PART II: TIMELINE OF KEY EVENTS

This part of the Report provides a timeline of key events as they unfolded during the Review Period. Descriptions of documents and events are based on the factual record we gathered during our review.

1967	Hawaii Legislature enacts the Land Reform Act of 1967, which allows tenants living on single-family residential lots owned by the Trust Estate to request that the Hawaii Housing Authority condemn their lots and force the Trust Estate to sell the underlying fee interest. KS challenges the legislation.
May 26, 1967	Probate Court approves 79th Annual Account of the KS Trustees wherein they agree that they will take no commissions on final disbursements of capital.
July 30, 1970	Probate Court orders KS Trustees to segregate income and corpus accounts of the Trust Estate in reports to the Master.
May 4, 1984	Henry Peters appointed as KS Trustee.
May 30, 1984	United States Supreme Court, in *Hawaii Housing Authority v. Midkiff*, upholds Land Reform Act of 1967. Forced conversion of Trust Estate land begins, which, when coupled with the appreciation of Hawaii real estate in the late 1980's and early 1990's, results in dramatic increases in revenues flowing to the previously cash-poor Trust Estate during this decade-long period.
October 8, 1985	Probate Court orders KS Trustees to plan for the expenditure of accumulated income.
January 7, 1988	Nathan Aipa prepares memorandum on Trustee compensation for Trustee Peters, which lists various factors courts will consider when determining the reasonableness of compensation.
June 29, 1988	Nathan Aipa issues opinion concluding that the Will of Princess Bernice Pauahi Bishop (the "Will") permits the Trustees to transfer Trust Estate income to corpus, but recommends that transferred funds be earmarked specifically for maintenance or operations of the schools.
March 17, 1989	The Rush Moore firm sends Nathan Aipa a memorandum concluding that the law is unclear regarding the propriety of KS Trustees purchasing

	common stock and subordinated debentures in a privately held corporation in which KS also has an interest. The memorandum goes on to state that although the law is unclear, courts have commented on various aspects of potential conflict situations and that "caution should be exercised" in making any co-investments.
January 1, 1990	Oswald Stender appointed as KS Trustee.
January 15, 1991	KS Staff recommends, but Trustees do not adopt, investment policies and procedures for KS.
June 30, 1992	Trustees take $860,653 each in compensation for fiscal year ending June 30, 1992.
January 1, 1993	Richard Wong appointed as KS Trustee.
February 26, 1993	Lokelani Lindsey appointed as KS Trustee.
April 30, 1993	Strategic Compensation Associates ("SCA") issues report on Trustee compensation.
Summer 1993	Representative Pickle, Chairman of the Oversight Subcommittee of the House Ways and Means Committee, conducts two hearings (June 15 and August 2, respectively) on abuses by section 501(c)(3) charities. IRS representatives testify at length about KS.
June 30, 1993	Trustees take $823,974 each in compensation for fiscal year ending June 30, 1993.
July 19, 1993	Nathan Aipa and Mark McConaghy of PWC brief Trustees on the importance of maintaining arm's length relationships with taxable subsidiaries.
September 13, 1993	McConaghy briefs Trustees on the Pickle hearings and intermediate sanctions proposals.
1994	The IRS District Office requests technical advice from the National Office on the reasonableness of Trustee compensation for years ending June 30, 1990 and June 30, 1991.
March 16, 1994	The Treasury Department presents the Administration's intermediate sanctions proposal to Representative Pickle's Oversight Subcommittee.
April 8, 1994	KS files its response to the IRS District Office's request for technical advice on the issue of Trustee compensation.

