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16 Counsel for Plaintiff and  
17 Counter-Defendant ERIC GRANT

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18 UNITED STATES DISTRICT COURT  
19 EASTERN DISTRICT OF CALIFORNIA

20 ERIC GRANT, ) No. 2:08-cv-00672-FCD-KJM  
21 Plaintiff, )  
22 v. )  
23 KAMEHAMEHA SCHOOLS/BERNICE )  
24 PAUAHI BISHOP ESTATE; J. DOUGLAS )  
25 ING, NAINOA THOMPSON, DIANE J. )  
26 PLOTTS, ROBERT K.U. KIHUNE, and )  
27 CORBETT A.K KALAMA, in their )  
28 capacities as Trustees of the Kamehameha )  
Schools/Bernice Pauahi Bishop Estate; )  
JOHN DOE; and JANE DOE, )  
Defendants. ) Hearing Date: Oct. 31, 2008  
Time: 10:00 a.m.  
Courtroom: 2  
Judge: Hon. Frank C. Damrell, Jr.  
JOHN DOE and JANE DOE, )  
Counter-Claimants, )  
v. )  
KAMEHAMEHA SCHOOLS/BERNICE )  
PAUAHI BISHOP ESTATE, et al., )  
Counter-Defendants. )

1 I, Eric Grant, declare as follows:

2 1. I am the Plaintiff and co-counsel for Plaintiff and Counter-Defendant Eric Grant in  
3 the above-entitled case. I make this declaration in support of my opposition to the Kamehameha  
4 Schools Defendants' and Cross-Claim Defendants' Motion to Dismiss (doc. 50, filed July 9, 2008).  
5 I make the statements of fact in this declaration of my own personal knowledge. If called as a wit-  
6 ness in this proceeding, I could and would competently testify to the facts set forth herein.

7 2. In the following paragraphs, I refer to Defendants Kamehameha Schools/Bernice  
8 Pauahi Bishop Estate, J. Douglas Ing, Nainoa Thompson, Diane J. Plotts, Robert K.U. Kihune, and  
9 Corbett A.K. Kalama collectively as "KSBE." I refer to Defendants John Doe and Jane Doe, two  
10 individuals whose true identities are known to me, using their "Doe" pseudonyms.

11 3. Since 1990, I have been a member in good standing of the State Bar of California.  
12 Since 2001, I have been a member in good standing of the Bar of this Court.

13 4. I have resided and practiced law in Sacramento County continuously since 1997. I  
14 have been a solo practitioner since August of 2004. I am in the process of joining the 16-lawyer  
15 firm of Hicks Thomas LLP of Houston, Texas, whose new California office I alone will staff.

16 5. I represented the Does in a federal civil rights lawsuit against KSBE, which lawsuit  
17 attacked KSBE's "Hawaiians only" admissions policy at its K-12 schools as discrimination on the  
18 basis of race in violation of 42 U.S.C. § 1981. The lawsuit was filed in June of 2003 in the United  
19 States District Court for the District of Hawaii; it was styled *Doe v. Kamehameha Schools/Bernice*  
20 *Pauahi Bishop Estate, et al.*, No. 1:03-cv-00316-ACK-LEK (the "Underlying Litigation").

21 6. While the Underlying Litigation was pending in the district court, KSBE was rep-  
22 resented by California counsel working from California, namely, Kathleen M. Sullivan, then dean  
23 of Stanford Law School; she alone argued for KSBE at the one and only hearing before the district  
24 court on November 17, 2003.

25 7. The district court ruled in favor of KSBE and dismissed the Does' action with pre-  
26 judice. On the Does' behalf, I filed a notice of appeal to the United States Court of Appeals for the  
27 Ninth Circuit in San Francisco. Accordingly, the Underlying Litigation was pending in that court  
28 from December 30, 2003 through December 5, 2006 (as No. 04-15044).

1        8.        In that appeal, KSBE continued to be represented by California counsel working from  
2 California, namely, Ms. Sullivan, and she alone argued for KSBE at the oral argument before the  
3 3-judge panel on November 4, 2004 and at the oral argument before the 15-judge en banc court on  
4 June 20, 2006 in San Francisco.

5        9.        The Ninth Circuit likewise ruled in favor of KSBE and affirmed the district court's  
6 dismissal of the Does' claim. On the Does' behalf, I filed a petition for certiorari in the Supreme  
7 Court of the United States (docketed as No. 06-1202).

8        10.      In that phase of the litigation, KSBE was again represented by California counsel  
9 working from California, namely, Ms. Sullivan and the law firm Quinn Emanuel Urquhart Oliver  
10 & Hedges, LLP in Redwood Shores, California. Ms. Sullivan was designated "Counsel of Record"  
11 (i.e., lead counsel) for KSBE on the brief in opposition to the Does' petition.

12        11.      While the Does' petition was under consideration by the Supreme Court, Ms. Sul-  
13 livan on May 3, 2007 contacted me at my office in Sacramento County and proposed to continue  
14 settlement negotiations on behalf of our respective clients. On May 8, 2007, I met Ms. Sullivan at  
15 a restaurant in Pleasanton, California, where we conducted negotiations over a long lunch.

16        12.      Over the course of the following three days, Ms. Sullivan and I continued to nego-  
17 tiate by telephone and electronic mail from our respective offices in California. I recollect that we  
18 spoke approximately a dozen times and exchanged at least thirty e-mail messages in that period.

