest- Agricultural Demo., High-output Agriculture); and recommendations for programmatic functions with supporting infrastructure.

Kumupa’a/Vision:
 This place is a wahi kapu with mana that has existed since time immemorial and will exist for time eternal. It is an ecosystem of connectivity between our ‘āina and people. Thus, actions occurring here shall be guided by the following categorical concepts and supporting principles and guidelines:

HO’OMANA



HO’ONA’AU’AO



HO’OULU’ĀINA



PROGRAMMATIC FUNCTIONS AND USES



Increase Stewardship Capacity/Mālama Kūkaniloko,
 Manage Access to Site; Interpretive Education,
 Docent Training



Cultural Education/Training;
 (Hula, Luau, Lā’au Lapa’au, Lomi, Kalo Hōkū, Mahi’au, etc.);
 A Place for Certification



Experience and Engage Mana;
 Place for Healing & Introspect;
 Reinforce Kanaka Identity and Self-Worth

Practice Pono Agriculture;
 Native Forest Restoration, Soil Regeneration,
 Grow People by Growing Resources (Food, Medicines, etc.)

Health/Social Impact Opportunities:

Programmatic initiatives to support our beneficiaries and community include:

Site-Based Interactions:

- Provide access to a major cultural resource with infrastructure to support uses. [AINA/CULTURE]
- Increase on-site presence to support the protection of site and sustained cultural resource regeneration. [AINA/CULTURE]
- Enable on-site intergenerational interactions/relationships [CULTURE/EDUCATION]

On/Off- Site Cultural/Education:

- Provide consistent information re: History and Significance [CULTURE]
- Support traditional and contemporary cultural practices, protocols, and rights [CULTURE]
- Facilitate Leadership and Lahui Development training and demonstration [CULTURE/EDUCATION/GOVERNANCE]
- Provide options for Physical, Mental, and spiritual healing and rejuvenation. [HEALTH]

Systemic Impact Opportunities:

- Culturally focused approach to: [AINA/CULTURE/GOVERNANCE]
 - An Eco-Agricultural Development Model
 - Site regeneration and climate adaptation
 - Proactive natural and cultural resource management

Ecological/Environmental Impact Opportunities

Ecological Re-Generation:

- Remediate soil from years of post contact use and neglect [AINA]
- Regenerate native habitat on portions of the site to demonstrate uses ancillary to agriculture and ecologically responsible [AINA]

Agricultural Demonstration:

- Demonstrate feasible mix of traditional and contemporary agricultural models to provide value to triple bottom line. [AINA/CULTURE]
- Business and career development

KKL: Impact

Potential

Economic Impact:

Potential economic impacts that support the development, implementation, and long-term sustainability of the project.

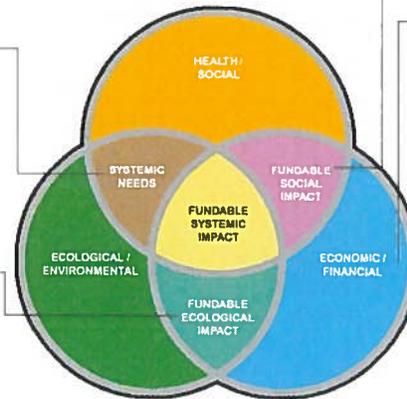
Eco/Ag-Cultural Model:

- Enable food, medicine, and plant production for sale, culturally related use, and planting on and off site.
- Provide a agricultural model for other landowners to consider that addresses climate change and cultural resource production.

Eco/Ag-Cultural Tourism:

- Capitalize on the visitor industry to bring in revenue to support the development, O&M, , and programmatic needs of the project.

Creation of Jobs and Educational Opportunities



Plans: Kūkaniloko

INFRASTRUCTURE

I. Welina:

- Welcome Pavilion ○
- Cultural Nodes ●

II. PIKO:

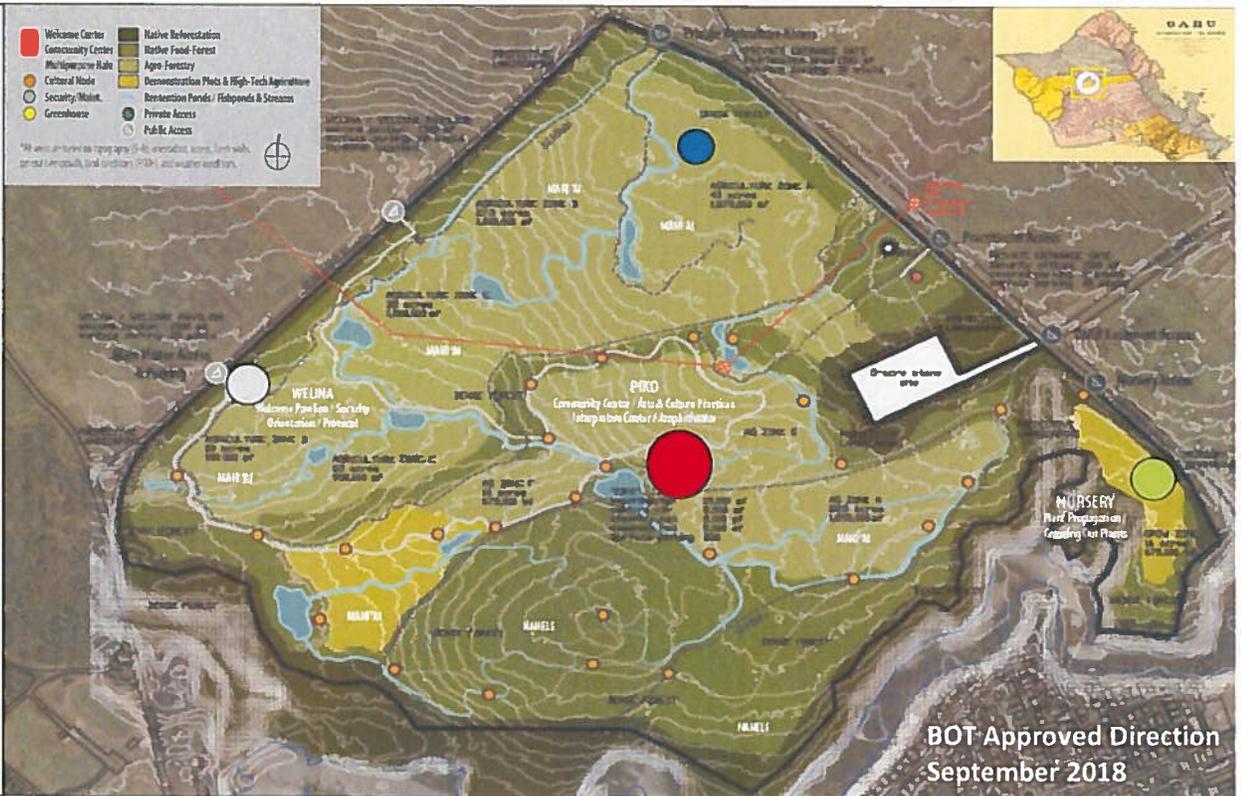
- Interpretive Center ●
- Multipurpose Kauhale
- Amphitheater

III. Kupu:

- Water Storage ●
- Green Houses ●
 - Grow Areas
 - Native Forests
 - Agroforest
 - Demonstration Plots

IV. Support

- Utilities
- Water Infrastructure
- Roads
- Walking Paths



INFRASTRUCTURE**I. Welina:**

- *Welcome Pavilion*
- *Cultural Nodes*

II. PIKO:

- *Interpretive Center*
- *Multipurpose Kauhale*
- *Amphitheater*

III. Kupu:

- *Water Storage* P.1
- *Green Houses* P.1
 - *Grow Areas*
 - *Native Forests*
 - *Agroforest*
 - *Demonstration Plots*

IV. Support P.1

- *Utilities*
- *Water Infrastructure*
- *Roads*
- *Walking Paths*

FY19-21

Phase 1: Plan for Culturally Nuanced Agriculture:**KKL Phasing****1. Demonstrate a Focus on Agriculture:**

- a) Demonstrate that OHA is focusing on agriculture on the AG-1 zoned property. This should enable us to amend the Conservation Easement associated with the property held by the city. The amendment will clear the way for onsite commercial uses.
- b) Develop focused Agricultural/Ecological Planting Strategies.
- c) Create interim parking area.

2. Design a Water Storage facility that is connected to the ADC water line (well water)with stub outs for its distribution:

- a) ADC has committed to providing OHA with 1 MG/W, and will not disperse the water until OHA has a storage facility to receive it. This 3 million gallon tank should suffice until additional water sources can be secured.

3. Design a Nursery and Greenhouse:

- a) Grow plants to seed our "Vegetation Continuum" model of eco-cultural-agriculture.
- b) Programmatic elements envisioned to occur here until the full build out of the plan can start at the Nursery/Greenhouse facility until we are prepared/positioned to roll out the Welcome/Interpretive Center and Cultural Nodes.
- c) Agricultural business can begin with food and medicine production for sale and distribution; Cultural resource generation; and begin Agri-Cultural-Tourism.

4. Position OHA for partnerships and external funding opportunities.

INFRASTRUCTURE**I. Welina:**

- *Welcome Pavilion* P-2
- *Cultural Nodes* P-2

II. PIKO:

- *Interpretive Center* P-2
- *Multipurpose Kauhale*
- *Amphitheater*

III. Kupu:

- *Water Storage* P-1/2
- *Green Houses* P-1/2
 - *Grow Areas*
 - *Native Forests*
 - *Agroforest*
 - *Demonstration Plots*

IV. Support

- *Utilities* P-1/2
- *Water Infrastructure*
- *Roads*
- *Walking Paths*

FY20-22

**Phase 2: Continue with Schematic Design;
EA/EIS; Cont. Ag Planning****KKL Phasing (cont.)**

1. **Conceptual Design of the Welcome Pavilion, Interpretive Center, and Cultural Nodes :** ○ ● ●
 - a) Complete all conceptual designs (including agricultural expansion) for the Master Plan to enable OHA to begin EA/EIS and obtaining any associated entitlements.
 - b) This includes the Welcome Pavilion, 3-4 models to consider for our Cultural Nodes, the Interpretive Center and the extension of the items listed under support [Utilities, Water distribution infrastructure, and vehicular and pedestrian circulation infrastructures (Roads and Walking Paths)].
2. **Completion of an EA/EIS and other associated entitlements:**
 - a) By completing much of our design work (Phase 1 elements to Design Development and/or Construction Document levels, and Phase 2 elements to Conceptual Design levels), OHA will be positioned to draft our EA/EIS. The EA/EIS will then enable us to focus on constructing on Phase 1 elements and position ourselves to bring our Phase 2 elements to the Design Development and Construction Document levels. OHA will then have set the course to construct both Phase 1 and 2 elements under the umbrella of the EA/EIS as we are able.
3. **Continue Agricultural Planning and expansion based on work done in Phase 1 to inform additional water allocation requests as new sources become available.**

KKL Phasing (cont.)

