NEW ISSUE - BOOK ENTRY ONLY

RATINGS:
Moody's: Aa3
Standard & Poor's: A+
Fitch: AA-

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2009A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. See "TAX MATTERS" herein for a description of certain provisions of law which may affect the federal tax treatment of interest on the Series 2009A Bonds. In addition, in the opinion of Bond Counsel, under the existing laws of the State of Hawaii, the Series 2009A 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.

$100,000,000
BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII
UNIVERSITY REVENUE BONDS
SERIES 2009A

Dated: Date of Delivery **Due: October 1, 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 Revenue Bonds, Series 2009A (the "*Series 2009A Bonds*"). The Series 2009A Bonds are being issued in the aggregate principal amount of $100,000,000 in order to provide for the financing or refinancing of the costs of certain University Projects in the University System, as more fully described herein.

The Series 2009A Bonds are authorized to be issued under a resolution of the Board adopted on November 16, 2001, as amended and supplemented by certain resolutions including a supplemental resolution of the Board adopted on February 20, 2009 (collectively, the "*Resolution*"). The Series 2009A Bonds, together with certain outstanding parity bonds and additional parity bonds that may be issued in the future, are payable from and secured by certain amounts pledged under the Resolution. See "SECURITY FOR THE BONDS."

The Series 2009A 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 2009A Bonds. Purchases of beneficial ownership interests in the Series 2009A Bonds will be made in book-entry form only. Beneficial owners of the Series 2009A Bonds will not receive physical delivery of certificates evidencing their ownership interest in the Series 2009A Bonds so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2009A Bonds. So long as DTC or its nominee is the registered owner of the Series 2009A Bonds, payments of the principal of and interest on the Series 2009A 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 2009A BONDS."

The Series 2009A Bonds will bear interest from the date thereof, payable on April 1 and October 1 of each year, commencing on October 1, 2009, at the rates per annum, and will mature on October 1 of the years and in the principal amounts, as set forth on the inside cover. The Series 2009A Bonds are subject to redemption prior to maturity under certain circumstances as set forth herein under "THE SERIES 2009A BONDS – Redemption Provisions."

Neither the State of Hawaii (the "*State*") nor any department or political subdivision thereof, including the Board, is obligated to pay the Series 2009A Bonds from any source other than the moneys pledged under the Resolution. The Series 2009A 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 2009A Bonds. No holder of any Series 2009A 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 2009A 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 2009A 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 LLP, New York, New York, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP. It is expected that the Series 2009A Bonds will be available for delivery in New York, New York, on or about April 15, 2009.

Merrill Lynch & Co.

March 31, 2009

MATURITY SCHEDULE FOR THE SERIES 2009A BONDS
$100,000,000 University Revenue Bonds
Series 2009A

$57,675,000 Serial Bonds

Maturity Date (October 1)	Amount	Rate	Yield	CUSIP† (Base 91428L)
2009	$575,000	3.000%	0.95%	CX2
2010	570,000	3.000	1.10	CY0
2011	2,155,000	4.000	1.75	CZ7
2012	2,220,000	2.500	2.12	DA1
2013	2,285,000	3.000	2.55	DB9
2014	2,375,000	5.000	2.95	DC7
2015	2,480,000	4.000	3.19	DD5
2016	2,575,000	3.500	3.41	DE3
2017	2,675,000	4.000	3.63	DF0
2018	750,000	5.000	3.84	DG8
2018	2,035,000	4.000	3.84	DH6
2019	2,275,000	4.000	4.04	DJ2
2019	630,000	5.250	4.04	DK9
2020	360,000	4.125	4.22	DL7
2020*	2,680,000	5.250	4.22	DM5
2021	475,000	4.250	4.38	DN3
2021*	2,730,000	5.250	4.38	DP8
2022	150,000	4.500	4.53	DQ6
2022*	3,225,000	5.500	4.53	DR4
2023*	1,100,000	5.000	4.69	DS2
2023*	2,460,000	5.500	4.69	DT0
2024	510,000	4.750	4.82	DU7
2024*	3,245,000	5.500	4.82	DV5
2025	965,000	4.750	4.96	DW3
2025*	2,995,000	5.500	4.96	DX1
2026	1,080,000	5.000	5.05	DY9
2026*	1,965,000	5.500	5.05	DZ6
2027	985,000	5.125	5.15	EA0
2027	2,220,000	5.000	5.15	EB8
2028	3,375,000	5.125	5.24	EC6
2029	3,555,000	5.250	5.31	ED4

$3,345,000 5.375% Term Bonds due October 1, 2034, Yield 5.45%, CUSIP†: 91428LEE2

$17,525,000 5.25% Term Bonds due October 1, 2034, Yield 5.45%, CUSIP†: 91428LEF9

$1,560,000 5.50% Term Bonds due October 1, 2038, Price 100%, CUSIP†: 91428LEG7

$19,895,000 6.00% Term Bonds due October 1, 2038, Yield 5.40%*, CUSIP†: 91428LEH5

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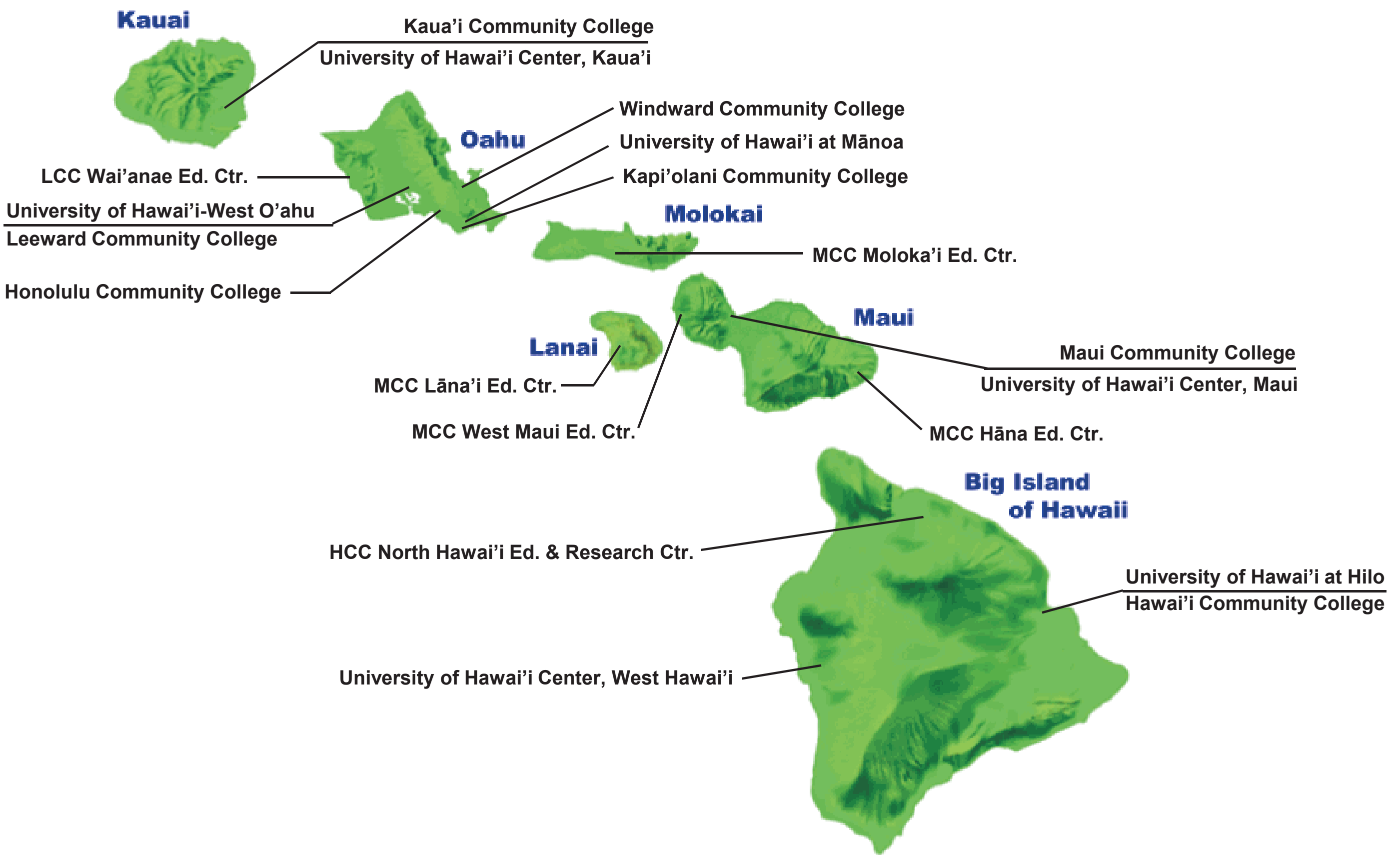
* Priced to call at par on October 1, 2019.

THE UNIVERSITY OF HAWAII SYSTEM



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 2009A 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.

Neither the Series 2009A Bonds nor the Resolution have been registered or qualified with the Securities and Exchange Commission. The registration or qualification of the Series 2009A Bonds and the Resolution in accordance with applicable provisions of securities laws of the states in which the Series 2009A 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 Underwriter has provided the following paragraphs for inclusion in this Official Statement.

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

In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Series 2009A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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Carolyn Tanaka, Associate Vice President for External Affairs and University Relations
Presley W. Pang, Interim Executive Administrator and Secretary of the Board of Regents

Bond Counsel

Hawkins Delafield & Wood LLP
New York, New York

Auditors

Accuity LLP
Honolulu, Hawaii

Paying Agent

Director of Finance of the State of Hawaii
Honolulu, Hawaii

OFFICIAL STATEMENT
$100,000,000
BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII
UNIVERSITY REVENUE BONDS
SERIES 2009A

INTRODUCTION

This Official Statement, including the cover page and the appendices, is provided to furnish information regarding the $100,000,000 University Revenue Bonds, Series 2009A, dated as of the date of delivery thereof and payment therefor (the *"Series 2009A Bonds"*), being issued by the Board of Regents of the University of Hawaii (the *"Board"*). See "THE UNIVERSITY OF HAWAII."

The Series 2009A Bonds are issued by the Board pursuant to Chapter 304A, Hawaii Revised Statutes, as amended, (the *"Act"*), a resolution of the Board adopted November 16, 2001 (the *"Original Resolution"*) as amended, including a Supplemental Resolution of the Board adopted February 20, 2009 (the *"Supplemental Resolution"*). Act 75, Session Laws of Hawaii 2006, among other things, re-codified the legislation pursuant to which the Original Resolution was adopted. However, the re-codification did not substantively affect the provision of the original law. The terms and provisions of the Series 2009A Bonds and certain other matters related to the Series 2009A Bonds are set forth in the Certificate of Determination executed by the Designated Financial Officer, which is incorporated into and made a part of the Supplemental Resolution. The Original Resolution, as supplemented and amended, including as supplemented by the Supplemental Resolution, is referred to herein as the *"Resolution."* The Series 2009A Bonds and any Additional Bonds outstanding under the Resolution are herein called the *"Bonds."*

The University of Hawaii

The University of Hawaii (the *"University"*) is the sole public higher education system in Hawaii. The University is a multi-institutional system comprised of three University campuses, seven community college campuses, and nine educational centers distributed across six islands throughout the State. The affairs of the University are under the general management and control of the Board, consisting of fifteen members appointed by the governor of the State for staggered five-year terms and confirmed by the Senate.

For additional information on the University, see "THE UNIVERSITY OF HAWAII" and APPENDIX A – "THE UNIVERSITY OF HAWAII" herein.

The Series 2009A Bonds; Purpose and Security

The Resolution authorizes the issuance of one or more series of Bonds in order to accomplish any purpose of the University. The Series 2009A Bonds are being issued for the purpose of financing or refinancing the costs of certain University Projects in the University System, as such University Projects are defined in the Resolution. See "THE PROJECT" herein. Pursuant to the Resolution, the University issued its University Revenue Bonds, Series 2001A (the *"2001A Bonds"*), Refunding Series 2001B (the *"2001B Bonds"*) and Series 2006A (the *"2006A Bonds"*). None of the aforesaid 2001A Bonds are currently outstanding. There are currently outstanding an aggregate of $112,425,000 principal amount of Bonds under the Resolution. All Bonds issued under the Resolution, including the Series 2009A Bonds, are limited obligations of the Board payable from and secured solely by the amounts pledged under the Resolution, which are the "Revenues" of the Network, less Current Expenses of the Network (see "THE UNIVERSITY OF HAWAII – The University Network"). "Revenues," generally, include all income derived by the University from its ownership or operation and management of the Network, or which the Board is entitled to receive as a result of such ownership, operation and management. Such Revenues will include moneys resulting from the rates, rents, fees and charges imposed by the Board for the use or enjoyment of or the services furnished by such facilities, and Legislative Appropriations, allocated in accordance with the Resolution. See "SECURITY FOR THE BONDS – Pledge of Revenues," "THE UNIVERSITY OF HAWAII – The University Special and Revolving Funds" and " – System Revenues."

Limited Obligations

The Bonds, including the Series 2009A 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 2009A Bonds from any source other than the moneys pledged under the Resolution. The Series 2009A 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 2009A Bonds. No holder of any Series 2009A 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 2009A 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 2009A 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 Vice President for Budget and Finance/Chief Financial Officer.

Professionals

Merrill Lynch, Pierce, Fenner & Smith Incorporated, New York, New York is underwriting the Series 2009A Bonds (the *"Underwriter"*). Hawkins Delafield & Wood LLP, New York, New York, is Bond Counsel, and will submit its approving opinion with regard to the legality and tax exemption of the Series 2009A Bonds. Orrick, Herrington & Sutcliffe LLP, San Francisco, California, is serving as counsel to the Underwriter. Accuity LLP has audited the finances of the University appearing in Appendix B, but has not reviewed this Official Statement and has no responsibility for this Official Statement.

PLAN OF FINANCE

The Series 2009A Bonds are being issued for the purpose of financing or refinancing the costs of certain University Projects in the University System, as such University Projects are defined in the Resolution (the *"Project"*). These University Projects include the identification and acquisition of an existing apartment complex on Oahu for conversion to faculty housing, the development of new faculty housing units on Oahu, the acquisition and conversion of apartments on the Hilo Campus for student housing, renovations to student housing at Hale Aloha, the development of the University of Hawaii West Oahu Kapolei Campus, the acquisition of Waianae Education Center, the refinancing of indebtedness issued on behalf of the University to finance the Kau'iokahaloa Nui Faculty Housing, additions to the University Biomedical Science Building on the Manoa Campus, and additions to the Campus Center on the Hilo Campus.

A portion of the proceeds of the Series 2009A Bonds will also be used to current refund the Housing Finance and Development Corporation (University of Hawaii Faculty Housing Project), Series 1995 Bonds (the *"1995 Bonds"*), currently outstanding in the principal amount of $13,360,000.

ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds are estimated as follows:

SOURCES OF FUNDS

Principal Amount of Series 2009A Bonds	$100,000,000
Net Original Issue Premium	2,337,250
Total Sources	$102,337,250

USES OF FUNDS

Project Fund Deposit	$ 88,014,382
Refunding of 1995 Bonds	13,391,631
Costs of Issuance, including underwriting discount	931,237
Total Uses	$102,337,250

THE SERIES 2009A BONDS

General Terms of the Series 2009A Bonds

The Series 2009A 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 2009A Bond will be payable on April 1 and October 1 of each year, commencing October 1, 2009. The Series 2009A Bonds are issuable in fully registered form in the denomination of $5,000 or any integral multiple thereof. Interest on the Series 2009A Bonds will be calculated on the basis of a 360-day year and twelve 30-day months.

The Series 2009A Bonds as 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 2009A Bonds, and the ownership of one fully registered Series 2009A Bond for each maturity, in the principal amount of such maturity, of the Series 2009A Bonds will be registered in the name of Cede & Co., as nominee of DTC as the sole registered owner of the Series 2009A 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 "Book-Entry Only System" below. Interest on the Series 2009A 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 2009A Bond will be payable at the office of the Paying Agent in Honolulu, Hawaii.

Redemption Provisions

Mandatory Redemption. The Series 2009A Bonds maturing October 1, 2034 and October 1, 2038, are subject to redemption in part, at a redemption price equal to the principal amount of such Series 2009A Bonds or portions thereof to be redeemed, from sinking fund installments accumulated in the Term Bond Principal Account, 2009A, in the Debt Service Fund, in amounts sufficient to retire such Series 2009A Bonds on October 1 in each of the years and in the principal amounts set forth below:

Series 2009A Bonds due October 1, 2034

Year	Principal Amount
2030	$600,000
2031	630,000
2032	665,000
2033	705,000
2034†	745,000

† Stated Maturity

Series 2009A Bonds due October 1, 2034

Year	Principal Amount
2030	$3,145,000
2031	3,320,000
2032	3,495,000
2033	3,685,000
2034†	3,880,000

† Stated Maturity

Series 2009A Bonds due October 1, 2038

Year	Principal Amount
2035	$360,000
2036	380,000
2037	400,000
2038†	420,000

† Stated Maturity

Series 2009A Bonds due October 1, 2038

Year	Principal Amount
2035	$4,535,000
2036	4,815,000
2037	5,115,000
2038†	5,430,000

† Stated Maturity

Optional Redemption. The Series 2009A Bonds maturing on and after October 1, 2020, 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 October 1, 2019, 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 2009A Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date.

Notice of Redemption

Notice of Redemption. Notice of redemption of any Bond, including any Series 2009A 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 kept pursuant to the provisions of the Resolution.

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 2009A Bonds, notice of redemption, or notice of rescission of any conditional notice of redemption, of Series 2009A 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 nominee or successor, or of a direct or indirect participant, to notify a beneficial owner of Series 2009A Bonds of any redemption will not affect the sufficiency or validity of the redemption of the Series 2009A Bonds to be redeemed. See "THE SERIES 2009A 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 2009A 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 thereof 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 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.

Book-Entry Only System

The information contained in this portion of this Official Statement has been obtained from sources that the Board believes to be reliable, but 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.

The Depository Trust Company (*"DTC"*), New York, NY, will act as securities depository for the Series 2009A Bonds. The Series 2009A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC, one fully-registered Series 2009A Bonds certificate will be issued for each maturity of the Series 2009A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (*"Direct Participants"*) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (*"DTCC"*). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (*"Indirect Participants"*). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org; nothing contained in such websites is incorporated into this Official Statement.

Purchases of Series 2009A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (*"Beneficial Owner"*) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations 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 the Series 2009A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2009A Bonds, except in the event that use of the book-entry system for the Series 2009A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2009A Bonds with DTC and their registration in the name of Cede & Co., or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009A 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.

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. Beneficial Owners of Series 2009A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2009A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2009A Bonds may wish to ascertain that the nominee holding the Series 2009A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2009A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2009A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 2009A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Series 2009A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. 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, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the Series 2009A Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2009A 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 2009A Bonds certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2009A Bonds certificates will be printed and delivered.

SECURITY FOR THE BONDS

Pledge of Revenues

The Bonds, including the Series 2009A Bonds, are limited obligations of the Board payable from and secured solely by the amounts pledged under the Resolution. Under the Resolution, the Board has pledged Revenues of the Network 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 Resolution, and such pledge constitutes a lien on the Revenues, subject to the application of the Revenues to the payment of the Current Expenses (as defined in the Resolution) of the System as provided in the Resolution. Such Revenues are deposited, when received, in the University System Revenue – Undertakings Fund for credit to the University Network Revenue Account.

The term "*Revenues*," generally, includes all income derived by the University from its ownership or operation and management of the Network, or which the Board is entitled to receive as a result of such ownership, operation and management. Such Revenues will include moneys resulting from the rates, rents, fees and charges imposed by the Board for the use or enjoyment of or the services furnished by such facilities, and Legislative Appropriations allocated in accordance with the Resolution. As indicated, Revenues include Legislative Appropriations, however, the availability of Legislative Appropriations is subject and subordinate to the pledge of Legislative Appropriations to the payment of certain separately secured bonds of the University. See APPENDIX A – "THE UNIVERSITY OF HAWAII – Outstanding Indebtedness" and APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

"*Revenues*" exclude moneys received as proceeds from the sale of Bonds, except to the extent such proceeds are credited to the University Network Bond Account in the University System Revenue – Undertakings Fund or a subaccount therein, or the revenues derived from any of the University Projects or University Purpose which is not included in the Network under the Resolution, or the revenues derived from any other network or university system that may be established separate and apart from the Network established under the Resolution, or gifts the terms of which preclude their being used for the payment of the cost of construction, cost of maintenance, or both, of the Network or for the payment of the principal of or interest on the Bonds, or, unless permitted by law, general appropriations or taxes.

The Series 2009A Bonds and all other Bonds are and will be equally and ratably secured by such lien and pledge, without priority by reason of series, number, date, maturity of Bonds, date of sale, issuance and execution, or delivery thereof.

Neither the State nor any department or political subdivision thereof, including the Board, is obligated to pay the Series 2009A Bonds from any source other than the Revenues pledged under the Resolution. The Series 2009A 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 2009A Bonds. No holder of any Series 2009A 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 2009A Bonds.

Outstanding and Additional Parity Bonds

Pursuant to the Resolution, the University has previously issued the 2001A Bonds, the 2001B Bonds and the 2006A Bonds. The 2001A Bonds are no longer outstanding. There are currently outstanding an aggregate of $112,425,000 principal amount of Bonds under the Resolution. The Resolution authorizes the issuance of Additional Bonds secured equally and ratably with the Series 2009A Bonds, subject to satisfaction of the requirements of the Resolution (See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – THE RESOLUTION – Authorization and Issuance of Additional Bonds" herein).

Limitations on Subordinated Indebtedness

The 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 Revenues subordinate to the payment from and lien and charge on the Revenues for payment of the principal of and interest on the Bonds and payments from the Revenues required by the Resolution (i) to pay Current Expenses of the System and (ii) to be deposited in the University Network Bond Account and the University Network Repair and Replacement Account.

Nothing in the Resolution prevents the State from requiring that reimbursement be made to the general fund of the State from the Revenues for the payment from the general fund of the State of the principal of or interest on any obligations or evidences of indebtedness issued to pay costs of construction of University Projects included or to be included in the System, subordinate to the payment from the Revenues of the principal of and interest on the Bonds and subordinate to the payment from the Revenues of the payments therefrom required by the Resolution to be used to make the payments described in clauses (i) and (ii) above, or from securing any such reimbursement by a lien and charge on the Revenues of the payments therefrom required by the Resolution to be used to make the payments described in clauses (i) and (ii) above.

Selected Covenants of the Board

In the Resolution, the Board makes the covenants and agreements described in APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION." In particular, the Board covenants and agrees with the Bondholders, among other things, as follows:

Maintenance of the Network. The Board covenants to operate and maintain the Network, and to manage the Network in the most efficient manner consistent with sound economy and public advantage, and consistent with the protection of Bondholders. The Board has also covenanted to maintain, preserve, keep and operate, or cause to be maintained, preserved, kept and operated, the University Projects, University Purposes, and other properties and facilities constituting the Network (including all additions, improvements and betterments thereto and expansions thereof and every part and parcel thereof) in good repair, working order and operating condition in conformity with standards customarily followed with respect to programs of like size and character, and to that end will from time to time make all necessary repairs and alterations thereof and renewals and replacements thereof.

Rates, Rents, Fees and Charges, and Legislation Appropriations. With respect to University Projects or University Purposes included in the Network capable of producing revenue sufficient to make all such University Projects or University Purposes self-sustaining, the Board has covenanted to impose and collect rates, rents, fees and charges for the use or enjoyment and services of the facilities of the University Projects or University Purposes and has covenanted to revise such rates, rents, fees and charges from time to time whenever necessary, so that portion of the Network will be and always remain self-sustaining. With respect to University Projects or University Purposes included in the Network not capable of producing any revenue or revenue sufficient to make such University Projects or University Purposes self-sustaining, the Board has covenanted to allocate Legislative Appropriations so that portion of the Network (with such Legislative Appropriations) shall be and always remain self-sustaining. (See "SECURITY FOR THE BONDS – Pledge of Revenues" herein).

Against Encumbrances. The Board has covenanted not to cause to be created or given, or permit to be created or given, any mortgage, lien, pledge, charge or other encumbrance upon any real or personal property comprising the Network or any part thereof, or upon the Revenues and the moneys in the University Revenue-Undertakings Fund credited to any account created by the Resolution, other than the liens, pledges, charges and encumbrances specifically created or permitted by the Resolution.

The Board has further covenanted not to permit the creation of or issue any bonds (other than existing and future series of Bonds pursuant to the Resolution), notes, warrants, or other obligations or evidences of indebtedness or create any additional indebtedness payable from the Revenues prior to or on a parity with the payment of principal of or interest on the Bonds, or secured by a lien thereon. See "SECURITY FOR THE BONDS – Outstanding and Additional Parity Bonds" herein.

Against Sale or Other Disposition. The Board shall not sell, lease or otherwise dispose of all, or substantially all, of the properties constituting the Network without simultaneously with such sale, lease, sublease or other disposition depositing cash or Governmental Securities in an amount sufficient so that no Bonds are any longer deemed outstanding under the Resolution; provided however, that (i) the Board may exchange Network property for property of comparable value, (ii) the Board may grant leases, licenses, easements and other agreements pertaining to the Network property in the normal and customary course of business, according to the Board's policy regarding rates, rentals, fees and charges of the Network, properties constituting the Network, and the revenues from such leasing shall be part of the Revenues and such properties shall remain part of the Network, but any such leasing shall not be inconsistent with the provisions of the Resolution and shall not impair or diminish the security of and payment for the Bonds, (iii) The Board may also execute agreements of or pertaining to the acquisition of properties that are or will become a part of the Network in connection with the operation of the Network and in the normal and customary course of business thereof, and may subject such properties to a lien pending payment therefor; *provided* that the aggregate of the payments under all such agreements in a Fiscal Year shall not exceed three percent (3%) of the annual budget of the Board for such Fiscal Year adopted pursuant to the Resolution, and all payments under any such agreements shall constitute Current Expenses to the extent such agreement complies with this paragraph (iv) the Board may sell, lease or otherwise dispose of any portion of the properties and facilities (real or personal) comprising a part of the University System which are surplus. Surplus properties or facilities are those the disposal of which will not impede or prevent the use of the Network or its facilities and which the Board has determined has become unserviceable, unsafe or no longer required or which have been replaced by other property of substantially equal revenue producing capability and of substantially equal utility. Any moneys received by the Board as the proceeds of any such sale, lease or any other disposition of said surplus properties shall become Revenues. In the event any Network properties shall be taken by the exercise of the power of eminent domain, the amount of the award received by the Board as a result of such taking shall be applied to any University Purposes, including to the redemption or purchase of Bonds and to acquire or construct revenue-producing properties to constitute a part of the Network.

THE UNIVERSITY OF HAWAII

The University of Hawaii (the *"University"*) is a multi-institutional system comprised of three University campuses, seven community college campuses and nine educational centers distributed across six islands throughout the State. The affairs of the University are under the general management and control of the Board, consisting of fifteen members appointed by the governor of the State for staggered five-year terms and confirmed by the Senate. For a detailed description of the Board, the University and certain statistical information, See APPENDIX A - "THE UNIVERSITY OF HAWAII."

The University Network

Act 141, originally enacted on May 16, 1947, established the University Project Fund and authorized the University (with the approval of the governor) to issue revenue bonds to finance the construction and maintenance of University housing units, athletic units and other projects. The measure was intended to enable the University to enlarge its facilities sufficiently to meet the needs of its extended educational program and increased student enrollment and to maintain its standing as one of the major institutions of learning in the Pacific area. The Act was enacted for the purpose of creating a system which would make it possible for several projects to be funded by a single issue of bonds and give the Board the means to establish a financial base for subsequent projects of the University.

The Network (as defined below) includes each University Project (as defined below) whose cost of construction is paid in whole or in part from the proceeds of Bonds or from the Revenues, whether such University Project is located on the Manoa Campus of the University or on any other area of any of the educational institutions under the control of or governed by the Board.

Pursuant to the Act and the Resolution, the Board formally created a Network comprised of various University Projects defined in the Resolution as (1) projects designated as a "university project" under the Act (*"University Projects"*) and (2) any other action, undertaking or improvement whether or not capable of producing revenue, constructed, maintained, or both, by the Board, to further the purposes of the University and for the use and services for which fees are imposed or charges made or Legislative Appropriations or other moneys shall have been dedicated and committed (*"University Purposes"*) (and together with University Projects, the *"Network"*).

Subject to State law, the Resolution permits the Board to designate University Purposes as part of a "Network," whether or not such purposes generate revenue, so long as the Board allocates moneys appropriated or allocated by the Legislature of the State to the Board, the University, the University System or the Network and permitted under the law to be expended for Current Expenses of the Board, the University, the University System or the Network or for Aggregate Debt Service or Debt Service, or a combination thereof, and allocated by the Board as Revenues for purposes of the Resolution pursuant to a Supplemental Resolution as "Legislative Appropriations" to the payment of Bonds issued to finance such facilities. See "SECURITY FOR THE BONDS – Pledge of Revenues" herein.