19        13.      On May 11, 2007, our negotiations consummated in a written settlement agreement.  
20 On a separate page of the agreement titled "Approval as to Form," Ms. Sullivan and I executed a  
21 provision that stated: "On behalf of our respective clients, we approve the foregoing Settlement  
22 Agreement and General Release as to form." At KSBE's specific demand, I executed a separate  
23 declaration confirming that the signatures of "John Doe" and of "Jane Doe" were genuine. These  
24 executions were accomplished from our respective offices in California.

25        14.      The essence of the settlement was an exchange by which the Does received mone-  
26 tary compensation from KSBE for dismissing their pending petition for certiorari. To effect that  
27 dismissal, I initiated (and Ms. Sullivan joined) a telephone call to the Clerk of the Supreme Court.  
28 Based on the Clerk's instructions, Ms. Sullivan and I executed an "Agreed Stipulation to Dismiss"

1 the petition, which I submitted to the Clerk by facsimile from my office in Sacramento County. In  
2 accord with that stipulation, the Clerk entered an order dismissing the Does' petition pursuant to  
3 the Supreme Court's Rule 46.1.

4 15. Thereafter, KSBE discharged its financial obligation under the settlement by making  
5 payments to my client trust account at my bank in Sacramento. The logistics of such payments  
6 were co-ordinated by Ms. Sullivan and me.

7 16. I was present in California when I had the discussions with John Goemans and the  
8 conference call with Goemans and the Does described in Paragraph 3 of the Statement of Undis-  
9 pleted Facts in Support of Plaintiff and Counter-Defendant Eric Grant's Motion for Summary  
10 Judgment (doc. 81-3, filed Oct. 3, 2008).

11 17. As documented in the declarations and exhibits cited in Paragraph 5 of that State-  
12 ment, the correspondence described therein was exchanged between attorneys James J. Banks and  
13 Robert L. Esensten to and from their respective offices in Sacramento and Tarzana, California.

14 18. The legal proceedings described in Paragraphs 9 and 10 of that Statement occurred  
15 in Sacramento Superior Court in Sacramento, California.

16 19. On March 31, 2008, I visited a webpage on KSBE's website, <http://www.ksbe.edu/about/facts.php>. On that page, KSBE stated that it "is the largest private landowner in the state of  
17 Hawaii." A true and correct copy of a printout of the page, with the quoted statement highlighted,  
18 is attached hereto as Exhibit 1.

20 20. On March 31, 2008, I downloaded from KSBE's website, <http://www.ksbe.edu/pdf/ar07/annualreport07.pdf>, a document entitled *Kamehameha Schools Annual Report: July 1, 2006-June 30, 2007*. On internally numbered Page 5 of that document, KSBE stated that "the fair value  
21 of [its] total endowment grew by \$1.39 billion during fiscal year 2007, increasing the overall en-  
22 dowment fair value to \$9.06 billion as of year end." A true and correct copy of that report, resized  
23 to fit on 8.5' x 11' paper with the quoted passage highlighted, is attached hereto as Exhibit 2.

24 21. On March 31, 2008, I visited a webpage on KSBE's website, <http://www.ksbe.edu/article.php?story=20070514062928373>. That page is a press release issued by KSBE's Trustees  
25 on May 14, 2007, announcing and justifying KSBE's settlement with the Does. The press release

1 stated in part: "This means that the Circuit Court ruling stands . . . . The ruling from the 9th Cir-  
2 cuit Court is a pono one for Kamehameha Schools and for kanaka maoli." A true and correct copy  
3 of a printout of the release, with the quoted statements highlighted, is attached hereto as Exhibit 3.

4 22. I conceived the idea for this action on my own and sought neither the approval nor  
5 the endorsement of the Does therefor.

6 23. I have not paid or reimbursed, I am not currently paying or reimbursing, and I do  
7 not intend to pay or reimburse the Does or their counsel to litigate this action or any part of it.

8 I declare under penalty of perjury under the laws of the United States of America that the  
9 foregoing is true and correct. Executed on October 17, 2008.

10 /s/ Eric Grant  
11 ERIC GRANT  
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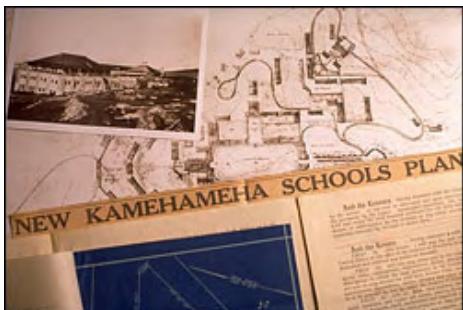
# Exhibit 1



# KAMEHAMEHA SCHOOLS

[Campuses](#) [Students](#) [Faculty & Staff](#) [Parents & Alumni](#) [Community](#) [Contact Us](#)

Quicklinks to KS System

[Google™ Custom Search](#) 