FY22-23

Phase 3: Construction of P-1; Expand

Agriculture; Final Design for P-2 Elements:

1. Construct Nursery, Greenhouse, and Water Storage.
2. Expand Agricultural Plans and Implement based on Trials and Availability of Water.
3. Complete Design Development and Construction Documents for all Remaining Elements in accordance with EA/EIS.

FY23 and Beyond

Phase 4: Construction of P-2; Expand Agriculture

1. Construct All Remaining Elements.
2. Expand Agricultural Plans and Implement based on Trials and Availability of Water.
3. Expand and Leverage the Programmatic Opportunities with our fully developed site.

INFRASTRUCTURE	
I. <u>Welina:</u>	
• <i>Welcome Pavilion</i>	P-2/3/4
• <i>Cultural Nodes</i>	P-2/3/4
II. <u>PIKO:</u>	
• <i>Interpretive Center</i>	P-2/3/4
• <i>Multipurpose Kauhale</i>	
• <i>Amphitheater</i>	
III. <u>Kupu:</u>	
• <i>Water Storage</i>	P-1/2/3
• <i>Green Houses</i>	P-1/2/3/4
○ <i>Grow Areas</i>	
○ <i>Native Forests</i>	
○ <i>Agroforest</i>	
○ <i>Demonstration Plots</i>	
IV. <u>Support</u>	P-1/2/3/4
• <i>Utilities</i>	
• <i>Water Infrastructure</i>	
• <i>Roads</i>	
• <i>Walking Paths</i>	

Planning for Wao Kele o Puna

1. Create plans for the 25,856-acre lowland rain forest (otherwise unimproved) in alignment with OHA's purpose of acquisition by conducting comprehensive research about the property and engaging with members of the community. The engagement included: People with long-standing relationships with the forest; cultural practitioners; subject matter experts; Puna residents, and the Pele Defense Fund, and the public.
 - **Wao Kele o Puna** [Hawai'i; Conservation: 25,856 acres; Fee];
Purpose of Acquisition: Protect cultural resources and Native Hawaiian customary rights; Ensure lands will transfer to lāhui; and Build lāhui land management capacity.
2. The intention was to create a Comprehensive Management Plan that was founded on Native Hawaiian principles and thought paired with contemporary knowledge and best forest management practices. The plan focuses on addressing enabling cultural practices and use, community-based stewardship, creating cultural resources, creating educational opportunities, addressing habitat quality, mitigating threats, and recognizing the risks associated with the property.
3. The process resulted in: A vision and mission for the for the site; a recommended management strategy; and recommended Management actions. In summary due to the scale of the property OHA needs to consistently address the needs of the site by: 1) Working with the Community; Protecting the Best, Killing the Weeds, & Managing the Pigs.

Work w/ Community

VISION:

WAO KELE O PUNA WILL BE LOCALLY, NATIONALLY, AND INTERNATIONALLY RECOGNIZED FOR ITS FOREST STEWARDSHIP AND CONSERVATION, DEVELOPED AND IMPLEMENTED THROUGH A NATIVE HAWAIIAN PERSPECTIVE, WHICH WILL SERVE AS A MODEL AND INSPIRATION FOR INDIGENOUS COMMUNITIES WORLDWIDE.



PURPOSE:

THE PURPOSE IS TO MAINTAIN THE INTEGRITY OF THE NATURAL, CULTURAL, AND SPIRITUAL RESOURCES; TO PROTECT, PRESERVE, & PERPETUATE, THE PERFORMANCE OF CUSTOMARILY & TRADITIONALLY EXERCISED SUBSISTENCE & CULTURAL PRACTICES OF NATIVE HAWAIIANS; AND TO ENSURE THAT THIS 'ĀINA PASS TO THE NATION OF HAWAI'I.

Protect the Best Manage Weeds/Pigs

Planning for Wao Kele o Puna (Cont.)

Working with the Community:

- a) **Access:**
 - ● Maintain current and seek additional access routes into WKOP for T&C practitioners, stewards/managers and emergency responders.
- b) **Education:**
 - ● Create educational opportunities for beneficiaries and the community;
- c) **Community-Based Management:**
 - ● Create community reforestation plots to demonstrate planting and maintenance strategies as we create new cultural resources for use;
 - ● Test the use of product bearing forest plant as a replacement for invasive/weedy species;
 - ● Create opportunities for hands-on invasive species control experiential learning experiences.

Protecting the Best:

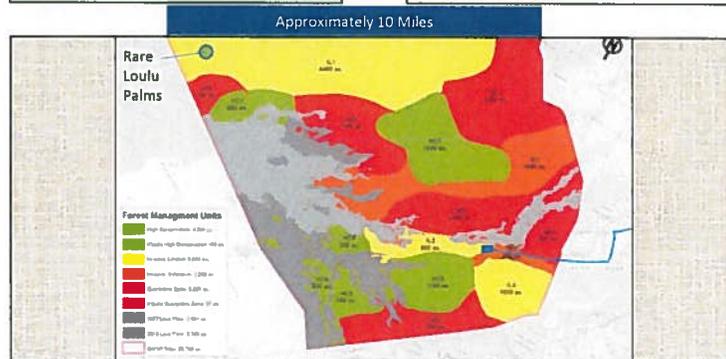
- a) **Pristine Areas:**
 - ● Protect and assist the recovery of areas with high coverage of native plants, anthropological and other selected kipuka.
 - Prioritize areas that are likely to contain rare and endangered flora/fauna;
 - Work to help reseed fresh lava to create new kipuka.
- b) **Manage and Mitigate Threats:**
 - Collaborate with others to address Rapid Ohia Death.

Managing the Pigs:

- a) **Target Areas:**
 - Managing the pigs in high conservation and reforestation areas to prevent the spread of invasive species and uprooting of new plantings.
- b) **Pilot Project:**
 - Consider creating subsistence hunting areas to create focal areas for people to hunt tied to a animal control permit in collaboration with DLNR.

Killing the Weeds:

- a) **Curbing Invasive Species:**
 - ● Reduce the spread of alien species into areas with high coverage of native plants;
 - Minimize further introduction of invasive species from elsewhere;
 - Chip away at currently invaded areas.
 - ● Expand efforts along existing access road and clearing.
- b) **Continued Efforts:**
 - Continue management of habitat altering species (miconia, albesia, etc.);
 - Monitor new lava and mitigate invasive species from taking hold;
 - Clear select invaded areas to enable restoration project and the creation of new "kipuka";
 - ● Manage the weeds along the edges of the existing access road and clearing.



Health/Social Impact Opportunities:

Site-Based Interactions:

- Provide access to a major cultural resource to support traditional cultural practices. [AINA/CULTURE]
- Increase on-site use to support the protection and preservation of the property via programmatic use and sustained cultural resource regeneration. [AINA/CULTURE]
- Enable on-site intergenerational education/interaction/relationship building [CULTURE/EDUCATION]

On/Off- Site Cultural/Education:

- Provide consistent information re: History and Significance [CULTURE]
- Support traditional and contemporary cultural protocols, and rights [CULTURE]
- Facilitate conservation leadership training and demonstration [CULTURE/EDUCATION/GOVERNANCE]
- Provide options for Physical, Mental, and spiritual healing and rejuvenation. [HEALTH]

Systemic Impact Opportunities:

- Culturally focused approach to: [AINA/CULTURE/GOVERNANCE]
 - An eco-cultural preservation and reforestation model
 - Community-based stewardship of a large lowland rainforest
 - Culturally nuanced natural and cultural resource management

Ecological/Environmental Impact Opportunities

Reforestation:

- Remediate years on invasive species proliferation [AINA]
- Regenerate native habitat [AINA]
- Work toward the mitigation of Rapid Ohia Death [AINA]

Exploration of Agro-forestry:

- Demonstrate eco-cultural agroforestry models that can be considered for reforestation and invasive species replacement. [AINA/CULTURE]

WKOP: Impact

Economic Impact:

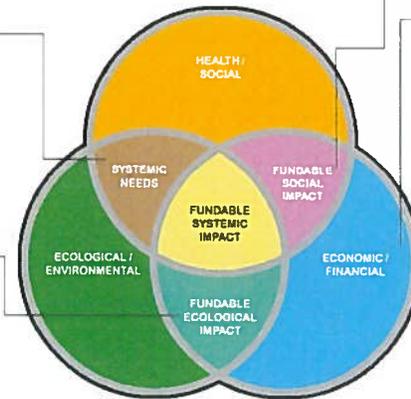
Potential economic impacts that support the development, implementation, and long-term sustainability of the project.

Eco-Cultural Model:

- Position OHA and community-based stewards for third party partnerships and funding opportunities
- Explore impact leveraging and other financial resource generation opportunities that align with the vision for the property.

Eco/Cultural Tourism:

- Explore aligned visitor related business cases to provide guided access to WKOP for educational purposes in exchange for fees that offset the maintenance and management of WKOP (without compromising its cultural integrity).



Plans: Wao Kele o Puna, East Hawai'i Island

PROGRAMS & INFRASTRUCTURE

I. Support T&C Access: (Entire Property)

- Enable access for T&C Practitioners

II. Educational Programs:

- Enable access for educational programs
- Work with partners to create site-specific curriculum

III. Manage Weeds and Pigs:

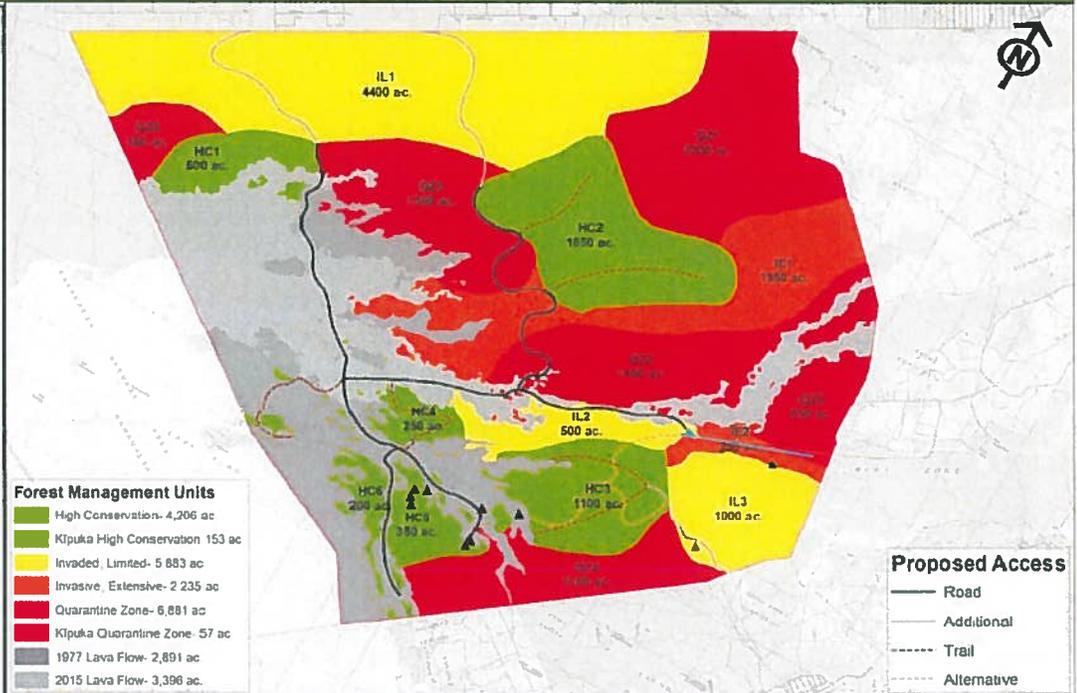
- Contractors to assist with invasive species control across the property
- Contractors & community assist with invasive species control along the access road & existing cleared areas.
- Create pilot projects for reforestation

