

KAMEHAMEHA SCHOOLS
BERNICE PAUAHI BISHOP ESTATE



GOVERNANCE POLICY

FOREWORD

This governance policy has been developed to provide the framework within which the Board of Trustees would be guided in the execution of their fiduciary duties. As stated herein, the Trustees have the highest of fiduciary duties recognized by law. As such, it is not only essential that they are fully aware of this responsibility and the obligations inherent in this responsibility, but they must ensure that their actions, decisions, and conduct be of the highest standards and that the values that Bernice Pauahi Bishop expected of her Trustees are never compromised. One of the values that Bernice Pauahi Bishop expected of every Trustee is loyalty; loyalty above all else to the persons intended to benefit from the purposes expressed in the Will to ensure that it is never placed at risk in fulfilling the legacy of her Will. Consequently, if for any reason a Trustee cannot fulfill or has violated his/her fiduciary duties and obligations, he or she, without hesitation, must voluntarily and loyally resign as a Trustee.

It is understood that the governance policy contained herein will be modified from time to time for reasons of clarifying the policy or because of organizational or process changes. What cannot be changed or modified, however, are the highest standards of conduct and moral and ethical values by which each Trustee must be bound

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SECTION 1

Policy Type:

Governance Process

Preamble

In accordance with the Will of Bernice Pauahi Bishop, the Board of Trustees (the Board) of the Kamehameha Schools Bernice Pauahi Bishop Estate (KSBE) is composed of five individuals who are equally vested with the responsibility and duty of collectively carrying out the testamentary wishes of Bernice Pauahi Bishop as set forth in her Will and two codicils thereto, as construed by judicial decisions concerning KSBE.

KSBE is a perpetual, charitable trust estate established for exclusively educational purposes, namely, "to erect and maintain ...the Kamehameha Schools." All activities of KSBE must be consistent with and in furtherance of this primary purpose. Any activity of KSBE inconsistent with or that jeopardizes this primary purpose is to be avoided.

The Trustees have the highest of fiduciary obligations recognized by the law. As has been observed, "Many forms of conduct permissible in a workaday world for those acting at arm's length, are forbidden to those bound by fiduciary ties. A trustee is held to something stricter than the morals of the market place. Not honesty alone, but the punctilio of an honor the most sensitive, is then the standard of behavior."

Policy Title:

The Trustees' Role

The Trustees' role is to create, sustain, and fulfill a vision whose primary focus is on furtherance of education, while leaving the development and execution of the plan to fulfill the vision to the Chief Executive Officer (CEO). **The Board sets policy, management implements policy; the Board is responsible for oversight of the Estate while the day-to-day management of the operations of the Estate is the responsibility of the CEO.**

Policy Title:

Governance Commitment

The Board, on behalf of the persons intended to benefit from the purposes expressed in the Will, will govern the Trust Estate with a strategic perspective through a continually improved commitment to its vision, mission and values.

Policy Title:
Manner of Governing

The Board will govern in a manner that emphasizes: outward vision rather than an internal preoccupation; encouragement of diversity in viewpoints; strategic leadership and not administrative detail; clear distinction of Board and (CEO) roles; collective and not individual decisions; future rather than past; and proactivity rather than reactivity.

More specifically, the Board will:

- . Operate in all ways mindful of its legal obligation to administer KSBE solely in the interest of the persons intended to benefit from the purposes expressed in the Will. It will allow no officer, individual or committee of the Board to hinder or be an excuse for not fulfilling this commitment.
2. Enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, policymaking principles, respect of roles, speaking out with one voice, and ensuring the continuity of governance capability. **Discipline will also apply to ensuring that the Board or individual Trustees will never be engaged in the day to day management of the Estate, which is the responsibility of the CEO.** Continual redevelopment will include annual orientation of members in the Board's governance process and periodic Board discussion of process development.
3. Direct, control, and inspire the organization through the careful establishment of organizational policies reflecting the Board's values and perspectives. The Board's major focus will be on the near term and long term planning and their intended outcomes and potential impacts, **not** on the administrative means of executing these plans.
4. Cultivate a sense of group responsibility. The Board, not the staff, will be responsible for excellence in governing. The Board will be an initiator of policy, not merely a reactor to staff initiatives. The Board will use the expertise of individual members to enhance the ability of the Board as a body, rather than to substitute their individual judgments for the Board's values.
5. Monitor and discuss the Board's process and performance at least quarterly. Self-monitoring will include comparison of Board activity and discipline to policies in the Governance process and Board-CEO/President Relationship categories.
6. Conduct itself in a manner which complies with all relevant laws and regulations. The Board will fulfill all of its legal and fiduciary responsibilities as required by state statutes, applicable law, and the Will of Ke Ali'i Pauahi.
7. Keep adequately informed about relevant global and local educational and other issues, actively gathering information to fulfill its role.

Policy Title:

Board of Trustees' Duties

In accordance with standards of trust law applicable to the trustees of perpetual, charitable trusts, and the Will, the Trustees collectively shall perform and fulfill the following acts and duties in view of the manner in which persons of ordinary prudence, diligence, discretion, and judgment would act in the management of their own affairs. The Trustees shall:

- A. Establish the policies, goals, and objectives of KSBE consistent with the mission. The policies shall be established to ensure that the Trustees' fiduciary obligations are met. Board established policies shall include, but not be limited to, the following:
 - strategic plan policy that addresses KSBE's primary educational objectives and financial objectives in support thereof.
 - spending policy
 - investment policy
 - exempt organization policy
 - inter-KSBE subsidiary transactions policy
 - conflicts of interest policy
 - accounting policy
 - internal audit policy
- B. Oversee the implementation of KSBE's policies and procedures and take all steps necessary to ensure that KSBE is being managed in a manner consistent with its mission, and that its assets are being managed prudently and only for KSBE's exclusively charitable purposes. All functions and decisions shall be measured against the mission.
- C. Make substantive strategic policies affecting the administration of KSBE such as its educational and financial objectives and other major plans and actions.
- D. Oversee the management of KSBE's finances, including reviewing and approving annual budgets, periodically reviewing financial projections, and establishing and implementing fiscal controls sufficient to assure that KSBE's resources are expended only for KSBE's purposes. The Board collectively and each Trustee individually is accountable for the financial well-being of KSBE.
- E. Select, regularly evaluate, fix the compensation of, and where appropriate, hire or replace the CEO of KSBE. The specific organization of Principal Executives is a matter that will be addressed by the CEO for approval, as applicable, to the Board,

subject to applicable provisions of law. Principal Executives shall currently consist of persons serving in the capacities of a Chief Executive Officer (CEO), the President of the Schools, and a Chief Operating Officer (COO). See Appendix A for KSBE organizational chart. The titles and numbers of the Principal Executive positions may vary but their roles and responsibilities shall be consistent with standards of delegation of authority and responsibility incumbent upon the Board as the prudent fiduciaries of an institution requiring a diversity of demonstrated professional and managerial expertise that the Trustees themselves are not expected to exercise. In so delegating, the Trustees must exercise reasonable care, skill, and caution in selecting the CEO; establishing the scope and terms of CEO's duties; and periodically reviewing CEO's actions in order to monitor his/her performance and compliance with Board directives.

- F. Set limits on the means with which the CEO and KSBE staff operate by establishing principles of prudence and ethics, forming the parameters for all management and staff practices, activities, circumstances, and methods.
- G. Monitor Board directives to the CEO and professional consultants retained by the Board to ensure implementation in accordance with such directives.
- H. Hold the CEO accountable for ensuring compliance with applicable federal and state laws and regulations and court orders regarding the administration of the Trust, and for minimizing exposure to legal action.
- I. Preserve the tax-exempt status of the Trust Estate by ensuring that the CEO at all times is cognizant of and demonstrates continuing sensitivity to the requirements that the conduct of KSBE's tax-exempt entities and organizations must always be consistent with their IRC 501(c)(3) status and that all activities of all taxable subsidiaries and affiliates of KSBE must not jeopardize the tax-exempt status of the exempt entities.
- J. Represent the persons intended to benefit from the purposes expressed in the Will of KSBE in determining and demanding appropriate organizational performance. To distinguish the Board's own unique job from the jobs of its staff, the Board will concentrate its efforts on written governing policies which, at the broadest levels, address:

Governance Process: Specification of how the Board conceives, carries out and monitors its own task.

