DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Date: FEB 2 3 2000

Admiral Robert K. U. Kihune, USN (Ret.)
David Paul Coon
Francis Ahloy Keala
Ronald Dale Libkuman
Constance Hee Lau
Interim Trustees
Kamehameha Schools /Bernice Pauahi Bishop Estate
Kawaiahao Plaza
567 South King Street
Honolulu, HI 96813

Re: Kamehameha Schools Bishop Estate
Employer Identification Number: 99-0073480

Dear Interim Trustees:

On February 23, 2000, Kamehameha Schools Bishop Estate ("KSBE") and the Internal Revenue Service ("IRS") executed an agreement concerning the resolution of audit issues relating to KSBE's status as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and the settlement of certain income tax and unrelated business income tax issues pertaining to the taxable years ended June 30, 1990 through June 30, 1996. (A copy of this agreement is attached as Exhibit A and is hereinafter referred to as the "Closing Agreement.")

In an Order dated December 1, 1999, Judge Kevin S.C. Chang of the Circuit Court of the First Circuit, State of Hawaii (the "Probate Court") approved the Closing Agreement.

Paragraph 1 of Part C of the Closing Agreement provides that in lieu of revocation, the IRS will accept KSBE's supplemental appendix to its Form 1023 as a reaffirmation submission requesting continued recognition as an organization exempt from taxation under section 501(a) of the Code as described in section 501(c)(3). In a document dated August 18, 1999, KSBE submitted information to the IRS as a supplemental appendix to its Form 1023. (A copy of this supplemental appendix is attached as Exhibit B and is hereinafter referred to as the "Reaffirmation Submission.") The Reaffirmation Submission describes KSBE's current and future mission, vision, organizational goals, education programs and services, strategic planning, spending and investment policy, governance, and financial reporting and internal controls.

In a hearing held on January 14, 2000, the Probate Court approved KSBE's proposed spending policy as prudent and in the best interest of Kamehameha Schools.

Paragraph 1.O. of Part A of the Closing Agreement states that KSBE has reimplemented an independent internal audit function. Pursuant to Paragraph 1.O., KSBE has contracted with Arthur Andersen LLP ("Andersen") to serve as Internal Auditor for two years, subject to an extension of one year.

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Andersen's duties under this contract include monitoring KSBE's compliance with the terms of the Closing Agreement to confirm that the agreed upon reporting requirements are met.

Pursuant to Paragraph 1 of Part C of the Closing Agreement, the Reaffirmation Submission is treated as part of KSBE's current exemption application for purposes of section 6104 of the Code and section 301.6104(a)-1(d) of the Income Tax Regulations.

Based on the Reaffirmation Submission, we hereby reaffirm that KSBE is an organization exempt from federal income tax under section 501(a) of the Code as an organization described in section 501(c)(3) and as an educational organization described in section 170(b)(1)(A)(ii).

KSBE has agreed to make a copy of this letter available to the public upon request and to publish a copy of this letter on its Internet Web Site.

In accordance with the Powers of Attorney currently on file with the Internal Revenue Service, we are sending a copy of this letter to your authorized representative.

Sincerely,

Marvin Friedlander

Marvin Friedlander
Manager, Technical Group 1
Exempt Organizations

Attachments:
Exhibit A – Closing Agreement
Exhibit B – Reaffirmation Submission