NEW ISSUE—BOOK-ENTRY ONLY

RATINGS:

	Insured	Underlying
Moody's:	Aaa	Aa3
Standard & Poor's:	AAA	A+
Fitch:	AAA	A+

In the opinion of Bond Counsel, (i) under existing statutes and court decisions, interest on the Series 2002A Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) under the Code, interest on the Series 2002A Bonds is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax applicable to individuals and corporations; such interest, however, is includable in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on corporations by the Code. See "TAX MATTERS" herein for a description of certain provisions of law which may affect the federal tax treatment of interest on the Series 2002A Bonds. In addition, in the opinion of Bond Counsel, under the existing laws of the State of Hawaii, the Series 2002A Bonds and the income therefrom are exempt from all State, county and municipal taxation thereof, except inheritance, transfer, and estate taxes and except to the extent such income may be included in the measure of the franchise tax imposed on banks and other financial corporations pursuant to the laws of the State of Hawaii.

$150,000,000
BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII
University Bonds
Series 2002A

Dated: Date of Delivery | **Due: July 15, as shown on the inside cover**

This Official Statement relates to the issuance and sale by the Board of Regents of the University of Hawaii (the "*Board*") of its University Bonds, Series 2002A (the *"Series 2002A Bonds"*). The Series 2002A Bonds are being issued in the aggregate principal amount of $150,000,000 in order to provide funds for the construction of Phase I of the University's Health and Wellness Center (the *"Project"*) and to provide for the planning and design of Phase II of the Project. See "THE PROJECT".

The Series 2002A Bonds are authorized to be issued under a resolution and a supplemental resolution (collectively, the "*Resolution*") of the Board each adopted on May 17, 2002. The Series 2002A Bonds are payable from and secured by a lien on Available Moneys, consisting of moneys from time to time on deposit in special and revolving funds of the University derived from its ownership or operation of the University, and the funds and accounts under the Resolution, in each case, with certain exceptions described herein. The Series 2002A Bonds are additionally payable from and secured by a lien on certain Auxiliary Moneys, 2002A, consisting of a portion of the receipts paid to the State of Hawaii (the "*State*") from the settlement of certain tobacco litigation, and the proceeds of the Series 2002A Bonds pending application. See "SECURITY FOR THE BONDS".

The Series 2002A Bonds are issuable only as fully registered bonds, without coupons, in the denomination of $5,000 or integral multiples thereof and when initially issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("*DTC*"). DTC will act as securities depository for the Series 2002A Bonds. Purchases of beneficial ownership interests in the Series 2002A Bonds will be made in book-entry form only. Beneficial owners of the Series 2002A Bonds will not receive physical delivery of certificates evidencing their ownership interest in the Series 2002A Bonds so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2002A Bonds. So long as DTC or its nominee is the registered owner of the Series 2002A Bonds, payments of the principal of and interest on the Series 2002A Bonds will be made at the principal office of the Director of Finance of the State of Hawaii, as Paying Agent, directly to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC Participants. See "THE SERIES 2002A BONDS".

The Series 2002A Bonds will bear interest from the date thereof, payable on January 15 and July 15 of each year, commencing on July 15, 2003, at the rates per annum, and will mature on July 15 of the years and in the principal amounts, as set forth on the inside cover. The Series 2002A Bonds are subject to redemption prior to maturity under certain circumstances as set forth herein under "THE SERIES 2002A BONDS-REDEMPTION PROVISIONS."

This scheduled payment of principal of and interest on the Series 2002A Bonds when due will be guaranteed under an insurance policy to be issued by concurrently with the delivery of the Series 2002A Bonds by Financial Guaranty Insurance Company.

FGIC® Financial Guaranty Insurance Company

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

Neither the State nor any department or political subdivision thereof, including the Board, is obligated to pay the Series 2002A Bonds from any source other than the moneys pledged under the Resolution. The Series 2002A Bonds are not a general or moral obligation or an indebtedness of the State within the meaning of any limitation of law or a charge upon the general fund of the State, nor is the full faith and credit of the State or any political subdivision thereof pledged to the payment of the principal of or interest on the Series 2002A Bonds. No holder of any Series 2002A Bond shall ever have the right to compel any exercise of the taxing power of the State or any political subdivision thereof for the payment of principal of or interest on the Series 2002A Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Series 2002A Bonds are offered when, as and if issued by the Board and received by the Underwriters, subject to approval of legality by Hawkins, Delafield & Wood, New York, New York, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, San Francisco, California. It is expected that the Series 2002A Bonds will be available for delivery in New York, New York, on or about June 27, 2002.

UBS PaineWebber Inc. | Salomon Smith Barney

June 13, 2002

MATURITY SCHEDULE FOR THE SERIES 2002A BONDS

$150,000,000 University Bonds,
Series 2002A

$78,110,000 Serial Bonds

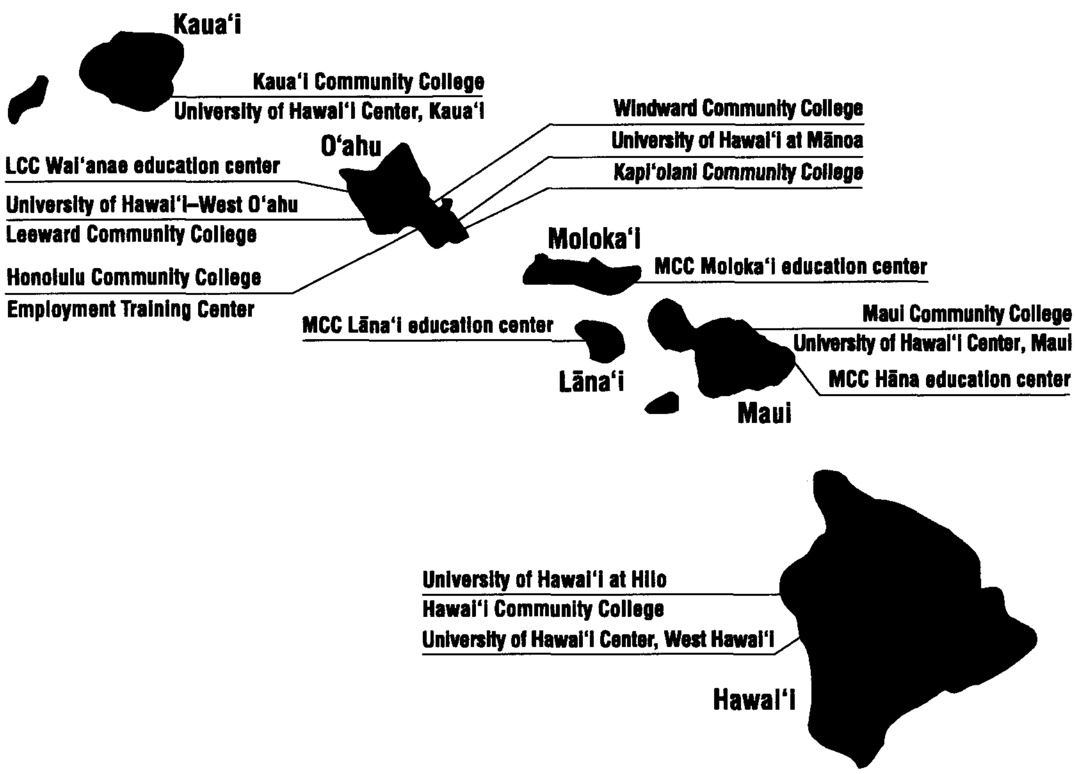
Year Due	Principal Amount	Interest Rate	Yield	Year Due	Principal Amount	Interest Rate	Yield
2004	$2,575,000	3.25%	NRO	2016	$ 160,000	4.50%	4.58%
2005	2,655,000	2.70	2.70%	2016	3,990,000	5.50	4.58c
2006	2,730,000	3.00	3.00	2017	1,520,000	4.65	4.67
2007	2,815,000	3.25	3.25	2017	2,855,000	5.50	4.67c
2008	2,915,000	3.55	3.55	2018	4,615,000	5.50	4.76c
2009	3,020,000	3.70	3.75	2019	50,000	4.80	4.83
2010	3,140,000	3.875	3.90	2019	4,830,000	5.50	4.83c
2011	3,265,000	4.00	4.05	2020	1,645,000	4.90	4.90
2012	3,395,000	4.00	4.15	2020	3,505,000	5.50	4.90c
2013	1,695,000	4.30	4.30	2021	540,000	5.00	4.96c
2013	1,860,000	5.50	4.30c	2021	4,895,000	5.50	4.96c
2014	935,000	4.40	4.42	2022	2,445,000	5.00	5.00
2014	2,805,000	5.50	4.42c	2022	3,285,000	5.50	5.00c
2015	1,650,000	4.50	4.50	2023	6,035,000	5.00	5.10
2015	2,285,000	5.50	4.50c				

c Priced to call at par on July 15, 2012.

$43,980,000 5.50% Term Bonds due July 15, 2029, Yield 5.05%c

$27,910,000 5.125% Term Bonds due July 15, 2032, Yield 5.24%

The University of Hawaii System



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No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation, other than as contained in this Official Statement, and if given or made such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there by any sale of the Series 2002A Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by the Board and by other sources which were believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof.

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statement made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact.

Other than with respect to information concerning Financial Guaranty Insurance Company ("Financial Guaranty") contained under the caption "BOND INSURANCE" and APPENDIX E- "SPECIMEN MUNICIPAL BOND INSURANCE POLICY" herein, none of the information in this Official Statement has been supplied or verified by the Board and the Board makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2002A Bonds; or (iii) the tax exempt status of the interest on the Series 2002A Bonds.

Neither the Series 2002A Bonds nor the Resolution have been registered or qualified with the Securities and Exchange Commission. The registration or qualification of the Series 2002A Bonds and the Resolution in accordance with applicable provisions of securities laws of the states in which the Series 2002A Bonds have been registered or qualified, and the exemption from registration and qualification in other states, shall not be regarded as a recommendation thereof.

In making an investment decision, investors must rely on their own examination of the Board and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

The Underwriters have provided the following paragraphs for inclusion in this Official Statement.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with this offering, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the Series 2002A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced may be discontinued at any time.

TABLE OF CONTENTS

BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII

Allan K. Ikawa, Chair
Bert A. Kobayashi, Vice Chair

Billy Bergin
Everett R. Dowling
Charles K. Kawakami
Duane K. Kurisu
Patricia Y. Lee
Ah Quon McElrath
Walter Nunokawa
Capsun M. Poe
Kathleen K.S.L. Thurston
Sharon R. Weiner

ADMINISTRATION

Evan S. Dobelle, President, University of Hawaii
Walter Kirimitsu, Chief of Staff and University General Counsel
Deane E. Nuebauer, Interim Chancellor of University of Hawaii at Manoa
Rose Y. Tseng, Senior Vice President and Chancellor, University of Hawaii at Hilo
William A. Pearman, Chancellor, University of Hawaii - West Oahu
Joyce S. Tsunoda, Senior Vice President and Chancellor for Community Colleges
James R.W. Sloane, Vice President for Administration and Chief Financial Officer
Colleen O. Sathre, Vice President for Planning and Policy
Doris M. Ching, Vice President for Student Affairs
Paul B. Costello, Vice President for External Affairs and University Relations

Bond Counsel

Hawkins, Delafield & Wood
New York, New York

Auditors

PricewaterhouseCoopers LLP
Honolulu, Hawaii

Paying Agent

Director of Finance of the State of Hawaii
Honolulu, Hawaii

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OFFICIAL STATEMENT

$150,000,000
BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII
UNIVERSITY BONDS
SERIES 2002A

This Official Statement, including the cover page and the appendices, is provided to furnish information regarding the $150,000,000 University Bonds, Series 2002A, dated of the date of delivery thereof and payment therefor (the *"Series 2002A Bonds"*), being issued by the Board of Regents of the University of Hawaii (the *"Board"*). See "BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII" herein.

INTRODUCTION

The Series 2002A Bonds are issued by the Board pursuant to Chapter 306, Hawaii Revised Statutes, as amended, and Act 14, Third Special Session Laws of Hawaii 2001 (collectively, the *"Act"*), a resolution of the Board (the *"Original Resolution"*) and a Supplemental Resolution of the Board (the *"Supplemental Resolution"*) each adopted May 17, 2002. The Original Resolution, as supplemented and amended, including as supplemented by the Supplemental Resolution, is referred to herein as the *"Resolution"*. The Series 2002A Bonds and any Additional Bonds issued under the Resolution are herein called the *"Bonds"*.

THE SERIES 2002A BONDS; PURPOSE AND SECURITY

The Original Resolution authorizes the initial issuance of one or more series of bonds for the purposes of financing the cost of construction of a University Project (as defined in the Resolution) constituting Phase I of the University's Health and Wellness Center (the *"Project"*) and to provide for the planning and design of Phase II of the Project. Phase I consists of two separate buildings, together with approximately 879 parking stalls at grade, approximately 605 of which will be on an adjacent site. See "THE PROJECT". All Bonds issued under the Resolution, including the Series 2002A Bonds, will be equally and ratably secured by a pledge of moneys from time to time on deposit in any special fund or revolving fund of the University derived from its ownership or operation of the University, and the funds and accounts established thereunder, in each case, with certain exceptions described herein. Under the Supplemental Resolution, the Series 2002A Bonds are additionally payable from and secured by a lien on certain "Auxiliary Moneys, 2002A" consisting of a portion of the moneys in the Hawaii Tobacco Settlement Special Fund, and the proceeds of the Series 2002A Bonds pending application. See "SECURITY FOR THE BONDS - PLEDGE", "THE UNIVERSITY SPECIAL AND REVOLVING FUNDS", and "RECEIPTS FROM TOBACCO SETTLEMENT". The Series 2002A Bonds are entitled to the benefits of a policy of insurance of the principal of and interest on the Series 2002A Bonds issued by Financial Guaranty Insurance Company. See "BOND INSURANCE".

LIMITED OBLIGATIONS

The Bonds, including the Series 2002A Bonds, are limited obligations of the Board payable from and secured solely by a lien on and security interest in the moneys pledged therefor under the Resolution. See "SECURITY FOR THE BONDS". Neither the State nor any department or political subdivision thereof, including the Board, is obligated to pay the Series 2002A Bonds from any source other than the moneys pledged under the Resolution. The Series 2002A Bonds are not a general or moral obligation or an indebtedness of the State within the meaning of any limitation of law or a charge upon the general fund of the State, nor is the full faith and credit of the State or any political subdivision thereof pledged to the payment of the principal of or interest on the Series 2002A Bonds. No holder of any Series 2002A Bond shall ever have the right to compel any exercise of the taxing power of the State or any political subdivision thereof for the payment of principal of or interest on the Series 2002A Bonds.

ADDITIONAL INFORMATION

This introduction is not a summary of this Official Statement. It is only a brief description of, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2002A Bonds to potential investors is made only by means of the entire Official Statement.

Certain capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings given to such terms in APPENDIX C - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION." The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of its terms and conditions. All statements herein are qualified in their entirety by reference to each document. Copies of the Resolution and other documents and information are available upon request and upon payment to the Board of a charge for copying, mailing and handling, directed to the Office of the Vice President for Administration.

PROFESSIONALS

UBS PaineWebber Inc., New York, New York, and Salomon Smith Barney Inc., New York, New York, are underwriting the Series 2002A Bonds (the *"Underwriters"*). Hawkins, Delafield & Wood, New York, New York, is Bond Counsel, and will submit its approving opinion with regard to the legality of the Series 2002A Bonds. Orrick, Herrington & Sutcliffe LLP, San Francisco, California, is serving as counsel to the Underwriters. PricewaterhouseCoopers LLP is the auditor for the University, but has not reviewed this Official Statement and has no responsibility for this Official Statement.

SECURITY FOR THE BONDS

PLEDGE

The Bonds, including the Series 2002A Bonds, are limited obligations of the Board payable from and secured by the moneys pledged under the Resolution. Under the Original Resolution, the Board has pledged Available Moneys of the University and, except as provided below, the funds and accounts under the Resolution for the punctual payment of the principal, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Original Resolution, and such pledge constitutes a lien on the Available Moneys and such funds and accounts. The term *"Available Moneys"* is defined in the Resolution to mean all moneys from time to time on deposit in any special or revolving fund of the University derived from its ownership or operation of the University, but does not include moneys deposited in the University Revenue-Undertaking Fund derived from the "Network" as defined in that certain resolution of the Board adopted on November 16, 2001, providing for the issuance of revenue bonds to finance certain revenue generating facilities, such as dormitories, and pledged to the payment of bonds issued and secured by such resolution. See "THE UNIVERSITY SPECIAL AND REVOLVING FUNDS".

Under the Original Resolution, the Board may, in the proceedings authorizing a particular series of Bonds, establish a separate account in the Debt Service Reserve Fund as a reserve solely for such series. No separate account is established in the Debt Service Reserve Fund for the Series 2002A Bonds. Pending the application of moneys in any special or revolving fund under the jurisdiction of the University or the Board, the University and the Board reserve the right to apply such moneys to the purposes for which such funds are established.

In addition, under the Original Resolution the Board may, by supplemental resolution authorizing a particular series of Bonds, grant as supplemental security for such series of Bonds, a pledge of and lien on, and a security interest in, (i) all or a portion of the moneys appropriated by the Legislature of the State for deposit in the University Revenue-Undertakings Fund for the purpose of paying all or a portion of the principal of, and interest on, such series of Bonds, or (ii) all or any portion of the proceeds of such series of Bonds, or (iii) both.

Pursuant to the above provision of the Original Resolution, the Supplemental Resolution grants as supplemental security for the Series 2002A Bonds a pledge of and a lien on, and a security interest in, Auxiliary Moneys, 2002A. The term *"Auxiliary Moneys, 2002A"* is defined in the Supplemental Resolution as any moneys on credit to the Auxiliary Account, 2002A in the University Revenue-Undertakings Fund appropriated by the Legislature of the State for the purpose of the payment of the principal of and interest on the Series 2002A Bonds. Pursuant to Act 14, Third Special Session Laws of Hawaii 2001, the Legislature of the State has indicated its intention to allocate and appropriate each year, for the purpose of paying debt service on the Series 2002A Bonds, a portion of the moneys received under a settlement with certain tobacco companies. In preparation of the budget for the University, the Board will budget the payment of the principal of and interest on the Series 2002A Bonds from such moneys. See "RECEIPTS FROM TOBACCO SETTLEMENT".

In addition, pursuant to the aforesaid provision of the Original Resolution, the Supplemental Resolution also grants as supplemental security for the Series 2002A Bonds a pledge of and lien on, and a security interest in, the proceeds thereof pending application thereof to the purpose for which such Bonds are issued.

Limited Obligations

The Bonds, including the Series 2002A Bonds, are limited obligations of the Board payable from and secured by a lien on and security interest in the moneys pledged therefor under the Resolution. Neither the State of Hawaii (the "State") nor any department or political subdivision thereof, including the Board, is obligated to pay the Series 2002A Bonds from any source other than the moneys pledged under the Resolution. The Series 2002A Bonds are not a general or moral obligation or an indebtedness of the State within the meaning of any limitation of law or a charge upon the general fund of the State, nor is the full faith and credit of the State or any political subdivision thereof pledged to the payment of the principal or interest on the Series 2002A Bonds. No holder of any Series 2002A Bond shall ever have the right to compel any exercise of the taxing power of the State or any political subdivision thereof for the payment of principal of or interest on the Series 2002A Bonds.

Debt Service Fund

The Original Resolution provides that separate accounts shall be established in the Debt Service Fund for each series of Bonds issued thereunder. Pursuant to such provision, the Supplemental Resolution and the proceedings providing for the issuance of the Series 2002A Bonds there is established an Interest Account, 2002A, a Serial Bond Principal Account, 2002A, and a Term Bond Principal Account, 2002A, for the payment of the principal of and interest on the Series 2002A Bonds.

The Supplemental Resolution and the proceedings providing for the issuance of the Series 2002A Bonds provide that upon each date on which Available Moneys are required to be transferred to the Interest Account, 2002A, the Serial Bond Principal Account, 2002A, or the Term Bond Principal Account, 2002A, in the event and to the extent there are any Auxiliary Moneys, 2002A, on deposit in the University Revenue-Undertakings Fund and on credit to the Auxiliary Account, 2002A, therein, there shall be transferred to the Paying Agent for the Series 2002A Bonds, all Auxiliary Moneys, 2002A, on deposit in the University Revenue-Undertakings Fund and on credit to the Auxiliary Account, 2002A, therein, but not in excess of the payment due on the next Interest Payment Date, in lieu of and in substitution for the transfer to the Paying Agent for the Series 2002A Bonds of such amount from the Available Moneys. To the extent Auxiliary Moneys, 2002A, are not sufficient to provide for the payment due on the next Interest Payment Date, Available Moneys shall be transferred to the Paying Agent for the Series 2002A Bonds, as required by the Resolution. In the preparation of the budget for the University, the Board will budget the payment of the principal of and interest on the Series 2002A Bonds from Auxiliary Moneys, 2002A.

The Bonds, including the Series 2002A Bonds and any Additional Bonds, are and will be equally and ratably secured by the lien on and pledge of Available Moneys, without priority by reason of series, number, date, maturity of Bonds, date of sale, issuance and execution, or delivery thereof.

SUBORDINATED INDEBTEDNESS

The Original Resolution authorizes the Board to issue bonds, notes, warrants, certificates or other obligations or evidences of indebtedness which are payable from and secured by a lien and charge on the Available Moneys subordinate to the payment from and lien and charge on the Available Moneys for payment of the principal of and interest on the Bonds.

COVENANTS OF THE BOARD

In the Resolution, the Board makes certain covenants and agreements. Among other things, the Board covenants and agrees with the Bondholders to complete construction of University Projects, to operate and maintain the University, and to manage the University in the most efficient manner consistent with sound economy and public advantage, against certain encumbrances, and certain sale or other disposition. In addition, the Board has covenanted as to the imposition of certain rates, rents and charges. See APPENDIX C - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

BOND INSURANCE

There follows below certain information concerning Financial Guaranty Insurance Company ("Financial Guaranty") and payment pursuant to the Municipal Bond Insurance Policy referred to below. Information with respect to Financial Guaranty and the 2002 Policy has been supplied by Financial Guaranty. No representation is made by the Board as to the accuracy or adequacy of such information. The 2002 Policy does not constitute a part of the contract between the Board and the holders of the particular Series 2002 Bonds evidenced by the Resolution and such Bonds. Except for the payment of the premium on the 2002 Policy, the Board has no responsibility with respect to such insurance in any way, including maintenance, enforcement or collection thereof.

Concurrently with the issuance of the Series 2002A Bonds, Financial Guaranty will issue its Municipal Bond New Issue Insurance Policy *(the "2002 Policy")* for the Series 2002A Bonds described in the 2002 Policy. The 2002 Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the Series 2002A Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Board. Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the *"Fiscal Agent")*, on the later of the date on which such principal or accreted value (if applicable) and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Series 2002A Bonds or the Paying Agent of the nonpayment of such amount by the Board. The Fiscal Agent will disburse such amount due on any Series 2002A Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal, accreted value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal, accreted value or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Series 2002A Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of a Series 2002A Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The 2002 Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Series 2002A Bonds. The 2002 Policy covers failure to pay principal or accreted value (if applicable) of the Series 2002A Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Series 2002A Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

Generally, in connection with its insurance of an issue of municipal securities, Financial Guaranty requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without Financial Guaranty's consent, in each case so long as Financial Guaranty has not failed to comply with its payment obligations under its insurance policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Series 2002A Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the Board is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the Series 2002A Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Series 2002A Bonds. Reference should be made to the description of Board and the ratings, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

The 2002 Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of December 31, 2001, the total capital and surplus of Financial Guaranty was approximately $1.002 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

The 2002 Policy does not protect investors against changes in market value of the Series 2002A Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Guaranty makes no representation regarding the Series 2002A Bonds or the advisability of investing in the Series 2002A Bonds. Financial Guaranty makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Guaranty has provided to the Board the information presented under this caption for inclusion in the Official Statement.

The Original Resolution provides that holders of Bonds which are insured or secured by a letter of credit as to principal and interest shall be deemed to have delegated their respective right to consent to amendments to the provider of such insurance or letter of credit, and the consent of such provider to amendments or supplements to the Resolution shall be in lieu of and substitution for the consent of holders of Bonds provided in the Resolution.

Holders of the Series 2002A Bonds shall be deemed to have delegated their respective right to consent to amendments to Financial Guaranty, and the consent of Financial Guaranty to amendments or supplements to the Resolution shall be in lieu of and substitution for the consent of holders of Bonds provided under the Resolution.

THE UNIVERSITY SPECIAL AND REVOLVING FUNDS

The Bonds are payable from Available Moneys. *"Available Moneys"* is defined in the Resolution to mean all moneys from time to time on deposit in any special or revolving fund of the University derived from its ownership or operation of the University, but does not include moneys deposited in the University Revenue-Undertaking Fund derived from the "Network" as defined in that certain resolution of the Board adopted on November 16, 2001, providing for the issuance of revenue bonds to finance certain revenue generating facilities, such as dormitories, and pledged to the payment of bonds issued and secured by such resolution. Pending the application of moneys in any special or revolving fund under the jurisdiction of the University or the Board, the University and the Board reserve the right to apply such moneys to the purposes for which such funds are established.

Under the laws of the State, the Legislature creates various special and revolving funds. For the University there exist over thirty special or revolving funds. Act 14, Third Special Session Laws of Hawaii 2001, expressly provides that "[n]otwithstanding any other law to the contrary," the Board is authorized to pledge all or any portion of moneys on deposit in one or more special or revolving funds of the University. Pursuant to such authorization the Board has pledged Available Moneys, as provided herein.

A special fund, which for accounting purposes is actually composed of several separate accounts, is generally dedicated or set aside by law for a specified object or purpose, but excludes revolving funds and trust funds. Special funds are designed to be self-sustaining through revenues earmarked from specified sources. The distinguishing characteristic of a special fund is that accounts in a special fund have legislative or other limitations imposed on their use. The types of moneys credited to an account in a special fund are user taxes, receipts and revenues from public undertakings, improvements or systems.

A revolving fund is one from which is paid the cost of goods and services rendered or furnished to or by an entity, such as the University, and which is replenished through charges made for the goods or services or through transfers from other accounts or funds. A revolving fund is often established with an appropriation of seed money from the State. Activities financed by revolving funds at the University include intercollegiate athletics, student activities, facilities usage, and services provided to facilitate instructional, research, and public service missions at the University. The activities are replenished through fees and charges for admission to events, rental, and services provided to users or the general public.

The total amount of Available Moneys, using the definition above, for the fiscal years ended June 30, 2000 and 2001, is set forth below:

Table 1
SUMMARY OF AVAILABLE MONEYS
FOR THE FISCAL YEAR ENDED JUNE 30,
(in thousands of dollars)

Special and Revolving Funds	2001	2000
Current Year's Receipts	$167,173	$160,280
Prior Year's Funds Balance	66,076	56,024
Total Available Moneys	$233,249	$216,304

Sources: University Staff

RECEIPTS FROM TOBACCO SETTLEMENT

Pursuant to a so-called Master Settlement Agreement, an industry-wide settlement of litigation between certain states, including the State, and certain tobacco companies entered into on November 23, 1998, the State will annually receive a share of such settlement. Under Chapter 328L, Hawaii Revised Statutes, as originally enacted the receipts from that settlement are deposited into the "Hawaii Tobacco Settlement Special Fund" of the State and moneys in the Hawaii Tobacco Settlement Special Fund are allocated and appropriated among (i) the Emergency and Budget Reserve Fund as a "temporary supplemental source of funding for the State during times of emergency, economic downturn, or unforseen reduction in revenues" of the State, (ii) the State Department of Health for the children's health insurance program and health promotion and disease prevention programs, and (iii) the Hawaii Tobacco Prevention and Control Trust Fund for tobacco prevention and control. Act 14, Third Special Session Laws of Hawaii 2001, among other things, amended Chapter 328L to allocate and appropriate each year (in addition to the allocations set forth above), for the purpose of paying debt service on bonds issued to finance the cost of construction of the Project, a portion of the moneys in the Hawaii Tobacco Settlement Special Fund. Such moneys constitute Auxiliary Moneys, 2002A, under the Resolution. See "SECURITY FOR THE BONDS".

An estimate of the State's share of settlement amounts and the portion thereof to be allocated and appropriated for the purpose of paying debt service on bonds issued to finance the cost of construction of the Project is set forth below:

Table 2
SUMMARY OF ESTIMATED SETTLEMENT AMOUNTS
AND AMOUNTS AVAILABLE FOR DEBT SERVICE ON SERIES 2002A BONDS
(in thousands of dollars)

Fiscal Year June 30	Estimated Total Receipts	Estimated Allocation and Appropriation	Fiscal Year June 30	Estimated Total Receipts	Estimated Allocation and Appropriation
2002	$50,508	$14,142	2017	$63,350	$12,489
2003	50,508	14,142	2018	48,173	12,489
2004	42,155	11,803	2019	48,173	12,489
2005	42,155	11,803	2020	48,173	12,489
2006	42,155	11,803	2021	48,173	12,489
2007	42,155	11,803	2022	48,173	12,489
2008	63,350	17,738	2023	48,173	12,489
2009	63,350	17,738	2024	48,173	12,489
2010	63,350	17,738	2025	48,173	12,489
2011	63,350	17,738	2026	48,173	12,489
2012	63,350	17,738	2027	48,173	12,489
2013	63,350	17,738	2028	48,173	12,489
2014	63,350	17,738	2029	48,173	12,489
2015	63,350	17,738	2030	48,173	12,489
2016	63,350	17,738	2031	48,173	12,489
			2032	48,173	12,489

Sources: Office of Attorney General of the State of Hawaii

THE SERIES 2002A BONDS

GENERAL TERMS OF THE SERIES 2002A BONDS

The Series 2002A Bonds will mature in the amounts and on the dates, and bear interest at the rates, set forth on the inside cover of this Official Statement. Interest on each Series 2002A Bond will be payable on January 15 and July 15 of each year, commencing July 15, 2003. The Series 2002A Bonds are issuable in fully registered form in the denomination of $5,000 or any multiple thereof.