IV. Roads and Trails

- Roads/Trails to High Conservation and focus Areas and known arch features
- Working trails in accessible areas

IV. Kauhale in the Cleared Area

- Facilitate Access and Management
- Enable Increased Programmatic Use
- Focal Area for Engaging Community



Forest Management Units	
High Conservation	4,206 ac
Kipuka High Conservation	153 ac
Invaded Limited	5,883 ac
Invasive Extensive	2,235 ac
Quarantine Zone	6,881 ac
Kipuka Quarantine Zone	57 ac
1977 Lava Flow	2,891 ac
2015 Lava Flow	3,398 ac

Legend	
Cleared Area	Puu
Access Road	WKO#



Wao Kele o Puna
Proposed Access

1:15,919

0 0.5 1 Kilometers

0 0.5 1 Miles

WKOP Phasing

- I. **Support T&C Access:** P-1
 - *Enable access for T&C Practitioners*
- II. **Educational Programs:** P-1
 - *Enable access for educational programs*
 - *Work with partners to create site-specific curriculum*
- III. **Manage Weeds & Pigs:** P-1
 - *Contractors to assist with invasive species control across the property*
 - *Contractors & community assist with invasive species control along the access road & existing cleared areas.*
 - *Create pilot projects for reforestation*
- IV. **Roads and Trails** P-1
 - *Roads/Trails to High Conservation and focus Areas and known arch features*
 - *Working trails in accessible areas*
- IV. **Kauhale in the Cleared Area** P-1
 - *Facilitate Access and Management*
 - *Enable Increased Programmatic Use*
 - *Focal Area for Engaging Community*

Phase 1: Access, ISC, and Pilot Project

1. Enable Programmatic Access to WKOP:

- a) Work with ISC contractors to conduct invasive species control mitigation training for members of the Puna community at WKOP.
- b) Enable groups and individual to access WKOP for educational purposes in alignment with the vision and direction for the property. Collaborate with these groups to create site-specific curriculum.
- c) Work with T&C practitioners with regard to access to WKOP.
- d) Explore/secure alternative access routes.

2. Invasive Species Control (ISC):

- a) Continue ISC on the property at the landscape scale with the assistance of contractors; Plan for pig fencing for target areas, implement as able.
- b) Work on smaller scale ISC projects with contractors and community in accessible areas.

3. Planning and Pilot Project:

- a) Create planting/circulation (trails) plan for the cleared area and three pilot project plots that were cleared of strawberry guava. Secure permits for fencing, prepare site and begin pilot planting projects.
- b) Propose a community-based stewardship management partnership.
- c) Install interpretive signage for educational purposes.
- d) Plan for Environmental Assessment

WKOP Phasing (cont.)

- I. Support T&C Access:** P-1/2
- *Enable access for T&C Practitioners*
- II. Educational Programs:** P-1/2
- *Enable access for educational programs*
 - *Work with partners to create site-specific curriculum*
- III. Manage Weeds & Pigs:** P-1/2
- *Contractors to assist with invasive species control across the property*
 - *Contractors & community assist with invasive species control along the access road & existing cleared areas.*
 - *Create pilot projects for reforestation*
- IV. Roads and Trails** P-1/2
- *Roads/Trails to High Conservation and focus Areas and known arch features*
 - *Working trails in accessible areas*
- IV. Kauhale in the Cleared Area** P-1/2
- *Facilitate Access and Management*
 - *Enable Increased Programmatic Use*
 - *Focal Area for Engaging Community*

Phase 2: Access, ISC, Pilots/Stewards, Plan/EA**FY22-23**

13

1. Expand Programmatic Access to WKOP:

- Continue and expand Puna community engagement/education at WKOP.
- Formalize T&C Practitioner Program.
- Plan for forest related risk mitigation/revegetation and programmatic associated with new access.

2. Invasive Species Control (ISC):

- Continue ISC on the property at the landscape scale with the assistance of contractors. Expand pig fencing at targeted areas.
- Expand smaller scale ISC projects with contractors and community in accessible areas.

3. Pilot Projects and Stewardship:

- Continue pilot project, expand planting plan, and begin new pilot projects.
- Continue to implement and develop community-based stewardship management partnership.

4. Planning and EA:

- Plan and design trails and roads to enable access to target control areas.
- Schematic design for Kauhale in cleared area to serve as a home base for stewardship, enable increased programmatic uses, and facilitate community engagement/educational opportunities.
- Schematic design/preliminary engineering for access roads to priority areas

WKOP Phasing (cont.)

- I. Support T&C Access:** P-1/2/3/4
- *Enable access for T&C Practitioners*
- II. Educational Programs:** P-1/2/3/4
- *Enable access for educational programs*
 - *Work with partners to create site-specific curriculum*
- III. Manage Weeds & Pigs:** P-1/2/3/4
- *Contractors to assist with invasive species control across the property*
 - *Contractors & community assist with invasive species control along the access road & existing cleared areas.*
 - *Create pilot projects for reforestation*
- IV. Roads and Trails** P-1/2/3/4
- *Roads/Trails to High Conservation and focus Areas and known arch features*
 - *Working trails in accessible areas*
- IV. Kauhale in the Cleared Area** P-1/2/3/4
- *Facilitate Access and Management*
 - *Enable Increased Programmatic Use*
 - *Focal Area for Engaging Community*

Phase 3: Access, ISC, Pilots/Stewards, and EA**FY24-26**

- 1. Enable Programmatic Access to WKOP:**
 - a) Continue community engagement/education and T&C Practitioner Program.
- 2. Invasive Species Control (ISC):**
 - a) Continue ISC on the property at the landscape scale with the assistance of contractors. Expand pig fencing at targeted areas.
 - b) Expand smaller scale ISC projects with contractors and community in accessible areas.
- 3. Pilot Projects and Stewardship:**
 - a) Continue pilot project, expand planting plan, and begin new pilot projects.
 - b) Continue to implement and develop community-based stewardship.
- 4. EA:**
 - a) Conduct EA based on conceptual designs for Kauhale and Road.

Phase 4: Access, ISC, Pilots/Stewards, and Construction **FY26 & On**

- 1. Continue all Access, ISC, Pilots and Stewardship Efforts:**
 - a) Continue community engagement/education and T&C Practitioner Program.
- 2. Construction of Kauhale in Cleared Area.**
- 3. Construction of Roads for Increased Maintenance and Management.**

Planning for Palauea, South-West Maui

22

1. Create a preservation plan as a basis for management of the 20.8- acre property in alignment with OHA's purpose of acquisition. Palauea contains evidence of a fishing village of the area, contains a significant traditional structure and is home to one of the last known wiliwili groves in the area. OHA is also responsible for monitoring a drainage easement on property; managing the vegetation on, and an 896 sf structure that exists on the property.

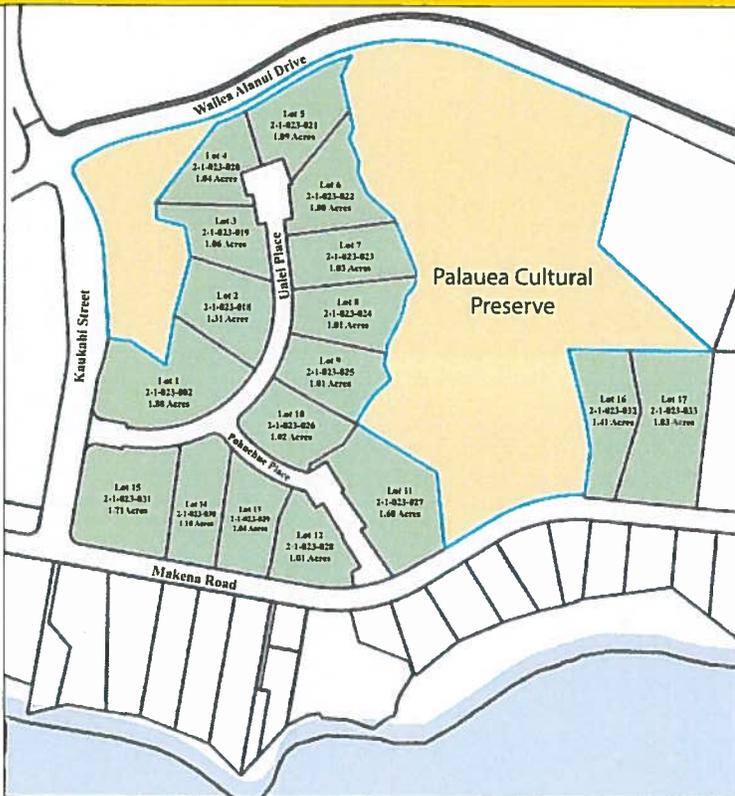
- **The Palauea Cultural Preserve** [Maui; Conservation; 20.7 acres; Fee];

Purpose of Acquisition: Protect and preserve cultural sites; Enable stewardship that integrate the Native Hawaiian community.

2. The intention was to create a preservation plan (PP) that would become the basis for a comprehensive Management Plan centered on Native Hawaiian principles for this site. In partnership with the University of Maui's Hawaiian Studies Department, OHA works to manage the site in a culturally appropriate manner (in alignment with the draft PP). Thus far, OHA has been managing many of the compliance and risk management issues; and UH has been utilizing the property for educational purposes, has been assisting with security, maintenance, and management issues, and has started a native planting program with their students.