The University System and any University Purposes which, at the election of the Board, have been included as part of the Network pursuant to a Supplemental Resolution, constitute the Network so long as the inclusion of the University Purposes in the Network is not in violation of law or in violation of the terms of any grant, gift, bequest or devise. University Purposes are defined in the Resolution as any action, undertaking or improvement by the Board reasonably related to the development and promotion of the University as an institution of higher learning or an action or undertaking related thereto.

System Revenues

As indicated herein under "SECURITY FOR THE BONDS," Revenues, among other things, include the rates, rents, fees and charges imposed by the Board for the use or enjoyment of or the services furnished by certain facilities. Such facilities constitute the University System (the *"University System"*) which is a part of the Network. See "THE UNIVERSITY OF HAWAII – The University Network" herein. Such rates, rents, fees and charges are derived essentially from the imposition of room rentals, bookstore sales, parking revenues, and the like. The Legislative Appropriations from special and revolving funds are supplemental and in addition to the Revenues derived from such rates, rents, fees and charges. See "THE UNIVERSITY OF HAWAII – The University Special and Revolving Funds" herein. The unrestricted current fund revenues and expenses of the University System for the fiscal years ended June 30, 2004 through 2008:

Table 1
UNIVERSITY SYSTEM
UNRESTRICTED CURRENT FUND REVENUES AND EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30,
(in thousands of dollars)

	2004	2005	2006	2007	2008
Revenues	$55,458	$57,288	$59,184	$62,544	$66,891
Expenses	47,040	47,762	48,229	52,385	60,070
Excess Revenues over Expenses	$8,418	$9,526	$10,955	$10,159	$6,821

Source: University of Hawaii.

The University Special and Revolving Funds

As indicated herein under "SECURITY FOR THE BONDS," Revenues, among other things, include Legislative Appropriations, if any, allocated in accordance with the Resolution, subject and subordinate to the pledge of Legislative Appropriations to the payment of certain separately secured bonds of the University. See APPENDIX A – "THE UNIVERSITY OF HAWAII – Outstanding Indebtedness" and APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION." Under the law, Legislative Appropriations are made from special and revolving funds of the University.

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 moneys derived from special and revolving funds, for the fiscal years ended June 30, 2004 through 2008, respectively, is set forth below:

Table 2
SUMMARY OF SPECIAL AND REVOLVING FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30,
(in thousands of dollars)

Special and Revolving Funds	2004	2005	2006	2007	2008
Current Year's Revenues	$193,750	$204,605	$222,685	$244,358	$316,438
Prior Year's Funds Balance	48,376	49,194	41,187	48,986	79,193
Total	$242,126	$253,799	$263,872	$293,344	$395,631

Source: University of Hawaii.

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DEBT SERVICE REQUIREMENTS

Set forth below are the debt service requirements for the Bonds and certain other obligations payable from the revenues of the Network, excluding debt service on the 1995 Bonds which will be refunded using a portion of the proceeds of the Series 2009A Bonds. Debt Service requirements for the Bonds in each year ending October 1 include principal and interest payments on October 1 of such fiscal year and interest payments on April 1 of such fiscal year. See APPENDIX A – "THE UNIVERSITY OF HAWAII – Outstanding Indebtedness" hereto for a discussion of the University's other outstanding obligations.

Year Ending Oct. 1	Outstanding Bonds Debt Service[(1)]	GO Bonds Debt Service	Series 2009A Bonds Principal	Series 2009A Bonds Interest	Series 2009A Bonds Total Debt Service	Total Bonds Debt Service
2009	$8,022,924	$1,652,266	$575,000	$2,338,718	$2,913,718	$12,588,908
2010	8,059,969	149,839	570,000	5,054,669	5,624,669	13,834,477
2011	8,062,681	156,354	2,155,000	5,037,569	7,192,569	15,411,604
2012	8,058,563	163,209	2,220,000	4,951,369	7,171,369	15,393,141
2013	8,065,925	170,507	2,285,000	4,895,869	7,180,869	15,417,301
2014	8,063,563	178,163	2,375,000	4,827,319	7,202,319	15,444,045
2015	8,074,188	186,347	2,480,000	4,708,569	7,188,569	15,449,104
2016	8,076,813	195,132	2,575,000	4,609,369	7,184,369	15,456,314
2017	8,071,500	19,755	2,675,000	4,519,244	7,194,244	15,285,499
2018	6,718,188		2,785,000	4,412,244	7,197,244	13,915,432
2019	6,361,438		2,905,000	4,293,344	7,198,344	13,559,782
2020	6,369,938		3,040,000	4,169,269	7,209,269	13,579,207
2021	6,370,938		3,205,000	4,013,719	7,218,719	13,589,657
2022	6,379,438		3,375,000	3,850,206	7,225,206	13,604,644
2023	6,379,688		3,560,000	3,666,081	7,226,081	13,605,769
2024	6,386,688		3,755,000	3,475,781	7,230,781	13,617,469
2025	6,389,688		3,960,000	3,273,081	7,233,081	13,622,769
2026	6,493,438		3,045,000	3,062,519	6,107,519	12,600,957
2027	6,365,425		3,205,000	2,900,444	6,105,444	12,470,869
2028	6,365,063		3,375,000	2,738,962	6,113,962	12,479,025
2029	6,365,313		3,555,000	2,565,994	6,120,994	12,486,307
2030	6,366,013		3,745,000	2,379,356	6,124,356	12,490,369
2031	6,412,000		3,950,000	2,181,994	6,131,994	12,543,994
2032	6,423,000		4,160,000	1,973,831	6,133,831	12,556,831
2033	6,426,500		4,390,000	1,754,600	6,144,600	12,571,100
2034	6,432,250		4,625,000	1,523,244	6,148,244	12,580,494
2035	6,444,500		4,895,000	1,279,500	6,174,500	12,619,000
2036	6,452,250		5,195,000	987,600	6,182,600	12,634,850
2037			5,515,000	677,800	6,192,800	6,192,800
2038			5,850,000	348,900	6,198,900	6,198,900
Total[(2)]	$194,457,874	$2,871,572	$100,000,000	$96,471,162	$196,471,162	$393,800,618

(1) Corresponds to debt service on the outstanding 2001B Bonds and the 2006A Bonds, and is net of $36,645 of capitalized interest on the 2006A Bonds.

(2) Totals may not add up due to independent rounding.

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.

FINANCIAL STATEMENTS

The financial statements of the University as of and for the fiscal year ended June 30, 2008 have been audited by Accuity LLP, independent auditors, and are attached as Appendix B to this Official Statement. See APPENDIX A – "THE UNIVERSITY OF HAWAII – Financial Information" and APPENDIX B – "AUDITED FINANCIAL STATEMENTS."

The audit of the State's financial statements for the fiscal year ended June 30, 2008 is pending. With respect to such financial statements, the State is considering whether it will record an impairment charge relating to certain auction rate securities in its pooled investment portfolio. A final determination has not been made as to whether an impairment charge will be recorded or the amount of such a charge, if recorded. The impairment charge, if recorded, will be allocated to various departments and agencies, but is not expected to include a material amount of University funds. The University has concluded that such a charge, if recorded, would not have a material adverse effect on the University's financial condition or liquidity.

PENDING LITIGATION

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. However, losses, if any, are expected to be generally paid for by the general fund of the State of Hawaii or from moneys in certain special or revolving funds of the University. There is no litigation pending concerning the validity of the Series 2009A Bonds, and the Board will furnish the Underwriters a certificate to that effect at the time of delivery of the Series 2009A Bonds.

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and (ii) interest on the Series 2009A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Board in connection with the Series 2009A Bonds, and Bond Counsel has assumed compliance by the Board with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2009A Bonds from gross income under Section 103 of the Code. The provisions of the American Recovery and Reinvestment Act of 2009 relating to the treatment of interest on certain tax-exempt bonds do not apply to the Series 2009A Bonds.

In the further opinion of Bond Counsel, under the existing laws of the State, the Series 2009A 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.

Bond Counsel expresses no opinion regarding any other federal or State tax consequences with respect to the Series 2009A Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. 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 2009A Bonds, or under State and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2009A Bonds in order that interest on the Series 2009A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2009A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2009A Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Board has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2009A Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2009A Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2009A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2009A Bonds.

Prospective owners of the Series 2009A Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Series 2009A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" (*"OID"*) is the excess of the sum of all amounts payable at the stated maturity of a Series 2009A Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Series 2009A Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2009A Bonds is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Series 2009A Bonds having OID (a *"Discount Bond"*), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2009A Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Series 2009A Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2009A Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series 2009A Bond (a *"Premium Bond"*). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2009A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2009A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2009A Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2009A Bonds under federal or State law and could affect the market price or marketability of the Series 2009A Bonds.

Prospective purchasers of the Series 2009A Bonds should consult their own tax advisors regarding the foregoing matters.

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 2009A Bonds are subject to the approval of Hawkins Delafield & Wood LLP, bond counsel. Copies of the approving opinion of Bond Counsel will be available at the time of delivery of the Series 2009A Bonds and will be delivered with the Series 2009A 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 Underwriter by its Counsel, Orrick, Herrington & Sutcliffe LLP.

RATINGS

Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services and Fitch Ratings have assigned their municipal bond ratings of “Aa3,” “A+” and “AA-,” respectively, to the Series 2009A Bonds. 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 judgment, circumstances so warrant. The Board undertakes no responsibility 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 2009A 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 E - “FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated has agreed to purchase the Series 2009A Bonds at a price of $100,000,000 plus net original issue premium of $2,337,249.70 and less an underwriting discount of $781,237.03, resulting in a purchase price of $101,556,012.67. The Contract of Purchase provides that the Underwriter will purchase all the Series 2009A 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 Underwriter. The Underwriter may offer and sell the Series 2009A Bonds to certain dealers (including dealers depositing the Series 2009A Bonds into unit investment trusts certain of which may be sponsored or managed by the Underwriter) 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: /s/ Allan R. Landon
Chair

APPENDIX A

THE UNIVERSITY OF HAWAII

General

The University of Hawaii (the *"University"*) constitutes a post secondary system (the *"University System"*), comprised of three University campuses, seven community college campuses and nine 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 island of Oahu. The community college system in the University System consists of seven community colleges. 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 nine educational centers are located in the more remote areas of the State, and support the rural communities via interactive television classrooms.

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.

The University traces its roots to 1907, when the Hawaii Territorial Legislature established the College of Agriculture and Mechanic Arts in Honolulu. The University began classes in September 1908, with 10 students and 13 faculty members. In 1912, the founding campus was renamed the College of Hawaii and moved to its present location in Oahu's Manoa Valley. Six years later, the University petitioned the legislature for university status, and the campus became the University of Hawaii in 1920.

The State of Hawaii is located in an area subject to earthquakes, tsunamis, floods, hurricanes and other natural disasters. The occurrence of a natural disaster which results in damage to University campuses or other properties and which necessitates significant repairs or involves significant replacement costs, could materially adversely impact the University's financial condition. A recent earthquake in Hawaii resulted in no material damage to property of the University.

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 129 programs, master's degrees in 89 programs, and doctoral degrees in 56 programs, including M.D., J.D., PharmD, and ArchD degrees. In addition, the University maintains a co-operative extension program. The nine 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 19 schools and colleges, offering 87 baccalaureate degrees and 137 graduate and professional degrees, with 127 degree programs, including M.D., J.D. and ArchD degrees. Regular credit enrollment for the fall 2008 semester was 20,169, of which 14,326 were full-time students and 5,843 were part-time students, with 13,810 students enrolled as undergraduates and 6,359 as graduates. 4,566 degrees were awarded during fiscal year 2007-2008, of which 1,572 were graduate degrees and 2,994 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 19,000. At the beginning of the 2008-2009 academic year, the University at Manoa had 2,484 faculty.

The University at Manoa is a research university of international standing. It has a Carnegie classification of Research University/very high research activity (RU/VH), the top classification for doctoral/research universities, and the closest to the old "Carnegie Research I University" classification no longer in use. 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 Knowledge, Pacific and Asian 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, a College of Hawaiian Language and a College of Pharmacy.

Students may select majors in the natural sciences, humanities, social sciences, agriculture and Hawaiian language, as well as professional programs such as business, education, nursing, and pharmacy. At the beginning of the 2008-2009 academic year, the campus had 265 faculty. Regular credit enrollment for the fall 2008 semester was 3,773, of which 2,984 were full-time and 789 were part-time, with 3,354 students enrolled as undergraduates and 419 as graduates. 588 degrees were awarded during fiscal year 2007-2008, of which 66 were graduate degrees and 522 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. Formerly an upper division campus, the University of Hawaii – West Oahu became a 4-year campus and admitted its first class of freshmen in the fall semester of 2007.

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 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 (such as elementary education). Courses are scheduled to accommodate student schedules, including evenings and weekends.

At the beginning of the 2008-2009 academic year, the campus had 56 faculty. Regular credit enrollment for the fall 2008 semester was 1,140, of which 396 were full-time and 744 were part-time, with 1,140 as undergraduates. During fiscal year 2007-2008, 180 degrees were awarded, all of which were bachelor's degrees.

In January 2009, the University held a ground blessing in anticipation of the construction of a state-of-the-art, baccalaureate campus in the City of Kapolei on the island of Oahu. The first phase of the campus will be built on 41 acres and consists of a classroom building, administration building, library, campus center and maintenance building. It is expected to serve more than 1,500 students for spring 2011 classes. The architectural design of the new campus will incorporate the latest trends in environmental sustainability and strives to achieve a Leadership in Energy and Environmental Design (LEED) certification by following strict standards established by the U.S. Green building Council. The construction of the entire campus and adjacent business and retail community will span several years. When completed, the University of Hawaii-West Oahu will accommodate 7,600 students and 1,000 faculty and staff.

The Community Colleges and Outreach Programs

The community college system in the University System consists of seven campuses. In the fall semester of 2008, the community college system served over 28,000 credit students, 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 (transferable 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
2008-2009 Academic Year

College	Island	FTE Enrollment*	Faculty/Staff*	Degrees Awarded**
Hawaii	Big Island	1,807	297	346
Honolulu	Oahu	2,354	393	520
Kapiolani	Oahu	4,615	544	685
Kauai	Kauai	632	179	139
Leeward	Oahu	3,896	418	475
Maui	Maui	1,892	326	367
Windward	Oahu	1,101	197	130
Total:		16,297	2,354	2,662

* As of the fall semester of 2008.
** In fiscal year 2007-2008.
Source: University of Hawaii Institutional Research Office

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.

Accreditation and Membership

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

Research and Sponsored Programs

The University of Hawaii at Manoa is the University's flagship research campus and was recently ranked 29th out of all public universities in the United States in research expenditures. The University has research partnerships with local, mainland and international universities, research institutions and business organizations. The University has also been designated as the fifth Naval University Affiliated Research Center, which is expected to generate at least $10 million in additional funding per year beginning in 2009. The University also secures research funding from various other sources, including the State, the National Science Foundation, National Institutes of Health, Department of Defense, Department of Agriculture, National Aeronautics and Space Administration, Department of Energy and the Environmental Protection Agency. The University was also awarded one of eight Regional Biocontainment Laboratory grants from the National Institutes of Health, valued at $32.5 million.

Administrative Organization

The University System is governed by the Board, whose members are appointed by the Governor and confirmed by the Senate of the State. At least part of the membership of the Board represents geographic subdivisions of the State. The Board has the power, as provided by law, to formulate policy, and to exercise control over the University through its executive officer, the President of the University, who is appointed by the Board. The Board has exclusive jurisdiction over the internal organization and management of the University.

The President of the University System also serves as the Chief Executive Officer of the Board. Chief executive officers for the various campuses are Chancellors.

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Members of the Board of Regents

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

Name	**Term Expires June 30,**
Allan R. Landon, Chair	2009
Howard H. Karr, Vice Chair	2011
Artemio C. Baxa	2013
Carl A. Carlson, Jr.	2011
Michael A. Dahilig	2013
Ramon S. de la Pena	2012
Mark H. Fukunaga	2011
Chuck Y. Gee	2010
James J.C. Haynes II	2010
Dennis I. Hirota	2012
Eric K. Martinson	2009
Ronald K. Migita	2009
Teena M. Rasmussen	2012
Harvey S. Tajiri	2013
Grant T.S. Teichman	2010

Administration

Administrative personnel of the University System include the following individuals:

David McClain*, *President, University of Hawaii System. David McClain became President of the 10-campus University of Hawaii System in March 2006. He was appointed Acting President in June 2004 and Interim President two months later. McClain is scheduled to retire on July 31, 2009. The search for the next President of the University is currently underway.

McClain previously served as Vice President for Academic Affairs for the System from 2003 to 2004 and as Dean of the University of Hawaii at Manoa College of Business and First Hawaiian Bank Distinguished Professor of Leadership and Management from 2000 to 2003. He first joined the Manoa campus in 1991 as the Henry A. Walker Jr. Distinguished Professor of Business Enterprise and professor of financial economics and institutions and professor of financial economics and institutions.

After receiving a BA in economics and mathematics from the University of Kansas, McClain joined the U.S. Army, completing his service as a first lieutenant in Vietnam. He earned a PhD in economics from the Massachusetts Institute of Technology and was a tenured faculty member and department chair at Boston University and founding director of its Management Development Program–Japan. He has taught at MIT's Sloan School of Management and at Universidad Gabriela Mistral in Santiago, Chile, and has been a visiting scholar at Keio and Meiji Universities in Japan. He also served as senior staff economist on the Council of Economic Advisors to President Jimmy Carter and as head of global economic information services for Data Resources, Inc.

McClain has headed the Asia Pacific Economic Cooperation Business Management Network and is on the board of advisors for Ritsumeikan Asia Pacific University in Japan. He is a director of ML Resources, the managing partner of ML Macadamia Orchards, and First Insurance Company of Hawaii, a joint venture of CNA and Tokio Marine Nichido. He is the author of Apocalypse on Wall Street (Dow-Jones/Irwin) and hundreds of scholarly articles and columns on economic issues.

Linda K. Johnsrud, Vice President for Academic Planning and Policy. As the Chief Academic Officer since March 1, 2005, Linda Johnsrud collaborates with lead campus academic officers to set forth the overall academic vision, goals and strategic plan for the University of Hawaii System. She also advises the President on matters relating to systemwide planning, policy development and analysis and oversees institutional research.

Johnsrud was named Interim Associate Vice President for planning and policy in 2003 and was appointed Interim Vice President in 2005. She has also served as Acting/Interim Chancellor for the University of Hawaii at West Oahu.

She is a professor of higher education in the Department of Educational Administration, College of Education at the University of Hawaii at Manoa. A past director of the University of Hawaii Professional Assembly and a 1998-99 fellow of the American Council on Education, she has also served as Associate Dean for Academic Affairs for the College of Education and chaired the Manoa faculty senate. She was the 2000-02 vice president of Postsecondary Division J of the American Educational Research Association, and she also served on the AERA executive council.

Johnsrud holds a BS in English education from the University of Wisconsin in Madison, MS in college student personnel administration from Western Illinois University and PhD in higher education with cognate in sociology from Ohio State University.

John F. Morton, Vice President for Community Colleges. As Vice President for Community Colleges, John Morton is responsible for executive leadership, policy decision-making, resource allocation and development of appropriate support services for the University's seven community colleges. It is his second stint in a systemwide role; he previously took on a special assignment to help direct implementation of a systemwide online student registration system.

Chancellor of Kapiolani Community College since 1984, Morton previously served as Dean of Instruction at Leeward Community College. He started his career at the University at that campus as a faculty member in both chemistry and political science.

Active in community affairs, Morton has served as President of the Hawaii Services on Deafness Board and the Hawaii Health Information Corporation Board and as a member of the Board of Trustees of ASSETS School.

Morton holds a BS in chemistry and MA in political science from the University of Illinois and a PhD in communication and information sciences from the University of Hawaii at Manoa.

Virginia Hinshaw, Chancellor, University of Hawaii at Manoa. Virginia Hinshaw assumed leadership of the University System's oldest and largest campus on July 2, 2007.

She previously served as Provost and Executive Vice Chancellor of the University of California, Davis, where she was responsible for a $2.3 billion budget, campus operations and strategic planning, as well as the UC Davis Health System. Prior to joining UC Davis in 2001, Hinshaw served as Dean of the Graduate School and Vice Chancellor for Research at the University of Wisconsin–Madison.

A noted microbiologist, Hinshaw's work over the past 25 years has aided in the understanding of the influenza virus, including its hosts, transmission mechanisms and genetic changes, as well as new approaches to vaccines.

Hinshaw has held joint appointments as professor of virology in the UC Davis Schools of Medicine and Veterinary Medicine and research appointments at the Medical College of Virginia, the University of California, Berkeley, St. Jude Children's Research Hospital, Harvard Medical School and the University of Wisconsin–Madison. At Manoa, she will hold appointments as a full professor in both the College of Natural Sciences and the John A. Burns School of Medicine.

Hinshaw holds a bachelor's degree in laboratory technology and a master's and doctoral degrees in microbiology from Auburn University.

Rose Y. Tseng, Chancellor, University of Hawaii at Hilo. Rose Tseng is Chief Executive Officer of the growing University of Hawaii at Hilo campus, which offers baccalaureate and selected graduate programs on the Big Island of Hawaii. In addition to her responsibility for the campus' academic program, she oversees development of the University Research Park and other entrepreneurial initiatives designed to boost economic and social development of the island and state.

Prior to joining the University, Tseng served as System 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 a 22,000-student Economic Development Institute. Under her leadership, the district reversed a budget shortfall, tripled the amount of grant monies it receives, increased business contacts and completed several land lease development projects that generated $4 million in annual revenues. She began her academic career in as a professor and founding chair of the Nutrition and Food Science Department and health division director at San Jose State University. She was a visiting professor at Fu Jen University in Taiwan and spent six years as dean of San Jose State University's College of Applied Sciences and Arts.

Tseng attended Cheng Kung University in Taiwan, where she majored in architectural engineering and chemistry. She holds a BS in chemistry from Kansas State University and master's and doctoral degrees in nutrition from the University of California at Berkeley.

As the principal consultant for the University-sponsored Nutrition Manpower Development Project, Tseng helped develop MS and BS degree programs in nutrition and food in several countries. She was a founding board member of the Joint Silicon Valley 21st Century Education Initiative/Challenge 2000; co-chair and board member of Workforce Silicon Valley; senior fellow of American Leadership Forum, Silicon Valley Chapter; and chair of the National Science Foundation's Northwest Center for Sustainable Resources National Visiting Committee. She served as an accreditation evaluator for the Western States Universities and Colleges for both two- and four-year colleges; is a past member of the American Council on Education's Commission on Minorities in Higher Education and served on the Policy Council of the Test of English As a Foreign Language Educational Testing Service. She has authored more than 40 professional publications on higher education, nutrition and multicultural health issues.

Tseng was named one of the San Francisco Bay Area's Top 50 Women in Management by California business journals in 1997 and received the Against-All-Odds Role Model award from the California State Legislature. Other honors include the Outstanding Alumni award from National Cheng Kung University, the YWCA Tribute to Women and Industry (TWIN) award, Santa Clara County Women of Achievement Award, and Best Publications Award from the American Society of Allied Health Professions. Tseng serves on the boards of the Hawaii Island Chamber of Commerce and Economic Development Board and actively supports a variety of local charities.

Tseng is planning to retire on December 31, 2009. The formal search process for a new Chancellor has not begun since the Chancellor for the University of Hawaii at Hilo will be hired by the new President of the University.

Gene I. Awakuni, Chancellor, University of Hawaii—West Oahu. Gene Awakuni joined University of Hawaii as Chief Executive of the West Oahu campus in March 2005. He previously served as Vice Provost for Student Affairs at Stanford University, where he had joint oversight for a division of 650 staff members, and managed eight major departments at Columbia University, including dining, health, business and financial services; university bookstores; residence halls; the registrar's office and student information systems.

He also served as Vice President for Student Affairs and University Advancement at Cal Poly Pomona, Assistant Vice Chancellor for Student Academic Services at University of California, Santa Barbara and Director of the Counseling and Psychological Services Center at University of California, Irvine.

Awakuni earned his doctorate in counseling and consulting psychology at Harvard University. He received a master's in clinical social work and a bachelor's in political science from the University of Hawaii at Manoa.

A counseling psychologist, Awakuni has taught courses relating to the interaction of psychology and ethnicity and recently co-authored a book entitled Resistance to Multiculturalism: Issues and Interventions. He served as president of the national association Asian Pacific Americans in Higher Education. While at U.C. Irvine, he won a teaching award called My Last Lecture.

Darolyn Lendio, Vice President for Legal Affairs and University General Counsel. As University General Counsel and Vice President for Legal Affairs, Darolyn Hatsuko Lendio serves as chief legal advisor to the Board and administration. She joined the System in September 2006, bringing a strong background in civil and commercial litigation, insurance and contract issues and government, municipal and land use law.

A founding partner and 15-year member of Honolulu law firm McCorriston Miller Mukai MacKinnon, she also spent two years as corporation counsel to the City and County of Honolulu, earning the 1996 Outstanding City Administrator award from the American Society of Public Administration, Hawaii Chapter.

Lendio was admitted to the Hawaii bar in 1984 while serving as extern to Hawaii Supreme Court Associate Justice Yoshimi Hayashi and joined Goodsill Anderson Quinn & Stifel. She received an AV rating from Martindale-Hubbell in 1999 and was named to the Best Lawyers in America in 2005.

A member of the Judicial Council and Honolulu Charter Commission, Lendio has been active in numerous professional and civic organizations, including the Hawaii Filipino Lawyers, Honolulu Board of Water Supply and Honolulu Police Commission.

Lendio graduated magna cum laude with a bachelor's degree in journalism/political science from the University of Southern California and holds a juris doctor from University of California, Berkeley's Boalt Hall School of Law.

Howard Todo, Vice President for Budget and Finance/Chief Financial Officer. Howard Todo joined the University System in October 2005, bringing a strong background in both private industry and public service. As Vice President for Budget and Finance and Chief Financial Officer, he provides oversight for systemwide budgeting and management of accounting, asset management, bond system operations, disbursing, procurement and real property.

Todo previously was Vice President–Finance and Chief Financial Officer at Island Air, operated his own consulting firm and served as acting Chief Financial Officer for the Board of Water Supply, where he oversaw implementation of a computerized financial management system and re-engineered financial processes. His extensive experience with accounting firm Ernst & Young included serving as partner-in-charge of the audit of the State of Hawaii's Comprehensive Financial Report and serving a client list that included the Research Corporation of the University of Hawaii; East-West Center, and the state's Highways Division, Department of Hawaiian Home Lands, Judiciary Branch and Department of Accounting and General Services.

A certified public accountant, Todo chairs the state's Board of Public Accountancy and has served as President of the Hawaii Society of Certified Public Accountants and as a member of the National Council of the American Institute of Certified Public Accountants.

A graduate of University of Hawaii at Manoa and 1995 inductee into the College of Business Administration's Hall of Honor, Todo served on the boards of the University of Hawaii Alumni Association and College of Business Alumni and Friends.

David Lassner, Vice President for Information Technology / Chief Information Officer. As the University of Hawaii's first VP for Information Technology and Chief Information Officer, David Lassner is responsible for supporting academic and administrative computing; distributed learning technologies; and voice, data and video telecommunication. He directs Information Technology Services, which provides technology support to the Manoa campus and addresses statewide needs of the University System.

Since joining the University of Hawaii in 1977, Lassner has held both technical and management positions in instructional technology, computing, networking and distance education. He is a member of Manoa's cooperating graduate faculty and has taught online and in person in the Department of Information and Computer Science, College of Business, School of Communication and College of Education. Lassner has also served on the faculty of management institutes for IT leaders nationally and internationally.

Lassner plays an active leadership role in a number of local, national and international organizations. He chairs the Board of the Pacific Telecommunications Council and has coordinated education projects for the Internet Society internationally. Lassner serves on the boards of Internet2 and Kuali, is active in EDUCAUSE, and is a past–chair of WICHE's Western Cooperative for Educational Telecommunications, which awarded him the 2000 Richard Jonsen Award for service. He serves on the Board of Directors of Hawaii's High Technology Development Corporation and helped found the Hawaii Internet Exchange.

Lassner serves as principal investigator, or PI, for the $181 million, 10–year contract to manage the Maui High Performance Computing Center, co–PI for the Pacific Disaster Center, and was PI for the Hawaii Education and Research Network, an NSF demonstration project to apply networking technologies in K–12 and higher education. He has written several book chapters, hosts a monthly television show on high technology in Hawaii and speaks frequently to local, national and international audiences.

Lassner holds an AB summa cum laude and Phi Beta Kappa in economics and an MS in computer science from the University of Illinois at Urbana–Champaign and a PhD in communication and information sciences from the University of Hawaii at Manoa.

James R. Gaines, Vice President for Research. As Vice President for Research, James R. Gaines is the chief research policy advisor to the President, responsible for developing and coordinating system-wide research policies and procedures and management of research-related administrative support services.

Gaines joined University of Hawaii at Manoa in 1987 as a professor of physics and chaired the Physics and Astronomy Department since 1995. He spent two years as Vice President and Head of Materials Science for KMS Fusion Inc., 1989-91. He previously served on the faculty of Ohio State University, where he was director of the Materials Research Laboratory.