The Series 2002A Bonds initially issued will be available only in book-entry form. The Depository Trust Company, New York, New York ("*DTC*") will act as securities depository for the Series 2002A Bonds, and the ownership of one fully registered Series 2002A Bond for each maturity, in the principal amount of such maturity, of the Series 2002A Bonds will be registered in the name of Cede & Co., as nominee of DTC as the sole registered owner of the Series 2002A Bonds, and, except under the caption "TAX MATTERS," references herein to holders (the registered owners) shall be to DTC and not the beneficial owners. For a description of DTC and its book-entry-only system, see "THE SERIES 2002A BONDS - Book-Entry-Only System" below. Interest on the Series 2002A Bonds will be payable by check or draft at the principal office of the Director of Finance of the State of Hawaii, as Paying Agent (the "*Paying Agent*"), mailed to the holder at the address of such holder shown on the registry books kept pursuant to the provisions of the Resolution. The principal and redemption price, if any, of any Series 2002A Bond will be payable at the office of the Paying Agent in Honolulu, Hawaii.

THE SERIES 2002A BONDS - Redemption Provisions

Mandatory Redemption. The Series 2002A Bonds maturing July 15, 2029, and July 15, 2032, are subject to redemption in part, at a redemption price equal to the principal amount of such Series 2002A Bonds or portions thereof to be redeemed, from sinking fund installments accumulated in the Term Bond Principal Account, 2002A, in the Debt Service Fund, in amounts sufficient to retire such Series 2002A Bonds on July 15 in each of the years and in the principal amounts set forth below:

Series 2002A Bonds due July 15, 2029

Year	Principal Amount
2024	$6,360,000
2025	6,720,000
2026	7,100,000
2027	7,500,000
2028	7,925,000
2029	8,375,000

Series 2002A Bonds due July 15, 2032

Year	Principal Amount
2030	$8,830,000
2031	9,295,000
2032	9,785,000

Optional Redemption. The Series 2002A Bonds maturing on and after July 15, 2013, shall be subject to redemption prior to the stated maturity thereof at the option of the Board at any time and from time to time on or after July 15, 2012, as a whole or in part (if in part, the maturities or portions thereof to be redeemed to be selected by the Board in its sole discretion) in each case at a redemption price equal to the principal amount of such Series 2002A Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date.

THE BONDS - Notice of Redemption

Notice of Redemption. Notice of redemption of any Bond, including any Series 2002A Bond, is required to be mailed not less than thirty (30) days prior to the redemption date to the holder of such Bond at its address as it appears on the registry books.

Each notice of redemption is required to state: (i) the title of the Bonds to be redeemed, the series designation thereof, the redemption date, the place or places of redemption and the redemption price payable upon such redemption; (ii) if less than all the Bonds are to be redeemed, the distinctive number of the Bonds to be redeemed, (iii) that the interest on the Bonds, or on the principal amount thereof to be redeemed, designated for redemption in such notice shall cease to accrue from and after such redemption date; and (iv) that on said date there will become due and payable on each said Bond the principal amount thereof to be redeemed at the then applicable redemption price and the interest accrued on such principal amount to the redemption date. Each notice of redemption mailed to the holder of a Bond to be redeemed must, if less than the entire principal sum thereof is to be redeemed, also state the principal amount thereof to be redeemed and, if less than the entire principal sum of a Bond all of the principal of which matures on the same day is called for redemption, that such Bond must be surrendered to the Paying Agent in exchange for the payment of the principal amount thereof to be redeemed and the issuance of a new Bond or Bonds equaling in principal amount that portion of the principal sum not to be redeemed of the Bond to be surrendered.

Notice of redemption of Bonds will be given by the Paying Agent.

Any notice of optional redemption may state that such redemption may be conditional upon the receipt by the Paying Agent for the Bonds of the series proposed to be redeemed on the date fixed for redemption of moneys sufficient to pay in full the redemption price of the Bonds proposed to be redeemed. If the notice contains such condition, and moneys sufficient to pay in full the redemption price of the Bonds proposed to be redeemed shall not be received on or prior to the date fixed for redemption, such notice of redemption shall be null and void and of no force and effect, the Board shall not redeem or be obligated to redeem any Bonds, and the Paying Agent at the Board's direction shall give notice, in the same manner as notice of redemption is given, that moneys sufficient to pay in full the redemption price of the Bonds proposed to be redeemed were not received on or prior to the date fixed for redemption and such redemption did not occur. In the event of the failure to redeem, all Bonds of a series surrendered for redemption shall be promptly returned to the holder or holders by the Paying Agent for the Bonds of such series.

For so long as a book-entry-only system is in effect with respect to the Series 2002A Bonds, notice of redemption, or notice of rescission of any conditional notice of redemption, of Series 2002A Bonds to be redeemed is to be mailed by the Paying Agent to DTC or its nominee or its successor. Any failure of DTC or of its successor, or of a direct or indirect participant, to notify a beneficial owner of Series 2002A Bonds of ant redemption will not affect the sufficiency or validity of the redemption of the Series 2002A Bonds to be redeemed. See "THE SERIES 2002A BONDS - Book-Entry Only System" below for a description of the book-entry only system. Neither the Board nor the Paying Agent can give any assurance that DTC or its successor, or direct or indirect DTC participants, will distribute such redemption notices to the beneficial owners of the Series 2002A Bonds, or that they will do so on a timely basis.

Partial Redemption. If less than all the Bonds of a series shall be called for redemption, the particular Bonds of such series or portions of the Bonds of such series to be redeemed are required to be selected by lot or pro rata by the Director of Finance of the State of Hawaii, as registrar (the *"Registrar"*), or in any other manner as the Registrar in its discretion may deem proper. In selecting Bonds of a series for redemption, the Registrar is required to treat each Bond of such series as representing that number of Bonds which is obtained by dividing the principal amount of such Bonds by $5,000. If it is determined that one or more, but not all of the $5,000 units of principal amount represented by any such Bond of such series is to be called for redemption, then upon notice of intention to redeem such $5,000 unit or units, the holder of such Bond must surrender such Bond to the Registrar for (1) payment of the redemption price (including the redemption premium, if any, and interest to the date fixed for redemption) of the $5,000 unit or units of principal amount called for redemption, and (2) exchange for a new Bond or Bonds in the aggregate principal amount of the unredeemed balance of the principal of such Bonds.

Transfer or Exchange of the Bonds

Any Bond may, in accordance with its terms, be transferred upon the registry books required to be kept pursuant to the provisions of the Resolution, by the person in whose name it is registered, in person or by its duly authorized attorney, upon surrender of such Bond to the Paying Agent for cancellation, accompanied by delivery of a written instrument of transfer duly executed and in form satisfactory to the Paying Agent.

Whenever any Bond is surrendered for transfer, the Board shall deliver, or cause to be delivered, at the principal office of the Paying Agent (or cause to be sent by registered mail to the holder thereof at its request, risk and expense), in exchange for the fully registered Bond surrendered, a new duly executed

Bond, as appropriate, of the same series, interest rate and maturity for a like aggregate principal sum as the Bond surrendered.

Any Bond may be surrendered for exchange for a new fully registered Bond, as appropriate of a like aggregate principal amount, series, interest rate and maturity and in authorized principal sums aggregating the principal sum or sums of the Bonds or Bond or Bonds delivered in exchange.

The Paying Agent may charge a sum not exceeding the actual cost of each new fully registered Bond and may require the payment by the holder of the Bond requesting such transfer of any tax or other governmental charges required to be paid with respect to such transfer. The Paying Agent shall require the payment of such tax or governmental charges from the holder requesting an exchange.

THE SERIES 2002A BONDS - Book-entry Only System

The information contained in this portion of this Official Statement has been extracted from a schedule prepared by DTC, entitled "SAMPLE OFFICIAL STATEMENT LANGUAGE DESCRIBING BOOK-ENTRY ISSUANCE." The Board makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

1. DTC will act as securities depository for the Series 2002A Bonds. The Series 2002A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2002A Bonds certificate will be issued for each maturity of each year of the Series 2002A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("*Directs Participants*") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). The rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

3. Purchases of Series 2002A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the respective Series 2002A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2002A Bonds ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmations from DTC of their purchase, but Beneficial Owners are expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in Series 2002A Bonds are to be accomplished by entries made on books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2002A Bonds, except in the event that use of the book-entry system for the Series 2002A Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2002A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2002A Bonds with DTC and their registration in the name of Cede & Co., effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2002A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2002A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to Cede & Co. If less than all of the Series 2002A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot of the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. will consent or vote with respect to the Series 2002A Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2002A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal and interest payments on the Series 2002A Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the date payable in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payable. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent under the Resolution, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Board or the Paying Agent under the Resolution, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

9. The requirement for physical delivery of Series 2002A Bonds in connection with a mandatory tender for purchase will be deemed satisfied when the ownership rights in Series 2002A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of the tendered Bonds to the Tender Agent's DTC account.

10. DTC may discontinue providing its services as securities depository with respect to the Series 2002A Bonds at any time by giving reasonable notice to the Board. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2002A Bonds certificates will be printed and delivered.

11. The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2002A Bonds certificates will be printed and delivered.

NEITHER THE BOARD, THE PAYING AGENT UNDER THE RESOLUTION NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE

ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANTS OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT OR TIMELESS OF PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2002A BONDS; (III) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2002A BONDS; (IV) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; OR (V) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII

Founded in 1907 as a land-grant College of Agriculture and Mechanic Arts, the University of Hawaii has evolved into a multi-institutional system comprised of a major research university in Manoa on the island of Oahu, a four-year campus in Hilo on the island of Hawaii, an upper division college in West Oahu, and seven community colleges. In addition, there are outreach centers at Waianae, Oahu; Hana, Maui; Lanai; Molokai and West Hawaii. The affairs of the University are under the general management and control of the Board of Regents, consisting of twelve members appointed by the governor of the State for four-year terms and confirmed by the Senate. For a more comprehensive description of the Board, the University and certain statistical information, See APPENDIX A - "THE UNIVERSITY."

THE PROJECT

The University Project to be financed from the proceeds of the Series 2002A Bonds is Phase I of the University's Health and Wellness Center (the "*Project*"). The entire Project is currently expected to be located on approximately 9.9 acres of land situated in the Kaka'ako area of the City and County of Honolulu on Oahu which will be leased by the University from the Hawaii Community Development Authority ("*HCDA*"). An adjacent tract of 5.3 acres will also be leased from HCDA for interim parking. On June 12, 2002, the HCDA approved a $1/year, 55-year lease with the University of Hawaii for the Project site. A separate 5-year lease for the adjacent tract is under negotiation.

Phase I consists of two separate buildings, together with approximately 691 parking stalls at grade, approximately 471 of which will be on the aforesaid adjacent tract. The two buildings will aggregate approximately 354,412 square feet, and consist of (i) an Education/Administration Building containing approximately 138,108 square feet, utilized for administration, dining, and other support facilities and (ii) a Research Building containing approximately 216,304 square feet to provide space for a wet laboratory, an animal facility, office space, childcare facilities, fitness facilities and loading docks.

All necessary regulatory approvals have been or will be obtained from HCDA, the State redevelopment agency that oversees redevelopment of the Kaka'ako area, and other State agencies. A development permit for the Project was issued by the HCDA on May 13, 2002. The University has conducted an environmental assessment ("*EA*") for the Project, as required by Chapter 343, Hawaii Revised Statutes, which was completed on May 14, 2002. Based on the negligible impacts disclosed in the EA, the University issued a Finding of No Significant Impact. A Shoreline Management Area Permit is expected to be issued by the State of Hawaii Office of Planning on June 24, 2002.

The total cost of Phase I is estimated to be $168,000,000. The proceeds of the Series 2002A Bonds, together with earnings during construction are estimated to be $155,000,000. Approximately $13,000,000 was provided through a prior legislative appropriation. See "ESTIMATED SOURCES AND USES OF FUNDS". It is estimated that construction of Phase I will be completed in June, 2005.

Phase II of the Project will consist of a building for cancer research which is still in the planning stage. The total cost of Phase II of the Project is estimated to be $80,000,000 and is expected to be paid primarily from private contributions to the University. Although approximately $1,000,000 of the proceeds of the Series 2002A Bonds is expected to be expended on the design and planning for Phase II of the Project, it is not expected that construction of Phase II of the Project will be undertaken until Fiscal Year 2004 or later. Phase II of the Project may be included on the same site as Phase I of the Project; however, a final determination has not been made as of this date. Phase II will not commence unless and until financing has been secured.

Table 3
ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds, exclusive of accrued interest, are estimated as follows:

SOURCES OF FUNDS

Principal Amount of Series 2002A Bonds	$150,000,000.00
Net Original Issue Premium	3,076,832.25
Total Sources	$153,076,832.25

USES OF FUNDS

Deposit in Construction Fund	$151,393,947.15
Cost of Issuance for Series 2002A Bonds, including insurance premium and underwriting discount on Series 2002A Bonds	1,682,885.10
Total Uses	$153,076,832.25

Table 4
DEBT SERVICE REQUIREMENTS TABLE

Set forth below are the debt service requirements for the Series 2002A Bonds. Debt Service requirements for the Series 2002A Bonds in each fiscal year ending June 30 include principal and interest payments on July 15 of such fiscal year and interest payments on January 15 of such fiscal year.

SERIES 2002A BONDS

	Series 2002A Bonds		
Year Ending June 30	Principal	Interest[1]	Total Debt Service
2004	--	$11,628,689.00	$11,628,689.00
2005	2,575,000	7,460,536.25	10,035,536.25
2006	2,655,000	7,382,850.00	10,037,850.00
2007	2,730,000	7,306,057.50	10,036,057.50
2008	2,815,000	7,219,363.75	10,034,363.75
2009	2,915,000	7,121,878.75	10,036,878.75
2010	3,020,000	7,014,267.50	10,036,267.50
2011	3,140,000	6,897,560.00	10,037,560.00
2012	3,265,000	6,771,422.50	10,036,422.50
2013	3,395,000	6,638,222.50	10,033,222.50
2014	3,555,000	6,482,730.00	10,037,730.00
2015	3,740,000	6,297,430.00	10,037,430.00
2016	3,935,000	6,099,760.00	10,034,760.00
2017	4,150,000	5,886,472.50	10,036,472.50
2018	4,375,000	5,659,295.00	10,034,295.00
2019	4,615,000	5,418,530.00	10,033,530.00
2020	4,880,000	5,157,592.50	10,037,592.50
2021	5,150,000	4,886,877.50	10,036,877.50
2022	5,435,000	4,602,075.00	10,037,075.00
2023	5,730,000	4,302,500.00	10,032,500.00
2024	6,035,000	4,000,162.50	10,035,162.50
2025	6,360,000	3,674,387.50	10,034,387.50
2026	6,720,000	3,314,687.50	10,034,687.50
2027	7,100,000	2,934,637.50	10,034,637.50
2028	7,500,000	2,533,137.50	10,033,137.50
2029	7,925,000	2,108,950.00	10,033,950.00
2030	8,375,000	1,660,700.00	10,035,700.00
2031	8,830,000	1,204,118.75	10,034,118.75
2032	9,295,000	739,665.63	10,034,665.63
2033	9,785,000	250,740.63	10,035,740.63

(1) Actual interest rates.

LEGALITY OF BONDS FOR INVESTMENT

The State and any of its political subdivisions, or any political or public corporations, including the employees' retirement system of the State, or any instrumentality of the State, or any insurance company or building and loan association, or any savings bank or trust company, or any bank or other financial institution operating under the laws of the State or any personal representative, guardian, trustee or other fiduciary in the

State may legally invest any moneys or funds belonging to them or within their control and available for investment under other provisions of law, in bonds issued by the Board under the Act.

PENDING LITIGATION

The University and the Board are subject to litigation in connection with the day-to-day operation of the University. Accordingly, the University has been named as a defendant and/or co-defendant in various lawsuits. Counsel is presently unable to express an opinion as to the probable outcome of certain lawsuits, and, accordingly, no provision for losses, if any, has been made for these matters. Losses, if any, may be paid for by the general fund of the State or from moneys in certain special or revolving funds of the University. There are no claims or judicial proceedings other than the proceedings referred to above. There is no litigation now pending or threatened seeking to restrain or enjoin the issuance and delivery of, or the power and authority of the Board to issue and deliver, the Series 2002A Bonds or affecting the validity thereof. During fiscal years 2000 and 2001, an aggregate of less than $3.0 million was paid on claims against the University.

TAX MATTERS

In the opinion of Bond Counsel, (i) under existing statutes and court decisions, interest on the Series 2002A Bonds is not included in gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) under the Code, interest on the Series 2002A Bonds is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax applicable to individuals and corporations; such interest, however, is includable in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on corporations by the Code. In rendering the foregoing opinions, Bond Counsel has assumed continuing compliance by the Board with the tax covenants set forth in the proceedings authorizing the issuance of the Series 2002A Bonds.

In the further opinion of Bond Counsel, under the existing laws of the State, the Series 2002A Bonds, and the income therefrom, are exempt from all State, county and municipal taxation, except inheritance, transfer, and estate taxes and except to the extent such income may be included in the measure of the franchise tax imposed on banks and other financial corporations pursuant to the laws of the State of Hawaii.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2002A Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2002A Bonds, or under state and local tax law.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2002A Bonds in order that interest on the Series 2002A Bonds be and remain not included in gross income under Section 103 of the Code. Noncompliance by the Board with such requirements may require inclusion of interest on the Series 2002A Bonds in gross income retroactive to the date of issuance of the Series 2002A Bonds, regardless of when such noncompliance occurs. The Board has covenanted that it shall not take or omit to take or permit any person to take or omit to take any action which would cause interest on the Series 2002A Bonds to be included in the gross income of any Bond owner for federal income tax purposes by reason of Section 103(b) of the Code as now in effect.

As noted above, interest on the Series 2002A Bonds may be taken into account in determining the tax liability of corporations subject to the federal alternative minimum tax imposed by Section 55 of the Code. Interest on the Series 2002A Bonds may also be taken into account in determining the environmental tax imposed on certain corporations by Section 59A of the Code and the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Owners of Series 2002A Bonds should be aware that such ownership may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S Corporations and certain foreign corporations), financial institutions, property and casualty insurance companies, and individual recipients of Social Security or Railroad Retirement benefits, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes.

Owners of Series 2002A Bonds subject to any such taxes or who might fall into any such category should consult their own tax advisors as to the computation of any such tax and the applicability of these consequences.

Legislation affecting state and local bonds is being constantly considered by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Series 2002A Bonds will not have an adverse effect on the tax-exempt status or market price of the Series 2002A Bonds.

The form of opinion Bond Counsel proposes to render is set forth in APPENDIX D - "FORM OF OPINION OF BOND COUNSEL".

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, issuance and delivery of the Series 2002A Bonds are subject to the approval of Hawkins, Delafield & Wood. Copies of the approving opinion of Bond Counsel will be available at the time of delivery of the Series 2002A Bonds and will be delivered with the Series 2002A Bonds. The proposed form of the opinion of Bond Counsel is annexed as APPENDIX D - "FORM OF OPINION OF BOND COUNSEL". Certain legal matters will be passed upon for the Underwriters by their Counsel, Orrick, Herrington & Sutcliffe LLP.

RATINGS

Standard & Poor's Ratings Services, Moody's Investors Service, Inc. and Fitch Ratings have assigned their municipal bond ratings of "AAA", "Aaa" and "AAA", respectively, to the Series 2002A Bonds with the understanding that upon delivery of the Series 2002A Bonds, a policy insuring the payment when due of the principal of and interest on the Series 2002A Bonds will be issued by Financial Guaranty. In addition, such agencies have assigned underlying ratings of "A+ ", "Aa3" and "A+ ", respectively, to the Series 2002A Bonds based on their respective evaluation of the Series 2002A Bonds, without giving effect to such policy. Such ratings reflect only the respective views of such rating agencies, and any explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. There is no assurance that any of such ratings will be retained for any given period of time or that the same will not be revised downward, suspended or withdrawn entirely by the rating agency furnishing the same if, in its judgement, circumstances so warrant. The Board undertakes no responsibility either to bring to the attention of owners of the Series 2002A Bonds any downward revision, suspension or withdrawal of any such rating or to oppose any such revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Series 2002A Bonds.

CONTINUING DISCLOSURE

The Board will undertake to provide certain annual financial information and notices of the occurrence of certain events, if material, pursuant to a Continuing Disclosure Undertaking, a form of which is set forth as APPENDIX F - "FORM OF CONTINUING DISCLOSURE CERTIFICATE".

UNDERWRITING

UBS PaineWebber Inc. and Salomon Smith Barney Inc. have agreed to purchase the Series 2002A Bonds at a price of $150,000,000 plus net original issue premium of $3,076,832.25 and less an underwriting discount of $872,972.80, resulting in a purchase price of $152,203,859.45. The Contract of Purchase provides that the Underwriters will purchase all the Series 2002A Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Contract of Purchase, including the approval of certain legal matters by counsel and certain other conditions. The initial public offering prices may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2002A Bonds to certain dealers (including dealers depositing the Series 2002A Bonds into unit investment trusts certain of which may be sponsored or managed by the Underwriters) and others at prices lower than the public offering prices stated on the cover page hereof.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representations are made that any of the estimates will be realized.

The description of the Resolution and other documents referred to herein are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to such documents for full and complete statements of such provisions.

The execution and delivery of this Official Statement has been duly authorized by the Board.

BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII

By: ______________________
Chairman

THE UNIVERSITY

General

The University of Hawaii (the "University") constitutes a post secondary system (the "University System"), comprised of three University campuses, seven community college campuses, an Employment Training Center and five educational centers distributed across six islands throughout the State. In addition to the flagship campus of the University at Manoa, the University System also includes the 3,000 student campus at Hilo on the island of Hawaii and the smaller campus in West Oahu on the leeward island of Oahu. The community college system in the University System consists of seven community colleges and an Employment Training Center. There are four community college campuses on the island of Oahu and one community college campus on each of the islands of Maui, Kauai, and Hawaii, making college classes accessible and affordable and easing the transition from high school to college for many students. The Employment Training Center is located on the island of Oahu. The five educational centers are located in the more remote areas of the State, and support the rural communities via interactive television classrooms. A map of the University System is included in Appendix B.

The mission of the University System is to provide quality college and university education and training; create knowledge through research and scholarship; provide service through extension, technical assistance, and training; contribute to the cultural heritage of the community, and respond to State needs. The campuses, organized under the Board, differentially emphasize instruction, research, and service. The University System's special distinction is found in its Hawaiian, Asian, and Pacific orientation and international leadership role. Common values bind the University System together: aloha; academic freedom and vigor; institutional integrity and service; quality and opportunity; diversity, fairness, equity; collaboration and respect; and accountability and fiscal integrity.

Campuses and Academic Programs

The University System provides students with two campuses offering baccalaureate degrees but with differing admission requirements, one multi-college university with graduate programs, and seven community colleges located on the four major islands. Students of the University System can earn a variety of degrees including certificates in more than 100 fields of study, associate degrees in liberal arts and career and technical education, bachelor's degrees in 111 programs, master's degrees in 86 programs, and doctoral degrees in 60 programs, including M.D., J.D. and ArchD degrees. In addition, the University maintains a co-operative extension program. The Employment Training Center and the five educational centers provide non-degree adult continuing education and training programs.

Manoa Campus

The oldest campus and the flagship of the University System is at Manoa on the island of Oahu. The University was established at Manoa in 1907 as a land-grant college of agriculture and mechanic arts. With the addition of a College of Arts and Sciences in 1920, the college became the University. In 1972, the campus became known as the University of Hawaii at Manoa to distinguish it from the other units of the growing University System. The campus at Manoa remains by far the largest and most comprehensive unit in the University System, comprising 17 schools and colleges, offering 90 baccalaureate degrees and 149 graduate and professional degrees, with 134 degree programs, including M.D., J.D. and ArchD degrees. Regular credit enrollment for the fall 2001 semester was 17,532, of which 12,624 were full-time and 4,908 were part-time with 12,020 students enrolled as undergraduates, 5,478 as graduates, and 34 with no data. 3,603 degrees were awarded during fiscal year 2000-2001, of which 1,207 were graduate degrees and 2,396 were bachelor's degrees. The University at Manoa is situated on approximately 300 acres on the island of Oahu, 7 miles east of the central business district of the City and County of Honolulu. The estimated daytime student population of the University at Manoa campus is approximately 17,000. At the beginning of the 2002 academic year, the University at Manoa had 2,337 faculty.

The University at Manoa is a Carnegie I research university of international standing. Students have special opportunities for Hawaiian, Asian, and Pacific educational experiences and involvement in research activities, learning community service, and co-curricular activities. The University is one of 39 universities or consortia in the United States designated as a land, sea and space grant college. As a major research university, the University at Manoa has the capability of serving not only the State but the nation and the international community as well. The University at Manoa has widely recognized strengths in tropical agriculture, tropical medicine, oceanography, astronomy, electrical engineering, volcanology, evolutionary biology, comparative philosophy, comparative religion, Hawaiian studies, Asian studies, Pacific Islands studies, and Asian and Pacific region public health. The University at Manoa offers instruction in more languages than any United States institution outside the United States Department of State. In addition to the University faculty expertise in benthic and pelagic oceanography, the Hawaii Institute of Marine Biology leads global research in coral reefs and zooxanthellae.

A number of specialized schools are located at the University at Manoa, including Law, Medicine, Agriculture, Business Administration, Hawaiian, Asian and Pacific Studies, and Ocean and Earth Sciences and Technology. The University at Manoa also sponsors an NCAA Division I intercollegiate sports program.

Hilo Campus

The campus of the University of Hawaii at Hilo was established in 1970 as a four year, residential liberal arts undergraduate campus in the University System, with baccalaureate and associate degrees in arts and sciences. The major emphasis is on undergraduate education. The campus of the University at Hilo also has a College of Agriculture, Forestry, and Natural Resource Management, a College of Business and a College of Hawaiian Language.

Students may select majors in the natural sciences, humanities, social sciences, agriculture and Hawaiian language, as well as professional programs such as business, education, and nursing. At the beginning of the 2001-2002 academic year, the campus had 182 faculty. Regular credit enrollment for the fall 2001 semester was 2,913, of which 2,240 were full-time and 673 were part-time, with 2,724 students enrolled as undergraduates and 189 as graduates. 452 degrees were awarded during fiscal year 2000-2001, of which 452 were bachelor's degrees. With an average of 21 students per class, faculty and students interact closely in the learning environment.

The University at Hilo also sponsors an NCAA Division II intercollegiate sports program.

West Oahu Campus

The campus of the University in West Oahu is the most recent addition to the University System. That campus opened its doors in January, 1976, as West Oahu College and is currently located on the Leeward Community College campus in Pearl City on the island of Oahu. The name of the institution was changed to the University of Hawaii-West Oahu by the Board in 1989.

The campus at West Oahu was established to take advantage of this region's substantial growth and to alleviate the crowded conditions at the campus at Manoa. West Oahu, an upper division campus, permits students to pursue their educational and professional goals through a curriculum that places major emphasis on the teaching function, as well as the humanities, social sciences, and selected professional programs. Courses are scheduled to accommodate student schedules, including evenings and weekends.

At the beginning of the 2001-2002 academic year, the campus had 32 faculty. Regular credit enrollment for the fall 2001 semester was 740, of which 304 were full-time and 436 were part-time, with 728 as undergraduates, 3 as graduates, and 9 with no data. During fiscal year 2000-2001, 221 degrees were awarded, all of which were bachelor degrees.

The Community Colleges and Outreach Programs

The community college sub-system in the University System consists of seven campuses. Currently, the community college sub-system serves over 25,000 credit students annually, which is more than half of the enrollment of the entire University System. The community college sub-system is comprehensive in nature, offering liberal arts and sciences courses leading to the Associate of Arts degree (for students preparing to transfer to baccalaureate institutions). The community colleges also offer courses in career and technical training leading to an Associate in Science (transferrable to applicable baccalaureate programs), an Associate in Applied Science, or an Associate in Technical Studies. These courses may also lead to either a Certificate of Achievement or Certificate of Completion. Developmental instruction for students needing to improve their basic skills, and a variety of non-credit courses and activities are also available.

Table A-1
COMMUNITY COLLEGES
2001-2002 Academic Year

College	Enrollment[1]	Faculty/Staff[1]	Degrees Awarded[2]
Hawaii	2,075	224	321
Honolulu	4,653	356	600
Kapiolani	7,081	491	660
Kauai	1,185	170	123
Leeward	5,562	359	465
Maui	2,699	294	235
Windward	1,554	122	131
Total:	24,809	2,016	2,535

[1] Data are for headcount Fall 2001 only.
[2] Data are for 2000-2001.