- 2. Executive Boundaries: Constraints on executive authority which establish the prudence and ethical boundaries within which all executive activity and decisions must take place.
- 3. Board-CEO Relationship: How responsibilities are delegated and its proper use monitored; the Chief Executive Officer's role, authority and accountability.
- 4. Ends: Organizational products, impacts, benefits, outcomes, recipients, and their relative worth.

5. Internal Audit: Guidance for independent appraisal and examination of all control functions within KSBE, including functions of the Board of Trustees.
- K. In accordance with the Will, the Trustees will provide relevant information concerning the governance and administration of KSBE in a timely manner to the Attorney General as parens patriae.
- L. The Trustees will not have day-to-day responsibility for the management of KSBE.

Policy Title:

Chairperson's Role

The Chairperson will be selected by the Board of Trustees by majority vote. The Chairperson's primary role is the integrity of the Board's process and, secondarily, occasional representation of the Board to outside parties. The Chairperson is generally the Trustee authorized to speak for the Board (beyond simply reporting Board decisions).

The job of the Chairperson is to ensure the Board behaves consistently with its own policies and rules.

Board discussions will only be those issues which, according to Board policy, clearly belong to the Board to decide. The CEO will develop the agenda for each Board meeting.

2. Deliberation will be fair, open, and thorough, but also efficient, timely, orderly and kept to the point.
3. The Board will offer the opportunity for input from individual employees or staff groups, including subsidiaries and affiliated organizations, which have expertise and interests specifically related to Board decisions and Board policies.
4. The authority of the Chairperson consists of making decisions that fall within the topics covered by Board policies on Governance Process and Board-CEO Relationship, except where the Board specifically delegates portions of this authority to others. The Chairperson is authorized to use any reasonable interpretation of the provisions in these policies.
5. The Chairperson is empowered to chair Board meetings with the commonly accepted power of that position (e.g., ruling, recognizing).
6. The Chairperson, being an individual Trustee, has no authority to make decisions about policies. The Chairperson may meet individually with the CEO to discuss progress or issues of interest to the Board. The CEO will keep other Trustees informed of significant issues discussed during these meetings.
7. The Chairperson may represent the Board to outside parties in announcing Board-stated positions and in stating Chair decisions and interpretations within the area delegated to him or her.

Policy Title:

Board Committee Principles

Board committees (not to be confused with the Advisory Board which is explained in a subsequent policy below), when used, will be assigned so as to interfere minimally with the wholeness of the Board's job and to interfere minimally with delegation from Board to CEO. Committees will be used sparingly, only when other methods have been deemed inadequate.

Board committees are to help the Board do its job, not to help the staff do its jobs. Committees ordinarily will assist the Board by preparing policy alternatives and implications for Board deliberation. Board committees are not to be created by the Board to advise staff.

2. Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes. Expectations and authority will be carefully stated in order not to conflict with authority delegated to the CEO
3. Board committees cannot exercise authority over staff. Because the CEO works for the full Board, he or she will not be required to obtain approval of a Board committee before taking an executive action. In keeping with the Board's broader focus, Board committees will not normally have direct dealings with current staff operations although Board committees may include staff members.
4. Board committees will attempt to avoid over-identification with organizational parts rather than the whole. Therefore, a Board committee which has helped the Board create policy on some topic will not be used to monitor organizational performance on that same subject.
5. Depending upon the reason to form a Board committee, membership will be at the discretion of the Board and may include volunteer (uncompensated) members from the private sector and designated members from the KSBE staff. Board committees will not be compensated, except in unusual circumstances when a special consultant is necessary to be a member, and only that special consultant will be compensated. KSBE staff and Trustees who are members of the Board Committee will not be compensated under any circumstance.
6. This policy applies only to committees which are formed by Board action, whether or not the committees include non-Board members. It does not apply to committees formed under the authority of the CEO.

Policy Title:

Board Committee Structure

A committee is a Board committee only if its existence and charge come from the Board, regardless of whether Trustees sit on the committee. The only Board committees are those which are set forth in this policy.

Policy Title:

Advisory Board Structure

The Advisory Board is a voluntary group of individuals selected by the Board for the purpose of providing advice on specific areas of their individual expertise, such as education, finance, investments, real estate, etc. Members of the Advisory Board will be selected from candidates who do not have a conflict of interest and will serve terms of two calendar years. Their membership will automatically terminate on December 31 on the second year, unless specifically requested by the Board to serve for another year or another term. The number of Advisory Board members will be at the discretion of the Board. The Advisory Board members will meet at the call of the Board, but will meet at least once a quarter.

Policy Title:

Annual Board Planning Cycle

To accomplish its job outputs with a governance style consistent with Board policies, the Board will follow an annual agenda which (a) completes a re-exploration of Ends policies annually and (b) continually improves its performance through Board education and self-assessment. The cycle will conclude with the completion of a revised Ends policy from which the staff can develop a budget for the following fiscal year.

Policy Title:

Board of Trustees' Code of Conduct

The Board of Trustees expects of itself as a whole and of its individual Trustees' ethical and professional conduct. This commitment includes proper use of authority and appropriate group and individual behavior when acting as Trustees. The Trustees will adhere to the Conflicts of Interest policy contained in the Trustees Manual. The following is not intended to supersede those policies but is restated for emphasis in this Governance Policy document.

- 1 Trustees must have unconflicted loyalty to the interests of the persons intended to benefit from the purposes expressed in the Will. This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups and membership on other Boards and staffs. This accountability supersedes the personal interest of any Trustee.
2. Trustees must avoid any actual or **perceived** conflict of interest with respect to their fiduciary responsibilities.

- A. There must be no self-dealing or any conduct of private business or personal services between any Trustee and KSBE staff or entities.
 - B. Trustees must not use their positions to obtain employment with or contracts with KSBE for family members or close associates.
 - C. Trustees are to remain at arms length from the taxable subsidiaries. Consequently, Trustees will **not** serve as Directors of any of the taxable subsidiaries of KSBE.
- 3. Trustees will not attempt to exercise individual authority over the organization except as explicitly set forth in Board policies.
 - 4. Trustees' interaction with the public, press or other entities must recognize the same limitation and the similar inability of any Trustee to speak for the Board.
 - 5. Trustees must deal positively with each other, including the use of open and honest communications.

Policy Title:

Board Operations

The Board will operate in a consistent manner, following the policies detailed herein. The Board may from time to time modify these policies to satisfy changing requirements.

1 Meetings

- A. Regular - The Board will normally meet on Thursday of each week in the Board Room of the Kawaiaha'o Plaza. Meetings will occasionally be held at sites throughout the facilities of KSBE. The times for each meeting will be determined by the Board and will be promulgated to cognizant personnel at least 48 hours in advance, if it is other than the normal meeting time of 8:00 a.m. on Thursdays. The Board may decide to meet less frequently if weekly meetings are not necessary to discharge its duties properly, but should at least meet monthly.
- B. Special Meetings - Special meetings may be called on a needs basis by the Chairperson of the Board.
- C. The agenda and meeting materials shall be prepared by the Chief Executive Officer and delivered to the Trustees approximately four days prior to the regular meeting date.
- D. Rules of Action

1 Quorum

- a. A minimum of three Trustees shall constitute a quorum and shall be necessary to conduct business.

- b. Approval of an action item requires affirmative votes from at least three Trustees.

E. Consideration of Policy Matters

The Board will consider proposed new or revised policy as a recommendation for approval. Upon a majority vote, the policy will be incorporated into the Board's policies.

F. Use of a Consent Agenda

All items presented to the Board will be placed on a Consent Agenda except policy considerations or annual budget approval.

- 2. Any item may be removed from the Consent Agenda by a Trustee.