Gaines taught and conducted research at Centre de Recherches Nucleaires (France), Linkoping University (Sweden), MIT, Harvard and Lawrence Livermore Laboratory. He has done consulting work at Livermore and Brookhaven National Laboratory. An expert in condensed matter physics, Gaines has published more than 120 refereed articles and three editions of the study guide that accompanies a major textbook on introductory physics.

A fellow of the American Physical Society since 1990, Gaines received the Alfred P. Sloan Foundation Research Award and was the Spark Matsunaga Fellow for Research in Renewable Energy. He was one of the founders and later served on the Board of Directors for Lake Shore Cryogenics and the scientific advisory board for Super Conductive Componants, Inc.

Gaines holds a PhD degree in physics from Washington University, where he was elected to the Phi Beta Kappa honorary society, and a BS from Berea College.

Brian Minaai, Associate Vice President for Capital Improvements. As Associate Vice President for Capital Improvements, Brian Minaai is responsible for planning, development, implementation and integration of multi-million dollar capital improvement projects and long-range physical development plans systemwide. He also oversees development of associated funding requirements and implementation of public-private partnership projects and coordinates facilities and physical asset management for the 10 University campuses.

Before joining the University on March 1, 2008, Minaai was Senior Development Director for Marriott Vacation Club in Kapolei. He previously served as director and deputy director of the State of Hawaii Department of Transportation and chief clerk and budget chief of the state senate's Ways and Means Committee.

His private sector experience includes positions in Hawaii real estate development firms Kobayashi Group, LLC, as senior project manager, and Haseko (Hawaii) Inc., as vice president.

Minaai holds a bachelor's and master's of arts in economics and a masters in business administration from the University of Hawaii at Manoa.

Karen C. Lee, Associate Vice President for Student Affairs. As the Associate Vice President for Student Affairs since March 1, 2006, Karen C. Lee is responsible for system-wide student affairs policies and procedures and student life activities.

Prior to her appointment, she has served as executive assistant to the University president and as undergraduate coordinator of the Office of Student Academic Services at the University of Hawaii at Manoa College of Business. She has also been Assistant Dean of Students and Senior Assistant Director of Admissions at Columbia University (NY), and Assistant Director of Admission at Colgate University (NY).

Lee holds a BA in mathematics and an MA in higher education administration from Columbia University.

Carolyn Tanaka, Associate Vice President for External Affairs and University Relations. As the lead executive for external affairs and university relations, Carolyn Tanaka establishes strategy for significant activities that promote understanding and mutual respect within the university and among media, lawmakers and the public at large.

Before joining the University of Hawaii System in 2002, Tanaka held the position of Vice President for Public Affairs for McNeil Wilson Communications, the state's largest public relations agency. A 20-year veteran communicator, she previously served as director of communications and press secretary to Gov. John Waihee, 1986–1994, and as a news broadcaster for Honolulu television stations KHON and KGMB.

Carolyn Tanaka holds a BA in journalism from University of Hawaii at Manoa.

Presley W. Pang, Interim Executive Administrator and Secretary of the Board of Regents. Presley W. Pang is the interim executive administrator and secretary of the Board. Pang heads the Board office that provides administrative support to the Regents.

Prior to his appointment in October 2006 as the Board's interim secretary, Pang worked in the University's office of general counsel for 6 years, following several years as a senior deputy attorney general with Hawaii's Department of the Attorney General. Pang was a partner with a Hawaii-based law firm, and had also worked in administrative positions with the U.S. Department of Justice in Washington, D.C.

Pang holds a BA in philosophy from Princeton University, a Masters in Public Policy from the UC Berkeley's Graduate School of Public Policy, and a J.D. from the Yale Law School.

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
ENROLLMENT BY CAMPUS
2004-2009

Academic Year	Total University System	UH Manoa	UH Hilo	UH West Oahu	Community Colleges
2004-2005					
Undergraduate	30,379	12,180	2,684	476	15,039
Graduate	4,293	4,196	97	0	0
Total:	34,672	16,376	2,781	476	15,039
2005-2006					
Undergraduate	30,188	12,358	2,738	490	14,602
Graduate	4,391	4,225	166	0	0
Total:	34,579	16,583	2,904	490	14,602
2006-2007					
Undergraduate	29,900	12,058	2,786	476	14,580
Graduate	4,322	4,159	163	0	0
Total:	34,222	16,217	2,949	476	14,580
2007-2008					
Undergraduate	30,056	11,865	2,756	522	14,913
Graduate	4,447	4,170	277	0	0
Total:	34,503	16,035	3,033	522	14,913
2008-2009					
Undergraduate	31,563	11,799	2,829	640	16,295
Graduate	4,702	4,286	416	0	0
Total:	36,265	16,085	3,245	640	16,295

Source: University of Hawaii Institutional Research Office

Applications and New Enrollments

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

Table A-3
MANOA CAMPUS
APPLICATIONS AND NEW ENROLLMENTS
UNDERGRADUATE

	Applications			New Enrollments		
Academic Year	Received	Accepted	Percent Accepted	Freshman	Transfer	Total Enrolled
2004-2005	11,972	8,369	69.9%	2,019	2,298	4,317
2005-2006	11,578	8,241	71.2	2,022	2,133	4,155
2006-2007	10,752	7,806	72.6	1,775	2,138	3,913
2007-2008	10,616	7,749	73.0	1,843	2,065	3,908
2008-2009	11,456	8,103	70.7	1,866	1,961	3,827

Source: University of Hawaii Institutional Research Office

Table A-4
HILO CAMPUS
APPLICATIONS AND NEW ENROLLMENTS
UNDERGRADUATE

	Applications			New Enrollments		
Academic Year	Received	Accepted	Percent Accepted	Freshman	Transfer	Total Enrolled
2004-2005	3,606	2,286	63.4%	441	649	1,090
2005-2006	3,208	2,126	66.3	444	781	1,225
2006-2007	3,294	2,179	66.2	471	608	1,079
2007-2008	3,308	2,131	64.4	512	529	1,041
2008-2009	3,681	2,290	62.2	552	497	1,049

Source: University of Hawaii Institutional Research Office

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

	Applications			New Enrollments		
Academic Year	Received	Accepted	Percent Accepted	Freshman*	Transfer	Total Enrolled
2004-2005	466	396	85.0%	N/A	230	230
2005-2006	436	388	89.0	N/A	232	232
2006-2007	493	437	88.6	N/A	280	280
2007-2008	627	555	88.5	35	269	304
2008-2009	842	710	84.3	74	310	384

* Until Academic Year 2007-2008, West Oahu did not accept freshmen.
Source: University of Hawaii Institutional Research Office

Table A-6
COMMUNITY COLLEGES
APPLICATIONS AND NEW ENROLLMENTS
UNDERGRADUATE

	Applications			New Enrollments		
Academic Year	Received	Accepted	Percent Accepted	Freshman	Transfer	Total Enrolled
2004-2005	16,813	16,103	95.8%	4,262	2,281	6,543
2005-2006	16,095	15,609	97.0	4,300	2,791	7,091
2006-2007	15,838	15,471	97.7	4,275	2,487	6,762
2007-2008	15,691	15,220	96.9	4,557	2,450	7,007
2008-2009	17,081	16,599	97.0	5,471	3,098	8,569

Source: University of Hawaii Institutional Research Office

Student Tuition, Housing Costs and Financial Aid

The University seeks to provide affordable education for its students. In the 2007-08 academic year, the University provided approximately $31.2 million in financial aid. The share of first-time freshmen receiving aid in the 2006-07 academic year ranged from 75% (at the University of Hawaii at Hilo) to 25% (at the Kapiolani Community College). On average, financial aid recipients receive between $1,770 and $3,522 in financial assistance from the University. The following tables set forth the annual tuition and fee charges to each full-time undergraduate student, together with the average annual room and board charges, for each of the past five years:

Table A-7
MANOA CAMPUS
TUITION, FEES AND ROOM AND BOARD CHARGES

Academic	Tuition and Fees		Average Room
Year	Resident	Non-resident	and Board
2004-2005	$3,581	$10,061	$6,043
2005-2006	3,697	10,177	6,717
2006-2007	4,523	12,395	7,185
2007-2008	5,391	14,655	7,335
2008-2009	6,259	16,915	7,564

Source: University of Hawaii Institutional Research Office

Table A-8
HILO CAMPUS
TUITION, FEES AND ROOM AND BOARD CHARGES

Academic Year	Tuition and Fees		Average Room and Board
	Resident	Non-resident	
2004-2005	$2,543	$8,111	$4,916
2005-2006	2,603	8,171	5,472
2006-2007	3,148	9,700	6,292
2007-2008	3,676	11,212	6,792
2008-2009	4,360	12,880	7,014

Source: University of Hawaii Institutional Research Office

Table A-9
WEST OAHU CAMPUS
TUITION AND FEES CHARGES

Academic Year	Tuition and Fees	
	Resident	Non-resident
2004-2005	$2,194	$7,330
2005-2006	2,266	7,402
2006-2007	2,746	8,794
2007-2008	3,226	10,186
2008-2009	3,706	11,578

Source: University of Hawaii Institutional Research Office

Table A-10
COMMUNITY COLLEGES
TUITION, FEES AND ROOM AND BOARD CHARGES

Academic Year	Tuition and Fees [(a)(b)]		Average Room and Board[(c)]
	Resident	Non-resident	
2004-2005	$1,176	$5,856	$5,113
2005-2006	1,226	5,858	5,962
2006-2007	1,395	6,137	6,530
2007-2008	1,568	6,419	7,246
2008-2009	1,772	6,733	7,478

(a) Average community college tuition.
(b) Academic Year 2008-2009 mandatory fees at the community colleges range from $25 per academic year to $134 per academic year.
(c) Maui Community College is the only community college with on-campus housing.
Source: University of Hawaii Institutional Research Office

Degrees Awarded by School

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

Table A-11
DEGREES AWARDED BY CAMPUS
ASSOCIATE/BACHELOR/GRADUATE*

Fiscal Year	Total UH System	UH Manoa	UH Hilo	UH West Oahu	Community Colleges
2003-2004					
Associate/Certificate	2,596	0	0	0	2,596
Bachelor/Professional Degree	3,417	2,639	566	212	0
Graduate/JD	1,233	1,220	13	0	0
Other	0	0	0	0	0
Total:	7,246	3,859	579	212	2,596
2004-2005					
Associate/Certificate	2,671	0	0	0	2,671
Bachelor/Professional Degree	3,413	2,725	494	194	0
Graduate/JD	1,453	1,450	3	0	0
Other	0	0	0	0	0
Total:	7,537	4,175	497	194	2,671
2005-2006					
Associate/Certificate	2,637	0	0	0	2,637
Bachelor/Professional Degree	3,778	2,917	596	265	0
Graduate/JD	1,502	1,484	18	0	0
Other	0	0	0	0	0
Total:	7,917	4,401	614	265	2,637
2006-2007					
Associate/Certificate	2,710	0	0	0	2,710
Bachelor/Professional Degree	3,689	2,899	570	217	3
Graduate/JD	1,436	1,414	22	0	0
Other	0	0	0	0	0
Total:	7,835	4,313	592	217	2,713
2007-2008					
Associate/Certificate	2,660	0	0	0	2,660
Bachelor/Professional Degree	3,798	3,056	560	180	2
Graduate/JD	1,538	1,510	28	0	0
Other	0	0	0	0	0
Total:	7,996	4,566	588	180	2,662

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

Faculty

The full-time equivalent faculty in the University System in the academic year 2008-2009 totals approximately 3,357. Of the total headcount of faculty on the tenure track, approximately 71% are fully tenured. When all faculty are considered, including those that are neither tenure nor tenure-track, approximately 47% 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.

Collective Bargaining

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 (the Chief Justice and Board of the Hawaii Health Systems Corporation are also involved in negotiations if they have employees in the bargaining unit). In the case of the University, the representatives are the Governor, the Board and the President. Decisions by the employer representatives of the State and county employees are determined by simple majority vote with the Governor having varying numbers of votes depending on the bargaining unit involved. Decisions by the employer representatives of Board appointed employees (Units 7 & 8) are determined by simple majority vote with the Governor having three votes, the Board having two votes and the President having one vote. By statute, if an impasse in any negotiation is declared, the parties may attempt to resolve the impasse through mediation. If the impasse is not resolved through the efforts of the parties, it will be resolved through final and binding arbitration for ten of the bargaining units that do not have the right to strike. The bargaining units that do have the right to strike are still able to mutually agree to 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.

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, as well as certain Unit 8 and civil service personnel designated as excluded, are not represented by any union and some employees (*i.e.*, certain contractual hires) are not a party to a formal labor contract.

Most of the collective bargaining agreements are for a two-year period beginning July 1, 2007 and ending on June 30, 2009. The faculty collective bargaining unit is for a six-year period July 1, 2003 through June 30, 2009. Salary adjustments for the various bargaining units at the University are approximately as follows for the term of the contract: Unit 1, Blue Collar Workers, 9.42%; Unit 2, Blue Collar Supervisors, 9%; Unit 3, White Collar Employees, 11%; Unit 4, White Collar Supervisors, 11%; Unit 7, University of Hawaii Faculty, 31%; Unit 8, Administrative, Professional and Technical Employees of the University of Hawaii, 11%; Unit 9, Registered Professional Nurses, 12%; and Unit 10, Institutional and Hospital Employees, 10%.

With the economic and budgetary situation the State faces, the Governor is proposing a no-cost extension of the collective bargaining agreements that are scheduled to expire on June 30, 2009.

Employee and Pension Benefits

For information on employee benefits and pensions see Notes 14 and 15 to the University's audited financial statements in APPENDIX B – "AUDITED FINANCIAL STATEMENTS."

Pensions. All regular employees of the University are covered under the Employees' Retirement System of the State (the *"State Retirement System"*). Retirement, disability and death benefits provided by the State Retirement System are financed by employer contributions and by employee contributions determined on an actuarial basis. Actuarial valuation is prepared each year to determine the total employer contribution requirement, generally comprised of the normal cost, plus the level annual payment required to amortize the unfunded accrued liability over a period of 29 years from July 1, 2000. The actuarial accrued liability on June 30, 2007 for the State Retirement System as a whole, determined through an actuarial valuation performed as of that date, was $15.7 billion. The State Retirement System's actuarial value of assets on that date were $10.6 billion, leaving an unfunded actuarial liability of $5.1 billion.

Prior to July 1, 2005, each employer's annual contribution to the State Retirement System was determined by multiplying (i) the ratio of that employer's payroll over the total covered payroll as of the preceding March 31, by (ii) the total employer contribution requirement derived from the annual actuarial valuation as of the next preceding June 30. The University's share of State Retirement System costs for the fiscal years ended June 30, 2004 and June 30, 2005 was $29.9 million and $41.5 million, respectively. Effective July 1, 2005, Act 181, Session Laws of Hawaii 2004, changed the funding method from a fixed amortization period to a fixed contribution rate. The required employer contributions for the years ended June 30, 2008, June 30, 2007 and June 30, 2006 were $65.6 million, $58.1 million and $54.2 million, respectively, which represented 13.75% of payroll for each year. Effective July 1, 2008, the employer contribution rate was increased to 15% of salary. The cost for 2009 is expected to be approximately $80.6 million. The excess, if any, of the actuarially computed value of vested benefits over pension fund assets of University employees at June 30 of any fiscal year cannot be readily segregated from other State Retirement System employees.

A noncontributory retirement plan for certain public employees was created by enactment of Act 108, Session Laws of Hawaii 1984. All persons hired after June 30, 1984, and those contributory members who elected to join the new plan, are covered under the provisions of the noncontributory retirement plan. Those employed in positions not covered by social security are excluded from the noncontributory retirement plan. Retirement, disability and death benefits under the noncontributory plan are less than the contributory plan. On July 1, 2006, a new defined benefit contributory plan was established pursuant to Act 179, Session Laws of Hawaii 2004. The new plan provides certain current and new employees with the opportunity to participate in a defined benefit contributory plan by contributing 6% of their compensation. It provides portability for shorter-term employees and is expected to improve recruitment for and retention of public sector employees. The State Retirement System's actuary has determined that the new plan is cost neutral, an important factor given the escalating costs of the retirement program.

Post-Retirement Benefits. In June 2004, the Governmental Accounting Standards Board (*"GASB"*) issued Statement No. 45 (*"GASB 45"*), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health and other non-pension benefits (*"OPEB"*). GASB 45 generally requires that governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they do for pensions. Annual OPEB costs for most governments will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. A government may establish its OPEB liability at zero as of the beginning of the initial year of implementation. However, the unfunded actuarial liability is required to be amortized over future periods on the local government's income statement. GASB 45 also establishes disclosure requirements for information about the plans in which a government participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain local governments, the extent to which the plan has been funded over time. Accounting for these benefits - primarily post-retirement medical benefits - can have significant impacts on state and local government financial statements.

These requirements were effective for the State, including the University, beginning in the fiscal year ending June 30, 2008. The University has commissioned an actuarial study of the obligations for post-retirement benefits which are paid by the Hawaii Employers-Union Health Benefit Trust Fund.

In February 2008, the University's independent actuarial consultant estimated the actuarial accrued liabilities and annual OPEB costs under GASB 45 for the University as of July 1, 2007. The unfunded actuarial accrued liabilities for Trust Fund OPEBs were approximately $1.1 billion as of July 1, 2007. The corresponding annual OPEB costs (annual required contributions) for the fiscal year ended June 30, 2008 was approximately $88.6 million. Payments totaling approximately $25.7 million were made to the Trust Fund during the fiscal year ended June 30, 2008. The University contributions are financed on a pay-as-you-go basis. The University contribution for fiscal year 2008-09 has not yet been determined.

Financial Information

General. 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. See APPENDIX A – "THE UNIVERSITY OF HAWAII – Financial Information – State Appropriations" below.

Financial Statements. The audited financial statements of the University as of and for the year ended June 30, 2008 are included in Appendix B to this Official Statement to provide general information. Accuity LLP has not reviewed this Official Statement and has no responsibility with respect to this Official Statement. See "FINANCIAL STATEMENTS" in the forepart of this Official Statement.

The University maintains close relationships with the University of Hawaii Foundation (*"UHF"*) and the Research Corporation of the University of Hawaii (*"RCUH"*). UHF and RCUH are considered to be component units of the University, and their financial information is blended into the University's financial statements. Both UHF and RCUH prepare stand-alone audited financial statements. See APPENDIX A – "THE UNIVERSITY OF HAWAII – Financial Information – The University of Hawaii Foundation" and "– Financial Information Concerning Foundations and Other Entities" herein.

Total net assets has increased 52.9% over the past five fiscal years as shown in the table below.

Table A-12
SUMMARY BALANCE SHEET
AS OF JUNE 30
(in thousands of dollars)

	2004	2005	2006	2007	2008
Total Assets	$1,491,077	$1,629,733	$1,761,134	$2,106,834	$2,302,047
Total Liabilities	386,026	400,680	395,760	528,564	612,804
Net Assets					
Invested in capital assets, net of related debt	692,610	803,237	843,406	890,877	967,717
Restricted:					
Nonexpendable	97,384	104,949	111,428	133,507	152,449
Expendable	110,713	123,274	302,268	399,626	417,229
Unrestricted	204,344	197,593	108,272	154,260	151,848
Total Net Assets	1,105,051	1,229,053	1,365,374	1,578,270	1,689,243
Total Liabilities and Net Assets	$1,491,077	$1,629,733	$1,761,134	$2,106,834	$2,302,047

Source: University of Hawaii.

The following table provides a summary of the results of operations summarized to match revenues supporting core activities with expenses associated with core activities and other changes for the past five fiscal years.

Table A-13
RESULTS OF OPERATIONS SUMMARIZED TO MATCH REVENUES SUPPORTING CORE ACTIVITIES WITH EXPENSES ASSOCIATED WITH CORE ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30,
(in thousands of dollars)

	2004	2005	2006	2007	2008
Revenues:					
Tuition and fees, net	$110,253	$115,505	$123,232	$ 136,950	$150,969
State appropriations	459,649	488,193	570,747	623,984	690,625
Grants and contracts	313,564	337,728	350,431	373,237	379,364
Sales and services	93,777	97,074	105,753	110,094	122,651
Investment income	26,650	19,176	29,610	46,549	10,662
Private gifts	17,420	18,560	20,035	40,057	31,543
Other revenue	1,724	1,342	2,698	2,541	3,266
Revenues Supporting Core Activities	1,023,037	1,077,578	1,202,506	1,333,412	1,389,080
Expenses Associated with Core Activities Before Depreciation	964,674	1,033,130	1,147,409	1,227,210	1,372,402[1]
Income (Loss) from Core Activities Before Depreciation	58,363	44,448	55,097	106,202	16,678
Depreciation	43,610	53,748	59,924	65,387	71,226
Expenses Associated with Core Activities Including Depreciation	1,008,284	1,086,878	1,207,333	1,292,597	1,443,628
Income (Loss) from Core Activities	14,753	(9,300)	(4,827)	40,815	(54,548)[1]
Other Nonoperating Income, net	33,657	133,301	141,149	172,081	165,521
Increase in Net Assets	48,410	124,001	136,322	212,896	110,973
Net Assets, Beginning of Year	1,056,641	1,105,051	1,229,052	1,365,374	1,578,270
Net Assets, End of Year	$1,105,051	$1,229,052	$1,365,374	$1,578,270	$1,689,243

(1) The increase in expenses associated with the University's core activities are primarily due to an increase in the University's OPEB liability. See APPENDIX A – "THE UNIVERSITY OF HAWAII – Employee and Pension Benefits" herein.
Source: University of Hawaii.

Operating Budget Process. In accordance with State law, the University submits a biennial budget request, program and financial plan, and program performance reports to the Governor and Legislature for consideration by the Legislature when it convenes in regular session in every odd-numbered year. A supplemental budget request to amend any appropriation for the current fiscal biennium may also be submitted to the Legislature for approval when it convenes in regular session in even-numbered years. Operating and capital funds for the University are appropriated by major organizational units (UH-Manoa, UH-Hilo, UH-West Oahu, UH Community Colleges, Systemwide Support, etc.). Operating funds are generally organized and discussed in three functional categories: current service requirements that are necessary to support and maintain the current level of services, workload and program change requests to meet increases in workload and implementation of new program initiatives, and the University's share of various overhead type costs that are administered on a statewide basis (debt service, fringe benefits, risk management, etc.).

Upon approval by the Board, the University's operating and capital improvements budget requests are submitted simultaneously to the Governor for review and incorporation into the executive budget request for the

State and to the Legislature for informational purposes. The executive budget request for the State is submitted to the Legislature in December for consideration in the regular session of the Legislature in January. Appropriations by the Legislature (General or Supplemental Appropriations Act) are usually passed in May and transmitted to the Governor for approval. Upon approval by the Governor in June, allocation notices are transmitted to all state agencies including any restrictions imposed on Legislative Appropriations.

With the exception of the Community Colleges, lump sum allocations are made to each campus in the System and are generally equal to Legislative Appropriations less any restrictions imposed by the Governor. Due to the declining level of state funding support however, it has become necessary to assess each campus for a *pro rata* share of certain unfunded costs that are administered on a systemwide basis. These costs include but are not limited to: legal settlements, risk management program costs, private fundraising costs, and workers compensation/unemployment insurance premiums.

As a result of several statutory changes and a recent constitutional amendment, the University enjoys a much greater degree of discretion over its budget and operating priorities than other state departments.

State Appropriations. Historically, State appropriations are the largest source of revenues supporting the University's core activities. In fiscal year 2007-08, State appropriations comprised 49.7% of the University's revenues. In fiscal year 2006-07, State appropriations comprised 46.8% of the University's revenues. General fund state appropriations to the University for the past five fiscal years and the budgeted amount for the current fiscal year are summarized in the table below. See Note 17 to the University's audited financial statements in APPENDIX B – "AUDITED FINANCIAL STATEMENTS."

Table A-14
GENERAL FUND STATE APPROPRIATIONS
FOR THE FISCAL YEAR ENDED JUNE 30,
(in thousands of dollars)

	2004	2005	2006	2007	2008[1]	2009[1][2]
General Fund State Appropriations	$459,649	$488,193	$570,747	$623,984	$670,485	$728,300

(1) Amounts are derived from University Budget Office and may differ from financial statements prepared by the accounting office due to recording/classification and adjustments for lapsed funds.
(2) Projected.
Source: University of Hawaii.

State general fund tax revenues saw double-digit growth rates in fiscal year 2004-2005 (16.0%) and fiscal year 2005-2006 (10.9%), but slowed to 3.4% in fiscal year 2006-2007 and 1.2% in fiscal year 2007-2008. Hawaii's economy has been affected by a national recession that started in the fourth quarter of 2007 and a financial crisis in the fall of 2008, resulting in a sharp decline in general excise tax revenues. The Governor has made $221 million in initial spending cuts for fiscal year 2008-2009, of which $4 million was the University System's share. Further shortfalls are projected for the remainder of this fiscal year, and the University's share is yet to be determined.

In light of these projections and the formidable economic and budgetary challenges the State faces, the Legislature is expected to take a hard look at reducing expenditures while preserving a safety net for the most vulnerable. The Council on Revenues revised its revenue projections in March 2009, and substantial reductions beyond the spending cuts included in the Governor's proposed budget for the 2010-2011 biennium may be necessary. See APPENDIX A – "THE UNIVERSITY OF HAWAII – The Executive Budget" and Note 22 to the University's audited financial statements in APPENDIX B – "AUDITED FINANCIAL STATEMENTS."

Grants and Contracts. Grants and contracts are the second-largest source of revenues supporting the University's core activities. Grants and contracts comprised 27.3% and 28% of the University's revenues in fiscal years 2007-08 and 2006-07, respectively. From 2004 to 2008, research funding has grown approximately 21% from $313.6 million to $379.4 million. In fiscal year 2007-08, federal grant revenue accounted for 82.7% of research at the University, while the remainder was 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-15
GRANTS AND CONTRACTS
FOR THE FISCAL YEAR ENDED JUNE 30,
(in thousands of dollars)

	2004	2005	2006	2007	2008
Federal Grants and Contracts	$272,021	$289,575	$298,375	$316,690	$313,770
Other	41,543	48,153	52,056	56,547	65,594
Total Grants and Contracts	$313,564	$337,728	$350,431	$373,237	$379,364

Source: University of Hawaii.

Gifts and Fund Development. UHF is a nonprofit organization that was established in 1955, legally separate from the University, to encourage private support for the University. Currently, it is the central fundraising organization for the University, providing a variety of fundraising services and managing more than 5,115 separate donor accounts for the benefit of the University. As of December 31, 2008, UHF's endowment was valued at $143.6 million. Each year, UHF pays out approximately 6% of its endowment for its operations and to support the University's programs. In fiscal year 2007-08, UHF distributed $28.7 million to the University, with approximately $7.7 million going into student aid and services. In fiscal year 2006-07, UHF distributed $23.1 million to the University, with approximately $7.59 million going into student aid and services.

On July 1, 2002, UHF embarked on the Centennial Campaign. The campaign period was recently extended to June 2009 with a goal of $250 million. On November 24, 2008, UHF announced that it had surpassed the campaign's initial fundraising goal. As of March 2009, total fundraising contributions total $264 million. Over $103 million has been earmarked for the support of faculty and academic programs, over $65 million has been directed towards scholarships and other forms of tuition assistance, and $40 million for the support of research. The Centennial Campaign serves as a focal point to build a culture and legacy of philanthropic support throughout the University System. For additional information on the Capital Campaign, see the Management's Discussion and Analysis included in APPENDIX B – "AUDITED FINANCIAL STATEMENTS" herein.

UHF's results generally are based on two components: investment returns and donor contributions. While donor contributions were strong in the 2008 calendar year, investment returns were disappointing due to a range of economic trends. In 2008, UHF's asset allocation program kept returns positive through the first three quarters of the year, but the last quarter ended with negative returns for the year, primarily due to the subprime crisis, escalating oil prices and the weakening of the United States dollar. In the 2008 calendar year, UHF's endowment lost 22.8%. As of December 31, 2008, UHF's endowment was valued at $143.6 million and allocated as follows:

Table A-16
UNIVERSITY OF HAWAII FOUNDATION
ENDOWMENT ASSET ALLOCATION PERCENTAGES
(as of December 31, 2008)

Investment	Percentage
Fixed Income	25%
Global Equity	21
United States Equity	18
Marketable Hedge Funds	14
Private Real Assets	7
Cash	6
Private Equity / Venture Capital	6
Marketable Real Assets	3
Total	100%

Source: University of Hawaii Foundation.

The University also maintains a separate endowment pool, which is currently valued at approximately $53.3 million. In calendar year 2008, the University's endowment pool lost 21.6% due to the economic and financial crisis. As of December 31, 2008, the University's endowment was allocated as follows:

Table A-17
UNIVERSITY OF HAWAII
ENDOWMENT ASSET ALLOCATION PERCENTAGES
(as of December 31, 2008)

Investment	Percentage
Fixed Income	40%
Equity	39
International Equity	10
Cash	11
Total	100%

Source: University of Hawaii.