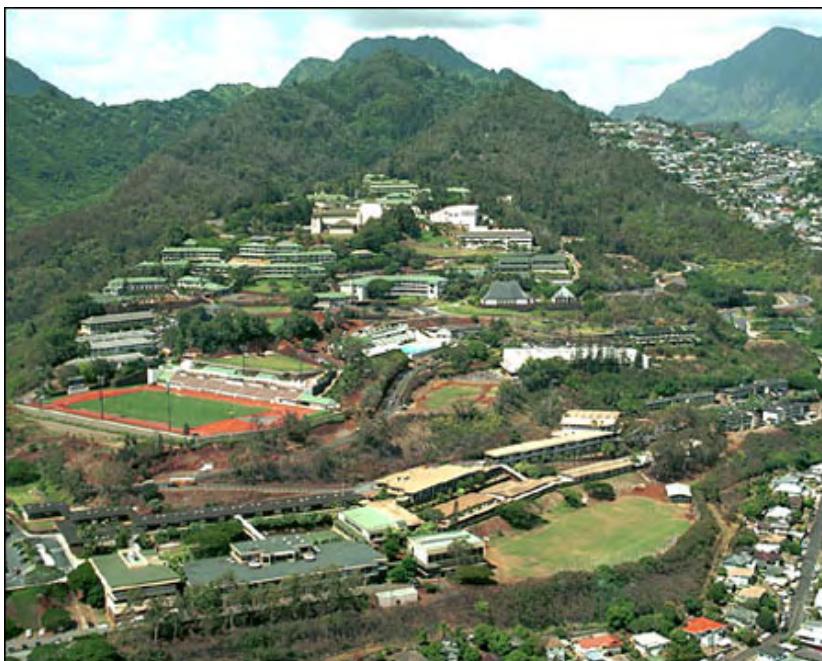
## Additional Resources

[About Kamehameha Schools](#)  
[Board of Advisors](#)  
[Officers of KS](#)  
[Governance](#)  
[About KS Admissions Policies](#)

### *The Legacy of a Princess*

Kamehameha Schools was founded by the will of Bernice Pauahi Bishop, a descendant of Hawaiian royalty, and the great-granddaughter of Kamehameha the Great.

Kamehameha School for Boys was the first to be established in 1887 on what are now the grounds of the Bishop Museum in Honolulu on the island of O'ahu. A year later the Preparatory Department, for boys 6 to 12 years of age, opened in adjacent facilities. The School for Girls opened in 1894 on its own campus nearby. In the early years, the curriculum focused on manual and industrial arts.



*The 600-acre Kapalama Campus is the largest and oldest of Kamehameha's three campuses. A 180-acre campus on Maui, a 300-acre campus on Hawai'i, some 32 preschools on five islands and numerous extension education programs round out the statewide education system.*

Between 1930 and 1955, all three schools moved to its present location - Kapālama Heights - less than a mile ma uka of the old Bishop Museum campus. In 1965 the boy's and girl's campuses became co-ed and the curriculum was increasingly geared to college preparation.

In 1996 two new campuses were established on the neighbor islands of Maui and Hawai'i, and they now serve students in grades K - 12. Kamehameha also operates 30 preschool sites statewide. The three campuses enroll over 5,000 students and an additional 23,000 are served annually through community-based and scholarship programs, and collaborations with educational and community organizations.

In addition to three campuses, Kamehameha operates 30 preschool sites enrolling 1,500 3- and 4-year-old children statewide; and serves thousands more students through community outreach and scholarship programs, and collaborations with educational and community organizations.

Kamehameha subsidizes a significant portion of the cost to educate every student. Although modest tuition and fees are charged, nearly 60 percent of

preschool and K-12 families qualify for and receive need-based financial aid.

Christian and Hawaiian cultural values and practices as well as service learning are integral to Kamehameha Schools programs, both on campus and in the community. It is the policy of Kamehameha Schools to give preference to applicants of Hawaiian ancestry to the extent permitted by law.

**Kamehameha Schools is the largest private landowner in the state of Hawai'i.** Income generated from its residential, commercial and resort leases, as well as diverse investments, fund the schools' maintenance and operations. The Schools' endowment has experienced dramatic growth over the past few years, resulting in a total portfolio value of \$7.66 billion as of June 30, 2006.

Kamehameha's Endowment Group also manages several education collaborations which focus on utilizing Kamehameha Schools' sizable land holdings for educational purposes. The 'Āina Ulu program is designed to use Kamehameha lands as classrooms for project-based learning. Statewide, more than 15,000 participants were served in 2005-06. The Mālama 'Āina program incorporates land and resource stewardship management plans which help ensure availability of resources to meet future needs.

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**Kapalama Campus:** [Map](#) :: [VR Tour](#)

**Hawai'i Campus:** [Map](#) :: [VR Tour](#)

**Maui Campus:** [Map](#) :: [VR Tour](#)

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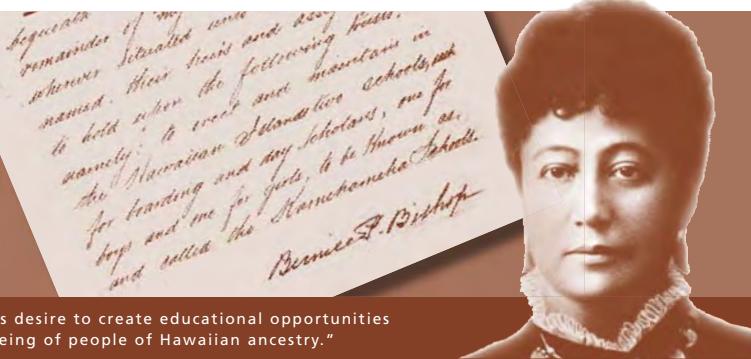
©1996-2008 Kamehameha Schools. All rights reserved. [Statements of Privacy, Copyright, & Disclaimer](#) » [Anti-Spam](#) » [Login](#) » [Webmail](#)  
Contact Us: 567 South King Street, Suite 200, Honolulu, Hawai'i 96813 • Phone: (808) 523-6200 • Fax: (808) 541-5305 » [Suggestions?](#)