G. Rules of Order

- 1. The Board will establish its own rules of order, subject to the following:
 - a) Abstention by one or more members shall constitute action.
 - b) The Consent Agenda or an item requiring action shall be placed before the entire Board through a motion made by one of the Trustees. A second to the motion shall not be needed.
 - c) Appropriate discussion of the item shall be determined by the Board Chairperson who shall call for the vote.
 - d) Any motion may be amended, tabled, etc.

H. Minutes

- a) The Board will maintain minutes for every Board meeting that will include, as a minimum, the following:
 - 1) Dates and times the meeting was called to order and adjourned.
 - 2) Trustees, staff members and guests present.
 - 3) A summary of every agenda item which was discussed during the meeting including any items that were not on the officially published agenda but were discussed during the course of the meeting.
 - 4) The decisions of Board of Trustees of each agenda requiring a decision, including nay votes by name and the reason for the nay vote, when applicable.
- b) The minutes will be taken by a representative from other than the Legal Department of KSBE.
- c) The minutes will be kept on file and appropriate safeguards provided, as

required.

- d) The minutes will be made available to the court appointed Master during his/her annual audit, and to the Attorney General on request as *parens patriae*.

I. Public Attendance and Discussion

The Board of Trustees may, as appropriate, allow public attendance at the Board meetings. When such attendance is allowed, the Chairperson is to ensure that the attendees are properly advised by written notice of policies established by the Trustees for the conduct of and hearing the public attendees at the meeting.

SECTION 2

Policy Type:

Executive Boundaries

Policy Title:

General Executive Constraint

The Chief Executive Officer (CEO) shall not cause or allow any practice, activity, decision or organizational circumstance which is either illegal, imprudent or in violation of commonly accepted business and professional ethics.

- 1 With respect to treatment of persons (employees and students) in KSBE, the CEO may not cause or allow conditions which are inhumane, unfair, undignified, or discriminatory.
2. With respect to financial planning for any fiscal period, the CEO shall not deviate materially from Board Ends (expected outcomes) priorities, place the Estate's assets at significant risk, or fail to show a generally acceptable level of foresight.
3. With respect to the actual, ongoing condition of the organization's financial health, the CEO may not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures approved by the Board.
4. With respect to providing information and counsel to the Board, the CEO may not permit the Board to be uninformed regarding the organization and its interests.
5. The CEO may not allow assets to be unprotected, inadequately maintained or unnecessarily risked.
6. The CEO may not cause or allow compensation and benefits to employees, consultants, contract workers, or volunteers to jeopardize fiscal integrity or public image.
7. In order to protect the Board from sudden loss of chief executive services, the CEO may not have fewer than two other senior staff familiar with Board and chief executive issues, plans, problems, and processes. The two senior staff normally required to maintain familiarity are the President of the Schools and the Chief Operating Officer (COO).
8. The CEO may not fail to include faculty and staff representation on appropriate KSBE committees and planning groups such as the development of a strategic plan.
9. With respect to personnel matters (i.e., hiring, disciplining, transfer or termination)

concerning the Principal Executives (the President of the Schools and the Chief Operating Officer), the CEO will first consult with the Board.

10. The CEO shall take no action that places KSBE's exempt status in jeopardy.

Policy Title:

Treatment of People

With respect to treatment of persons (employees and students) in KSBE, the CEO may not cause or allow conditions which are inhumane, unfair, undignified, or discriminatory.

Accordingly, he or she may not:

1. Operate without personnel procedures which clarify personnel rules for employees, provide for effective handling of grievances, and protect against wrongful conditions.
2. Illegally discriminate against any student or staff member for exercising his/her First Amendment rights.
3. Prevent an employee from addressing the Board when internal grievance procedures have been exhausted and the employee alleges either:
 - A. that Board policy has been violated to his or her detriment or
 - B. that Board policy does not adequately protect his or her human rights.
4. Fail to acquaint employees with their rights under this policy.
5. Operate without an affirmative action plan.
6. Operate without a harassment policy.
7. Fail to comply with applicable laws and regulations regarding employment.

Monitoring

Items 1-7

Method: Internal

Frequency: Twice a year

Policy Title:
Financial Planning

With respect to financial planning for any fiscal period, the CEO shall not deviate materially from Board Ends priorities, place the Estate's assets at significant risk, or fail to show a generally acceptable level of foresight. Accordingly, he or she may not cause or allow budgeting which:

1. Contains insufficient information to enable
 - A. understanding of planning assumptions,
 - B. accurate projection of revenues and expenditures, and
 - C. separation of both capital and operational revenues and expenditures.
2. Recommends the expenditure in any fiscal year of more funds than are conservatively projected to be received or carried forward in that period.
3. Results in a proposed budget which does not reflect stated Board Ends priorities within the parameters of conservatively projected available revenues and a balanced budget.
4. Permits operations to exceed the annual budget, plus a reasonable variance, as approved by the Board.

Monitoring

Items 1-3

Method: Internal

Frequency: Once a year

Policy Title:
Financial Condition

With respect to the actual, ongoing condition of KSBE's financial health, the CEO may not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from Board Ends priorities.

Accordingly, he or she shall not:

Implement and maintain cash management practices that prevent the settlement of payroll and other debts or obligations of KSBE in a timely manner.

2. Allow tax payments or other government-ordered payments or filings to be negligently overdue or inaccurately filed.

Monitoring

Items 1-2

Method: Internal

Frequency: Twice a year

Policy Title:

Communication and Counsel to the Board

The CEO shall not permit the Board to be uninformed regarding the organization and its interests.

Accordingly, he or she may not:

- Neglect to submit monitoring data required by the Board (see policy on Monitoring Executive Performance) in a timely, accurate and understandable fashion.
2. Let the Board be unaware of relevant trends, anticipated adverse media coverage, material external and internal changes, particularly changes in the assumptions upon which any Board policy has previously been established.
3. Fail to advise the Board if, in the CEO's opinion, the Board is not in compliance with its own policies on Governance Process and Board-Staff Relationship, particularly in the case of Board behavior which is detrimental to the working relationship between the Board and the CEO.
4. Present information in unnecessarily complex or lengthy form or allow the information and advice to the Board to have significant gaps in timeliness, completeness, or accuracy.
5. Fail to provide mechanisms for official Board communications.
6. Fail to deal with the Board as a whole except when (a) fulfilling individual requests for information or (b) responding to officers or committees duly charged by the Board.
7. Fail to report in a timely manner an actual or anticipated noncompliance with any policy of the Board.
8. Fail to present or have presented to the Board a diversity of policy-related opinion and perspective from the faculty and staff.

9. Obscure the proportion of the resources expended and/or allocated to specific Ends established by the Board.

Monitoring

Items 1-9

Method: Internal

Frequency: Twice a year

Policy Title:

Asset Protection

The Chief Executive Officer may not allow assets to be unprotected, inadequately maintained nor unnecessarily risked. Accordingly he or she may not:

- Allow an inadequate system of internal controls to exist, both accounting and administrative, that are insufficient to meet generally accepted accounting principles and auditing standards.
- 2. Allow unethical business practices and noncompliance with relevant laws, regulations, and Board policies.
- 3. Allow procurement of goods and services without establishing procedures related to:
 - Monetary thresholds that balance competition and efficiency of process.
 - Capital equipment with a unit value of more than \$50,000.
 - Conflict of interest.
 - Official functions.
- 4. Allow disposal of KSBE furniture, equipment and other personal property without first establishing procedures.
- 5. Acquire, encumber or dispose of real property unless authorized by the Board of Trustees within specific approved policies or for specific transactions.
- 6. Allow KSBE to become at risk by:
 - Unnecessarily exposing KSBE, its Board or staff to claims of liability.
 - Failure to insure against theft and casualty losses [to at least 80% of replacement value].
 - Failure to insure against liability losses to Board members, staff and KSBE.

- Failure to provide adequate preventative and major maintenance of physical plant, facilities, and equipment.
7. Permit investment of moneys received by KSBE in any investment instruments or securities not permitted by applicable statutes or legal documents or other established guidelines or in a manner that jeopardizes the safety of invested principal.