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The University's endowment and UHF's endowment are presented in the University's financial statements. See Note 2 to the University's audited financial statements in APPENDIX B – "AUDITED FINANCIAL STATEMENTS." The following table summarizes the performance of the endowment funds of the University and UHF as of December 31, 2008.

Table A-18
UNIVERSITY OF HAWAII AND UNIVERSITY OF HAWAII FOUNDATION ENDOWMENT FUND PERFORMANCE AS A PERCENTAGE OF THE ENDOWMENT FUND
(as of December 31)

	2004	2005	2006	2007	2008
University of Hawaii[(1)]	8.5%	5.8%	9.9%	6.1%	-21.6%
University of Hawaii Foundation[(2)]	12.2%	7.2%	13.9%	9.4%	-22.8%

(1) Information provided by the University.
(2) Information provided by UHF.

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 28.9% over the past five years.

Investments. The University's endowment provides funds to support University academic programs and student-related activities. Historically, the University does not rely heavily on income from its investments as a source of revenue for the University. Investment income constituted 3.49% and 0.77% of the University's revenues in fiscal years 2006-07 and 2007-08, respectively. The University and UHF have no exposure to derivative or other structured products, except that as of February 26, 2009, the University had approximately $113 million invested in interest-bearing auction rate securities out of $314.6 million in operating funds. See Note 2 to the University's audited financial statements in APPENDIX B – "AUDITED FINANCIAL STATEMENTS."

University Endowment Spending Policy. Pursuant to the University's investment policy, the Board is required to adopt investment goals and comprehensive guidelines to insure the preservation of capital and adequate growth and income. The long-range investment objective of the University is to achieve a maximum rate of return on assets based on the asset allocation policy to produce current income to meet spending needs of 6% while preserving the real value of the endowment principal.

The investment goal of the University's endowment fund is to seek the highest expected total return (resulting from income from dividends, interest and option writing, and from realized and unrealized appreciation in securities and other investments) within reasonable levels of annual volatility to insure the long-term growth of the fund and the continued annual payout of not more than 6% of the market value which will be determined by the Board. Upon approval by the Board, the University shall provide each investment manager with a schedule of payouts to be made during the year. The payouts will be scheduled as close to the actual expenditures as practicable to maximize the amounts retained and invested by investment managers. In fiscal years 2006-07 and 2007-08, the University's spending rate policy provides for an annual distribution ranging from 3% to 5% of the five-year moving average of the endowment fair value.

The University's Investment Policy. The University and UHF maintain separate investment policies. See "– The University of Hawaii Foundation" below. The following guidelines currently govern the University's investments:

1. The "prudent man rule" shall be followed in the investment of the University's endowment fund. Securities in new and untried enterprises should not be purchased. There is an exception to this rule where prudence has been exercised through the use of investment vehicles that dramatically reduce the risk factors involved or where special expertise warrants the risk taken.

2. Equity investments will be made in quality common stocks, convertible preferred stocks and convertible bonds, with an emphasis on total return. Investment managers should invest for the long-term; however, this should not preclude the investment manager from making interim changes to meet the investment goal of the fund.

3. Investment in nonconvertible bonds should be managed to take advantage of the changes in the interest rate curves rather than to be purchased and allowed to mature. All nonconvertible bonds should have at least a "BBB" rating or higher and be readily marketable. In addition, no more than 15% of the fixed income investments may be graded with an S&P quality rating below "A."

4. All cash wherever and whenever possible should be invested in savings accounts or liquid interest bearing securities, including shares of money market funds.

In terms of asset allocation, the University's investment policy requires that a balanced portfolio be maintained, with a minimum of 30% and a maximum of 70% in equity or fixed income investments and a maximum of 40% in cash and equivalents. The Board's Committee of Finance and Facilities reviews the fund's asset allocation and investment manager performance annually and determines whether amounts invested with managers should be rebalanced toward policy allocation targets. To avoid the risk of concentration of assets, individual bond positions other than obligations of the United States government should not comprise more than 5% of the total fixed income portion of the portfolio. Individual equities should comprise no more than 5% of the total market value of the stock portfolio. In addition, investment in any one stock is not to exceed 5% of the corporation's outstanding common stock.

The University's investment policy currently prohibits investments in the following:

- Investments in companies which, including predecessors, have a record of less than 3 years of continuous operation;
- Commodities;
- Lettered stock and private placements;
- Selling "naked" puts and/or calls;
- Derivative securities of any kind;
- The use of adjustable rate issues with coupons which move inversely to an index;
- Tax exempt securities;
- Securities issued by the managers, their parents or subsidiaries;
- Assets of the fund in their own interest or for their own account;
- Transactions involving fund assets on behalf of a party whose interests are adverse to the interests of the fund or its beneficiaries; and
- Transactions involving third party compensation for their own account from any party in connection with a transaction involving fund assets.

Investment Consulting. The University's investment program is managed through an investment consulting contract with Morgan Stanley & Co., Inc. (the *"Investment Consultant"*). The Investment Consultant provides investment consulting services for the program. University funds available for investment are invested in accordance with the University's investment policies.

The University of Hawaii Foundation. UHF is a not-for-profit organization established to solicit and manage funds for the benefit of the University. UHF is considered to be a component unit of the University, and its financial information is blended into the University's consolidated financial statements. See APPENDIX A – "THE UNIVERSITY OF HAWAII – Financial Information – Financial Statements" above.

The University and UHF maintain separate investment policies. See "– The University's Investment Policy" above. The Investment Committee of UHF's Board of Trustees makes the decisions regarding the investment of the endowment, with the goal of obtaining high investment returns through a diversified, professionally managed portfolio. UHF retains an independent consulting firm, Cambridge Associates, with expertise in investment policy development, spending policy analysis, manager evaluation, and selection and performance evaluation.

The following table summarizes the University's cash and investments as of June 30 of each of the past five years and as of December 31, 2008.

Table A-19
UNIVERSITY CASH AND INVESTMENTS
(in thousands of dollars)

	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	December 31, 2008[1]
Current Assets:						
Cash and cash equivalents	$121,134	$115,930	$21,784	$35,417	$105,545	$104,491
Operating investments	141,988	131,805	164,224	191,931	75,893	78,626
Noncurrent Assets:						
Restricted cash and cash equivalents	10,151	10,040	4,719[2]	2,398	138[2]	1,020[3]
Endowment and other investments	288,352	244,063	249,037	379,767	464,723	413,983
Total Cash and Investments	$561,625	$501,838	$439,764	$609,513	$646,299	$598,120

(1) Unaudited.
(2) Decrease in restricted cash and cash equivalents due to certain investments maturing and reinvested.
(3) Increase in restricted cash and cash equivalents due to certain investments maturing and not reinvested

Source: University of Hawaii.

The University and UHF have no exposure to derivative or other structured products, except that as of February 26, 2009, the University had approximately $113 million invested in interest-bearing auction rate securities out of $314.6 million in operating funds. These securities were reclassified to long-term investments in the University's consolidated statements of net assets as of June 30, 2008 and in the December 31, 2008 figures shown in Table A-19 above.

Additional information regarding the University's investments is provided in the accompanying notes to the financial statements of the University included in APPENDIX B – "AUDITED FINANCIAL STATEMENTS."

Capital Assets. Capital assets consist of land, land improvements, infrastructure, buildings, equipment, library books, and construction in progress. Assets acquired are recorded at cost, or if donated, at an appraised value at the date of the gift. Depreciation of capital assets is provided for on a straight-line basis over the estimated useful lives of the respective assets. Capital assets net of accumulated depreciation at June 30, 2008 amounted to $1.188 billion, an increase of 48.7% over the past five fiscal years.

Table A-20
UNIVERSITY CAPITAL ASSETS
AS OF JUNE 30,
(in thousands of dollars)

	2004	2005	2006	2007	2008
Capital assets not being depreciated:					
Land	$11,787	$11,827	$11,827	$11,827	$12,486
Construction in progress	164,706	183,626	89,963	146,623	211,866
Total capital assets not being depreciated	$176,493	$195,453	$101,790	$158,450	$224,352
Capital assets being depreciated:					
Land improvements	$41,775	$56,451	$70,575	$75,816	$79,703
Infrastructure	29,515	45,308	50,900	55,327	74,888
Buildings	823,018	953,791	1,100,813	1,130,857	1,188,899
Equipment	214,146	226,677	238,763	255,785	269,778
Library books	146,298	147,008	156,775	153,664	160,337
Total assets being depreciated	$1,254,752	$1,429,235	$1,617,826	$1,671,449	$1,773,605
Less accumulated depreciation	$631,909	$655,062	$704,190	$755,869	$809,322
Capital assets, net	$799,336	$969,626	$1,015,426	$1,074,030	$1,188,635

Source: University of Hawaii.

The University's capital improvements program for fiscal biennium 2007-2009 includes a total of $465.08 million in Legislative Appropriations and authorizations; this includes $12.5 million in State general funds and $309.48 million in State funded general obligation bonds. The University received a total of $322.67 million in Legislative Appropriations and authorizations for capital improvements for the fiscal biennium 2005-2007; which included $42.5 million in State general funds and $191.77 million in State funded general obligation bonds.

Financial Information Concerning Foundations and Other Entities. The Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, establishes standards for defining and reporting on the financial reporting entity. The basic criterion for including a potential component 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 UHF and the RCUH are blended in the University's financial statements. See Note 1 to the University's audited financial statements in APPENDIX B – "AUDITED FINANCIAL STATEMENTS."

UHF was formed to encourage private support to the University. It is the central fund raising organization for the University System providing a host of fund-raising services to all 10 University campuses along with managing more than 5,115 separate donor accounts. For the fiscal year ended June 30, 2008, UHF reported in their financial statements revenues of $59.6 million and expenses of $38.9 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, 2008, RCUH reported in their financial statements revenues of $7.8 million and expenses of $7.7 million.

The Executive Budget

In December 2008, the Governor presented the 2009-11 Executive Biennium Budget (the *"Executive Budget"*). As of December 2008, the Governor's preliminary numbers indicated that general fund tax collections in the first five months of fiscal year 2009-10 will decline by 2.6% over the same period in the previous fiscal year. In October 2008, the Council of Revenues projected general fund revenues to decrease by 0.5% in fiscal year 2009-10 and increase by 3.5% in fiscal year 2010-11.

The Governor's Overview accompanying the Executive Budget notes that in 2008, the national financial crisis and economic downturn adversely impacted the State's tax revenues and budget. The State experienced a contraction in its visitor industry, retail and construction sectors. The General Fund balance as of June 30, 2008 was $331.2 million, representing a decrease of $162.2 million from the previous fiscal year. In 2008, the Council on Revenues had to revise its revenue projections downward five times to adjust to the economic climate. The consensus among business, academic and government economists is that Hawaii's economy will experience no growth in 2009 and may experience a contraction in real terms.

In addition to a smaller revenue base, the State had to respond to successive reductions in revenue forecasts by the Council of Revenues throughout 2008. In January 2008, the Council of Revenues projected a 4.1% growth in revenues for fiscal year 2009-10. By October 2008, the Council revised its projections and projected a 0.5% deficit. This translates to a reduction of $411.7 million in projected tax revenues over a 10-month period. The cumulative effect of these successive reductions in revenue estimates for fiscal years 2009-10, 2010-11 and 2011-12 is a substantial decrease in the amount of money that the State can expect in the immediate and near future. Without immediate corrective action, the projected cumulative budget shortfall from general funds would amount to $1.1 billion by the end of fiscal year 2011-12.

The Executive Budget seeks to bridge the budget gap by taking immediate steps to control spending, reduce expenses, and economize general funds. As an integral part of budget preparation, departments and agencies, including the University, were directed to conduct a critical review and assessment of their core functions and essential services. Budget ceilings were established and funding requirements were adjusted to meet revenue constraints. Departments were instructed to develop and submit their budget requests at three levels corresponding to mandatory reductions of 10%, 15% and 20% of their current discretionary expenses. These contingency plans were designed to prepare for further adjustments, as necessary, if revenue conditions worsened.

The result is an Executive Budget that reduces operating costs by a net general fund total of $395 million ($209 million in fiscal year 2009-10 and $186 million in fiscal year 2010-11). The Executive Budget proposals for fiscal years 2009-10 and 2010-11 were developed to meet the following objectives:

1. Align program requirements with appropriate means of financing. The Governor identified programs and activities that should be funded with revenue sources other than general funds. As a result, 64 existing positions and related program expenses are proposed to be funded from federal, special, revolving or trust funds. General fund savings total $20 million each year.

2. Continue to restructure and finance general obligation bond debt. The Governor plans to aggressively pursue debt restructuring in the coming months as uncertainty in the credit markets abates. Total reduction in debt service costs that will result from refinancing and restructuring current general obligation debt is estimated to be $205.2 million in the biennium.

3. Reduce operating costs to meet mandatory budget cuts and preserve essential services of State government. Substantial cuts were made across the board as well as in targeted areas. The overall reduction from general funds amounted to 14% of discretionary costs and was achieved by consolidated operations, eliminating nonessential or newly added services, eliminating programs of low priority, and modifying levels of benefits and services.

4. Minimize cuts in areas of strategic importance to the State. While budget reductions were unavoidable in such a severe economic downturn, the Governor proposes to maintain critical investments, including

public education and clean energy initiatives. The Department of Education has identified reductions amounting to $40 million per year and a decrease of 240 positions, mainly from the State and district levels, support services and categorical programs. The University has also identified general fund reductions of $13.5 million each year, which are not expected to affect the University's core instructional activities. The Governor is also proposing funds for the University to further develop and implement the Science, Technology, Engineering and Math program to promote innovation and analytical skills in education. . See APPENDIX A – "THE UNIVERSITY OF HAWAII – Impact of the State's Finances on the University" below.

5. Minimize negative impact on State employees. The Governor is committed to the goal of no layoffs for State employees. The Executive Budget proposes a reduction of 579 general funded positions (283 permanent and 296 temporary). Changes in positions funded from non-general fund sources reflect a net increase of 99 positions (97 permanent and two temporary), including 64 positions previously paid from general funds. In light of the current economic and fiscal condition, the Governor does not propose any pay increases for employees in the existing collective bargaining negotiations. Additionally, the Governor plans to introduce legislation to recommend the deferral of authorized pay raises in the upcoming fiscal biennium for officers of State government, including the Executive Branch, the Judiciary and the Legislature.

In addition to budget cuts, the Governor also proposes the following transfers and tax measures:

1. Transfer from the Emergency and Budget Reserve Fund (*"EBRF"*). The EBRF is a rainy day fund established to address economic difficulties such as what the State is currently faced with. The current balance in the fund is $74 million. The Governor recommends transferring $40 million to the General Fund for fiscal year 2009-10, and a $35 million transfer in fiscal year 2010-11. With annual deposits from the Tobacco Settlement Fund, the EBRF will continue to accumulate additional reserves and the fund balance is projected to be $15.7 million at the end of fiscal year 2010-11.

2. Transfer of excess balances from special funds. As a short-term, one-time remedy, the Governor proposes to transfer excess balances from two special funds into the General Fund. The amounts will be $36 million from the Deposit Beverage Container Special Fund and $9 million from the Wireless Enhanced 911 Special Fund.

3. Tax proposals. The Governor also intends to submit a number of proposals to tighten up tax laws, improve tax collection and administration, and reduce excessive tax credits. The Governor proposes to conform to the federal Internal Revenue Code for accuracy-related penalties, establish a special enforcement section to monitor the cash economy, and tighten Act 221 investment tax credits to conform to the federal tax code. these efforts are expected to add $122 million to the State's tax collections in the biennium.

Subsequent Events. After the Governor presented the Executive Budget in December 2008, the Council on Revenues further reduced its revenue forecasts in January 2009 and March 2009. The Governor is evaluating the latest forecast of the Council on Revenues and plans to present a detailed financial plan to the Legislature addressing the forecasted reduction in revenues.

Impact of the State's Finances on the University

In the current economic and fiscal downturn, the University's enrollment has increased and reached the highest enrollment of degree-seeking students in its 101-year history. Enrollment at the university's 10 campuses increased by nearly 3,000 students in fall 2008 from fall 2007 levels, to over 53,500 students.

The Executive Budget includes a $13.5 million reduction in general funds for the University for fiscal years 2009-10 and 2010-11, and $5.5 million per year in additional funding for a number of programs in science education. See APPENDIX A – "THE UNIVERSITY OF HAWAII – The Executive Budget" herein.

In October 2008, the Board approved reduced operating budget scenarios for fiscal years 2009-10 and 2009-11. The base budget reduction scenarios ranged from $13.5 million to $30.6 million, as requested by the Governor. Due to current economic conditions, further reductions in excess of those levels are likely. The Governor has also restricted approximately $6 million of the University's 2008-09 fiscal year appropriations and further restrictions are possible. See the Management's Discussion and Analysis included in APPENDIX B – "AUDITED FINANCIAL STATEMENTS" herein.

The University prepared its operating budget request for fiscal years 2009-10 and 2010-11 with proposals to offset some of the anticipated reductions in general funds. These proposals include the implementation of energy conservation measures, deferring the filling vacant positions throughout its campuses, reducing certain test-preparation courses, campus security services and other current expenses for information technology, human resources, student affairs and academic support services, and adjusting class sizes. The University also proposes to transfer funding for general fund program expenditures to special, revolving, federal and other available sources of funds, and adjusting debt service payments.

The University's capital improvements budget allocates approximately $350 million in health and safety, capital renewal and deferred maintenance and equipment for new buildings. The University does not plan to postpone work on capital projects, so as to stimulate the economy by creating or preserving several thousand jobs related to the capital projects. To facilitate the projects, the University is requesting more flexibility in procurement from the Governor of the State and the Legislature.

As described above, the University receives a significant portion of its funding from the State. The State has not finalized its budget for the 2009-11 biennium and the University is unable to predict the impact of the State's final budget on the University's finances at this time. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the University. The University cannot predict the extent of the budgetary problems the State will encounter in this or in any future fiscal years, nor is it clear what measures could be taken by the State to balance its budget. Current and future budgets of the University will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the University has no control.

Impact of the 2009 Federal Stimulus Act on the University

On February 17, 2009, the President of the United States signed the American Recovery and Reinvestment Act of 2009 (the *"2009 Federal Stimulus Act"*) into law. The 2009 Federal Stimulus Act seeks to stimulate job creation by cutting taxes and investing billions of dollars over the next two years in critical sectors of the economy such as energy, health care, infrastructure and education.

Within the education sector, the 2009 Federal Stimulus Act aims to save or create early childhood, K-12 and higher education jobs that are at risk of state and local budget cuts. The 2009 Federal Stimulus Act also seeks to create thousands of additional construction jobs related to school modernization projects. The 2009 Federal Stimulus Act also seeks to raise Pell grants and tuition tax credits to help more young people attend college.

The specific benefits to the University arising from the 2009 Federal Stimulus Act have not been determined at this time. The University will continue to monitor the impacts of the 2009 Federal Stimulus Act on its finances and may modify its budget to adapt to the effects of the 2009 Federal Stimulus Act as necessary.

Insurance

Act 186 of the 2003 Hawaii State Legislature established the Risk Management Special Fund (*"RMSF"*) to finance a program of insurance and self-insurance for the University. The program is funded through annual assessments of each campus based on factors such as number of employees, student enrollment, loss history, and specialized facilities. The RMSF pays the University's insurance premiums, retention payments, settlements and judgments, litigation expenses incurred by the University General Counsel, and risk management related expenses.

In addition to its own insurance program, the University participates in the State of Hawaii insurance program.

Outstanding Indebtedness

Bonds Issued Under the Resolution. The University issued the following Bonds pursuant to the Resolution:

Designation	Principal Amount Outstanding as of January 31, 2009
$655,000 Board of Regents of the University of Hawaii, University Revenue Bonds, Series 2001A (the *"2001A Bonds"*)	--
$18,665,000 Board of Regents of the University of Hawaii, University Revenue Bonds, Refunding Series 2001B (the *"2001B Bonds"*)	$12,425,000
$100,000,000 Board of Regents of the University of Hawaii, University Revenue Bonds, Series 2006A (the *"2006A Bonds"*)	100,000,000
Total	$112,425,000

The 2001A Bonds are no longer outstanding. The 2001B Bonds were issued to refund certain outstanding revenue bonds of the Board in advance of the maturity thereof. The 2001B Bonds are enhanced by a bond insurance policy issued by Financial Security Assurance Inc. The 2006A Bonds were issued for the purpose of financing or refinancing the costs of construction of a dormitory facility designated as Frear Hall, the maintenance of existing food service facilities at the Manoa campus and the maintenance of existing University Projects in the University System. The 2006A Bonds are enhanced by a bond insurance policy issued by MBIA Insurance Corporation.

In addition to the Bonds, the University plans to seek additional authorization from the Legislature for the issuance of an additional $150,000,000 in revenue bonds. Such bonds are intended to fund other capital projects of the University pursuant to its capital improvement program.

Separate Resolution Financing: University Bonds. Pursuant to a separate resolution, the Board has financed university projects not constituting a part of the Network, currently only Phase I of the University's Health and Wellness Center. In 2002, the University issued $150,000,000 principal amount of University Bonds to finance Phase I and to provide for the planning and design of Phase II. In 2006, the University issued $133,810,000 principal amount of University Bonds to advance refund the bonds issued in 2002. Currently, there are $146,205,000 principal amount of University Bonds outstanding. All bonds issued under the aforesaid resolution are 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, but does not include moneys deposited in the University Revenue-Undertaking Fund derived from the Network. Such special and revolving fund moneys constitute "Legislative Appropriation" under the Resolution. Under the supplemental resolutions authorizing the aforesaid bonds issued in 2002 and 2006, such bonds are additionally payable from and secured by a lien on a portion of the moneys in the Hawaii Tobacco Settlement Special Fund. The aforesaid bonds have a prior and paramount claim on the Legislative Appropriation pledged to the Bonds.

Reimbursable General Obligation Bonds. In addition to payment of debt service on the bonds issued for the Network, revenues from the Network 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, 2008, $2,915,842 of principal reimbursements remained outstanding. Annual reimbursement, including semi-annual interest payments, range from $144,051 to $1,684,442 with the final installment in July 2017.

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, are subject to appropriation and are payable from the revenues of the Network. 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, 2008, such payments under both the leasing agreement and the installment purchase contracts aggregate approximately $318,636 and decline each subsequent year.

Kau’iokahaloa Nui Faculty Housing Project. In 1995, the Housing Finance and Development Corporation, known today as the Hawaii Housing Finance and Development Corporation (*“HHFDC”*) 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 HHFDC 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 HHFDC, 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. The annual installments are approximately $1.22 million per year and the final installment is in October 2025.

A portion of the proceeds of the Series 2009A Bonds will be used to refund the 1995 Bonds that were issued for the Kau’iokahaloa Nui Faculty Housing Project.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS

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AccuityLLP
CERTIFIED PUBLIC ACCOUNTANTS

University of Hawai'i
State of Hawai'i

Consolidated Financial Statements, Required Supplementary Information and Other Supplementary Information

June 30, 2008 and 2007

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Accuity LLP

CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

To the Board of Regents of the
University of Hawai'i

In our opinion, based on our audits and the reports of other auditors, the financial statements listed in the accompanying index, which collectively comprise the financial statements of the University of Hawai'i (the "University"), a component unit of the State of Hawai'i, present fairly, in all material respects, the financial position of the University and its blended component units at June 30, 2008 and 2007, and the changes in their financial position and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. 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 audits. We did not audit the financial statements of the University of Hawai'i Foundation (the "Foundation") and the Research Corporation of the University of Hawai'i (the "Research Corporation"), which collectively represent 14.5 percent of total assets and 2.0 percent of total operating revenues of the University as of and for the year ended June 30, 2008, and 14.9 percent of total assets and 1.9 percent of total operating revenues of the University as of and for the year ended June 30, 2007. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Foundation and Research Corporation, are based solely on the reports of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits and the reports of other auditors provide a reasonable basis for our opinion.

As discussed in the significant accounting policies in the Notes to Consolidated Financial Statements, the University adopted Governmental Accounting Standards Board ("GASB") Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as of July 1, 2007.

The Management's Discussion and Analysis ("MD&A") on pages 2 through 23 and Required Supplementary Information ("RSI") Other Than MD&A on page 68 are not required parts of the financial statements but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A and RSI Other Than MD&A. However, we did not audit the information and express no opinion on it.

Accuity LLP

Honolulu, Hawai'i
March 20, 2009

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Introduction

The following discussion and analysis provides an overview of the consolidated financial position and activities of the University of Hawaiʻi (the "University") for the years ended June 30, 2008 and 2007, with selected information for the year ended June 30, 2006. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Founded in 1907 under the auspices of the Morrill Act, the University is a land-grant, sea-grant, and space-grant institution. The University system distinguishes itself through its Hawaiian, Asian, and Pacific orientation and its position as one of the world's foremost multicultural centers for global and indigenous studies. Students are members of a population in which no one ethnic group constitutes a majority, and the educational experience is enriched by the diversity of cultures represented.

The University is Hawaiʻi's sole public higher education system and is governed by a Board of Regents consists of fifteen members appointed by the Governor of the State of Hawaiʻi . The University system is represented by ten campuses with approximately 53,500 students and 10,000 faculty and staff. The University provides a broad range of 274 degree programs from baccalaureate to post-doctoral level, through a framework of sixteen colleges and nine professional schools. Through its seven community colleges on Oʻahu, Hawaiʻi, Maui, and Kauaʻi, the University offers more than 200 certificate and associate degree programs. In addition to organized research institutes and administrative service and distance learning centers, the University system also houses more than a hundred centers with a research, instruction, or public service purpose. The University is also engaged in instructional research and service activities at hundreds of Hawaiʻi schools, hospitals and community sites, and carries out these activities across the Pacific Islands and in foreign countries.

Using the Financial Statements

The University’s consolidated financial statements are prepared in accordance with Governmental Accounting Standards Board (“GASB”) principles, which establish standards for external financial reporting for public colleges and universities. The University’s consolidated financial statements are comprised of the following four components:

- **Statement of Net Assets** – The Consolidated Statements of Net Assets present information on the University’s assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the University’s financial condition is improving or deteriorating. Net assets increase when revenues exceed expenses, or when assets increase without a corresponding increase in liabilities. This is an indication of improving financial condition. However, when expenses exceed revenues, or when liabilities increase without a corresponding increase in assets, this is an indication of deteriorating financial condition.

- **Statement of Revenues, Expenses and Changes in Net Assets** – The Consolidated Statements of Revenues, Expenses and Changes in Net Assets present the University’s revenues and expenses and illustrate how current year activities improved or weakened the University’s financial condition. Changes in net assets are reported when the underlying event occurs (accrual basis of accounting), which may be different from actual cash flows. The Consolidated Statements of Revenues, Expenses and Changes in Net Assets also distinguish operating from non-operating revenues and expenses. Tuition and fees revenue and student housing fees revenue are reported net of scholarships and fellowships, including tuition and fee waivers applied to student accounts. Sales and services revenue primarily includes ticket sales for athletic events and distributions from the Western Athletic Conference and the National Collegiate Athletic Association. It is anticipated that the University will consistently report an operating loss since certain significant revenue sources relied upon for core operational needs, including state appropriations, private gifts and investment income, are considered non-operating revenues.

- **Statement of Cash Flows** – The Consolidated Statements of Cash Flows distinguishes between cash inflows and outflows from operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

- **Notes to Consolidated Financial Statements** – The notes provide additional information that is essential to a full understanding of the information presented in the consolidated financial statements.