Revenue Mecahnism for Palauea: The Palauea Preserve Fund



FUNDING:

When OHA received the property in 2013 it came with "Palauea Preserve Fund" of approximately \$144,875.00 Additionally each time one of the 17 properties shown in green is sold, 0.5% of the gross selling price is added to the fund. See the record of sales germane to OHA's time as the landowner below. (* Exempt = transfers to banks)

Lot #	TRK	Acres	Date	Amount	Revenue (0.5%)
Lot 1	2-1-023-002		02/23/04	\$ 1,275,000	
	2-1-023-002	1.88	09/09/11	\$ 2,000,000	
Lot 2	2-1-023-018		02/27/04	\$ 1,700,000	
	2-1-023-018	1.31	09/22/11	\$ 2,750,000	
Lot 3	2-1-023-019		09/28/04	\$ 2,092,000	
	2-1-023-019	1.06	04/23/13	\$ 8,150,000	\$40,750
Lot 4	2-1-023-020		05/27/05	\$ 3,675,000	
	2-1-023-020		09/18/07	\$ 4,125,000	
Lot 5	2-1-023-020		01/30/14	\$ 6,300,000	Exempt
	2-1-023-020	1.04	09/26/14	\$ 6,500,000	\$42,500
Lot 6	2-1-023-021		01/14/05	\$ 2,600,000	
	2-1-023-021		11/15/11	\$ 2,490,000	
Lot 7	2-1-023-021	1.09	11/28/14	\$ 3,500,000	\$17,500
	2-1-023-022		08/11/04	\$ 2,295,000	
Lot 8	2-1-023-022		08/21/13	\$ 2,950,000	\$14,750
	2-1-023-023	1.00	08/21/13	\$ 2,950,000	\$14,750
Lot 9	2-1-023-023		06/13/05	\$ 1,915,000	
	2-1-023-023	1.03	07/27/17	\$ 6,300,000	\$31,500
Lot 10	2-1-023-024		05/04/05	\$ 1,825,000	
	2-1-023-024		04/21/14	\$ 1,750,000	\$8,750
Lot 11	2-1-023-024	1.01	11/09/16	\$ 3,050,000	\$29,750
	2-1-023-025		08/18/04	\$ 1,295,000	
Lot 12	2-1-023-025		09/22/05	\$ 2,250,000	
	2-1-023-025		11/10/11	\$ 2,700,000	
Lot 13	2-1-023-025	1.01	08/13/13	\$ 3,000,000	\$25,000
	2-1-023-026		06/08/04	\$ 1,250,000	
Lot 14	2-1-023-026		02/18/05	\$ 1,250,000	
	2-1-023-026		03/28/08	\$ 2,650,000	
Lot 15	2-1-023-026		04/28/08	\$ 1,000	
	2-1-023-026		08/01/14	\$ 2,500,000	Exempt
Lot 16	2-1-023-026	1.02	10/16/14	\$ 3,500,000	\$17,500
	2-1-023-026		07/20/18	\$ 8,175,000	\$40,875
Lot 17	2-1-023-027		05/28/04	\$ 2,000,000	
	2-1-023-027		10/18/07	\$ 3,500,000	
Lot 18	2-1-023-027	1.60	04/26/11	\$ 4,500,000	
	2-1-023-028	1.01	11/14/04	\$ 2,250,000	
Lot 19	2-1-023-029		06/30/05	\$ 2,100,000	
	2-1-023-029	1.04	03/23/09	\$ 2,120,000	
Lot 20	2-1-023-030		06/30/05	\$ 2,100,000	
	2-1-023-030		06/04/08	\$ 3,550,000	
Lot 21	2-1-023-030		06/04/09	\$ 1,000	
	2-1-023-030		06/23/09	\$ 2,200,000	
Lot 22	2-1-023-030	1.10	10/09/09	\$ 1,835,000	
	2-1-023-031		09/11/05	\$ 2,194,500	
Lot 23	2-1-023-031		01/12/07	\$ 2,800,000	
	2-1-023-031		06/04/08	\$ 5,550,000	
Lot 24	2-1-023-031	1.71	03/15/10	\$ 1,000	
	2-1-023-032		12/26/03	\$ 1,000,000	
Lot 25	2-1-023-032	1.41	04/18/06	\$ 1,000,000	
	2-1-023-033	1.03	05/25/05	\$ 6,000,000	
Total		41.84		\$ 144,875.00	\$268,875

Health/Social Impact Opportunities:

Site-Based Interactions:

- Provide access to a major cultural resource to support traditional cultural practices. [AINA/CULTURE]
- Increase on-site use to support the protection and preservation of the property via programmatic use and sustained cultural resource regeneration. [AINA/CULTURE]
- Enable on-site intergenerational education/interaction/relationship building [CULTURE/EDUCATION]

On/Off- Site Cultural/Education:

- Provide consistent information re: History and Significance [CULTURE]
- Support traditional and contemporary cultural protocols, and rights [CULTURE]
- Facilitate conservation leadership training and demonstration [CULTURE/EDUCATION/GOVERNANCE]

Systemic Impact Opportunities:

- Culturally focused approach to: [AINA/CULTURE/GOVERNANCE]
 - An eco-cultural historic preservation
 - Community-based stewardship of one of the last in-tact sites of the area.
 - Culturally nuanced natural and cultural resource management

Ecological/Environmental Impact Opportunities

Native Habitat Preservation and Regeneration:

- Remediate years on invasive species proliferation [AINA]
- Regenerate native habitat [AINA]
- Work toward the restoration of the Wiliwili Grove [AINA]
- Demonstrate eco-cultural revegetation models that can be considered amidst an suburban residential environment.[AINA/CULTURE]

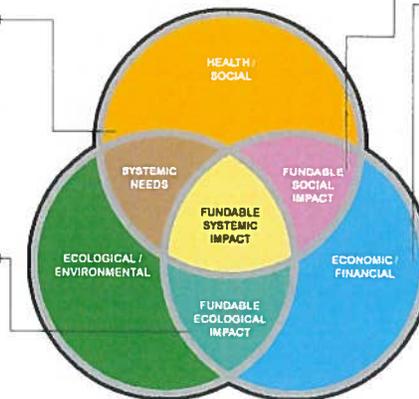
Palaeua: Impact Potential²⁴

Economic Impact:

Potential economic impacts that support the development, implementation, and long-term sustainability of the project.

Revenue Generation Modes:

- Continue collecting % of conveyance fees.
- Explore the opportunity to set neighborhood association fees to assist with the management, protection, and re-vegetation of Palaeua
- Explore aligned visitor related business cases to provide guided access to Palaeua for educational purposes in exchange for fees that offset the maintenance and management of Palaeua (without compromising its cultural integrity).



Plans: Palauea

PROGRAMS & INFRASTRUCTURE

I. Finalize Preservation Plan

- Provide basis for comprehensive management plans and actions

II. Educational Programs:

- UH Maui HWST and Archaeology
- Community integrated education

III. Protect the Cultural Features:

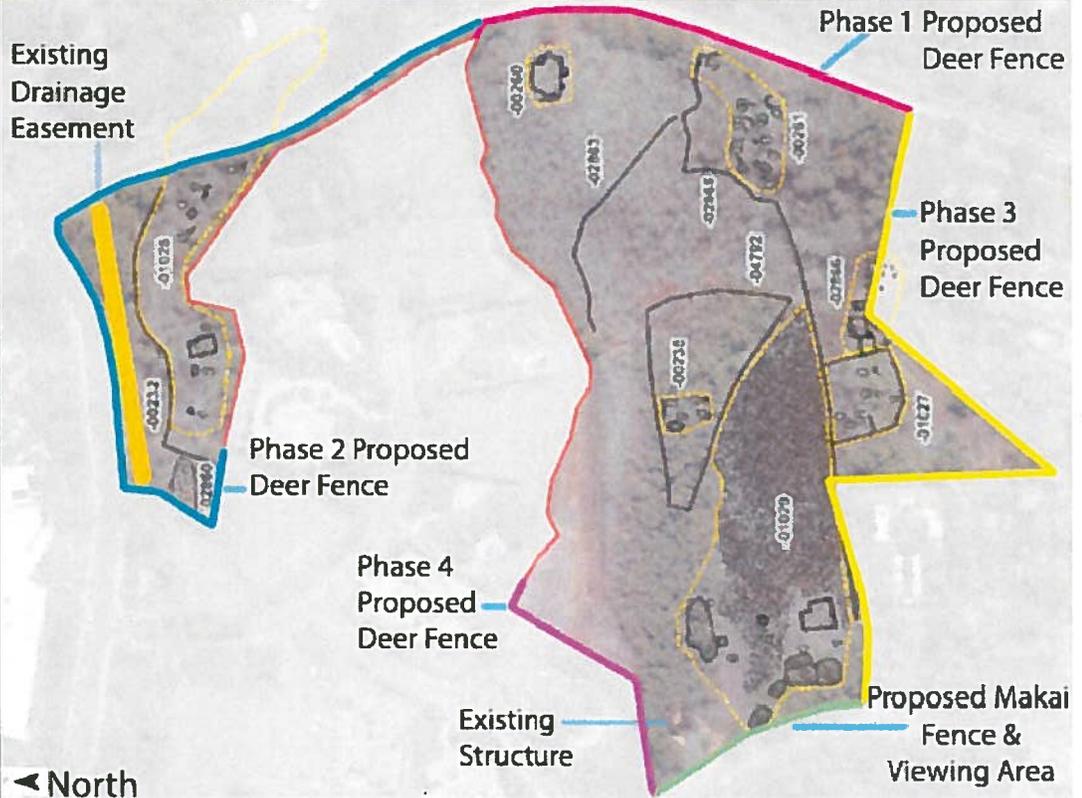
- Archaeological sites
- Wiliwili grove
- Create walking/maintenance trails

IV. Barriers

- Deer Fence
 - Phase 1 ●
 - Phase 2 ●
 - Phase 3 ●
 - Phase 4 ●
- Makai Fence and Viewing Area ●
- Working trails in accessible areas

IV. Landscaping

- Revegetation and irrigation
- Firebreak
- Drainage Inspection and Maintenance ●



Palauea Phasing

PROGRAMS & INFRASTRUCTURE

- I. Finalize Preservation Plan** P-1
 - Provide basis for comprehensive management plans and actions
- II. Educational Programs:** P-1
 - UH Maui HWST and Archaeology
 - Community integrated education
- III. Protect the Cultural Features:** P-1
 - Archaeological sites
 - Wiliwili grove
 - Create walking/maintenance trails
- IV. Barriers**
 - Deer Fence
 - Phase 1 P-1
 - Phase 2
 - Phase 3
 - Phase 4
 - Makai Fence and Viewing Area P-1
 - Working trails in accessible areas P-1
- IV. Landscaping** P-1
 - Revegetation and irrigation
 - Firebreak
 - Drainage Inspection and Maintenance

Phase 1: Planning, Education, Improvements, & Landscaping

FY20-21

- 1. Finalize Planning:**
 - a) Obtain preservation plan approval from SHPD (submitted 3/4/2019).
 - b) Create comprehensive management plans and actions.
- 2. Continue and Expand Educational Programs:**
 - a) Continue and expand educational opportunities with UH Maui and the community.
 - b) Work with UH-Maui HWST on shared stewardship responsibilities.
- 3. Property Improvements:**
 - a) Construct deer fence (Phase 1).
 - b) Design and construct makai fence and viewing area.
- 4. Landscaping**
 - a) Create planting and irrigation plans and begin to implement.
 - b) Manage and extend new firebreak along neighboring residential properties.
 - c) Continue to conduct bi-annual drainage inspections.

Palauea Phasing (cont.)