Monitoring

Items 1-7

Method: Internal

Frequency: Twice a year

Method: External

Frequency: Once a year

Policy Title:

Faculty and Staff Representation

The CEO shall not fail to include faculty and staff representatives on appropriate KSBE committees and planning groups such as the development of a strategic plan.

Monitoring

Method: Internal

Frequency: Once a year

Policy Title:

Principal Executives

With regard to personnel matters (i.e., appointment, employment, disciplining, transfer, or termination) of the Principal Executives (the President of the Schools and the Chief Operating Officer), the CEO will first consult with the Board. All other personnel decisions and actions, except those pertaining to the Internal Auditor and Trustee secretarial positions, are delegated by the Board of Trustees to the CEO, and in the case of the schools faculty and staff, to the President of the Schools.

Monitoring

Method: Internal

Frequency As required.

Policy Title:

Consultants

Consultants will be used to provide services at the most reasonable and practicable price following established, prudent business practices where such services either cannot be completed at current staffing levels in a timely, effective and efficient manner or are beyond in-house capabilities. Consideration for the use of a consultant will include past performance, stability, availability and uniqueness of the service being provided. When consultants are required, the following policy applies:

- The use of a consultant must be approved by the CEO.
2. For specific programs or projects, proposals of at least three qualified consultant firms, where possible, will be solicited. The CEO or designated Principal Executive will make the selection, with the objective of ensuring the Estate receives the greatest value for its resources and the consultant does not breach any of the Estate's conflict of interest policies. The requirement for proposals from three qualified consultants may be modified by the CEO where the services required are unique and narrowly specialized. Proper justification shall be recorded and made available to the Internal Auditor.
3. Long term consultant contracts (such as with law and audit firms) will be limited to five (5) years. A new request for proposals (RFP) will be issued to solicit proposals from interested firms prior to the end of the contract period. Firms holding the current contract may compete for the new contract issued by the RFP. A committee consisting of the CEO and the designated Principal Executives will make the selection. The Internal Auditor will be a non-voting member of the committee.
4. The CEO will cause a master list of consultant contracts to be maintained, identifying the consultant, describing the nature of the consulting provided and the cost of the services.
5. The Internal Auditor will monitor and review compliance with this policy, with specific guidance from the Audit Committee, as necessary.
6. This policy is not intended to discourage the outsourcing of services and functions if such outsourcing is in the best interests of the Estate (e.g., use of external investment managers and performance monitors).

Monitoring

Method Internal

Frequency: Quarterly

SECTION 3

Policy Type:

Board-CEO Relationships

Policy Title:

CEO's and President 's Role

The Chief Executive Officer (CEO) is accountable to the Board of Trustees (the Board) acting as a body. Because education is the exclusive purpose of KSBE, the prominence of the position of President of the Kamehameha Schools within a CEO based management structure cannot be diminished. Consequently the responsibilities of the President within a CEO based organization is a unique one. Thus, personnel decisions and actions of the schools are delegated to the President of the Schools, the person who is most knowledgeable of the requirements and issues of the schools. This responsibility of the President within a CEO based system should not be construed or interpreted in any manner that usurps or is inconsistent with the authority of the CEO. The president's role within a CEO based system is to enhance and facilitate the overall efficiency and effectiveness of the KSBE organization in accomplishing its primary educational goals and objectives. See Appendix A for the organizational structure of KSBE.

Policy Title:

Delegation to the CEO

All Board authority delegated to staff is delegated through the CEO, except as noted in the next subsection pertaining to the delegation to the President.

- 1 The Board will direct the CEO to achieve certain results, for certain recipients, at a certain cost or priority through the establishment of Ends policies. The Board will limit the latitude the CEO may exercise in practices, methods, conduct and other "means" to the Ends through establishment of Executive Boundaries policies.
- 2 As long as the CEO uses any reasonable interpretation of the Board's Ends and Executive Boundaries policies, the CEO is authorized to establish all further relevant administrative regulations, make all decisions, take all actions necessary to attain the goals and objectives of the Board, establish all practices and coordinate all new or expansions of programs.

3. The Board may change its Ends and Executive Boundaries policies, thereby shifting the process of reporting between Board and CEO. By so doing, the Board changes the latitude of choice given to the CEO. But so long as any particular delegation is in place, the Board of Trustees will respect and support the CEO's choices. This does not prevent the Board from obtaining information in the delegated areas, except for confidential/personal information relating to students and staff.
4. Only decisions of the Board acting as a body are binding upon the CEO.
 - A. Decisions or instructions of individual Trustees, officers, or committees are not binding on the CEO except for instances when the Board has specifically authorized such exercise of authority.
 - B. In the case of Trustees or committees requesting information or assistance without Board authorizations, the CEO should coordinate unreasonable requests with the Chairperson of the Board and not unilaterally refuse such requests, unless in the CEO's judgment, an unjustified amount of staff time or funds would be expended or that such request is illegal or would be more disruptive than productive. In either case, he/she should discuss the issue with the Chairperson first.

The CEO Position Specification is contained in Appendix B.

Policy Title:

Delegation to the President

Because the school campuses are an entity within themselves and require a certain discipline and autonomy to ensure that educational programs and instructions are implemented within strict educational guidelines, the President of the Schools is delegated the authority to make all decisions and take actions pertaining to personnel of the schools, regarding both the faculty and schools staffs. This delegation of authority is considered essential since the President is most knowledgeable of the schools' personnel needs and standards.

The President of the Kamehameha Schools' Position Specification is contained in Appendix C.

Policy Title:

Monitoring Executive Performance

Monitoring executive performance is synonymous with monitoring organizational performance against Board policies on Ends and on Executive Boundaries. Any evaluation of the CEO's performance, for instance, formal or informal, should be derived from these monitoring data.

The purpose of monitoring is simply to determine the degree to which Board policies are being fulfilled. Monitoring will be as automatic as possible, using a minimum of Board time so that meetings can be used to create the future rather than to review the past.

The Board will provide in writing a formal evaluation of the CEO's performance through 30 June each year. (The CEO formally evaluates the Principal Executives in writing annually for the same evaluation period.)

SECTION 4

Policy Type:

Ends (Expected Outcomes)

Policy Title:

Board End Statement

As an educational institution, Kamehameha Schools Bernice Pauahi Bishop Estate (KSBE) exists in order that the persons intended to benefit from the purposes expressed in the Will have effective, innovative, learner-centered, and flexible educational opportunities. The Board will maximize the number of children of Hawaiian ancestry that KSBE will educate, consistent with prudent asset management.

Policy Title:

Outcomes for Children of Hawaiian Ancestry

- Have an admissions process to select students for entry into Kamehameha Schools that will be administered evenhandedly and based solely on merit and will not favor relatives of KSBE Trustees and employees.
- Have accessible, affordable, quality education and training opportunities in a safe and culturally sensitive environment.
- Have opportunity to prepare to go to a higher education institution.
- Have opportunity to pursue a high quality of life.
- Have opportunities for personal growth and development.
- Have access to use of campus facilities - libraries, entertainment, sports
- Have community forums for balanced views of KSBE educational issues.
- Have access to quantitative and qualitative information that reflects KSBE's use of financial resources.
- Have input into the KSBE educational process.

Policy Title:

Outcomes for Students

- Have opportunity to gain the requirements and competencies to matriculate to institutions of higher education.
- Complete high school degree programs with skills appropriate to their interests and talents.
- Respect and understand diversity of--opinions--values--religions--lifestyles—cultures.
- Have access to comprehensive programs and services to support their learning/educational and career goals.
- Define realistic goals for achievement.
- Have accessible and affordable current educational programs.
- Experience diverse cultural activities, with a focus on Hawaiian culture.
- Have options to become productive, contributing citizens.
- Become life-long learners
- Have opportunities for self-actualization, confidence building, and ethical awareness.
- Have competencies in: - Communication (reading, writing, basic mathematics, speaking, listening) - the Humanities - Critical Thinking - Computing - Problem-solving – Performing Arts – Manual Arts
- Have opportunities to become informed on global issues.
- Have input into the KSBE educational process.