June 1994	KS awards Milton Holt a retroactive pay increase.
June 30, 1994	Trustees take $915,238 each in compensation for fiscal year ending June 30, 1994.
September 26, 1994	Michael Hare prepares opinion that recommends that the Trust Estate pay Milton Holt's legal bills incurred as a result of a federal investigation. Hare bases his conclusion on a "linkage" between Holt's employment with KS, Holt's duties as a state legislator, and the federal investigation of Holt.
October 31, 1994	KS internal tax function assembles lobbying and political activities training materials (which include memoranda from outside providers) and presents them to the Trustees.
December 1, 1994	Gerard Jervis appointed as KS Trustee.
December 1994	Initial engagement of Verner Liipfert; Governor Waihee joins Verner Liipfert.
1995	Trustee Peters assumes control of Asset Management Group after Tony Sereno dies (and continues as such until July 1998).
	IRS begins audit of KS's 1992-1996 tax years (which includes compensation issue for 1990-1991 tax years as well).
January 1995	KS retains Verner Liipfert to investigate changing KS's domicile and tax status.
March 13, 1995	Representatives from KS and PWC meet with the IRS National Office to discuss the technical advice request on Trustee compensation. The IRS criticizes the methodology of the SCA study and states that it will not view the state statute as determinative of the reasonableness of compensation for federal tax law purposes.
April 1995	The IRS National Office declines to provide technical advice on the reasonableness of Trustee compensation.
April 24, 1995	KS retains Verner Liipfert to develop a "strategy for dealing with national trends in non-profits."
April 25, 1995	The *Wall Street Journal* publishes an article critical of Trustee compensation and other Trustee activities.
June 1995	Trustees adopt *Go Forward* plan.

June 2, 1995	Verner Liipfert transmits memoranda to KS on "Trustee Compensation Issue," "Various Issues to Be Considered in Connection with Decision to Transfer Domicile of the KSBE Trust," and "Tax-Exempt v. Taxable Status of KSBE Trust." Avoidance of IRS oversight and Hawaii court and AG oversight are cited as benefits of changing KS's domicile and taxable status.
June 7, 1995	Verner Liipfert sends a letter to the Cheyenne River Sioux Nation, stating that KS is considering a change in its domicile because "the trust is subject to intense scrutiny by the state legislature and Attorney General of its present location."
June 30, 1995	Trustees take $938,047 each in compensation for fiscal year ending June 30, 1995.
August 1, 1995	Verner Liipfert prepares comprehensive memorandum on "Relocation of Trust Domicile: Comparative Survey of State Laws and Tax Consequences for Kamehameha Schools Bishop Estate." Jurisdictions are compared based on their level of oversight and restrictions on Trustee compensation. An exhibit to the memorandum contains an evaluation of the Cheyene River Sioux Nation as a possible domicile.
August 8, 1995	Trustees approve Arm's Length Policy drafted by the KS Legal Group.
September 14, 1995	Intermediate sanctions provisions appear in the budget reconciliation legislation reported out of the House Ways and Means Committee.
September-November 1995	Verner Liipfert lobbies for the defeat of the intermediate sanctions provisions. Lobbying efforts begin with principal effort to "kill" the measure and with other positions labeled "fallbacks."
October 12, 1995	PWC prepares memorandum for Trustee Wong on the tax consequences of expenditures relating to the proposed intermediate sanctions legislation. The memorandum concludes that the expenditures fall within the "self-defense exception" to the definition of lobbying expenditures under applicable federal tax laws and that "no adverse tax consequences will arise in connection with the payments."
November 14, 1995	Conference Committee Report deletes the "exit tax" from the proposed intermediate sanctions legislation and confirms the use of I.R.C. § 162 standards. KS's post-veto lobbying strategy continues to focus on killing the proposed legislation.

December 1995- July 1996	After it is clear that intermediate sanctions will pass in some form, Verner Liipfert refocuses the lobbying effort on modifying the legislative history to ensure that Trustee compensation would be considered reasonable if established under existing state law mechanisms (*e.g.*, state trustee commission statutes or court approval of annual accounts).
February 21, 1996	Nathan Aipa sends Trustee Jervis a draft due diligence policy and reminds him that Master Matsubara recommend that the Trust Estate adopt such a policy in connection with the Master's approval of the 107th and 108th Annual Accounts.
March 14, 1996	Towers Perrin compensation study concludes that a compensation range of $683,000 to $758,000 is defensible absent pre-established performance targets.
June 1996	Second SCA compensation study prepared.
June 30, 1996	Trustees take $843,109 each in compensation for fiscal year ending June 30, 1996.
July 2, 1996	Verner Liipfert sends memorandum to Trustee Jervis on the issue of whether state law is preempted by federal intermediate sanctions law.
July 30, 1996	Intermediate sanctions legislation is enacted.
August 22, 1996	Trustees approve Trustee Conflict of Interest Policy.
August/ September 1996	Mark McConaghy briefs the Trustees twice (August 15 and September 3, respectively) on intermediate sanctions legislation, informing them that the IRS will look at individual qualifications and responsibilities in determining the reasonableness of Trustee compensation.
November 8, 1996	Michael Hare prepares a memorandum for KS regarding whether the Trustees may choose to move the Trust Estate and become subject to the laws of a different jurisdiction, and whether to incorporate the Trust Estate. Hare concludes that the Trustees may do neither.
December 29, 1996	Bobby Harmon alleges mismanagement of the Trust Estate by the Trustees and disregard of arm's length concerns by Nathan Aipa in a letter to the Former Trustees offering to settle his claim for wrongful termination.
May 1, 1997	Trustee Lindsey questions student Kamani Kuala'au in her office.