PROGRAMS & INFRASTRUCTURE	
I. <u>Finalize Preservation Plan</u>	
• <i>Provide basis for comprehensive management plans and actions</i>	
II. <u>Educational Programs:</u>	P-1/2/3/4
• <i>UH Maui HWST and Archaeology</i>	
• <i>Community integrated education</i>	
III. <u>Protect the Cultural Features:</u>	P-1/2/3/4
• <i>Archaeological sites</i>	
• <i>Wiliwili grove</i>	
• <i>Create walking/maintenance trails</i>	
IV. <u>Barriers</u>	
• <i>Deer Fence</i>	
○ <i>Phase 1</i>	
○ <i>Phase 2</i>	P-2
○ <i>Phase 3</i>	(if needed) P-3
○ <i>Phase 4</i>	(if needed) P-4
• <i>Makai Fence and Viewing Area</i>	
• <i>Working trails in accessible areas</i>	
IV. <u>Landscaping</u>	P-1/2/3/4
• <i>Revegetation and irrigation</i>	
• <i>Firebreak</i>	
• <i>Drainage Inspection and Maintenance</i>	

Phase 2: Education, Improvements, and Landscaping **FY22-23**

1. **Continue and Expand Educational Programs:**
 - a) Continue and expand educational opportunities with UH Maui and the community.
 - b) Work with UH-Maui HWST on shared stewardship responsibilities.
2. **Property Improvements:**
 - a) Construct deer fence (Phase 2).
 - b) Continue to implement Preservation Plan.
3. **Landscaping**
 - a) Continue to implement planting and irrigation plans.
 - b) Manage and extend new firebreak along neighboring residential properties.
 - c) Continue to conduct bi-annual drainage inspections

Phase 3/4: Education, Improvements, and Landscaping **3: FY24-25**

4: FY26-27

1. **Continue and Expand Educational Programs:**
2. **Property Improvements:**
 - a) Construct deer fence (Phase 3 if needed; Phase 4 if needed).
3. **Landscaping**
 - a) Continue to implement planting and irrigation plans.
 - b) Manage and extend new firebreak along neighboring residential properties.
 - c) Continue to conduct bi-annual drainage inspections

Highlighted WKOP ²⁸
Project Budget

Palauea	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	
Phasing	Phase 1		\$ 181,000.00						
	Phase 2			\$ 142,000.00					
	Phase 3					\$ 97,000.00			
							Phase 4 and On		\$ 102,000.00
Total Preliminary Estimate for Development Development for Phases 1-4									\$ 522,000.00
Detailed Activities by Phase									
Detailed Activities by Phase	FY20 Budget	FY21 Budget	FY22 Budget	FY23 Budget	FY24 Budget	FY25 Budget	FY26 Budget	FY27 Budget	Estimated 8-Year Budget
Highlighted Project Totals	\$ 109,500.00	\$ 71,500.00	\$ 93,500.00	\$ 48,500.00	\$ 53,500.00	\$ 43,500.00	\$ 58,500.00	\$ 43,500.00	\$ 522,000.00
Grants: UHMC Stewardship Collaboration	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 200,000.00
Grants: Stewardship Sponsorship	\$ -	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 70,000.00
Install Deer Fencing Phase 1 (paired with 20k from FY19)	\$ 35,000.00	\$ -	\$ 35,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,000.00
Design and Construct Perimeter Barrier (Makai)	\$ 15,000.00	\$ 20,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,000.00
Design and Install Entry Gate (Makai)	\$ 10,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000.00
Implementation of Preservation	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 60,000.00
Furniture and Fixtures: Signs Regular	\$ 2,000.00	\$ 2,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 10,000.00
Furniture and Fixtures: Signs Interpretive	\$ 5,000.00	\$ -	\$ -	\$ 5,000.00	\$ -	\$ -	\$ 5,000.00	\$ -	\$ 15,000.00
Design and Install Native Plant Irrigation	\$ -	\$ 7,000.00	\$ 5,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,000.00
Drainage Easement Inspection	10,000.00	\$ -	10,000.00	\$ -	10,000.00	\$ -	10,000.00	\$ -	\$ 40,000.00

Planning for Pahua Heiau, East O'ahu

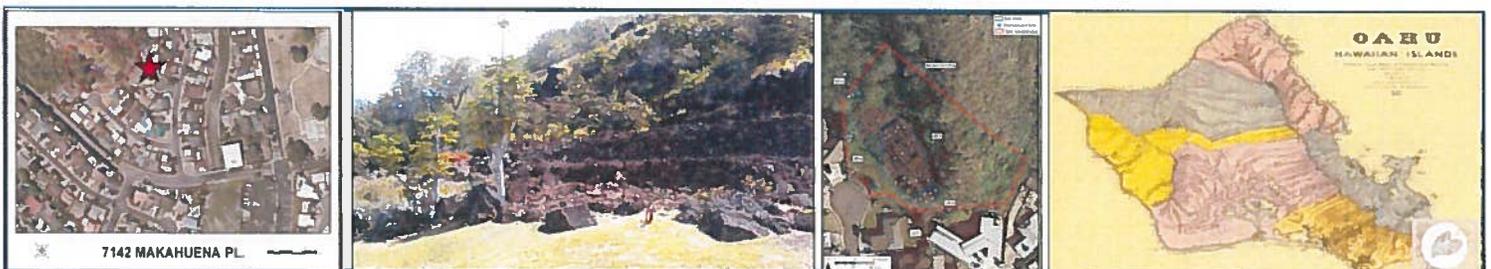
29

1. Created a preservation plan as a basis for management of the 1.55-acre property in alignment with OHA's purpose of acquisition. Pahua heiau is thought to have been an agricultural or husbandry site as the area is famous for the sweet potatoes that once flourished there. The property contains five archaeological sites with 24 features.

• **Pahua Heiau** (O'ahu; R-5 Residential; 1.55 acres; Fee); (gifted from KS 1988)

Purpose of Acquisition: Educational/cultural opportunities for Native Hawaiians

2. The intention was to create a preservation plan (PP) that would become the basis for a comprehensive Management Plan centered on Native Hawaiian principles for this site. OHA needs to address trespassing/unauthorized access and traversing of the site; enable cultural and educational uses; create a cultural landscape plan; create interpretive and warning, and regulatory signage; create a designated viewing area; conduct regular and consistent maintenance; and consider multiple forms of revegetation for the site.



Health/Social Impact Opportunities:

Site-Based Interactions:

- Provide access to a major cultural resource to support traditional cultural practices. [AINA/CULTURE]
- Increase on-site use to support the protection and preservation of the property via programmatic use and sustained cultural resource regeneration. [AINA/CULTURE]
- Enable on-site intergenerational education/interaction/relationship building [CULTURE/EDUCATION]

On/Off- Site Cultural/Education:

- Provide consistent information re: History and Significance [CULTURE]
- Support traditional and contemporary cultural protocols, and rights [CULTURE]
- Facilitate conservation leadership training and demonstration [CULTURE/EDUCATION/GOVERNANCE]

Pahua: Impact Potential 30

Economic Impact:

Potential economic impacts that support the development, implementation, and long-term sustainability of the project.

Revenue Generation Modes:

- Receiving donations
- Explore aligned visitor related business cases to provide guided access to Pahua for educational purposes in exchange for fees that offset the maintenance and management of Pahua (without compromising its cultural integrity).

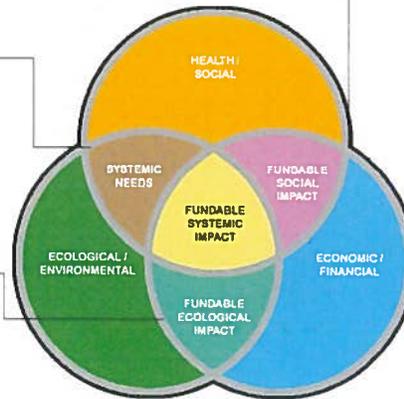
Systemic Impact Opportunities:

- Culturally focused approach to: [AINA/CULTURE/GOVERNANCE]
 - An eco-cultural historic preservation
 - Community-based stewardship of one of the last in-tact sites of the area.
 - Culturally nuanced natural and cultural resource management

Ecological/Environmental Impact Opportunities

Native Habitat Preservation and Regeneration:

- Demonstrate eco-cultural revegetation models that can be considered amidst an suburban residential environment.[AINA/CULTURE]



Planning for Pahua Heiau, East O'ahu

PROGRAMS & INFRASTRUCTURE

I. Culture and Education

- Work with Stewards to continue and increase on-site education

II. Landscaping

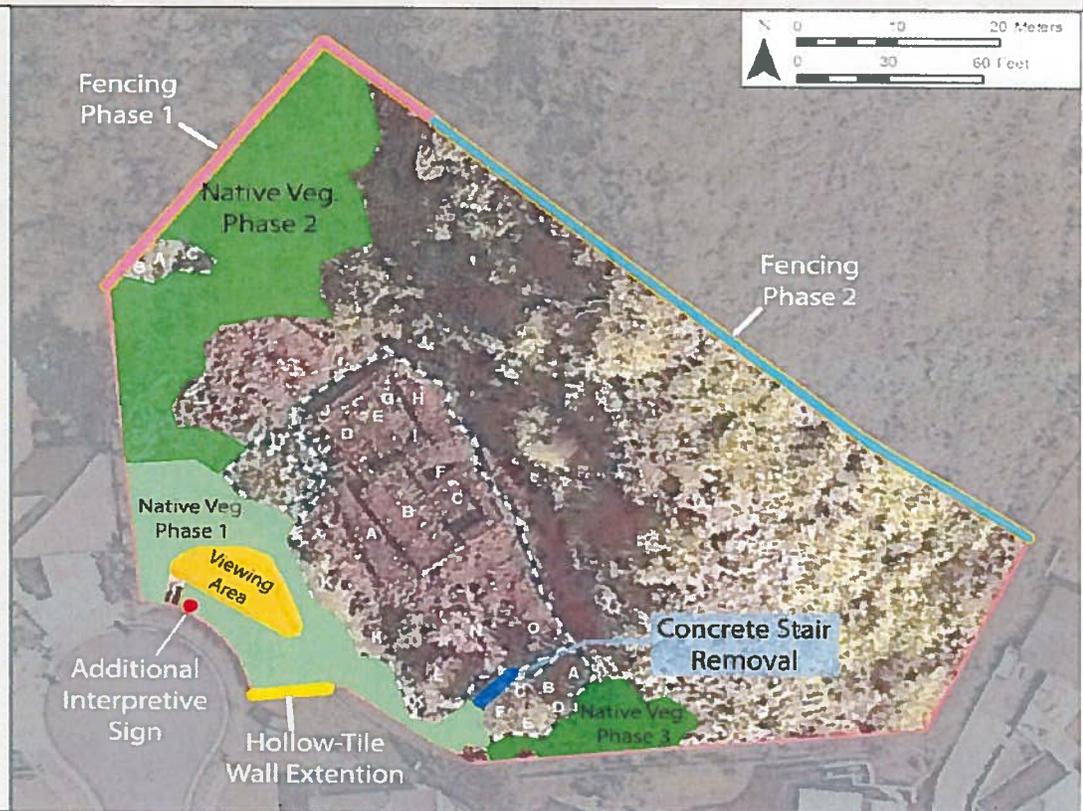
- Native landscaping and irrigation
 - Three Phases ④ ③ ②
- Mitigate invasive species

III. Access

- Construct a fence at back edges of property
 - Two Phases ● ●
- Extend hollow-tile wall ●
- Create viewing area ●
- Remove existing concrete stair ●
- Create/Reposition signs ●

IV. Preservation of Site

- Build cultural site maintenance acumen
- Create a site plan for the treatment of the site
- Update burial treatment plan



Pahua Phasing

PROGRAMS & INFRASTRUCTURE

- I. **Culture and Education** P-1/2
 - *Work with Stewards to continue and increase on-site education*
- II. **Landscaping** P-1/2
 - *Native landscaping and irrigation*
 - *Three Phases*
 - *Mitigate invasive species*
- III. **Access** P-1/2
 - *Construct a fence at back edges of property*
 - *Two Phases*
 - *Extend hollow-tile wall*
 - *Create viewing area*
 - *Remove existing concrete stair*
 - *Create/Reposition signs*
- IV. **Preservation of Site** P-1/2
 - *Build cultural site maintenance acumen*
 - *Create a site plan for the treatment of the site*
 - *Update burial treatment plan*

Phase 1: Planning, Education, Improvements, & Landscaping

FY20-21

1. **Finalize Planning:**
 - a) Finalize Landscape Design. *(FY20)*
2. **Continue and Expand Educational Programs:**
 - a) Continue and expand educational opportunities w/Stewards and community.
 - b) Conduct historic site maintenance.
3. **Property Improvements:**
 - a) Construct fence *(Phase 1)*; Construct/install litter receptacle.
4. **Landscaping**
 - a) Native vegetation landscaping and irrigation. *(Phase 1)*
 - b) Continue invasive species control.