# Exhibit 2

# *Kamehameha Schools Annual Report*

JULY 1, 2006 - JUNE 30, 2007

**"Kamehameha Schools' mission is to fulfill Pauahi's desire to create educational opportunities in perpetuity to improve the capability and well-being of people of Hawaiian ancestry."**



# *Educational Spending and Number of Learners Served Rise in Fiscal Year 2007*

Kamehameha Schools Endowment Grows to More Than \$9 Billion

A \$29 million increase in educational spending led to even more Hawaiian learners benefiting from Pauahi's gift of education in fiscal year 2007 as Kamehameha Schools continued to honor the memory of its founder and accomplish its mission.

Kamehameha's educational spending jumped 13 percent to a total of \$250 million over the fiscal year. Since the schools' Education Strategic Plan was approved in June 2005, Kamehameha Schools has spent \$471 million on educational programs, services and collaborations.

Most remarkable about Kamehameha's educational expenditures for the year was a 37 percent rise in spending on community-based programs, to a total of \$78 million.

*Since the schools' education Strategic Plan was approved in 2005, Kamehameha Schools has spent \$471 million on educational programs, services and collaborations.*

That amount included \$7.6 million of a total \$8.7 million awarded in one-time grants to various educational endeavors including \$4.8 million to Hawaiian-focused Department of Education charter schools and \$3.9 million to fund Family and Children Learning and Resource Centers planned for development as part of four affordable and transitional housing community clusters, helping to address the challenges of homelessness on O'ahu's Leeward Coast.

An additional \$18 million was awarded in preschool and post-high

one-time grants to various educational endeavors including \$4.8 million to Hawaiian-focused Department of Education charter schools and \$3.9 million to fund Family and Children Learning and Resource Centers planned for development as part of four affordable and transitional housing community clusters, helping to address the challenges of homelessness on O'ahu's Leeward Coast.

scholarships and another \$17.0 million was invested in agreements with more than 60 community organizations to further serve Hawaiian learners.

Kamehameha also experienced growth in the number of learners served, up 27 percent for the year from 28,000 to nearly 36,000.

"Last fiscal year was an incredible year, where everyone at Kamehameha Schools found ways to reach out to Hawaiian communities," said **Dee Jay Mailer**, chief executive officer of Kamehameha Schools. "From our students and families, to our staff and alumni, all minds were seeking ways to extend Pauahi's legacy – it was amazing.

"This fiscal year, the seeds of that work are sprouting as we work alongside of incredibly dedicated people in their communities to change the quality of education. While so much more is to be done, we can't help but feel rewarded by the accomplishments of our people every day. Maika'i loa!"

Kamehameha enjoyed significant progress during the year in managing its assets as real estate, stocks and other equity investments boosted the fair value of the institution's Endowment by \$1.39 billion to nearly \$9.06 billion, a one-year total return of 22.3 percent.

This is the third consecutive year that Kamehameha Schools has realized a strong investment performance. In 2005, a 12.9 percent return brought a jump of \$600 million to an Endowment fair value of \$6.8 billion, while 2006 saw a 17 percent return, adding \$897 million to a fair value of \$7.66 billion.

"Endowment's overall success is a result of prudent investment and land management and a talented and dedicated management and support team," said Kirk Belsby, Kamehameha's vice president of Endowment.

#### Other highlights for the year included:

- The May 2007 resolution of the “John Doe” lawsuit seeking to overturn Kamehameha’s admissions policy. By resolving the four-year-old legal challenge, Kamehameha Schools preserved and protected its right to offer admissions preference to Native Hawaiians.
- The February 2007 appointment, effective April 1, 2007, of Corbett Kalama to replace Constance Lau as a Kamehameha Schools trustee. An executive vice president with First Hawaiian Bank, Kalama is the son of a kumu hula, a respected paddler and parent of three Kamehameha Schools graduates. He has brought a strong business acumen and Hawaiian cultural background to Kamehameha’s boardroom.
- The December 2006 selection of **Lee Ann Johansen DeLima** ‘77 as the new headmaster for Kamehameha Schools Maui. DeLima had served as acting headmaster since April of 2006 when Dr. Rod Chamberlain was appointed Kamehameha’s vice president of Campus Strategies. With Kamehameha Schools since 1999, DeLima has previously served KS Maui as principal of grades K-8, middle school principal and interim high school principal.
- The August 2006 start of the \$23 million renovation of Windward Mall in Kāne'ohe. One of the top ten assets in Kamehameha’s Hawai'i Core Real Estate portfolio, Windward Mall is the third largest shopping center in the state. The renovation, completed in August 2007, included interior upgrades, new escalators, new flooring and carpets, enhanced landscaping and exterior artwork.

Kamehameha Schools Maui Outreach programs like Summer of Opportunity (left), Hūiliili and Ka Lei o ka Lanakila contributed to the nearly 36,000 children and families served through KS programs in the community and on its campuses statewide.



Maui Headmaster  
Lee Ann DeLima

# Evolving Kamehameha Schools Continues to Honor Pauahi and Fulfill its Mission

We look back on another fulfilling year at Kamehameha Schools with gratitude to our staff and 'ohana for their dedicated commitment to serving the legacy of our founder, Ke Ali'i Pauahi.