Sources:
University Institutional Research Office, April 2002

In addition to the community college sub-system, the University System provides continuing adult education programs through several outreach centers located in Waianae, Oahu; Hana, Maui; Lanai; Molokai and West Hawaii.

Employment Training Center

The Employment Training Center was established in 1964 within the State's Department of Education under an agreement between the United States Department of Health, Education and Welfare and the State. The Employment Training Center was initially designated the Manpower Training Office reflecting the national initiative set by the Manpower Development and Training Act. The Manpower Training Office was transferred to the University in 1968 by an act of the State Legislature. In 1980 the Board approved the name change to the Employment Training Office. In 1991 that name was modified to the Employment Training Center to reflect that the Center was not merely an "office" administrating training programs, but a "center" which provides a variety of educational and training programs.

Accreditation and Membership

The University is accredited by the Accrediting Commission for Colleges and Universities of the Western Association of Schools and Colleges. Professional programs in curriculum are individually accredited by appropriate agencies. Students may transfer credits to other American or foreign universities on the same basis as course credits are transferred by other accredited American universities.

In January, the accreditation Liaison Committee on Medical Education ("*LCME*") visited and reviewed the University Medical School. The LCME has recommended placing the University Medical School on probation based on its perception that there is "serious under-funding" and the attrition of PhD. faculty. The University disagrees with the assessment and has filed a contest of the recommendation. The State has authorized $150 million for a new medical school campus (the bonds being offered by the Official Statement to which this section is appended) and the University has committed to fund 30 faculty positions, some of which have been filled. Upon the filing of the appeal, an *ad hoc* committee of reviewers (different from the January committee) will review the University's rebuttal and will have 60 days to make a recommendation to the board of the LCME. The LCME board is expected to make a final decision in November, 2002. During the appeal process, the University Medical School will retain full accreditation. The accreditation of no other school or program of the University is currently being questioned.

Administrative Organization

The University System is governed by the Board of Regents, whose members are appointed by the Governor and confirmed by the Senate of the State. The Regents in turn appoint the president of the University System who also serves as the chief executive officer of the Board. Chief administrative officers for the various campuses are either chancellors or provosts.

Members of the Board of Regents

The affairs of the University System are under the general management and control of the Board of Regents, consisting of twelve members appointed by the governor of the State and confirmed by the Senate. Regents serve four-year terms. The Regents of the University are:

Allan K. Ikawa, Chair
Bert A. Kobayashi, Vice Chair

Billy Bergin
Everett R. Dowling
Charles K. Kawakami
Duane K. Kurisu
Patricia Y. Lee
Ah Quon McElrath
Walter Nunokawa
Capsun M. Poe
Kathleen K.S.L. Thurston
Sharon R. Weiner

Administration

Administrative personnel of the University System include the following individuals:

Evan S. Dobelle. Evan S. Dobelle became the twelfth president of the University System on July 2, 2001. Dr. Dobelle previously served as president of Trinity College in Hartford, Connecticut, for six years. He has also been president of City College of San Francisco and Middlesex Community College in Lowell, Massachusetts. Known for his strong leadership and results-oriented style, Dr. Dobelle has spearheaded numerous public-private partnerships aimed at promoting economic development in California, Massachusetts and Connecticut. He is an advocate for the liberal arts as well as research and technology.

In addition to his career in higher education, Dr. Dobelle has been involved directly with public administration. A registered Independent, he was twice elected mayor of Pittsfield, Massachusetts, served as that state's Commissioner of Environmental Management and Natural Resources and also served as the U.S. Chief of Protocol for the White House and Assistant of State with the rank of ambassador under President Jimmy Carter. Dr. Dobelle holds bachelor's, master's and doctoral degrees in education and public policy from the University of Massachusetts at Amherst and a master's in public administration from Harvard University. He is a tenured full professor in the Department of Urban and Regional Planning at the University at Manoa and lectures throughout the world in this discipline.

Walter S. Kirimitsu. Walter Kirimitsu has the distinct honor of being the first General Counsel for the University. Before joining the University System in February 1999 as Senior Vice President for Legal Affairs and University General Counsel, he was an Associate Judge on the Intermediate Court of Appeals of the State. Prior to his appointment to the bench, Judge Kirimitsu was a senior partner in the law firm of Shim, Tam, Kirimitsu & Chang, a Honolulu law firm concentrating in personal injury litigation and international law and finance. In 1990, Judge Kirimitsu served as President of the Hawaii State Bar Association. He is a Fellow of the American College of Trial Lawyers and the American Board of Trial Advocates. Judge Kirimitsu earned his J.D. from the University of Michigan Law School. He is an alumnus of the University, where he earned a B.A. in Japanese language and literature. Active in community affairs, Judge Kirimitsu is the current Chairman of the Board of Trustees of St. Louis High School, his alma mater.

Deane E. Neubauer. Deane E. Neubauer currently serves as the Director of the Globalization Research Center and Interim Chancellor of the University at Manoa. He has taught at the University of California (Berkeley and Irvine), held a postdoctoral fellowship in Anthropology at the University College, London, and currently holds adjunct professorships in Public Health at the University and the Faculty of Health Sciences of the University of Sydney. His primary interests lie in policy, especially health policy, and political economy with a particular emphasis on globalization phenomena. In 1980 he became the founding dean of the College of Social Science at the University, a position he held through August 1988. Since 1983 he has served with the Western Association of Schools and Colleges (Senior Commission) as an evaluator and team chair, and since 1995 as a Commissioner. degrees; attendance

In September 1997 he was the recipient of the Robert W. Clopton Award for Outstanding Service to the Community. He continues to serve on numerous community boards and conduct various research and service projects for community organizations.

In 1962 he received his B.A. in Political Science from the University of California at Riverside, and in 1965 and 1966, respectively, his M.A. and PhD. in Political Science from Yale University.

Rose Y. Tseng. Dr. Rose Y. Tseng is Senior Vice President of the University System and Chancellor, University at Hilo. Dr. Tseng attended Cheng Kung University in Taiwan, where she majored in Architectural Engineering and Chemistry. She earned a bachelor of science degree in chemistry from Kansas State University and received her master's and doctoral degrees in nutrition from the University of California at Berkeley.

Dr. Tseng is a former systems chancellor and chief executive officer of the West Valley Mission Community College District in California's Silicon Valley, which includes Mission College, West Valley College, and an Economic Development Institute with an enrollment of 22,000 students. Under her leadership, the District reversed a budget shortfall, tripled the amount of grant monies it receives, increased business contacts and successfully completed several land lease development projects that generated four million dollars in annual revenues. Dr. Tseng began her career in 1979 as a professor and founding chair of the Nutrition and Food Science Department and Health Division Director at San Jose State University. In 1982 she was a visiting professor at Fu Jen University in Taiwan. From 1987 to 1993, Dr. Tseng was dean of San Jose State University's College of Applied Sciences and Arts, where she oversaw a curriculum with 30 M.S. and B.S. Degree Programs, including Public Health, Nursing, Occupational Therapy, Aviation, Mass Communications and Technology. She presently oversees three colleges with a combined enrollment of 2,800 students: Arts and Sciences, which includes degree programs spanning from Liberal Arts to Business to Nursing (Professional); Agriculture, Forestry & Natural Resource Management; and Hawaiian Language at the University of Hawaii at Hilo. Additionally, Dr. Tseng oversees the development of the University Research Park and other entrepreneurial initiatives designed to boost economic and social development, while helping the local community, the Big Island and the State of Hawaii.

Joyce S. Tsunoda. Dr. Joyce S. Tsunoda is Senior Vice President of the University System and Chancellor for Community Colleges, a statewide network of seven campuses and the Employment Training Center in the University System. Born in Osaka, Japan, she earned a Bachelors of Arts degree (cum laude) in chemistry and a Ph.D. in biochemistry from the University.

Dr. Tsunoda is a former provost (campus president) at Kapi'olani Community College in Hawaii, past associate dean for special programs and community services at Leeward Community College, founding faculty of Leeward Community College and began her career as a research associate with the Department of Biochemistry and Biophysics at the University. In her current capacity as University System's Senior Vice President, she coordinates international education for the entire University System.

Active nationally, she served on the Board of Directors of both the American Council on Education (ACE) and the American Association of Community Colleges (AACC). She was one of the 18 members of the nationwide Commission on the Future of Community Colleges; past chairperson of the AACC's American Council on International Intercultural Education; and a Commissioner of the Northwest Association of Schools and Colleges. She currently serves as a Commissioner for the Western Association of Schools and Colleges' (WASC) Accrediting Commission for Two-Year Colleges; member of the Inter-Regional Accrediting Commission for the Western Governors University; the International Commission of the American Council on Education; Commission on International Education of the American Association of Community Colleges; Pacific Regional Education Program; and Pacific Post-Secondary Education Commission. She has been active in promoting international educational relationship between U.S. and countries in the Asia Pacific region.

William A. Pearman. William (Bill) Pearman is the Chancellor of the University at West Oahu. The campus is currently located in Pearl City, Hawaii, and is an upper-division campus within the University System.

Prior to coming to the University at West Oahu, Dr. Pearman served as Interim Senior Vice President, University System and Interim Chancellor, University of Hawaii at Hilo for 1-1/2 years and prior to that as Vice Chancellor for Academic Affairs the University at Hilo. Before his assignments in the State, he was Campus Executive Officer for the Pennsylvania State University Wilkes-Barre Campus. He has held several other university administrative and faculty assignments. Dr. Pearman earned a Ph.D. in sociology from the University of Pittsburgh and an M.S. in Sociology/Anthropology from Fordham University. His baccalaureate degree is from LaSalle University in Philadelphia.

James R.W. Sloane. J. R. W. Sloane is Vice-President for Administration and Chief Financial Officer of the University System. Prior to assuming his current position, Mr. Sloan headed Cambridge-based firm of

K@tapult, Inc., which he founded in 1999. Prior to this, he was the chief operating officer for North America of Baring Asset Management, a global firm that manages $45 billion for institutional clients. His achievements at Baring include an overhaul of procedures in all operational areas, institution of operational risk management tools for the firm and moving the office from a "weak" to "excellent" audit rating in just two years.

Before joining Baring, Mr. Sloane was partner at Handley International, a Boston-based financial services firm and for 10 years before that, managing director at Aetna Life and Casualty. At Aetna, he was the architect of a partnership with Bank of China for a $200 million private equity fund and managed the implementation of nearly $2 billion in new initiatives. He also was appointed by the chairman of Aetna to advise the U.S. Speaker of the House on re-engineering and decision analysis to improve the legislative process. Mr. Sloane received his undergraduate degree from Williams College and his MBA from the Yale University School of Management.

Colleen O. Sathre. Colleen O. Sathre is the Vice President for Planning and Policy for the University System. She has headed the University System planning and policy function since January 1986. Responsibilities include managing the long-range and strategic planning processes for the University System, coordinating policy development and analysis, and overseeing the University's Institutional Research Office.

In recent years she guided the preparation of a new University System mission statement and system strategic plan, tuition schedules and changes relating to the retention of tuition revenues by the University System, benchmark/performance indicators, the reorganization of information technology and computing resources, and the development of policies relating to University centers, general education and student transfers. Her current initiatives involve distance education planning and workload-related policies.

She received her B.A. in History from the College of St. Benedict in St. Joseph, Minnesota, and her M.A. and Ph.D. in Political Science from the University of Minnesota.

Doris M. Ching. Dr. Doris M. Ching has been the Vice President for Student Affairs of the University System since April 1987. She received her B.Ed. and M.Ed. from the University, and the Ed.D. degree from Arizona State University. Prior to her current position as Vice President, she held positions as Assistant to the President of the University; Associate Dean of the University's College of Education; Chair, Education and International Division of the Pacific International Center for High Technology Research; Director of the Teacher Corps; and was an intermediate school teacher. Dr. Ching also holds the rank of Associate Professor in the College of Education.

Paul B. Costello. Mr. Paul B. Costello is Vice President for External Affairs and University Relations of the University System and comes from Weber Shandwick International of New York City, where he was managing director, supervising corporate and financial relations, consumer and lifestyle and technology. He went to Weber Shandwick, one of the world's largest public relations firms, from Issuesphere, also a New York public relations firm, where he was senior communication strategist for a diverse range of corporate, nonprofit and entertainment clients including the Kellogg Foundation, Urban Institute, Disney Hyperion Books and TIME. Previous to this, he was vice president for corporate affairs for Home Box Office, where he directed HBO's activities in the areas of corporate communications, affiliate public relations, public and consumer affairs. From 1984 to 1988, he was director of public affairs for the Chicago-based department store chain, Marshall Fields.

Mr. Costello's background is in public affairs. He has served as director of communications for Sharon Pratt Kelly, former Mayor of Washington, D.C., as well as press secretary for former Ohio Governor Richard Celeste. He holds a BA in communications from Southern Illinois University and received his MSW from the University of Illinois.

Student Enrollment

Enrollments

The following table sets forth the University system's enrollment, by campus, for the fall semester of each of the past five academic years:

Table A-2

Academic Year	Total University System	Manoa	Hilo	West Oahu	Community Colleges
1997-1998					
Full-time	25,637	12,580	2,022	271	10,764
Part-time	19,914	4,785	617	377	14,135
Total:	45,551	17,365	2,639	648	24,899
Full-time equivalent:	31,584	13,839	2,174	392	15,179
1998-1999					
Full-time	25,636	12,287	2,060	325	10,964
Part-time	19,701	4,785	670	360	14,135
Total:	45,337	17,013	2,730	685	24,909
Full-time equivalent:	31,362	13,534	2,214	428	15,186
1999-2000					
Full-time	25,958	12,434	2,115	327	11,082
Part-time	20,521	4,726	675	360	13,945
Total:	46,479	17,612	2,790	687	25,390
Full-time equivalent:	31,839	13,801	2,260	442	15,336
2000-2001					
Full-time	25,232	12,192	2,150	334	10,556
Part-time	19,347	5,071	724	331	13,221
Total:	44,579	17,263	2,874	665	23,777
Full-time equivalent:	30,886	13,537	2,320	445	14,584
2001-2002					
Full-time	25,804	12,624	2,240	304	10,636
Part-time	20,190	4,908	673	436	14,173
Total:	45,994	17,532	2,913	740	24,809
Full-time equivalent:	31,595	13,936	2,408	443	14,808

Source: University Institutional Research Office

Applications and New Enrollments

The following table lists the applications and new enrollments of undergraduates, by campus, for the fall semester at certain campuses for the past six years:

Table A-3
MANOA CAMPUS
APPLICATIONS AND NEW ENROLLMENTS
UNDERGRADUATE

	Applications			New Enrollments		
Academic Year	Received	Accepted	Percent Accepted	Freshmen	Transfer	Percent Accepted Enrolled
1997-1998	7,333	5,328	72.7%	1,527	1,404	55.0%
1998-1999	7,570	5,500	72.7	1,483	1,461	53.5
1999-2000	7,786	5,787	74.3	1,529	1,703	55.8
2000-2001	7,833	5,855	74.7	1,607	1,650	55.6
2001-2002	8,207	6,251	76.2	1,650	1,935	57.4

Table A-4
HILO CAMPUS
APPLICATIONS AND NEW ENROLLMENTS
UNDERGRADUATE

	Applications			New Enrollments		
Academic Year	Received	Accepted	Percent Accepted	Freshmen	Transfer	Percent Accepted Enrolled
1997-1998	2,360	1,653	70.0%	345	430	46.9%
1998-1999	2,696	1,870	69.4	362	494	45.8
1999-2000	3,086	2,171	70.3	375	503	40.4
2000-2001	3,089	2,022	65.5	369	593	47.6
2001-2002	3,505	2,381	67.9	415	625	43.7

Table A-5
WEST OAHU CAMPUS
APPLICATIONS AND NEW ENROLLMENTS
UNDERGRADUATE

	Applications			New Enrollments		
Academic Year	Received	Accepted	Percent Accepted	Freshmen*	Transfer	Percent Accepted Enrolled
1997-1998	414	306	73.9%	N/A	203	66.3%
1998-1999	368	278	75.5	N/A	186	66.9
1999-2000	507	317	62.5	N/A	302	95.3
2000-2001	654	280	42.8	N/A	179	63.9
2001-2002	531	401	75.5	N/A	255	63.6

* West Oahu is an upper division campus and does not accept freshmen.

Table A-6
COMMUNITY COLLEGES
APPLICATIONS AND NEW ENROLLMENTS
UNDERGRADUATE

	Applications			New Enrollments		
Academic Year	Received	Accepted	Percent Accepted	Freshmen	Transfer	Percent Accepted Enrolled
1997-1998	18,904	17,669	93.5%	5,047	2,762	44.2%
1998-1999	18,867	17,945	95.1	5,309	2,917	45.8
1999-2000	19,140	18,181	95.0	5,346	3,019	46.0
2000-2001	17,858	17,173	96.2	4,582	3,034	44.3
2001-2002	19,081	18,376	96.3	4,792	3,484	45.0

Source: University Institutional Research Office

Student Tuition and Housing Costs.

For the 2001-2002 academic year, undergraduate tuition and mandatory fees for resident students was $3,253 and for non-resident students was $9,733 at the University at Manoa. Undergraduate tuition and mandatory fees for resident students was $2,354 and for non-resident students was $7,922 at the University at Hilo. Undergraduate tuition and mandatory fees for resident students was $1,978 and for non-resident students was $7,114 at the University at West Oahu. The Community Colleges tuition was $1,032 for resident students and $5,808 for non-resident students. Mandatory fees at the Community Colleges range from a low of $18 per academic year to $60 per academic year. The Board has approved annual tuition increases in the next 5 academic years of $2 to $4 per credit hour, or between $48 to $96 per academic year.

The average annual room and board charges for the academic year 2001-2002 at the University at Manoa is $4,889, at the University at Hilo is $3,996, and at Maui Community College is $1,994. The University at West Oahu is a commuter campus and has no dormitory facilities. Maui Community College is the only community college campus with on-campus student housing. Housing rates at the University at Manoa will increase by 5% each fall for the next three years, commencing in the fall of 2002. Housing rates at the University at Hilo will increase by 10%, commencing in the fall of 2002, and by 5% in the fall of 2004.

Degrees Awarded by School

The following table shows the number of degrees awarded, by campus, for the five fiscal years shown:

Table A-7
DEGREES AWARDED BY CAMPUS
ASSOCIATE/BACHELOR/GRADUATE*

Fiscal Year	Total University System	Manoa	Hilo	West Oahu	Community Colleges
1996-1997					
Associate/Certificate	2,697	21	0	0	2,676
Bachelor/Professional Degree	3,467	2,802	466	199	0
Graduate/First Professional	1,472	1,472	0	0	0
Other	0	0	0	0	0
Total:	7,636	4,295	466	199	2,676
1997-1998					
Associate/Certificate	2,726	16	0	0	2,710
Bachelor/Professional Degree	3,197	2,593	457	147	0
Graduate/First Professional	1,221	1,221	0	0	0
Other	0	0	0	0	0
Total:	7,144	3,830	457	147	2,710
1998-1999					
Associate/Certificate	2,626	0	0	0	2,626
Bachelor/Professional Degree	3,174	2,535	450	189	0
Graduate/First Professional	1,328	1,328	0	0	0
Other	0	0	0	0	0
Total:	7,128	3,863	450	189	2,626
1999-2000					
Associate/Certificate	2,650	0	0	0	2,650
Bachelor/Professional Degree	3,263	2,620	447	196	0
Graduate/First Professional	1,322	1,322	0	0	0
Other	0	0	0	0	0
Total:	7,235	3,942	447	196	2,650
2000-2001					
Associate/Certificate	2,535	0	0	0	2,535
Bachelor/Professional Degree	3,069	2,396	452	221	0
Graduate/First Professional	1,207	1,207	0	0	0
Other	0	0	0	0	0
Total:	6,811	3,603	452	221	2,535

Source: University Institutional Research Office

* The University Institutional Research Office maintains the information contained in this table only for fiscal years.

Faculty

The full-time equivalent faculty in the University System in the academic year 2001-2002 totals approximately 2,945, of which about 82% of those in the tenure track are fully tenured. When all faculty are considered, including those that are neither tenure nor tenure-track, approximately 58% are tenured.

Scores of faculty members have been elected to distinguished academic societies such as the American Academy of Arts and Sciences, the American Philosophical Society, the National Academy of Sciences, and the National Academy of Engineering.

The Constitution grants public employees in the State the right to organize for the purpose of collective bargaining. Chapter 89, HRS, provides for 13 recognized bargaining units for all public employees throughout the State including State and county employees. Each bargaining unit designates an employee organization as the exclusive representative of all employees of such unit, which organization negotiates with the public employer. In the case of the bargaining units to which both the State and county employees belong, the representatives of the public employer with whom such bargaining units negotiate are the Governor of the State and the mayor of each of the counties. In the case of the University, the representatives are the Governor and the Board. Decisions by the employer representatives of the State and county employees are determined by simple majority vote with the Governor having four votes and each of the four mayors having one vote. Decisions by the employer representatives of Board appointed employees (Units 7 & 8) are determined by simple majority vote with the Governor having three votes and the Board having two votes. Effective July 1, 2002, both the Governor and the Board will have three votes. By statute, if an impasse in any negotiation is declared, the parties may attempt to resolve the impasse through mediation, fact finding, and, if mutually agreeable to the parties, final and binding arbitration. Although the statute characterizes arbitration as "final and binding," it also provides that all cost items are subject to appropriations by the appropriate legislative bodies. If final and binding arbitration is not agreed upon, either party may take other lawful action to end the dispute, which could include an employee strike in ten of the bargaining units.

Employees of the University belong to one of eight bargaining units: Unit 1, Blue Collar Employees, Unit 2, Blue Collar Supervisors, Unit 3, White Collar Employees, Unit 4, White Collar Supervisors, Unit 7, University of Hawaii Faculty, Unit 8, Administrative, Professional and Technical Employees of the University of Hawaii, Unit 9, Registered Professional Nurses, or Unit 10, Institutional and Hospital Employees. Employees in executive and managerial positions as well certain civil service personnel designated as excluded, are not represented by any unions and some employees (*i.e.*, certain contractual hires) are not a party to a formal labor contract.

Negotiations have been completed for the period up to and including June 30, 2003. Bargaining units for University employees represented by the Hawaii Government Employees Association obtained arbitrated settlements providing for the following increases over the four-year period ending June 30, 2003: Unit 2, Blue Collar Supervisors, 9.55%, Unit 3, White Collar Employees, 14.25%, Unit 4, White Collar Supervisors, 12.95%, Unit 8, Administrative, Professional and Technical Employees of the University of Hawaii, 13.06%, and Unit 9, Registered Professional Nurses, 11.32%. The 2001 State Legislature also approved funding for the following arbitrated settlement increases over the same four-year period: Unit 1, Blue Collar employees, 11.31%, Unit 7, University of Hawaii Faculty, 10.1% plus merit, and Unit 10, Institutional and Hospital Employees, 11.45%.

For more information on employee benefits see note 10 in APPENDIX B-"AUDITED FINANCIAL STATEMENTS".

FINANCIAL INFORMATION

The University receives funds from various sources, including (i) general funds from legislative appropriations of the State; (ii) federal funds, including federal contracts and grants in support of research and training programs; (iii) special and revolving funds derived from wholly or partially self-supporting activities as well as funds appropriated by the legislature for specific purposes; and (iv) trust and agency funds received and expended by the University in accordance with terms of trusts or agreements with donors or grantors, or maintained by the University to account for certain funds.

The audited financial statements of the University as of and for the year ended June 30, 2001 are included in Appendix B to this Official Statement to provide general information. However, both the audited financial statements included as Appendix B and in the tables set forth in this Appendix A, include revenues excluded from the definition of "Available Moneys" under the Resolution, including affiliated foundations and other entities. See "THE UNIVERSITY SPECIAL AND REVOLVING FUNDS" in this Official Statement. PriceWaterhouseCoopers, LLP, has not reviewed this Official Statement and has no responsibility with respect to this Official Statement.

Total fund balance has increased 20.8% over the past five fiscal years as shown in the table below.

Table A-8
SUMMARY BALANCE SHEET
AS OF JUNE 30
(in thousands of dollars)

	1997	1998	1999	2000	2001
Total Assets	$1,443,908	$1,657,451	$1,751,690	$1,703,441	$1,729,688
Total Liabilities	205,269	228,889	225,085	217,079	232,858
Total Fund Balances	$1,238,639	$1,428,562	$1,526,605	$1,486,362	$1,496,830
Current Fund and Endowment and Similar Funds Balances	$ 186,084	$ 201,919	$ 243,404	$ 284,150	$ 272,721
Other Fund Balances	21,570	22,839	23,230	23,105	25,712
Plant Fund Balances	1,030,985	1,203,804	1,259,971	1,179,107	1,198,397

The following table provides a summary of current funds revenues, expenditures and other changes for the past five fiscal years.

Table A-9
SUMMARY OF CURRENT FUNDS
REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FISCAL YEAR ENDED JUNE 30,
(in thousands of dollars)

	1997	1998	1999	2000	2001
Revenues:					
Educational and general:					
Tuition and fees	$87,846	$103,037	$107,316	$112,630	$117,347
Federal appropriations	2,538	3,151	2,802	2,543	3,064
State appropriations	271,397	271,082	282,988	280,874	396,966
Federal grants and contracts	119,597	134,984	156,985	152,726	161,610
State grants and contracts	9,493	10,821	9,948	12,337	10,733
Local grants and contracts	873	1,160	1,127	1,164	1,151
Private gifts, grants and contracts	21,549	35,120	36,487	32,972	28,390
Endowment and investment income	4,261	4,406	3,958	5,464	5,720
Sales and services of educational Activities	9,404	9,523	9,991	10,747	9,955
Other	2,951	8,330	3,380	5,027	7,333
Total educational and general	$529,909	$581,614	$614,982	$616,484	$742,269
Transfer from State for fringe benefits	$77,930	$82,814	$61,250	$62,565	$--
Sales and services of auxiliary enterprises	55,354	56,896	57,096	67,961	64,283
Total revenues	$663,193	$721,324	$733,328	$747,010	$806,552
Expenditures and mandatory transfers:					
Educational and general:					
Expenditures	$601,777	$664,048	$631,392	$652,593	$672,842
Mandatory transfers	60	30	29	21	66
Total educational and general	$601,837	$664,078	$631,421	$652,614	$672,908
Independent operations	$4,684	$4,819	$5,061	$5,861	$5,238
Auxiliary operations:					
Expenditures	$52,641	$52,854	$56,439	$60,964	$55,893
Mandatory transfers	5,896	7,113	7,121	8,074	5,315
Total auxiliary operations	$58,537	$59,967	$63,560	$69,038	$61,208
Total expenditures and mandatory transfers	$665,058	$728,864	$700,042	$727,513	$739,354
Other transfers and additions (deductions):					
Other transfers	$(8,561)	$(3,282)	$(2,519)	$(8,786)	$(58,188)
Other additions (deductions)	(2,372)	(3,345)	(4,466)	3,355	(3,086)
Total other transfers and deductions	$(10,933)	$(6,627)	$(6,985)	$(5,431)	$(61,274)
Net increase (decrease) in fund balances	$(12,798)	$(14,167)	$26,301	$14,066	$5,924

Operating Budget Process. In the July-August period of each year, a two-year agenda is prepared by the University System identifying objectives leading to the accomplishments of the strategic plan goals of the University System. The objectives are reviewed internally by the University System administration. The President of the University initiates preparation of the proposed budget policy paper and agenda for action. The Faculty Senate and University Executive Council reviews the budget objectives and the President submits the agenda for action to the Board of Regents for review, discussion and final approval.

Deans and directors prepare their biennial budget plans and submit their budget requests based on centrally prepared instructions and guidelines. The requests are reviewed for conformance to the goals and objectives of the agenda for action and forwarded to the respective Vice Presidents/Chancellors. In the fall, a Budget Advisory Committee hears each Vice Presidents/Chancellors' requests and reports comments and recommendations to the President. The President reviews the Vice Presidents/Chancellors' recommendations and the comments by the Budget Advisory Committee and Faculty Senate. The President formulates a systemwide budget priority and forwards the budget to the Board of Regents. After the Board of Regents approves the budget, the President submits the Board of Regents' budget to the Governor.

Upon legislative and executive approval of the University's budget in any fiscal year, the President submits to the Board of Regents from time to time, reports on the status of the implementation of the approved budget. The reports include significant changes, if any, in budgetary requirements for the fiscal year in progress. If the Governor does not allot the full appropriation in any fiscal year, resulting from the need to restrict budgetary items, the President recommends to the Board of Regents for all planned budgetary restrictions.

The University maintains budgetary controls to ensure it stays within budget through the maintenance of an encumbrance accounting system that imposes expenditure constraints. The University also maintains budgetary controls through allotments monitored by its Budget Office.

State Appropriations. General fund state appropriations to the University for the past five fiscal years are summarized in the table below.

Table A-10
GENERAL FUND STATE APPROPRIATIONS
FOR THE FISCAL YEAR ENDED JUNE 30,
(in thousands of dollars)

	1997	1998	1999	2000	2001
General Fund State Appropriations	$271,397	$271,082	$282,988	$280,874	$396,966

Note: In fiscal year 2000-2001, general fund state appropriations included $53.5 million for fringe benefits and $48 million for debt service payments. The debt service payments represents the University's pro rata share of principal and interest payments for various non-reimbursable general obligation bonds issued by the State to finance University capital projects. Although appropriated to the University for budgetary purposes, the funds are retained by the State to pay the principal and interest on such general obligation bonds.