Related Entities

The University maintains close relationships with two other entities, considered to be component units, and whose financial information is blended into the University’s accompanying consolidated financial statements. The University of Hawai‘i Foundation (the “Foundation”) is a not-for-profit organization established to solicit and manage funds for the benefit of the University. The Research Corporation of the University of Hawai‘i (the “Research Corporation”) provides administrative support services for research and training programs of the University. Both of the University’s component units prepare stand-alone financial statements with footnotes, which are audited by independent auditors. The following tables summarize the individual components of the University’s consolidated financial position and results of operations for the years ended June 30, 2008, 2007 and 2006 (in thousands of dollars):

	2008				
	University	Research Corporation	Foundation	Consolidation Adjustments	Total
Current assets	$ 307,692	$ 38,274	$ 27,601	$ (32,917)	$ 340,650
Noncurrent assets	1,699,645	387	268,017	(6,652)	1,961,397
Total assets	2,007,337	38,661	295,618	(39,569)	2,302,047
Current liabilities	219,515	27,466	3,749	(29,397)	221,333
Noncurrent liabilities	383,105	1,408	6,958	-	391,471
Total liabilities	602,620	28,874	10,707	(29,397)	612,804
Net assets	$ 1,404,717	$ 9,787	$ 284,911	$ (10,172)	$ 1,689,243

	2007				
	University	Research Corporation	Foundation	Consolidation Adjustments	Total
Current assets	$ 338,785	$ 39,815	$ 21,656	$ (25,564)	$ 374,692
Noncurrent assets	1,490,869	546	251,670	(10,943)	1,732,142
Total assets	1,829,654	40,361	273,326	(36,507)	2,106,834
Current liabilities	196,705	29,743	2,652	(31,151)	197,949
Noncurrent liabilities	323,195	958	6,462	-	330,615
Total liabilities	519,900	30,701	9,114	(31,151)	528,564
Net assets	$ 1,309,754	$ 9,660	$ 264,212	$ (5,356)	$ 1,578,270

	2006				
	University	Research Corporation	Foundation	Consolidation Adjustments	Total
Current assets	$ 274,648	$ 43,030	$ 11,160	$ (21,426)	$ 307,412
Noncurrent assets	1,264,186	856	196,249	(7,569)	1,453,722
Total assets	1,538,834	43,886	207,409	(28,995)	1,761,134
Current liabilities	161,658	31,449	735	(24,020)	169,822
Noncurrent liabilities	219,037	1,011	5,979	(89)	225,938
Total liabilities	380,695	32,460	6,714	(24,109)	395,760
Net assets	$ 1,158,139	$ 11,426	$ 200,695	$ (4,886)	$ 1,365,374

	2008				
	University	Research Corporation	Foundation	Consolidation Adjustments	Total
Operating revenue	$ 656,235	$ 5,261	$ 8,053	$ (13,299)	$ 656,250
Operating expense	1,318,400	5,587	38,884	(12,412)	1,350,459
Operating income (loss)	(662,165)	(326)	(30,831)	(887)	(694,209)
Nonoperating activity	757,128	453	51,530	(3,929)	805,182
Increase (decrease) in net assets	94,963	127	20,699	(4,816)	110,973
Net assets					
Beginning of year	1,309,754	9,660	264,212	(5,356)	1,578,270
End of year	$ 1,404,717	$ 9,787	$ 284,911	$ (10,172)	$ 1,689,243

	2007				
	University	Research Corporation	Foundation	Consolidation Adjustments	Total
Operating revenue	$ 619,558	$ 5,363	$ 6,655	$ (8,754)	$ 622,822
Operating expense	1,159,069	5,107	31,232	(11,314)	1,184,094
Operating income (loss)	(539,511)	256	(24,577)	2,560	(561,272)
Nonoperating activity	691,126	(2,022)	88,094	(3,030)	774,168
Increase (decrease) in net assets	151,615	(1,766)	63,517	(470)	212,896
Net assets					
Beginning of year	1,158,139	11,426	200,695	(4,886)	1,365,374
End of year	$ 1,309,754	$ 9,660	$ 264,212	$ (5,356)	$ 1,578,270

	2006				
	University	Research Corporation	Foundation	Consolidation Adjustments	Total
Operating revenue	$ 576,455	$ 5,549	$ 8,836	$ (8,726)	$ 582,114
Operating expense	1,083,672	4,816	26,179	(11,865)	1,102,802
Operating income (loss)	(507,217)	733	(17,343)	3,139	(520,688)
Nonoperating activity	614,613	808	44,139	(2,550)	657,010
Increase (decrease) in net assets	107,396	1,541	26,796	589	136,322
Net assets					
Beginning of year	1,050,743	9,885	173,899	(5,475)	1,229,052
End of year	$ 1,158,139	$ 11,426	$ 200,695	$ (4,886)	$ 1,365,374

Financial Position

The consolidated statements of net assets present the financial position of the University at the end of the fiscal year and display all assets and liabilities of the University. Assets and liabilities are generally measured using current values. Two notable exceptions are receivables and capital assets, which are stated at historical cost less an allowance for doubtful accounts and accumulated depreciation, respectively. The difference between assets and liabilities is net assets, representing a measurement of the current financial condition of the University. The University's assets, liabilities and net assets at June 30, 2008, 2007 and 2006 are summarized as follows (in thousands of dollars):

	2008	Percentage of Total Assets	2007	Percentage of Total Assets	FY 08 vs 07 Change	2006	Percentage of Total Assets	FY 07 vs 06 Change
Current assets								
Cash and operating investments	$ 181,438	8%	$ 227,348	11%	$ (45,910)	$ 190,538	11%	$ 36,810
Receivables, net	136,259	6%	128,607	6%	7,652	99,806	5%	28,801
Other current assets	22,953	1%	18,737	1%	4,216	17,068	1%	1,669
	340,650	15%	374,692	18%	(34,042)	307,412	17%	67,280
Noncurrent assets								
Endowment and other investments	464,723	20%	379,767	18%	84,956	249,037	14%	130,730
Capital assets, net	1,188,635	52%	1,074,030	51%	114,605	1,015,426	58%	58,604
Other noncurrent assets	308,039	13%	278,345	13%	29,694	189,259	11%	89,086
Total assets	2,302,047	100%	2,106,834	100%	195,213	1,761,134	100%	345,700
Current liabilities	221,333	10%	197,949	9%	23,384	169,822	10%	28,127
Noncurrent liabilities								
Long-term debt	271,990	12%	276,865	13%	(4,875)	170,815	10%	106,050
Other noncurrent liabilities	119,481	5%	53,750	3%	65,731	55,123	3%	(1,373)
Total liabilities	612,804	27%	528,564	25%	84,240	395,760	23%	132,804
Net assets								
Invested in capital assets, net of related debt	967,717	42%	890,877	43%	76,840	843,406	48%	47,471
Restricted								
Nonexpendable	152,449	6%	133,507	6%	18,942	111,428	6%	22,079
Expendable	417,229	18%	399,626	19%	17,603	302,268	17%	97,358
Unrestricted	151,848	7%	154,260	7%	(2,412)	108,272	6%	45,988
Total net assets	$ 1,689,243	73%	$ 1,578,270	75%	$ 110,973	$ 1,365,374	77%	$ 212,896

A review of the University's consolidated statements of net assets at June 30, 2008, 2007 and 2006 shows that the University continues to build upon its strong financial foundation. Its financial health reflects the prudent utilization of its financial resources, including careful cost control, management of its endowment, conservative utilization of debt and adherence to its long-range capital plan for the replacement of physical plant.

Current Assets and Liabilities

Working capital is a good measure of both the University's efficiency and financial health. Positive working capital means that the University has current assets in excess of current liabilities and is able to pay off short-term obligations. A working capital deficit would mean that the University is unable to meet its short-term obligations with its existing assets.

At June 30, 2008, 2007 and 2006, working capital amounted to $119.3 million, $176.7 million and $137.6 million, respectively. The components of the University's current assets and liabilities and their fluctuations during the three-year period are as follows:

- Current assets consist primarily of cash and cash equivalents, operating investments and net receivables. Total current assets decreased by $34 million or 9.1 percent at June 30, 2008, primarily due to decreases in operating investments and other accounts receivables offset by increases in cash and cash equivalents, due from State of Hawai‘i and other current assets. Other receivables decreased due to the establishment of a $6.3 million allowance against a receivable from the University Clinical, Education & Research Associates ("UCERA"). Operating investments decreased by $116 million primarily due to the reclassification of $117 million in auction rate securities to noncurrent assets discussed below. Cash and cash equivalents increased by $70.1 million primarily due to expanded investment in certificates of deposit. Due from State of Hawai‘i, included in net receivables, increased by $14.7 million as a result of additional State support received for fiscal year 2008. Other receivables, net of allowances, decreased by $7.1 million while other current assets increased by $4.2 million. Total current assets increased by $67.3 million or 21.9 percent at June 30, 2007, primarily due to an increase in cash and cash equivalents and operating investments and an increase of $28.8 million in net receivables. Receivables, net of allowances for doubtful accounts, increased by $28.8 million or 28.9 percent to $128.6 million at June 30, 2007, primarily due to several large Letters of Credit ("LOC"). The sponsors involved with some of these large accounts receivable billings are the National Science Foundation, U.S. Department of Agriculture, U.S. Department of Defense and the U.S. Department of Health.

- Current liabilities consist primarily of accounts payable, accrued compensation, advances from sponsors, and deferred revenue. Current liabilities also include amounts due to the State of Hawai‘i, the current portion of long-term debt and other current liabilities. Total current liabilities increased by $23.4 million or 11.8 percent at June 30, 2008 as compared to the prior year, due primarily to increases in accounts payable, accrued compensation, advances from sponsors, deferred revenue and current portion of long-term liabilities offset by decreases in other current liabilities. Total current liabilities increased by $28.1 million or 16.5 percent at June 30, 2007 as compared to the prior year, due primarily to increases in accrued compensation and benefits, advances from sponsors and accounts payable.

Endowment and Other Investments

The University's endowment and other investments, including endowments held with the Foundation, increased by $85 million to $464.7 million at June 30, 2008. Endowments and other investments held with the Foundation amounted to $224 million at June 30, 2008. The increase was primarily attributable to a $117 million reclassification of auction rate securities from operating investments offset by $46 million used for capital purchases. The reclassification of auction rate securities was made as a result of uncertainties surrounding the timing of liquidation of the University's auction rate securities portfolio. While the University's ability to liquidate the carrying value of its auction rate securities in the near term may be limited, management believes it is appropriate to report the University's auction rate securities at par value since the University continues to receive its contractual interest payments in a timely manner, recent successful auctions have been executed at par value, and the University has no intention of settling its auction rate securities at less than par value. The University’s endowment and other investments, including endowments held with the Foundation, increased by $130.7 million to $379.8 million at June 30, 2007. Endowments and other investments held with the Foundation amounted to $208.3 million at June 30, 2007. The increase was primarily attributable to additional endowment gifts, an increase in market value and an investment for the construction of the New Frear Hall Student Housing Complex.

The University’s endowment funds consist of both permanent endowments and funds functioning as endowment (quasi-endowment funds). Permanent endowment funds are funds received from donors or other outside agencies with the stipulation that the principal be inviolate and invested in perpetuity for the purpose of producing present and future income which may either be expended for the purposes specified by the donor or added to principal. Quasi-endowment funds are funds which the Board of Regents, rather than a donor or other outside agency, has allocated for long-term investment purposes. The Board of Regents, in accordance with its policies, is not required to maintain the quasi-endowment principal in perpetuity. Quasi-endowment funds are further categorized as restricted and unrestricted. Restricted quasi-endowment funds represent donor-restricted gifts, without the requirement to maintain the principal in perpetuity. Unrestricted quasi-endowment funds represent unrestricted funds designated by the Board of Regents for long-term investment purposes.

Programs supported by the University’s permanent and quasi-endowment funds include scholarships, fellowships, professorships, research efforts and other important programs and activities. The University uses its endowment to support operations by generating a predictable stream of annual support for current needs, while preserving the purchasing power of the endowment funds for future periods.

Effective for fiscal year 2004, the University adopted a spending rate policy with the intent of limiting the immediate impact that significant changes in the fair value of the endowment portfolio have on annual distributions. The spending rate policy provides for an annual distribution, ranging between three percent and five percent of the five-year moving average of the endowment portfolio’s fair value. In fiscal year 2008, the University instituted a four percent distribution rate on restricted and unrestricted endowments. The total restricted and unrestricted distribution for the University in 2008 totaled $1.9 million. The distribution rate for fiscal year 2007 was also 4 percent and amounted to $2.0 million.

Capital and Debt Activities

The University’s capital assets are separated into seven categories: land, buildings, infrastructure, land improvements, equipment, library books, and construction in progress. At June 30, 2008 and 2007, total capital assets, net of accumulated depreciation, amounted to $1.2 billion and $1.1 billion, respectively, which represented 52 percent and 51 percent, respectively, of the University’s total assets. Capital asset additions totaled $195.2 million and $138.8 million in fiscal years 2008 and 2007, respectively, while depreciable capital asset disposals, net of accumulated depreciation, amounted to $9.4 million and $14.8 million, respectively. Of the total capital asset additions, $16.1 million and $7.3 million were related to building projects administered by the State of Hawai‘i Department of Accounting and General Services (“DAGS”) – Public Works Division and transferred to the University in fiscal years 2008 and 2007, respectively. Purchases of equipment, including information technology, amounted to approximately $18.6 million and $22.2 million and purchases of library books amounted to approximately $6.9 million and $8.1 million during fiscal years 2008 and 2007, respectively.

One of the critical factors in enhancing the quality of the University’s academic and research programs and student life enrichment is the development, replacement and renewal of capital assets. The University continues to modernize its older teaching and research facilities, and develop and construct new facilities.

Significant capital projects completed during fiscal year 2008 and 2007 or in progress as of June 30, 2008 and 2007 included:

- **New Frear Hall Student Housing Complex** – Groundbreaking for the construction of the University's newest residence hall on the Mānoa campus was held on November 21, 2006, and since then construction has been on a fast track for the scheduled completion and initial occupancy prior to the start of the 2008 Fall semester. The project will culminate in the first new addition to student housing facilities at Mānoa since 1978 and will help to ease critical dormitory room shortages. The completed complex will consist of a central lobby structure and two interconnected 12-story towers that will house 810 residents in various suite arrangements. In addition to offering residents multiple choices in room layout, the facility is will include study lounges, a game room, kitchen, conference room and social lounge. The project was completed in August 2008 in time for the start of the fall 2008 semester.

- **Maikalani Advanced Technology Research Center** − The 15,000 square foot Maikalani Advanced Technology Research Center was completed and conveyed to the University on May 23, 2008. The $7 million facility in the Kulamanu Town Center, Pukalani, Maui, provides laboratory, research, and office space to support current and future astronomy projects on Haleakala. The new center replaces an 80-year old farmhouse that UH astronomers, technicians, and administrative staff have been using as their Maui headquarters for the past 40 years. The two acre site is ideally situated with available infrastructure and is within reasonable driving distance to the summit observatories yet close enough to the Maui High Performance Computing Center in Kihei to allow high speed data connectivity for project computing support. With the primary function of providing a modern, efficient environment for the development of new technologies, the facility will attract research partners and funding from around the world for advanced astronomical projects.

- **University of Hawaiʻi Student Life Complex** – Construction of the University of Hawaii at Hilo Student Life center was completed in August 2008. The facility will provide students with a wide range of health, fitness and recreational activities. The 22,600 square-foot structure adjacent to the Athletics complex includes a fitness room, aerobics, martial arts, human performance testing, a 50-meter outdoor pool, an open covered deck, classrooms, lockers and shower facilities, a weight room and an indoor café. The center moreover is on target to become the Big Island's first building to earn a LEED (Leadership in Energy and Environmental Design) Gold rating.

- **Kauaʻi Community College One-Stop Center** – At June 30, 2008, $13.9 million in project costs were incurred for the Kauaʻi Community College One-Stop Center. The new center will include administration, student services and academic support operations. Phase I of the project was completed in August 2008.

The State of Hawaiʻi, at times issues general obligation bonds on behalf of the University to finance certain capital projects. At June 30, 2008 and 2007, amounts due to the State of Hawaiʻi for general obligation bonds payable amounted to $2.9 million and $4.6 million, respectively. For fiscal year 2008, debt service paid by the University amounted to $1.9 million consisting of $1.7 million in principal and $158,000 in interest. For fiscal year 2007, debt service paid by the University amounted to $1.9 million consisting of $1.7 million in principal and $238,000 in interest. General obligation bonds have also been issued by the State of Hawaiʻi on behalf of the University and are carried as a liability of the State of Hawaiʻi. Debt service on these general obligation bonds amounted to $83.9 million and $80.3 million in fiscal years 2008 and 2007, respectively, and were paid for by the State of Hawaiʻi on behalf of the University using state appropriations. These amounts are reflected in nonoperating revenues in the statements of revenues, expenses and changes in net assets.

The University uses revenue bond financing for certain major capital projects. Most recently in December 2006, the University issued the $100 million of Series 2006A revenue bonds to finance the construction of a new dormitory at the University’s Mānoa campus and for the repair and maintenance of University housing projects. The University Bond System’s two outstanding revenue bonds, Series 2001B and 2006A, were given municipal bond ratings of “AAA”, “Aaa” and “AAA” by Standard & Poor’s, Moody’s Investor Service and Fitch Ratings, respectively, based on bond insurance policies.

At June 30, 2008 and 2007, revenue bonds payable amounted to $263 million and $264.1 million, respectively. Debt service in fiscal year 2008 amounted to $12.8 million, consisting of $1 million of principal and $11.8 million of interest. Debt service in fiscal year 2007 amounted to $11.1 million, consisting of $3.7 million of principal and $7.4 million of interest. Principal reductions during fiscal year 2008 and 2007 were in accordance with scheduled debt service payments.

In June 2002, the University issued $150 million in Series 2002A revenue bonds to finance the construction of the new John A. Burns School of Medicine campus. While all unrestricted revenues of the University, excluding those revenues pledged under other revenue bond offerings, are pledged as collateral, the University anticipates that State of Hawai‘i Tobacco Settlement funds will be the primary source of support for debt service payments on these revenue bonds. The University received State of Hawai‘i Tobacco Settlement funds in the amount of $21.3 million in 2008 to cover the debt service due. The payment for 2007 was received in July 2007 and thus is included in the receipts for 2008.

In October 2006, the University issued $133.8 million in Refunding Series 2006A bonds to refinance a portion of the University’s outstanding Series 2002A revenue bonds. The bond offering was structured to match the timing of receipt of projected State of Hawai‘i Tobacco Settlement funds. The refunding resulted in an $8.3 million reduction in future debt service payments.

In addition to the general obligation and revenue bond liabilities discussed above, the University entered into a capital lease to finance the construction of the Kau‘iokahaloa Nui faculty housing project in November 1995. At June 30, 2008 and 2007, capital lease obligations amounted to $13.8 million and $14.3 million, respectively. Debt service in fiscal year 2008 amounted to $1.2 million consisting of $435,000 for principal and $797,000 for interest. Debt service in fiscal year 2007 amounted to $1.2 million consisting of $415,000 for principal and $820,000 for interest.

Net Assets

Net assets represent the residual interest in the University’s assets after liabilities are deducted. At June 30, 2008 and 2007, total net assets amounted to $1.7 billion and $1.6 billion, respectively. Net assets are reported in four major categories: invested in capital assets, net of related debt; restricted nonexpendable; restricted expendable; and unrestricted.

Net assets invested in capital assets, net of accumulated depreciation and the related outstanding debt used to finance the acquisition, construction or improvement of those assets, amounted to $967.7 million and $890.9 million at June 30, 2008 and 2007, respectively, an increase of $76.8 million in fiscal year 2008 and $47.5 million in fiscal year 2007. The fiscal year 2008 increase represents $195.2 million of capital asset additions and $42 million reduction in the reclassification of unspent Series 2006A bond proceeds to restricted net assets, and $71 million of depreciation expense. The fiscal year 2007 increase represents $138.8 million of capital asset additions and $86.1 million reclassification of unspent Series 2006A bond proceeds to restricted net assets, less $97.3 million decrease of capital assets investments in construction in progress, library books and buildings, $13 million of debt financed medical school additions and $65.4 million of depreciation expense.

Restricted nonexpendable net assets representing the University and Foundation’s permanent endowment funds, which are required to be maintained in perpetuity, amounted to $152.4 million and $133.5 million at June 30, 2008 and 2007, respectively. The increases of $18.9 million and $22.1 million in fiscal years 2008 and 2007, respectively, were primarily attributable to new permanent endowment gifts received.

Restricted expendable net assets are subject to externally imposed restrictions governing their use. These net assets were restricted for the following purposes at June 30, 2008, 2007 and 2006 (in thousands of dollars):

	2008	2007	2006
Plant facilities	$ 241,019	$ 217,679	$ 164,403
Donor-restricted activities	147,192	151,002	107,579
Loan activities	27,853	28,163	26,601
External sponsor activities	1,165	2,782	3,685
	$ 417,229	$ 399,626	$ 302,268

The overall increase of $17.6 million in restricted expendable net assets was attributable to $23.3 million increase in plant facilities offset by decreases in donor-restricted, loan and external sponsor activities of $3.8 million, $310,000 and $1.6 million respectively.

Net assets that are not subject to externally imposed restrictions governing their use are classified as unrestricted for financial reporting purposes. Although unrestricted net assets are not subject to externally imposed restrictions, all of the University’s unrestricted net assets have been internally designated for various academic and research programs and initiatives, contractual commitments, and capital projects. In addition, unrestricted net assets of $42.2 million, $43.1 million and $40 million were designated for endowment activities at June 30, 2008, 2007 and 2006, respectively. Unrestricted net assets were comprised of the following at June 30, 2008, 2007 and 2006 (in thousands of dollars):

	2008	2007	2006
Designated			
Research and training	$ 55,428	$ 49,922	$ 42,747
Contract commitments	43,007	24,189	13,817
Quasi-endowment	42,184	43,140	40,006
Capital projects	29,751	28,551	20,374
Bond System	14,346	20,175	19,073
Other designated net assets	8,413	8,059	9,697
	193,129	174,036	145,714
Undesignated (unfunded obligations for vacation, worker’s compensation liabilities, payroll, etc).	(41,281)	(19,776)	(37,442)
	$ 151,848	$ 154,260	$ 108,272

Results of Operations

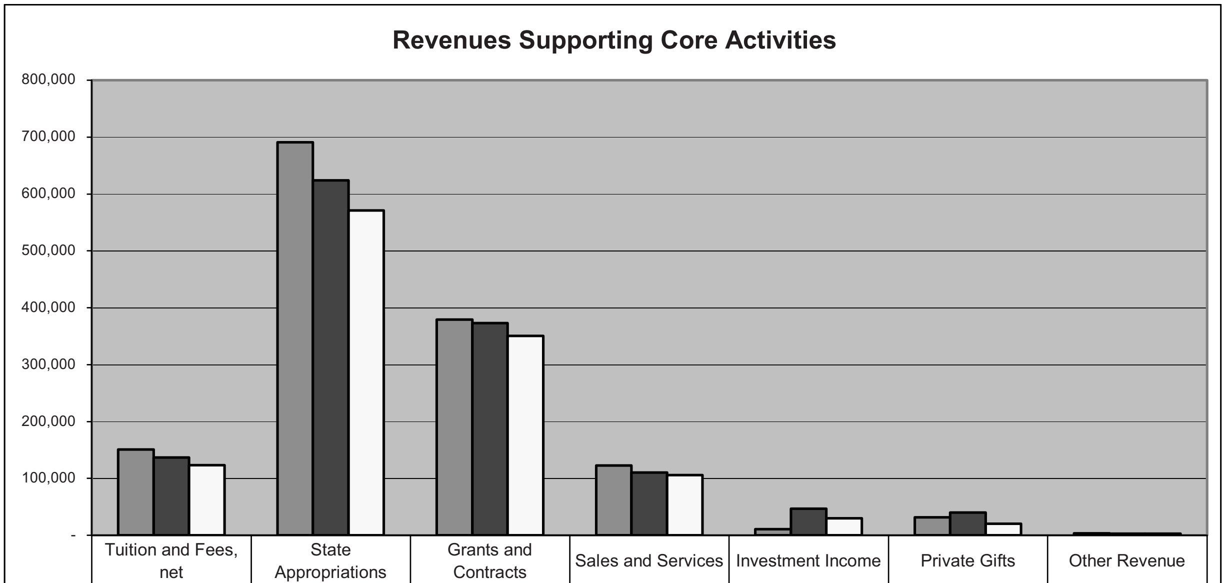
The consolidated statement of revenues, expenses and changes in net assets is a presentation of the University’s results of operations for the year. It indicates whether the financial condition of the University improved or deteriorated. For financial reporting purposes, certain significant revenues, including state appropriations, private gifts, and investment income, which are relied upon and budgeted to support the University’s core operations, are required to be reported as nonoperating revenues. The University’s results of operations for the years ended June 30, 2008, 2007 and 2006, summarized to match revenues supporting core activities with expenses associated with core activities, is as follows (in thousands of dollars):

	2008			2007			2006	
	Amount	Percent of Total	Inc/(Dec) Fr 2007	Amount	Percent of Total	Inc/(Dec) Fr 2006	Amount	Percent of Total
Revenues								
Operating								
Tuition and fees, net	$ 150,969	10.87%	$ 14,019	$ 136,950	10.27%	$ 13,718	$ 123,232	10.25%
Grants and contracts	379,364	27.31%	6,127	373,237	27.99%	22,806	350,431	29.14%
Sales and services	122,651	8.84%	12,557	110,094	8.27%	4,341	105,753	8.80%
Other revenue	3,266	0.24%	725	2,541	0.19%	(157)	2,698	0.22%
Total operating revenues	656,250	47.24%	33,428	622,822	46.71%	40,708	582,114	48.41%
Non-operating								
State appropriations	690,625	49.72%	66,641	623,984	46.80%	53,237	570,747	47.46%
Investment income	10,662	0.77%	(35,887)	46,549	3.49%	16,939	29,610	2.46%
Private gifts	31,543	2.27%	(8,514)	40,057	3.00%	20,022	20,035	1.67%
Total non-operating revenues	732,830	52.76%	22,240	710,590	53.29%	90,198	620,392	51.59%
Total revenues supporting core activities	1,389,080	100.00%	55,668	1,333,412	100.00%	130,906	1,202,506	100.00%
Expenses								
Operating								
Compensation and benefits	901,678	62.46%	134,393	767,285	59.36%	52,484	714,801	59.20%
Supplies and materials	185,216	12.83%	(366)	185,582	14.36%	15,618	169,964	14.08%
Telecom and utilities	58,553	4.06%	11,872	46,681	3.61%	1,773	44,908	3.72%
Scholarships and fellowships	30,162	2.09%	(1,431)	31,593	2.44%	(1,942)	33,535	2.78%
Other expense	103,624	7.18%	16,058	87,566	6.77%	7,896	79,670	6.60%
Total operating expenses	1,279,233	88.61%	160,526	1,118,707	86.55%	75,829	1,042,878	86.38%
Non-operating								
Transfers to State, net	82,540	5.72%	(22,044)	104,584	8.09%	7,483	97,101	8.04%
Interest expense	10,629	0.74%	6,710	3,919	0.30%	(3,511)	7,430	0.62%
Total non-operating expenses	93,169	6.45%	(15,334)	108,503	8.39%	3,972	104,531	8.66%
Expenses associated with core activities before depreciation	1,372,402	-	145,192	1,227,210	-	79,801	1,147,409	-
Income from core activities before depreciation	16,678	-	(89,524)	106,202	-	51,105	55,097	-
Depreciation	71,226	4.93%	5,839	65,387	5.06%	5,463	59,924	4.96%
Expenses associated with core activities including depreciation	1,443,628	100.00%	151,031	1,292,597	100.00%	85,264	1,207,333	100.00%
Income (loss) from core activities	(54,548)	-	(95,363)	40,815	-	45,642	(4,827)	-
Other nonoperating activity								
Capital gifts and grants	148,496			150,290			140,374	
Permanent endowment	19,284			21,548			6,176	
Other revenue/expense, net	(2,259)			243			(5,401)	
Other nonoperating income, net	165,521			172,081			141,149	
Increase in net assets	110,973			212,896			136,322	
Net assets								
Beginning of year	1,578,270			1,365,374			1,229,052	
End of year	$ 1,689,243			$ 1,578,270			$ 1,365,374	

Revenues Supporting Core Activities

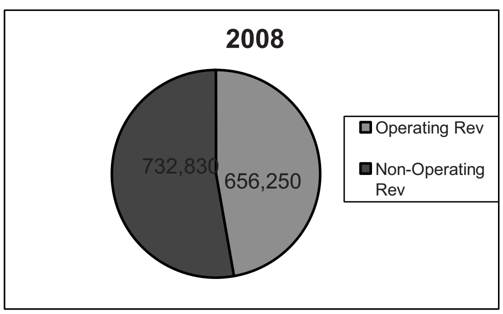
The University has a diversified stream of revenues to support its operations. State appropriations and tuition and fees are the core components that support the University’s instructional and academic programs. Government and nongovernmental grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research with renowned researchers. Private gifts contribute toward the support of the University’s instructional and academic initiatives. Sales and services revenues include revenues from educational departments and auxiliary enterprises, including bookstores, student housing, food services, and parking.