May 14, 1997	The Former Trustees petition the Probate Court to appoint a "neutral and impartial third-party fact finder . . . charged with the obligation to ascertain the material and relevant facts concerning the allegations, rumors and innuendo now affecting the management and administration of the Kamehameha Schools and the consequent internal situation arising therefrom."
May 15, 1997	Alumni and other organizations March to Kawaiha'o Plaza to protest the hostile environment at the Schools.
June 1, 1997	Former Trustees publish Trustee Conflict of Interest Policy.
June 30, 1997	Trustees take $844,600 each in compensation for fiscal year ending June 30, 1997.
July 10, 1997	Probate Court grants the Former Trustees' petition and appoints Judge Yim to investigate problems relating to the management and administration of the Kamehameha Schools.
August 9, 1997	*Broken Trust* Article published in *Honolulu Star Bulletin.*
August 1997	AG investigation begins and AG issues her preliminary report to Governor Cayetano.
August 12, 1997	Aipa holds first meeting with his "Monday Morning Team" of Graham, Hare, and Pitluck.
	Trustees publish Trust Administration and Fiduciary Guidelines Handbook
August 1997- August 1998	Verner Liipfert drafts and redrafts possible "justifications" for intermediate sanctions lobbying effort. PWC provides "technical" comments on drafts.
September 3, 1997	Michael Hare writes a memorandum to Nathan Aipa on whether Judge King's involvement in the *Broken Trust* article and other statements critical of KS violated King's duty as a sitting federal judge. Hare concludes that King's actions violate the Federal Code of Judicial Conduct, but that there is no remedy.
September 11, 1997	Aipa asks Cades to research what remedies the Trust Estate has for Bobby Harmon's violation of an injunction against him prohibiting disclosure of confidential information. Aipa also asks Cades to research whether the journalistic privilege prevents the Trust Estate from learning the source of a newspaper's information. The memoranda conclude that the Trust

	Estate's only remedy is to seek the return of any documents leaked to the press. The memoranda also conclude that, because of the journalistic privilege, KS will not be able to determine the source of the leak.
September 23, 1997	Former Trustees retain William McCorriston to represent KS with respect to AG's investigation. Nathan Aipa sends memorandum to Former Trustees stating that the issue of whether Trustee Peters compromised his fiduciary obligations by accepting compensation from Mid-Ocean as a director is "inconclusive at this time."
September–October 1997	Field settlement negotiated—settlement reached at the end of Oct./beginning of Nov.
November 10, 1997	Judge Yim meets with Former Trustees to discuss his preliminary findings; he tells the Former Trustees that Lindsey must step down immediately as lead trustee for education.
November 11, 1997	Lindsey delivers her report, "An Imperative for Educational Change" to the Board of Trustees and instructs that the material is to remain confidential.
November 17, 1997	The Master files his Report on the 109th Annual Account, making twenty-one specific recommendations concerning the Trust Estate and its annual accounts.
November 18, 1997	Nathan Aipa sends the Former Trustees a collection of opinions on trust administration issues prepared by Malcolm Moore, including advice on attorney-client privileged communications, trustees serving as directors, co-investments, and delegation of authority by trustees.
December 4, 1997	Fact Finder Patrick Yim files his report with the Probate Court under seal.
December 12, 1997	Stender and Jervis request that Lindsey resign. She refuses.
December 19, 1997	Former Trustees file Stipulation Concerning Master's Recommendations (109th Annual Account) and Order, authorizing Master to commission a full financial and management audit and implementing a number of the specific recommendations set out in the Master's Report on the 109th Annual Account (including an agreement to discontinue the lead trustee system of governance).
December 29, 1997	Trustees Stender and Jervis file a petition for Trustee Lindsey's permanent removal.