Currently, the State is projecting a shortfall in anticipated revenues. As a result, the Legislature is contemplating reducing State departments' budgets by 2% to 5% for the fiscal year 2002-2003. Due to uncertainties in the economy, no assurance can be given that the Governor or the Legislature will continue to appropriate general funds in future fiscal years at the levels previously experienced.

Grants and Contracts. From 1997 to 2001, research funding has grown 33% from $152 million to $202 million. Federal grant revenue accounts for 80% of research at the University, while the remainder is funded by private organizations and State and local agencies.

Grants and contracts are awarded to the University on behalf of faculty members. The administration of these funds is through the research departments and the Office of Research Services of the University in accordance with the policies of the sponsors and the University. The revenues from these awards are reimbursed by the funding agency on a periodic basis.

Table A-11
GRANTS AND CONTRACTS
FOR THE FISCAL YEAR ENDED JUNE 30,
(in thousands of dollars)

	1997	1998	1999	2000	2001
Federal Grants and Contracts	$ 119,597	$ 134,984	$ 156,985	$ 152,726	$ 161,610
Other	31,915	47,101	47,562	46,473	40,274
Total Grants and Contracts	$ 151,512	$ 182,085	$ 204,547	$ 199,199	$ 201,884

Gifts and Fund Development. A five-year fund raising campaign with an initial target of $250 million is currently underway. The campaign will concentrate on student and faculty needs, and invest heavily in new capital projects such as Phase II of the Health and Wellness Center. Slated to conclude in 2007 (the 100th anniversary of the University), the campaign is designed to further elevate the University into a place for world-class research and instruction.

The University's last campaign concluded in 2001 after raising $116 million, ahead of its $100 million goal. Of the $116 million raised from private sources, over $50 million was earmarked for educational innovation and over $25 million was directed towards scholarships and other forms of tuition assistance

Auxiliary Enterprises Sales and Services. The University operates auxiliary enterprises to provide important goods and services to students, faculty, staff, and others. These self-supporting activities generate sales and services revenues that are used to fund their operations. Auxiliary enterprises include dormitories, bookstores, campus food service, parking, faculty housing, and others. Sales and services revenues increased 16.1% over the past five years. See "Other Indebtedness - *The Network*" below.

Investments. The University's endowment provides funds to support University academic programs and student-related activities. The following table summarizes the University's cash and investments for the past five years.

Table A-12
UNIVERSITY CASH AND INVESTMENTS
AS OF JUNE 30,
(in thousands of dollars)

	1997	1998	1999	2000	2001
Current Funds					
Unrestricted	$70,145	$76,371	$93,992	$121,430	$115,657
Restricted	16,890	9,282	13,338	18,249	19,223
Loan Fund	3,037	2,955	2,723	2,177	2,732
Endowment and Similar Funds	119,639	148,882	162,126	187,510	172,129
Agency Funds	98	144	2,269	2,778	2,567
Plant Funds	32,542	55,404	60,745	79,619	80,869
Total Cash and Investments	$242,351	$293,038	$335,193	$411,763	$393,177

Additional information regarding the University's investments is provided in Note (1) and (7) to the financial statements of the University included in Appendix B.

Financial information Concerning Foundations and Other Entities. The Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, establishes standards for defining and reporting on the financial reporting entity. This statement requires that the financial statements of the University include the fund groups of organizations for which the University is financially accountable and other organizations for which the nature and significance of their relationship are such that exclusion would cause the financial statements of the University to be misleading. Accordingly, the fund groups of the University of Hawaii Foundation (*"UHF"*) and the Research Corporation of the University of Hawaii (*"RCUH"*) are blended in the University's financial statements.

UHF was formed to encourage private support to the University. It has built a solid program base, including a range of fund raising services to all University campuses and management of more than 2,000 gift accounts. The fund balance at June 30, 2001 for endowment and similar funds for UHF was approximately $107 million. For the fiscal year ended June 30, 2001, the total current funds revenues for UHF was approximately $15.7 million and total current funds expenditures and mandatory transfers was approximately $15.7 million.

RCUH was formed for the purpose of promoting, encouraging, initiating, developing, and conducting scientific research and investigation. It provides administrative support services to projects of the University, the State and other organizations. For the fiscal year ended June 30, 2001, total current funds revenues for RCUH was approximately $2.2 million and current funds expenditures and mandatory transfers was approximately $1.5 million.

Plant Assets. Plant assets at June 30, 2001 of $1.2 billion are valued at cost at the date of acquisition, or if donated, at appraised value. Depreciation is not recorded, although beginning with the 2001-2002 fiscal year the University is required to record depreciation. Plant assets have increased 10.6% over the past five fiscal years.

Table A-13
UNIVERSITY PLANT ASSETS
AS OF JUNE 30,
(in thousands of dollars)

	1997	1998	1999	2000	2001
Land	$9,398	$9,500	$11,749	$11,749	$11,749
Land Improvements	58,489	82,761	82,882	84,161	88,073
Buildings	584,689	693,331	725,715	711,513	712,821
Equipment	309,133	321,336	328,342	194,028	194,274
Library and Other Books	103,704	109,281	115,607	122,011	127,405
Livestock	288	209	252	204	--
Construction in Progress	2,379	2,181	992	35,273	47,386
Total Fixed Assets	$1,068,080	$1,218,599	$1,265,539	$1,158,939	$1,181,708

Note: Effective July 1, 1999, the University raised its equipment capitalization threshold from $500 to $5,000 and effective July 1, 2000, livestock and research animals are no longer capitalized.

The University's capital improvements program is comprised of two fiscal biennium budget periods: 1999-2001 and 2001-2003. The University received a total of $101.5 million in legislative appropriations and authorizations for capital improvements and routine repairs and replacements that are not characterized as capital improvements for the fiscal biennium 1999-2001; this includes $90.1 million in State funded general obligation bonds. The University received a total of $205.1 million in legislative appropriations and authorizations for capital improvements and routine repairs and replacements not characterized as capital improvements for the fiscal biennium 2001-2003; which includes $97.6 million in State funded general obligation bonds. The Governor's capital budget to the 2002 Legislature includes an additional $357.5 million in appropriations and authorizations to supplement the prior appropriated $97.6 million, with $308.2 million capital improvement and routine repairs and replacements not characterized as capital improvements.

Other Indebtedness.

The Network

Pursuant to a separate resolution, the Board has established a "Network" consisting of auxiliary revenue producing facilities, such as dormitories, parking facilities, and student centers. Approximately $19 principal amount of bonds have been issued and are outstanding for the Network as of December 31, 2001. The bonds issued for the Network mature in substantially equal installments each October 1 in the years 2002 to 2018, with the maximum debt service payable in the calendar year 2006 in the approximate amount of $1.735 million. The bonds issued for the Network are payable from certain moneys which are excluded from the definition of "Available Moneys" under the Resolution. The bonds issued for the Network have no claim on the Available Moneys or the Auxiliary Moneys, 2002A pledged to the Series 2002A Bonds. See "*Auxiliary Enterprises Sales and Services*" above.

Reimbursable General Obligation Bonds

In addition to payment of debt service on the bonds issued for the Network, revenues from the Network (which are excluded from the definition of "Available Moneys") are utilized to reimburse the State for debt service on certain reimbursable State of Hawaii general obligation bonds to the payment of which general obligation bonds the State has pledged its full faith and credit. Such reimbursement to the State is made after the payment of amounts due on the bonds issued for the Network and certain other amounts. As of June 30, 2001, $17,422,857 of principal reimbursements remained outstanding. Annual reimbursement, including semi-annual interest payments, range from $1,545,000 to $3,386,000 with the final installment in April, 2009.

Kau'iokahaloa Nui Faculty Housing Project

In 1995, the Housing Finance and Development Corporation, known today as the Housing and Community Development Corporation of Hawaii (*"HCDC"*) issued revenue bonds to provide permanent financing for the University's Kau'iokahaloa Nui Faculty Housing Project. The Board entered into a Lease and Sublease Agreement with HCDC providing for the lease of the aforesaid housing project to the Board. The aforesaid Agreement calls for the Board to make certain lease payments to HCDC, including amounts sufficient to pay the principal of, premium, if any, and interest on the bonds issued to finance the aforesaid housing project. The Board's obligation to make payments under the aforesaid Agreement is limited to revenues of the Network (which are excluded from the definition of "Available Moneys"). The annual installments are approximately $1.24 million per year and the final installment is in October, 2025.

Master Financing Lease; Installment Contracts

The University entered into a "Master Financing Lease Agreement" in 1999 with Academic Capital Government Finance, Inc. for the lease of various equipment. Since the inception of the leasing agreement, the University has leased equipment from time to time. Payments under the leasing agreement are denominated as a "current expense" of the University, are not construed as a debt and are expressly subject to appropriation. In addition, the University from time to time purchases certain equipment under installment purchase contracts. Payments under these arrangements are also treated as a "current expense" of the University, are not construed as debt and are subject to appropriation. Under both the aforesaid leasing agreement and installment purchases payments are generally made in monthly installments over the economic life of the equipment acquired. As of June 30, 2001, such payments under both the leasing agreement and the installment purchase contracts aggregate approximately $657,000 for fiscal year 2002 and decline each subsequent year. The University is considering the utilization of the aforesaid leasing agreement for the acquisition of certain hardware and software for a student information system in the fiscal year 2003 that is valued at approximately $17 million and expects to purchase other equipment from time to time under other installment purchase contracts.

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AUDITED FINANCIAL STATEMENTS

There follows the audited financial statements of the entire University as of and for the fiscal year ended June 30, 2001. Since such financial statements are *verbatim* from the printed version, the page numbers reflect the page numbers of the audit. Such financial statements are included to provide general information and include revenues, expenditures, assets and liabilities of the entire University, including affiliated foundations and other entities. In particular some revenues shown are excluded from the definition of "Available Moneys" under the Resolution. See "THE UNIVERSITY SPECIAL AND REVOLVING FUNDS" in this Official Statement. The auditor has not reviewed the Official Statement and has no responsibility for its contents. This notice is not a part of the audited financial statements.

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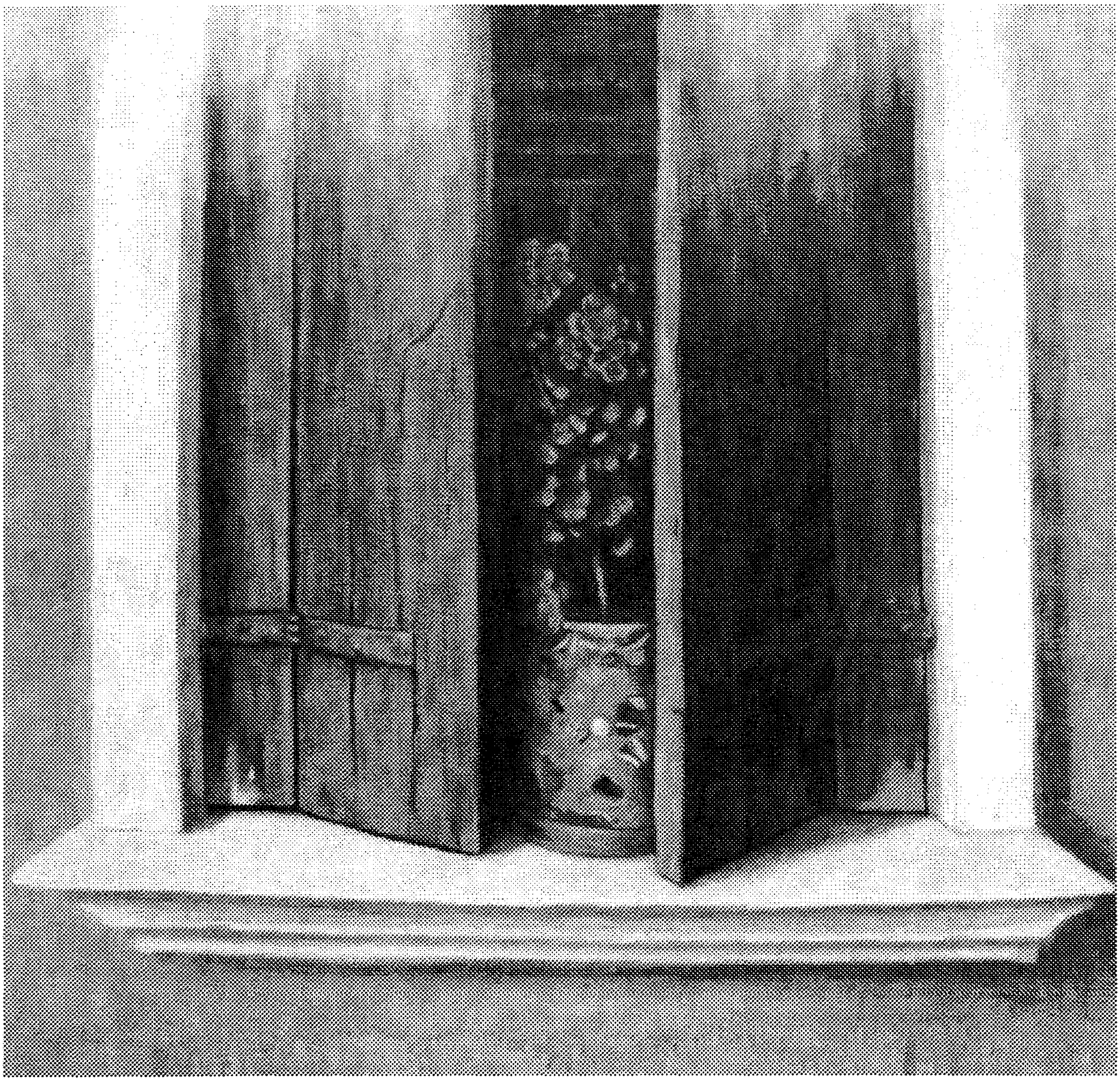

University of Hawai'i

Financial Report 2001

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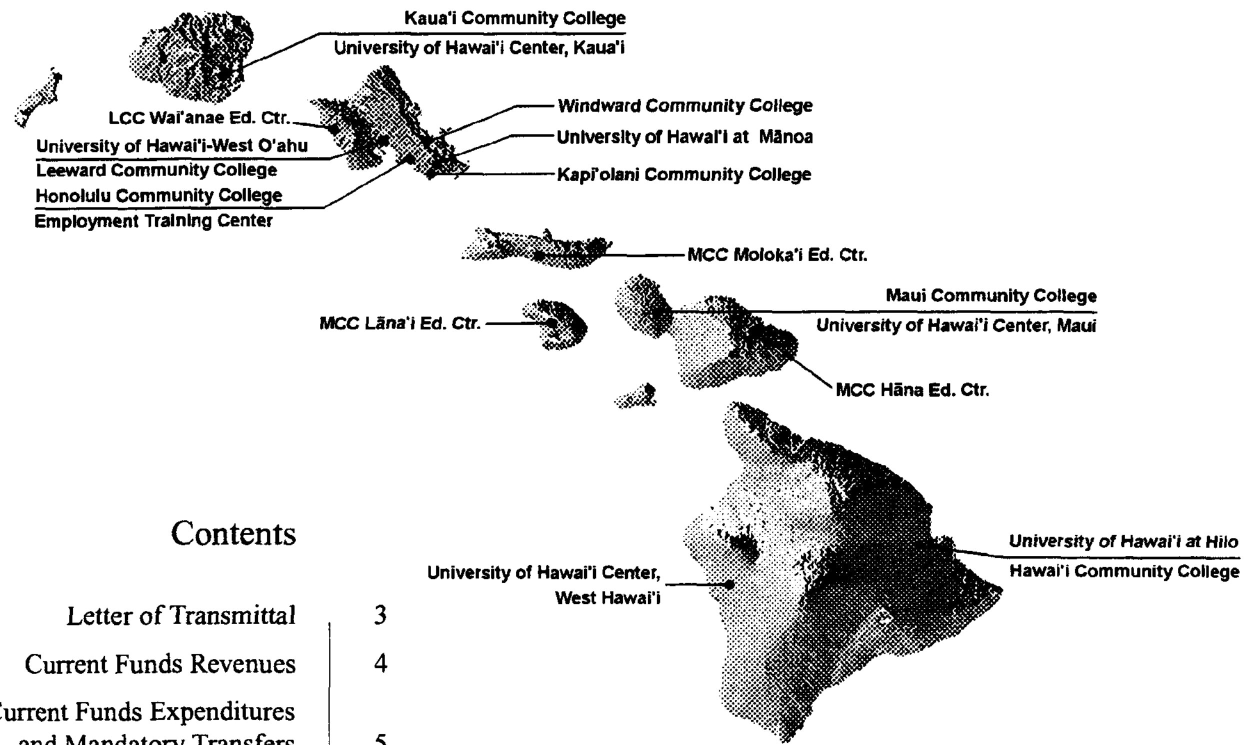
THE UNIVERSITY OF HAWAI'I SYSTEM



Contents

Cover Art: Painting by Leela Logan during UH Study Abroad Program (Italy). Photo courtesy of the artist.

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Letter of Transmittal

December 20, 2001

To: Chairperson Allan K. Ikawa
and
Members of the Board of Regents

I am pleased to submit the Financial Report of the University of Hawai'i for the year ended June 30, 2001.

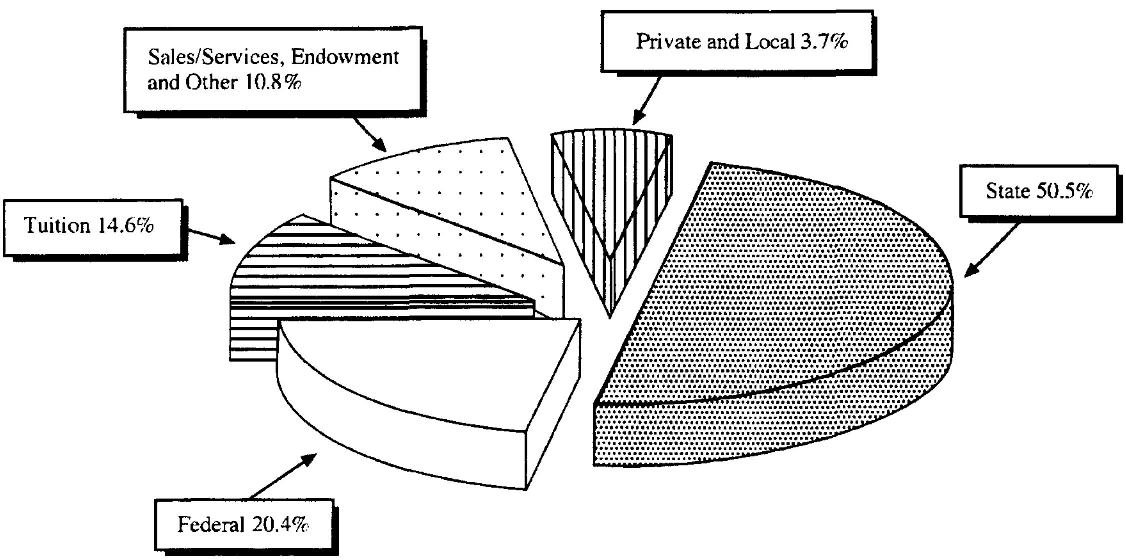
This report has been prepared by the staff of the Vice President for Administration in accordance with generally accepted accounting principles for colleges and universities. It contains the financial data of the University of Hawai'i System, which includes the University of Hawai'i, the Research Corporation of the University of Hawai'i and the University of Hawai'i Foundation. The Report of Independent Accountants of PricewaterhouseCoopers LLP, Certified Public Accountants, is on page 31.

Evan S. Dobelle
President, University of Hawai'i

Current Funds Revenues

Revenues	Total 2001	Total 2000	Percentage Change
	(in thousands)		
Educational and general:			
Tuition and fees	$ 117,347	$ 112,630	4 %
Federal appropriations	3,064	2,543	20
State appropriations and transfer for fringe benefits	396,966	343,439	16
Federal grants and contracts	161,610	152,726	6
State grants and contracts	10,733	12,337	(13)
Local grants and contracts	1,151	1,164	(1)
Private gifts, grants and contracts	28,390	32,972	(14)
Endowment and investment income	5,720	5,464	5
Sales and services of educational activities	9,955	10,747	(7)
Other	7,333	5,027	46
Total educational and general	**742,269**	**679,049**	**9**
Sales and services of auxiliary enterprises	64,283	67,961	(5)
TOTAL REVENUES	**$ 806,552**	**$ 747,010**	**8**

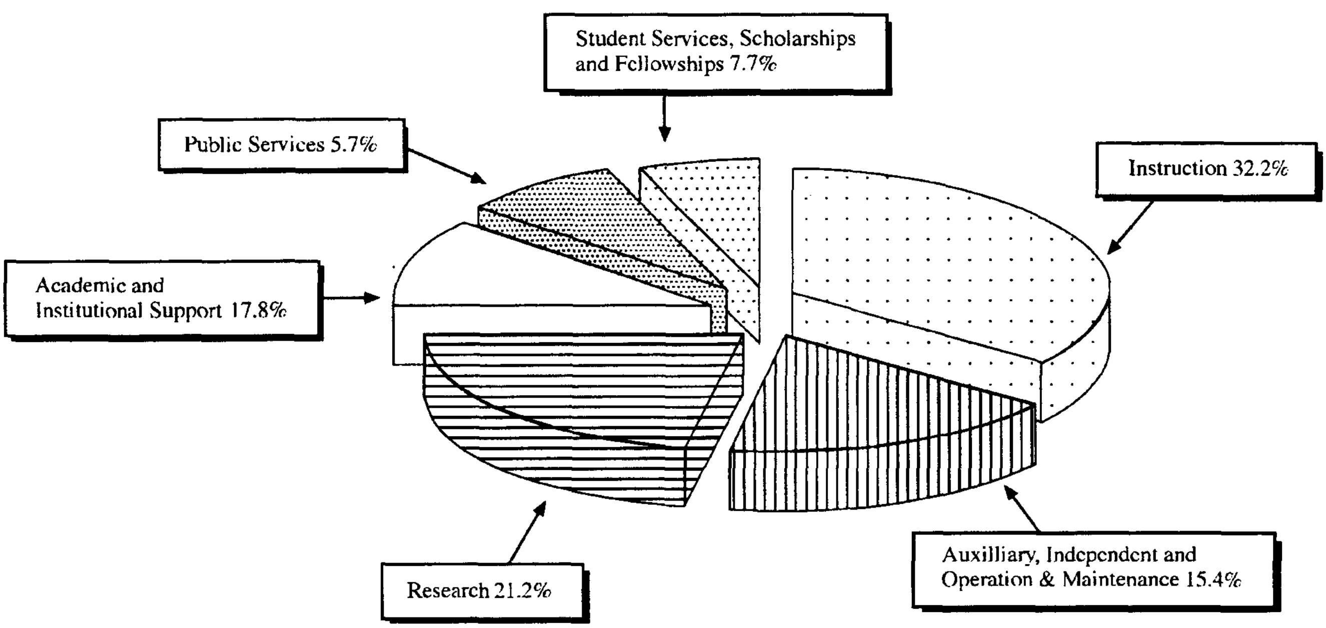
2001 Funding Sources



Current Funds Expenditures and Mandatory Transfers

Expenditures and Mandatory Transfers	Total 2001	Total 2000	Percentage Change
	(in thousands)		
Educational and general:			
Instruction	$ 237,732	$ 243,222	(2)%
Research	156,406	153,323	2
Public services	42,410	41,532	2
Academic support	69,471	64,435	8
Student services	33,623	34,183	(2)
Institutional support	62,130	53,214	17
Operation and maintenance of plant	47,539	41,203	15
Scholarships and fellowships	23,531	21,481	10
	672,842	**652,593**	**3**
Mandatory transfers for:			
Perkins Loan Matching Grant	66	21	214
Total educational and general	**672,908**	**652,614**	**3**
Independent operations	**5,238**	**5,861**	**(11)**
Auxiliary enterprises:			
Expenditures	55,893	60,964	(8)
Mandatory transfers for:			
Retirement of indebtedness	5,109	7,857	(35)
Renewals and replacements	206	217	(5)
Total auxiliary enterprises	**61,208**	**69,038**	**(11)**
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	**$ 739,354**	**$ 727,513**	**2**

2001 Funding Uses



Balance Sheet

JUNE 30, 2001
with comparative figures for 2000

Assets

Current Funds

	2001	2000
Unrestricted:		
Cash and cash equivalents (Note 2)	$ 90,085,084	$ 37,126,574
Time certificates of deposit (Note 2)	8,352,606	84,302,993
Investments (Note 7)	17,219,539	—
Due from State of Hawaii (Note 3)	9,273,758	4,515,861
Accounts receivable, net of allowance for uncollectible accounts of $678,028 in 2001 and $611,625 in 2000	7,983,492	5,861,883
Due from other funds	22,179,776	14,207,708
Accrued interest receivable	1,766,285	2,814,068
Inventories (Note 5)	12,402,911	12,921,322
Prepaid expenses	1,881,902	1,050,087
Total unrestricted	**171,145,353**	**162,800,496**
Restricted:		
Cash and cash equivalents (Note 2)	17,561,787	11,241,379
Time certificates of deposit (Note 2)	340,255	5,768,433
Investments (Note 7)	1,320,750	1,239,140
Contributions receivable	2,173,783	3,196,256
Accounts receivable:		
U.S. Government (Note 4)	39,357,914	32,244,997
Others, net of allowance for uncollectible accounts of $8,734 in 2001 and $76,802 in 2000	16,514,332	13,261,545
Total accounts receivable	55,872,246	45,506,542
Accrued interest receivable	613,356	826,150
Inventories	—	7,173,600
Prepaid expenses	6,079,759	177,768
Total restricted	**83,961,936**	**75,129,268**
Total current funds	**$ 255,107,289**	**$ 237,929,764**

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

Liabilities and Fund Balances

Current Funds	2001	2000
Unrestricted:		
Liabilities:		
Accounts payable	$ 20,689,917	$ 16,178,629
Accrued vacation	34,445,049	33,545,611
Accrued payroll and fringe benefits	12,671,191	11,712,996
Accrued workers' compensation	8,973,780	10,104,954
Advances from sponsors	2,219,692	1,744,769
Deferred revenue	18,531,594	19,380,226
Due to U.S. Government (Note 4)	—	4,163,520
Due to State of Hawaii (Note 3)	1,955,459	2,509,834
Due to other funds	887,096	751,390
Total liabilities	**100,373,778**	**100,091,929**
Fund balance	70,771,575	62,708,567
Total unrestricted	**171,145,353**	**162,800,496**
Restricted:		
Liabilities:		
Accounts payable	3,108,798	3,794,775
Accrued vacation	3,925,815	3,574,794
Accrued payroll and fringe benefits	3,543,558	3,355,488
Accrued workers' compensation	886,316	782,828
Advances from U.S. Government and other sponsors (Note 4)	19,146,779	19,551,312
Deferred revenue	5,823,831	—
Due to U.S. Government	—	38,980
Due to State of Hawaii (Note 3)	6,000,000	8,300,000
Due to other funds	22,041,317	14,106,625
Total liabilities	**64,476,414**	**53,504,802**
Fund balance	19,485,522	21,624,466
Total restricted	**83,961,936**	**75,129,268**
Total current funds	**$ 255,107,289**	**$ 237,929,764**

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

Balance Sheet

JUNE 30, 2001
with comparative figures for 2000

Assets

Loan Funds

	2001	2000
Cash and cash equivalents (Note 2)	$ 2,087,611	$ 585,567
Time certificates of deposit (Note 2)	184,271	1,591,973
Investments (Note 7)	459,556	—
Notes receivable, net of allowance for uncollectible notes of $5,304,182 in 2001 and $6,138,384 in 2000 (Note 6)	22,692,591	20,682,449
Accrued interest and other receivables	314,827	252,842
Total loan funds	**$ 25,738,856**	**$ 23,112,831**

Endowment and Similar Funds (Note 7)

	2001	2000
Cash and cash equivalents (Note 2)	$ 7,435,519	$ 7,442,620
Investments (Note 7)	164,693,883	180,067,066
Interest in perpetual trusts held by others	10,060,488	11,785,473
Receivable from investment custodians	183,353	267,903
Due from other funds	330,145	285,864
Total endowment and similar funds	**$ 182,703,388**	**$ 199,848,926**

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

Liabilities and Fund Balances

Loan Funds

	2001	2000
Liabilities		
Due to borrowers	$ 7,045	$ 7,316
Accounts payable	19,364	—
Total liabilities	**26,409**	**7,316**
Fund balances:		
U.S. Government grants refundable	14,083,385	12,938,123
University funds:		
Restricted	11,613,029	10,152,732
Unrestricted	16,033	14,660
Total fund balances	**25,712,447**	**23,105,515**
Total loan funds	**$ 25,738,856**	**$ 23,112,831**

Endowment and Similar Funds (Note 7)

	2001	2000
Liabilities:		
Payable to investment custodians	$ 239,658	$ 32,399
Fund balances:		
Endowment	106,075,515	112,482,805
Quasi-endowment:		
Restricted	37,114,709	40,412,036
Unrestricted	39,273,506	46,921,686
Total fund balances	**182,463,730**	**199,816,527**
Total endowment and similar funds	**$ 182,703,388**	**$ 199,848,926**

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

Balance Sheet

JUNE 30, 2001
with comparative figures for 2000

Assets

Plant Funds (Note 9)