Policy Title:

Outcomes for Universities

- The Universities will receive students who have successfully completed required college preparatory courses.
- Have input into the KSBE educational process.

Policy Title:

Outcomes for Elementary and Secondary Schools

- Receive performance feedback of their students.

- Receive training and professional growth opportunities.
- Will have the opportunity to participate in cooperative partnerships with the State Department of Education to encourage the successful matriculation of their students.
- Have input into the KSBE educational process.

SECTION 5

Policy Type

INTERNAL AUDIT

Background

The Board of Trustees of the Kamehameha Schools Bishop Estate and Subsidiaries (KSBE or the Estate) are implementing an independent internal audit function to achieve, among other things, the following objectives:

- The terms of the Will of Bernice Pauahi Bishop are fulfilled in perpetuity.
- The assets of the Estate are properly safeguarded and used primarily for educational purposes.
- Policies and procedures established by the Board of Trustees are being adhered to. Compliance with applicable state and federal laws and regulations.
- Compliance with the terms of the Closing Agreement between KSBE and the Internal Revenue Service (IRS) is monitored and maintained through-out the duration of the Closing Agreement.

As a large complex organization with significant land holdings and investments, KSBE is subject to certain significant business risks and challenges. As a charitable trust, it must comply with numerous state and federal laws, court orders and stipulations entered into since inception. Because KSBE is also a tax-exempt organization, it must abide by certain strict rules and regulations to maintain its tax-exempt status.

For these as well as other important reasons, it is critical that KSBE establish an independent internal audit function to internally monitor its processes to ensure the organization's risks are adequately managed, that it is in compliance with legal and regulatory restrictions and that it is effectively utilizing the resources of the Estate to fulfill the terms of the Will of Bernice Pauahi Bishop. It is imperative that this function be established in an organized manner with the proper purpose, structure, resources and commitment from the Board of Trustees.

Internal Audit Best Practices

Successful internal audit functions are continually pushing the boundaries of best practice thinking as it relates to internal auditing, coming up with tactics and techniques that continually redefine this crucial aspect of an organization's operations. Leading internal audit functions have increased their focus on five important areas of internal auditing:

- Incorporate the audit customers' expectations and knowledge of the business into the audit plan to ensure there is a shared vision of what the audit should entail and accomplish.
- Broaden the definition of "risk" to develop an audit plan that significantly improves organization or business performance.
- Use communication strategies that improve audit reports as well as motivate knowledge sharing and organizational learning.
- Ensure that internal auditors have traditional and non-traditional backgrounds.
- Integrate technology into all aspects of the audit process to increase effectiveness and efficiency.
- Reengineer the internal audit function to continuously improve the audit process.

To stay relevant and effective, successful internal audit departments continuously improve through reengineering and total quality management efforts. It shows that the internal audit function is committed to changing and adapting to new circumstances, both inside and outside the organization.

Structure of the Internal Audit Function

The Board of Trustees has an established policy for the Internal Audit Function that outlines the mission of this function, its goals and objectives, as well as a general audit strategy. The mission of this function is as follows:

"The mission of the Internal Audit Department is to assist the Trustees in the effective discharge of their fiduciary responsibilities through independent appraisal and examination of all control functions within KSBE, including functions of the Board of Trustees."

In order to establish a strong internal audit function and achieve the stated goals and objectives, the Board of Trustees has developed the following internal audit structure:

Audit Committee: KSBE will establish an audit committee that will be responsible for oversight of the audit process including both the internal and external audit functions. One of the primary responsibilities of the Audit Committee will be to set the "tone" for quality operational, financial and investment reporting, sound business risk controls and ethical behavior throughout the organization. The Audit Committee will be comprised of five Trustees. The incumbent Court Master, when there is one appointed, and a representative from the State of Hawaii Attorney General's office as *parens patriae* will be allowed to sit in on meetings of the committee as a visitor but not as a member.

Director of Internal Audit: The Board of Trustees recognizes that a very important aspect of establishing an effective internal audit function is having a qualified Director of Internal Audit (Director). The Board of Trustees will appoint an individual with strong leadership, interpersonal, technical (business, finance and accounting), analytical, administrative and supervisory skills. Because the Estate is a tax-exempt organization, the Estate will seek an individual for this position who also possesses tax knowledge and has experience in the area of tax-exempt organizations. (See Position Specification at Appendix E)

The Director will be empowered with full authority for directing the internal audit function of KSBE and report directly to the Audit Committee. The primary role of the Director will be to develop and direct a Comprehensive Audit Program within KSBE that accomplishes the mission as stated above. Administrative responsibility (i.e. performance evaluations, salary reviews, etc.) for the Director will rest with an appropriate level of upper management, which in the proposed organizational structure would be the Chief Executive Officer (CEO) of the Estate.

Internal Audit Function: In the execution of its responsibilities, the internal audit function will be independent of all other departments within the organization. The internal audit function will be a separate department reporting directly to the Audit Committee and, for audits that relate to or impact the taxable subsidiaries or affiliated organizations, reporting will also be made to the Boards of Directors of the applicable taxable subsidiary or affiliated organizations.

The Director and his/her staff in the internal audit function will have full and unrestricted access to all KSBE information and records, including those of the taxable subsidiaries, the affiliated organizations and the Board of Trustees. Accordingly, appropriate protections will be established to ensure the Director and staff, in this function, are immune from retribution from any member of the Board of Trustees, individually or in the aggregate, in the execution of their duties. Protections will also be made to ensure individuals within KSBE feel free to provide information to the internal audit function without detrimental or retaliatory actions as a result of their activities.

Due to the unlimited access to all KSBE information, all internal audit personnel will be held to the highest standard of integrity and confidentiality. They will serve as a role model for other departments.

Internal Audit Staffing: The Audit Committee and Director will determine the necessary staffing requirements for this function. The team will be comprised of qualified individuals with the varying core competencies necessary to effectively execute the audit work plan. The Board of Trustees has recognized that the way to build an effective internal audit group is not to limit the staff to those with traditional auditing backgrounds. The complexity of the organization will require

the internal auditors to understand the Estate's strategy and the specific aspects of its critical program and operational processes. Therefore, the Estate will identify/hire individuals with experience in areas that are relevant to the Estate's educational purpose in addition to individuals with traditional audit experience.

Reporting of Audit Results

All audit results will be made in writing and addressed to the CEO, CFO, Audit Committee and the Principal Executive(s) responsible for the area audited. For the taxable subsidiaries and affiliated organizations, the report will also be addressed to the entity's Board of Directors (or designated committee), President and Chief Financial Officer. Copies will also be provided to other appropriate audit customers/process owners. Copies of all internal audit reports will also be kept on file by the Director and made available to the Court Master during the Annual Account review process.