January 9, 1998	Former Trustees enter into a Stipulation Concerning Financial and Management Audit with the AG and the Master; Arthur Anderson is subsequently selected and retained by the Master to perform an independent financial and management audit of the Trust Estate.
February 26, 1998	A majority of the Former Trustees selects Peterson Group to conduct an education management audit of Kamehameha Schools, over the objection of Trustees Stender and Jervis.
March 12, 1998	Western Association of Schools and Colleges ("WASC") delivers a report critical of the state of affairs at the Schools and limiting the Kamehameha Secondary Schools' accreditation period to a probationary term of three years (compared to the customary six).
May 20, 1998	McCorriston delivers his report on Milton Holt, recommending that Holt be terminated.
June 12, 1998	Probate Court grants request of Trustees Stender and Jervis for a temporary restraining order halting the McCorriston firm's questioning of KS employees during its investigation of the leak of the WASC Report to the media.
June 30, 1998	Trustees take $1,037,012 each in compensation for fiscal year ending June 30, 1998.
	Peterson Consulting issues its report on the Former Trustees' governance of the Schools, and agrees with some of the criticisms set out in the WASC report.
July 1998	First Federal Grand Jury subpoena issued to KS.
August 3, 1998	Susan Temkin of Verner Liipfert sends letter to Master Colbert Matsumoto in response to his request for information relating to the Trust Estate's intermediate sanctions lobbying efforts.
August 7, 1998	Master files his Consolidated Report on the 109th - 111th Accounts.
	Arthur Andersen files its Financial and Management Audit Report with the Probate Court under seal.
September 1998	First State Grand Jury subpoenas issued to KS.
September 8, 1998	Trustee Peters files a petition to disqualify the AG.
September 9, 1998	Former Trustees file Response to Master's Consol. Rpt.

September 10, 1998	AG files Petition for Removal and Surcharge of the Former Trustees.
September 18, 1998	Susan Temkin sends another letter to the Master in response to specific questions prompted by her Aug. 3, 1998 letter discussing the Trust Estate's intermediate sanctions lobbying efforts.
September 29, 1998	Master files his First Supplemental Report on the 109th - 111th Annual Accounts.
September 29, 1998	Trustee Jervis files a response to the Master's First Supplemental Report on the 109th - 111th Annual Accounts asserting a conflict of interest between the Former Trustees and the Trust Estate with respect to withholding or delaying responses to discovery and other requests of the AG.
October 1, 1998	IRS sends letter to the Former Trustees notifying them that it is suspending communications with the Former Trustees owing to an apparent conflict of interest between the Former Trustees' individual interests and those of the Trust Estate.
October 2, 1998	Former Trustees enter into court-ordered Stipulations Concerning the Master's Recommendations (109th - 111th Annual Accounts) with the Master and the AG, requiring them, *inter alia*, to adopt a CEO-based management structure and terminate the lead trustee system.
October 14, 1998	McCorriston issues a report on Kalele Kai. The report concludes that the sale of Kalele Kai development rights was favorable to the Trust Estate.
October 15, 1998	Susan Temkin of Verner Liipfert sends Nathan Aipa a letter containing an analysis of the Trust Estate's intermediate sanctions lobbying efforts to be used to respond to criticisms and conclusions in the Master's First Supplemental Report regarding intermediate sanctions lobbying efforts. Trustee Wong attaches this letter to an affidavit and submits both documents to the Probate Court the following day.
October 16, 1998	Trustee Stender files a response to the Master's First Supplemental Report on the 109th - 111th Annual Accounts asserting that the interests of the individual Former Trustees in defending themselves against the AG's removal petition place them in a conflict of interest with their responsibilities as Trustees to act in the best interests of the Estate.
October 21, 1998	Probate Court enters Order Adopting Master's Recommendation No. 18, which requires the Trustees to provide the Master with status reports on the IRS audit, including any issue that may raise a potential conflict of interest between the interests of the Trustees and the Trust Estate