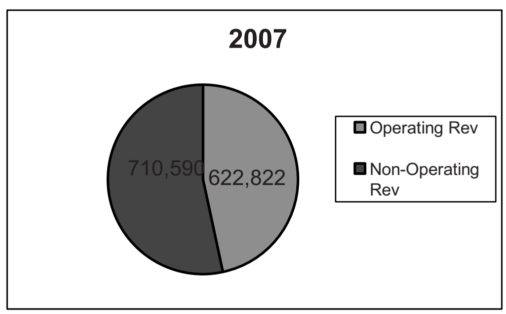
The following chart illustrates the trend in the University’s revenues for the years ended June 30, 2008, 2007 and 2006 (in thousands of dollars):

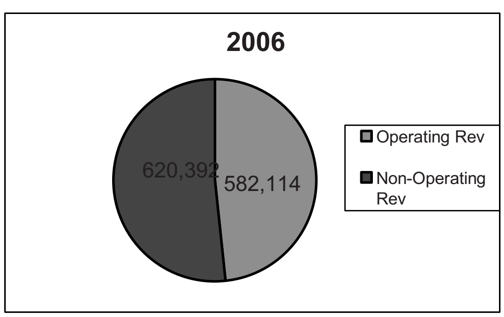


	Tuition and Fees, net	State Appropriations	Grants and Contracts	Sales and Services	Investment Income	Private Gifts	Other Revenue
2008	150,969	690,625	379,364	122,651	10,662	31,543	3,266
2007	136,950	623,984	373,237	110,094	46,549	40,057	2,541
2006	123,232	570,747	350,431	105,753	29,610	20,035	2,698

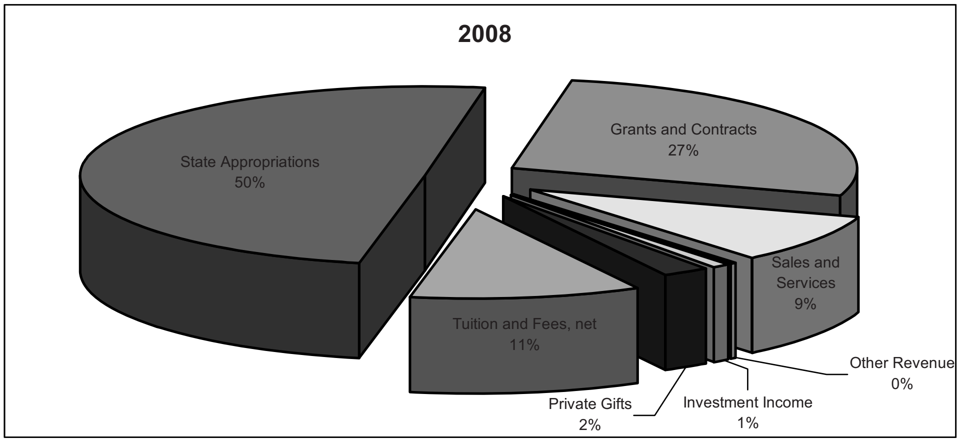
The following charts compare operating and nonoperating revenues for the years ended June 30, 2008, 2007 and 2006 (in thousands of dollars):

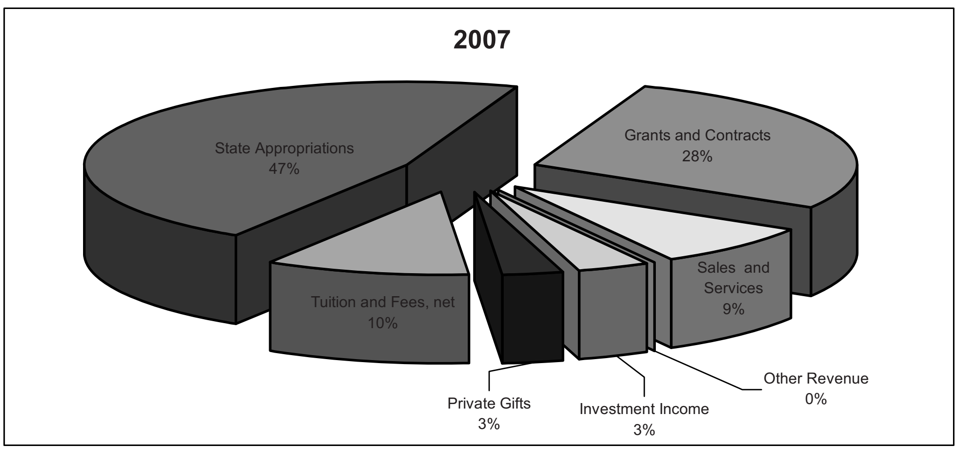


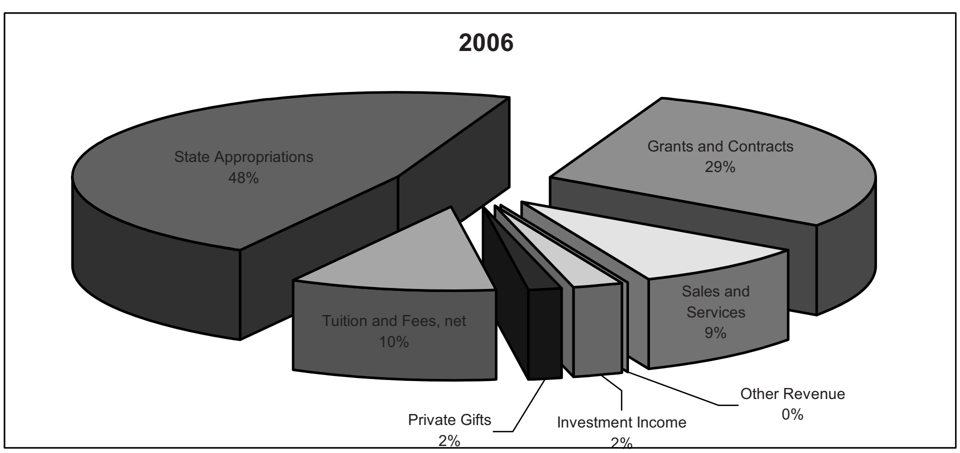




The following charts illustrate the composition of revenues for the years ended June 30, 2008, 2007 and 2006:







Fiscal year 2008 was the second year in the University’s six-year plan to increase tuition and fee rates. Tuition and fees revenue, net of scholarship allowances, increased by $14.0 million or 10.9 percent to $151.0 million in fiscal year 2008, and increased by $13.7 million or 11.1 percent to $136.9 million in fiscal year 2007 when compared to $123.2 million in fiscal year 2006. Scholarship allowances amounted to $52.3 million in fiscal year 2008 compared to $36.2 million in fiscal year 2007. For fiscal year 2008, the increase is primarily attributable to an increase in enrollment at the UH Hilo, West O‘ahu and community college campuses. In addition undergraduate tuition and fee rates for all campuses increased between 11.4 and 21.7 percent. For fiscal year 2007, the University’s Mānoa campus student enrollment decreased by 1 percent and undergraduate tuition and fee rates for all campuses increased between 14.3 and 23.3 percent.

General state appropriations increased by $66.6 million, or 11 percent, to $690.6 million in fiscal year 2008 and increased by $53.2 million, or 9.3 percent, to $624 million in fiscal year 2007 when compared to $570.7 million in fiscal year 2006. A $57.1 million increase in general state appropriation support, a $3.3 million decrease in collective bargaining appropriations and a $12.8 million increase in flood appropriation and revenue that lapsed accounted for the net increase in fiscal year 2008. A $14.9 million increase in the appropriation for non-discretionary costs paid to the Department of Budget and Finance related to non-imposed fringe benefits and debt service, a $7.8 million increase in collective bargaining appropriations and a $31.1 million in flood appropriation and revenue that lapsed accounted for the increase in fiscal year 2007.

Revenues from federal, state and local grants and contracts and nongovernmental sponsored programs increased by $6.1 million, or 1.6 percent, to $379.4 million in fiscal year 2008, and increased by $22.8 million, or 6.5 percent, to $373.2 million in fiscal year 2007 when compared to $350.4 million in fiscal year 2006. The fiscal year 2008 net increase was attributable to a $2.9 million decrease in federal grants and contracts offset by increases in state and local grants and contracts and nongovernmental sponsored programs of $5.8 million and $3.2 million, respectively. The fiscal year 2007 increase was attributable to an increase in federal grants and contracts, with the majority in a grant for the Maui High Performance Computing Center, which is an Air Force Research Laboratory Center.

Sales and services revenues, which are mainly comprised of bookstores, student and faculty housing, food services, parking and athletics, increased by $12.2 million, or 11.1 percent, to $122.3 million in fiscal year 2008 when compared to $110.1 million in fiscal year 2007. The increase was largely due to increases in bookstore and Mānoa athletics revenues attributable to the successful football season and Allstate Sugar Bowl participation. In fiscal year 2007, sales and services increased by $4.3 million, or 4.1 percent, to $110.1 million when compared to $105.8 million in fiscal year 2006. In fiscal year 2007, the increase was largely due to a slight decrease in scholarship allowance in housing which offsets with student housing revenue, an increase in gate receipts in athletics at the Mānoa campus and an increase from cafeteria sales in food service for boarding students at the Hilo campus

The University’s net investment income for fiscal year 2008 decreased by $35.9 million, or 77.1 percent, to $10.6 million compared to $46.5 million in fiscal year 2007. The fiscal year 2008 decrease was mainly due to a $38.9 million decrease in unrealized net gain offset by a $4.2 million increase in realized net gain. Net investment income for fiscal year 2007 increased by $16.9 million, or 57.2 percent, compared to $29.6 million in fiscal year 2006. The fiscal year 2007 increase was mainly due to $5.5 million in additional investment income, $3.8 million additional unrealized gain, offset by a $159,000 decrease of realized gain.

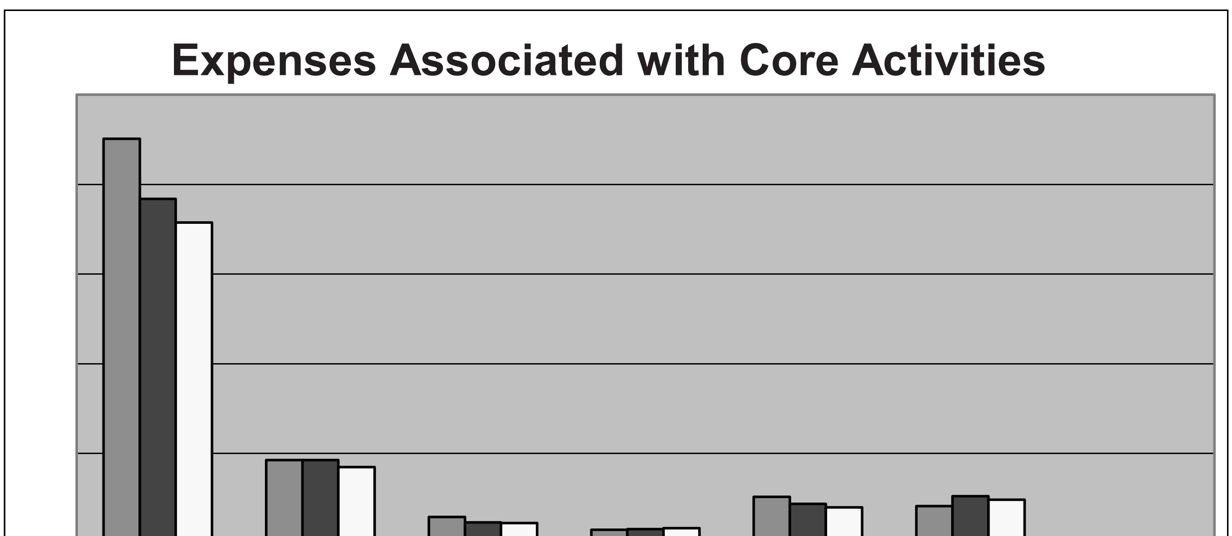
The components of net investment income for the years ended June 30, 2008, 2007 and 2006 were as follows (in thousands of dollars):

	2008	2007	Inc/(Dec) From 2007	2006	Inc/(Dec) From 2006
Interest and dividend income	$ 21,383	$ 21,378	$ 5	$ 13,818	$ 7,560
Investment income used to finance construction costs	(518)	(802)	284	(760)	(42)
Net realized and unrealized gains (losses)	(10,203)	25,973	(36,176)	16,552	9,421
	$ 10,662	$ 46,549	$ (35,887)	$ 29,610	$ 16,939

For fiscal year 2008, private gifts, most of which are restricted as to use, decreased by $8.5 million, or 21.2 percent, to $31.5 million in fiscal year 2008 when compared to $40.1 million in fiscal year 2007. The fiscal year 2008 decrease was primarily attributable to the successful 2007 Centennial Campaign which brought the Foundation and the University closer to reaching its $250 million goal. For fiscal year 2007, private gifts, most of which were restricted as to use, increased by $20 million, or 100 percent, to $40.1 million when compared to $20.0 million in fiscal year 2006. The fiscal year 2007 increase was primarily attributable to the Foundation’s dedication to raise private funds to support all ten campuses of the University. The University will continue to aggressively develop private revenue sources and cultivate the increasing trend in private gifts received.

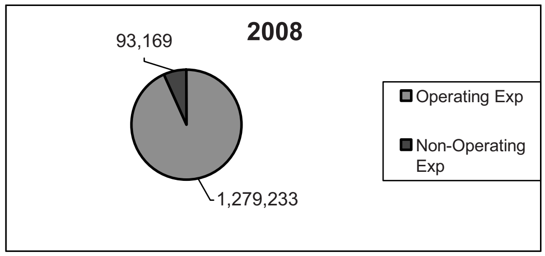
Expenses Associated with Core Activities

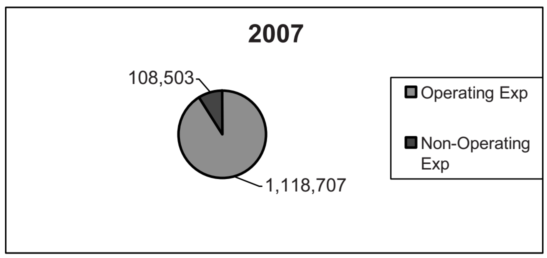
The following chart illustrates the trend in the University’s expenses for the years ended June 30, 2008, 2007 and 2006 (in thousands of dollars):

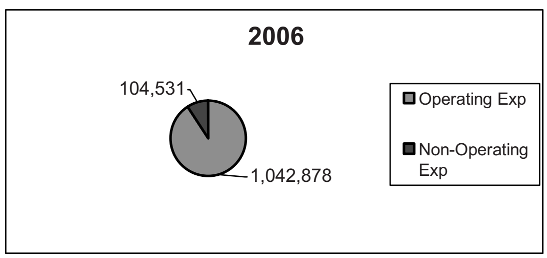


	Compensation and Benefits	Supplies and Materials	Telecom and Utilities	Scholarships and Fellowships	Other Expenses	Transfers to State, net	Interest Expense
2008	901,678	185,216	58,553	30,162	103,624	82,540	10,629
2007	767,285	185,582	46,681	31,593	87,566	104,584	3,919
2006	714,801	169,964	44,908	33,535	79,670	97,101	7,430

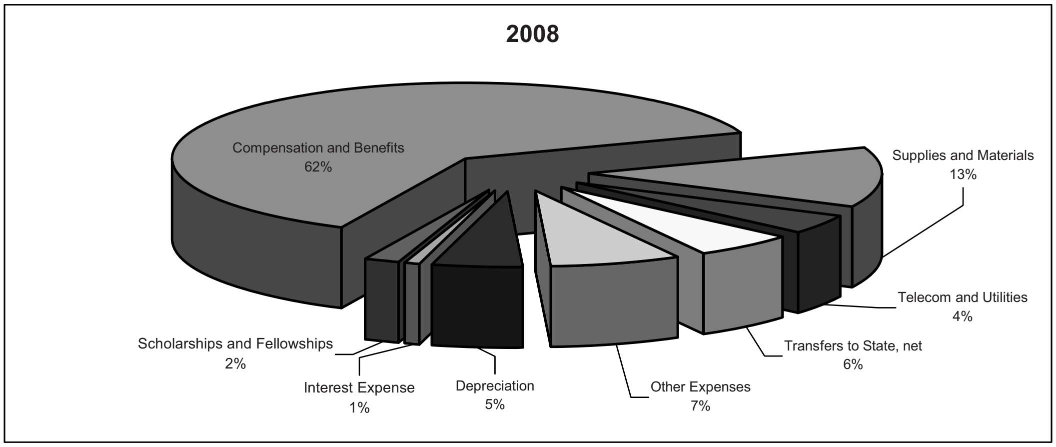
The following charts compare operating and nonoperating expenses for the years ended June 30, 2008, 2007 and 2006 (in thousands of dollars):

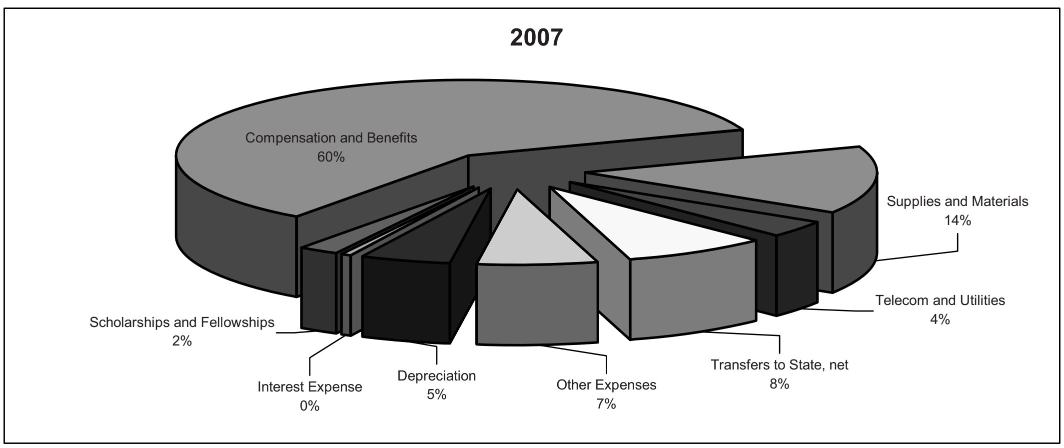


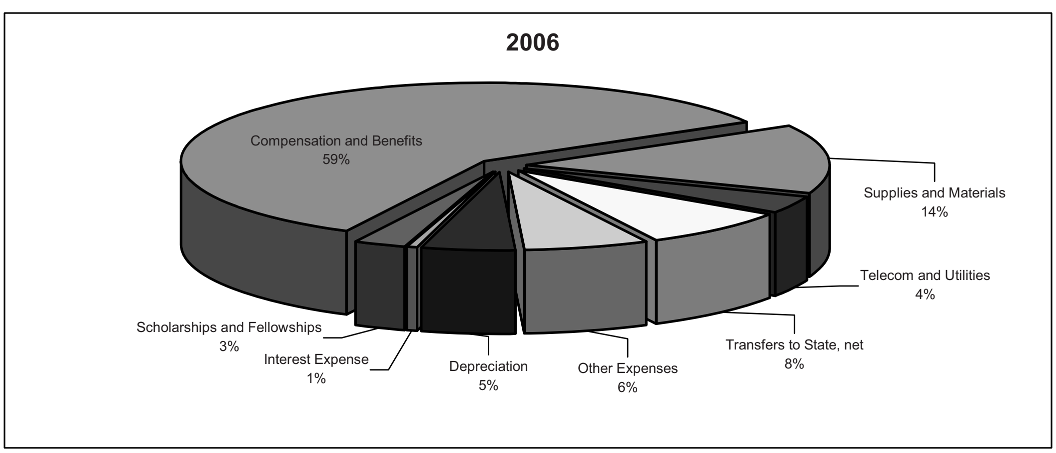




The following charts illustrate the composition of expenses for the years ended June 30, 2008, 2007 and 2006:







The University is committed to recruiting and retaining outstanding faculty and staff, and providing compensation equivalent to peer institutions and nonacademic employers. Approximately 62 percent of the University’s expenses were related to compensation and benefits during fiscal year 2008 compared to 59.3 percent in fiscal year 2007. Compensation and benefits increased by $134.4 million, or 17.5 percent, to $901.7 million in fiscal year 2008, and increased by $52.5 million, or 7.3 percent, to $767.3 million in fiscal year 2007 when compared to $714.8 million in fiscal year 2006. The increases for fiscal years 2008 and 2007 were attributable to scheduled pay rate increases under collective bargaining agreements, the addition of new faculty and administrative employees to support increases in other academic, research and public service programs, increases in fringe benefits assessed by the state, and the impact of GASB Statement No. 45 on fiscal year 2008 fringe benefit expense. The adoption of GASB Statement No. 45 resulted in the University recognizing $88.6 million in expense related to postretirement health and life insurance benefits.

Supplies and materials expense includes service fees, printing and binding, advertising, dues and subscriptions, controlled property acquisitions and other miscellaneous operating costs. In fiscal year 2008, supplies and materials expense decreased by $365,000, or .2 percent, to $185.2 million when compared to $185.5 million in fiscal year 2007. The decrease was primarily attributable to the 2007 $10.5 million reclassification of library electronic database expense from the capitalized expense category offset by increases in supplies and material expense in fiscal year 2008. In fiscal year 2007, supplies and materials expense increased by $15.6 million, or 9.2 percent, to $185.6 million when compared to $170 million in fiscal year 2006.

The University is committed to providing an affordable yet quality education to its students. Scholarships and fellowships, primarily comprised of academic and athletic scholarships and fellowships, are payments of financial aid made directly to students. Scholarships and fellowships decreased by $1.4 million, or 4.5 percent, to $30.2 million in fiscal year 2008 and decreased by $1.9 million, or 5.8 percent, to $31.6 million in fiscal year 2007 when compared to $33.5 million in fiscal year 2006. The decrease for fiscal year 2008 was primarily due to a change in the relative amounts of financial aid payments made as compared to amounts offset against tuition and fees, while the decrease in 2007 was primarily attributable to fewer awards from the U.S. Department of Education for the Gaining Early Awareness and Readiness for Undergraduate Programs (“GEAR-UP”).

The University continues its commitment to improve and maintain its facilities that service the diverse social needs of students, faculty, families and persons with disabilities. For fiscal year 2008, repairs and maintenance increased by $2.3 million, or 10.9 percent, to $22.9 million compared to $20.6 million in fiscal year 2007. The majority of repair and maintenance increases was in buildings and structures such as facilities management projects, accessibility modifications, capital renewal and deferred maintenance in all of the University’s campuses.

The University depreciates their capital assets over their estimated useful lives using the straight-line method. Depreciation expense, which represents the estimated utilization of the University’s capital assets each year, increased by $5.8 million, or 8.9 percent, to $71.2 million during fiscal year 2008 when compared to $65.4 million in fiscal year 2007. The increase in fiscal year 2008 was primarily attributable to land improvements, building and equipment additions and reclassifications from CIP to building and infrastructure. In fiscal year 2007, depreciation expense increased by $5.5 million, or 9.1 percent, to $65.4 million when compared to $59.9 million in fiscal year 2006. The increase in fiscal year 2007 was primarily attributable to an increase in depreciation for the JABSOM Research and Ancillary buildings.

Transfers to state are primarily attributable to the return of general state appropriations for debt service on general obligation debt, excess fringe benefit appropriations and assessments, and executive restrictions, offset by transfers from the state to cover debt service on the University’s Series 2002A revenue bonds and the Hawai‘i Cancer Research Special fund.

Transfers to state decreased by $22 million, or 21.1 percent, to $82.5 million in fiscal year 2008 when compared to $104.6 million in fiscal year 2007. For fiscal year 2008, increases in transfers to state in the amount of $7.2 million for debt service on general obligation bonds, fringe benefit expense and interest paid on Tobacco settlement funds offset by increases in transfers from the state in the amount of $29.2 million for Bridge to Hope, Hawaiʻi Cancer Research cigarette stamp tax and Tobacco settlement accounted for the overall change. Transfers to state increased by $7.5 million, or 7.7 percent, to $104.6 million in fiscal year 2007 when compared to $97.1 million in fiscal year 2006. For fiscal year 2007, a $6.5 million increase in the pass-through costs for debt service on general obligation debt, offset by a $1.1 million decrease in excess fringe benefit appropriation, plus an additional $7.7 million transferred to Hawaiʻi Cancer Research special fund from proceeds collected from the Cigarette Stamp Tax and a $9.1 million decrease due to not receiving proceeds for the tobacco settlement fund accounted for the overall change.

The Cigarette Tax and Tobacco Tax Law, HRS section 245-15 effective July 1, 2006, established the Hawaiʻi Cancer Research Special Fund. The cigarette stamp tax, beginning October 1, 2006, provides revenues to support research and operating expenses to this fund as follows:

Time Period	Cigarette Stamp Tax
October 1, 2006 – September 29, 2007	1.0 cent per cigarette
October 1, 2007 – September 30, 2008	1.5 cents per cigarette
October 1, 2008 – September 30, 2009	2.0 cents per cigarette
October 1, 2009 – September 30, 2010	2.0 cents per cigarette
October 1, 2010 – September 30, 2011	2.0 cents per cigarette
October 1, 2011 – thereafter	2.0 cents per cigarette

Construction of the Cancer Research Center in Kakaʻako is expected to begin in 2010. The University is negotiating with Townsend Capital LLC, a privately held real estate investment firm, which plans to develop, finance and construct the center and in turn lease it to the University after its expected completion in 2012.. The 200,000 square foot center will be built on land leased from the Hawaiʻi Community Development Authority, a state agency that is responsible for the redevelopment of Kakaʻako.

Other Nonoperating Activities

Revenues from other nonoperating activities generally are not used to support the University's current operations and are comprised primarily of capital gifts and grants, and additions to permanent endowments. Capital gifts and grants, state capital appropriations and transfers, may only be used for the purchase or construction of specified capital assets. Additions to permanent endowments must be retained in perpetuity; however investment earnings thereon may be available in future years to support specified programs.

Capital gifts and grants, state capital appropriations and transfers, decreased by $1.8 million, or 1.2 percent, to $148.5 million in fiscal year 2008 compared to $150.3 million in fiscal year 2007 During fiscal 2008, the State of Hawaiʻi transferred $16.1 million in completed construction projects to the University. In addition to the completed projects, the State of Hawaiʻi appropriated $116.9 million to the University for building renovation and other capital improvement projects on all campuses throughout the University system. The remainder of capital gifts and grants during fiscal year 2008 were primarily attributable to federal capital grants of $11.1 million and private capital gifts and grants of $4.9 million. In fiscal year 2007, capital gifts and grants, including state capital appropriations and transfers, increased by $9.9 million, or 7.1 percent, to $150.3 million compared to $140.4 million in fiscal year 2006. As part of the University's on-going effort to gain autonomy, the Office of Capital Improvements was created to administer all major University construction projects that were once administered and financed by DAGS. During this transition, some older projects remained at DAGS for transfer to the University following contract completion. The Renovation of Hamilton Library, Phase IIIA project was completed and turned over to the University during fiscal year 2007. Due to a $1.7 million flood impairment loss, the transferred cost was reduced from $9 million to $7.3 million. In addition to the completed project turned over to the University, the State of Hawai‘i appropriated $129.1 million to the University for building renovation and other capital improvement projects on all campuses throughout the University system. The remainder of capital gifts and grants during fiscal year 2007 were primarily attributable to federal capital grants of $14.5 million and private capital gifts and grants of $471,000.

Cash Flows

The statement of cash flows presents the University's significant sources and uses of cash and cash equivalents, including restricted cash balances. The University's cash is comprised primarily of cash held with the state treasury, demand deposits, and time certificates of deposit with an original maturity of three months or less. A summary of the University's cash flows for the years ended June 30, 2008 and 2007 is as follows (in thousands of dollars):

	2008	2007	FY 08 vs. 07 Change	2006	FY 07 vs. 06 Change
Cash received from operations	$ 733,944	$ 668,382	$ 65,562	$ 643,306	$ 25,076
Cash payments for operations	(1,266,504)	(1,156,276)	(110,228)	(1,084,594)	(71,682)
Net cash used in operating activities	(532,560)	(487,894)	(44,666)	(441,288)	(46,606)
Net cash provided by noncapital financing activities	705,005	627,457	77,548	568,972	58,485
Net cash used in capital and related financing activities	(148,583)	(36,407)	(112,176)	(125,929)	89,522
Net cash provided by (used in) investing activities	44,006	(91,844)	135,850	(4,512)	(87,332)
Net increase (decrease) in cash	67,868	11,312	56,556	(2,757)	14,069
Cash					
Beginning of year	37,815	26,503	11,312	29,260	(2,757)
End of year	$ 105,683	$ 37,815	$ 67,868	$ 26,503	$ 11,312

The University's cash and cash equivalents increased by $67.9 million, or 179.5 percent, from $37.8 million at June 30, 2007 to $105.7 million at June 30, 2008. During fiscal year 2008, $532.6 million in cash was used for operating activities, offset by $705 million in cash provided by noncapital financing activities. Noncapital financing activities include state appropriations and gifts received for other than capital purposes, and are used to support the University's core operations. In fiscal year 2007, the University's cash and cash equivalents increased by $11.3 million, or 4.27 percent, from $26.5 million at June 30, 2006 to $127.7 million at June 30, 2007. During fiscal year 2007, $487.9 million in cash was used for operating activities, offset by $627.4million in cash provided by noncapital financing activities. Noncapital financing activities include state appropriations and gifts received for other than capital purposes, and are used to support the University's core operations.

Net cash used in capital and related financing activities amount to $148.6 million in fiscal year 2008, $36.4 million in fiscal year 2007 and $125.9 million in fiscal year 2006. The significant increase in net cash used in capital and related financing activities in fiscal years 2008 as compared to fiscal year 2007 was primarily attributable to a $25.6 million increase cash provided by capital appropriations, gifts and grants and a $17.7 million net transfer from the State of Hawai'i and a decrease of $133.8 million in principal paid on capital debt and leases, offset by a $235.4 million decrease in proceeds from issuance of capital debt and a $53.9 million increase in purchases of capital assets.