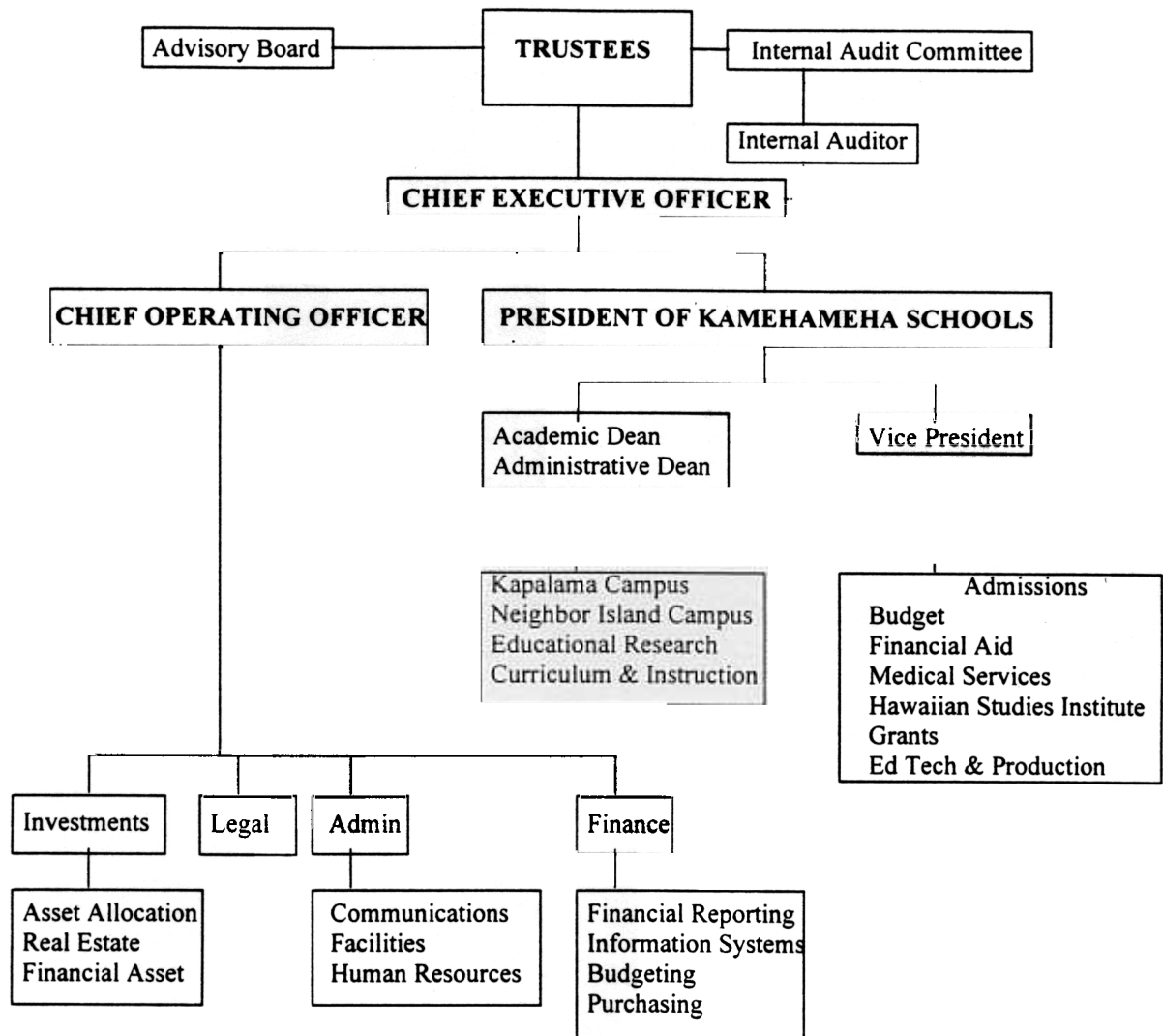
Compliance with the Closing Agreement

Under the terms of the Closing Agreement, KSBE is to establish an independent internal audit function to monitor the Estate's compliance with the terms of the Closing Agreement, all Court orders and stipulations relevant to the Agreement and adherence to the Conflict of Interest Policy. The internal audit function will have responsibility to annually report the results of their monitoring of KSBE's compliance to the IRS as "Special Filings" during the term of the Closing Agreement. The Special Filings will be signed under the penalties of perjury and will also be filed by KSBE with the Court Master and the Attorney General of the State of Hawaii as *parens patriae*. The following summarizes the items to be included in the Special Filing.

- The internal auditor will evaluate and report whether business meetings between the Interim Trustees or top executives and the Incumbent Trustees are documented in writing detailing the purpose of the meeting and the persons who attended said meeting.
- The internal auditor will report whether the Trustees are performing an annual performance review of the Chief Executive Officer.
- The internal auditor will evaluate whether a trustee or top executive has failed to comply with the Conflict of Interest policy during the term of the Closing Agreement. If a violation is identified, the internal auditor will report any apparent conflicts to the Board of Trustees for appropriate action. The internal auditor will include in the Special Filing the disposition of the apparent conflict to the Board of Trustees.
- The internal auditor will monitor the Estate's compliance with its established procurement practices and will review all contracts entered into over \$100,000 to ensure the practices are followed.

- The internal auditor will monitor the Estate's employment practices to ensure that appropriate standard employment procedures are followed and will review all new employment contracts over \$50,000.
- The internal auditor will evaluate the Estate's compliance with established procedures to ensure the proper and complete documentation and retention of all educational, investment and management decisions made by the Board of Trustees and by the top executives. The internal auditor will monitor whether the Board of Trustees' minutes contains documentation to indicate the Trustees present at the meeting and a record of the matters voted on, in addition to the acceptance or rejection of the particular matter. The internal auditor will also ensure any staff reports presented are attached and filed with the appropriate minutes and that in all instances where these documents concern the Trustees' fiduciary responsibilities as Trustees, these documents are readily available for inspection.
- The internal auditor will monitor the Estate's policy of not employing, or paying for the services of an elected or appointed member of the legislative, judicial or executive branches of government, whether state, federal or local, where such a relationship would create the appearance of a conflict of interest, until a period of three years has passed since the individual's status with the governmental entity has terminated.
- The internal auditor will monitor the Estate's policy that each candidate for employment indicate whether he or she is a relative of KSBE Trustees, employees, incumbent members or employees of the legislative, judicial or executive branches of government, whether state, federal or local.

APPENDIX A



APPENDIX B

POSITION SPECIFICATION

Position	Chief Executive Officer
Location	Honolulu, Hawaii
Organization	Kamehameha Schools Bernice Pauahi Bishop Estate

Kamehameha Schools Bernice Pauahi Bishop Estate (KSBE or Kamehameha Schools Bishop Estate) was created in 1884 pursuant to the Last Will and Testament of Bernice Pauahi Bishop (The Will), the last direct descendant of Hawaii's royal Kamehameha line. KSBE's exclusive purpose, in accordance with The Will, is to provide educational opportunities to children of native Hawaiian ancestry in perpetuity. To fulfill this purpose, KSBE is a charitable trust which operates and maintains a large K-12 private school on Kapalama Heights in Honolulu, as well as satellite schools and outreach educational programs throughout the islands. In accordance with The Will, the income from the estate of Bernice Pauahi Bishop, which originally comprised mainly of real estate holdings, would be used to build and support the Kamehameha Schools and other educational programs. Today, KSBE, while still maintaining its exclusive purpose of education, is a large, diversified organization. The schools and educational programs continue to expand. To support this expanding educational requirement, opportunities for revenues have been diversified to include investments in Hawaii, the mainland, and in other countries.

The Kamehameha Schools educate over 3,800 students per year from preschool through high school at various campus sites in Hawaii. The main campus at Kapalama Heights in Honolulu graduates approximately 450 high school students each year. Post-high financial aid scholarships aggregating over \$15 million are awarded each year to approximately 3,000 students attending university and colleges. The budget for the overall Kamehameha Schools system exceeds \$120 million annually.

To support the operation and maintenance of the schools, KSBE's assets have generated yearly revenues in excess of \$120 million. Some of these assets include:

- 173,000 acres of conservation land
- 189,000 acres of agricultural land
- 833 acres of commercial property which generate approximately 85% of KSBE'S annual revenue
- Investment portfolio which includes liquid assets such as paper securities

Organizational governance is provided by five Trustees who are individually and collectively responsible for the governance of KSBE, but not its day to day management. In 1998, the Trustees revised the organization's management to provide for a Chief

Executive Officer (CEO) to serve under and report to the Board of Trustees. The CEO would direct, administer and coordinate KSBE's activities, its subsidiary corporations, partnerships, affiliates and investments in accordance with the scope and terms of such delegations of authority as may from time to time be made to the CEO by the Trustees pursuant to the provisions of applicable law, including without limitation Chap. 554A and §554C-9 of the Hawaii Revised Statutes.

KSBE will be undergoing a strategic planning process in mid to late calendar year 1999. Consequently, the current KSBE organizational structure may be subject to change depending upon the recommendations of the strategic planning process. The CEO will be a key participant in this strategic planning. The current organizational structure approved by the Board of Trustees is attached.