	2001					2000
	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Total	Total
Cash and cash equivalents (Note 2)	$ 42,086,067	$ 24,628,036	$ 4,026,237	$ —	$ 70,740,340	$ 50,647,865
Time certificates of deposit (Note 2)	307,620	2,227,231	364,112	—	2,898,963	28,971,034
Investments (Note 7)	767,180	5,554,530	908,065	—	7,229,775	—
Accounts receivable:						
U.S. Government (Note 4)	112,281	—	—	—	112,281	70,094
Other	50,000	—	13,295	94,445	157,740	402,107
Total accounts receivable	162,281	—	13,295	94,445	270,021	472,201
Due from other funds	—	—	574,869	—	574,869	577,738
Accrued interest receivable	30,799	82,731	11,559	—	125,089	61,976
Plant facilities:						
Land	—	—	—	11,749,153	11,749,153	11,749,154
Land improvements	—	—	—	88,073,318	88,073,318	84,160,551
Buildings	—	—	—	712,820,626	712,820,626	711,513,160
Equipment	—	—	—	194,274,287	194,274,287	194,028,157
Library and other books	—	—	—	127,404,517	127,404,517	122,010,531
Livestock	—	—	—	—	—	204,520
Construction in progress	—	—	—	47,385,599	47,385,599	35,272,857
Total plant facilities	—	—	—	1,181,707,500	1,181,707,500	1,158,938,930
Total plant funds	**$ 43,353,947**	**$ 32,492,528**	**$ 5,898,137**	**$1,181,801,945**	**$1,263,546,557**	**$1,239,669,744**

Agency Funds

	2001	2000
Cash and cash equivalents (Note 2)	$ 401,065	$ 469,490
Investments (Note 7)	2,166,032	2,308,769
Accounts receivable, net of allowance for uncollectible accounts of $353,247 in 2001 and $308,324 in 2000	24,930	40,788
Accrued interest receivable	15	60,317
Total agency funds	**$ 2,592,042**	**$ 2,879,364**

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

Liabilities and Fund Balances

Plant Funds (Note 9)

	2001					2000
	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Total	Total
Liabilities:						
Accounts payable	$ 3,574,606	$ 1,712,132	$ 38,263	$ —	$ 5,325,001	$ 138,137
Accrued interest payable	—	—	636,867	218	637,085	647,909
Advance from sponsor	4,597,471	—	—	—	4,597,471	4,025,232
Long-term debt (Note 13)	—	—	—	91,064	91,064	171,995
Installment contracts payable (Note 14)	—	—	—	864,352	864,352	1,387,476
Revenue bonds payable (Note 15)	—	—	—	19,030,000	19,030,000	19,715,000
Capital lease (Note 15)	—	—	—	16,480,000	16,480,000	16,800,000
Due to State of Hawaii; for General Obligation Bonds (Note 16)	—	—	—	17,422,862	17,422,862	17,642,862
for Housing Finance and Development Corp Loan (Note 3)	—	—	—	650,000	650,000	—
Deferred revenue	—	—	49,073	3,163	52,236	24,578
Accrued payroll and fringe benefits	—	—	—	—	—	9,863
Total liabilities	**8,172,077**	**1,712,132**	**724,203**	**54,541,659**	**65,150,071**	**60,563,052**
Fund balances:						
Restricted	39,655	5,593,370	3,272,836	—	8,905,861	8,935,826
Unrestricted	35,142,215	25,187,026	1,901,098	—	62,230,339	66,777,274
Investment in plant	—	—	—	1,127,260,286	1,127,260,286	1,103,393,592
Total fund balances	35,181,870	30,780,396	5,173,934	1,127,260,286	1,198,396,486	1,179,106,692
Total plant funds	**$ 43,353,947**	**$ 32,492,528**	**$ 5,898,137**	**$1,181,801,945**	**$1,263,546,557**	**$1,239,669,744**

Agency Funds

	2001	2000
Liabilities:		
Amounts held on behalf of others	$ 2,263,819	$ 2,401,349
Due to other funds	156,377	213,295
Other payables	106,210	134,036
Due to State of Hawaii (Note 3)	65,636	130,684
Total agency funds	**$ 2,592,042**	**$ 2,879,364**

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

Statement of Changes in Fund Balances

FOR THE YEAR ENDED JUNE 30, 2001
with comparative totals for 2000

	Current Funds		Loan Funds	Endowment and Similar Funds
	Unrestricted	Restricted		
Revenues and other additions:				
Unrestricted current funds revenues	$ 614,057,093	$ —	$ —	$ —
Tuition and fees	—	2,072,098	—	—
Federal appropriations	—	3,063,415	—	—
State appropriations	—	—	—	—
Federal grants and contracts	—	143,486,035	189,281	—
State grants and contracts	—	9,423,869	—	—
Local grants and contracts	—	1,151,137	—	—
Private gifts, grants, and contracts	—	25,939,101	—	5,260,341
Endowment and investment income	—	4,230,888	729,993	442,534
Sales and services of educational activities	—	1,136	—	—
Other sources	—	1,019,744	—	—
Realized gains on investments (Note 7)	—	—	—	5,181,592
Unrealized gains on investments (Note 7)	—	—	—	—
Expended for plant facilities (Note 9)	—	—	—	—
Amounts spent for construction in progress (Note 9)	—	—	—	—
Transfers from other State agencies	—	—	—	—
Federal subsidies	—	—	—	—
Retirement of indebtedness	—	—	—	—
Contribution—renewals and replacements	—	—	—	—
Decrease in allowance for uncollectible loans	—	—	828,596	—
Other	—	—	250,919	—
Total revenues and other additions	**614,057,093**	**190,387,423**	**1,998,789**	**10,884,467**
Expenditures and other deductions (Notes 10 & 11):				
Educational and general expenditures	480,823,355	192,017,870	—	—
Auxiliary enterprise expenditures	55,816,174	76,497	—	—
Independent operations expenditures	4,867,825	370,422	—	—
Administrative and collection costs	—	—	76,547	—
Expenditures for plant facilities (including uncapitalized expenditures of $9,991,563 in 2001 and $7,955,301 in 2000)	—	—	—	—
Loan cancellations and write-offs	—	—	239,484	—
Unrealized losses on investments (Note 7)	—	—	—	22,521,255
Retirement of indebtedness	—	—	—	—
Interest on indebtedness	—	—	—	—
Disposals of plant facilities	—	—	—	—
Government obligation bond issuance	—	—	—	—
Funds lapsed	—	—	—	—
Increase in allowance for uncollectible loans	—	—	—	—
Transfers to other State agencies	51,698,634	—	—	—
Other	—	—	6,986	—
Total expenditures and other deductions	**593,205,988**	**192,464,789**	**323,017**	**22,521,255**

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

Plant Funds: Unexpended	Plant Funds: Renewals and Replacements	Plant Funds: Retirement of Indebtedness	Plant Funds: Investment in Plant	Memorandum Only Total: 2001	Memorandum Only Total: 2000
$ —	$ —	$ —	$ —	$ 614,057,093	$ 557,010,532
—	—	—	—	2,072,098	987,652
—	—	—	—	3,063,415	2,542,699
12,912,000	—	—	—	12,912,000	34,563,147
442,531	—	—	—	144,117,847	137,282,113
—	—	—	—	9,423,869	10,820,291
—	—	—	—	1,151,137	1,164,304
64,889	—	—	585,693	31,850,024	39,245,637
127,905	73,386	—	—	5,604,706	9,712,672
—	—	—	—	1,136	937
—	—	—	—	1,019,744	664,968
—	—	—	—	5,181,592	14,034,794
—	—	—	—	—	6,671,769
—	—	—	17,771,226	17,771,226	30,793,540
—	—	—	14,142,794	14,142,794	526,993
—	—	—	74,495	74,495	313,394
—	—	290,991	—	290,991	369,916
—	—	—	3,938,228	3,938,228	5,011,353
—	—	—	—	—	(7,033)
—	—	—	—	828,596	—
—	—	—	—	250,919	133,223
13,547,325	**73,386**	**290,991**	**36,512,436**	**867,751,910**	**851,842,901**
—	—	—	—	672,841,225	652,593,024
—	—	—	—	55,892,671	60,963,732
—	—	—	—	5,238,247	5,860,724
—	—	—	—	76,547	49,257
19,037,911	4,045,972	—	—	23,083,883	24,068,917
—	—	—	—	239,484	229,796
—	—	—	—	22,521,255	—
—	—	3,938,228	—	3,938,228	5,011,353
—	—	3,044,545	—	3,044,545	3,223,703
—	—	—	14,585,193	14,585,193	7,626,796
—	—	—	—	—	—
12,300	—	—	—	12,300	76,322
—	—	—	—	—	534,162
54,880	—	—	—	51,753,514	85,520
678,142	—	—	3,371,697	4,056,825	1,030,293
19,783,233	**4,045,972**	**6,982,773**	**17,956,890**	**857,283,917**	**761,353,599**

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

Statement of Changes in Fund Balances (Continued)

	Current Funds		Loan Funds	Endowment and Similar Funds
	Unrestricted	Restricted		
Transfers - additions (deductions):				
Mandatory:				
Institutional contributions:				
Federal Perkins Loan Program	$ (65,760)	$ —	$ 65,760	$ —
Retirement of indebtedness	(5,079,331)	(29,986)	—	—
Renewals and replacements	(206,325)	—	—	—
	(5,351,416)	(29,986)	65,760	—
Nonmandatory:				
Retirement of indebtedness	(1,755,019)	—	—	—
Renewals and replacements	(5,252,715)	—	—	—
Quasi-endowment—restricted	—	(113,101)	—	113,101
Quasi-endowment fund transfer to current operations	981,368	4,847,742	—	(5,829,110)
Institutional contribution to State Higher Education Loan Fund	(195,400)	—	195,400	—
Housing assistance loans	(670,000)	—	670,000	—
Other interfund transfers	(544,915)	(4,766,233)	—	—
Total transfers	**(12,788,097)**	**(61,578)**	**931,160**	**(5,716,009)**
Net increase (decrease) before cumulative effect of accounting change	8,063,008	(2,138,944)	2,606,932	(17,352,797)
Cumulative effect of accounting change (Note 1)	—	—	—	—
Net increase (decrease) after cumulative effect of accounting change	8,063,008	(2,138,944)	2,606,932	(17,352,797)
Fund balances at beginning of year	62,708,567	21,624,466	23,105,515	199,816,527
Fund balances at end of year	**$ 70,771,575**	**$ 19,485,522**	**$ 25,712,447**	**$182,463,730**

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

Plant Funds				Memorandum Only Total	
Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	2001	2000
$ —	$ —	$ —	$ —	$ —	$ —
—	—	5,109,317	—	—	—
—	206,325	—	—	—	—
—	206,325	5,109,317	—	—	—
—	28,164	1,726,855	—	—	—
—	5,252,715	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	5,311,148	—	—
—	**5,487,204**	**6,836,172**	**5,311,148**	—	—
(6,235,908)	1,514,618	144,390	23,866,694	10,467,993	90,489,302
—	—	—	—	—	(130,732,283)
(6,235,908)	1,514,618	144,390	23,866,694	10,467,993	(40,242,981)
41,417,778	29,265,778	5,029,544	1,103,393,592	1,486,361,767	1,526,604,748
$ 35,181,870	**$ 30,780,396**	**$ 5,173,934**	**$ 1,127,260,286**	**$ 1,496,829,760**	**$1,486,361,767**

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

Statement of Current Funds Revenues, Expenditures and Other Changes

FOR THE YEAR ENDED JUNE 30, 2001

with comparative totals for 2000

	2001			2000
	Unrestricted	Restricted	Total	Total
Revenues:				
Educational and general:				
Tuition and fees	$ 115,275,174	$ 2,072,098	$ 117,347,272	$ 112,629,758
Federal appropriations	—	3,063,415	3,063,415	2,542,699
State appropriations and transfer for fringe benefits (Notes 10 and 17)	396,966,250	—	396,966,250	343,439,265
Federal grants and contracts	18,325,717	143,284,487	161,610,204	152,725,620
State grants and contracts	1,360,495	9,372,437	10,732,932	12,336,750
Local grants and contracts	—	1,151,137	1,151,137	1,164,304
Private gifts, grants and contracts	90,836	28,299,433	28,390,269	32,972,089
Endowment and investment income	1,488,495	4,230,888	5,719,383	5,464,259
Sales and services of educational activities	9,953,968	1,136	9,955,104	10,747,312
Other	6,313,497	1,019,744	7,333,241	5,027,088
Total educational and general	**549,774,432**	**192,494,775**	**742,269,207**	**679,049,144**
Sales and services of auxiliary enterprises	64,282,661	—	64,282,661	67,960,994
Total revenues	**614,057,093**	**192,494,775**	**806,551,868**	**747,010,138**
Expenditures and mandatory transfers (Notes 10 & 11):				
Educational and general:				
Instruction	211,043,732	26,688,638	237,732,370	243,222,051
Research	50,221,937	106,183,665	156,405,602	153,323,463
Public services	27,598,630	14,811,706	42,410,336	41,532,160
Academic support	61,928,486	7,542,595	69,471,081	64,434,701
Student services	26,947,703	6,675,225	33,622,928	34,183,573
Institutional support	53,521,056	8,607,519	62,128,575	53,213,690
Operation and maintenance of plant	47,326,097	213,094	47,539,191	41,202,648
Scholarships and fellowships	2,235,714	21,295,428	23,531,142	21,480,738
	480,823,355	192,017,870	672,841,225	652,593,024
Mandatory transfers for:				
Perkins Loan Matching Grant	65,760	—	65,760	21,380
Total educational and general	**480,889,115**	**192,017,870**	**672,906,985**	**652,614,404**

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

	2001			2000
	Unrestricted	Restricted	Total	Total
Independent operations	$ 4,867,825	$ 370,422	$ 5,238,247	$ 5,860,724
Auxiliary enterprises:				
Expenditures	55,816,174	76,497	55,892,671	60,963,732
Mandatory transfers for:				
Retirement of indebtedness	5,079,331	29,986	5,109,317	7,856,977
Renewals and replacements	206,325	—	206,325	217,091
Total auxiliary enterprises	61,101,830	106,483	61,208,313	69,037,800
Total expenditures and mandatory transfers	546,858,770	192,494,775	739,353,545	727,512,928
Other transfers and additions (deductions):				
Excess restricted expenditures of $192,494,775 over revenues of $190,387,423	—	(2,107,352)	(2,107,352)	3,478,213
Nonmandatory transfer to retirement of indebtedness	(1,755,019)	—	(1,755,019)	—
Nonmandatory transfer to renewals and replacements	(5,252,715)	—	(5,252,715)	(8,570,864)
Quasi-endowment—restricted	—	(113,101)	(113,101)	(14,000)
Quasi-endowment fund transfer to current operations	981,368	4,847,742	5,829,110	52,130
Housing assistance loans	(670,000)	—	(670,000)	(190,875)
State Higher Education Loan	(195,400)	—	(195,400)	—
Transfer to other state agencies	(51,698,634)	—	(51,698,634)	—
Other interfund transfers	(544,915)	(4,766,233)	(5,311,148)	(267,111)
Total other transfers and deductions	(59,135,315)	(2,138,944)	(61,274,259)	(5,431,507)
Net increase/(decrease) in fund balances	$ 8,063,008	$ (2,138,944)	$ 5,924,064	$ 14,065,703

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

Notes To Financial Statements

JUNE 30, 2001

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

Financial Reporting Entity

The accompanying financial statements of the University of Hawai'i (University) includes the activities of the University of Hawai'i at Mānoa, University of Hawai'i at Hilo, University of Hawai'i at West Oahu, University of Hawai'i Community Colleges and the financial reporting entities of the University. The University has defined its reporting entities in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity." The basic criterion for including a potential component unit within the reporting entity is financial accountability. Other criteria include fiscal dependency and the nature and significance of the relationship are such that exclusion would cause the financial statements of the University to be misleading. Accordingly, the financial information of the Research Corporation of the University of Hawai'i (Research Corporation) and the University of Hawai'i Foundation (Foundation) have been blended with the University's fund groups in the accompanying financial statements.

Complete financial statements of the Research Corporation can be obtained at the Research Corporation of the University of Hawai'i, 2800 Woodlawn Drive, Honolulu, HI 96822. The Foundation's federal Form 990 is available for inspection as required by IRC section 6104 at the University of Hawai'i Foundation, 2444 Dole Street, Bachman Hall, Room 101, Honolulu, HI 96822.

Similarly, the University is fiscally dependent upon the State of Hawai'i (State) and therefore, the State is financially accountable for the University as defined by GASB 14. Accordingly, the fund groups of the University are presented within the State's general purpose financial statements.

Basis of Presentation

The financial statements of the University have been prepared on the accrual basis in accordance with the Governmental Accounting and Financial Reporting Standards. Accordingly, all GASB and Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 have been implemented. FASB statements issued prior to November 30, 1989 are authoritative provided that they do not contradict or conflict with GASB statements.

The Foundation's accounting policies conforms with generally accepted accounting principles as applicable to not-for-profit organizations as promulgated by the FASB.

In December 1998 and April 2000, the GASB issued Statement No. 33, *"Accounting and Financial Reporting for Nonexchange Transactions"* and Statement No. 36 *"Recipient Reporting for Shared Nonexchange Revenues—an Amendment of GASB Statement No. 33,"* respectively, which were effective for fiscal 2001. These Statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The principal issue addressed in these Statements is the timing of recognition of nonexchange transactions. The implementation of these Statements did not have a material impact on the University's financial statements.

The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses. To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of equipment and library books, (2) mandatory transfers, in the case of required provisions for debt agreements and equipment renewal and replacement, and (3) nonmandatory transfers in all other cases.

Prior year information presented in certain financial statements are summarized for comparative purposes and do not reflect the detail information by fund in conformity with generally accepted accounting principles. For detail fund classification, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2000 from which the information was derived.

Fund Accounting

To observe limitations and restrictions placed on the use of resources, accounts are maintained in accordance with **fund accounting** principles. Under this procedure the receipt of resources and their related expenditures for specified uses are summarized in a separate group of accounts. Accordingly, accounts with similar characteristics are presented in the financial statements by the following fund groups.

The **Current Fund** includes all funds, restricted and unrestricted, available for current operations.

The **Loan Fund** includes all loans made to students, faculty and staff.

The **Endowment and Similar Fund** includes all funds invested with only the investment income expended for purposes established by the donor or by the University, in the case of quasi-endowment funds.

The **Plant Fund** includes all funds set aside for the acquisition of capital assets, the renewal and replacement of assets, the retirement of bond indebtedness, and the capitalization of assets.

The **Agency Fund** includes all funds held by the University as custodian or fiscal agent for others.

Within each fund group, fund balances **restricted** by outside sources are distinguished from **unrestricted** funds over which the governing board retains full control to use in achieving any of its institutional purposes.

Investments

Investments are stated at fair value and unrealized gains and losses on investments are included in the Statement of Changes in Fund Balance for the Endowment Funds.

Realized gains and losses are computed as the difference between the proceeds of the sale and the original cost of investment sold. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments.

Title to investment securities is vested in the name of the SEC registered brokerage firms in New York representing the various investment managers of the University and the Foundation. Title of short term investments, made from pooled cash, is vested in the name of the University or the Foundation.

Perpetual Trusts

The Foundation is also the beneficiary of certain perpetual trusts held and administered by others. The present values of the estimated future cash receipts from the trusts are recognized as assets and contribution revenues at the dates the trusts are established. Distributions from the trusts are recorded as endowment and investment income and the carrying value of the assets is adjusted for changes in the estimates of future receipts.

Plant Facilities

Plant facilities are recorded at cost, or if donated, at appraised value. In accordance with accounting policies followed by public colleges and universities, no provision has been made for depreciation of plant facilities. Interest for construction financing is capitalized as a cost of construction.

Effective July 1, 1999, the University raised its equipment capitalization threshold from $500 to $5,000. Management believes the new capitalization threshold is more consistent with the industry standard and will lessen the administrative burden on its faculty and staff. The effect of this change in accounting principle was approximately $130,732,000 of previously capitalized equipment recorded as a deduction in fiscal 2000 to the net change in fund balance of the Investment in Plant Fund.

Federal Grants

Federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures or expenses are incurred.

Management's Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make 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 expenditures during the reporting period. Actual results could differ from those estimates. These estimates, among others, include allowances for uncollectible accounts and workers' compensation liabilities.

The University uses third party analyses to estimate its workers' compensation liability. Changes in the liability are the result of claims payments made during the fiscal year, new claims filed and changes in the estimates of existing claims. The liability at June 30, 2001 represents the University's best estimate of workers' compensation liabilities based on available information.

Cash and Cash Equivalents

The University considers all highly liquid debt instruments, including short-term cash investments, purchased with an original maturity of three months or less to be cash equivalents.

The carrying amounts reported in the Statement of Assets, Liabilities and Fund Balance for cash and cash equivalents approximate fair value due to the short maturity of these instruments.

Reclassifications

Certain balances in the fiscal 2000 financial statements have been reclassified to conform with the fiscal 2001 presentation. These reclassifications have no effect on the University's change in fund balance as previously reported.

(2) CASH

At June 30, 2001, information relating to the insurance and collateral of funds deposited with the State Treasury is not available since such information is determined on a statewide basis and not for individual departments. Cash deposits with the State Treasury are either federally insured or collateralized with obligations of the State or the United States. All securities pledged as collateral are held either by the State Treasury or by the State's fiscal agents in the name of the State.

The carrying amount of cash, including time certificates of deposit, not on deposit in the State Treasury as of June 30, 2001 was $135,935,432 and the corresponding bank balance was $150,482,590. The portion of such bank balances covered by Federal deposit insurance or by collateral held by the State Director of Finance in the name of the University totaled $149,099,843. The remaining bank balance of $1,382,747 which is managed by the Foundation was uncollateralized. Additional cash equivalent balances of $20,915,389 represents deposits with investment brokers covered by the Securities Investor Protection Corporation and additional insurance provided by the investment broker.

(3) DUE FROM AND DUE TO STATE OF HAWAII

Due from and due to State of Hawaii at June 30, 2001 are as follows:

	Due from	Due to
Current Unrestricted Funds:		
Amounts due for State appropriations	$ 9,273,758	
Imprest/petty cash advances		$ 359,682
Hazardous Waste Liability		1,595,777
		$ 1,955,459
Current Restricted Funds:		
Advance		$ 6,000,000
Investment in Plant Fund:		
Faculty Housing Project		$ 650,000
Agency Funds:		
Other		$ 65,636

(4) U.S. GOVERNMENT FUNDING

The University recognizes revenue associated with the direct costs of research and training grants and contracts with the Federal government in the Current Restricted Fund as the related expenditures are incurred. Funds received in advance for these grants and contracts are recorded as an advance in the balance sheet until the related expenditures are incurred.

The Federal government reimburses the University for certain overhead costs (e.g., facilities and administrative costs) incurred in support of Federally sponsored programs based on cost reimbursement rates negotiated with the University's cognizant agency, the U.S. Department of Health and Human Services. In fiscal 2001, these reimbursements amounted to approximately $15,540,000 and are reported in the Current Unrestricted Fund. The University expends 84%, 12% and 4% of this cost recovery for research and training programs, housing assistance, and discovery and inventions, respectively.

The University's Federal grants and contracts are subject to periodic audit by Federal examiners. In the opinion of the University, any adjustments which may be required as a result of these audits would not be material to the overall financial condition of the University.

(5) INVENTORIES

The current funds inventories and the methods of valuation at June 30, 2001 were comprised of:

		Unrestricted
University of Hawai'i Bookstore merchandise inventory	At the lower of cost (determined by the weighted average cost method) or market.	$ 7,410,656
University of Hawai'i Press merchandise inventory	Job order or specific identification method. Books remaining in the inventory after the first year of publication are written off on the straight-line basis over a five-year period.	2,329,669
University of Hawai'i supplies inventories	Cost, applied on the first-in, first-out basis.	2,662,586
		$ 12,402,911

(6) ALLOWANCE FOR UNCOLLECTIBLE NOTES—LOAN FUNDS

The allowance for uncollectible notes at June 30, 2001 was comprised of:

Federal Perkins Loan Program	$ 2,902,475
Nursing/Health Profession Loans	82,899
State of Hawaii Higher Education Loans	2,273,326
Short-Term Loans	45,482
	$ 5,304,182

The Federal Perkins Loan Program provides for the assignment of uncollectible loans to the U.S. Government for collection.

Uncollectible Nursing/Health Profession loans may be written off with the approval of the U.S. Department of Health and Human Services, Division of Financing Services.

Uncollectible State of Hawaii Higher Education loans and University short-term loans may be written off with the approval of the State Attorney General.

(7) INVESTMENTS

The University's investments at June 30, 2001, were comprised of the following:

	Current Unrestricted Funds		Current Restricted Funds		Loan Funds	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Stocks	$ —	$ —	$ —	$ —	$ —	$ —
Bonds	—	—	—	—	—	—
U.S. Government Obligations	16,744,869	17,219,539	825,176	848,568	446,889	459,556
Other	—	—	1,063,423	472,182	—	—
	$ 16,744,869	$ 17,219,539	$ 1,888,599	$ 1,320,750	$ 446,889	$ 459,556

	Plant Funds		Endowment and Similar Funds		Agency Funds	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Stocks	$ —	$ —	$ 110,897,669	$ 124,346,089	$ 179,933	$ 179,933
Bonds	—	—	21,350,164	21,583,431	—	—
U.S. Government Obligations	7,030,481	7,229,775	18,510,766	18,764,363	—	—
Other	—	—	—	—	1,643,850	1,986,099
	$ 7,030,481	$ 7,229,775	$ 150,758,599	$ 164,693,883	$ 1,823,783	$ 2,166,032

Changes in the endowment and similar funds for the year ended June 30, 2001, were as follows:

	Fair Value	Carrying Value	Unrealized Net Gain/(Loss)	Realized Net Gain
University Pool				
End of year	$ 58,644,532	$ 56,765,182	$ 1,879,350	
Beginning of year	67,927,964	57,758,750	10,169,214	
Net increase (decrease)	(9,283,432)	(993,568)	(8,289,864)	$ 324,171
Foundation Pool				
End of year	106,867,052	94,467,943	12,399,109	
Beginning of year	112,232,399	89,695,964	22,536,435	
Net increase (decrease)	(5,365,347)	4,771,979	(10,137,326)	3,673,221
Associated Students of the University of Hawaii				
End of year	6,725,589	7,053,480	(327,891)	
Beginning of year	7,870,691	5,844,786	2,025,905	
Net increase (decrease)	(1,145,102)	1,208,694	(2,353,796)	1,202,664
Other				
End of year	10,226,557	7,299,379	2,927,178	
Beginning of year	11,785,473	7,118,026	4,667,447	
Net increase (decrease)	(1,558,916)	181,353	(1,740,269)	(18,464)
Net Assets				
End of year	182,463,730	165,585,984	16,877,746	
Beginning of year	199,816,527	160,417,526	39,399,001	
Net increase (decrease)	$ (17,352,797)	$ 5,168,458	$ (22,521,255)	$ 5,181,592

Management fees paid by the University during fiscal 2001 amounted to approximately $1,025,000.

Endowment and similar funds are combined in investment pools with each individual account subscribing to or disposing of shares on the basis of the market value per share.

The University's and Foundation's spending policy is approximately 5% of the preceeding year's endowment fair value.

Gains or losses on sales of investments are retained or absorbed by the endowment fund principal. Cost of securities sold is determined using the first-in first-out method.

Endowment funds are received from benefactors who, by the terms of their conveying instruments, have stipulated that the principal of their gifts may never be expended and use of the income is generally restricted.

Quasi-endowment funds are funds that have been transferred to the endowment and similar funds by the Board of Regents. Use of the income is either restricted by the donor or unrestricted and designated by the Board of Regents.

(8) ENCUMBRANCES

Goods and services ordered prior to June 30, 2001, but not received by that date are recorded as encumbrances. At June 30, 2001, encumbrances consisted of the following:

Current Unrestricted Funds	$ 24,652,074
Current Restricted Funds	23,508,406
Plant Funds	21,537,412
	$ 69,697,892

(9) PLANT FUNDS

Investment in plant assets consists of land, land improvements, buildings, equipment, library books, and construction in progress. Assets acquired are recorded at cost, or if donated at appraised value at the date of the gift. Renewals and replacements are generally not capitalized. Land parcels comprising 1,581 acres or 93% of the University's property are recorded at the State's value of $1 per parcel. Assets owned by the Federal Government, although in the custody of the University, are not included in the plant fund.

In fiscal 2000, the University reported faculty housing project units held for sale amounting to $7,173,600, as inventory in the Current Restricted Fund. During fiscal 2001, the University began renting these faculty housing project units, and accordingly reclassified these units to land and buildings in the Investment in Plant Fund.

Most of the University's construction projects are administered by the State Department of Accounting and General Services. Upon completion, the total project cost including amounts funded from State and Federal sources is recorded by the University. The University transferred approximately $368,808 of Federal funds to the State in 2001 for construction projects.