Phase 2: Education, Improvements, & Landscaping

FY21-23

1. **Continue and Expand Educational Programs:**
 - a) Continue/expand educational opportunities w/ Stewards & community
 - b) Review/amend Burial Treatment Plan; Create arch site treatment plan.
2. **Property Improvements:**
 - a) Construct viewing area; Extend hollow-tile wall; Remove existing stair.
3. **Landscaping**
 - a) Native vegetation landscaping and irrigation. *(Phase 2)*
 - b) Continue invasive species control.

Pahua Phasing

PROGRAMS & INFRASTRUCTURE

- I. **Culture and Education** P-1/2/3/4
 - *Work with Stewards to continue and increase on-site education*

- II. **Landscaping** P-1/2/3/4
 - *Native landscaping and irrigation*
 - *Phase 3*
 - *Mitigate invasive species*

- III. **Access** P-1/2/3/4
 - *Construct a fence at back edges of property*
 - *Two Phases*
 - *Extend hollow-tile wall*
 - *Create viewing area*
 - *Remove existing concrete stair*
 - *Create/Reposition signs*

- IV. **Preservation of Site** P-1/2/3/4
 - *Build cultural site maintenance acumen*
 - *Create a site plan for the treatment of the site*
 - *Update burial treatment plan*

Phase 3: Education, Improvements, & Landscaping

FY24-25

1. **Continue and Expand Educational Programs:**
 - a) Continue and expand educational opportunities w/Stewards & community.

2. **Property Improvements:**
 - a) Additional interpretive signage *(if necessary)*

3. **Landscaping**
 - a) Native vegetation landscaping and irrigation *(Phase 3)*
 - b) Continue invasive species control

Phase 4: Education, Improvements, & Landscaping

FY26 & on

1. **Continue and Expand Educational Programs:**
 - a) Continue/expand educational opportunities w/ Stewards & community.
 - b) Review and update burial treatment plan.

2. **Property Improvements:**
 - a) Construct fencing phase 2 *(if necessary)*

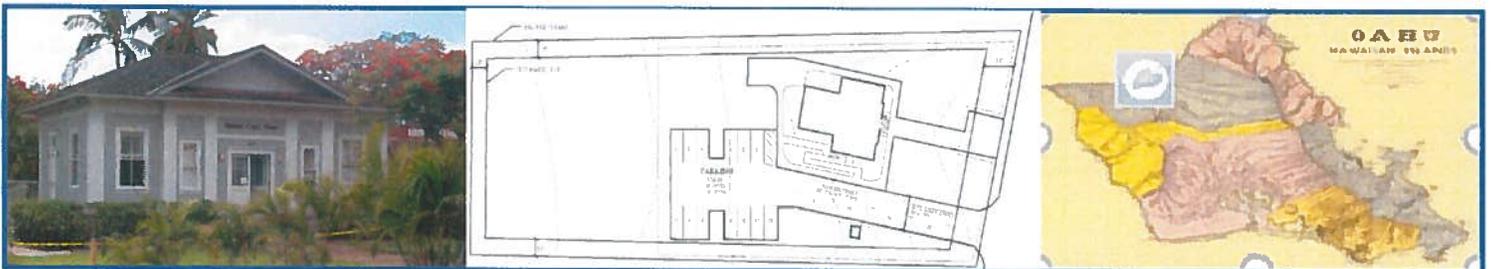
3. **Landscaping**
 - a) Continue invasive species control

Planning for The Waialua Courthouse, Haleiwa O'ahu

35

1. The Waialua Courthouse is leased from the DLNR by OHA until 2033. It is the only property that discussed in this booklet (that OHA does not own in fee) due to its considerable project costs. The Courthouse (approximately 2000sf) sits on 1.06 acres in Haleiwa town.
2. OHA has been sub-leasing the Courthouse to Hi'ipaka LLC for several years now. As a part of Hi'ipaka's responsibilities, they manage the property, provide presence and manage many of the day to day needs of the property. Hi'ipaka also enables members of the community to use the property to gather, meet, and practice Hawaiian Culture. Additionally, The Civic Club of Waialua subleases from Hi'ipaka and utilize the Courthouse in alignment with the purpose of acquisition.
3. Note: The DLNR does not contribute to the maintenance/improvement(s) of the property in accordance with their lease policy.

- **The Waialua Courthouse** [O'ahu; R-5; 1.06 acres; Lease from DLNR];
Purpose of Acquisition: Provide a base for beneficiary organizations to gather, meet, plan, practice and participate in Hawaiian culture



Planning for The Waiialua Courthouse Haleiwa, O'ahu

PROGRAMS & INFRASTRUCTURE

I. Culture and Education

- Continue to enable on-site use of facility.

II. Landscaping

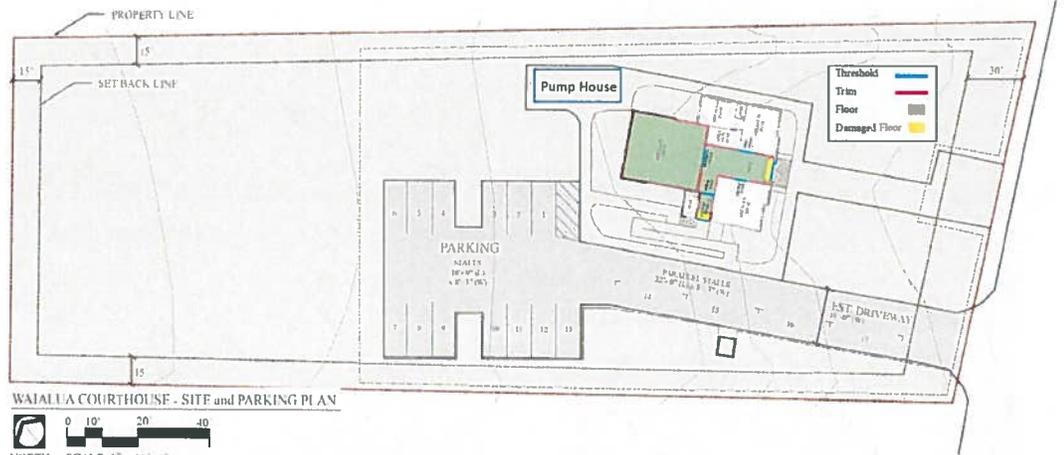
- Continue to revegetate with native plants.

III. Site and Building Maintenance

- Refinish wooden floors ●
- Address parking lot and driveway ○
- Secure Stewards/Building Managers

IV. Other Structural Considerations

- Courthouse foundations/jail cells
- Pumphouse rehabilitation



WCH Phasing	
<u>PROGRAMS & INFRASTRUCTURE</u>	
I. <u>Culture and Education</u>	P-1/2/3
<ul style="list-style-type: none"> • <i>Continue to enable on-site use of facility.</i> 	
II. <u>Landscaping</u>	P-1/2/3
<ul style="list-style-type: none"> • <i>Continue to revegetate with native plants.</i> 	
III. <u>Site and Building Maintenance</u>	P-1
<ul style="list-style-type: none"> • <i>Refinish wooden floors</i> • <i>Address parking lot and driveway</i> • <i>Secure Stewards/Building Managers</i> 	
IV. <u>Other Structural Considerations</u>	P-2/3
<ul style="list-style-type: none"> • <i>Courthouse foundations/jail cells</i> • <i>Pumphouse rehabilitation</i> 	

Phase 1: Planning, Use, Improvements, & Landscaping

FY20-21

- 1. Finalize Planning:**
 - a) Finalize parking and driveway renovation plans. (FY20)
- 2. Continue and Expand Educational Programs:**
 - a) Continue to enable access and use.
- 3. Property Improvements:**
 - a) Conduct asbestos analysis and refinish floors.
- 4. Landscaping**
 - a) Continue to revegetate with native plants.

Phase 2: Use, Improvements, & Landscaping

FY22-23

- 1. Continue and Expand Educational Programs and Landscaping:**
- 2. Property Improvements:**
 - a) Plan for Pump House and Jail Cell repair; Consider fence design

Phase 3: Use, Improvements, & Landscaping

FY24-25

- 1. Continue and Expand Educational Programs and Landscaping**
- 2. Property Improvements:**
 - a) Renovate Pump House and Jail Cell; Build fence.