Reporting Relationships

The CEO will report directly to the Chairperson of the Board of Trustees, serving as a communications conduit between the Board of Trustees and the KSBE management staff.

The President of Kamehameha Schools and the Chief Operating Officer will report directly to the CEO.

The President of the Schools is delegated the authority for all personnel decisions and actions relating to both faculty and schools' staff personnel.

Position Summary

In performing each function delegated to the CEO by the Trustees, the CEO owes a duty to the Trust to exercise reasonable care and skill to comply with the terms of the delegation. The CEO acts as a spokesperson for the organization and is directly responsible and accountable to the Board of Trustees for the operation of KSBE within the scope and terms of such delegated authority by the Board of Trustees. The CEO is accountable to the Board of Trustees for the planning, coordination, development and execution of plans to fulfill the vision and mission of KSBE and is responsible for assuring that goals and targets established from time to time by the Board of Trustees and communicated to the CEO are met and, if they are not, that necessary adjustments and corrections are made. The CEO's general activities are outlined below. It is emphasized, however, that the representations below are of a general nature and may include other activities and responsibilities as may be directed or delegated from time to time by the Board of Trustees.

Primary Responsibilities

Ensure that KSBE is operated in a manner that is consistent with its tax exempt status.

Plan, coordinate and direct the implementation of the Board of Trustees' educational goals and objectives.

Plan, coordinate and direct the implementation of the Board of Trustees' goals and objectives in the deployment of Estate assets and the overall management of Estate investment activities and properties.

Review budgets, plans and objectives and make recommendations to the Board of Trustees for the adoption or modification of policies to more effectively and efficiently implement these budgets, plans and objectives.

Determine and prescribe the tasks of, and the specific limitations on, the authority of the CEO's subordinates, including but not limited to tasks and limitations regarding (a) development of plans, goals and objectives within each department or division, (b) participation in the development of overall plans for KSBE, (c) making contractual commitments, (d) authorizing expenditures, (e) executing "routine legal documents" on KSBE's behalf, and (f) supervising, retaining, disciplining, transferring and terminating personnel, except those personnel who are assigned to the schools.

Review and recommend to the Board of Trustees the appointment, employment, disciplining, transfer or termination of the Principal Executives (The President of the Schools and the Chief Operating Officer). All other personnel decisions and actions are delegated by the Board of Trustees to the CEO and the President of the Schools, as explained earlier.

Keep the Board of Trustees fully and currently informed concerning the condition of KSBE and its constituent elements and all important factors assessed to have an affect upon KSBE policies and operations.

Develop a strategic plan, along with the Kamehameha Schools Strategic Education and Operations Plan and the Strategic Spending Plan that are designed to fulfill KSBE's educational mission and goals, including plans and programs for the development, enhancement and deployment of KSBE's assets to financially support KSBE's long range educational mission and goals. Establish performance analysis systems to measure the outcomes of the strategic plan and make tactical changes to meet changing conditions.

Assume responsibility for and provide overall management of all KSBE operations, including the development and execution of fiscal controls; the acquisition of new assets; the use, development, management and diversification of new and existing assets and activities, actually or potentially, affecting the value of KSBE assets, such as land use

activities. Act as necessary to correct situations where programs and operations fall short of goals.

To the greatest extent reasonably achievable, develop and implement measurements of effectiveness that determine if KSBE is maximizing the prudent use and investment of its resources to fulfill its educational mission.

Meet with governmental executives and administrative and legislative representatives, attending community association meetings, public hearings and information meetings to coordinate and promote KSBE's goals and objectives.

Build and develop strong alliances with educational and business associates and affiliates.

Insure services being provided by consultants and contractors are essential to the mission and goals of KSBE and all transactions are being conducted under the highest standards of business ethics.

Develop and maintain ethically sound working relationships between staff members and partners, associates, subsidiaries and affiliates, lessees and tenants, consultants, community groups, and governmental agencies and commissions.

Guide and direct the Principal Executives (The President of the Schools and Chief Operating Officer), as necessary.

Develop and maintain a sound plan of organization. Provide plans for any major organizational change to the Board of Trustees for review and approval.

Motivate, develop and strengthen KSBE's management team with talent and technology, within approved budgetary limits, to ensure that sufficient depth of management is available to meet KSBE's present and foreseeable needs. Establish procedures to insure adequate management development and provision for capable management succession.

Direct, develop and implement procedures and controls to maintain adequate communications within and among the KSBE staff.

Develop the agenda and oversee the preparation of minutes for the regular meetings of the Board of Trustees. Brief the Board of Trustees on all matters which require their consideration and approval.

Oversee the development and establishment of adequate and equitable personnel policies, salary administration policies, incentive plans, and employee benefit plans.

Insure that all activities and operations are carried out in compliance with such directives as the Board of Trustees may give the CEO and within all applicable governmental laws, rules and regulations governing KSBE operations.

Respond to all inquiries made by the Board of Trustees and, depending upon the level or severity of the inquiries, to outside agencies and organizations.

Coordinate the preparation of reports to the First Circuit Court, income forecasts, tax reports and returns, operating budgets and reports to the Trustees.

Participate in public and civic activities to enhance KSBE's image and public relations.

Maintain a zero tolerance drug free environment within KSBE.

Create and maintain a positive working environment within KSBE that does not discriminate against any employee or student because of gender, race, cultural background, or religious beliefs. Maintain a zero tolerance environment against sexual harassment or any other unlawful abuses against students and employees.

Substitute for Principal Executives (The President of the Schools or the Chief Operating Officer) in their absence as necessary.

Assume such other duties and responsibilities as may from time to time be conferred upon the CEO by the Board of Trustees.

Authority Delegated

The authority delegated by the Board of Trustees to the CEO encompasses all such authority as is reasonably required to accomplish the tasks herein above required by the CEO.

Ideal Experience

To the greatest extent possible, the ideal candidate should have the following background and experience:

- Broad management experience at or near the top management of a large education institution, trust or business organization of comparable total asset worth.
- A caring and proven leader and manager who has handled complex operations in any of the following: large educational institution; large business; large diversified real estate and management business; or large financial institution.
- Unquestioned integrity and a positive executive image.
- Proven public speaking ability.

Qualifications

The ideal CEO will have the following minimum qualifications:

- A minimum of 15 years of general management experience, preferably as CEO, Chief Operating Officer or equivalent, in management of a large educational institution or major and diverse business organization.
- A college degree is essential, with graduate degrees such as a Master's degree, highly desirable.

Personal Characteristics

The following are the personal characteristics being sought in the successful candidate:

- A warm, confident personality, enabling the individual to lead by persuasion and example. An individual who instills basic values such as hard work, honor, integrity, family and discipline, while appreciating the need for humor and fun in the workplace.
- A consultative but positive leadership style. Exemplary communication and interpersonal skills, enabling the individual to communicate effectively with all levels of the KSBE organization, the Trustees, outside consultants, other participants in both educational and financial organizations, and with the community at large.
- An ability to listen carefully and respectfully to the opinions of others and to accept the useful contributions of subordinates, while at the same time keeping a clear sense of task objectives and goals and making sound decisions which assist in the implementation of such objectives and the achievement of such goals.
- Creative analytical and problem solving skills, which are not hampered by conventional approaches, but instead reflect an ability to think "outside of the box". The confidence to champion a contrary or "unpopular" view.
- A positive attitude, enabling the active promotion and implementation of final decisions by the Board of Trustees even where such decisions may be contrary to the individual's personal views.
- A motivated and intuitive self-starter, with a strong work ethic and the potential to add value to the organization almost immediately.
- A bright, dynamic and trustworthy individual, having the ability to gain the confidence of the entire KSBE organization almost immediately.

- A manager who is organized, pays attention to detail without getting lost in it, who works effectively under pressure and is able to continually manage apparently conflicting priorities. A multiple, rather than a serial, processor of objectives.

Compensation

Further detail to be provided regarding CEO compensation.