The additions of plant fund assets in 2001 were funded as follows:

	Plant Facilities	Construction in Progress
Amount expended from:		
Current funds	$ 14,911,210	$ 3,910,489
Unexpended plant and Renewals and Replacement funds	2,860,016	10,232,305
	$ 17,771,226	$ 14,142,794

(10) EMPLOYEE BENEFITS

Employees' Retirement System

Substantially all eligible employees of the University are members of the Employees' Retirement System of the State of Hawai'i (ERS), a cost-sharing multiple-employer public employee retirement plan. The ERS provides retirement benefits as well as death and disability benefits. All contributions, benefits and eligibility requirements are established by HRS Chapter 88 and can be amended by legislative action. Prior to June 30, 1984, the plan consisted of only a contributory option. In 1984, legislation was enacted to add a new noncontributory option for members of the ERS who are also covered under Social Security. Persons employed in positions not covered by Social Security are precluded from the noncontributory option. The noncontributory option provides for reduced benefits and covers most eligible employees hired after June 30, 1984. Employees hired before that date were allowed to continue under the contributory option or to elect the new noncontributory option and receive a refund of employee contributions. All benefits vest after five and ten years of credited service under the contributory and noncontributory options, respectively. Both options provide a monthly retirement allowance based on the employee's age, years of credited service and average final compensation (AFC). The AFC is the average salary earned during the five highest paid years of service, including the vacation payment, if the employee became a member prior to January 1, 1971. The AFC for members hired on or after that date is based on the three highest paid years of service, excluding the vacation payment.

Most covered employees of the contributory option are required to contribute 7.8% of their salary. The funding method used to calculate the total employer contribution requirement is the Entry Age Normal Actuarial Cost Method. Under this method, employer contributions to the ERS are comprised of normal cost plus level annual payments required to liquidate the unfunded actuarial liability over the remaining period of 19 years from July 1, 1997.

The University's payroll for employees covered by the plan and total personal services, including student payroll, for the year ended June 30, 2001 was approximately $292,604,000 and $376,475,000 respectively. The University is required to contribute an actuarially determined amount to the ERS. There were no required contributions to the ERS for the year ended June 30, 2001. Contributions made to the ERS by the University for the years ended June 30, 2000 and 1999 were $17,386,000 and $17,612,000, respectively, which were equal to the required contributions for each year. The contributions for fiscal 2001, 2000 and 1999 represented approximately 0%, 6% and 6% of covered payroll, respectively.

ERS issues a Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information which may be obtained from the following address:

Employees' Retirement System of the State of Hawai'i
210 Merchant Street, Suite 1400
Honolulu, Hawai'i 96813

The following data was obtained from the disclosures contained in the CAFR for the year ended June 30, 2000:

Number of employers as of March 31, 2000 was:

State	1
Counties	4
Total employers	5

Basis of Accounting - The financial statements of the ERS are prepared using the accrual basis of accounting. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Plan investments are reported at fair value. Where appropriate, the fair value includes disposition costs. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments and real estate owned are based on independent appraisals and estimated values.

Other Benefits

The State absorbs the **fringe benefit** cost for employees paid from State and Federal appropriations. In previous years, the benefit received by the University for fringe benefit costs paid by the State on behalf of the University were recorded as a transfer from State in the statement of current funds revenues, expenditures and other changes, however beginning in fiscal 2001, the University received a State appropriation for these fringe benefit costs. The fiscal 2000 fringe benefit costs of $62,565,219 previously reported as a transfer from State have been reclassified to State appropriations and transfers for fringe benefits in the statement of current funds revenues, expenditures and other changes to conform with the fiscal 2001 presentation. Fringe benefit costs included in total revenue and total expenditures for fiscal 2001 amounted to $51,044,039.

All regular employees, with certain exceptions, earn **vacation leave** at the rate of one and three-quarters working days for each month of service. Employees who are entitled to annual vacation may accumulate for the succeeding year or years up to fifteen working days of their annual vacation allowance, provided that the total accumulation shall not exceed ninety working days at the end of the calendar year. Accumulated vacation leave, earned but not taken, is reflected as an accrual in the current funds. When termination of services takes place, the employees are paid for their vacation allowance in a lump sum.

Sick leave accumulates at the rate of one and three-quarters working days for each full month of service without limit, but can be taken only in the event of an illness and is not convertible to pay upon termination of employment. Accordingly, accumulated sick leave, earned but not taken, is not reflected as an accrual in the accompanying financial statements. Employees who retire with sixty days of unused sick leave are entitled to three months of service credit in the System. For each additional twenty days or major fraction thereof of unused sick leave they have in excess of sixty days, their service period is increased by one month.

University regular employees may enter into **deferred compensation** arrangements directly with authorized insurance companies or agencies through a payroll deduction plan. Accordingly, the University has no deferred compensation or withholding payable.

The University manages its workers' compensation program. For fiscal year 2001, medical related payments were $2,105,824 and temporary wage loss payments were $324,109.

(11) POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the State provides certain health care and life insurance benefits to all employees who retire from the University on or after age 62 with at least 10 years of service or age 55 with at least 30 years of service under the noncontributory option and age 55 with at least 5 years of service under the contributory option. Retirees credited with at least 10 years of service, excluding sick leave credit, qualify for free medical insurance premiums; however, retirees with less than 10 years must assume a portion of the monthly premiums. All disability retirees who retired after June 30, 1984, with less than 10 years of service also qualify for free medical insurance premiums. Free life insurance coverage and dental coverage for dependents under age 19 are also available. Retirees covered by the medical portion of Medicare are eligible to receive a reimbursement of the basic medical coverage premiums. Contributions are based upon negotiated collective bargaining agreements, and are funded by the State as accrued. The University's share of the post-retirement health care and life insurance benefits expense for the year ended June 30, 2001 was approximately $16,064,000.

(12) LINE OF CREDIT (RESEARCH CORPORATION)

The Research Corporation has a revolving line of credit with First Hawaiian Bank in the amount of $2,000,000 for short-term working capital, expiring on December 1, 2002. The terms of the revolving line of credit require repayment as specified in the credit agreement. All borrowings are collateralized by a security agreement over accounts receivable. The rate of interest on borrowings outstanding is 75% of the bank's reference rate (6.75% at June 30, 2001). At June 30, 2001 and 2000, there were no borrowings against this line of credit.

(13) LONG-TERM DEBT (RESEARCH CORPORATION)

A summary of the Research Corporation's long-term debt at June 30, 2001 follows:

5.875% note payable to First Hawaiian Bank, collateralized by a snow blower, monthly payments of $5,475 including interest, due March 2002, or upon demand, by the Institute for Astronomy	$ 48,107
6.75% note payable to First Hawaiian Bank, collateralized by a computer numeric controlled lathe, monthly payments of $985 including interest, due December 2002, or upon demand, by the Institute for Astronomy	16,755
6.57% note payable to Bank of Hawaii, collateralized by vehicles, monthly payments of $980 including interest, due November 2003, by the Institute for Astronomy	26,202
	$ 91,064

Future maturities on the notes are as follows:

June 30:	
2002	$ 75,208
2003	11,046
2004	4,810
	$ 91,064

(14) INSTALLMENT CONTRACTS AND PROPERTY LEASES

The University has purchased certain equipment on installment with interest ranging from 5.3% to 12% per annum and annual maturities as follows:

	Installment Contracts	
Year Ending June 30:	Principal	Interest
2002	$ 623,311	$ 33,289
2003	146,082	10,751
2004	62,001	3,220
2005	32,564	1,011
2006	394	3
	$ 864,352	$ 48,274

The University has entered into operating real property lease agreements with future payments as follows:

Year Ending June 30:	Lease Amount
2002	$ 804,478
2003	394,411
2004	165,794
2005	116,827
2006	116,214
Thereafter	16,519
	$ 1,614,243

Lease expenditures for outside space for the year ended June 30, 2001, amounted to approximately $1,482,700.

(15) REVENUE BONDS PAYABLE AND CAPITAL LEASE

The University's revenue bonds payable at June 30, 2001 were as follows:

	Series	Date Issued	Authorized	Balance
Student Housing System at Manoa (interest rate, 3.0% to 3.5%)	C, D	Jan. 18, 1973	$ 3,384,000	$ 795,000
Telecommunications System (interest rate, 2.4% to 5.7%)	G	Aug. 18, 1992	16,135,000	14,000,000
Student Housing System at Manoa (interest rate, 3.4% to 5.5%)	I	March 17, 1994	5,000,000	4,235,000
			$ 24,519,000	$ 19,030,000

The revenue bonds are paid from certain current unrestricted revenues in annual installments, including semi-annual interest payments, ranging from $365,000 to $1,731,000 with the final installment due in October 2018. Interest is payable semi-annually on April 1 and October 1, and the principal is payable on October 1 of each year.

At June 30, 2001, the annual maturities of the revenue bonds were as follows:

Year Ending June 30:	Principal	Interest
2002	$ 715,000	$ 1,015,200
2003	745,000	982,000
2004	780,000	946,100
2005	820,000	907,300
2006	860,000	865,800
Thereafter	15,110,000	5,772,800
	$ 19,030,000	$ 10,489,200

The University revenue bonds have provisions for early redemption. The premiums on bond redemption, as a percentage of the bond principal redeemed, range up to 2.0%.

Capital Lease Obligation

On November 1, 1995, the Housing Finance and Development Corporation (HFDC) issued $17,680,000 in revenue bonds with interest rates ranging from 4.00% to 5.75%. The revenue bonds are payable by HFDC in annual installments, including semi-annual interest payments, with the final installment due in October 2025. The revenue bonds were issued to provide permanent financing for the University's Kau'iokahaloa Nui Faculty Housing Project. At the time of issuance, HFDC entered into a Lease and Sublease Agreemeent with the University. The University agreed to give a ground lease for 30 years and 8 months to HFDC and HFDC agreed to lease the improvements and sublease the ground lease to the University for the same term.

Pursuant to the Agreement, the University agreed to operate the Kau'iokahaloa Nui Faculty Housing Project at its own expense and make lease rental payments to HFDC sufficient to pay the principal, premium, if any, and interest on the revenue bonds as they become due and payable. Upon retirement of the revenue bonds, HFDC's rights, title and interest in the Kau'iokahaloa Nui Faculty Housing Project will terminate and the University will be the owner of the Kau'iokahaloa Nui Faculty Housing Project.

The lease agreement has been accounted for as a capital lease by the University. The amount capitalized was $20,130,000 and is included in the Investment in Plant Fund. At June 30, 2001, the future minimum lease payments were as follows:

Year Ending June 30:	
2002	$ 1,237,400
2003	1,237,200
2004	1,236,000
2005	1,238,600
2006	1,235,100
Thereafter	24,515,600
	30,699,900
Less amount representing interest	14,219,900
	$ 16,480,000

(16) DUE TO THE STATE OF HAWAII FOR GENERAL OBLIGATION BONDS

At June 30, 2001, the amounts due to the State for general obligation bonds were as follows:

	Original Amount	**Balance**
Series X (interest rate, 4.0% to 5.0%):		
Manoa Student Housing Phase II	$ 3,000,000	$ 1,109,500
Manoa Campus Center	2,125,000	785,500
	5,125,000	1,895,000
Series CG (interest rate, 4.10% to 5.00%):		
Student Housing:		
Manoa	11,916,584	3,724,625
Hilo	2,324,697	726,603
Parking Structure Phase I	6,920,761	2,163,140
Manoa Campus Center	423	133
	21,162,465	6,614,501
Series CS (interest rate, 5.00% to 5.25%)		
Student Housing:		
Manoa	5,019,114	5,019,114
Hilo	979,133	979,133
Parking Structure Phase I	2,914,936	2,914,936
Manoa Campus Center	178	178
	8,913,361	8,913,361
	$ 35,200,826	$ 17,422,862

The general obligation bonds are payable in annual installments, including semi-annual interest payments, ranging from $1,545,000 to $3,386,000 with the final installment due in April 2009. The bonds mature in designated numerical sequence and are payable from the operations of the University. The interest and principal payments are due as follows:

	Principal	Interest
Series X	August 1	February 1 and August 1
Series CG	July 1	January 1 and July 1
Series CS	April 1	April 1 and October 1

In April 1998, the State issued $336,620,000 in general obligation Series CS bonds (refunding bonds) of which the University's portion was $8,913,361, with interest rates ranging from 5.00% to 5.25% to advance refund $8,789,805 (University's portion) of outstanding general obligation Series CG bonds (refunded bonds) which have been partially defeased. The net proceeds from the issuance of the refunding bonds were placed in an irrevocable trust and were used to purchase securities of the United States government at various interest rates and maturities sufficient to meet the debt service requirements of the refunded bonds. The University's refunded bonds have redemption dates from July 1, 1999 to July 1, 2003 with redemption prices of up to 101%.

At June 30, 2001, principal and interest maturities for each of the next five years and thereafter were approximately as follows:

Year Ending June 30:	**Principal**	**Interest**
2002	$ 1,430,847	$ 848,200
2003	2,587,530	783,600
2004	2,718,780	657,200
2005	2,857,870	523,100
2006	3,005,050	380,700
Thereafter	4,822,780	453,900
	$ 17,422,857	$ 3,646,700

The general obligation bonds have provisions for early redemption. The premiums on bond redemption, as a percentage of the bond principal redeemed, range up to 2.0%.

The U.S. Department of Housing and Urban Development, under its College Housing Program, subsidizes the University for interest payments which represent the excess of the average annual debt service costs on the bonds over the average annual debt service that would have been required during the life of the bonds at an interest rate of 3%. Subsidies received by the University amounted to $290,991 for the year ended June 30, 2001.

(17) STATE APPROPRIATIONS—CURRENT FUNDS

By statutory provision, the University prepares a biennium budget for its programs. Budgeted expenditures are derived primarily from the General Appropriations Act of 1998, as amended, and from other specific appropriations acts in various Session Laws of Hawaii (SLH).

An allotment system and encumbrance accounting are utilized by the University for statutory budgetary control purposes. Obligations in the form of purchase orders or contracts are recorded as encumbrances at the time purchase orders or contracts are awarded and executed. To the extent not expended or encumbered, general fund appropriations generally lapse at the end of the fiscal year. The State Legislature specifies the lapse date and any other particular conditions relating to terminating the authorizations for other appropriations.

The net amount of the University's general fund appropriations from the State for the year ended June 30, 2001 was $396,966,250, as shown in the following schedule.

General Appropriations-		
Act 281, 163, 239, 276 SLH 2000 and Act 178 SLH 1999	$	404,957,501
Others:		
Allotments for salary increases and other adjustments:		
Act 60, SLH 1999		4,076,701
		409,034,202
Total Funds lapsed		(1,976,984)
Act 239 – funds carryover to FY 2002		(10,090,968)
Total General fund appropriations	$	396,966,250

(18) LITIGATION AND OTHER CONTINGENT LIABILITIES

Hawai'i Revised Statutes §304–6 stipulates that any liability arising from a claim, action, or suit brought against the University shall be payable solely from the moneys and property of the University and shall not constitute a general obligation of the State. Effective June 25, 1999, Hawai'i Revised Statutes §304–6 was amended by Act 102 of the 1999 Session Laws of Hawai'i which states that the University is not precluded from requesting and securing legislative appropriations to fund the settlement of any such claim or judgment against the University.

The Office of Hawaiian Affairs (OHA) filed a lawsuit against the State and various unnamed parties claiming the State failed to properly account for and pay to OHA moneys due to OHA, under Article XII of the Hawaii State Constitution (Constitution) and Chapter 10 of the Hawaii Revised Statues, as amended by Act 304, passed in 1990, for use by the State of certain ceded lands. On September 12, 2001, the Hawaii Supreme Court (Supreme Court) reversed a lower court's decision favorable to OHA and dismissed the case. The Supreme Court concluded that Act 304, which established a detailed methodology of calculating the State's debt to OHA, conflicted with existing Federal legislation and by its own terms was effectively repealed. Thus, the Supreme Court was left with no judicially manageable standard to determine whether or how much OHA should be paid. In its decision, the Supreme Court noted that the State's obligation to native Hawaiians is firmly established in the Constitution. Under the separation of powers doctrine, the Supreme Court concluded that the method by which this constitutional obligation is met requires decisions by the State Legislature.

In fiscal 2000, the U.S. Department of Health and Human Services (DHHS), Office of Inspector General (OIG) conducted audits of the University of Hawaii's Transportation Services and Telecommunications Systems Recharge Centers to determine the University's compliance with the Office of Management and Budget Circular A-21, "Cost Principles for Educational Institutions." The results of the audits questioned the University's billing methodology and rates charged to its projects. The University recorded an initial liability of $2,800,000 in the Current Unrestricted Fund during fiscal 2000. In fiscal 2001, the University reached a settlement with the DHHS Division of Cost Allocation (DCA). As part of the settlement, the University made a payment of approximately $892,000 and revised its policies with respect to federal projects. Accordingly, in fiscal 2001, the remaining provision of approximately $1,908,000 was removed. In addition, DCA has informed the University that it will be reviewing the revised policies and amounts charged to federal projects for the year ended June 30, 2001.

The University has been named as a defendant and/or co-defendant in various other lawsuits. Management is presently unable to express an opinion as to the probable outcome of certain lawsuits, and, accordingly, no provision for losses, if any, has been made to the financial statements for these matters. Although the outcome of these lawsuits cannot be predicted with certainty, the University believes that the ultimate disposition of such matters will not have a material adverse effect on the financial statements.

(19) NEW ACCOUNTING PRONOUNCEMENTS

In November 1999 and June 1999, the GASB issued Statement No. 35 *"Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities—an amendment of GASB Statement No. 34."* and Statement No. 34 *"Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,"* respectively. These statements significantly change the presentation of external financial statements for public colleges and universities and governmental entities. In the GASB's view, the objective of the new reporting model is to enhance the clarity and usefulness of these financial statements to the citizenry, oversight bodies, investors and creditors.

Under the provisions of the Statements, the University of Hawaii is permitted to report as a special purpose government engaged in business type activities (BTA). BTA reporting will require the University to present only the basic financial statements and required supplementary information for an enterprise fund which includes management's discussion and analysis, a statement of net assets or a balance sheet, a statement of revenues, expenses, and changes in net assets, a statement of cash flows, and notes to financial statements. The required basic financial statements described above are typically referred to as 'government-wide financial statements' and are prepared using economic resources measurement focus and the accrual basis of accounting. Fund financial statements are not required for BTA reporting.

Statement No. 34 will also require the University to retroactively and prospectively report all capital assets, net of accumulated depreciation, including infrastructure assets (long-lived capital assets such as roads, sidewalks, etc.) in the statement of net assets and report depreciation expense in the statement of revenues, expenses, and changes in net assets. Retroactive reporting of capital assets will require a prior period adjustment to net assets.

In June 2001, the GASB issued Statement No. 37, *"Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus"*, and No. 38, *"Certain Financial Statement Disclosures"* to be implemented simultaneously with Statement No. 34 and No. 35. Statement No. 37 amends Statement No. 34, which includes management's discussion and analysis requirements, adoption of the modified approach for previously depreciated infrastructure assets, program revenue classifications, elimination of the requirement to capitalize construction-period interest for governmental activities, and modification of the minimum level of detail required for business-type activities. Statement No. 38 also modifies Statement No. 34 by establishing and modifying disclosure requirements related to the summary of significant accounting provisions, debt and lease obligations, short-term debt, disaggregation of receivable and payable balances, and interfund balances and transfers.

Although these statements are effective for fiscal 2002 for the University, management has not yet determined the effect of the implementation of these Statements to the University's financial statements.

Report of Independent Accountants

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The Board of Regents
University of Hawaii

We have audited the accompanying financial statements of the University of Hawaii (the University) as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards 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 our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University at June 30, 2001, and its current funds revenues, expenditures and other changes, and the changes in fund balances for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 19, 2001 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

Honolulu, Hawaii
December 19, 2001

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the resolution adopted by the Board of Regents of the University of Hawaii (the "Board") on May 17, 2002, entitled "A RESOLUTION CREATING AND ESTABLISHING AN ISSUE OF REVENUE BONDS OF THE BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII, AND PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID BONDS AND LIMITING SUCH PAYMENT TO MONEYS DERIVED FROM THE OWNERSHIP AND OPERATION OF THE UNIVERSITY OF HAWAII AND CERTAIN OTHER MONEYS MADE AVAILABLE TO THE UNIVERSITY OTHER THAN MONEYS HERETOFORE PLEDGED TO OTHER OBLIGATIONS OF THE BOARD; SETTING FORTH THE TERMS AND CONDITIONS FOR THE ISSUANCE OF SAID BONDS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SAID BONDS; AND MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING" (the "*Resolution*"). This summary is not a complete recital of the terms of the aforementioned documents and reference should be made to the Resolution for its complete terms. Words and terms used in this summary and not defined herein shall have the same meaning as in the Resolution. Copies of the Resolution will be available for inspection after delivery of the Bonds to any registered owner of the Bonds upon request by such owner at the principal corporate trust office of the Director of Finance.

DEFINITIONS

"Additional Bond" or "Additional Bonds" means any Bond or Bonds issued pursuant to the provisions of the Resolution relating to the issuance of additional bonds, including Bonds issued to refund Outstanding Bonds.

"Auxiliary Moneys, 2002A" means any moneys on credit to the Auxiliary Account, 2002A in the University Revenue-Undertakings Fund appropriated by the Legislature of the State for the purpose of the payment of the principal of and interest on the Series 2002A Bonds.

"Available Moneys" means any and all moneys from time to time on deposit in any special fund or revolving fund of the University derived from the ownership and operation of the University or any part thereof, but shall not include moneys in the University Revenue-Undertakings Fund pledged to the payment of bonds issued under a separate resolution adopted on November 16, 2001.

"Certificate of Determination" means a certificate of the Designated Financial Officer authorizing the issuance of refunding Bonds as permitted in Section 2.04 of the Resolution and/or fixing the terms, conditions and other details of Bonds in accordance with the delegation of powers to do so under the Resolution or under a Supplemental Resolution.

"Debt Service" means, with respect to any series of Bonds, the total, as of any particular date of computation and for any particular period or year, of the aggregate amount required for the payment of (i) the interest to become due on Bonds of such series during such period or year, less the amount of such interest becoming due on Bonds of such series during such period or year which is provided for from accrued interest received upon the sale of Bonds of such series or from the proceeds of the sale of Bonds of such series (*i.e.*, capitalized interest); (ii) the principal to become due on Bonds of such series issued in the form customarily known as "serial bonds" by reason of stated maturity during such period or year; and (iii) the amount required to meet the sinking fund installment payments (if any) to become due during such period or year with respect to any of the Bonds of such series issued in the form customarily known as "term bonds", plus the amount of premium (if any) payable upon the redemption of Bonds of such series from such sinking fund installments. For the purposes of computing Debt Service with respect to Bonds of a series issued as Variable Rate Bonds or an Integrated Swap Agreement that provides for variable rate payments to be made by the Board, the interest rate per annum thereon shall be determined as follows: (1) with respect to a series of Variable Rate Bonds or an Integrated Swap Agreement at the time of calculation then Outstanding or entered into, the interest rate shall be the higher of (a) the current interest rate per annum borne by or the current variable rate payment payable under such series of Variable Rate Bonds or Integrated Swap Agreement, and (b) the weighted average interest rate per annum borne by or the variable rate payment payable under such series of Variable Rate Bonds or Integrated Swap Agreement (computed on an actual day basis) for the twelve month period then ended at the time of calculation, and (2) with respect to a series of Variable Rate Bonds or an Integrated Swap Agreement then proposed to be issued or entered into, the interest rate per annum shall be assumed to be either (I) the higher of (w) the initial interest rate per annum (if established and binding) to be borne by or the initial variable rate payment payable under such series of Variable Rate Bonds or Integrated Swap Agreement, and (x) the weighted average interest rate per annum borne by or the variable rate payment payable under any Outstanding series of Variable Rate Bonds or existing Integrated Swap Agreement (computed on an actual day basis) for the twelve month period then ended at the time of calculation (which is calculated in the same manner as the interest rate or variable rate payment on such series of Variable Rate Bonds or Integrated Swap Agreement then proposed to be issued or entered into), or (II) the BMA Index; *provided, however,* that if the Board enters into an Integrated Swap Agreement with respect to a series of Variable Rate Bonds that provides for fixed payments to be made by the Board, the interest rate thereon shall be determined as follows: (y) with respect to a series of Variable Rate Bonds at the time of calculation then Outstanding for which the Integrated Swap Agreement is in effect, the interest rate shall be the sum of (A) the fixed interest rate established under the Integrated Swap Agreement, and (B) to the extent that variable rate payments under the Integrated Swap Agreement are based on an interest index and not the Board's actual variable rate on series of the Variable Rate Bonds, the greatest difference between such index and the variable interest rates actually paid during the prior twelve or three months, which ever is highest, and (z) with respect to the series of Variable Rate Bonds then proposed to be issued, the fixed interest rate established under the Integrated Swap Agreement. With respect to any payment under certain agreements, which payments are payable from Available Moneys and secured by a lien on and pledge of Available Moneys on a parity with the lien on and pledge of the Available Moneys created for the payment and security of the Bonds, "Debt Service" shall include the full amount of any such payments.

"Debt Service Reserve Requirement" means, with respect to any series of Bonds, the amount, if any, established in a Supplemental Resolution or Certificate of Determination authorizing such series of Bonds.

"Designated Financial Officer" means the chief financial officer of the University or such other person as may be designated and authorized by the Board to sign for the Board.

"Director of Finance" means the single executive heading the Department of Budget and Finance of the State pursuant to Section 26-8, Hawaii Revised Statutes.

"Fiscal Year" means the fiscal year for the State as established from time to time by the State, being on the date of adoption of the Resolution the period from July 1 in any year to and including the following June 30.

"Hedge Agreement" means an interest rate swap or exchange agreement, including an Integrated Swap Agreement, a payment exchange agreement, forward purchase agreement or any other hedge agreement entered into by the Board for any purpose providing for payments between the parties based on levels of, or changes in, interest rates, stock or other indices or contracts to exchange cash flows or a series of payments or contracts, including without limitation, interest rate floors or caps, options, puts or calls to hedge payment, rate, spread or similar risk.

"Holder" or "holder" or "Bondholder" means the registered owner of a Bond or the duly authorized attorney-in-fact, representative or assigns or such registered owner, as shown on the Bond Registry maintained pursuant to the Resolution.

"Integrated Swap Agreement" means any interest rate swap agreement entered into by the Board with respect to a series of Bonds having a notional amount equal to the principal amount of such series of Bonds and pursuant to which the Board agrees to make payments on the basis of (a) a fixed rate of interest or (b) a variable rate of interest.

"Integrated Swap Agreement Payments" means payments made pursuant to an Integrated Swap Agreement on the basis of fixed or variable rates of interest; specifically excluding, however, termination payments, fees, expenses and other amounts payable under an Integrated Swap Agreement not specifically made on the basis of interest rates.

"Interest Increment Amount" means, as of any particular date of computation and for any particular period or year, with respect to any Bonds the difference, if any, between the rate of interest per annum borne by Variable Rate Bonds in accordance with their terms as set forth in the Supplemental Resolution or Certificate of Determination authorizing the issuance thereof for all Holders other than an issuer or issuers of a Support Facility, and the rate such Variable Rate Bonds bear when such Variable Rate Bonds are held by an issuer or issuers of a Support Facility.

"Interest Payment Date" means, with respect to any particular series of Bonds, any date on which interest is payable on such series of Bonds as such date shall be established in the Supplemental Resolution or Certificate of Determination authorizing the issuance of such series of Bonds.

"Investment Securities" means, subject to any limitation contained in the Supplemental Resolution or Certificate of Determination authorizing a series of Bonds, any of the following which at the time are legal investments under the laws of the State for the moneys held hereunder then proposed to be invested therein: (i) fixed rate obligations of any state or territory of the United States of America or any political subdivision thereof; provided, that at the time of purchase such obligations are rated in the highest rating category by at least two nationally recognized bond rating agencies (whether by reason of credit enhancement or otherwise); (ii) variable rate demand obligations or so-called auction rate obligations of any state or territory of the United States of America or any political subdivision thereof; provided, that at the time of purchase such obligations are rated in the highest rating category by at least two nationally recognized bond rating agencies (whether by reason of credit enhancement or otherwise); (iii) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America; (iv) obligations of any of the following which constitute the full faith and credit of the United States of America: Export-Import Bank, Farm Credit System Financial Assistance Corporation, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, and Federal Housing Administration; (v) senior debt obligations rated "AAA" by Standard & Poor's Ratings Group ("S&P") and/or "Aaa" by Moody's Investors Service ("Moody's") and/or "AAA" by Fitch Ratings ("Fitch") issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation; (vi) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+ " by "S&P and/or "P-1" by Moody's and/or "F-1" by Fitch and maturing not more than 360 days after the date of purchase; (vii) commercial paper rated "A-1+ " by S&P and/or "P-1" by Moody's and/or "F-1+ " by Fitch at the time of purchase and which matures not more than 270 days after the date of purchase; (viii) investments in a money market fund rated "AAAm" or AAm-G" or better by S&P; (ix) repurchase agreements collateralized by direct obligations of the U.S. Treasury or GNMAs, each at a collateral percentage of 103% or FNMAs or FHLMCs each at a collateral percentage of 104% with any registered Broker/Dealer (a "Broker/Dealer") or any commercial bank insured by the FDIC (a "Bank"), if at the time of the investment such Broker/Dealer (or its parent) has long-term uninsured, unsecured and unguaranteed debt rated "A3" or better by Moody's or "A-" or better by S&P or "A-" or better by Fitch and such Bank has long-term uninsured, unsecured and unguaranteed debt rated "Aa" or better by Moody's and "AA" or better by S&P or "AA" or better by Fitch, provided: (a) a master repurchase agreement or specific written repurchase agreement governs the transaction; and (b) the securities are held free and clear of any lien of the Resolution or of an independent third party acting solely as agent ("Agent) for the Board, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the Board shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Board; and (c) a security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Bondholders; and (d) the Board will be provided with a valuation for the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and (e) the Board has the option of terminating the repurchase agreement in the event that the long-term debt ratings of the provider, are reduced below "Baa3" by Moody's and/or "BBB-" by S&P, and/or "BBB" by Fitch if such provider is a Broker/Dealer and below "A3 "by Moody's and/or "A-" by S&P and/or "A-" by Fitch if such provider is a Bank; (x) investment agreements with: (a) a Broker/Dealer (or its parent) which has long-term unsecured, uninsured and unguaranteed debt rated "A3" or better by Moody's or "A-" or better by S&P or "A-" or better by Fitch; provided, that such Broker/Dealer collateralizes the obligations under the investment agreement with securities described in clause (vii) above meeting the requirements of subparagraphs (b) through (d) of clause (vii) above; provided, further, that such agreement shall include a provision to the effect that if the long-term rating of the Broker/Dealer (or its parent, where applicable) is downgraded below "Baa3" by Moody's and "BBB-" by S&P and/or "BBB-" by Fitch, the Board shall have the option of terminating such agreement; (b) a Bank which has a long-term unsecured, uninsured and unguaranteed debt rating "Aa" or better by Moody's and/or "AA" or better by S&P and/or "AA" or better by Fitch provided, that such Bank collateralizes the obligations under the investment agreement with securities described in clause (vii) above meeting the requirements of subparagraphs (b) through (d) of clause (vii) above; provided, further that if such Bank's rating falls below "A3" by Moody's and/or "A-" by S&P, and/or "A-" or better by Fitch, the Board shall have the option to terminate such agreement; and (c) a corporation whose principal business is to enter into such investment agreements provided that such corporation has been assigned a "Aaa" counterparty rating by Moody's and S&P or Fitch has rated the investment agreements of such corporation "AAA"; provided, further, that if such counterparty rating is downgraded below "Aaa" by Moody's and/or the investment agreement of such corporation is downgraded below "AAA" by S&P or by Fitch, the Board shall have the option to terminate the agreement; and (xi) such other investments as may from time to time to be permitted by the laws of the State but are not described above.