While this Annual Report chronicles the significant milestones of the past year, it is important to reflect on the longer-term progress critical to Kamehameha's mission.

Indeed Kamehameha is in the process of significant transformation, and shall continue to evolve over time.

We continue to diversify and to refine the endowment portfolio, one that is far more sophisticated than the trust's holdings just five

years ago. Higher investment returns provide greater opportunities to increase and shape educational programs seeking to create sustainable, intergenerational change within our communities.

From subtle shifts in our campus programs to a dramatic increase in community programs and partnerships, Kamehameha's leaders press forward to align and benchmark our programs and to inspire action directly responding to the educational needs of our communities. Unabated is our sense of urgency to serve thousands more

of Kamehameha's intended beneficiaries.

In several significant ways, we are today a vastly different Kamehameha Schools.

Such transformation could not have begun without a very strong team of leaders throughout the organization, dedicated to fulfilling Ke Ali'i Pauahi's vision, and would not have continued without a deep sense of shared values and goals across

all of Kamehameha's employees and 'ohana.

We wish to acknowledge their

contributions, and we extend our appreciation to the many individuals, committees, and groups who have worked so passionately to improve the capability and well-being of keiki throughout Hawai'i.

I mua Kamehameha!

## Kamehameha Schools

### Board of Trustees

J. Douglas Ing  
Nainoa Thompson  
Diane J. Plotts  
Robert K.U. Kihune  
Corbett A.K. Kalama

### Chief Executive Officer

Dee Jay Mailer

## Kamehameha Schools Board of Trustees



J. Douglas Ing



Nainoa Thompson



Diane J. Plotts



Robert K.U. Kihune



Corbett A.K. Kalama

## Kamehameha Schools Chief Executive Officer Team



Dee Jay Mailer  
Chief Executive Officer



Kirk O. Belsby  
Vice President  
for Endowment



Ann Botticelli  
Vice President for  
Community Relations  
and Communications



D. Rodney Chamberlain,  
Ed.D.  
Vice President for  
Campus Strategies



Michael J. Chun, Ph.D.  
President and  
Headmaster  
KS Kapālama



Lee Ann DeLima  
Headmaster  
KS Maui



Randie Fong  
Director, Hawaiian  
Cultural Development



Stan Fortuna, Ed.D.  
Headmaster  
KS Hawai'i



Darrel Hoke  
Director, Internal Audit



Sylvia Hussey  
Head of Educational  
Support Services



Michael P. Loo  
Vice President for  
Finance and  
Administration



Lynn C.Z. Maunakea  
Vice President and  
Executive Director  
Ke Ali'i Pauahi Foundation



Christopher J. Pating  
Vice President for  
Strategic Planning and  
Implementation



Colleen I. Wong  
Vice President for  
Legal Services

# On Target

*According to plan, fiscal year 2007 sees Kamehameha Schools expand educational services, programs and collaborations to benefit more Hawaiian learners*

A second-year review of Kamehameha Schools' ambitious 10-year Education Strategic Plan shows the organization clearly meeting its educational goals.

Using a mixture of innovation and collaboration, Kamehameha's second-year progress report for the period from July 1, 2006 to June 30, 2007 reveals a second consecutive strong year with educational service levels continuing to climb.

The numbers of Hawaiian children and families impacted by Kamehameha Schools programs and services grew by 27 percent, from 28,000 to nearly 36,000. In addition, more than 30,000 learners participated in one-time or intake programs such as the Land Legacy Education program called 'Āina Ulu that treats learners to education on Kamehameha lands.

Since approval of its education plan in June 2005, Kamehameha Schools has increased the number of Hawaiian learners it serves by nearly 60 percent, up from an original count of 22,400.

Featuring three strategic priorities, the goal of Kamehameha's Education Strategic Plan is to create sustainable and intergenerational impact through quality educational experiences. The plan's long-range goal is to increase the number of learners served by Kamehameha programs, services and collaborations by 150 percent – to 55,000 learners – by 2015.

"We're right on track as we implement our education plan," said Chris Pating, Kamehameha's vice president for strategic planning and implementation. "We've made great strides to better align our service offerings to capitalize on the strengths within our organization and better meet the needs of our keiki.

"In addition, we've developed wonderful collaborations with other service organizations that bring more targeted resources and services to our keiki across the state, specifically in predominantly Native Hawaiian communities."

In fact, fiscal year 2007 saw Kamehameha Schools invest more than



Kamehameha Schools awarded \$16.4 million in post-high scholarships to 2,200 students.

\$17.6 million in agreements with over 60 community organizations statewide, providing services and program funding in predominantly Hawaiian

communities to expand quality educational opportunities. Kamehameha also increased its educational spending on community programs by 37 percent, to a total of \$78 million.

"We've fostered new and innovative collaborations, and our staff has worked tirelessly to identify and implement ways of increasing the number of people we serve," Pating said.

"In some cases, we've started new programs. We've filled excess capacity in some of our existing programs and added capacity to yet other programs. Finally, there's exciting internal collaboration occurring across Kamehameha Schools that has really fueled our ESP implementation

efforts, and that's how we are increasing the numbers of Hawaiians that we serve."

The first strategic priority of Kamehameha's education plan emphasizes early childhood education with a focus on learners age 0 to 8 and the families that care for these learners.