Correspondingly, net cash provided by investing activities amounted to $44 million in fiscal year 2008, while net cash used in investing activities amounted to $91.8 million in fiscal year 2007 and $4.5 million in fiscal year 2006. The increase in net cash provided by investing activities of $135.8 million in fiscal year 2008 is attributable to a $2 million increase in net investment income and a $26 million decrease from the sales and maturities of investments offset by a $107.8 million decrease in investment purchases.

Looking Forward

Looking toward the future, management believes that the University is well positioned to maintain its strong financial condition and level of excellence in service to students, the research community, and the State of Hawai'i. The University remains committed to revenue diversification and cost containment, in order to provide the necessary resources to support and fuel its growth.

Keenly aware that private giving can greatly expand its resources, the University continues to aggressively promote its Centennial Campaign, which is the most ambitious fund-raising campaign in the State's history. On July 1, 2002, the historic Centennial Campaign was launched and is scheduled to continue until June 30, 2009. On November 24, 2008, the University of Hawai'i Foundation was happy to announce that they surpassed their initial fundraising goal. Current Centennial Campaign fundraising contributions total $264 million.

To execute its long-range plan to modernize and expand its aging teaching and research facilities and develop and construct new facilities, the University will need continued support from the State of Hawai'i capital improvement project program. This strategy addresses the University's growth and the continuing effects of technology on teaching and research methodologies. In fiscal year 2009, the Governor has released over $68.5 million to fund these types of projects. In July 2008, $1.2 million was released for the Clarence T.C. Ching (Cooke) field improvements, which was dedicated on February 2, 2009. The turf replacement project is the first phase of the Clarence T.C. Ching Athletics Complex. In August 2008, $60 million was released for plans, designs and construction for the capital renewal, deferred maintenance, health and safety, and infrastructure projects at University campuses. In September 2008, $3.5 million was released for the plans, design and construction of the upgrade of the existing air conditioning and ventilation systems at Bilger Addition and the renovation of existing facilities at Hawai'i Community College Manono Campus. In November 2008, $3.8 million was released for plans and design for an Information Technology and Emergency Operations Center Building.

In October 2008, the University of Hawai'i Board of Regents approved reduced operating budget scenarios for fiscal years 2010 and 2011. The base budget reduction scenarios ranged from $13.5 million to $30.6 million, as requested by the Governor. Due to the current economic conditions, further reductions in excess of those levels are likely. Also, the Governor has restricted approximately $6 million of the University's 2009 fiscal year appropriations and further restrictions are possible.

In January 2009, the University held groundbreaking ceremonies for the new West O'ahu campus in the City of Kapolei. Also that month, the lease negotiations with the Hawai'i Community Development Authority were successfully concluded for the site of the University of Hawai'i's Cancer Research Center of Hawai'i research and clinical trials facility.

The University will continue to employ its long-term investment strategy to maximize total returns, at an appropriate level of risk, while utilizing a spending rate policy to insulate the University’s operations from temporary market volatility.

University of Hawai‘i
State of Hawai‘i
Consolidated Statements of Net Assets
June 30, 2008 and 2007
(All dollars reported in thousands)

	2008	2007
Assets		
Current assets		
Cash and cash equivalents	$ 105,545	$ 35,417
Operating investments	75,893	191,931
Due from State of Hawai‘i	28,277	13,551
Accounts receivable, net	91,390	100,450
Current portion of notes and contributions receivable, net	14,523	11,351
Accrued interest receivable	2,069	3,255
Inventories	13,416	9,736
Prepaid expenses, deferred charges and other current assets	9,537	9,001
Total current assets	340,650	374,692
Noncurrent assets		
Restricted cash and cash equivalents	138	2,398
Due from State of Hawai‘i	246,663	221,333
Endowment and other investments	464,723	379,767
Notes and contributions receivable, net	32,831	32,281
Capital assets, net	1,188,635	1,074,030
Other noncurrent assets	28,407	22,333
Total noncurrent assets	1,961,397	1,732,142
Total assets	$ 2,302,047	$ 2,106,834
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 52,786	$ 48,131
Accrued payroll and fringe benefits	29,654	28,575
Advances from sponsors	59,840	51,441
Deferred revenue	32,560	28,273
Due to State of Hawai‘i	8,292	8,021
Current portion of long-term liabilities	33,271	26,501
Other current liabilities	4,930	7,007
Total current liabilities	221,333	197,949
Noncurrent liabilities		
Accrued vacation	37,832	34,995
Accrued workers’ compensation liability	8,265	7,369
Postretirement healthcare/life insurance benefits	62,851	-
Due to State of Hawai‘i	1,313	2,916
Capital lease obligation	13,360	13,820
Bonds payable	258,630	263,045
Premium on bonds payable	1,864	1,913
Other noncurrent liabilities	7,356	6,557
Total noncurrent liabilities	391,471	330,615
Total liabilities	612,804	528,564
Net assets		
Invested in capital assets, net of related debt	967,717	890,877
Restricted		
Nonexpendable	152,449	133,507
Expendable	417,229	399,626
Unrestricted	151,848	154,260
Total net assets	1,689,243	1,578,270
Total liabilities and net assets	$ 2,302,047	$ 2,106,834

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

University of Hawai'i
State of Hawai'i
Consolidated Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2008 and 2007
(All dollars reported in thousands)

	2008	2007
Operating revenues		
Student tuition and fees	$ 203,243	$ 173,146
Less: Scholarship allowances	52,274	36,196
Net student tuition and fees	150,969	136,950
Federal appropriations, grants and contracts	313,770	316,690
State and local grants and contracts	30,587	24,812
Nongovernmental sponsored programs	35,007	31,735
Sales and services of educational departments, other	36,018	35,452
Auxiliary enterprises		
Bookstores	31,521	28,060
Student housing (net of scholarship allowances of $856 and $470)	16,994	16,745
Other auxiliary enterprises revenues	38,118	29,837
Other operating revenues	3,266	2,541
Total operating revenues	656,250	622,822
Operating expenses		
Compensation and benefits	901,678	767,285
Supplies, services and cost of goods sold	185,216	185,582
Depreciation	71,226	65,387
Telephone and utilities	58,553	46,681
Scholarships and fellowships	30,162	31,593
Travel expenses	31,543	27,533
Repairs and maintenance	22,896	20,644
Other operating expenses	49,185	39,389
Total operating expenses	1,350,459	1,184,094
Operating loss	(694,209)	(561,272)
Nonoperating revenues (expenses)		
State appropriations	690,625	623,984
Private gifts	31,543	40,057
Net investment income	10,662	46,549
Interest expense	(10,629)	(3,919)
Transfers (to) from State of Hawai'i for		
Debt service	(83,869)	(80,303)
Fringe benefits	(34,491)	(32,035)
Interest on Tobacco settlement	(1,190)	(46)
Bridge to Hope	781	122
Hawaii Cancer Research	14,957	7,678
Loss on disposal of capital assets	(1,973)	(1,397)
Other nonoperating income (expenses), net	(286)	1,640
Net nonoperating revenues before capital and endowment additions	616,130	602,330
Capital state appropriations	116,910	129,141
Capital federal grants/subsidies	11,059	14,494
Capital gifts and grants	4,884	471
Net transfers from State of Hawai'i for capital assets	15,643	6,184
Transfers from State of Hawai'i, Tobacco settlement	21,272	-
Additions to permanent endowments	19,284	21,548
Total other revenues	189,052	171,838
Net nonoperating revenues	805,182	774,168
Increase in net assets	110,973	212,896
Net assets		
Beginning of year	1,578,270	1,365,374
End of year	$ 1,689,243	$ 1,578,270

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

University of Hawai‘i
State of Hawai‘i
Consolidated Statements of Cash Flows
Years Ended June 30, 2008 and 2007
(All dollars reported in thousands)

	2008	2007
Cash flows from operating activities		
Student tuition and fees	$ 164,921	$ 139,703
Grants and contracts	442,800	411,051
Sales and services of educational and other departmental activities	32,907	31,293
Auxiliary – Bookstore	31,623	27,911
Auxiliary – Student residence fees	17,331	16,613
Auxiliary – Other	36,955	31,256
Payments to employees	(653,619)	(616,739)
Payments for benefits	(179,363)	(152,195)
Payments to suppliers	(356,607)	(326,972)
Payments for scholarships and fellowships	(39,726)	(27,887)
Payments for program and support services	(31,332)	(26,993)
Payments for clean up efforts from Mānoa flood	(976)	(1,323)
Payments for clean up efforts from UH Lab School fire	(89)	(459)
Student loans issued	(4,792)	(3,708)
Student loans collected	2,998	4,443
Other receipts, net	4,409	6,112
Net cash used in operating activities	(532,560)	(487,894)
Cash flows from noncapital financing activities		
State appropriations	661,474	618,389
Recoveries received from State for Mānoa flood	21,679	3,420
Insurance proceeds for UH Lab school fire	53	2,750
Gifts and grants for other than capital purposes	28,800	24,565
Private gifts for endowment purposes	12,317	1,982
Transfer from State of Hawai‘i – Bridge to Hope	782	122
Transfer from State of Hawai‘i – Hawaii Cancer Research	14,957	7,678
Transfers to State of Hawai‘i for		
Fringe benefits	(34,491)	(32,035)
Interest on Tobacco settlement	(1,190)	(46)
Other receipts	624	632
Net cash provided by noncapital financing activities	705,005	627,457
Cash flows from capital and related financing activities		
Capital appropriations	91,580	63,389
Capital gifts and grants	12,378	14,956
Proceeds from issuance of capital debt	-	235,359
Purchases of capital assets	(175,830)	(121,902)
Principal paid on capital debt and leases	(3,498)	(132,256)
Interest paid on capital debt and leases (net of amounts capitalized)	(10,616)	(15,650)
Transfers to State of Hawai‘i for debt service	(83,869)	(80,303)
Transfer from State of Hawai‘i, Tobacco settlement	21,272	-
Net cash used in capital and related financing activities	(148,583)	(36,407)
Cash flows from investing activities		
Interest and dividends on investments, net	22,703	20,666
Proceeds from sales and maturities of investments	618,985	592,948
Purchase of investments	(597,682)	(705,458)
Net cash provided by (used in) investing activities	44,006	(91,844)
Net increase in cash and cash equivalents	67,868	11,312
Cash and cash equivalents		
Beginning of year	37,815	26,503
End of year	$ 105,683	$ 37,815

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

University of Hawai‘i
State of Hawai‘i
Consolidated Statements of Cash Flows
Years Ended June 30, 2008 and 2007
(All dollars reported in thousands)

	2008	2007
Cash and cash equivalents presented in the accompanying consolidated statements of net assets		
Cash and cash equivalents	$ 105,545	$ 35,417
Restricted cash and cash equivalents	138	2,398
	$ 105,683	$ 37,815
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (694,209)	$ (561,272)
Adjustments to reconcile operating loss to net cash used in operating activities		
Write-off of capitalized subscription fees	-	10,452
Depreciation expense	71,226	65,387
Bad debt expense	8,056	1,953
Payments included in other nonoperating expenses for		
Clean-up efforts from Mānoa flood	(976)	(1,323)
Clean-up efforts from UH Lab School fire	(89)	(459)
Changes in operating assets and liabilities		
Accounts receivable	1,761	(21,454)
Notes and contributions receivable	(1,534)	1,097
Inventories	(3,678)	1,691
Prepaid expenses and other assets	656	(1,644)
Accounts payable	2,933	(7,269)
Accrued payroll and fringe benefits	1,080	4,060
Accrued vacation	5,569	3,820
Accrued workers' compensation liability	1,442	(1,085)
Advances from sponsors	8,398	14,291
Deferred revenue	1,234	2,174
Post retirement health care & life insurance benefits	62,851	-
Other payables	2,720	1,687
Net cash used in operating activities	$ (532,560)	$ (487,894)
Supplemental information of noncash transactions		
Noncash contributions	$ 8,769	$ 19,955
Transfers from State of Hawai‘i for capital assets	16,256	7,268
Accounts payable for capital assets	13,377	14,563

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

1. Organization and Summary of Significant Accounting Policies

Financial Reporting Entity

The accompanying consolidated financial statements of the University of Hawai‘i (the “University”), include the activities of the University of Hawai‘i at Mānoa, University of Hawai‘i at Hilo, University of Hawai‘i at West O‘ahu, University of Hawai‘i Community Colleges and its component units. The University has defined its reporting entity in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. 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 (the “Research Corporation”) and the University of Hawai‘i Foundation (the “Foundation”), have been blended with the University’s financial activity in the accompanying consolidated 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 Internal Revenue Code (“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 (the “State”) and therefore, the State is financially accountable for the University as defined by GASB Statement No. 14. Accordingly, the University’s financial information is discretely presented as a component unit within the State’s comprehensive annual financial report.

The University is classified as a state instrumentality under IRC Section 115, and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under IRC Sections 511 and 514.

Basis of Presentation

The University follows the reporting model prescribed for special-purpose governments engaged only in business-type activities, as defined in GASB Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*, as amended. The consolidated financial statements of the University are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with standards for governmental colleges and universities. Accordingly, the University has adopted all GASB pronouncements and all Financial Accounting Standards Board (“FASB”) pronouncements issued on or before November 30, 1989, which do not contradict or conflict with existing GASB pronouncements.

The Foundation’s accounting policies conform to generally accepted accounting principles (“GAAP”) applicable to not-for-profit organizations as promulgated by the FASB. The Foundation’s financial information has been converted to conform to the University’s presentation.

The Research Corporation’s accounting policies conform to GAAP applicable to enterprise activities of governmental units as promulgated by the GASB. The Research Corporation’s financial information was converted to conform to the University’s presentation.

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 consolidated Statements of Net Assets for cash equivalents approximate fair value due to the short maturity of these instruments.

Restricted Cash and Cash Equivalents
The University considers unspent cash, cash equivalents and investments from the issuance of construction revenue bonds held with an escrow agent and invested until used for the cost of construction to be restricted.

Investments
Investments in money market funds, fixed income securities, equity securities, and mutual funds with readily determinable fair values are reported at fair value based on quoted market prices. Investments in auction rate securities are reported at par value, which approximates fair value based on successful auctions at or near fiscal year-end. Investments in investment agreements, absolute return funds, real assets are reported at fair value, which is generally based on information provided by the respective external investment manager at the most recent valuation date and from the valuation date to fiscal year-end, if applicable. Investments in limited partnerships and real estate are not readily marketable and involve assumptions and methods that are reviewed by management. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investment existed. Unrealized gains and losses on investments are included in the consolidated Statements of Revenues, Expenses and Changes in Net Assets. Realized gains and losses are computed as the difference between the proceeds of the sale and the cost basis of the investment sold. The calculation of realized gains and losses is independent of the calculation of net changes in the fair value of investments.

The title to investment securities is vested in the name of Securities and Exchange Commission (“SEC”) registered brokerage firms representing the various investment managers of the University and the Foundation. The title to short-term investments, made from pooled cash, is vested in the name of the University or the Foundation.

Due from State
The State Director of Finance is responsible for the safekeeping of all cash in the State Treasury in accordance with State laws. Currently, separate accounts are not maintained in the State Treasury for the University’s general operating and capital appropriations. Although these appropriations are available to the University to expend, custody and ownership of the funds remains with the State. Unspent general and capital appropriations that continue to be available to the University for expenditure at the end of the fiscal year are reported as Due from State of Hawaii in the accompanying consolidated statement of net assets.

Perpetual Trusts
The Foundation is 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. Distribution revenues from the trusts are recorded as investment income and the carrying value of the assets is adjusted for changes in the estimates of future receipts.

Split Interest Agreements
The Foundation's split interest agreements with donors consist of irrevocable pooled income funds, charitable remainder trusts and charitable gift annuities for which the Foundation serves as trustee. Assets held under the split interest agreements are included in investments. Contribution revenues are recognized at the date the split interest agreements are established after recording liabilities for the present value (5% discount rate) of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the split interest agreements for changes in the fair value of the assets, accretion of the discount, and other changes in the estimates of future benefits.

Accounts Receivable
Accounts receivable are initially recorded at the amount invoiced or otherwise due and normally do not bear interest. The University maintains an allowance for doubtful accounts to reduce receivables to their estimated collectible amount. Management estimates the allowance for doubtful accounts based on a specific review of customer balances, the overall aging of outstanding balances, historical collection experience and current business and economic conditions. Generally, accounts past due by more than 30 days are considered delinquent. Delinquent accounts are written off upon approval of University general counsel and when, in the judgment of management, they are deemed uncollectible based on an evaluation of the specific circumstances.

Contributions
The Foundation receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In absence of such a promise, revenue is recognized when the gift is received. Endowment pledges that do not meet eligibility requirements, as defined by GASB Statement No. 33, are not recorded as assets until the related gift is received.

Capital Assets
Capital assets are recorded at cost, or if donated, at an appraised value at the date of gift. Depreciation of capital assets is provided for on a straight-line basis over the estimated useful lives (3 to 45 years) of the respective assets. Interest incurred on construction financing net of investment income on any unspent financing proceeds is capitalized as a cost of construction. The University does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

The University evaluates the future service utility of capital assets when events or changes in circumstances have occurred. A diminished service utility of the University's capital assets is reported as an impairment loss and netted against any insurance or appropriated recoveries.

Advances from Sponsors
Amounts received from grant and contract sponsors which have not been earned under the terms of the agreement are deferred and reported as advances from sponsors in the consolidated Statements of Net Assets.

Deferred Revenue
Deferred revenue includes amounts received in advance of an event such as student tuition and advance sports ticket sales related to future years.

Post Employment Benefits
GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was adopted by the University during the year ended June 30, 2008. Statement No. 45 requires accrual-based measurement, recognition and disclosure of other postemployment benefits ("OPEB") expense, such as retiree medical and dental costs, over the employees' years of service, along with the related liability. Previously, the University recorded retiree medical and dental costs as they were paid and did not recognize the liability in its consolidated financial statements. The implementation of GASB Statement No. 45 resulted in the University recording OPEB expense of $88,560 for the year ended June 30, 2008 and an OPEB obligation liability of $62,851 as of June 30, 2008. The University remitted $41,217 in State assessed OPEB contributions, which exceeded the University's actuarially determined minimum OPEB contribution of $25,709. The $15,508 excess remittance was reported with Transfers to State for Fringe Benefits. There was no effect on the financial statements for the year ended June 30, 2007.

Bonds Payable
Bonds payable include outstanding amounts due from the issuance of revenue bonds by the University. The University defers recognition of bond refunding and issuance costs, and amortizes these costs as well as the premiums on bonds payable over the life of the bonds.

Net Assets
The University's net assets are classified into the following four net asset categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- Restricted:

  - Nonexpendable – Net assets subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

  - Expendable – Net assets that are restricted for specific purposes by sponsors, donors, or law. Restrictions in these assets are released when the University complies with the stipulations required by the sponsor, donor, or legislative act.

- Unrestricted: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Regents or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted assets are designated for academic and research programs and initiatives, and capital asset programs.

Net Assets Restricted by Enabling Legislation
The University adopted GASB Statement No. 46*, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34*, which requires that limitations on the use of net assets

imposed by enabling legislation be reported as restricted net assets. GASB Statement No. 46 also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Restricted net assets at June 30, 2008 and 2007 amounted to $569,678 and $533,133, respectively, of which $237,263 and $214,461 was restricted by enabling legislation.

Revenue Recognition
Student tuition and fees revenues are recognized in the period earned. Revenues for programs that cross fiscal years are prorated between the two fiscal years.

The University recognizes revenue associated with the direct costs of research and training grants and contracts as the related expenditures are incurred.

Bookstore revenues are recognized at the point of sale. Sales returns (which are not significant) are recognized at the time returns are made.

Room and other rental revenues are recognized over the period the room is occupied. Room and other rental revenues for the summer term are recognized in the fiscal year in which the term primarily falls. Had room and other rental revenues for the summer term been prorated between fiscal years, the difference would not be material.

Scholarships and Fellowships
Scholarships and fellowships, including tuition and fee waivers applied to student accounts, are shown as a reduction to student tuition and student housing revenues. Stipend and other payments made directly to students are reflected as scholarships and fellowships expense.

State Appropriations
The University recognizes general operating and capital appropriations as nonoperating revenue when allotments are made available to the University for expenditure. If restrictions are placed on such appropriations, the restrictions are given separate and discrete accounting recognition.

Operating and Nonoperating Activities
The University’s policy for defining operating activities as reported on the consolidated Statements of Revenues, Expenses, and Changes in Net Assets are those that generally result from exchange transactions such as payments received for providing services and payment made for services and goods received. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state appropriations, gifts and investment income.

Management’s Estimates
The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions affecting the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated 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 workers’ compensation liabilities, allowances for uncollectible accounts, the useful lives of capital assets, the valuation of investments and the current versus noncurrent classification of assets and liabilities.

The University uses a third party actuary 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. Anticipated payments by the third party for the next fiscal year are considered current and payments thereafter are considered noncurrent. The liability at June 30, 2008 and 2007 represents the University's best estimate of workers' compensation liabilities based on available information.

The University also uses a third party actuary to estimate its postretirement healthcare and life insurance benefit obligation. The assumptions used to determine the liability are described in Note 15.

The allowance for doubtful accounts is a valuation account used to estimate the portion of accounts, notes and contributions receivable that are considered uncollectible. Estimates for uncollectible accounts are based on the age of the receivable and likelihood of payment.

The University depreciates their capital assets using useful lives internally or externally determined to represent the expected service period of the asset.

The fair value of investments has been determined using values supplied by independent pricing services.

Reclassifications
Certain amounts in the 2007 consolidated financial statements have been reclassified to conform to the 2008 presentation. Such reclassifications have no impact on the 2007 change in net assets as previously reported.

2. Cash and Investments

The carrying amounts of cash and cash equivalents and time certificates of deposit held outside of the State Treasury as of June 30, 2008 and 2007 were $90,496 and $68,961, with corresponding bank balances of $124,234 and $96,123, respectively. 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 $122,816 as of June 30, 2008 and $96,123 as of June 30, 2007. No monies managed by the Foundation were uncollateralized as of June 30, 2008 and 2007. Additional cash equivalent balances of $11,132 as of June 30, 2008 and $19,721 as of June 30, 2007 represent deposits with investment brokers covered by the Securities Investor Protection Corporation and additional insurance provided by the investment brokers.

The University's investment strategy incorporates certain financial instruments, which involve, to varying degrees, elements of market risk and credit risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest and foreign exchange rate movements and fluctuations embodied in forward and futures, commodity or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the related underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. The University's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the consolidated Statements of Net Assets and are not represented by the contract or notional amounts of the instruments.

Endowment 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.

(All dollars reported in thousands)

Cost of securities sold is determined using the first-in first-out method.

As a result of market declines, the fair market value of certain donor-restricted endowments was less than the historical cost value of such funds by $500 and $29 at June 30, 2008 and 2007, respectively. These unrealized losses have been recorded as reductions in unrestricted net assets. Future market gains will be used to restore this deficiency in unrestricted net assets before any net appreciation above the historical cost value of such funds increases restricted expendable net assets.

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 funds by the Board of Regents (“Board”). Use of the income is either restricted by the donor or unrestricted and designated by the Board.

State law allows spending of net appreciation, realized and unrealized in the fair value of the assets, of an endowment fund over the historic dollar value of the fund as is prudent under the standard established by Hawai‘i Revised Statute §517D-4. The University distributes its endowment fund income in accordance with its Board approved spending rate policy, which is consistent with state law. In fiscal years 2008 and 2007, the University’s spending rate policy provided for annual distributions ranging from 3% to 5% of the five-year moving average of the endowment fair value.

Investment management fees paid by the University during fiscal years 2008 and 2007 approximated $1,640 and $1,311, respectively.

At June 30, 2008 and 2007, the University’s investments were comprised of the following:

	2008		2007	
	Fair Value	**Cost**	**Fair Value**	**Cost**
Money market funds	$ 19,704	$ 19,704	$ 4,724	$ 4,724
Fixed income securities	147,297	145,093	127,391	127,922
Equity securities	30,660	29,690	34,394	28,068
Mutual funds	57,903	55,430	85,553	70,518
Time certificates of deposit	3,968	3,968	59,417	59,417
Student loan auction rate securities	117,050	117,050	64,000	64,000
Investment agreements	48,273	48,273	89,871	89,871
Limited partnerships	33,840	37,299	39,680	33,774
Absolute return	24,869	23,140	23,744	22,350
Real assets	28,637	16,357	24,328	15,560
Other investments	28,415	28,717	18,596	16,598
Total investments	540,616	524,721	571,698	532,802
Less: Current portion	75,893	75,471	191,931	192,063
Total noncurrent investments	$ 464,723	$ 449,250	$ 379,767	$ 340,739

Due to uncertainties surrounding the timing of liquidation of our auction rate securities, which are comprised of AAA-rated student-loan-backed taxable securities, all of the University's investments in such securities were reclassified to long-term investments in the consolidated statements of net assets as of June 30, 2008. Liquidity for these auction rate securities is typically provided by an auction process which allows holders to sell their notes and resets the applicable interest rate at pre-determined intervals, usually every 7 to 28 days. On an industry-wide basis, many auctions have failed, and there is, as yet, no meaningful secondary market for these instruments. The securities held by the University for which auctions have failed continue to earn interest at the contractual rate and are auctioned every 7 to 28 days until either the auction succeeds, the issuer calls the securities, or they mature. While the University's ability to liquidate the carrying value of its auction rate securities in the near term may be limited, management believes it is appropriate to report the University's auction rate securities at par value since the University continues to receive its contractual interest payments in a timely manner, recent successful auctions have been executed at par value, and the University has no intention of settling its auction rate securities at less than par value. Management also believes that the current lack of liquidity of auction rate securities will not have a material adverse effect upon the University's operational capabilities.

(All dollars reported in thousands)

Changes in University’s investments for the year ended June 30, 2008 were as follows:

	Fair Value	Cost Basis	Net Unrealized Gain/(Loss)	Net Realized Gain/(Loss)
University Endowment Pool				
End of year	$ 56,732	$ 56,530	$ 202	
Beginning of year	60,882	55,251	5,631	
Net change	(4,150)	1,279	(5,429)	$ 1,050
Foundation Endowment Pool				
End of year	182,338	167,308	15,030	
Beginning of year	176,388	144,123	32,265	
Net change	5,950	23,185	(17,235)	11,733
Associated Students of the University of Hawai‘i				
End of year	6,718	6,856	(138)	
Beginning of year	7,284	6,475	809	
Net change	(566)	381	(947)	325
School of Medicine				
End of year	11,650	11,631	19	
Beginning of year	12,150	12,134	16	
Net change	(500)	(503)	3	-
University Bond System				
End of year	48,273	48,273	-	
Beginning of year	89,871	89,871	-	
Net change	(41,598)	(41,598)	-	-
Operating investments				
End of year	75,893	75,470	423	
Beginning of year	127,931	128,063	(132)	
Net change	(52,038)	(52,593)	555	257
Auction rate securities				
End of year	117,050	117,050	-	
Beginning of year	64,000	64,000	-	
Net change	53,050	53,050	-	-
Other				
End of year	41,962	41,603	359	
Beginning of year	33,192	32,885	307	
Net change	8,770	8,718	52	134
Total investments				
End of year	540,616	524,721	15,895	
Beginning of year	571,698	532,802	38,896	
Net increase (decrease)	$ (31,082)	$ (8,081)	$ (23,001)	$ 13,499

(All dollars reported in thousands)

Changes in University's investments for the year ended June 30, 2007 were as follows:

	Fair Value	Cost Basis	Net Unrealized Gain/(Loss)	Net Realized Gain/(Loss)
University Endowment Pool				
End of year	$ 60,882	$ 55,251	$ 5,631	
Beginning of year	55,279	51,722	3,557	
Net change	5,603	3,529	2,074	$ 3,235
Foundation Endowment Pool				
End of year	176,388	144,123	32,265	
Beginning of year	142,027	120,888	21,139	
Net change	34,361	23,235	11,126	6,222
Associated Students of the University of Hawai‘i				
End of year	7,284	6,475	809	
Beginning of year	6,592	6,219	373	
Net change	692	256	436	265
School of Medicine				
End of year	12,150	12,134	16	
Beginning of year	15,074	16,079	(1,005)	
Net change	(2,924)	(3,945)	1,021	(1,004)
University Bond System				
End of year	89,871	89,871	-	
Beginning of year	-	-	-	
Net change	89,871	89,871	-	-
Operating investments				
End of year	191,931	192,063	(132)	
Beginning of year	164,224	165,123	(899)	
Net change	27,707	26,940	767	27
Other				
End of year	33,192	32,885	307	
Beginning of year	30,065	30,303	(238)	
Net change	3,127	2,582	545	558
Total investments				
End of year	571,698	532,802	38,896	
Beginning of year	413,261	390,334	22,927	
Net increase	$ 158,437	$ 142,468	$ 15,969	$ 9,303

(All dollars reported in thousands)

	2008	2007
Summary of net investment income		
Change in unrealized net gain (loss)	$ (23,001)	$ 15,969
Realized net gain	13,499	9,303
	(9,502)	25,272
Interest in perpetual trusts	(1,003)	771
Split interest agreements	262	106
Amounts held for others	40	(176)
Investment income used to finance construction costs	(518)	(802)
Net interest and dividend income	21,383	21,378
Net investment income	$ 10,662	$ 46,549

The Board is responsible for the establishment of policies over and monitoring of operating investments and endowments held by the University. Investments authorized by the Board include equity investments, bond investments, certificates of deposit, money market funds, U.S. Government, its Agencies, or its Instrumentalities securities, securities guaranteed by or collateralized by securities guaranteed by the U.S. Government, its Agencies or its Instrumentalities and other types of investments.