"Outstanding" (and whether or not such word begins with a capital letter) when used with respect to any Bond shall have the construction given to such word in the Resolution, i.e., a Bond shall not be outstanding under the Resolution if such Bond is at the time not deemed to be outstanding thereunder by reason of the operation and effect of the Resolution.

"Paying Agent" or "Paying Agents" (and whether or not such words begin with capital letters) means for all Bonds the Director of Finance as provided in Section 306-15, Hawaii Revised Statutes, and any additional paying agent or agents for any series of Bonds appointed in or pursuant to the Resolution.

"Remarketing Agent" means with respect to a series of Variable Rate Bonds the Remarketing Agent appointed by the Board in the Supplemental Resolution or Certificate of Determination authorizing the issuance of the Bonds of such series and serving as such under the Remarketing Agreement for such series, including any successors or assigns.

"Remarketing Agreement" means with respect to any series of Variable Rate Bonds the agreement entered into by the Board with a Remarketing Agent which provides for the purchase and remarketing of such Variable Rate Bonds, as such agreement may be supplemented and amended from time to time.

"Resolution" means the Resolution as originally adopted by the Board on May 17, 2002 as it may from time to time be supplemented, modified or amended by any resolution supplemental thereto.

"Supplemental Resolution" means a resolution duly adopted by the Board for any of the purposes of the Resolution or otherwise supplemental to or amendatory of the Resolution but only if and to the extent specifically authorized thereunder.

"Support Agreement" means any agreement entered into by the Board which provides for a Support Facility, and any and all modifications, alterations, amendments and supplements thereto.

"Support Facility" means any instrument, contract or agreement entered into or obtained in connection with a series of Variable Rate Bonds such as a letter of credit, a committed line of credit, insurance policy, surety bond or standby bond purchase agreement, or any combination of the foregoing, and issued or otherwise provided by a bank or banks, insurance company or companies, other financial institution or institutions, or any combination of the foregoing, which Support Facility provides for the payment of (i) the purchase price equal to the principal of and accrued interest on Bonds delivered to the Remarketing Agent or any depository, tender agent or other party pursuant to a Remarketing Agreement or Supplemental Resolution or Certificate of Determination and discount, if any, incurred in remarketing such Bonds, and/or (ii) principal of and interest on all Bonds becoming due and payable during the term thereof.

"University" means and includes the University of Hawaii, each community college established and governed by the Board pursuant to Chapter 305, Hawaii Revised Statutes, and any and every other educational institution now or hereafter under the control of or governed by the Board.

"University Project" means any undertaking or improvement constructed, maintained, or both, by the Board, in furtherance of the purposes of the University. A University Project shall include, but not be limited to, all land, fixtures, appurtenances, improvements, utilities, equipment, and furnishings necessary or convenient for the use and occupancy of a University Project for the purposes for which it was constructed or is used.

"Variable Rate Bonds" means any Bonds issued bearing interest at a rate per annum subject to adjustment from time to time pursuant to the terms thereof and calculated in a manner which precludes the actual rate for the entire term of such debt from being ascertainable in advance. For the purposes of this definition, Bonds shall not be considered to be Variable Rate Bonds upon the establishment of or conversion of the rate of interest thereon to a fixed interest rate.

(SECTION 1.01; SECTION 101 OF SUPPLEMENTAL RESOLUTION)

AUTHORIZATION OF BONDS; EQUAL SECURITY; VALIDITY

The Resolution establishes an issue of revenue bonds of the Board, which bonds may be issued in series from time to time, without limit as to the aggregate principal amount, except as may be provided by law and subject to the limitations contained in the provisions of the Resolution.

All of the Bonds shall rank *pari passu*, and shall be equally and ratably secured, without priority by reason of series, number, date or maturity of Bonds, date of sale, date of issuance, date of execution, or delivery of Bonds. See "PLEDGE" below.

The Bonds shall not constitute general or moral obligations of the State of Hawaii or an indebtedness of the State within the meaning of any limitation of law, or a charge upon the general fund of the State, nor shall the full faith and credit of the State be pledged to the payment of the principal and interest thereof. No holder of a Bond shall have the right to compel any exercise of the taxing power of the State to pay any such Bond or interest thereon.

(SECTION 2.01)

AUTHORIZATION AND ISSUANCE OF BONDS

For the purpose of financing the costs of construction of Phase I of the Project, there may be issued one or more series of the Bonds. Subsequent to the issuance of the first series of Bonds the Board may issue Additional Bonds upon compliance with certain requirements, including without limitation:

(1) The issuance of the Additional Bonds shall have been authorized by law for a lawful purpose and issued pursuant to a Supplemental Resolution or Certificate of Determination;

(2) The Supplemental Resolution or Certificate of Determination authorizing the issuance of the Additional Bonds shall set forth the University Project to be financed, in whole or in part, from the proceeds of such Additional Bonds, and shall provide that any accrued interest received upon the sale of the Additional Bonds shall be paid into the Debt Service Fund and credited to the Interest Account established for the Bonds of such series therein; and

(3) Except in the case of Additional Bonds issued to refund certain Bonds for which sufficient funds are not available for payment thereon, at the time of the issuance of the Additional Bonds, (a) no default shall exist in the payment of the principal of and premium, if any, and interest on any Bond; (b) the Board shall have made all payments into the several funds and accounts created under the Resolution to the extent required at the time of the issuance of the Additional Bonds; and (c) no deficiencies shall exist in the Debt Service fund or the Debt Service Reserve Fund.

Bonds may be issued under the Resolution at any time upon compliance with the provisions of the Resolution, (a) for the purpose of refunding, at their maturity or at any time within one year prior to their maturity, any of the then outstanding Bonds for which sufficient funds are not available for payment, and any Bonds issued for such purpose shall mature (or mandatory payments of sinking fund installments for redemption of such Bonds shall commence) not earlier than the latest stated maturity of any Bond then outstanding which shall remain outstanding after the completion of such refunding, and (b) for the purpose of refunding at any time part of the Bonds, including amounts to pay principal, redemption premiums and interest to the redemption date, provided that, except for a refunding of Variable Rate Bonds from the proceeds of fixed rate Bonds, the Aggregate Debt Service Requirement of all Bonds to be outstanding after such refunding shall not be greater, after such refunding, in any year in which the Bonds not refunded shall be outstanding, than would have been the Aggregate Debt Service Requirement of the Bonds for such year were such refunding not to occur. All such refunding Bonds shall constitute "Bonds" and "Additional Bonds" under the Resolution. Nothing in the Resolution shall be deemed to apply to, or be construed to prevent, a refunding at one time of all Bonds then outstanding.

The Board has authorized the Designated Financial Officer to cause to be issued one or more series of Additional Bonds for the purpose of refunding any Outstanding Bonds of the Board by means of a Certificate of Determination, provided that, in his opinion, the issue of the one or more series of refunding Bonds is advisable, expedient and in the best financial interest of the Board and the University; except in the case of the issue of one or more series of Additional Bonds that are issued to refund Variable Rate Bonds, a statement that such issue will result in a present value savings to the University System of at least three (3%) percent of the principal amount of the Bonds to be refunded; and, the Bonds to be refunded and the date or dates, if any, of the retirement or redemption thereof.

The authorization granted to the Designated Financial Officer, unless extended or renewed, shall expire one (1) year from the date of adoption of the Resolution.

(SECTIONS 2.02, 2.03 AND 2.04)

VARIABLE RATE BONDS

Nothing in the Resolution shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the Board from issuing Variable Rate Bonds. The Supplemental Resolution or Certificate of Determination authorizing the issuance of such Variable Rate Bonds may provide for the Board to obtain Support Facilities or alternate Support Facilities and enter into Support Agreements in connection therewith, enter into Remarketing Agreements and appoint Remarketing Agents in accordance with standards specified in the Supplemental Resolution or Certificate of Determination, provide for interest to be payable or redetermined on such dates and to accrue over such periods as set forth in such Supplemental Resolution or Certificate of Determination, provide for the determination or establishment of rates of interest based on determinations of a Remarketing Agent, market auction procedures or the establishment, use, composition, adjustment and change of interest indices or the establishment and use of alternate interest indices or the establishment of a fixed interest rate or rates, provide for an Interest Increment Amount, provide for the establishment of special funds and accounts in connection with the issuance of such Variable Rate Bonds, provide for special redemption or purchase provisions for such Variable Rate Bonds and establish notice provisions in connection with the purchase, redemption, delivery or tender of such Variable Rate Bonds.

(SECTION 2.05)

HEDGE, SUPPORT AND OTHER FINANCIAL AGREEMENTS

Nothing in the Resolution shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the Board from entering into Hedge Agreements, Support Agreements or other financial agreements under which payments (including but not limited to, fees, charges, expenses but excluding any termination, indemnification or other payments intended to pay any person for loss of benefits under such agreement) are payable from Available Moneys and secured by a lien on and pledge of Available Moneys on a parity with the lien on and pledge of the Available Moneys created for the payment and security of the Bonds; *provided* such payments shall meet the requirements of Section 2.02 of the Resolution; and *provided, further,* that Integrated Swap Agreement Payments shall be treated as payment of interest on Bonds. In the event any such payments, other than payments constituting principal of, premium, if any, and interest on, Bonds, shall be secured by a lien on and pledge of Available Moneys on a parity with the lien on and pledge created for the payment and security of the Bonds, a separate account shall be established in the Debt Service Fund for the payment thereof and payments to such account shall be made ratably from Available Moneys at the time such moneys are disbursed to the other accounts in the Debt Service Fund pursuant to Section 5.02 of the Resolution. For the purposes of the Resolution, any obligation to make payments which are payable from Available Moneys and secured by a lien on and pledge of Available Moneys on a parity with the lien on and pledge of Available Money created for the payment and security of the Bonds as provided in the Resolution shall be deemed and treated as a " Bond" under the Resolution.

(SECTION 2.06)

PLEDGE

The Bonds, together with interest and premium (if any) thereon, shall be payable from and secured by the Available Moneys, and, except for any separate account established in the Debt Service Reserve Fund for a particular series of the Bonds, the funds and accounts established under the Resolution. The pledge shall constitute a lien on Available Moneys prior and paramount to any claim or obligation of any nature against such moneys subsequently arising or subsequently incurred and shall be valid and binding from and after the adoption of the Resolution without physical delivery of the Available Moneys or the necessity of any further action by the State or the Board or any officer or agent of either the State or the Board, but, to the extent required by law, subject to the appropriation by the Legislature of the State. All the Bonds shall rank *pari passu*, and shall be equally and ratably secured hereunder without priority by reason of series, number, date, or maturity of the Bonds, date of sale, date of issuance, date of execution, or delivery thereof.

Notwithstanding anything herein to the contrary, the Board may, by Supplemental Resolution, authorizing a particular series of Bonds grant as supplemental security therefor a pledge of and lien on, and a security interest in, (i) all or a portion of the moneys appropriated by the Legislature of the State for deposit in the University Revenue-Undertakings fund for the purpose of paying all or a portion of the principal of, and interest on, a such series of Bonds issued thereunder; or (ii) all or any portion of the proceeds of such series of Bonds, or (iii) both.

As supplemental security for the Series 2002A Bonds, the Board has granted a pledge of and lien on, and security interest in, Auxiliary Moneys, 2002A and the proceeds of the Series 2002A Bonds pending application thereof to the purpose for which such Bonds are issued.

Notwithstanding that one or more Supplemental Resolutions providing for the issuance of Bonds grants supplemental security for a particular series of the Bonds, all Bonds shall continue to be secured by a pledge of, and lien upon, Available Moneys equally and ratably.

Nothing in the Resolution shall restrict or be deemed to restrict the application of moneys in any special or revolving fund under the jurisdiction of the University or the Board to the purposes for which such funds are established pending application as provided in the Resolution.

(SECTION 5.01; SECTION 202 OF SUPPLEMENTAL RESOLUTION)

DEBT SERVICE FUND AND ACCOUNTS THEREIN

There is established a separate trust fund to be designated the "Board of Regents of the University of Hawaii University Bond Debt Service Fund" to be held by the Board and applied as hereafter provided. In order to provide for the punctual payment of principal of, and interest on, the Bonds, the Board shall pay or cause to be paid to the Paying Agent for each series of the Bonds from Available Moneys an amount equal to the principal of, and interest on, the Bonds for deposit in the Debt Service Fund on or before each Interest Payment Date at such time so that payment of the principal and interest on the Bonds (including any required redemptions from sinking fund installments) may be made as and when the same become due.

(a) *Interest Accounts.* There shall be established a separate account in the Debt Service Fund for each series of Bonds issued under the Resolution, each account to be known as a "Interest Account" and separately identified, which shall be disbursed by the Board solely for the purpose of paying interest on the Bonds of the series for which such Interest Account was established as the same becomes due and may not be applied to any other series of Bonds.

For each series of the Bonds, so long as any of the Bonds of such series are Outstanding, commencing with the first business day which is at least two (2) calendar days prior to an Interest Payment Date for the Bonds of such series, there shall be credited to the Interest Account for Bonds of the series for which such Interest Account is established an amount equal to the interest coming due on such series of Bonds on the next ensuing Interest Payment Date, or to pay or to reimburse the provider for a draw on the Support Facility, if any, made to provide funds for the payment of the interest payable on such series of Bonds on such Interest Payment Date.

In making the foregoing credits to each Interest Account, consideration shall be given to and allowance made for accrued interest received upon the sale of a series of the Bonds, or from the proceeds of the sale of Bonds (i.e., capitalized interest) and credited to an Interest Account in the Debt Service Fund or other lawfully available moneys credited to an Interest Account; provided that in any event there shall be credited to each Interest Account in the Debt Service Fund such amount as shall be necessary to permit the payment on the next succeeding Interest Payment Date of the amount of interest becoming due on that date on all Bonds then outstanding.

(b) *Serial Bond Principal Accounts.* There shall be established a separate account in the Debt Service Fund for each series of Bonds issued under the Resolution, each account to be known as a "Serial Bond Principal Account" and separately identified, which shall be disbursed by the Board solely for the purpose of paying principal on the Bonds of the series for which such Serial Bond Principal Account was established as the same becomes due and may not be applied to any other series of Bonds.

In the event of the issuance of all or any portion of a series of the Bonds maturing at times customarily known as maturing serially, in order to provide for the payment of principal of such Bonds of such series at the stated maturity thereof, or to pay or reimburse the provider for a draw on a Support Facility made to provide funds for the payment of such principal, unless otherwise provided in a Supplemental Resolution or Certificate of Determination authorizing the issuance of such series of Bonds, commencing with the first business day which is at least two (2) calendar days prior to the stated maturity of a principal payment of any such Bonds of such series maturing serially, there shall be credited to the Serial Bond Principal Account for such Bonds of the series for which such Serial Bond Principal Account is established an amount equal to the principal of any Bonds of such series maturing serially coming due on such series of Bonds on the next ensuing maturity date.

In any event there shall be credited to the Serial Bond Principal Account in the Debt Service Fund such amount as shall be necessary to permit the payment on the next succeeding date of maturing principal the amount of principal becoming due on that date on all Bonds maturing serially then outstanding.

(c) *Term Bond Principal Accounts.* There shall be established a separate account in the Debt Service Fund for each series of Bonds issued under the Resolution, each account to be known as a "Term Bond Principal Account" and separately identified, which shall be disbursed by the Board solely for the purpose of paying principal on the Bonds of the series for which such Term Bond Principal Account was established as the same becomes due and may not be applied to any other series of Bonds.

In the event of the issuance of all or any portion of a series of the Bonds maturing at times customarily known as term Bonds, in order to provide for the sinking fund installments and the retirement of such Bonds of such series, or to pay or reimburse the provider for a draw on a Support Facility made to provide funds for the sinking fund installment and retirement of such Bonds of such series, unless otherwise provided in a Supplemental Resolution or Certificate of Determination authorizing the issuance of such series of Bonds, commencing with the first business day which is at least two (2) calendar days prior to the date upon which a sinking fund installment to provide for the retirement of such term Bonds is due, there shall be credited to the Term Bond Principal Account for such Bonds of the series for which such Term Bond Principal Account is established an amount equal to the sinking fund installment then due for the retirement of any Bonds of such series on the next ensuing date of the sinking fund installment. The respective amounts of moneys credited to a Term Bond Principal Account for the purpose of providing for the retirement of the term Bonds of a particular series shall be applied to the redemption of such Bonds of such series on each date on which such a sinking fund installment for said Bonds is due in the respective principal amounts required by the Supplemental Resolution or Certificate of Determination authorizing the issuance of the Bonds of such series to be on credit to this Account on each such date, or, if so determined in the Supplemental Resolution or Certificate of Determination authorizing the Bonds of such series, semi-annually on both such due dates and the day six months prior to such due date, in the respective principal amounts on credit to this Account on such days for the Bonds of such series, so that the aggregate amount so applied in each calendar year will equal the respective principal amount required by the respective Supplemental Resolution or Certificate of Determination authorizing the issuance thereof to be credited to this Account on such sinking fund installment dates. The Designated Financial Officer may also apply the moneys credited to this Account for the retirement of Bonds of a particular series issued in term form to the purchase of those Bonds, in which event the principal amount of said Bonds required to be redeemed on the next respective ensuing sinking fund installment date shall be reduced by the principal amount of the Bonds so purchased; provided, however, that no Bonds shall be purchased during the interval between the date on which notice of redemption of said Bonds from such sinking fund installment is given and the date of redemption set forth in such notice, unless the Bonds so purchased are Bonds called for redemption in such notice or are purchased from moneys other than those credited to this Account; and provided further, that no purchase of Bonds shall be made if such purchase would require the sale at a loss of securities credited to the Term Bond Principal Account unless the difference between the actual purchase price (including accrued interest and any brokerage or other charge) paid for such Bonds and the then maximum purchase price (plus accrued interest) permitted to be paid therefor, is greater than the loss upon the sale of any such securities. Any purchase of Bonds pursuant to this paragraph (iii) may be made with or without tenders of Bonds and at either public or private sale, but in any event at a purchase price (including accrued interest and any brokerage or other charge) not to exceed the then applicable redemption price of such Bonds, plus accrued interest. All Bonds purchased or redeemed pursuant to this paragraph shall be canceled and not reissued.

In any event there shall be credited to the Debt Service Fund such amount as shall be necessary to permit the retirement of Bonds on the next succeeding sinking fund installment date.

The moneys on deposit in the Debt Service Fund on credit to any Interest Account, Serial Bond Principal Account and Term Bond Principal Account shall be transferred to the respective Paying Agents for said Bonds in such amounts and at such times as shall be necessary to pay the principal of, premium, if any, and interest on said Bonds as the same become due and payable, whether upon their maturity or upon the redemption or the purchase thereof from the moneys credited to any Term Bond Principal Account or upon declaration, as hereinafter provided, or otherwise.

(SECTION 5.02)

DEBT SERVICE RESERVE FUND

There is established a separate trust fund to be designated the "Board of Regents of the University of Hawaii University Bond Debt Service Reserve Fund" to be held by the Board and applied as hereafter provided. There may be established a separate account in the Debt Service Reserve Fund for each series of Bonds issued under the Resolution for which the Supplemental Resolution or Certificate of Determination authorizing such series of Bonds establishes a Debt Service Reserve Requirement greater than zero (0), each account to be known as a "Debt Service Reserve Account" and separately identified, which shall be disbursed by the Board solely for the purpose of paying principal of and interest on Bonds of the series for which such Account was established for the payment of which there shall be insufficient money in the Debt Service Fund. In the event a separate account is established for a particular series of Bonds, the Director of Finance shall transfer moneys from such account to the Paying Agent for such series of Bonds in sufficient time so that the principal of and interest on such series of Bonds may be paid as and when the same become due;

provided that the moneys on credit to the Interest Account, Serial Bond Principal Account and Term Bond Principal Account established for such series shall first be applied to the payment of such principal and interest before applying thereto the moneys on credit to the Debt Service Reserve Account established for such series.

The Resolution permits the use of a surety bond, insurance policy or letter of credit to fund a Debt Service Reserve Account and prescribes the methodology for treating deficiencies or excess in such an account.

No separate account is created for the Series 2002A Bonds.

(SECTION 5.03)

INVESTMENT OF MONEYS IN ACCOUNTS

Moneys on deposit in the Debt Service Fund and Debt Service Reserve Fund for credit to the several accounts and subaccount therein established by the Resolution shall be invested in Investment Securities maturing as follows: (i) moneys on credit to the Debt Service Fund shall, to the extent reasonable and practicable, be invested so as to mature in the amounts and at the times so that the payments and credits to be made from said account may be made as and when the same become due; (ii) moneys on credit to any Account in the Debt Service Fund shall be invested so as to mature in the amounts and at the times so that the payment of the principal of and interest on the Bonds (including any required redemptions from sinking fund installments) may be made as and when the same become due; and (iii) moneys on credit to the Debt Service Reserve Fund shall be invested so as to mature by no later than the earlier of eight (8) years from the date of such investment or the last stated maturity date of any Bond then outstanding. Unless otherwise required by the Supplemental Resolution or Certificate of Determination authorizing Bonds, the earnings on all such investments shall be credited to the Debt Service Fund.

(SECTION 5.04)

CONSTRUCTION FUND AND ACCOUNTS THEREIN

There shall be established a separate trust fund, to be known as the "Board of Regents of the University of Hawaii Construction Fund". In the event of the issuance of a series of Bonds under the Resolution for the purposes of paying cost of construction of one or more University Projects the Board or the Designated Financial Officer shall in the Supplemental Resolution or Certificate of Determination authorizing such series of Bonds create a Construction Account in the Construction Fund from which such cost of construction shall be paid, and shall provide for a credit to such Account of that amount of the proceeds of such Bonds which are to be applied to the payment of such cost of construction. In the event that the interest on such series of Bonds is to be provided from the proceeds of such Bonds, the Supplemental Resolution or Certificate of Determination authorizing such series of Bonds shall specify the amount of such proceeds to be applied to the payment of such interest or the formula for determining such amount, and shall establish a Construction Interest Account in the Construction Fund, to which shall be credited the amount of the proceeds so specified.

The moneys on credit from time to time in a Construction Account or Construction Interest Account in the Construction Fund shall be held under and subject to the Resolution may be subject to the liens, pledges, charges, assignments and trusts created hereby for the security and benefit of the Holders of the series of Bonds for which such Accounts were established, and shall be used and applied solely to the payment of cost of construction of the University Project financed or to be financed from the proceeds of the Bonds for which such Accounts were established, in accordance with law.

Proceeds of any series of Bonds may be credited in the Construction Fund to be used to pay costs allocable to any portion of such series of Bonds the proceeds of which will be used to refund bonds, notes or other evidences of indebtedness.

Moneys in the Construction Fund on credit to a Construction Interest Account therein shall be applied by the Board as follows: on each Interest Payment Date until the moneys in such Construction Interest Account are exhausted there shall be withdrawn from the moneys credited to such account and credited to the Debt Service Fund for credit to the Interest Account established for the series of Bonds the interest on which is to be provided from the moneys on credit to such Construction Interest Account an amount, together with accrued interest received upon the sale of the series of Bonds with respect to which such Construction Interest Account was established, equal to the interest to become due on the next ensuing Interest Payment Date, on the series of Bonds, the interest on which is to be provided from the moneys on credit to such Construction Interest Account.

(SECTION 5.05; SECTION 202 SUPPLEMENTAL RESOLUTION)

COVENANTS TO SECURE BONDS

The Board covenants with the purchasers and holders of the Bonds that so long as the Bonds remain outstanding under the Resolution, the Board will (i) warrant and defend title to all property constituting a part of the University (ii) complete construction of any University Project included or to be included as part of the University as planned and provide the furnishings and moveable equipment necessary to the full enjoyment and occupancy of each University Project; (iii) operate and maintain the University and manage the same in the most efficient manner consistent with sound economy, public advantage and the protection of bondholders; and (iv) keep the University in good repair and to make additions and improvements thereto which are economically sound so that the University is properly and advantageously operated in an efficient manner and at a reasonable cost.

In addition, the Board covenants, to the extent permitted by law, to impose and collect rates, rents, fees and charges for the use or enjoyment and services of the facilities of the University, and, to revise such rates, rents, fees and charges from time to time whenever necessary, so that the University shall be and always remain self-sustaining; provided that neither such covenant nor any other portion of the Resolution shall preclude the making of appropriations to the Bond to pay all or part of the cost of construction, maintenance, or both, of the University, or any or all University Projects; and provided further that failure to comply with this covenant shall not constitute an Event of Default under the Resolution if the Board, to the extent permitted by law, shall promptly take such action as the Board, in its discretion, may deem necessary to comply with such covenant.

In addition, the Board covenants (i) to pay and discharge all taxes, assessments and other governmental charges or surcharges imposed upon the Board, the properties comprising the University, or any part thereof, or upon any fund or account established under the Resolution; (ii) to pay and discharge all lawful claims for labor, materials, supplies, rents and royalties which may become a lien on the properties included in the University or upon any fund or account established under the Resolution, or may in any way impair the security of the Bonds; (iii) to keep proper books of accounts and financial records relating to the operation of the University, which shall be open to inspection by the Bondholders and their agents and representatives; (iv) within 270 days after the end of each Fiscal Year, to furnish to the Director of Finance, the original purchaser of each series of Bonds and any Bondholders who request the same 90 days prior to the end of the Fiscal Year, copies of a detailed report covering the operations of the University for such Fiscal Year; and (v) not create or permit any mortgage, lien, pledge, charge or other encumbrance upon any real or personal property comprising the University or the Available Moneys, other than as permitted under the Resolution.

The Board also covenants (i) not to issue any bonds (other than the Bonds), notes, warrants or other obligations or evidences of indebtedness which will be payable from the Available Moneys prior to or on a parity with the Bonds or which will be secured by or be a lien and charge on the Available Moneys prior to or on a parity with the lien and charge on the Available Moneys pursuant to the Resolution; (ii) not to sell, convey, dispose of or lease any properties constituting the University, except upon compliance with the conditions set forth in the Resolution relating to property that is no longer economical or that is to be replaced by a facility of substantially equal revenue-producing capabilities; (iii) to insure the properties included in the University against risks of physical loss, damage or destruction, at least to the extent that similar insurance is carried by colleges and universities operating properties similar to the University; and (iv) to pay solely out of Available Moneys principal of and premium, if any, and interest on each Bond in the manner provided therein.

The Board covenants (i) not to use the proceeds of the Bonds if such use would have caused such Bonds to be "arbitrage bonds" within the meaning of the Internal Revenue Code, and agrees to comply with the requirements of said section and all applicable regulations so long as any Bond is outstanding; (ii) to comply with the provisions of the Resolution and the Bonds, all laws and regulations, and all contractual obligations contained in any agreement with respect to the Bonds or the University or any University Project; and (iii) to take all actions required to preserve the lien created by the Resolution and to carry out the provisions of the Resolution.