APPENDIX C

POSITION SPECIFICATION

Position	President of the Kamehameha Schools
Location	Kapalama Campus, Honolulu, Hi
Organization	Kamehameha Schools Bernice Pauahi Bishop Estate

Position Summary

The President of the Kamehameha Schools (the President) is responsible to the Board of Trustees (the Board) through the CEO to ensure that the educational goals are being met and that the schools' infrastructure are being adequately maintained.

Essential Job Functions

Under the direction of the CEO, develops the long range vision for the Kamehameha Schools and implements goals and objectives for leading the Kamehameha Schools based on this vision.

Oversees the management of the existing day to day educational programs and makes changes to ensure that the expected outcomes are within program objectives.

Continually seeks opportunities to enhance and/or expand educational services consistent with the overall vision for the Schools and within resources available.

Under the direction of the CEO, plans, develops, oversees, and evaluates educational programs implemented within the schools.

Develops key indicators of performance (academic performance and moral/religious development) and routinely monitors levels of effort and efficacy.

Maintain the infrastructure of the campuses of the schools within the annual budget allocated. Work with the CEO to satisfy budgetary shortfalls or emergent requirements, as needed.

Establish an organizational climate within the Schools that promotes positive employee and student morale and ensures effective management of a wide range of human resources to evoke effective performance and commitment.

Maintain a program of positive community relations.

Participate in educational meetings and conferences to ensure that he/she is kept current with the latest educational issues and technology.

Keep the Board of Trustees informed, through the CEO, of the operations of the schools and the condition of the buildings and other infrastructure.

Provide overall direction and oversight of curriculum development and make recommendations for change when necessary.

Brief the CEO on all matters that require his/her consideration and approval.

Working Conditions:

Work is performed at the various KSBE educational sites, including the neighbor island campuses and outreach educational programs.

Work involves close oversight and good working relations with faculty, students, and other school staff.

Minimum Qualifications:

Masters Degree in Education or closely related field

Over 10 years educational management experience to include demonstrated effective leadership responsibilities, experience in preparing, reviewing and managing budgets for a variety of operational units, and experience managing a variety of staff to include professional, technical and administrative personnel.

Excellent interpersonal skills

Excellent written and oral communications skills

Preferred Qualifications:

Doctorate Degree in Education

Chancellor or Head of a large private school

APPENDIX D
POSITION SPECIFICATION

Position	Chief Operating Officer
Location	Honolulu, Hawaii
Organization	Kamehameha Schools Bernice Pauahi Bishop Estate

Position Summary:

The Chief Operating Officer (COO) reports to the Chief Executive Officer (CEO) and will be responsible for the management of the following management groups of KSBE: Investments, Legal, Administration, and Finance. The COO is accountable to the CEO for the planning, coordination, development and execution of plans developed within his or her department to fulfill the vision and mission of KSBE.

Essential Job Functions:

Determine and prescribe the tasks of, and the specific limitations on the authority of, his/her subordinates.

Review and recommend to the CEO the appointment, employment, disciplining, transfer or termination of the staff and personnel of his/her department.

Keep the CEO fully and currently informed concerning the condition of finances, investments, and support resources and its constituent elements and all important factors perceived to have an effect upon them.

Provide overall direction and control to all financial, investment and support operations, including the development and execution of fiscal controls, the use, development, management, and diversification of assets and activities actually or potentially affecting the value of KSBE assets.

Insure sound services and working relationships with key staff, partners, associates, subsidiaries and affiliates, lessees and tenants, consultants, community groups, and governmental agencies and commissions.

Respond in a timely manner to support requirements of the President of the Kamehameha Schools to fulfill operations, personnel and maintenance needs.

Responsible to the CEO for the proper cleanliness, maintenance and operations of Kawaiaha'o Plaza and other business infrastructure owned and operated by KSBE.

Provide legal assistance to the entire KSBE staff, including the Kamehameha Schools, as required.

Guide and direct the personnel of his/her department to achieve such goals and objectives as are assigned to them.

Direct the development and implementation of policies, procedures and controls to maintain adequate communication within and among the personnel in his/her department.

Brief the CEO on all matters that require his/her consideration and approval.

Insure that all activities and operations of his/her department are carried out in compliance with the Will of Bernice Pauahi Bishop, such directives as the Trustees may initiate and with all applicable governmental laws, rules and regulations, and judicial decrees governing KSBE operations.

Report and respond to all inquiries made by the CEO.

Working Conditions:

Work is performed throughout KSBE, its subsidiaries, and related entities and requires travel to attend meetings and visit properties and investments of these entities.

Work involves close oversight and good working relations with consultants and other business entities.

Minimum Qualifications:

A bachelor's degree.

Understanding of general business, finance, accounting and trust law.

10 years experience in management experience in a large business corporation, a trust, or financial institution.

Excellent interpersonal skills.

Excellent oral and written communications skills.

Preferred Qualifications:

Masters degree in Business Administration, Business Law, Accounting, Finance or related field.

CFO or CIO of a large educational or charitable trust institution helpful.

APPENDIX E

POSITION SPECIFICATION

Position	Director, Internal Audit
Location	Honolulu, Hawaii
Organization	Kamehameha Schools Bernice Pauahi Bishop Estate (KSBE) and Subsidiaries

Position Summary

The Director of Internal Audit (Director) is authorized and responsible for directing KSBE's internal audit function which primarily includes the development and execution of a Comprehensive Audit Program that serves to monitor the affairs of KSBE to ensure, among other things, the following:

- The terms of the Will of Bernice P. Bishop (the "Will") are fulfilled in perpetuity.
- Assets of the Estate are properly safeguarded from financial loss and it is used primarily for educational purposes.
- Policies and procedures by the Board of Trustees are adhered to.
- Compliance with applicable state and federal laws, regulations and agreements (including court orders, stipulations, and closing agreement with the Internal Revenue Service) is maintained.

The internal auditing function examines and evaluates the processes that provide oversight and controls in all areas of KSBE to determine whether they are effective and efficient, to identify where risk exist, and how to establish or improve processes and controls to mitigate risk to KSBE. In accomplishing these activities, the Director and members of the audit staff are authorized to have full, free and unrestricted access to all KSBE information and records, including those of the taxable subsidiaries and the Trustees.

The Director shall report directly to the Audit Committee. Administratively, the Director will report to the CEO.

Essential Job Functions

Establishing policies for the internal audit function and directing its technical and administrative functions.

Developing and executing a Comprehensive Audit Program for the evaluation of the processes that provide oversight and controls in all areas of KSBE, including the Board of Trustees. Updating and adapting the audit program to meet the needs resulting from organizational changes.

Supervise and direct internal audit staff in the proper execution of the Comprehensive Audit Program.

Examining the effectiveness of the Board of Trustees and all levels of management in their stewardship of KSBE resources and their compliance with policies and procedures, government laws, regulations and agreements including court orders, stipulations and the closing agreement with the Internal Revenue Service.

Reviewing procedures and records for their adequacy to accomplish intended objectives.

Reporting the results of audit examinations, including recommendations for improvement.

Ensure that recommendations for improvement and correction of reported deficiencies are implemented and addressed in a timely manner.

Conducting special reviews of the request of the Audit Committee.

Attends Board of Trustees meetings, at the Director's discretion, to monitor the Trustees' oversight process and effectiveness.

Interaction with the Audit Committee, upper management and the external auditors.

Continuously evaluate and improve the overall efficiency and effectiveness of the internal audit function to ensure it achieves its stated mission.

Working Conditions:

Work is performed throughout KSBE, its subsidiaries, and related entities and requires travel to attend meetings and visit properties and investments of these entities throughout the world.

Work involves highly confidential information and, at times, may involve discussions with Trustees, management, and staff of a very sensitive nature.

Minimum Qualifications:

A bachelor's degree.

Certified Public Accountant designation. Five to six years of auditing experience including two or three years with a CPA firm.

Good understanding of general business, finance and accounting.

Good interpersonal, leadership, technical, analytical, administrative and supervisory skills.

Good oral and written communication skills.

Preferred Qualifications:

Certified Internal Auditor designation

Masters degree in Business Administration, Accounting, Finance or related field.

Auditing and/or tax experience involving an educational or charitable trust institution helpful.