Highlighted WCH Project Budget

Wai'alea Courthouse	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	
Proposed Phasing for Development Projects	Phase 1		\$ 98,000.00						
	Phase 2				\$ 136,000.00				
	Phase 3					\$ 230,000.00			
	Total Preliminary (High-Level/Conservative) Estimate for Development for Phases 1-4							\$ 464,000.00	
ACTIVITY	FY20 Budget	FY21 Budget	FY22 Budget	FY23 Budget	FY24 Budget	FY25 Budget	FY26 Budget	FY27 Budget	Estimated 8-Year Budget
Maintenance Category									
Total Anticipated Budget Request	\$ 42,000.00	\$ 20,000.00	\$ 10,200.00	\$ 20,000.00	\$ 115,000.00	\$ 125,000.00	\$ -	\$ -	\$ 476,000.00
<i>Asbestos Inspection</i>	\$ 2,000.00	\$ -	\$ 2,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,000.00
<i>Refinish Courtroom Floor</i>	\$ 1,000.00	\$ -	\$ 10,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,000.00
<i>Plans for Pump house Repair</i> ●	\$ -	\$ -	\$ 15,000.00	\$ 15,000.00	\$ -	\$ -	\$ -	\$ -	\$ 30,000.00
<i>Plans for Jail Cell Repair</i> ●	\$ -	\$ -	\$ 50,000.00	\$ 50,000.00	\$ -	\$ -	\$ -	\$ -	\$ 100,000.00
<i>Plans for Fence/Barrier</i> ●	\$ -	\$ -	\$ 3,000.00	\$ 3,000.00	\$ -	\$ -	\$ -	\$ -	\$ 6,000.00
<i>Permitting and Construction of Pump house Repair</i> ●	\$ -	\$ -	\$ -	\$ -	\$ 30,000.00	\$ 30,000.00	\$ -	\$ -	\$ 60,000.00
<i>Permitting and Construction of Plans for Jail Cell Repair</i> ●	\$ -	\$ -	\$ -	\$ -	\$ 75,000.00	\$ 75,000.00	\$ -	\$ -	\$ 150,000.00
<i>Permitting and Construction of Plans for Fence/Barrier</i> ●	\$ -	\$ -	\$ -	\$ -	\$ 10,000.00	\$ 10,000.00	\$ -	\$ -	\$ 20,000.00
<i>Site Drainage and Parking Lot Paving (2 years \$50k from FY20/ \$50k from FY21)</i>	\$ 45,000.00	\$ 50,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95,000.00

● If OHA deems necessary

Moving to FY20 under maintenance of Building



ACTION ITEM

COMMITTEE ON RESOURCE MANAGEMENT

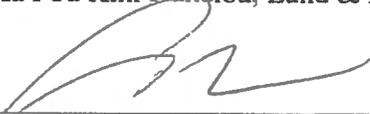
May 24, 2017

RM #17-05

Action Item Issue: Approval of an OHA Board of Trustees Policy Amendment relating to an allocation of revenue from OHA's Kaka'ako Makai properties.

Prepared by:  5/17/17
 Olu Campbell Date
 'Aho Pueo Kumuwaiwai 'Āina, Natural Resource Management Specialist

Reviewed by:  5/18/2017
 Miles Nishijima Date
 Ka Pou Kihī Kanaloa, Land & Property Director

Reviewed by:  5/17/2017
 Albert Tiberi Date
 Ka Paepae Puka, Senior Legal Counsel

Reviewed by:  5/17/2017
 Kamana'opono Crabbe, Ph.D. Date
 Ka Pouhana, Chief Executive Officer

Reviewed by: Not available for signature
 Ke Kua, Trustee Hulu Lindsey Date
 Luna Ho'omalū o ke Kōmike RM
 Chair of the Committee on Resource Management

I. Action. Approval of a Board of Trustees Policy Amendment to the Kaka'ako Makai Policy, Section 3.A.2), originally adopted on September 20, 2012, to state (deleted language is stricken; new language is bold and underscored):

Allocate 10% of ~~gross net~~ **gross net** revenue for grants **and 30% of net revenue for OHA's Legacy Property Management (net revenue equals gross revenue minus direct operating expenses, excluding Kaka'ako Makai planning and development-related costs)** (*policy to be revisited in two years)

II. Issue. Whether the BOT should approve a Board of Trustees Policy Amendment to the Kaka'ako Makai Policy, Section 3.A.2), to allocate 10% of the net revenues from Kaka'ako Makai (KM) to OHA's grants program and 30% of the net revenues to OHA's Legacy Property Management.

III. Discussion

A. Purpose of the Policy Amendment.

The purpose of this Policy Amendment is to: (1) provide additional funding to OHA's Legacy Property Management, thereby allowing OHA to improve on its Strategic Priorities through its ownership and management of Legacy and Programmatic lands, while addressing the need for increased funding through a sustainable and currently unutilized source, beyond OHA's core budget; and (2) make allocations out of KM's net revenues, versus its gross revenues, to ensure KM's budgetary needs for management and operation are met before making allocations to other OHA programs.

B. Current Status of the Kaka'ako Makai Revenues

The current Kaka'ako Makai Policy allocates ten percent (10%) of gross revenue for OHA's grants program. OHA's Commercial Property Management (program code 8210) uses a portion of the remaining ninety percent (90%) to manage the KM parcels and reserve funds for potential future development.

In Fiscal Year 2017 (FY17), the projected revenue from KM properties is \$4.2M. KM's FY17 budget is \$2.6M for expenses, or 62% of projected gross revenue. The unexpended KM revenue accumulates in a CBRE trust account. Upon OHA's request, unexpended revenue is transferred to an internal holding account, a portion of which is used to reimburse the OHA core account for KM program expenses. The unexpended revenue in both the CBRE trust account and internal holding account currently totals \$3.9M as of December 31, 2016.

C. Why the Policy Amendment is Necessary.

OHA's Land Division has been evolving the way that we manage our Legacy and Programmatic lands with aims to both mitigate risk and demonstrate exemplary stewardship and management. This includes conducting pro-active, risk-adverse, land management and maintenance activities, such as planning, development, and implementation of various plans and studies. As OHA continues to improve and advance its responsible land management strategies, the costs related to such efforts will increase. This is particularly the case for land management plans related to legal compliance and risk management where OHA will be compelled to take certain actions, but also applies to implementing use or development plans poised to advance OHA's mission. Overall, these actions will equate to an increased demand for financial inputs towards Legacy and Programmatic properties that the organization has not experienced in the past.

Therefore, the proposed apportionment of KM revenue to OHA's Legacy Property Management is intended to:

- 1) Provide some relief to the use of OHA's core funds for upcoming land management activities (specifically large budget line items);
- 2) Access a funding source that is readily available and regenerative in nature to enable OHA to fund its overall land management actions in a sustainable manner; and
- 3) Enable more precise planning and phased implementation of property management actions due to a greater certainty in available funds at a scale that is currently unavailable.

Additionally, this Policy Amendment is necessary to provide sufficient funding, now and into the future, for exemplary management and operation of OHA's KM properties. This Policy Amendment ensures the budgetary requirements of KM's management are deducted out of its gross revenues first, thereby prioritizing the protection of the income source before using such income to support other currently non-income generating uses. Only after KM's budgetary needs are met will an apportionment of the net revenues be distributed to OHA's Grants and Legacy Property programs.

In September 2013, a report to the Governor and the Legislature of the State of Hawai'i published by the State Auditor entitled, "Audit of the Office of Hawaiian Affairs and Report on the Implementation of State Auditor's 2009 OHA Recommendations," stated, "...OHA's real estate portfolio is unbalanced, with revenues generated from commercial properties unable to offset expenses from legacy and programmatic land holdings." The changes this Policy Amendment proposes for KM revenue allocations helps to address this specific concern by first, prioritizing the protection of OHA's KM revenues and second, distributing a portion of such revenues to OHA's Legacy Property Management to sustainably offset the costs associated with legacy and programmatic landholdings without additional reliance on OHA's core budget.

IV. Funding. This policy amendment will not directly incur any additional expenses, although the newly allocated funds would likely be expended in accordance with OHA's Legacy Property Management plans and other needs.

V. Alternative Actions:

- A. Approval of an amended version of the Policy Amendment as stated in I. Action above.
- B. Decline approval of the Policy Amendment as stated in I. Action above and take no other action.
- C. Take no action.

VI. Recommended Action. Approve the Policy Amendment to Section 3.A.2) of the Board of Trustees Kaka'ako Makai Policy as stated in I. Action above.

VII. Timeframe. This Policy Amendment to Section 3.A.2) of the Board of Trustees Kaka'ako Makai Policy will take effect immediately upon approval by the BOT after the second reading.

ATTACHMENT D

	Biennium Budget					
	FY14	FY15	FY16	Year 1 - FY17	Year 2 - FY18	Year 3 - FY19
TOTAL RENT	\$ 1,674,332.27	\$ 2,103,238.04	\$ 2,505,008.04	\$ 4,159,836.29	\$ 4,150,144.03	\$ 4,217,514.08
CAM	\$ 27,610.00	\$ 119,700.00	\$ 119,700.00	\$ 119,700.00	\$ 119,700.00	\$ 119,700.00
Potential Gross Income	\$ 1,701,942.27	\$ 2,222,938.04	\$ 2,624,708.04	\$ 4,279,536.29	\$ 4,269,844.03	\$ 4,337,214.08
Prior Year Surplus	\$ 760,000.00	\$ 962,061.04	\$ 1,081,172.03	\$ 96,362.46	\$ 926,843.82	\$ 1,517,789.83
10% Allocation to Grants (Current Policy)	\$ 167,433.23	\$ 210,323.80	\$ 250,500.80	\$ 415,983.63		
Vacancy and Collection Loss	\$ -	\$ -	\$ 262,470.80	\$ 342,362.90	\$ 341,587.52	\$ 346,977.13
Percent Vacancy			10%	8%	8%	8%
EFFECTIVE GROSS INCOME	\$ 2,294,509.04	\$ 2,974,675.28	\$ 3,192,908.46	\$ 3,617,552.22	\$ 4,855,100.32	\$ 5,508,026.78
TOTAL EXPENSES	\$ 1,332,448.00	\$ 1,893,503.25	\$ 3,096,546.00	\$ 2,690,708.40	\$ 2,325,450.61	\$ 2,264,321.28
NET OPERATING INCOME	\$ 962,061.04	\$ 1,081,172.03	\$ 96,362.46	\$ 926,843.82	\$ 2,529,649.71	\$ 3,243,705.50
10% Allocation to Grants (New Policy)					\$252,964.97	\$324,370.55
30% Allocation to LPM (New Policy)					\$758,894.91	\$973,111.65
Annual Surplus (Deficit)	\$ 962,061.04	\$ 1,081,172.03	\$96,362.46	\$926,843.82	\$1,517,789.83	\$1,946,223.30

Total KM Contribution

\$1,011,859.89

\$1,297,482.20



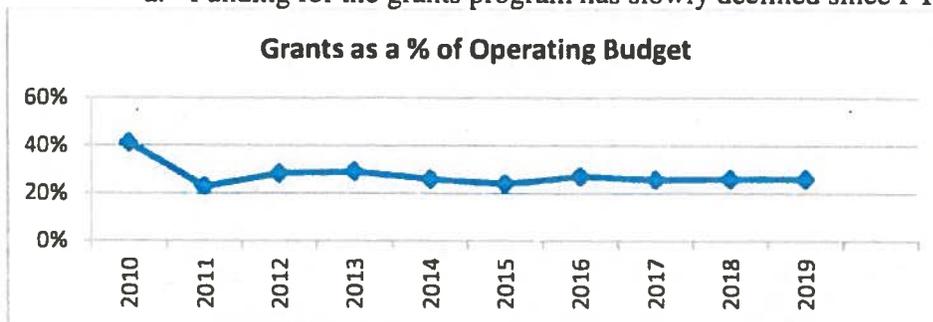
OFFICE OF HAWAIIAN AFFAIRS
Interoffice Memorandum

Date: May 24, 2017
 To: BOT; BOT Staff
 Via: Email
 From: Trustee Hulu Lindsey
 Subject: **Concerns about RM#17-05**

Aloha Trustees:

This is to alert you that the RM Committee will be proposing an amendment to the proposed action item RM#17-05. The action item proposes the following amendment to the Kaka'ako Makai Policy:

1. Change the computation for the 10% allocation for the grants program from gross revenues to net revenues.
 2. Allocate 30% of the net revenues for OHA's Legacy Property Management program.
1. *Using the net revenues as the basis for the calculation of the 10% allocation to the grants program will have a negative impact on the available funding for grants.*
 - a. Funding for the grants program has slowly declined since FY 2010.