(ARTICLE VI)

ADOPTION OF SUPPLEMENTAL RESOLUTION

(a) Without the consent or concurrence of any Bondholder, the Board may adopt one or more Supplemental Resolutions (i) for the purpose of providing for the issuance of Additional Bonds; (ii) to make any changes, modifications, amendments or deletions to the Resolution which may be required to permit the Resolution to be qualified under the Trust Indenture Act of 1939 of the United States of America; and (iii) if the provisions of the supplemental resolution shall not adversely affect the rights of the holder of the Bonds then outstanding, for any one or more of the following purposes:

(1) to make any changes or corrections in the Resolution or any supplemental resolution as to which the Board shall have been advised by its counsel that the same are verbal corrections or changes or are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained in the Resolution or any supplemental resolution, or to insert in the Resolution such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable;

(2) to add additional covenants and agreements of the Board for the purpose of further securing the payment of the Bonds;

(3) to surrender any right, power or privilege reserved to or conferred upon the Board by the terms of the Resolution or any supplemental resolution;

(4) to confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the provisions of the Resolution or any supplemental resolution;

(5) to grant to or confer upon the holders of the Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them;

(6) to prescribe further limitations and restrictions upon the issuance of the Bonds and the incurring of other indebtedness payable from or secured by the Revenues; and

(7) to modify in any other respect any of the provisions of the Resolution or any supplemental resolution; provided that such modifications shall have no effect as to any Bond or Bonds which are outstanding as of the time of effectiveness of such supplemental resolution.

(b) With the consent of the holders of not less than 51% of the Bonds then outstanding, the Board may adopt a supplemental resolution amending or supplementing the provisions of the Resolution, for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Resolution or any supplemental resolution, or modifying or amending the rights of the holders of the Bonds; provided that, without the specific consent of the holders of each Bond which would be affected thereby, no supplemental resolution shall: (a) extend the fixed maturity date for the payment of the principal of any Bond, or reduce the principal amount of any Bond, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, or advance the date upon which any Bond may first be called for redemption prior to its fixed maturity date; or (b) reduce the amounts of any required sinking fund installment or extend the date on which such installment is required to be made, or reduce the amount of Bonds required to be redeemed from such installment or extend the date on which such redemption is required to be made; or (c) reduce the aforesaid percentage of Bonds, the holders of which are required to consent to any supplemental resolution amending or supplementing the provisions of the Resolution; or (d) give to any Bond any preference over any other Bond; or (e) permit the creation of any mortgage or lien upon any of the University Projects; or (f) authorize the creation of any pledge of the Available Moneys, or any lien thereon, prior or superior or equal to the pledge of and lien and charge thereon created in the Resolution for the payment of the Bonds; or (g) deprive any holder of the Bonds of the security afforded by the Resolution. A modification or amendment of the provisions of the Resolution with respect to any fund or account created therein shall not be deemed a change in the terms of payment; provided that no such modification or amendment shall, except upon the consent of the holders of all Bonds then outstanding affected thereby, reduce the amount or amounts of the Available Moneys required to be credited to the Debt Service Fund.

HOLDERS OF BONDS WHICH ARE INSURED OR SECURED BY A LETTER OF CREDIT AS TO PRINCIPAL AND INTEREST SHALL BE DEEMED TO HAVE DELEGATED THEIR RESPECTIVE RIGHT TO CONSENT TO AMENDMENTS TO THE PROVIDER OF SUCH INSURANCE OR LETTER OF CREDIT, AND THE CONSENT OF SUCH PROVIDER TO AMENDMENTS OR SUPPLEMENTS TO THE RESOLUTION SHALL BE IN LIEU OF AND SUBSTITUTION FOR THE CONSENT OF HOLDERS OF BONDS PROVIDED IN THE RESOLUTION.

(SECTIONS 8.01 AND 8.02)

EVENTS OF DEFAULT AND REMEDIES

(a) The following constitute "Events of Default":

(1) If payment of the principal and of premium (if any) on any Bond is not made after the same becomes due and payable, whether at maturity or by proceedings for redemption or by declaration;

(2) If payment of any installment of interest on any Bond is not made after the same becomes due and payable;

(3) The Board fails to perform any of the other provisions or obligations contained in the Bonds, the Resolution or any supplemental resolution on the part of the Board to be performed (other than failure under (1) or (2) above), and such failure continues for 90 days after written notice is given to the Board and the Director of Finance by the holders of not less than 25% in principal amount of the Bonds then outstanding;

(4) If any proceedings shall be instituted, with or without the consent of the Board or the State, for the purpose of effecting a composition between the Board or the State and the creditors thereof and if the claims of the creditors are payable from any of the Available Moneys or any other moneys pledged and charged in the Resolution or any supplemental resolution, or for the purpose of adjusting the claims of such creditors, pursuant to any federal or State statute;

(5) If any order or decree is entered with or without the consent of the Board or the State, appointing a receiver for the University or any of the buildings and facilities thereof and such order or decree is not vacated or discharged or stayed on appeal within 60 days after entry;

(6) If, under any laws for the relief of debtors, any court assumes custody or control of the University or any buildings and facilities thereof and such custody is not terminated with 90 days after the date of assumption; or

(7) If the Board is incapable of fulfilling its obligations under the Resolution.

(b) The Director of Finance must mail to all Bondholders whose names appear on the books of registry written notice of the occurrence of an Event of Default described in paragraphs (1), (2) or (3) above within 30 days after its occurrence.

(c) If any Event of Default shall occur and be continuing, the holders of not less than 25% in principal amounts of the Bonds then outstanding (i) may, by written notice to the Board filed in the office of the Board and with the Director of Finance, declare the principal of and accrued interest on all the Bonds then outstanding (if not then due and payable) to be due and payable immediately, as provided in the Resolution; and (ii) shall be entitled to the appointment of a receiver, who may take possession of the University and apply all Available Moneys in the same manner as the Board might do, as provided in the Resolution.

If any Event of Default shall occur and be continuing, the holder of any Bond outstanding shall have the right, for the equal benefit and protection of all holders similarly situated, and subject to the provisions of the Resolution relating to the appointment of a receiver or the acceleration of the principal of all Outstanding Bonds, to bring an action at law or in equity to enforce the Resolution or to bring suit upon the Bonds, as provided in the Resolution.

Nothing in the Resolution shall be construed to limit the rights or remedies of any holder of the Bonds under any applicable statute.

(ARTICLE IX)

DEFEASANCE

(a) The obligations of the Board under the Resolution and any supplemental resolution, and the liens, pledges, charges and trusts and the covenants and agreements of the Board therein, shall be fully discharged and satisfied and the Bonds shall no longer be deemed outstanding when:

(1) the Bonds have been purchased by the Board and surrendered to the Paying Agent for cancellation or otherwise surrendered to the Paying Agent, transfer agent or registrar and be canceled or subject to cancellation by him or them; or

(2) payment of the principal of and applicable redemption premium (if any) of the Bonds, plus interest thereon, either (i) has been made or (ii) has been provided by depositing with the Paying Agent for such Bonds, in trust and irrevocably set aside exclusively for such payment (a) moneys

sufficient to make such payment or (b) Governmental Obligations, maturing as to principal and interest at such time as will insure the availability of sufficient moneys to make such payment. Governmental Obligations are defined in the Original Resolution as securities listed in clauses (1) through (iv) of the definition of Investment Securities.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed prior to the stated maturities thereof, no deposit under clause (ii) of subparagraph (b) above shall constitute such discharge and satisfaction as aforesaid,

(A) as to any such Bonds as are not at the time of the making of such deposit immediately redeemable in accordance with the provisions of the Resolution and of such Bonds, until either (1) such Bonds shall have been irrevocably called or designated for redemption on the first date thereafter such Bonds may be redeemed in accordance with the provisions of the Resolution and of such Bonds, or (2) until 90 days prior to the respective stated maturities thereof;

(B) as to any such Bonds as are at the time of the making of such deposit immediately redeemable in accordance with the provisions hereof or thereof, until (1) 90 days prior to the date fixed for their redemption or (2) 90 days prior to the respective stated maturities thereof; and

(C) as to all such Bonds which are to be redeemed prior to their respective stated maturities, until proper notice of such redemption shall have been previously mailed in accordance with the Resolution or irrevocable provision shall have been made for the mailing of such notice.

Any moneys so deposited with the paying agents as provided above may at the direction of the Board also be invested and reinvested in Governmental Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Governmental Obligations in the hands of the paying agents pursuant to such deposit which is not required for the payment of the Bonds and interest and premium thereon with respect to which such moneys shall have been so deposited, shall be deposited in the Debt Service Fund as and when realized and collected and credited to the Accounts created herein for use and application as are other moneys credited to that account.

Notwithstanding the foregoing, the payment of (i) the purchase price of or accrued interest on any Variable Rate Bonds tendered for purchase pursuant to the terms of a Supplemental Resolution or Certificate of Determination or the Remarketing Agreement, or similar agreement, or (ii) principal of, redemption premium or price, if any, or interest on any Variable Rate Bonds upon redemption, acceleration or when due and payable with a draw, borrowing or payment under a Support Facility shall not be deemed payment pursuant to this provision; *provided, however*, that with respect to (ii) above, a reimbursement or other payment by the Board with respect to a draw, borrowing or payment under a Support Facility for the payment of principal of, premium, if any, or interest on Variable Rate Bonds upon redemption, acceleration or when due and payable may be deemed to be payment for the purposes of this provision.

For the purposes of this provision, the term "Governmental Obligations" shall mean the securities listed in clauses (i) through (v) of the definition of the term "Investment Securities", and any investments made in such Governmental Obligations shall be subject to the same conditions and limitations as set forth in said definition; *provided, however*, that the term "Governmental Obligations" shall in no event include securities listed in clauses (vi) through (xi) of the definition of "Investment Securities".

(b) If any Bond is not presented for payment when it becomes due, whether at maturity or upon redemption or by declaration or otherwise, and if sufficient moneys or Government Obligations have been deposited with any paying agent therefor other than the Director of Finance, to pay the principal, interest and premium (if any) on the Bonds, then all liability of the Board for such payment shall terminate, and it will be the duty of the paying agent to hold said moneys or Government Obligations without liability for interest, in trust for the benefit of the holders.

(c) Two (2) years after the Bonds or any portion thereof become due and payable (whether at maturity or upon redemption or declaration or otherwise), any moneys or Government Obligations held by the paying agent (other than the Director of Finance) and not applied to the payment of Bonds shall, upon the written request of the Board or the Director of Finance, be paid to the Director of Finance. Thereafter, the holders of Bonds shall be entitled to look only to the Board and the Director of Finance for payment; provided any such payment shall be net of administrative expenses, if any, allocable to such Bond or Bonds.

(ARTICLE XI)

NO PERSONAL LIABILITY

No officer, member, agent or employee of the Board shall be individually or personally liable for the payment of the principal of or interest or premium, if any, on the Bonds.

(SECTION 12.02)

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FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Board of Regents
University of Hawaii
2444 Dole Street
Honolulu, Hawaii 96822

Members of the Board:

BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII,
UNIVERSITY BONDS, SERIES 2002A, $150,000,000

At your request we have examined into the validity of One Hundred Fifty Million Dollars ($150,000,000) principal amount of University Bonds, Series 2002A, of the Board of Regents of the University of Hawaii (the "Bonds"). The Bonds are being initially issued in fully registered form; are numbered consecutively from R2002A-1 upwards; are dated as of the date of this opinion; bear interest from the date of authentication thereof, payable July 15, 2003, and each January 15, and July 15, thereafter at the rates per annum set forth in the schedule below; and mature and become payable as to principal on October 1 in each of the years and in the principal amounts as follows:

Year of Maturity	Principal Amount	Rate of Interest	Year of Maturity	Principal Amount	Rate of Interest
2004	$2,575,000	3.250%	2016	$ 160,000	4.500%
2005	2,655,000	2.700	2016	3,990,000	5.500
2006	2,730,000	3.000	2017	1,520,000	4.650
2007	2,815,000	3.250	2017	2,855,000	5.500
2008	2,915,000	3.550	2018	4,615,000	5.500
2009	3,020,000	3.700	2019	50,000	4.800
2010	3,140,000	3.875	2019	4,830,000	5.500
2011	3,265,000	4.000	2020	1,645,000	4.900
2012	3,395,000	4.000	2020	3,505,000	5.500
2013	1,695,000	4.300	2021	540,000	5.000
2013	1,860,000	5.500	2021	4,895,000	5.500
2014	935,000	4.400	2022	2,445,000	5.000
2014	2,805,000	5.500	2022	3,285,000	5.500
2015	1,650,000	4.500	2023	6,035,000	5.000
2015	2,285,000	5.500	2029	43,980,000	5.500
			2032	27,910,000	5.125

The Bonds are subject to redemption prior to maturity upon the terms and conditions and at the price or prices set forth therein.

The Bonds recite that they are authorized to be issued and are issued under and in full compliance with the Constitution and statutes of the State of Hawaii, including Chapter 306, Hawaii Revised Statutes, and under and pursuant to a resolution entitled: "A RESOLUTION CREATING AND ESTABLISHING AN ISSUE OF REVENUE BONDS OF THE BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII, AND PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID BONDS AND LIMITING SUCH PAYMENT TO MONEYS DERIVED FROM THE OWNERSHIP AND OPERATION OF THE UNIVERSITY OF HAWAII AND CERTAIN OTHER MONEYS MADE AVAILABLE TO THE UNIVERSITY OTHER THAN MONEYS HERETOFORE PLEDGED TO OTHER OBLIGATIONS OF THE BOARD; SETTING FORTH THE TERMS AND CONDITIONS FOR THE ISSUANCE OF SAID BONDS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SAID BONDS; AND MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING"duly adopted by the Board of Regents (the "Board") of the University of Hawaii (the "University") under the aforesaid Chapter 306 on May 17, 2002, and a resolution supplemental thereto authorizing the Bonds entitled: SUPPLEMENTAL RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII, UNIVERSITY BONDS, SERIES 2002A IN A PRINCIPAL AMOUNT NOT TO EXCEED ONE HUNDRED FIFTY MILLION DOLLARS ($150,000,000); AUTHORIZING THE PLEDGE OF CERTAIN AUXILIARY MONEYS AS SUPPLEMENTAL SECURITY FOR THE AFORESAID SERIES OF BONDS; AUTHORIZING THE EXECUTION OF CERTAIN AGREEMENTS WITH RESPECT TO SAID BONDS; AND PROVIDING FOR THE PAYMENT AND SECURITY OF SAID BONDS duly adopted by the Board of the University under the aforesaid Chapter 306 and resolution on May 17, 2002 (herein, collectively, called the "Resolution").

We have examined the Constitution and statutes of the State of Hawaii, duplicate executed or certified copies of the proceedings of the Board authorizing the issuance of the Bonds, including the Resolution, such other proceedings and documents as we have considered necessary or advisable, and a certified specimen Bond.

From such examinations we are of the opinion that:

1. The Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the State of Hawaii and constitute valid limited obligations of the Board, payable on a parity with the bonds hereafter issued under the Resolution, payable from and secured by a lien on Available Moneys (as such term is defined in the Resolution), such Available Moneys consisting of the moneys on deposit in any special fund or revolving fund of the University derived from its ownership or operation of the University, and, except for any separate account established in the Debt Service Reserve Fund under the Resolution for a particular series of bonds issued thereunder, the funds and accounts established thereunder. The Bonds are additionally payable from and secured by a lien on Auxiliary Moneys, 2002A (as such term is defined in the Resolution), consisting of a portion of the moneys in the Hawaii Tobacco Settlement Special Fund, and the proceeds of the Series 2002A Bonds pending application.

2. The Bonds are equally and ratably secured with the bonds hereafter issued under the Resolution, without priority by reason of series, number, date of maturity of the Bonds or the date of sale, issuance, execution or delivery thereof, by a prior and paramount lien and charge on the aforesaid Available Moneys.

3. The Resolution has been duly adopted by the Board and is a valid obligation of the Board, in accordance with its terms, and the holder or holders, from time to time, of the Bonds are entitled to the security and benefits thereof.

4. Assuming compliance by the Board with the tax covenants made in the proceedings relating to the issuance of the Bonds, (i) under existing statutes and court decisions, interest on the Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) under the Code, interest on the Bonds is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax applicable to individuals and corporations; such interest, however, is includable in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on corporations by the Code. It is also our opinion that under the existing laws of the State of Hawaii the Bonds and all income therefrom are exempt from all State of Hawaii, county or municipal taxation, except inheritance, transfer, and estate taxes and except to the extent such income may be included in the measure of the franchise tax imposed on banks and other financial corporations pursuant to the laws of the State of Hawaii.

We express no opinion regarding any other Federal or state tax consequences with respect to the Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update our opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to the valid exercise of judicial discretion, the sovereign police powers of the State of Hawaii and the constitutional powers of the United States of America, and to valid bankruptcy, insolvency, reorganization, moratorium or other laws affecting the relief of debtors.

Very truly yours,

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APPENDIX E

FGIC

Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

Municipal Bond
New Issue Insurance Policy

Issuer:	**Policy Number:**
	Control Number: 0010001
Bonds:	**Premium:**

SPECIMEN

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance
Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC

Municipal Bond
New Issue Insurance Policy

for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

Financial Guaranty Insurance
Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC.

Endorsement
To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

MASTER CERTIFICATE
OF THE VICE PRESIDENT FOR ADMINISTRATION AND CHIEF FINANCIAL OFFICER
OF THE UNIVERSITY OF HAWAII
PROVIDING FOR CONTINUING DISCLOSURE

I, the undersigned, J.R.W. Sloane, being the duly appointed Vice President for Administration and Chief Financial Officer of the University of Hawaii, DO HEREBY CERTIFY as follows:

ARTICLE I
PURPOSE AND DEFINITIONS

Section 1.1. *Purpose.* This Certificate shall constitute a written undertaking for the benefit of the Holders of the Bonds, and is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule as defined below.

Section 1.2. *Definitions.* The following terms used in this Certificate shall have the following respective meanings:

"Annual Financial Information" means, collectively, (i) the financial information and operating data with respect to the Board for each fiscal year of the Board of the type included in the Series 2002 Official Statement of the Board in table 1 under the heading "THE UNIVERSITY SPECIAL AND REVOLVING FUNDS", and the tables in Appendix A (ii) the information regarding amendments to this Certificate required pursuant to Sections 3.2(c) and (d) of this Certificate. Audited Financial Statements, if available, or Unaudited Financial Statements shall be included in the Annual Financial Information as described in Section 2.1(c) of this Certificate.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations or agreements to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information.

"Audited Financial Statements" means the annual financial statements, if any, of the Board, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP; *provided, however,* that the Board may from time to time, if required by federal or State legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(d) of this Certificate shall include a reference to the specific federal or State law or regulation describing such accounting principles.

"Board" means the Board of Regents of the University of Hawaii.

"Beneficial Owner" means any person who (i) has the power, directly or indirectly, to vote or consent with respect to, or dispose of ownership of, any Bonds (including a person who holds Bonds through a nominee, depository or other intermediary), or (ii) is treated as the owner of any Bonds for

federal income tax purposes.

"Bonds" means any revenue bonds issued by the Board under the Resolution and identified in a Series Certificate.

"Counsel" means Hawkins, Delafield & Wood or other nationally recognized bond counsel or counsel expert in federal securities laws.

"Designated Financial Officer" means the Vice President for Administration and Chief Financial Officer of the University of Hawaii.

"GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board.

"Holder" means any person who shall be the registered owner, or his duly authorized attorney-in-fact, representative or assign, of any Bond.

"Material Event" means any of the following events with respect to the Bonds, whether relating to the Board or otherwise, if material:

(1) principal and interest payment delinquencies;
(2) non-payment related defaults;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions or events affecting the tax-exempt status of the security;
(7) modifications to rights of security holders;
(8) bond calls;
(9) defeasances;
(10) release, substitution, or sale of property securing repayment of the securities; and
(11) rating changes.

"Material Event Notice" means notice of a Material Event.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"NRMSIR" means, at any time, a then-existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. A listing of the current NRMSIRs as of the date of this Certificate can be located at www.sec.gov/info/municipal/nrmsir.htm.

"Official Statement" means the "final official statement," as defined in paragraph (f)(3) of the Rule, relating to Bonds.

"Resolution" means that certain resolution of the Board, adopted May 17, 2002 entitled "A RESOLUTION CREATING AND ESTABLISHING AN ISSUE OF REVENUE BONDS OF THE BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII, AND PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID BONDS AND LIMITING SUCH PAYMENT TO MONEYS DERIVED FROM THE OWNERSHIP AND OPERATION OF THE UNIVERSITY OF HAWAII AND CERTAIN OTHER MONEYS MADE AVAILABLE TO THE UNIVERSITY OTHER THAN MONEYS HERETOFORE PLEDGED TO OTHER OBLIGATIONS OF THE BOARD;

SETTING FORTH THE TERMS AND CONDITIONS FOR THE ISSUANCE OF SAID BONDS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SAID BONDS; AND MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING."

"Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, '240.15c2-12), as in effect on the date of this Certificate, including any official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

"SEC" means the United States Securities and Exchange Commission.

"Series" means a series of Bonds of the Board.

"Series Certificate" means any certificate executed by the Vice President for Administration and Chief Financial Officer as described in Section 3.3 of this Certificate extending the benefits of this Certificate to the Beneficial Owners, Holders and Underwriters of Bonds of a Series.

"Series 2002 Official Statement" means the Official Statement of the Board relating to its University Bonds, Series 2002A.

"SID" means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. As of the date of this Certificate, there is no SID.

"State" means the State of Hawaii.

"Supplemental Certificate" means any certificate executed by the Vice President for Administration and Chief Financial Officer as described in Section 3.2 of this Certificate amending the provisions of this Certificate.

"Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

"Underwriter" means any original underwriter or underwriters of a Series of Bonds who is required to comply with the Rule and who is identified in a Series Certificate.

"Vice President for Administration and Chief Financial Officer" means the Vice President for Administration and Chief Financial Officer of the University of Hawaii.

ARTICLE II

THE UNDERTAKING

Section 2.1. *Annual Financial Information.* (a) The Board shall provide Annual Financial Information with respect to each fiscal year of the Board, commencing with the fiscal year ending June 30, 2002, by no later than nine months after the end of the respective fiscal year, to each NRMSIR and the SID. The Board may provide Annual Financial Information by specific reference to documents (i) either (1) provided to each NRMSIR existing at the time of such reference and the SID or (2) filed with the SEC, or (ii) if such document is an Official Statement, available from the MSRB. The Board may provide Annual Financial Information in one document or multiple documents comprising a package, and at one time or in part from time to time.

(b) The Board shall provide, in a timely manner, notice of any failure of the Board to provide the Annual Financial Information by the date specified in subsection (a) above to (i) either the MSRB or each NRMSIR, and (ii) the SID.

(c) If Audited Financial Statements are not provided as part of Annual Financial Information by the date required by Section 2.1(a) of this Certificate, the Board shall provide (i) as part of the Annual Financial Information, Unaudited Financial Statements , and (ii) Audited Financial Statements, when and if available, to each NRMSIR and the SID.

(d) The Board's current fiscal year is July 1 of a calendar year to June 30 of the succeeding calendar year. The Board shall promptly notify (i) each NRMSIR, and (ii) the SID of each change in its fiscal year.

Section 2.2. *Material Event Notices.* (a) If a Material Event occurs, the Board shall provide, in a timely manner, a Material Event Notice to (i) either the MSRB or each NRMSIR, and (ii) the SID.

(b) Upon any legal defeasance of any Bonds of a Series, the Board shall provide notice of such defeasance to (i) each NRMSIR or the MSRB and (ii) the SID, which notice shall state whether such Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

(c) Each Material Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Bonds.

Section 2.3. *Additional Disclosure Obligations.* The Board acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Board, and that under some circumstances compliance with this Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Board under such laws.

Section 2.4. *Additional Information.* Nothing in this Certificate shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information or Material Event Notice, in addition to that which is required by this Certificate. If the Board chooses to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Certificate, the Board shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information or Material Event Notice.

Section 2.5. *No Previous Non-Compliance.* The Board represents that since January 1, 1996, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

Section 2.6. *Transmission of Information and Notices.* Unless otherwise required by law and, in the Board's sole determination, subject to technical and economic feasibility, the Board shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the Board's information and notices.

ARTICLE III

TERMINATION, AMENDMENT, ENFORCEMENT, BENEFICIARIES AND DISSEMINATION AGENT

Section 3.1. *Termination.* (a) The Board's obligations under this Certificate with respect to the Bonds shall terminate upon (i) a prior redemption or payment in full of all of the Bonds of such Series, or (ii) a legal defeasance of all of the Bonds of such Series.

(b) This Certificate, or any provision of this Certificate, shall be null and void in the event that there is delivered (i) to the Vice President for Administration and Chief Financial Officer an opinion of Counsel, addressed to the Board, to the effect that those portions of the Rule which require this Certificate, or any of the provisions of this Certificate, respectively, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (ii) a copy of such opinion to each NRMSIR and the SID.

Section 3.2. *Amendment.* (a) This Certificate may be amended by a Supplemental Certificate of the Vice President for Administration and Chief Financial Officer, without the consent of the Holders of the Bonds, if all of the following conditions are satisfied:

(1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Board or the type of business conducted thereby;

(2) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(3) there shall have been delivered to the Vice President for Administration and Chief Financial Officer, an opinion of Counsel, addressed to the Board, to the same effect as set forth in clause (2) above;

(4) there shall have been delivered to the Vice President for Administration and Chief Financial Officer, an opinion of Counsel or a determination by a person, in each case unaffiliated with the Board (such as bond counsel) and acceptable to the Board, addressed to the Board, to the effect that the amendment does not materially impair the interests of the Holders of the Bonds; and

(5) the Board shall have delivered copies of such opinion(s) and amendment to each NRMSIR and the SID.

(b) In addition to subsection (a) above, this Certificate may be amended and any provision of this Certificate may be waived by a Supplemental Certificate of the Vice President for Administration and Chief Financial Officer, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Certificate which is applicable to this Certificate, (2) there shall have been delivered to the Vice President for Administration and Chief Financial Officer an opinion of Counsel, addressed to the Board, to the effect that performance by the Board under this Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule as amended or officially interpreted and (3) the Board shall have delivered copies of such opinion and amendment to each NRMSIR and the SID.

(c) To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided pursuant to this Certificate, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. Notice of such amendment shall be provided by the Board to (i) either the MSRB or each NRMSIR and (ii) the SID.

Section 3.3. *Benefit; Third-Party Beneficiaries; Enforcement.* (a) By execution of a Series Certificate identifying the Underwriters and the Bonds of a Series, the provisions of this Certificate shall inure solely to the benefit of such Underwriters and the Holders from time to time of such Bonds. Beneficial Owners of such Bonds shall be third-party beneficiaries of this Certificate.

(b) Except as provided in this subsection (b), the provisions of this Certificate shall create no rights in any person or entity. The obligations of the Board to comply with the provisions of this Certificate shall be enforceable by any Holder of outstanding Bonds; *provided, however,* that such right to enforce the provisions of this Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Board's obligations under this Certificate. In consideration of the third-party beneficiary status of Beneficial Owners of Bonds pursuant to subsection (a) of this Section, Beneficial Owners shall be deemed to be Holders of Bonds for purposes of this subsection (b).

(c) Any failure by the Board to perform in accordance with this Certificate shall not constitute a default under any ordinance or resolution of the Board authorizing the Bonds of any Series or any certificate of the Designated Financial Officer providing for the issuance of the Bond of a Series.

(d) This Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Certificate shall be instituted in a court of competent jurisdiction in the State; *provided, however,* that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Section 3.4. *Dissemination Agent.* The Vice President for Administration and Chief Financial Officer, on behalf of the Board, shall disseminate the Annual Financial Information, the Audited Financial Statements, the Unaudited Financial Statements, the Material Event Notices and all other information and notices as described in this Certificate. The Vice President for Administration and Chief Financial Officer may appoint one or more agents to disseminate such information and notices.

Dated this 27th day of June, 2002.

J.R.W. Sloane
Vice President for Administration and Chief Financial Officer
University of Hawaii

SERIES CERTIFICATE
OF THE VICE PRESIDENT FOR ADMINISTRATION
AND CHIEF FINANCIAL OFFICER OF
THE UNIVERSITY OF HAWAII
PROVIDING FOR CONTINUING DISCLOSURE

I, the undersigned, J.R.W. Sloane being the duly appointed Vice President for Administration and Chief Financial Officer of the University of Hawaii, DO HEREBY CERTIFY that: (i) this Certificate is a Series Certificate as defined in Section 1.2 and described in Section 3.3 of the Master Certificate of the Vice President for Administration and Chief Financial Officer of the University of Hawaii, Providing for Continuing Disclosure, dated June 27, 2002 (the "Master Certificate"); (ii) UBS PaineWebber, Inc. and Salomon Smith Barney, the underwriters listed in the Official Statement related to the Board of Regents, University of Hawaii, University Bonds, Series 2002A dated June 27, 2002 (the "Series 2002A Bonds"), shall be a beneficiary of the Master Certificate; (iii) the Holders of the Series 2002A Bonds shall also be beneficiaries of the Master Certificate; (iv) the Beneficial Owners of the Series 2002A Bonds shall be third-party beneficiaries of the Master Certificate; and (v) all capitalized terms used herein shall have the respective meanings as defined in the Master Certificate.

For so long as an insurance policy issued by Financial Guaranty Insurance Company shall remain in effect with respect to the Series 2002A Bonds, Financial Guaranty Insurance Company shall receive a copy of any notice required to be issued pursuant to the Master Certificate.

A listing of the current NRMSIRs as of the date of this Series Certificate can be located at www.sec.gov/info/municipal/nrmsir.htm.

Dated this 27th day of June, 2002

J.R.W. Sloane
Vice President for Administration
and Chief Financial Officer
University of Hawaii

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