In fiscal year 2007, Kamehameha Schools:

- Served more than 8,800 keiki ages 0-8 through KS-centered preschools, preschool scholarships, literacy instruction and various educational collaborations
- Increased by 37 percent the number of scholarship awards to attend community preschools (850

*Continues on page 6*

***E kaupē aku nō i ka  
hoe a kō mai.***

***Put forward the paddle  
and draw it back.***

***Go on with the task  
that is started and  
finish it.***

## Kamehameha Schools Community Collaborators

*Ho'okahi ka 'ilau like 'ana.  
Wield the paddles together.  
Work together.*

In fiscal year 2007, Kamehameha Schools aggressively implemented new programs, engaged in additional community collaborations and strengthened its relationships in predominantly Hawaiian communities.

Kamehameha Schools invested \$17.6 million in memorandum of agreements with more than 60 community organizations statewide, providing services and program funding to expand quality educational opportunities.

The following is a partial list of community collaborators who entered into agreements with Kamehameha Schools over the past fiscal year.

- 'Aha Pūnana Leo, Inc.
- Alu Like, Inc.
- Assets School
- Big Brothers/Big Sisters of Honolulu, Inc.
- Bishop Museum
- Farrington Community School for Adults
- Foundation for Excellent Schools
- Friends of the Leeward Coast Public Charter Schools
- Good Beginnings Alliance
- Hawai'i Association for the Education of the Young
- Hawai'i Association of Independent Schools
- Hawai'i Arts Alliance
- Hawai'i Council on Economic Education
- Hawai'i Nature Center
- Hawai'i Pacific University
- Hawai'i State Department of Education
- Hawaiian Educational Council
- Ho'okāko'o Corporation
- Ho'oulu Lāhu'i
- Hula Preservation Society
- Institute for Native Pacific Education and Culture
- KAANA, Inc.
- Ka'ala Farm, Inc.
- Ka Huli o Hāloa
- Kaimuki Community Schools for Adults
- Kāko'o Ka 'Umeke, Inc.
- Kanu o ka 'Āina Learning 'Ohana
- Kanu I Ka Pono Inc.
- Kaua'i Community College
- Kawaiaha'o Church
- Ke Ali'i Pauahi Foundation
- Konanui Farms
- Ma Ka Hana Ka 'Ike Building Program
- Makana o Liloa
- Making Dreams Come True, Valley of Rainbows
- Mana Maoli
- Maui Community College
- National Indian Education Association
- Native Hawaiian Chamber of Commerce
- Office of Hawaiian Affairs
- Pa'i Foundation
- Partners in Development
- Queen Lili'uokalani Children's Center
- Teach for America, Inc.
- University of Hawai'i at Hilo
- University of Hawai'i at Mānoa
- Waipahu Community School for Adults
- Windward Community College

Numbers served through Kamehameha Schools programs and collaborations			
		FY 05-06	FY 06-07
SP1	Children Pre-Natal to 36 months	104	329
SP1	Center-based preschools	1,439	1,467
SP1	Preschool age children	1,094	1,845
SP1	K-3 grade in public schools	3,375	1,600
SP2	Supporting 4-12 grades, post-high and charter schools	12,043	14,235
SP3	Campuses	5,298	5,354
SP1-3	Caregiver training and support; support for families and caregivers of children PN-12 – community	4,686	10,776
Total number of Hawaiians served		28,039	35,606



Kamehameha's 'Āina Ulu land-based educational program bridges the management of Kamehameha's lands with its educational mission.

## Kamehameha Schools Endowment enjoys remarkable year

by Kirk O. Belsby, Vice President for Endowment

Fiscal year 2007 (July 1, 2006 to June 30, 2007) was another year of stellar performance for the Endowment Group of Kamehameha Schools. Building on the momentum of the past few years, we are hurtling forward on many successful fronts.

In the August 2007 issue of the respected *Institutional Investor* magazine, Kamehameha's Endowment Group was praised for its growth and continuing progress in various challenging initiatives. "The transition over the past five years has been one of the most remarkable in the oversight of institutional assets," stated one particularly generous quote from the article.

It is in statements such as those from outside observers that we find inspiration and validation to continue our arduous journey.

To highlight financial returns, the fair value of Kamehameha's total endowment grew by \$1.39 billion during fiscal year 2007, increasing the overall endowment fair value to

***Looking forward to next year, our strategies may turn to minimizing negative impacts rather than maximizing the upside opportunities similar to the past few years.***

\$9.06 billion as of year end, translating to a one-year total return of 22.3 percent.

The revenue was generated from a wide array of asset classes within our portfolio, attesting to a risk balanced approach to investing. The three largest asset classes in our portfolio - Hawai'i real estate, U.S.

equities, and international equities - had one year returns of 31.7 percent, 20.9 percent, and 26.5 percent, respectively.

Our returns were supported by particularly strong domestic and foreign equities markets, as well as a healthy local economy here at home in Hawai'i. While it appears that the tides may be ebbing within our domestic economy

given the recent news in the residential construction and subprime lending markets, we hope to weather any such storm better than most as we have constructed a financial portfolio that can act as defensive as offensive.

Looking forward to next year, our strategies may turn to minimizing negative impacts rather than maximizing the upside opportunities similar to the past few years.

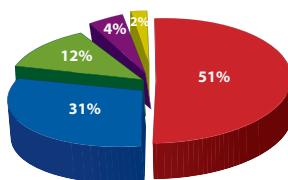
Closer to home, the past year witnessed continued focus on the application of our five-value approach to strengthening our Hawai'i real

A full copy of Kamehameha Schools' audited "Consolidated Financial Statements and Supplemental Schedules" for fiscal year 2007 is available at [www.ksbe.edu/annualreports](http://www.ksbe.edu/annualreports).

*Continues on page 6*

### Kamehameha Schools Trust Spending Fiscal Year 2007

Kamehameha Schools spending policy targets annual spending on education at 4.0 percent of the five-year average fair value of its Endowment. Spending in FY 2007 was 4.1 percent and allocated as follows:



Category	Amount
Campus-based Programs	\$127 million
Community Education	\$78 million
Major Repairs & Capital Projects	\$31 million
Debt Financing Interest	\$9 million
Other	\$5 million
<b>Total Trust Spending</b>	<b>\$250 million</b>



Windward Mall was revitalized with a \$23 million renovation.

Kamehameha Schools Investment Returns and Benchmarks Period ending June 30, 2007				
	One-year total return	*Three-year total return	*Five-year total return	*Since July 1, 1999 total return
Total Endowment	22.3%	17.3%	14.5%	11.3%
Endowment Fund Composite Benchmark	15.5%	12.1%	10.9%	7.5%
CPI + 5%	7.7%	8.2%	8.0%	7.9%
+Large Endowment Fund Median	20.2%	16.0%	13.6%	10.3%

\*Annualized

+Source: Cambridge Associates



Students from Hālau Lokahi charter school participate in an October 2007 lei hili workshop presented by Pomai Kalahiki of Kamehameha's Enrichment department. Held at Kapālama's Keanakamanō Hawaiian Cultural Garden, the workshop was part of the National Indian Education Association Convention. Kamehameha Schools supported 14 Hawaiian-focused charter schools with 2,300 students and provided one-time funding allocations to 12 of the schools totaling approximately \$4.8 million in fiscal year 2007.

### On Target...

*Continued from page 4*

keiki) and increased total financial awards from \$3 million the previous year to \$4.4 million

The second priority of the Education Strategic Plan calls for supporting children in grades four through post high school, sustaining the momentum created by Kamehameha's focus on early childhood education.

In fiscal year 2007, Kamehameha Schools:

- Educated more than 8,500 non-campus students through enrichment, campus outreach and summer school programs
- Awarded \$16.4 million to 2,200 students for post-high scholarships, serving both new graduates as well as continuing education students of all ages
- Supported 14 Hawaiian-focused charter schools with a total of more than 2,300 students and provided one-time funding allocations to 12 of the schools totaling approxi-

mately \$4.8 million

With traditional campus enrollment for grades K-12 now fixed each year at 5,400 at Kamehameha school sites at Kapālama, O'ahu and on Maui and Hawai'i, the increase in numbers of Hawaiian learners served is coming entirely from new community program beneficiaries.

But that doesn't mean Kamehameha isn't focusing on the third strategic priority of its education plan – developing innovative instructional models at its campus-based programs.

"Our schools are on a continuous journey of improvement," said Dr. Rod Chamberlain, Kamehameha vice president for campus strategies. "The results of fiscal year 2007 have set a strong foundation for our work to achieve the vision for our campuses as places of innovative learning, serving, living culturally and spiritually, graduating students who have and always will contribute greatly to the strength of the Hawaiian people in

this world. And one of the most exciting aspects of the last school year was the increased collaboration among the campuses."

Those collaborations included:

- Enriching the curriculum through cross-campus conversations to serve increased numbers of indigent and orphan students at Kamehameha campuses at Kapālama, O'ahu and on Hawai'i and Maui
- Enhanced programs that increased student learning in Hawaiian language and culture
- Expanded teaching strategies that promoted student learning and improved student growth in areas such as writing and instructional technology by fine-tuning instructional practices

"This is the second completed year of our Education Strategic Plan, and we still have a lot of implementation challenges," Pating said. "Kamehameha Schools is a big ship and it requires tremendous energy to coordinate the efforts of more than 1,800

employees across the entire state.

"But even with these challenges, our KS 'ohana has risen to the challenge and gone above and beyond to implement our education plan. Everyone is working very hard to positively impact our Hawaiian people and we are all pulling on the paddle at the same time."

For more on Kamehameha's educational efforts, please visit the Community Education Implementation division's Web site at (<http://exten.sion.ksbe.edu/content/>).



Kamehameha provided \$4.4 million to 850 keiki in community preschools through its Pauahi Keiki Scholars program.

### Kamehameha Schools Endowment...

*Continued from page 5*

estate portfolio. Utilizing economic, educational, cultural, environmental, and community based themes, Pauahi's land legacy is thriving ever more.

The Royal Hawaiian Shopping Center is nearing the completion of a \$115 million makeover, and we look forward to a grand reopening in 2008. The Kāne'ohe and Kailua communities have been delighted by the family-friendly rehabilitation of Windward Mall, which was presented the "Shopping Center of the Year" award for 2007 by the Retail Merchants of Hawai'i.

With the purchase of the Varsity Theatre in June 2007, we now have a critical mass of land area assembled

that will support a mixed-use development capable of serving as a commercially desirable gateway to the University of Hawai'i at Mānoa.