October 28, 1998	Master Matsumoto's signature appears on a campaign letter endorsing Governor Cayetano that praises the AG's investigation of KS.
October 30, 1998	Trustee Wong files a petition to disqualify the Master.
November 2, 1998	Master files his Second Supplemental Report on the 109th - 111th Annual Accounts, recommending a procedure to deal with the conflicts raised by the IRS audit.
November 13, 1998	Former Trustees file "A Plan for Determining Trustee Compensation" in the Probate Court. The plan acknowledges the applicability of I.R.C. section 162 standards, the importance of independent studies and actual written job offers from similar institutions, and the importance of an independent committee in determining the reasonableness of Trustee compensation.
November 20, 1998	Master Matsumoto files his Third Supplemental Report on the 109th - 111th Annual Accounts, finding that the Former Trustees face a current conflict of interest between their personal interests and those of the Trust Estate in connection with the AG's Removal and Surcharge Petition, the recommendations set out in the Master's Reports, and Trustees Stender and Jervis' Petition for the Removal of Trustee Lindsey.
November 25, 1998	KS retains Miller & Chevalier to assist in resolving issues raised by the IRS audit.
December 9, 1998	Probate Court appoints a panel consisting of Mark McConaghy, Nathan Aipa, and the Master (the "Conflicts Panel") to review the IRS audit findings and advise the Probate Court whether the audit findings raise conflicts of interest between the interests of the Former Trustees and those of the Trust Estate.
December 31, 1998	IRS issues draft Forms 5701 (Notices of Proposed Adjustments) proposing revocation of KS's tax-exempt status retroactive to July 1, 1989.
January 21, 1999	Conflicts Panel concludes that the Forms 5701 raise actual, apparent, and material conflicts of interests between the Trust Estate and the Former Trustees.
February 26, 1999	Conflicts Panel informs the Probate Court that the Forms 5701 raise actual, apparent, and material conflicts of interests between the Trust Estate and the Former Trustees. Probate Court appoints Special Purpose Trustees ("SPTs") to handle the resolution of issues raised by the IRS audit.

March-April 1999	Probate Court holds hearings on the AG's Petition for the interim removal of Trustees Peters and Wong.
April 19, 1999	IRS informs SPTs that a non-negotiable condition of any settlement of the audit issues is the permanent removal or resignation of all five Former Trustees.
April 27, 1999	SPTs file a report with the Probate Court informing the court of the IRS's conditions.
May 6, 1999	Judge Weil orders the permanent removal of Trustee Lindsey for cause.
	Trustees appoint Gilbert Tam as "Interim CEO."
May 7, 1999	Temporary removal hearing: Probate Court removes the Former Trustees on an interim basis and appoints SPTs to serve as Interim Trustees; Trustee Stender resigns conditionally.
June 10, 1999	Judge Weil issues findings of fact and conclusions of law reaffirming her May 6, 1999 order permanently removing Lindsey.
July 16, 1999	Interim Trustees request that the Former Trustees resign.
August 12, 1999	Miller & Chevalier opinion letter advises Interim Trustees that there is a significant risk that the Trust Estate's tax-exempt status would be lost if the issue were litigated.
August 16, 1999	Arthur Andersen advises Interim Trustees that the financial impact of a loss of the Trust Estate's tax-exemption could be "in excess of $750 million."
August 19, 1999	PWC recommends settlement. Board of Interim Trustees approves the proposed closing agreement with the IRS that preserves the Trust Estate's tax-exempt status and agrees to petition for removal of the Former Trustees.
August 24, 1999	Interim Trustees file Petition for Approval of the Closing Agreement and for Permanent Removal of Incumbent Trustees.
August 31, 1999	Judge Hirai issues decision removing Peters and Wong on an interim basis and finding that they violated several binding court orders.
October 6, 1999	Report of Martin Katz of William Mercer Associates, Inc. establishes range of reasonable compensation of $217,700 to $357,700 per Trustee for the 1990 to 1996 audit period.

	Arthur Andersen revises its calculation of the financial impact of the loss of the Trust Estate's tax-exempt status, concluding it to be in excess of $900 million.
December 1, 1999	Probate Court approves Closing Agreement, subject to permanent removal or resignation of the remaining Former Trustees.
December 16, 1999	As of this date, all of the Former Trustees have resigned.