- a. Based upon a trend analysis of the current Kaka'ako Makai revenues and expenses for FY 14-19, the negative fiscal impact for the grants program funding could grow to as much as \$2M annually in FY 2027.

FY	Grants Program
2019	(226,432)
2020	(380,901)
2021	(413,821)
2022	(582,619)
2023	(734,249)
2024	(968,615)
2025	(1,238,787)
2026	(1,590,345)
2027	(2,017,912)

2. *Allocating 30% of the net revenues for Kaka’ako Makai to the Legacy Properties Program (LPM) would double the size of the LPM budget over next two years during a time when other program budgets are being cut.*

- a. Based upon a trend analysis of the current Kaka’ako Makai revenues and expenses for FY 14-19, the LPM budget would exceed \$7M annually in FY 2027 if the proposed policy remains in effect.

FY	LPM Budget
2019	973,111
2020	1,108,523
2021	1,769,653
2022	2,220,709
2023	2,965,282
2024	3,757,766
2025	4,804,746
2026	6,049,426
2027	7,604,991

- b. The current action item is problematic because the LPM has not submitted a long-term financial plan that (i) identifies the need for the additional funds as well as a (ii) delineation of how the additional funds would be utilized.

Based upon these two concerns I am proposing the following two amendments to the action item:

- 1. **Do not amend** the computation for the 10% allocation for the grants program from gross revenues to net revenues.
- 2. **Insert a clear sunset clause** that stipulates that the proposed 30% allocation of net revenues shall cease to have effect after FY 2019.
 - a. The current action item does include a suggestion that the “policy be revisited in two years.” However, the inclusion of a sunset clause would clearly stipulate that

the intent of the action item is to make a temporary as opposed to permanent change to the Kaka'ako Makai Policy.

APPENDIX

1. Fiscal Impact Analysis
2. Grants Program Analysis

OFFICE OF HAWAIIAN AFFAIRS
Action Item

Board of Trustees
August 31, 2012

BOT # 12-05

Action Item Issue: Kaka'ako Makai Policy

Prepared by: Edward O. Los Banos 8-28-12
Edward O. Los Banos/Chief Operating Officer Date

Reviewed by: Ernest M. Kimoto 8-28-12
Ernest M. Kimoto/Corporate Counsel Date

Reviewed by: Kamana'opono M. Crabbe 8/29/12
Kamana'opono M. Crabbe, Ph.D./Ka Pouhana, CEO Date

Approved by: Colette Y. Machado 8/29/12
Colette Y. Machado / Chairperson, BOT Date

I. ACTION:

To adopt a Kaka'ako Makai Policy as described in Attachment "A" and approve Attachment "A" for a ~~second~~ ^{first} policy reading.

II. ISSUE

Whether or not the Board of Trustees should:

1. Adopt a policy related to Kaka'ako Makai,
2. Approve or amend the Kaka'ako Makai Policy presented as Attachment "A" for a second reading.

III. DISCUSSION

Background

Act 15, Session Laws of Hawai'i 2012 transferred 10 land parcels in Kaka'ako Makai to the Office of Hawaiian Affairs (OHA) to settle the past due portion of ceded land revenue claims. The 10 parcels conveyed amount to approximately 30 acres of underutilized commercial property with an estimated value of \$200 million. These parcels were substantively conveyed to OHA on July 1, 2012.

Prior to this acquisition, OHA Trust Fund assets were primarily comprised of cash and investments. The settlement, by itself, creates a substantial commercial real estate portfolio for OHA, elevating the Native Hawaiian Trust Fund to new heights. To rise to the new challenges, the Board of Trustees participated in two rounds of workshops from May 22nd-25th and August 20th-21st to establish guiding principles and policies for property management and development of Kaka‘ako Makai.

Policy

The Kaka‘ako Makai Policy included as Attachment “A” are the result of the two rounds of workshops, facilitated by Norma Wong and provide guidance and is organized in the following categories:

1. Relationship to OHA’s Vision and Strategic Priorities
2. Design and Use, including Cultural Values
3. Revenue Generation and Proceeds
4. Timetable and Process
5. Governance and Decision-Making

IV. ALTERNATIVES

- A. To adopt a Kaka‘ako Makai Policy as described in Attachment “A” and approve Attachment “A” for a second policy reading.
- B. Decline to adopt a Kaka‘ako Makai Policy as described in Attachment “A” and approve Attachment “A” for a second policy reading.

V. RECOMMENDATION

To adopt a Kaka‘ako Makai Policy as described in Attachment “A” and approve Attachment “A” for a second policy reading.

VI. TIMEFRAME

Policy Effective Date

To take effect, the policy presented as Attachment “A” must pass without amendment through two readings. All amendments proposed and agreed upon by the Board shall result in another first policy reading and presentation – no immediate Board action will be necessary. All amendments shall be contained in Attachment “A” and clearly indicated in any future presentations, as needed.

VII. FUNDING

No funding requested at this time.

VIII. ATTACHMENTS

Attachment A – Kaka‘ako Makai Policy



OFFICE OF HAWAIIAN AFFAIRS
KAKA‘AKO MAKAI POLICY

First Reading: August 31, 2012

**Kaka'ako Makai Policy
of the Office of Hawaiian Affairs**

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 B. Balancing pono and commerce..... 3

 C. Collaboration with other Native Hawaiian organizations 4

3. Revenue Generation and Proceeds..... 4

 A. Near-term kuleana 4

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4. Timetable and Process..... 4

 A. Key planning considerations 4

 B. Key execution considerations..... 4

 C. Transparency and communication kuleana 5

5. Governance and Decision-Making..... 5

 A. Vision for master planning and property management. 5

 B. Accountability 5

UPDATE AND MAINTENANCE..... 5

Status/Effective Date

Kaka'ako Makai Policy of the Office of Hawaiian Affairs

PURPOSE

The purpose of this policy is to set forth guidelines for the management and development of its Office of Hawaiian Affairs' (OHA) Kaka'ako Makai parcels received through Act 15, Session Laws of Hawai'i, consistent with the existing Real Estate Vision, Mission, and Strategy Policy. The Real Estate Vision, Mission and Strategy Policy currently provides for real estate best practices and world class caliber developments. Factors affecting management and development of the Kaka'ako Makai parcels focus upon five objectives:

- 1) Relationship to OHA's vision and strategic priorities;
- 2) Design and use, including cultural values;
- 3) Revenue generation and proceeds;
- 4) Timetable and process; and
- 5) Governance and decision-making

The following set of policy guidelines reflects the objective of maximizing revenue and total returns to increase OHA's programmatic reach without compromising OHA's kuleana to perpetuate Hawaiian culture in OHA's management and development of the parcels.

POLICY GUIDELINES

1. Relationship to OHA's Vision and Strategic Priorities

Create synergy between OHA's Kaka'ako Makai parcels and OHA's vision and strategic priorities.

- A. Commercial kuleana to maximize revenues while providing economic development opportunities for Native Hawaiians.
 - 1) Create a sustainable revenue stream to support OHA's strategic priorities
 - 2) Create opportunities for Native Hawaiian self-sufficiency
 - 3) Create programmatic opportunities for employment of Native Hawaiians
- B. Cultural kuleana to incorporate Native Hawaiian culture in both intrinsic and extrinsic design elements and purposes.
 - 1) Proceed in a way that has in mind the transfer of the assets to the Nation

- 2) Raise an architectural landmark/signature that signifies Kaka'ako Makai as a Hawaiian place
- 3) Create a sense of Nation - acting boldly

2. Design and Use, including Cultural Values

Ensure that cultural and stewardship values drive/provide the base for design and use decisions.

A. Create a Hawaiian sense of place – a cohesive Hawaiian identity that creates a place in which the physical structures and environment are connected to the socio-psychological, cultural and spiritual aspects of living Hawaiian that reflects the past, present and future.

- 1) Understand that history can guide us – consider the trajectory of historical uses of the area
- 2) Incorporate cultural uses
- 3) Introduce Kaka'ako Makai as a meeting place for Native indigenous leaders of the Western hemisphere and Pacific Islands
- 4) Encourage uses and activities that attract Hawaiians and locals to Kaka'ako Makai
- 5) Incorporate the cultural identity of the area - stories, names, guardians, wind and elements – as a guide for planning, design and use
- 6) Proceed with our cultural/kanaka foot
- 7) Create a signature architectural Hawaiian landmark

B. Balance pono and commerce.

- 1) Encourage cohesiveness among parcels/projects
- 2) Establish priority for qualified Hawaiian businesses and professionals
- 3) Incorporate mixed uses
- 4) Use green (environmentally friendly) technology
- 5) Prioritize the use of indigenous plants

C. Collaborate with other Native Hawaiian organizations

- 1) Work with Kamehameha Schools on potential partnerships with KS's adjoining properties
- 2) Work with other Ali'i Trusts

3. Revenue Generation and Proceeds

Balance near-term revenue stream and/with long-term financial and strategic goals and decisions.

A. Near-term kuleana to balance near-term revenue generation for programmatic use with long-term vision.

- 1) Create a sustainable revenue stream for strategic priorities
- 2) Allocate 10% of gross revenue for grants (*policy to be revisited in two years)
- 3) Set leases and other contractual arrangements at market value; anything below market value should be exceptions, and will require Board approval

B. Long-term kuleana to balance revenue generation with OHA strategic goals.

- 1) Maximize revenue generation, consistent with design, use, and cultural values
- 2) Balance pono and commerce

4. Timetable and Process

Develop a timely, accountable process.

A. Key planning considerations

- 1) Have an overall conceptual plan before considering or initiating major proposals
- 2) Establish a timeline for tasks that need to be accomplished

B. Key execution considerations

- 1) Engage professionals – finance, real estate, marketing, development, etc.
- 2) Maintain the momentum, in keeping with fiduciary duties

3) Proceed in ways that grow, preserve, and protect the assets to the Nation

C. Transparency and communication kuleana

1) Embrace community engagement – ensuring dialogue with the community and neighbors

2) Have a robust communications and information-sharing infrastructure

5. Governance and Decision-Making

Exercise appropriate leadership and management.

A. Vision for master planning and property management.

1) Implement knowledge-based decision-making

2) Establish efficient management

3) Act in ways that are consistent with Kaka'ako Makai being a flagship of actions, values and leadership

4) Create a sense of nation - acting boldly

5) Retain policy direction at the level of the Trustees

B. Accountability

1) Lead with people who have financial, management, and development expertise

2) Complete an annual budget and a 5-year management and operating budget

UPDATE AND MAINTENANCE

The OHA Chief Executive Officer shall be responsible for the update and maintenance of these policies. A review shall be done at a minimum annually to insure that amendments or changes in the laws are duly incorporated or as requested by the Chairperson of the Board of Trustees or Chairperson of a Standing Committee.

Status/Effective Date:

