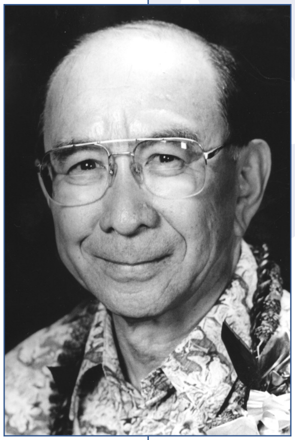
KAMEHAMEHA SCHOOLS

Report on Educational & Financial Activities
July 1, 1998 - June 30, 1999

"...a future that promises a bright new beginning
for the Estate of Princess Bernice Pauahi Bishop."

We have pledged a GREATER OPENNESS on the part of the Estate with regard to the management of its endowment, lands, investments and expenditures.

CHAIRMAN'S MESSAGE



Admiral Robert K. U. Kihune

The Board of Interim Trustees of the Kamehameha Schools extends sincere mahalo to students, faculty, staff, administrators, alumni and parents – as well as to the community at large – for the continued support afforded this institution during this very challenging period.

Among the many challeges facing the Estate over this past year was the possibility of losing its tax-exempt status. Judge Kevin Chang appointed a panel of five "special-purpose trustees" on February 16, 1999 to negotiate a settlement with the Internal Revenue Service (IRS) to resolve issues which threatened the Estate's tax exempt status. Aside from myself, the panel consisted of former Honolulu Police Chief Francis Keala, Hawaiian Electric Industries Inc., Treasurer Constance Lau, attorney Ronald Libkuman, and former 'Iolani School Headmaster Rev. David Coon.

With the temporary removal of the previous board on May 7, 1999, Judge Chang requested that we continue to serve as Interim Trustees, vesting us with "full and complete discretion, power and authority to exercise all trust matters with respect to the trust estate and its subsidiaries and affiliated organizations...."

We accepted Judge Chang's appointment and pledged to work diligently to fulfill the legacy of our beloved Ke Ali'i Pauahi.

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Aside from settling the IRS issues, our immediate goal was to modify the governance of the Estate to empower our personnel to do their jobs and to create an environment of open communications throughout the organization. Additionally, the Board of Interim Trustees unanimously agreed that we needed to extend Kamehameha Schools' reach to touch more native Hawaiian children on a priority basis and thus reinstated some of the outreach programs which had been previously cancelled. Policies are being developed on an urgent basis to support our immediate goals, which include the drafting of a Governance Policy founded on a Chief Executive Officer (CEO) based management system and restoring full authority to the President of the Schools, the termination of non-essential contracts and consultants, development of spending and investment policies, and the initiation of a comprehensive Strategic Planning process that includes all stakeholders.

We have pledged a greater openness on the part of the Estate with regard to the management of its endowment, lands, investments and expenditures. The audited financial statements contained in this report are part of that pledge and we are committed to accurate annual reporting of this information.

Our people continue to be our greatest asset. They are dedicated, productive and professional in every sense of the word. Despite the difficulties of the past, they are firmly focused on the future – a future that promises a bright new beginning for the Estate of Princess Bernice Pauahi Bishop.

Robert K. U. Kihune
CHAIRMAN, Board of Interim Trustees
Kamehameha Schools

Kamehameha Schools Board of Interim Trustees
Ronald Libkuman, Robert Kihune, Francis Keala, Constance Lau and David Coon

CHIEF EXECUTIVE OFFICER'S MESSAGE

Hamilton I. McCubbin, Ph.D.

Aloha kakou! This report covers a specific period in the history of Kamehameha Schools – from July 1, 1998 to June 30, 1999. It is my pleasure to join Chairman Robert Kihune and President Michael Chun in sharing with you some highlights of a very exciting year.

EXPENDITURE, ENROLLMENT AND EARNINGS HIGHLIGHTS

Kamehameha Schools reported significant financial and educational service numbers for the fiscal year ending June 30, 1999. Total education program spending by Kamehameha Schools was $110.5 million plus an additional $33.3 million in capital expenditures – land, buildings and improvements, office and automotive equipment, and construction in progress – for a total of $143.8 million.

Our educational programs served more than 16,700 Hawaiian students through 49 preschool classrooms statewide, three elementary schools on O'ahu, Maui and Hawai'i Island, the Kamehameha Secondary School at Kapālama, and through more than $15 million in post-high school financial aid. In addition, another 29,000 students were served statewide through federally-funded programs administered by Kamehameha Schools.

Also in this fiscal year, Kamehameha Schools achieved a total investment return of 22.9%. Book value, or net assets, of Kamehameha Schools at the close of this fiscal year amounted to $2.8 billion, up from $2.2 billion in 1998, with a fair value of $5.9 billion in total assets at June 30, 1999.

In addition to Kamehameha's operational achievements during this period, a number of very significant events for the Trust have occurred since the end of the '98-99 fiscal year that I would like to briefly touch upon here:

NEW POLICIES ADOPTED

Kamehameha Schools has implemented six major new policies that cover various aspects of institutional operation. Foremost among these was the August 1999 adoption of an overall Governance Policy that created Kamehameha's first-ever Chief Executive Officer-based management structure. Policies have also been established to oversee institutional Spending, Investment, and Debt, with the goal of focusing Kamehameha's resources on its educational purpose. New Conflicts of Interest and Procurement policies have also been adopted and implemented.

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COMPREHENSIVE STRATEGIC PLANNING

In October 1999, Kamehameha Schools launched a comprehensive Strategic Planning effort that continues to this day. To make the process an all-inclusive one, more than 1,500 groups and individuals from communities throughout the state shared their views with us about the educational needs of the Hawaiian community and what role Kamehameha should play in addressing those needs.

Community input, along with a wide variety of other data and information, has been analyzed and is currently being drafted into a strategic plan that will chart the future direction of Kamehameha Schools. This draft plan will be shared with the community over the summer, with a final plan due in October.

IRS CLOSING AGREEMENT FINALIZED

On Feb. 23, 2000, the Internal Revenue Service reached a Closing Agreement and settlement with Kamehameha Schools that ensures the preservation of the Schools' tax exempt status as a charitable trust. Key provisions of the agreement required Kamehameha Schools to comply with the following:

- Permanent removal of the former trustees.
- Current and future trustees are to exercise only general oversight of the Trust, forgoing involvement in the day-to-day management of the trust.
- Adopt policies ensuring that Education is the primary focus of the Trust.
- Adopt a CEO-based management structure.
- Comply with Probate Court's decision on compensation.
- Reinstate the Internal Audit function with unrestricted access to all records and documents of Kamehameha Schools and its subsidiaries.
- Review all contracts with consultants, vendors and contractors to ensure services are necessary and prices are commensurate with the goods and services provided.
- No hiring of political/governmental officials within three years after they leave office. No political intervention.
- Ensure that checks and balances are in place to guard against abuse of power by trustees and top executives.

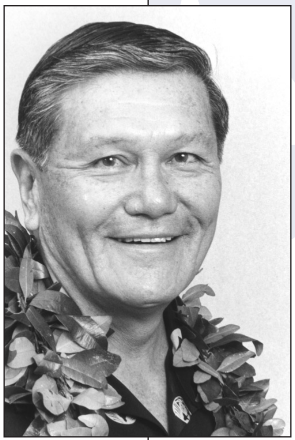
Compliance with all provisions of the Closing Agreement has either been completed or is substantially underway.

All of these events promise a lasting and significant influence in shaping the future of Kamehameha Schools, and will be discussed at length in our Fiscal Year 2000 report. If you would like immediate access to more information about any of these matters – including the complete texts of Kamehameha Schools' Governance, Spending, Investment, and Debt Policies, the IRS Closing Agreement and Form 990 filings, please visit our website at www.ksbe.edu.

Mahalo for your interest in Kamehameha's activities.

Hamilton I. McCubbin, Ph.D.
CHIEF EXECUTIVE OFFICER
Kamehameha Schools

PRESIDENT'S MESSAGE



Michael J. Chun, **Ph.D.**

In spite of another year of almost daily doses of newspaper articles about the controversy surrounding Kamehameha Schools, teachers, students, and administrators continued to concentrate on the business of Kamehameha Schools-teaching and learning. The dedication of staff and students to Pauahi's legacy and the Kamehameha Schools' mission is truly phenomenal.

In May 1999, 449 members of the Class of 1999 walked down the aisle to receive diplomas in the 109th Kamehameha Schools Commencement. More than 98 percent of the class expressed their intent to enroll in institutions of higher learning in the fall of 1999; 84 percent intended to enroll in 4-year colleges or universities; and 54 percent planned to attend mainland 4-year colleges or universities. Sixty-three members of the Class of 1999 received Academic Honors Diplomas by earning an overall GPA of 3.5 or higher, completing at least 12 honors credits, and enrolling in an Advanced Placement, fourth-year language, or university course during their senior year. Three of the graduates were National Merit Finalists; 13 were National Merit Commended Scholars. Again, we send a class of graduates out into the world prepared academically, emotionally, and spiritually to overcome and grow through the challenges they will meet.

Our students leave us with a sense of commitment to both the Kamehameha and Hawaiian communities. Even those students who, for one reason or another, choose to live on the mainland increasingly keep in touch, join alumni groups, return for alumni reunions, access the Kamehameha homepage, and in one way or another give back to the community. Each year, some alumni contact the Program Evaluation and Planning Department for information and data. The Alumni and Parents Advancement Center (APAC) maintains a web site for alumni to keep in touch. Plans are also being developed to formally follow up on our graduates as they complete college and move on to their life's endeavors. This is truly a way to tell us more about whether we are meeting the needs of our students.

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GOVERNANCE

In May 1999, Judge Kevin Chang of the Probate Court replaced the five current Kamehameha Schools Trustees with an interim Board of Trustees.

The interim Board of Trustees subsequently appointed Nathan Aipa as Acting Chief Operations Officer (ACOO) to serve until they could hire a Chief Executive Officer (CEO) as stipulated by the court.

STRATEGIC PLANNING

Based on the Master's recommendation, the Circuit Court issued Stipulation 13 in October 1998, ordering preparation of a comprehensive educational and financial strategic plan for KSBE. In November, an RFP was issued, but, by the end of Fiscal Year 1998-99, no contract had been issued.

ACCREDITATION

Accreditation of our schools is an important means of validating our program goals, objectives, and results.

Secondary School. In 1997-98, the Western Association of Schools and Colleges (WASC) awarded Kamehameha Secondary School a three-year accreditation term. In 1998-99, the School requested a modification of that term. WASC agreed to waive a complete self-study and instead have KSS focus only on governance. At the end of three years, if KSS meets WASC criteria for governance, another three-year term will be issued. This will save thousands of hours of work on the part of administrators, teachers, staff, and students and makes sense since the original decision of the three-year term was based solely on governance issues having to do with the Board of Trustees.

Elementary Schools. The decision was made for Kamehameha Elementary School (KES) to initiate WASC accreditation procedures during the 1999-2000 school year. The East Hawai'i and Maui campuses will make decisions on pursuing accreditation after reviewing the procedures and results of the KES accreditation process.

Preschools. During 1998-99, ten classrooms at six preschool sites received accreditation by the National Association for the Education of Young Children (NAEYC). The six sites were Kea'au, Pāhoa, Hāmakua, Hōnaunau, Central Maui, and Wai'anae I. The total numbers of accredited preschool sites and classrooms at the end of the year were 21 and 40, respectively. This accounts for over two thirds of the Kamehameha Schools preschool sites and one third of the accredited preschool programs in the state.

PETERSON CONSULTING AUDIT

In 1997-98, Peterson Consulting LLC was contracted by The Board of Trustees to conduct a comprehensive audit of the management, organization, and programs of the Education Group. A final report was submitted without the benefit of review by Education Group staff, and a number of inaccuracies were noted and findings questioned.

In the Fall of 1998, Education administrators and staff reviewed the Peterson Report, and the Program Evaluation and Planning Department (PEP) used their input along with data previously provided to Peterson to write a formal response. The response critiqued the validity (or lack thereof) of the data, research, and other information cited underlying each disputed finding and recommendation. This response was filed as a court document accompanying the original Peterson Report during the hearings for the petition to remove Trustee Lindsey.

TECHNOLOGY

During its first year of operation, the new Education Technology and Production Division made some significant advances in technology support for the Education Group. Staff replaced 645 staff desktop computers through leasing arrangements to move to a 3-year refresh cycle rather than a 5-year replacement cycle. This should increase productivity for the entire Education Group since computer equipment is outdated quickly.

The Education Group's Education Information Systems Department (EIS) and the Administration Group's Information Services Division (ISD) made major strides in ensuring that all administrative and instructional computer systems and software are Y2K compliant. Work will continue through the fall to ensure that Kamehameha Schools will have no loss of data nor shutdown of critical processes as the millennium arrives.

The Kamehameha Schools Press released *Kalākaua,* a new publication available not only to Kamehameha Schools, but to audiences worldwide.

The Distance Learning Department (DLD) production crew broadcast three live programs to the Neighbor Island schools and provided technical support for Kamehameha Elementary School's first-ever weekly newscast, "K-DEN," and produced three summer courses for students on the Neighbor Islands.

ACHIEVEMENT TESTING

Students in grades 2 through 11 were tested using the Stanford Achievement Test, Version 9. Their achievement test scores were in the same range as or exceeded the 1996-97 and 1997-98 results.

Kamehameha Schools elementary school students typically scored in the above-average range in reading and well above average in mathematics, using national norms. The strategic goal of at least 75 percent of the students scoring in the above-average range (stanines 7-9) was either met or is within reach at the elementary level. A total of 70 percent of the elementary students scored in stanines 7-9 in reading and 84 percent scored in this range in mathematics. Three of the 763 elementary students tested scored in the below-average range (stanines 1-3) in reading, and no students scored in this range in mathematics.

Secondary School students typically scored in the high end of the average range in reading and in the above-average range in mathematics. Overall, 53 percent of the students scored in the above-average range in reading, and 71 percent scored in that range in mathematics. One percent of the secondary students scored in the below-average range in reading and/or mathematics.

In 1999, norms for schools were released for the SAT-9. Kamehameha Elementary School ranked at the 99th percentile among schools nationwide for reading and mathematics at all grade levels. Kamehameha Secondary School ranked at or above the 92nd percentile.

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ADDRESSING OTHER AREAS OF LEARNING

Kamehameha Schools has a strong academic curriculum with the goal that all students will be prepared for college and be admitted to the colleges of their choice. However, Kamehameha's goals and curriculum go beyond college preparation. We strive to assist students to reach their full potentials-in mind, body, and spirit. This Annual Report details many of the activities and accomplishments of our programs, students, and staff. A few highlights follow.

At Kamehameha, Hawaiian values, Christian religious knowledge and practice, cultural and aesthetic knowledge and skills, family and societal values, and service to others are interconnected and come together in a student's character. The real evaluation of the teaching of these can be best done by looking at actions and achievements of Kamehameha students as they move on to college, to work, and in how they serve others and raise their own children. During 1998-99, both students and staff demonstrated an outstanding record of service to the educational community and the community at large. One such endeavor is Kamehameha Elementary School's Jump Rope for Heart event in which students continue to raise more money each year than any school in the nation. This year they raised $40,887.

At all levels, development of the body is taught, encouraged, and nurtured through health education, physical education, counseling, athletics, dance, nutrition, and special testing and counseling for those who exhibit health risk factors such as obesity and high blood pressure. During 1998-99, Kamehameha fielded 114 athletic teams with a total of 1800 participants. These teams won four State Team titles, seven Individual titles, 10 Varsity ILH titles, and 10 Jr. Varsity ILH titles.

CLOSING COMMENTS

This was another productive year thanks to the dedication and commitment of our administration, staff, students, parents, and alumni.

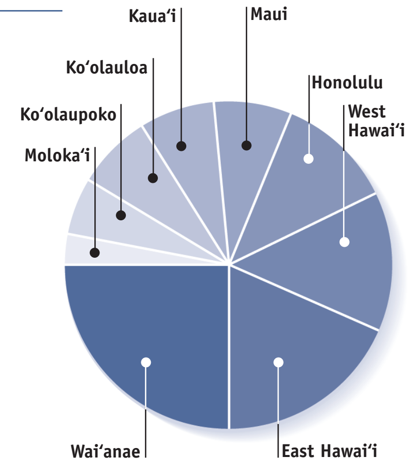
Michael J. Chun

Michael J. Chun, Ph.D.
PRESIDENT, Kamehameha Schools

NUMBERS SERVED BY DEPARTMENT 1998-1999 PROGRAM YEAR

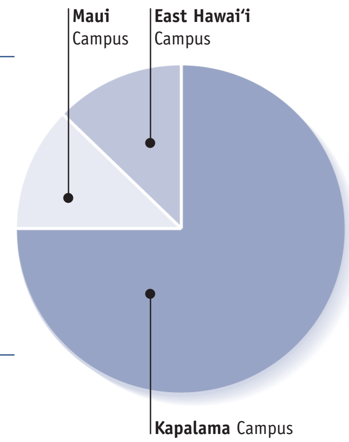
Kamehameha Preschools

Official Enrollment for the 1998-99 Year		**960**
East Hawai'i	172	
West Hawai'i	130	
Maui	82	
Ko'olauloa	77	
Wai'anae	231	
Honolulu	117	
Ko'olaupoko	38	
Moloka'i	20	
Kaua'i	79	
Enrollment Last Day of School	946	
Preschool Summer session 1998		360



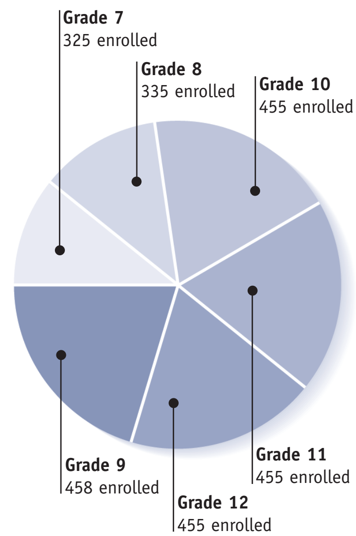
Kamehameha Elementary School

Official Enrollment for the 1998-99 Year	**1,009**
Kapālama Campus	752
East Hawai'i Campus	129
Maui Campus	128



Kamehameha Secondary School

Official Enrollment for the 1998-99 Year	**2,483**
Grade 7	325
Grade 8	335
Grade 9	458
Grade 10	455
Grade 11	455
Grade 12	455



Summer Programs (A Division of KSS)

Total students served:	**5,073**	
KS students	1,582	31%
Non-KS Hawaiians	3,391	67%
Non-Hawaiian students	100	2%
Day programs:		
Campus Summer School (K-12)	2,751	
Performing Arts Academy (6-12)	133	
Summer Science Institute (7-12)	29	

Kamehameha Secondary Schools (Summer Programs continued)

Boarding Programs:	
Hoʻomakaʻikaʻi: Explorations	
(post-5th Grade Hawaiian students)	1,791
Computer Camp	
(post 6th & 7th grade Hawaiian students)	209
Kūlia I Ka Pono–Leadership camp	
(post 7th & 8th grade Hawaiian students)	108
KS Institute for International Studies	30
Hawaiian Students	15
Foreign Students	15
Plus distance learning programs for Hawaiʻi, Maui, Lānaʻi and Kauaʻi students	22
DL - "Study Skills for Success" Maui, Hawaiʻi & Kauaʻi	6

Community Relations Division

Admissions Department	**Applications**	**Admitted**
Preschool Applications	**1,317**	**957**
Kindergarten Applications	**1,323**	**120**
Kapālama Campus	1,118	80
East Hawaiʻi	97	20
Maui Campus	108	20
Grade 4 Applications	**1,029**	**74**
Kapālama Campus	976	66
East Hawaiʻi	25	3
Maui Campus	28	5
Secondary School Applications	**2,691**	**361**
Grade 7 Applications	1,451	181
Grade 9 Applications	938	144
Grade 10 Applications	179	20
Grade 11 Applications	123	16

Alumni & Parents Advancement Center	**Served**
Alumni Week	2,473
Alumni e-mail Database	1,706
3rd Annual Campus College Fair	350
Kamehameha Alumni Association	2,500
Association of Teachers & Parents	1,672
Parent Teacher ʻOhana (East Hawaiʻi campus)	104
(Maui campus)	133
Publications	
I Mua–Alumni Magazine	17,500
Nā Makua O Kamehameha– Parent Newsletter (Distribution)	4,400
Aloha Kākou–APAC Webpage	
"Keep In Touch" Alumni brochure (per year)	3,000

Community Relations Division (continued)

College Retention Program

Financial Aid–1998-99*	**Served 488**
Hawai'i Based Colleges & Universities	
Associate Degree	105
Teaching Certificates	7
Bachelor Degrees	282
Master Degrees	82
Doctorates (JD, MD, Ph.D.)	12

* Largest group to graduate in a single academic year since Kamehameha Schools began keeping records in 1992-93.

Koa Reforestation Project

		Staff	Students	Seedlings
June 98	Summer Service Group	6	16	100
Sept 98	Harvest Koa Seeds	6		
Nov 98	KS Staff Service	11		2,500
	Harvest Koa Seeds	7		
Jan 1999	KS Physics Class	7	10	2,500
Feb 1999	KS 6th Graders	5	32	100
	KS Physics Class	5	10	2,500
Mar 1999	Community Relations Director's Retreat	7		
	KS Physics Class (2 sessions)	6	22	5,000
Apr 1999	KS Staff	14		2,500
	Total Served	**74**	**90**	**15,200**

Administration

Financial Aid Department

Total 1998-99 Aid Administered*	**$21,848,127**

(*Includes funds committed to students in preschool, elementary, secondary and post-high educational programs. Does not include funds declined, refused or otherwise unspent.)

Total Application Intake	**19,285**
Total Awards	**14,511**

KS FUNDED PROGRAMS

	No. Applications	No. Students	Amount
Preschool-Grade 12 Programs			
Preschools	550	477	$ 273,382
KES	850	635	685,332
KSS	2,100	1,586	3,103,290
Campus Summer Programs	3,600	3,410	745,115
Preschool Summer Programs	110	102	10,200
KSBE/DOE Summer School Programs	4,000	3,547	506,267
	11,210	9,757	$ 5,323,586

Administration (continued)

KS FUNDED PROGRAMS

	No. Applications	No. Students	Amount
Post-High Programs			
KS Graduates	2,100	1,206	$ 7,588,572
Non-KS Grads	4,100	1,657	6,318,055
Alu Like/Voc Tech		455	228,082
	6,200	3,318	$ 14,134,709

KS ADMINISTERED PROGRAMS

	No. Applications	No. Students	Amount
Federally Funded Programs			
USDA Lunch Program	850	626	$ 211,648
Native Hawaiian Higher Ed. Program		99	796,858
Native Hawaiian Health Scholarships		8	494,053
	850	733	$ 1,502,559
Community-Funded Clearinghouse			
ATP Kōkua Fund (exceptional needs)		10	$ 300
OHA Education Foundation		148	299,449
OHA General Fund		50	50,000
Hawaiian Homes Commission Scholarships		194	189,500
KAA Endowments	300	171	245,974
Add'l KSBE Administered Scholarships			
Ida Pope Memorial Trust	300	48	46,000
Hawaiian Civic Club of Honolulu	400	67	36,050
Vicki Wilder Trust	25	15	20,000
	1,025	703	$ 887,273

	No. Students
Financial Aid Presentations	
Hawaii Career and College Fair (O'ahu, Kaua'i, Maui, Hilo and Kona)	2,750
College Orientation Workshops	2,425
College Night (Juniors and Seniors)	1,350
Individual Conferences	1,835
5th Annual Foundation Scholarship Kick-off reception at Pacific Club (KSBE/Hawai'i Community Foundation/UH Foundation)	155

Other Administrative Services

During the 1998-1999 school year, KS Food Services Division served 758,201 meals. Rapid Copy Center processed 12,735 requests for 8,618,000 copies. The Security Department serviced 1,500 Facilities Use Requests for 120,000 users, issued 6,000 parking decals and filed 170 Incident Reports. KS Transportation Division, consisting of 189 licensed motor vehicles, logged 891,914 miles, transporting 2,823 students daily to and from rural areas and provided service for daily campus shuttles, field trips, athletic teams, band, orchestra, Concert Glee, boarders' outings, and off campus events.

Religious Services Department

Bishop Memorial Chapel: Total Served 3,870

USERS	AVE ATTENDANCE	TYPE	AVE USE
Boarders	275	Sunday Worship	1 per week
Grade 7	340	Weekday devotions	2 per month
Grade 8	340	Weekday devotions	2 per month
Grade 9	480	Weekday devotions	2 per month
Grade 10	485	Weekday devotions	2 per month
Grade 11	480	Weekday devotions	2 per month
Grade 12	470	Weekday devotions	2 per month
Grade 9	230	Academic Classes	1 per week (FOR 2 QTRS)
Alumni/Staff	150	Weddings	7-8 per month
Alumni/Staff	250	Funerals/Memorials	1-2 per month
Alumni/Staff	20	Baptisms/Blessings	1-2 per month
Alumni/Staff	50	Visits/Tours	1 per week
Local/DOE Visitors	50	Visits/Tours	1 per week
Guests	250	Concerts	6 per year

Kamehameha Talent Search (Enrolled)		**907**
Financial Aid Workshops		1,300
Camp College Bound (juniors)		53
KTS Family Days		20
College Campus Tours (Grades 10-12)		156
College Fairs		69
Health Professions Fair (Grade 9)		45
Hawaiian Youth Leadership Conference (UH-Hilo):	Youth Leaders	25
	Students	250
Cultural Excursions		3

Native Hawaiian Higher Education Program (Enrolled)	**99**
Fellowship Assistance & Counseling Support Services (Overall retention rate 98.9% this period)	
Hawai'i Undergraduates	14
Hawai'i Graduates	11
Mainland Undergraduates	63
Mainland Graduates	11

Native Hawaiian Safe and Drug Free Schools & Communities Program (Enrolled)	**26,883**
Education/Curriculum Services	12,450
Alternative Activities	419
Red Ribbon Week–Awareness Campaign	14,014
(Total Developed Educational Materials Distributed	70,558)

Native Hawaiian Health Scholarship Program (Enrolled)		**8**
Allopathic Physicians	(enrolled)	2
Master of Public Health	(enrolled)	1
Master of Social Work	(enrolled)	1
Nurse Practitioners	(enrolled)	2
Doctor of Psychology	(enrolled)	1
Registered Nursing	(enrolled)	1

FINANCIAL HIGHLIGHTS FY 1998-1999

Summary of Financial Information for FYE June 30, 1999

At June 30, 1999, consolidated total assets (book basis) of Kamehameha Schools Bishop Estate (KSBE) are approximately $3.24 billion compared to $2.68 billion in the prior year. The approximate $560 million increase in total assets was caused primarily by the recognition of the Goldman Sachs investment in public corporate form. A portion of the fair market value gain was recorded during the year as well as net proceeds from the sale of Goldman Sachs stock. The increase is reflected in the cash and cash equivalents and marketable debt and equity securities financial statement line items.

Total liabilities of KSBE decreased for the year by $78 million to $393 million due primarily to debt of approximately $92.4 million that was repaid by Kamehameha Activities Association (KAA) related to its investment in and partial sale of Goldman Sachs. Net income tax payable of $22.7 million includes the consolidated proposed settlement amounts with the Internal Revenue Service (IRS) as a result of their recent audit.

The Increase in Net Assets before Income Taxes for the year ended June 30, 1999 is approximately $965.9 million compared to $309.4 million for 1998. The net increase for 1999 is due primarily from the following factors:

1. Total revenues for the consolidated group were $670 million higher than the prior year. This net increase is largely attributed to Goldman Sachs investment transactions. KSBE received $54 million more in partnership distributions this year, realized a gain of $303 million on the sale of stock and recognized an unrealized gain of $300 million on the remaining shares owned.

2. Total expenses before income taxes for the consolidated group increased by $15 million (16%) to $249 million (including interest expense) for the year. There were offsetting increases and decreases in operating expenses and an increase in interest expense of $15 million. Interest expense increased due to the refinancing of a $232 million loan by KAA with a third-party lender.

   Income tax expense for the consolidated group is $328 million compared to $60 million last year. The increase is due to the income taxes related to the Goldman Sachs partnership income and capital gains and the approximately $60 million owed to the IRS as part of the proposed settlement agreement.

Footnote Disclosures

This section of the audited financial statements provides additional information and disclosure about the amounts presented in the basic financial statements.

Consolidated Financial Statements and Supplemental Schedules
June 30, 1999

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Report of Independent Accountants

To the Trustees
Kamehameha Schools Bernice Pauahi Bishop Estate

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of activity and cash flows present fairly, in all material respects, the financial position of Kamehameha Schools Bernice Pauahi Bishop Estate at June 30, 1999, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Estate's management; our responsibility is to express an opinion on these statements based on our audit. We conducted our audit of the consolidated financial statements in accordance with generally accepted auditing standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

December 17, 1999

Consolidated Statement of Financial Position

June 30, 1999
(in thousands)

Assets

Cash and cash equivalents	$ 493,027
Marketable debt and equity securities	1,020,745
Privately placed debt and equity securities	802,361
Receivables	108,818
Property and Equipment	694,398
Deferred charges and other	31,957
Deferred income taxes	2,064
Real estate held for development and sale	82,957
Total assets	$ 3,236,327

Liabilities and Net Assets

Accounts payable and accrued expenses	$ 39,034
Notes payable	260,509
Income tax payable	22,748
Accrued pension liability	24,811
Accrued postretirement benefits	19,129
Deferred compensation payable	15,007
Deferred Income	12,172
Total liabilities	393,410
Net assets, unrestricted	2,842,917
Total liabilities and net assets	$ 3,236,327

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Activity

For the Year Ended June 30, 1999
(in thousands)

Changes in Net Assets:	
Revenues -	
Education programs	$ 10,167
Rental operations	134,715
Investment income	403,303
Net gains on long-term investments	598,770
Net gains on land sales	54,594
Other income, net	13,103
	1,214,652
Expenses -	
Education programs	110,539
Rental Operations	42,061
Management and general	56,134
Interest	40,037
	248,771
Increase in Net Assets Before Income Tax Provision	965,881
Income tax provision	328,029
Increase in Unrestricted Net Assets	637,852
Net Assets, Beginning of Year	2,205,065
Net Assets, End of Year	$ 2,842,917

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the Year Ended June 30, 1999
(in thousands)

Cash Flows from Operating Activities:	
Increase in net assets	$ 637,852
Adjustments to reconcile increase in net assets to cash provided by operating activities:	
Depreciation, amortization and depletion	33,515
Net gains on long-term investments	(598,770)
Net gains on property sales	(54,594)
Change in operating assets and liabilities:	
Decrease in receivables	1,215
Change in income taxes payable/refundable	43,345
Decrease in deferred income taxes	71,484
Increase in deferred charges and other	(550)
Decrease in real estate held for sale	984
Decrease in accounts payable, accrued and other liabilities	(6,769)
Net cash provided by operating activities	127,712
Cash Flows from Investing Activities	
Cash received from property sales	71,211
Cash received from investments	2,431,244
Purchases of investments	(2,128,488)
Purchase of property and equipment	(65,129)
Net cash provided by investment activities	308,838
Cash Flows from Financing Activities:	
Proceeds from borrowings	246,671
Repayment of borrowings	(342,106)
Net cash used in financing activities	(95,435)
Net Increase in Cash and Cash Equivalents	341,115
Cash and Cash Equivalents, Beginning of Year	151,912
Cash and Cash Equivalents, End of Year	$ 493,027
Supplemental Disclosure of Cash Flow Information:	
Interest paid	$ 44,813
Taxes paid	$ 254,106

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. **Operations and Summary of Significant Accounting Principles**

   a. **Operations**

   The Kamehameha Schools Bernice Pauahi Bishop Estate (the Estate or the Schools), a charitable trust established under Hawaii law, operates under the terms of the Will of Bernice Pauahi Bishop, deceased (the Will). The Estate is governed by a Board and subject to jurisdiction of the First Circuit Court of the State of Hawaii (the Court). The primary assets of the Estate are land and properties located in the State of Hawaii and debt and equity investments. The Schools provide educational services from preschool through grade twelve for students of Hawaiian ancestry. The school for kindergarten through grade twelve is located in Honolulu, with elementary schools on Maui and in East Hawaii. Preschools are located in various facilities throughout the State of Hawaii. The total number of students served at the Schools during the 1999 school year amounted to approximately 4,500. In addition, the Schools provide a significant amount of financial aid for post-secondary education.

   b. **Principles of Consolidation and Reorganization**

   The consolidated financial statements include the accounts of the Estate, its controlled support organization, Kamehameha Activities Association (KAA), KAA's wholly-owned subsidiary, Bishop Holdings Corporation (BHC), and the Estate's former wholly-owned subsidiary, Pauahi Holdings Corporation (PHC). All significant intercompany transactions and accounts have been eliminated in consolidation.

   In July 1998, the Estate completed a subsidiary reorganization whereby certain assets and liabilities of PHC were merged into KAA, a charitable organization whose exclusive purpose as a supporting organization is to provide funds to the Estate for its educational programs and to advance the mission, vision and goals of the Kamehameha Schools. The purposes of the reorganization were to provide funding for expansion of the Estate's educational system and to improve the efficiency of management of its investments by segregating passive and active investments into separate entities. Assets and liabilities not merged into KAA were transferred to a for profit subsidiary, BHC.

   BHC is and PHC was a holding company with subsidiaries involved primarily in property investment and management.

   c. **Financial Presentation and Spending Rate**

   These financial statements have been prepared in conformity with generally accepted accounting principles (GAAP).

   Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations, governs the financial statement presentation for not-for-profit organizations under GAAP. SFAS No. 117 provides for three basic financial statements and the classification of resources into three separate classes of net assets: permanently restricted, temporarily restricted and unrestricted. All assets of the Estate are classified unrestricted, as defined by SFAS No. 117, as they are generally available to be utilized for any educational purpose deemed acceptable by the Trustees and the Court based on their interpretation of the Will.

   In accordance with the interpretation of the Will, the Estate accounts for its activity in two funds: the Revenue Fund and the Corpus Fund. The following describes the use of these funds: (1) Revenue Fund - the Revenue Fund is the primary operating fund of the Estate. Income generated from the Corpus assets and from other sources are used to provide for operations and maintenance of the Estate and its assets, (2) Corpus Fund - the Corpus Fund is comprised of the original assets provided for in the Will and other assets which have been subsequently acquired from the proceeds of sale of such original assets. Income generated from the use of all assets is reflected in the Revenue Fund and gains or losses on the sale of any assets as well as fluctuations in the fair value of certain assets (see Note 1e) are reflected in the Corpus Fund. Net assets at June 30, 1999 of the revenue fund, which consists of cumulative net excess of revenues over expenses, and the corpus fund were \$553,685,000 and \$2,289,232,000, respectively.
   The Estate recently amended its policies to invest its endowment portfolio and allocate the related earnings for expenditure in accordance with the total return concept. A distribution of endowment return will

be provided for program support. Such return is independent of the cash yield and appreciation of investments earned during the year. The Estate has adopted an endowment spending policy designed specifically to stabilize annual spending levels and to preserve the real value of the endowment portfolio over time. The spending policy attempts to achieve these two objectives by using a long-term targeted spending rate combined with a smoothing rule, which adjusts spending gradually to changes in the endowment market value. The Estate's Trustees approved a long-term targeted spending rate of 4.0 percent. The Estate is awaiting Court approval of the total return concept and spending rate.

d. Cash and Cash Equivalents

Cash and cash equivalents include unrestricted demand deposits with banks and all highly liquid deposits with an original maturity of less than three months. A majority of cash and cash equivalents are held in banks, or affiliates of banks, located in the State of Hawaii, a liquid asset account offered by an investment bank and short-term obligations of various U.S. corporations. The net cash balances maintained in excess of available depository insurance limits amounted to approximately $490,939,000 at June 30, 1999.

As of June 30, 1999, amounts maintained in accounts held by an affiliated investment bank were approximately $287,103,000.

e. Investments

Marketable Debt and Equity Securities – Estate and KAA

The Estate's investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value in the statement of financial position. Fair value is based on quoted market prices or, where quotes are not available, on discounted cash flows at current rates.

Marketable Debt and Equity Securities - BHC

For BHC, investment securities are classified in one of three categories and accounted for as follows: 1) debt securities that the subsidiary has the positive intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost; 2) investment securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings; and 3) investment securities not classified as either held-to-maturity securities or trading securities are classified as available-for-sale and reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of net assets.

Privately Placed Debt and Equity Securities

The Estate accounts for investments in which it owns 20 to 50 percent (5 to 50 percent for partnership investments) primarily on the equity method of accounting. Certain limited partnership investments for which the Estate has in excess of 50 percent interest but does not have control are also accounted for on the equity method. Other investments in which the Estate has no significant influence are accounted for at cost.

f. Property and Equipment

Property and equipment, including those related to the Schools, are carried at cost. The Estate provides for depreciation on a straight-line basis over the lower of the asset's estimated useful life or:

	Years
Building and improvements	20 to 30
Office equipment	5 to 7
Automotive equipment	10

The Estate follows the full cost method of accounting for oil and gas properties. Accordingly, all costs associated with the acquisition, exploration and development of oil and gas reserves, including directly related overhead costs, are capitalized. All capitalized costs of oil and gas properties, including estimated future costs to develop proved reserves, are amortized on the unit-of-production method using estimates of proved reserves. The Estate's oil and gas properties are coal seam methane gas wells located primarily in the Southeastern United States.

Provision for depreciation and depletion amounted to approximately $33,515,000 in 1999. Approximately $7,489,000 related to the Schools' property and equipment and is included in education program expenses in the consolidated statement of activity.

Pursuant to a Court order, the Estate increased the carrying value of its original lands to reflect taxable values as of January 1, 1965 as assessed by the State of Hawaii for real property tax purposes. GAAP requires these lands to be recorded at cost. However, no adjustment has been made to the financial statements to reflect these lands at cost as of June 30, 1999. Management believes that this adjustment would not be material to the Estate's consolidated financial statements.

The Estate has offered to sell certain residential leasehold lots to lessees under its Single-family and Multi-family Residential Land Sales Program. Net gains on the sale of these lands are recognized when the buyer's payments and underlying commitment are sufficient to provide economic substance to recognize the sale.

g. Real Estate held for Development and Sale

BHC's real estate assets held for development and sale are stated at cost net of any write-downs. Cost includes land acquisition and holding costs, site development, construction and other project related costs. In accordance with current accounting standards, management uses estimated expected future net cash flows (undiscounted and excluding interest costs) to measure the recoverability of real estate assets held for development. The recoverability of real estate assets held for sale is determined by comparing the net present value of the estimated expected future cash flows (using a discount rate commensurate with the risks involved) to the carrying amount of the asset. The estimate of expected future net cash flows is inherently uncertain and relies to a considerable extent on assumptions regarding current and future economic and market conditions. If, in future periods, there are changes in the estimates or assumptions, the changes could result in an adjustment to the carrying amount of the real estate.

Sales of real estate are recorded and income recognized when the buyer's payments and underlying commitment are sufficient to provide economic substance to recognize the sale. Costs are charged to cost of sales on the basis of the relative sales value of the units sold to the total sales value of all units in the project.

h. Vacation

Professional teaching employees of the Schools are employed under one-year contracts for school years ending in mid-August. School years comprise a "Teaching Period" from mid-August to mid-June and a "Professional Improvement Period" for the balance of the year.

Vacations for these employees are provided during the Professional Improvement Period. Substantially all Estate and other employees of the Schools earn vacation benefits and are entitled to receive payments for unused vacation benefits based upon their regular salary at the time of their termination of employment.

i. Pension and Postretirement Health Care Costs

The Estate uses the projected unit credit actuarial method for determining pension and postretirement health care costs for financial reporting purposes. The Estate's pension funding policy is to contribute annually an amount not less than the minimum required by the Employee Retirement Income Security Act of 1974.

j. Deferred Income

Deferred income consists primarily of prepaid lease rents, which are deferred and recognized as income ratably over the fixed term of the leases to which they relate.

k. Income Taxes

In a ruling dated February 9, 1939, and as reaffirmed in 1969 and 1986, the Internal Revenue Service (IRS) determined that the Estate was exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code of 1986, as an organization organized and operated for educational purposes within the meaning of Section 170(b)(1)(A)(ii) of the Code.

KAA is also exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code of 1986. However, to the extent that KAA received income from debt financed assets, such earnings are subject to tax as unrelated business taxable income. In May 1999, KAA repaid all of its former outstanding debt. With the repayment of the related debt, the tax rules provide that capital gains from sales of property will continue to be taxable for a period of one year and other income of the property are taxable in proportion to the average outstanding debt during the preceding one year period.

The Estate's taxable subsidiary and KAA recognize deferred income taxes for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income.

l. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Marketable Debt and Equity Securities

The fair values of marketable debt and equity securities at June 30, 1999 follows: (in thousands)

Short-term corporate obligations	$ 106,977
Corporate debt securities	132,515
Common and preferred stock:	
Investment banking firm	404,229
Other	348,079
Government securities	11,715
Other	17,230
	$ 1,020,745

Short-term corporate obligations, corporate debt securities and common and preferred stock investments are with corporations and mutual funds involved in various industries located throughout the United States. The only investment representing more than 10 percent of total marketable securities, other than the investment banking firm discussed in Note 3, is an investment in an off-shore insurance company with a carrying value of $107,000,000. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the value of the securities will occur in the near term and that such change could be material.

3. Privately Placed Debt and Equity Securities

At June 30, 1999, the Estate's privately placed debt and equity securities consisted of the following: (in thousands)

	Carrying Value	Fair Value
Equity investments, at cost:		
Investment banking firm	$ 269,144	$ 945,336
Other	166,576	220,094
Equity investments, at equity	299,425	297,752
Loans and subordinated debentures	33,544	33,544
Direct financing lease	33,672	33,672
	$ 802,361	$ 1,530,398

The carrying value has been reduced by estimated loss reserves on these investments in the amount of $84,673,000 as of June 30, 1999.

Equity Investments

Equity investments (accounted for on both the equity and cost method) include interests in partnerships (primarily limited partnerships), corporations and real estate investment trusts. These organizations are involved in a diversified mix of real estate, retail and financial activities in various geographical locations.

Combined and condensed unaudited financial information (most recent available) for the Estate's equity investments that are accounted for on the equity method is as follows: (in thousands)

Assets:	
Investment in securities available for sale	$ 1,925,313
Loans receivable of savings bank	2,150,370
Real estate assets	293,703
Other assets	555,980
	$ 4,925,366
Liabilities:	
Notes payable	$ 99,279
Demand deposit liability of savings bank	1,542,162
Securities sold under agreement to repurchase	364,000
Advances from Federal Home Loan Bank	1,198,000
Other liabilities	156,587
	3,360,028
Equity	1,565,338
	$ 4,925,366
Revenues	$ 426,566
Expenses	265,887
	$ 160,679

The Estate's investment in equity investments accounted for on the equity method is $30,325,000 less than the Estate's share of the underlying investments' recorded equity. This difference is being amortized over a period reflecting the nature of the underlying difference.

The Estate's equity in the income of its investments (accounted for on the equity method) amounted to $14,803,000 for the year ended June 30, 1999, and is reflected in investment income in the statement of activity.

Investment Banking Firm

The Estate has a 5% interest in a major New York investment banking firm (the Firm). The Estate’s interest was previously represented by a 9.5% $550,000,000 limited partnership interest. In 1999, the Firm changed to the corporate form and sold shares in the public market. A portion of the shares sold represented shares owned by the Estate. The Estate’s remaining interest may be sold over a period of three years beginning May 2000. Shares available for sale within a one-year period of the balance sheet date are considered marketable and reflected in marketable securities and carried at fair value. The remaining portion of the shares are reflected in privately placed investments and reflected at cost. The fair value of the Firm has been estimated using quoted market prices discounted for the time restrictions on sale.

The Firm is a U.S. registered broker dealer that is involved in securities underwriting and distribution; trading of corporate debt and equity securities, United States government and agency securities, non-U.S. sovereign debt and mortgage and municipal securities; execution of swaps and other derivative financial instruments; mergers and acquisitions; financial advisory services for restructurings, private placements and lease and project financing; real estate brokerage and finance; stock brokerage and research; asset management; and the trading of currency. The Firm provides its services worldwide to a substantial and diversified client base, which includes corporations, financial institutions, governments and individual investors. Investment banking has inherent risks associated with such items as market, interest rate, currency, and credit risk. Due to the level of risk associated with this investment, it is reasonably possible that changes in the value of the investment will occur in the near term and that such change could be material.

Loans and Subordinated Debentures

Loans provide for principal and interest payments over periods up to 22 years with interest at approximately 6.5 percent to 15 percent per annum. Subordinated debentures provide for interest payments of 6.5 percent to 13 percent per annum and mature over periods up to 9 years. Certain debt investments are collateralized by real property.

Direct Financing Lease

The Estate holds a forty-year lease for a golf course facility. The lease has been accounted for as a direct financing lease. At June 30, 1999, the total minimum lease payments to be received and unearned finance charges were $81,467,000 and $47,795,000, respectively. Future minimum annual lease payments amount to $750,000 in 2000 and 2001, $1,100,000 from 2002 to 2004 and $76,667,000 thereafter. In addition to fixed minimum rentals, the lease agreement provides for a percentage rental, which is determined, based on adjusted gross revenue of the golf course.

Investment Income

Investment income for the year ended June 30, 1999 by investment type is as follows: (in thousands)

Investment banking firm	$ 321,323
Marketable securities, other	36,183
Equity investments, other, at cost	7,005
Equity investments, at equity	16,392
Loans and subordinated debentures	16,455
Interest on mortgage notes and agreements of sales	3,877
Other	2,068
	$ 403,303

Net Gains (Losses) on Long-Term Investments

Net gains (losses) on long-term investments for the year ended June 30, 1999 by investment type are as follows: (in thousands)

Investment banking firm	$ 601,866
Marketable securities, other	(32,019)
Equity investments, other, at cost	26,022
Equity investments, at equity	4,226
Other	(1,325)
	$ 598,770

Realized gains amounted to $347,560,000 for the year ended June 30, 1999.

4. Receivables

At June 30, 1999, receivables consisted of the following: (in thousands)

Note agreements for residential leasehold sales	$ 67,184
Mortgage notes	14,030
Interest	16,252
Tenant and School receivables	12,152
Other	13,649
	123,267
Less - Allowance for doubtful accounts	(14,449)
	$ 108,818

Note Agreements for Residential Leasehold Sales

The Estate has offered to sell certain residential leasehold lots to lessees under its Single-Family and Multi-Family Residential Land Sales Program. Certain of these interests were sold for cash and others were sold under various collateralized financing arrangements with five to fifteen year terms. These arrangements require down payments of up to 10 percent of the sales price and provide for monthly payments of both principal and interest or interest only with the balance due at maturity. Interest provided for under these agreements range from 5 percent to 11.5 percent per annum with a weighted average interest rate of approximately 8 percent at June 30, 1999.

5. Property and Equipment

At June 30, 1999 property and equipment consisted of the following: (in thousands)

The Schools:	
Land	$ 6,896
Buildings and improvements	127,678
Office and automotive equipment	22,414
Less - Accumulated depreciation	(57,930)
	99,058
The Estate and BHC:	
Land and land improvements	261,656
Buildings and improvements	321,590
Office and automotive equipment	24,173
Oil and gas properties	69,744
Less - Accumulated depreciation	(139,883)
	537,280
Construction in progress	58,060
	$ 694,398

6. Notes Payable

At June 30, 1999, notes payable consisted of the following: (right column in thousands)

The Estate:	
Senior promissory notes payable at the rate of 6.89 percent per annum with annual principal payments of $11,860,000 beginning June 22, 2004 with the final payment on June 22, 2013. The note agreement contains certain restrictions on assumption of additional debt and requires maintenance of a certain interest coverage ratio, among other restrictions. Management is in discussion with the lender as to the method of computation of financial ratios after the reorganization (see Note 1b). Management anticipates that the loan agreement will be clarified to provide for the method of computation and such method will allow for compliance by the Estate.	$ 118,575
The Trustees authorized the issuance of up to $200,000,000 in notes under the Estate's commercial paper program. Notes have been issued as commercial paper due on various dates from July 8, to October 15, 1999 with interest at the rate of 4.92% to 5.20%. The due dates on these notes have been subsequently amended to be due on various dates through May 15, 2000. In connection with this program, the Estate maintains a back-up liquidity facility with a consortium of banks. This facility requires the Estate to maintain a minimum liquidity balance, based on a proportion of commercial paper outstanding.	96,305
BHC:	
Note payable to a bank under a $50,000,000 revolving line of credit with interest payable quarterly (6.6763% at June 30, 1999) at 1.5% over the LIBOR rate. Principal and unpaid interest are due in March 2002. The note is collateralized by the oil and gas interest in the form of production payments and tax credit payments. The note was paid off in September 1999.	5,592
Note payable to banks under a $37,000,000 revolving credit agreement. Interest options include the bank's prime rate, a C.D. rate plus 37.5 basis points, or floating LIBOR rate plus 25.0 basis points (5.3125% on June 30, 1999). Outstanding principal and interest due on September 30, 2002.	28,500
Other	11,537
	$ 260,509

Annual maturities of notes payable are as follows: (in thousands)

Year Ending June 30,	
2000	$ 214,880
2001	-
2002	13,050
2003	28,500
2004	-
Thereafter	4,079
	$ 260,509

7. Income Taxes

Provisions (benefit) for income taxes for the Estate consists of the following: (in thousands)

BHC/PHC -	
Current	$ 97,875
Deferred	(25,834)
KAA -	
Current	144,936
Deferred	97,302
Estate -	
Current	13,750
	$ 328,029

At June 30, 1999, the components of the net deferred tax asset were as follows: (in thousands)

Deferred tax assets:	
Losses not recognized for tax purposes	$ 10,414
Income deferred for financial reporting	4,975
Difference in basis of investment	8,757
	24,146
Deferred tax liabilities	(824)
Valuation allowance	(21,258)
	$ 2,064

The valuation allowance relates to certain temporary differences which “more likely than not” will not be realized in future periods. The following summarizes the activity of the valuation allowance for 1999: (in thousands)

Balance at June 30, 1998	$ 18,061
Increase in valuation allowance	3,197
Balance at June 30, 1999	$ 21,258

Internal Revenue Service Audit

In 1995, the Internal Revenue Service (IRS) began an audit of the Estate and PHC for the years ended June 30, 1992, 1993 and 1994. It was later expanded to include the years ended June 30, 1995 and 1996. In January 1999, the IRS notified the Estate and PHC of possible tax changes. Management of the Estate presently expects resolution of this matter in the year 2000 with the payment of a settlement amount, including interest of $13,750,000 for Estate related matters and $46,000,000 for PHC. These amounts have been accrued as of June 30, 1999. The IRS had also proposed revocation of the Estate’s tax exempt status. Through settlement negotiations, which included agreement for removal of the five Former Trustees (see Note 10), management anticipates maintaining the Estate’s tax exempt status.

8. Employee Benefits

Retirement Plans

The Estate maintains a noncontributory pension plan covering substantially all employees (including employees of subsidiaries of BHC), after satisfying age and length of service requirements. In addition, health care benefits are provided for retired employees. Employees become eligible for these benefits if they meet minimum age and service requirements. The Estate has the right to modify the terms of these benefits. The funded status of the plans as of June 30, 1999 follows: (in thousands)

	Pension	**Other**
Benefit obligation	$ 115,308	$ 10,319
Fair value of plan assets	122,378	-
Funded status	$ 7,070	$ (10,319)
Prepaid (accrued) bebefit cost recognized in the balance sheet	$ (24,811)	$ (19,129)

The amount of contributions, benefits paid and net periodic benefit cost for the year ended June 30, 1999 are as follows: (in thousands)

	Pension	**Other**
Benefit cost (income)	$ 5,204	$ (141)
Employer contribution	-	390
Benefits paid	2,677	390

The assumption used in the measurement of the Estate's benefit obligation for the year ended June 30, 1999 was as follows:

	Pension	**Other**
Discount rate	7.00%	7.00%
Expected return on plan assets	8.00%	NA
Rate of compensation increase	5.30%	NA
Annual rate of increase in per capita cost of covered health care benefits, assumed level	NA	5.00%

Deferred Compensation Plan

On January 1, 1976, the Estate adopted a deferred compensation plan that allowed employees and others who perform services for the Estate under contract to defer compensation earned. Individual accounts are maintained for each participant and earnings are computed on the basis of alternative investment programs available. Effective July 1, 1995, the balance of accounts maintained for certain individuals was transferred to a new benefit plan. This new plan was subsequently terminated due to limited participation by employees and the plan assets were distributed to the individual participants.

9. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- ***Cash and Cash Equivalents*** – The carrying amount of cash and equivalents approximates fair value because of the short maturity of these instruments.

- ***Marketable Debt and Equity Securities*** – The fair value of marketable debt and equity securities are based on quoted market prices.

- ***Privately Placed Debt and Equity Investments*** – The Estate's privately placed debt and equity instruments have no quoted market prices. Many factors were considered in arriving at the estimated fair market value. In general, however, financial instruments with determinable cash flows were valued on the basis of their future principal and earnings distributions discounted at prevailing interest rates for similar investments. Other investments have been valued based on the underlying asset value and various other private company valuation techniques.

- ***Receivables*** – The fair value of agreements of sale receivable is estimated using the current rates at which similar loans would be made to borrowers with similar credit ratings for the same remaining maturities. The carrying value of other receivables approximates fair value as the receivables are either due currently or there was no change in credit and market risk since inception of the receivable.

- ***Notes Payable*** – The fair value of long-term debt is estimated using the current rates at which similar loans would be made by lenders to borrowers with similar credit ratings and the same remaining maturities. The carrying value of commercial paper approximates the fair value because this debt reprices frequently.

At June 30, 1999, a comparison of carrying value and fair value of financial instruments is as follows: (in thousands)

	Carrying Value	Fair Value
Cash and cash equivalents	$ 493,027	$ 493,000
Marketable debt and equity securities	1,020,745	1,021,000
Privately placed debt and equity investments	802,361	1,530,000
Receivables	108,818	116,000
Notes payable	260,509	261,000

10. Commitments and Contingencies

Rental Income

The majority of land and buildings of the Estate are generally leased under long-term lease arrangements. At June 30, 1999, future rental income from these leases based on present effective minimum rentals is summarized as follows: (in thousands)

Year Ending June 30,	
2000	$ 82,987
2001	76,751
2002	71,621
2003	67,766
2004	64,655
Thereafter	874,887
	$ 1,238,667

Percentage rent, based on stipulated percentages of gross sales, for the year ended June 30, 1999 amounted to approximately $8,842,000.

Capital Commitments

At June 30, 1999, the Estate is committed under agreements with certain partnerships and corporations to invest an additional $249 million over various periods as set forth in the respective agreements.

The Estate has provided unsecured repurchase or guarantee agreements for certain liabilities related to equity investments aggregating $85 million at June 30, 1999.

In 1995, the trustees of the Estate approved a plan to develop additional school facilities on certain other islands in the state of Hawaii. At June 1999, the cost of these facilities are estimated to be approximately $127.9 million and shall be incurred over the next eight years. At June 30, 1999, open contracts, including contracts related to the development of these school facilities amounted to approximately $11 million.

Litigation

The Estate, in the normal course of conducting its business, is a defendant or party in a number of civil actions involving real estate and investment management and ownership. The Estate is of the opinion that substantially all of these actions are either adequately covered by liability insurance or agreements with lessees or developers of the Estate's land and should not have a material adverse effect on the Estate's financial position.

Year 2000 Compliance (Unaudited)

The Estate identified, evaluated and made the changes that management believes need to be made to computer systems and applications necessary to achieve a year 2000 date conversion with no disruption of business operations. These actions are necessary to ensure that the systems and applications will recognize and process the year 2000 and beyond. The Estate also is communicating with suppliers, distributors, financial institutions and others with which it does business to coordinate year 2000 conversion.

The Estate has incurred approximately $2 million through June 30, 1999, to address year 2000 issues.

Trustee Matters

In May 1999, the five Trustees of the Estate were either permanently or temporarily removed by Court action or by temporary resignation. Subsequent to that date, all five Trustees have permanently resigned (the Former Trustees). Five new Trustees (the Interim Trustees) were appointed by the Court until such time as new permanent trustees are identified to serve the Estate.

The Former Trustees were compensated for services rendered through December 31, 1998 based on commission rates provided for by State of Hawaii law that was effective through that date. Such law was revoked effective January 1, 1999. The Former Trustees continued to receive commissions determined using the commission rates provided for by the former State of Hawaii law. Such commissions were paid on Estate receipts through March 1999. In April 1999, the Court prohibited the payment of any additional compensation to the Former Trustees.

In September 1999, the Court approved total compensation of $15,000 to each of the Interim Trustees for their services from February to May 1999 in their capacity as the Special Purpose Trustees in the Internal Revenue Service audit matter (see Note 7). The Court also approved monthly compensation of $15,000 to each Interim Trustee for their services from the date of their appointment on May 7, 1999. The accrued compensation amounted to $210,000 for the period through June 30, 1999.

Resolution of Trustee matters, including compensation, is not expected to have a material adverse impact on the Estate's financial position.

Attorney General

The Attorney General of the State of Hawaii is conducting an investigation into the affairs of the Estate and its Former Trustees. Various allegations have been made and court proceedings are in progress. Court rulings are not expected to have a material impact on the Estate's financial position.

Report of Independent Accountants

To the Trustees
Kamehameha Schools Bernice Pauahi Bishop Estate

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The consolidated statement of financial position by fund, consolidated statement of activity by fund, consolidated statement of cash flows by fund, schedule of education program revenues and expenses, schedule of Trustees' commissions and schedules of income yield and total return that follow are presented for purposes of additional analysis and are not required as part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

December 17, 1999

Consolidated Statement of Financial Position by Fund

June 30, 1999
(in thousands)

	Revenue Fund	Corpus Fund	Total
Assets			
Cash and cash equivalents	$ 81,159	$ 411,868	$ 493,027
Marketable debt and equity securities	568,692	452,053	1,020,745
Privately placed debt and equity securities	-	802,361	802,361
Receivables	27,604	81,214	108,818
Property and equipment	-	694,398	694,398
Deferred charges and other	9,131	22,826	31,957
Deferred income taxes	-	2,064	2,064
Real estate held for development and sale	-	82,957	82,957
Total assets	$ 686,586	$ 2,549,741	$ 3,236,327
Liabilities and Net Assets			
Accounts payable and accrued expenses	$ 39,034	$ -	$ 39,034
Notes payable	-	260,509	260,509
Income tax payable	22,748	-	22,748
Accrued pension liability	24,811	-	24,811
Accrued postretirement benefits	19,129	-	19,129
Deferred compensation payable	15,007	-	15,007
Deferred income	12,172	-	12,172
Total liabilities	132,901	260,509	393,410
Net assets, unrestricted	553,685	2,289,232	2,842,917
Total liabilities and net assets	$ 686,586	$ 2,549,741	$ 3,236,327

The preceding notes are an integral part of the consolidated financial statements by fund.

Consolidated Statement of Activity by Fund

June 30, 1999
(in thousands)

	Revenue Fund	Corpus Fund	Total
Changes in Net Assets:			
Revenues -			
Education programs	$ 10,167	$ -	$ 10,167
Rental operations	134,715	-	134,715
Investment income	403,303	-	403,303
Net gains on long-term investments	-	598,770	598,770
Net gains on land sales	-	54,594	54,594
Other income, net	13,103	-	13,103
	561,288	653,364	1,214,652
Expenses -			
Education programs	110,539	-	110,539
Rental operations	42,061	-	42,061
Management and general	56,134	-	56,134
Interest	40,037	-	40,037
	248,771	-	248,771
Increase in Net Assets Before Income Tax Provision	312,517	653,364	965,881
Income tax provision	203,029	125,000	328,029
Increase in Unrestricted Net Assets	109,488	528,364	637,852
Net Assets, Beginning of Year	444,197	1,760,868	2,205,065
Net Assets, End of Year	$ 553,685	$ 2,289,232	$ 2,842,917

The preceding notes are an integral part of the consolidated financial statements by fund.

Consolidated Statement of Cash Flows by Fund

June 30, 1999
(in thousands)

	Revenue Fund	Corpus Fund	Total
Cash Flows from Operating Activities:			
Increase in net assets	$ 109,488	$ 528,364	$ 637,852
Adjustments to reconcile increase in net assets to cash provided by operating activities -			
Depreciation, amortization and depletion	-	33,515	33,515
Net gains on long-term investments	-	(598,770)	(598,770)
Net gains on property sales	-	(54,594)	(54,594)
Change in operating assets and liabilities:			
Decrease in receivables	32,718	(31,503)	1,215
Change in income taxes payable/refundable	22,748	20,597	43,345
Decrease in deferred income taxes	-	71,484	71,484
Increase in deferred charges and other	(551)	1	(550)
Decrease in real estate held for sale	-	984	984
Decrease in accounts payable, accrued and other liabilities	(6,769)	-	(6,769)
Net cash provided by operating activities	157,634	(29,922)	127,712
Cash Flows from Investing Activities:			
Cash received from property sales	-	71,211	71,211
Cash received from investments	-	2,431,244	2,431,244
Purchases of investments	(108,147)	(2,020,341)	(2,128,488)
Purchases of property and equipment	-	(65,129)	(65,129)
Net cash provided by investment activities	(108,147)	416,985	308,838
Cash Flows from Financing Activities:			
Proceeds from borrowings	-	246,671	246,671
Repayment of borrowings	-	(342,106)	(342,106)
Net cash used in financing activities	-	(95,435)	(95,435)
Net Increase in Cash and Cash Equivalents	49,487	291,628	341,115
Cash and Cash Equivalents, Beginning of Year	31,672	120,240	151,912
Cash and Cash Equivalents, End of Year	$ 81,159	$ 411,868	$ 493,027

The preceding notes are an integral part of the consolidated financial statements by fund.

Schedule of Education Program Revenues and Expenses

For the Year Ended June 30, 1999
(in thousands)

Education Program Revenues:	
Tuition	$ 2,569
Grants	2,411
Food Services	2,157
Extension education	1,153
Auxiliary enterprise	998
Comprehensive student fees	691
Other	188
	10,167
Education Program Expenses:	
Salaries	45,768
Financial aid and scholarships	21,537
Employee benefits	14,108
Depreciation	7,489
Professional and other services	6,571
Supplies	4,456
Repairs and alterations	3,799
Food services	2,502
Utilities	1,783
Insurance	1,525
Rental	616
Staff development	324
Other	420
Expenses, recovered	(359)
	110,539
Excess education program expenses over revenues	$ (100,372)

Schedule of Trustees' Compensation

For the Year Ended June 30, 1999

Former Trustee Commissions for the six-month period ended December 31, 1998:

	Commission Base	Computed Commission
Revenue Receipts:		
10.00% on first	$ 1,000	$ 100
7.00% on next	4,000	280
5.00% on next	100,000	5,000
3.00% on next	100,000	3,000
2.00% on balance	125,487,650	2,509,753
	$ 125,692,650	2,518,133
Capital Receipts:		
2.50%	$ 44,225,280	1,105,632
Final Distributions of capital:		
2.50%	$ 24,053,885	601,347
Total commissions earned		4,225,112
Less Waived Commissions (see Note No. 1):		
Education revenue receipts	$ 1,679,450	33,589
Capital receipts	44,225,280	1,105,632
Final disbursements of capital	24,053,885	601,347
	$ 69,958,615	1,740,568
Net Former Trustee commissions for the six-month period ended December 31, 1998		2,484,544
Former Trustee Commission for the Three-Month Period ended March 31, 1999		1,192,599
Interim Trustee Compensation through June 30, 1999		210,000
Total Trustee compensation for the year ended June 30, 1999		$ 3,887,143

The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Trustees' Compensation

Note 1 Waived commissions represent commissions payable under State law effective through December 31, 1998 that were waived by the Former Trustees. Waived commissions on capital receipts relate principally to the Estate's condominium and single-family residential land sales program. Education revenue receipts exclude federal grant income and are net of tuition waivers awarded.

Note 2 In May 1999, the five Trustees of the Estate were either permanently or temporarily removed by Court action or by temporary resignation. Subsequent to that date all five Trustees have permanently resigned (the Former Trustees). Five new Trustees (the Interim Trustees) were appointed by the Court until such time as new permanent trustees are identified to serve the Estate.

The Former Trustees were compensated for services rendered through December 31, 1998 based on commission rates provided for by State of Hawaii law that was effective through that date. Such law was revoked effective January 1, 1999. The Former Trustees continued to receive commissions determined using the commission rates provided for by the former State of Hawaii law. Such commissions were paid on Estate receipts through March 1999. In April 1999, the Court prohibited the payment of any additional compensation to the Former Trustees.

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Schedule of Income Yield and Total Return

For the Year Ended June 30,1999

	Income	Expenses	Income Net of Expenses	Net Appreciation (Depreciation)	Total Return	Income Yield%	Benchmark Income Yield%	Total Return%	Benchmark Total Return%
Hawaii Real Estate:									
Commercial properties	$ 56,818,779	$ (34,918,987)	$ 21,899,792	$ (20,222,006)	$ 1,677,786	5.68%	8.54%	0.44%	11.25%
Land holdings -									
Agriculture & conservation	3,031,446	(274,975)	2,756,471	(64,884,200)	(62,127,729)	0.47%	N/A	-10.52%	N/A
Residential, commercial & other	67,938,659	(10,948,478)	56,990,181	(288,108,264)	(231,118,083)	2.28%	N/A	-9.26%	N/A
	127,788,884	(46,142,440)	81,646,444	(373,214,470)	(291,568,026)	2.35%		-8.40%	
North American Real Estate:									
Residential	9,670,188	(63,107)	9,607,081	5,312,369	14,919,451	10.66%	8.45%	16.55%	12.41%
Office	2,191,583	(116,587)	2,074,996	4,639,424	6,714,420	4.32%	8.32%	13.98%	14.07%
Retail	1,743,683	(95,082)	1,648,601	(1,641,835)	6,766	4.73%	8.53%	0.02%	10.50%
Timber	(7,723)	4,157	(3,566)	(4,700,000)	(4,703,566)	-0.01%	4.52%	-9.60%	6.00%
Other	2,239,059	(222,593)	2,016,466	3,437,572	5,454,038	1.75%	8.53%	4.73%	12.60%
Special Situation	323,699,737	(496,860)	323,202,877	11,632,820	334,835,697	39.58%	N/A	41.00%	0.00%
Marketable Securities	36,183,228	(518,747)	35,664,481	1,252,046,955	1,287,711,436	2.34%	2.58%	84.34%	16.94%
Venture Capital	34,656	(21,887)	12,769	118,362	131,131	0.11%	N/A	1.10%	10.20%
Oil & Gas	3,854,746	-	3,854,746	3,854,746	7,709,492	6.43%	N/A	12.87%	-9.30%
Total non-Hawaii investments	379,609,157	(1,530,706)	378,078,451	1,274,700,413	1,652,778,865	15.26%		66.71%	
Total	$ 507,398,041	$ (47,673,146)	$ 459,724,895	$ 901,485,943	$ 1,361,210,839	7.73%		22.88%	

The accompanying notes are an integral part of this schedule.

Schedule of Income Yield and Total Return

3-Year Annualized - June 30,1999, 1998 and 1997

	Income Yield %	Benchmark Income Yield %	Total Return %	Benchmark Total Return %
Hawaii Real Estate:				
Commercial properties	6.98%	8.62%	5.80%	10.89%
Land holdings:				
Agriculture & conservation	0.35%	N/A	-0.63%	N/A
Residential, commercial and other	2.03%	N/A	-4.59%	N/A
Total Hawaii real estate	2.27%		-2.87%	
North American Real Estate:				
Residential	8.05%	8.66%	14.28%	12.58%
Office	2.31%	8.86%	5.37%	16.63%
Retail	3.75%	8.50%	3.55%	9.13%
Timber	-0.48%	5.87%	-0.33%	12.09%
Other	3.39%	8.80%	6.30%	13.47%
Special Situation	29.61%	N/A	33.89%	9.71%
Marketable Securities	2.27%	3.41%	34.12%	17.44%
Venture Capital	-3.57%	N/A	8.46%	19.43%
Oil & Gas	-0.11%	N/A	1.87%	3.93%
Total non-Hawaiian investments	12.04%		33.39%	
Total	5.88%		11.62%	

The accompanying notes are an integral part of the schedule.

Schedule of Income Yield and Total Return

5-Year Annualized - June 30,1999 - 1995

	Income Yield %	Benchmark Income Yield %	Total Return %	Benchmark Total Return %
Hawaii Real Estate:				
Commercial properties	8.03%	8.58%	5.84%	9.03%
Land holdings:				
Agriculture & conservation	0.28%	N/A	-5.23%	N/A
Residential, commercial and other	1.74%	N/A	-4.38%	N/A
Total Hawaii real estate	2.12%		-3.44%	
North American Real Estate:				
Residential	7.42%	8.86%	20.01%	12.39%
Office	2.42%	9.11%	5.44%	12.68%
Retail	4.85%	8.33%	-1.47%	7.59%
Timber	0.63%	6.22%	10.82%	12.39%
Other	3.41%	8.89%	0.24%	11.22%
Special Situation	17.90%	N/A	25.01%	13.89%
Marketable Securities	2.80%	3.77%	22.66%	15.07%
Venture Capital	-2.24%	N/A	20.67%	24.03%
Oil & Gas	-6.22%	N/A	-5.12%	3.67%
Total non-Hawaiian investments	8.81%		23.73%	
Total	4.54%		6.66%	

The accompanying notes are an integral part of the schedule.

Notes to the Schedules of Income Yield and Total Return

1. Purpose and Background

The purpose of these schedules are to report the Estate's income yield and total return results for each investment asset class (and sub classes) as compared to appropriate benchmark indices. The Estate's primary asset classes include:

Real Estate
The Estate's real estate assets are comprised of Hawaii real estate and North American real estate assets. The Hawaii real estate assets can be further divided into traditional land holdings and improved commercial properties. The traditional land holdings are typically leased to third parties under long-term ground leases while the commercial properties are actively managed to generate space rents. Commercial properties as of June 30, 1999 are comprised of 4 shopping centers, 8 office buildings and 3 warehouse facilities.

North American real estate assets consist of pooled and direct investments in residential, office, retail, timberland and a variety of other property types.

Special Situation Investments
Special situation investments are comprised of pooled and single purpose funds primarily in limited partnerships and direct debt and/or equity investments.

Marketable Securities
Marketable security investments are comprised of money market and capital market debt securities and marketable equity debt and/or equity investments.

Venture Capital
Venture capital investments can be defined as high-risk, high-potential-return investments in nonmarketable securities. The Estate's venture capital portfolio currently consists of pooled fund investments in limited partnerships.

Oil and Gas
The Estate's oil and gas investment is comprised of coal seam methane gas well operations in the Southeastern United States.

2. Income Yield

Income yield is determined by dividing total income, net of expenses, by the average fair value of the assets that generate such income. Total income is comprised of rental income (for Hawaii real estate assets), operating income (for oil and gas operations), interest, dividends, distributions from investments accounted for on the cost method and equity income or losses recognized on investments accounted for on the equity method of accounting.

Expenses deducted from total income include costs directly related to the management of the assets that generate such income. For the Hawaii real estate and oil and gas assets, these expenses are comprised of all direct operating expenses. The expenses related to the other investments consist of internal and external costs directly associated with managing these investments.

Average fair value is derived by dividing the sum of the fair value, net of related debt on real estate assets, for the beginning and end of each fiscal year by two. Fair value for the Hawaii real estate, except for agriculture and conservation lands, is based on the taxable values for each fiscal year as assessed by the State of Hawaii for real property tax purposes. Agriculture and conservation lands fair values are based on two times the real property tax assessed values. The fair value of oil and gas investment assets is assumed to approximate the carrying value of the assets. Fair value for the other investments are determined by using various sources and methods which are described in further detail in Note 8 of the Notes to the Consolidated Financial Statements under captions “marketable debt and equity securities” and “privately placed debt and equity securities.”

3. Total Return

Total return is determined by dividing the sum of net appreciation (depreciation) and income net of expenses, by the average fair value of the assets that generate such return. Net appreciation (depreciation) is comprised of realized gains and losses and unrealized increases (decreases) in fair value.

4. Benchmark Indices

The income yield and total return benchmarks by assets and sub-asset classes are as follows:

Asset Class	Description
Hawaii Real Estate:	
Land holdings:	
Agriculture and conservation	None available
Residential, commercial and other	None available
Commercial properties:	
Shopping centers	NCREIF (National Council of Real Estate Investment Fiduciaries) Retail Property Index
Office	NCREIF OFFICE Property Index
Warehouse	NCREIF Warehouse Property Index
North American Real Estate:	
Residential/Apartment	NCREIF Apartment Property Index
Office	NCREIF Office Property Index
Retail	NCREIF Retail Property Index
Timber	NCREIF Timberland Index
Other	NCREIF Total Property Index
Special Situations	
Income yield	Not applicable
Total return	Russell 2000 (less 1.5 percent for administrative costs)
Money Market Securities:	
Money Market	Salomon Brothers 3-month CD rate and the 90-day Treasury Bill rate
Fixed Income	Lehman Intermediate Government Corporate Bond Index and Lehman Aggregate Index
Equity	S&P 500, Russell 3000 and Morgan Stanley Pacific Basin Index
Venture Capital	
Income yield	Not applicable
Total return	Brinson Venture Capital Index (less 1.5 percent for administrative costs)
Oil and Gas	
Income yield	Not applicable
Total return	S&P Oil & Gas (less 2 percent for administrative costs)

There were no applicable indices available to evaluate and benchmark the performance of the Hawaii land holdings. The commercial properties and marketable securities income yield and total return indices were derived by taking the weighted average of the indices described above. The weight applied to each index was based on the average fair value of each sub-asset class to the average fair value for the asset class.

The Estate's special situation, venture capital and oil and gas investments are private equity type investments. The indices used to benchmark these investments are based primarily on publicly traded data.

5. 3-Year and 5-Year Information

The 3-year and 5-year income yield and total return information presented represents annualized rates.

Our people continue to be our GREATEST ASSET.
They are dedicated, productive and professional in every sense of the word.

Kamehameha Schools student admissions policy is to give preference to Hawaiians and part-Hawaiians to the extent permitted by law. The Internal Revenue Service has ruled that this policy is non-discriminatory.

KAMEHAMEHA SCHOOLS

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