Further, the planned development of a 400,000 square-foot life science facility in Kaka'ako continues, and was aided during the past legislative session when Kamehameha Schools and its development partner obtained enabling legislation for the High Tech Development Corporation (a state of Hawai'i sponsored entity) to master lease 60,000 square feet. The life science facility at project completion will ultimately house more than 1,000 employees.

Both projects will hopefully lead to stronger ties with UH-Mānoa and will foster the growth of a larger science and technology based work force. Our ultimate goal is to purpose our land to not just provide an eco-

nomic return, but to also provide opportunities for our children to have access to broader educational opportunities and living wage jobs that will allow them to stay in Hawai'i and raise their own families.

On Hawai'i island, the renovation of the Keauhou Beach Hotel is ongoing. More importantly, restoration on two adjacent heiau ma kai has begun, with completion scheduled in early 2008. Their physical and spiritual impact on the landscape is already clearly visible, and one can see them as a beacon and sentinel of Hawaiian culture at the birthplace of Kauikeaouli, Kamehameha III.

The 'Āina Ulu land-based educational programs continued to thrive this past year as thousands of learners were exposed to our land legacy on approximately 39,000 dedicated acres. Further, more than

120,000 acres are presently subject to conservation programs within the Mālama 'Āina program to preserve the pristine nature of our lands and waters.

And finally, the historical and cultural knowledge of our lands grows each year as we continue to populate our land legacy database through our cultural historians.

The Endowment Group is exercising its mandate to serve the mission of Kamehameha Schools by growing the size of its asset base, protecting the cultural and historical wahi pana, and providing new opportunities by linking our land portfolio to education and jobs.

We embrace this kuleana and commit to ho'omau the legacy of Princess Pauahi.



# Exhibit 3



## KS Newsroom

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## Upcoming Events

## March 2008

24	25	26	27	28	29	01
02	03	04	05	06	07	08
09	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31	01	02	03	04	05

Highlighted days  
have events.**Trustee Message: Kamehameha Schools and "John Doe"  
Settle Admissions Lawsuit**

Monday, May 14 2007 @ 06:29 AM HST | Contributed by: CEO Message | Views: 3,414

Aloha mai kakou,



We have reached agreement with "John Doe" to resolve Doe's lawsuit seeking to overturn our admissions policy. The terms of the settlement are confidential. By settling this case, we protect our right to offer admissions preference to Native Hawaiians. The plaintiff has withdrawn his petition for U.S. Supreme Court appeal of the 9th Circuit Court ruling upholding our preference policy as legally permissible.

This means that the Circuit Court ruling stands – our legal right to offer preference to Native Hawaiian applicants is preserved. Our work to fulfill our mission and Pauahi's vision, on our campuses and in our communities can proceed without distraction.

The ruling from the 9th Circuit Court is a pono one for Kamehameha Schools and for kanaka maoli. The majority opinion written by Judge Susan Graber acknowledges our unique history and the importance of our mission. In addition, the concurring opinion by Judge William Fletcher recognizes that Native Hawaiians have political status with the U.S. as a Native people. It is a great ruling to uphold, for Kamehameha Schools and the many federal and state programs that acknowledge and support the determination of our people to thrive. By settling this case we preserve our rights to serve our people in the manner we feel is best.

This was a very difficult decision. From the beginning of this lawsuit, we have been prepared to defend our policy to the very end of the judicial process. However, it is becoming increasingly clear that this lawsuit is only one piece of a much broader risk to the rights of Native Hawaiians, as the Indigenous people of this state, to manage and control our own resources.

We cannot ignore the treacherous landscape before us. We have all seen the systematic attempts to take Hawaiian Homelands, dismantle the Office of Hawaiian Affairs, to eliminate federal funding for programs that serve to improve the well-being of Native Hawaiians, and to scuttle attempts in the U.S. Congress to solidify our peoples' Indigenous status.

We have all heard our efforts to protect our rights as Indigenous people described as "Balkanization," "separatist" and "racist." We have all read essays and opinions that seek to rewrite Hawaiian history and the overthrow of the Hawaiian Kingdom and government.

The John Doe v. Kamehameha Schools case was just one more attempt by a few to chip away at Native Hawaiian rights. Settling this case preserves our ability to fulfill our mission and our right to use our resources for their directed purpose, as a completely private Trust established by the bequest of one of our Ali'i during the time of Hawaiian Sovereignty. Settling this case also reserves the rights of other private trusts – Native and non-Native, as well as the rights of all Indigenous people to control and use resources designated for their benefit.

This settlement, which preserves a favorable 9th Circuit Court ruling, has the same legal effect as a denial of the plaintiff's petition for Supreme Court review. It allows us all to move forward with a common purpose: protecting the rights of kanaka maoli, private individuals and Indigenous people everywhere to use our own resources to take care of our own people.

As a Native Hawaiian trust, we will stand strong with other organizations and individuals to protect our assets. And as an Educational institution, we will move ahead with speed and diligence to extend our reach into our communities to more Native Hawaiian children and families, as our Princess intended. We have made significant gains in the number of children and families we serve in the past year, and we are ready to do more.

You have been stalwart in your support as we have fought to protect our rights and our mission. Mahalo piha for all that you do for Kamehameha Schools and for the children and families we serve.

Me ka ha'aha'a,

Trustee J. Douglas Ing, Chair  
Trustee Nainoa Thompson  
Trustee Diane Plotts  
Trustee Robert Kihune  
Trustee Corbett Kalama  
Dee Jay Mailer, CEO

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