The Board of Directors of the Foundation is responsible for the establishment of policies over and monitoring of investments and endowments held by the Foundation.

Investment Risk Factors

There are many factors that affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

Credit Risk

Credit risk for fixed income securities is the risk that the issuer will not fulfill its obligations. Nationally recognized statistical rating organizations, such as Moody’s and Standard and Poor’s, assign credit ratings to security issuers and issues that indicate a measure of potential credit risk to investors. To manage credit risk, the University specifies that all nonconvertible bonds should have at least a “BBB” rating or higher and be readily marketable. In addition, no more that 15% of the fixed income investments may be graded with an S&P quality rating below “A”.

(All dollars reported in thousands)

The composition of fixed income securities at June 30, 2008 and 2007, along with credit quality ratings is summarized below:

		Credit Quality Rating				
	FY 2008 Fair Value	U.S. Govt-Exempt	AAA	AA	A	BBB
U.S. Treasury	$ 3,994	$ 3,994	$ -	$ -	$ -	$ -
U.S. government agencies	126,423	1,993	124,430	-	-	-
Corporate bonds	16,880	314	8,332	2,074	4,468	1,692
Total fixed income securities	$ 147,297	$ 6,301	$ 132,762	$ 2,074	$ 4,468	$ 1,692

		Credit Quality Rating				
	FY 2007 Fair Value	U.S. Govt-Exempt	AAA	AA	A	BBB
U.S. Treasury	$ 12,090	$ 12,090	$ -	$ -	$ -	$ -
U.S. government agencies	107,430	600	106,830	-	-	-
Corporate bonds	7,871	-	680	2,537	3,419	1,235
Total fixed income securities	$ 127,391	$ 12,690	$ 107,510	$ 2,537	$ 3,419	$ 1,235

Interest Rate Risk
Interest rate risk is the risk that the value of fixed income securities will decline because of changing interest rates. The prices of fixed income securities with a longer time to maturity tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter maturities.

At June 30, 2008 and 2007, the composition of the University’s fixed income investments and maturities are summarized below:

(All dollars reported in thousands)

		Investment Maturities (in Years)			
	2008 Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasury	$ 3,994	$ 959	$ 1,264	$ 1,677	$ 94
U.S. government agencies	126,423	14,237	106,584	3,049	2,553
Corporate bonds	16,880	745	3,742	12,128	265
Total fixed income securities	$ 147,297	$ 15,941	$ 111,590	$ 16,854	$ 2,912

		Investment Maturities (in Years)			
	2007 Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasury	$ 12,090	$ 8,489	$ 1,357	$ 2,177	$ 67
U.S. government agencies	107,430	40,201	61,839	3,379	2,011
Corporate bonds	7,871	1,278	2,878	3,629	86
Total fixed income securities	$ 127,391	$ 49,968	$ 66,074	$ 9,185	$ 2,164

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit development. The University limits its risk of concentration of assets by limiting individual bond positions other than obligations of the U.S. government to not more than 5% of the total fixed income portion of the portfolio. Individual equities are limited to not more than 5% of the total market value of the stock portfolio. In addition, investment in any one stock is not to exceed 5% of a corporation’s outstanding common stock.

Foreign Currency Risk

Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University’s investment policy permits investment in publicly traded foreign securities.

(All dollars reported in thousands)

At June 30, 2008 and 2007, the University's exposure to foreign currency risk expressed in U.S. dollars was as follows:

	2008	2007
Equity securities		
Australian Dollar	$ 265	$ 278
Bermudian dollar	571	652
Brazilian real	1,357	1,027
British pound	9,398	6,894
Canadian dollar	301	807
Chinese Yuan	86	34
Danish Krone	68	-
Euro	16,503	21,690
Hong Kong dollar	1,373	265
Indian Rupee	351	55
Indonesian Ruphia	40	7
Israeli Shekel	41	-
Japanese yen	16,382	14,067
Korean won	1,614	4,053
Malaysian Ringgit	171	5
Mexican peso	1,133	1,184
North Korean Won	246	34
New Zealand dollar	229	361
Norwegian Krone	14	-
Philippine Peso	52	3
Russian Ruble	37	27
Singapore dollar	1,405	557
South African Rand	65	139
Sri Lankan Rupee	22	-
Swedish Krona	839	-
Swiss franc	1,731	2,678
Taiwanese dollar	880	706
Thai Baht	350	145
Total exposure to foreign currency risk	$ 55,524	$ 55,668

(All dollars reported in thousands)

3. Accounts Receivable

The composition of accounts receivable at June 30, 2008 and 2007 are summarized is follows:

	2008	2007
U.S. government	$ 51,273	$ 65,082
State and local government	12,211	10,549
Private agencies	17,532	10,939
Other	28,041	24,439
	109,057	111,009
Less: Allowance for doubtful accounts	(17,667)	(10,559)
	$ 91,390	$ 100,450

4. U.S. Government Funding

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. These reimbursements amounted to approximately $38,369 in fiscal year 2008 and $35,642 in fiscal year 2007. During fiscal year 2008, the University expended 98.92% and 1.08% of this cost recovery on research and training programs and discovery and inventions, respectively. During fiscal year 2007, the University expended 97.99% and 2.01% of this cost recovery on research and training programs 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 position of the University.

(All dollars reported in thousands)

5. Notes and Contributions Receivable

The composition of notes and contributions receivable at June 30, 2008 and 2007 are summarized as follows:

	2008	2007
Student notes		
Federal loan programs	$ 19,658	$ 17,556
State loan programs	6,098	6,697
University loan funds	58	52
Other notes receivable	149	123
Total student and other notes outstanding	25,963	24,428
Less: Allowance for doubtful notes receivable	5,955	5,336
Total student and other notes receivable, net	20,008	19,092
Contributions receivable	28,698	26,143
Less: Allowance for uncollectible pledges	351	911
Less: Discount to present value	1,001	692
Total contributions receivable, net	27,346	24,540
Total notes and contributions receivable, net	47,354	43,632
Less: Current portion, net	14,523	11,351
	$ 32,831	$ 32,281

The allowance for doubtful notes receivable at June 30, 2008 and 2007 are comprised of:

	2008	2007
Federal Perkins loan program	$ 3,564	$ 2,947
State of Hawai‘i Higher Education loans	2,268	2,279
Nursing/Health Profession loans	66	60
Short-term loans	57	50
	$ 5,955	$ 5,336

Payments on contributions receivable at June 30, 2008 are expected to be collected in:

Less than one year	$ 1,379
One year to five years	27,319
	$ 28,698

The principal repayment and interest rate terms of federal and University loans vary considerably. The allowance for doubtful notes receivable only applies to University funded notes and the University’s portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. Federal loan programs are funded principally with federal advances to the University under the Perkins and various health professions loan programs.

(All dollars reported in thousands)

The Federal Perkins loan program provides for the assignment of uncollectible loans to the U.S. Department of Education for collection. Uncollectible Nursing and 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 Hawai‘i Higher Education loans and University short-term loans may be written off with the approval of the University's General Counsel.

As discussed in Note 1 to the consolidated financial statements, pledges for permanent endowments do not meet eligibility requirements, as defined by GASB Statement No. 33, until the related gift is received. Accordingly, permanent endowment pledges totaling approximately $5,072 and $3,515 at June 30, 2008 and 2007, respectively, were not recognized as assets in the accompanying consolidated financial statements because of uncertainties with regard to their realizability, valuation, bequest intentions and other conditional promises until the specified conditions are met.

Unconditional promises to give (contributions receivable) that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in private gift revenues.

6. Inventories

The inventories and the methods of valuation at June 30, 2008 and 2007 are comprised of:

		2008	2007
University of Hawai‘i Bookstore merchandise inventory	Retail cost method FY2008. At the lower of cost (determined by the weighted average cost method) or market FY2007.	$ 10,722	$ 7,173
University of Hawai‘i Chemistry Stockroom	Cost applied on the first-in, first-out basis.	1,222	1,255
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.	922	875
University of Hawai‘i other cost of goods sold	Cost applied on the first-in, first-out basis.	550	433
		$ 13,416	$ 9,736

(All dollars reported in thousands)

7. Capital Assets

A summary of capital assets at June 30, 2008 and 2007 is as follows:

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
2008					
Nondepreciable capital assets					
Land	$ 11,827	$ 659	$ -	$ -	$ 12,486
Construction in progress	146,623	151,988	1,490	(85,255)	211,866
Total capital assets not being depreciated	158,450	152,647	1,490	(85,255)	224,352
Depreciable capital assets					
Land improvements	75,816	49	676	4,514	79,703
Infrastructure	55,327	139	-	19,422	74,888
Buildings	1,130,857	16,889	16,186	57,339	1,188,899
Equipment	255,785	18,573	8,560	3,980	269,778
Library materials	153,664	6,942	269	-	160,337
Total capital assets being depreciated	1,671,449	42,592	25,691	85,255	1,773,605
Less: Accumulated depreciation	755,869	71,226	17,773	-	809,322
Capital assets, net	$ 1,074,030	$ 124,013	$ 9,408	$ -	$ 1,188,635

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
2007					
Nondepreciable capital assets					
Land	$ 11,827	$ -	$ -	$ -	$ 11,827
Construction in progress	89,963	101,647	740	(44,247)	146,623
Total capital assets not being depreciated	101,790	101,647	740	(44,247)	158,450
Depreciable capital assets					
Land improvements	70,575	250	-	4,991	75,816
Infrastructure	50,900	151	-	4,276	55,327
Buildings	1,100,813	6,407	8,445	32,082	1,130,857
Equipment	238,763	22,255	8,131	2,898	255,785
Library materials	156,775	8,075	11,186	-	153,664
Total capital assets being depreciated	1,617,826	37,138	27,762	44,247	1,671,449
Less: Accumulated depreciation	704,190	65,387	13,708	-	755,869
Capital assets, net	$ 1,015,426	$ 73,398	$ 14,794	$ -	$ 1,074,030

(All dollars reported in thousands)

Capital assets consist of land, land improvements, infrastructure, 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. Land parcels comprising 1,581 acres or 93% of the University's property is 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 capital asset total.

The State Department of Accounting and General Services ("DAGS") administer a few of the University's construction projects. Upon completion, the University records the total project cost, including amounts funded from state and federal sources. Capital assets transferred to the University from DAGS amounted to $16,256 and $7,268 in 2008 and 2007, respectively.

8. Other Noncurrent Assets

Other noncurrent assets at June 30, 2008 and 2007 were comprised of:

	2008	2007
Interest in perpetual trusts held by others	$ 19,201	$ 12,882
Deferred bond refunding and issuance costs (Note 11)	9,206	9,451
	$ 28,407	$ 22,333

9. Due From and Due To the State of Hawai‘i

Amounts due from and due to the State of Hawai‘i at June 30, 2008 and 2007 were as follows:

	2008		2007	
	Due from	Due to	Due from	Due to
State appropriations for current operations	$ 28,192		$ 13,547	
Employer fringe adjustments	85		4	
Due from State of Hawai‘i – current	28,277		13,551	
State capital appropriations-noncurrent	246,663		221,333	
Total due from State of Hawai‘i	$ 274,940		$ 234,884	
Imprest/petty cash advances		$ 278		$ 291
Advance		6,000		6,000
General obligation bonds – current		1,603		1,716
Other		411		14
Due to State of Hawai‘i – current		8,292		8,021
General obligation bonds – noncurrent		1,313		2,916
Total due to State of Hawai‘i		$ 9,605		$ 10,937

(All dollars reported in thousands)

10. Due to the State of Hawai'i for General Obligation Bonds

Activity related to amounts due to the State of Hawai'i for general obligation bonds for the year ended June 30, 2008 was as follows:

	Original Amount	Beginning Balance	Principal Repayment	Ending Balance
Series X (interest rate, 4.00% to 5.00%):				
Mānoa Student Housing Phase II	$ 3,000	$ 185	$ 185	$ -
Mānoa Campus Center	2,125	130	130	-
	5,125	315	315	-
Series CS (interest rate, 5.00% to 5.25%):				
Student Housing				
Mānoa	5,019	1,618	789	829
Hilo	979	316	154	162
Parking Structure Phase I	2,915	939	458	481
	8,913	2,873	1,401	1,472
Series DB (interest rate 2.80% to 5.25%)				
Student Housing				
Mānoa	731	731	-	731
Hilo	143	143	-	143
Parking Structure Phase I	425	425	-	425
	1,299	1,299	-	1,299
Series DG (interest rate 5.00%):				
Student Housing				
Mānoa	82	82		82
Hilo	16	16		16
Parking Structure Phase I	47	47		47
	145	145	-	145
	$ 15,482	$ 4,632	$ 1,716	$ 2,916

(All dollars reported in thousands)

Activity related to amounts due to the State of Hawai‘i for general obligation bonds for the year ended June 30, 2007 was as follows:

	Original Amount	Beginning Balance	Principal Repayment	Ending Balance
Series X (interest rate, 4.00% to 5.00%):				
Mānoa Student Housing Phase II	$ 3,000	$ 360	$ 175	$ 185
Mānoa Campus Center	2,125	255	125	130
	5,125	615	300	315
Series CS (interest rate, 5.00% to 5.25%):				
Student Housing				
Mānoa	5,019	2,369	751	1,618
Hilo	979	463	147	316
Parking Structure Phase I	2,915	1,376	437	939
	8,913	4,208	1,335	2,873
Series DB (interest rate 2.80% to 5.25%)				
Student Housing				
Mānoa	731	731	-	731
Hilo	143	143	-	143
Parking Structure Phase I	425	425	-	425
	1,299	1,299	-	1,299
Series DG (interest rate 5.00%):				
Student Housing				
Mānoa	82	82	-	82
Hilo	16	16	-	16
Parking Structure Phase I	47	47	-	47
	145	145	-	145
	$ 15,482	$ 6,267	$ 1,635	$ 4,632

General obligation bonds are payable in annual installments, including semi-annual interest payments, ranging from $129 to $3,393 with payment due in July 2017. The bonds mature in designated numerical sequence and are payable from the operations of the University. The first principal payment on Series DB and DG is due on September 1, 2008 and July 1, 2009, respectively. The interest and principal payments are due as follows:

	Principal	Interest
Series X	August 1	February 1 and August 1
Series CS	April 1	April 1 and October 1
Series DB	Sept 1	March 1 and September 1
Series DG	July 1	January 1 and July 1

(All dollars reported in thousands)

At June 30, 2008, principal and interest maturities on general obligation bonds for each of the next five years, the next subsequent five-year payments and thereafter are as follows:

	Principal	Interest
Year ending June 30		
2009	$ 1,603	$ 82
2010	137	7
2011	144	6
2012	151	5
2013	159	5
2014–2018	722	9
	$ 2,916	$ 114

The general obligation bonds have provisions for early redemption. The premiums on bond redemption, as a percentage of bond principal redeemed, range from 0.5% to 2%.

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%. Such subsidies amounted to $2 and $31 for the years ended June 30, 2008 and 2007, respectively.

In June 2005, the State issued $772,600 and $18,700 in general obligation Series DG and DH bonds (refunding bonds), respectively, of which the University’s portion was approximately $145 and $4, with a 5% interest rate to advance refund approximately $152 (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.

In September 2003, the State issued $188,700 in general obligation Series DB bonds (refunding bonds) of which the University’s portion was approximately $1,300, with interest rates ranging from 2.80% to 5.25% to advance refund approximately $1,300 (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 refunding bonds.

Act 213-SLH 2007, Section 97 provided general fund appropriation to pay for debt service on general obligation bonds issued for the University and transferred to the financial administration program of the Department of Budget and Finance. Appropriation for debt service amounted to $83,869 and $80,303 for the years ended June 30, 2008 and 2007, respectively.

(All dollars reported in thousands)

11. Long-Term Liabilities

Long-term liability activity for the years ended June 30, 2008 and 2007 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2008					
Leases and bonds payable					
Revenue bonds payable	$ 264,065	$ -	$ 1,020	$ 263,045	$ 4,415
Capital lease payable (Note 11)	14,255	-	435	13,820	460
Total leases and bonds payable	278,320	-	1,455	276,865	4,875
Other liabilities					
Workers' compensation	11,137	3,567	2,125	12,579	4,314
Accrued vacation	56,030	23,699	18,131	61,598	23,766
Notes payable – RCUH	89	-	89	-	-
Postretirement healthcare / life insurance benefits (Note 15)	-	88,560	25,709	62,851	-
Installment contract payable (Note 16)	249	352	237	364	316
Total other liabilities	67,505	116,178	46,291	137,392	28,396
Total long-term liabilities	$ 345,825	$ 116,178	$ 47,746	$ 414,257	$ 33,271
2007					
Leases and bonds payable					
Revenue bonds payable	$ 160,280	$ 233,810	$ 130,025	$ 264,065	$ 1,020
Capital lease payable (Note 11)	14,670	-	415	14,255	435
Total leases and bonds payable	174,950	233,810	130,440	278,320	1,455
Other liabilities					
Workers' compensation	12,220	3,702	4,785	11,137	3,768
Accrued vacation	52,210	20,919	17,099	56,030	21,035
Notes payable – RCUH	239	-	150	89	89
Installment contract payable (Note 16)	281	-	32	249	154
Total other liabilities	64,950	24,621	22,066	67,505	25,046
Total long-term liabilities	$ 239,900	$ 258,431	$ 152,506	$ 345,825	$ 26,501

(All dollars reported in thousands)

Revenue Bonds Payable

The University’s revenue bonds payable at June 30, 2008 and 2007 are as follows:

	Series	Date Issued	Authorized	2008	2007
Student Housing System at Mānoa and Telecommunications System (interest rate, 3.0% to 5.25%)	2001B	December 19, 2001	$ 18,665	$ 13,500	$ 14,520
University Health & Wellness Center (interest rate 2.70% to 5.59%)	2002A	June 27, 2002	150,000	15,735	15,735
Frear Hall Construction, Student Housing System at Mānoa, Food Service System and Student Housing System at Hilo (interest rate, 3.25% to 5.0%)	2006A	December 13, 2006	100,000	100,000	100,000
University Health & Wellness Center (interest rate. 3.5% to 5.0%)	Ref 2006A	October 25, 2006	133,810	133,810	133,810
			$ 402,475	$ 263,045	$ 264,065

In October 2006, the University issued $133,810 in Refunding Series 2006A bonds to constructively retire (advance refund) $129,035 of the outstanding Series 2002A revenue bonds. The proceeds of the Refunding Series 2006A bonds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance refunded Series 2002A bonds. Accordingly, the trust account assets and the liabilities relating to the defeased revenue bonds are not recorded in the financial statements of the University. The defeasance resulted in an accounting gain of $8,281 and an economic gain (difference between the present values of the debt service payments on the old and new debt) of $6,639.

The University receives funds from the State of Hawai‘i Tobacco Settlement Special Fund, which are solely applied to the payment of principal and interest on the Series 2002A and Refunding Series 2006A bonds. The funds received from the State of Hawai‘i Tobacco Settlement Special Fund amounted to $21,272 in 2008. No funds were received in 2007.

The revenue bonds are paid from certain unrestricted revenues in annual installments, including semi-annual interest payments ranging from $153 to $12,452 with the final payment due in October 2036. Series 2001A, 2001B and 2006A interest is payable semi-annually on April 1 and October 1, and the principal is payable on October 1 of each year. The Series 2002A and Refunding Series 2006A interest is payable semi-annually on January 15 and July 15, and the principal is payable on July 15 of each year. The Bond Resolution adopted on May 17, 2002 stipulates that all available moneys on deposit in any special fund or revolving fund of the University, excluding moneys on deposit in the University Revenue – Undertakings Fund (“University Bond System”) are pledged to the payment of the Series 2002A bonds, interest and premiums (if any). All available moneys on deposit in any special fund or revolving fund of the University, including moneys on deposit in the University Bond System are pledged to the payment of the Series 2006A bonds, interest and premiums (if any).

(All dollars reported in thousands)

At June 30, 2008, future maturities of revenue bonds are as follows:

Years ending June 30	Principal	Interest
2009	$ 4,415	$ 11,676
2010	6,455	11,470
2011	6,715	11,211
2012	6,985	10,935
2013	7,265	10,644
2014–2018	41,565	47,831
2019–2023	43,760	37,690
2024–2028	55,395	25,810
2029–2033	67,660	13,439
2034–2037	22,830	2,355
	$ 263,045	$ 183,061

Bond Premiums
Activity related to the premiums on general obligation and revenue bonds for the years ended June 30, 2008 and 2007 are as follows:

	Series	Beginning Balance	Additions	Reductions	Ending Balance
2008					
Student Housing System at Mānoa and Telecommunications System	2001B	$ 122	$ 19	$ -	$ 141
John A. Burns School of Medicine	Ref 2006A	1,724	-	57	1,667
General obligation	DB	57	-	10	47
General obligation	DG	10	-	1	9
Total bond premiums		$ 1,913	$ 19	$ 68	$ 1,864
2007					
Student Housing System at Mānoa and Telecommunications System	2001B	$ 153	$ -	$ 31	$ 122
John A. Burns School of Medicine	2002A	2,666	-	2,666	-
John A. Burns School of Medicine	Ref 2006A	-	1,724	-	1,724
General obligation	DB	67	-	10	57
General obligation	DG	12	-	2	10
Total bond premiums		$ 2,898	$ 1,724	$ 2,709	$ 1,913

(All dollars reported in thousands)

Deferred Bond Refunding and Issuance Costs

Activity related to issuance costs for general obligation and revenue bonds for the years ended June 30, 2008 and 2007 are as follows:

	Series	Beginning Balance	Additions	Reductions	Ending Balance
2008					
Student Housing System at Mānoa and Telecommunications System	2001B	$ 395	$ 62	$ -	$ 457
John A. Burns School of Medicine	Ref 2006A	9,004	-	298	8,706
General obligation	DB	44	-	8	36
General obligation	DG	8	-	1	7
Total bond issuance costs		$ 9,451	$ 62	$ 307	$ 9,206
2007					
Student Housing System at Mānoa and Telecommunications System	2001B	$ 495	$ -	$ 100	$ 395
John A. Burns School of Medicine	2002A	1,458	-	1,458	-
John A. Burns School of Medicine	Ref 2006A	-	9,004	-	9,004
General obligation	DB	52	-	8	44
General obligation	DG	9	-	1	8
Total bond issuance costs		$ 2,014	$ 9,004	$ 1,567	$ 9,451

Capital Lease Obligation

On November 1, 1995, the Housing Finance and Development Corporation (“HFDC”) issued $17,680 in revenue bonds with interest rates ranging from 4.00% to 5.75%. The revenue bonds are payable by HFDC in annual installments, including semiannual 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 agreement 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 capitalized cost of $20,130 and accumulated depreciation as of June 30, 2008 and 2007 of $6,581 and $6,065, respectively, are included in capital assets.

(All dollars reported in thousands)

At June 30, 2008, the future minimum lease payments are as follows:

	Lease Amount
Years ending June 30	
2009	$ 1,232
2010	1,235
2011	1,232
2012	1,232
2013	1,230
2014–2018	6,136
2019–2023	6,107
2024–2026	3,644
	22,048
Less: Amount representing interest	8,228
	$ 13,820

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 for short-term working capital, expiring on February 1, 2010. 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 was 3.75% and 6.19% at June 30, 2008 and 2007, respectively. At June 30, 2008 and 2007, there were no borrowings under this line.

13. Property Leases

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

	Lease Amount
Years ending June 30	
2009	$ 1,438
2010	1,315
2011	1,078
2012	961
2013	1,040
2014–2018	584
2019–2025	467
	$ 6,883

Lease expenditures for outside space for the years ended June 30, 2008 and 2007 approximated $4,598 and $3,966, respectively.

14. 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.

Prior to July 1, 1984, the ERS 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"). If the employee became a member prior to January 1, 1971, the AFC is the average salary earned during the five highest paid years of service, including the vacation payment, or three highest paid years of service, excluding the vacation payment. The AFC for members hired on or after that date is based on the three highest paid years of service, excluding the vacation payment. Contributions are based upon negotiated collective bargaining agreements, and the majority is funded by the State general fund as accrued. Subsequently, if an employee is paid from another funding source, contributions will be made from that same source. Effective July 1, 2005, employer contribution rates are a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liability.

On July 1, 2006, a new hybrid contributory plan became effective pursuant to Act 179, SLH of 2004. Members in the hybrid plan will be eligible for retirement at age 62 with 5 years of credited service or age 55 with 30 years of credited service. Members will receive a benefit multiplier of 2% for each year of credited service in the hybrid plan. The benefit payment options are similar to the current contributory plan. Almost 58,000 current members, all members of the noncontributory plan and certain members of the contributory plan were eligible to join the new hybrid plan. Most of the new employees hired from July 1, 2006 will be required to join the hybrid plan.

Contribution requirements are not actuarially determined, but are established by the Hawaii Revised Statues (HRS) Chapter 88 and amended by the Hawaii state legislature. The funding method used to calculate the total employer contribution requirement is the Entry Age Normal Actuarial Cost Method. The employee contribution rate is 7.8% of salary for the Contributory Plan and 6.0% of salary for the Hybrid Plan. There is no employee contribution for the Noncontributory Plan. Employer contributions are calculated as part of the State's total contribution requirements and are reimbursed to the State's General Fund as part of the fringe benefit rate on the University employees' actual salaries. The required employer contributions for the years ended June 30, 2008, 2007, and 2006 were $65,570, $58,141, and $54,172 respectively, which represented 13.75% of payroll for each year. Effective July 1, 2008, the employer contribution rate will increase to 15.00% of salary.

Actuarial valuation is prepared for the entire ERS and not separately computed for the University. Information on vested and nonvested benefits and other aspects of the ERS is also not available at the University level.

(All dollars reported in thousands)

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, 2007 is as follows:

Number of employers as of March 31, 2007 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 is 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. The University receives a State appropriation for these fringe benefit costs. Fringe benefit costs included in total revenue and total expenditures amounted to $135,059 and $116,614 for fiscal years 2008 and 2007, respectively.

All regular employees, with certain exceptions, earn vacation leave at the rate of 14 hours for each month of service. Employees who are entitled to annual vacation may accumulate for the succeeding year or years up to 15 working days annual vacation allowance, provided that the total accumulation shall not exceed 90 working days at the end of the calendar year. Accumulated vacation leave, earned but not taken, is reflected as an accrual in the accompanying consolidated financial statements. 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 14 hours 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 consolidated financial statements. Employees who retire with 60 days of unused sick leave are entitled to three months of service credit in the ERS. For each additional 20 days or major fraction thereof of unused sick leave they have in excess of 60 days, their service period is increased by one month.

The University's 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. Medical related payments for fiscal years 2008 and 2007 were $1,627 and $2,172, respectively. Temporary wage loss payments for fiscal years 2008 and 2007 amounted to $278 and $295, respectively.

15. Postemployment Benefits Other than Pensions

In addition to providing pension benefits, the State of Hawai'i, pursuant to HRS Chapter 87, provides other postemployment benefits ("OPEB") such as health care and life insurance benefits to all retired University employees. Effective July 1, 2007, the University implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, prospectively which establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities, note disclosure and required supplementary information in the financial reports.

Plan Description
The State contributes to the Hawaii Employer-Union Health Benefits Trust Fund ("EUTF"), an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003, pursuant to Act 88, SLH of 2001. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

Hawaii Employer-Union Health Benefits Trust Fund
City Financial Tower
210 Merchant Street, Suite 1520
Honolulu, Hawai'i 96813

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with 10 years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect family plan to cover dependents.

For employees hired after June 30, 1996, but before July 1, 2001, and who retire with less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years, but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years, but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect family plan to cover dependents.

For employees hired on or after July 1, 2001 and who retire with less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years, but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years, but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is paid for retirees in this category. Retirees can elect family coverage, but must pay the difference.

Funding Policy and Annual OPEB Cost

Employer contributions are financed on a pay-as-you-go basis. The University's contributions are calculated as part of the State's total contribution requirements and are reimbursed to the State's General Fund as part of the fringe benefit rate on the University employees' actual salaries. The University's annual OPEB cost is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameter of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table presents the annual OPEB cost and the percentage of annual OPEB cost contributed to the plan for the fiscal year ended June 30, 2008 (amounts in thousands):

Projected June 30, 2008 Net OPEB Obligation ("NOO")

July 1, 2007 net OPEB obligation (initial assumed)	$ -
Plus: Annual OPEB cost	88,560
Less: Employer contributions (estimated "pay as you go" method)	25,709
Equals: Expected June 30, 2008 net OPEB obligation	$ 62,851

OPEB Summary

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	$88,560	29.0%	$62,851

(All dollars reported in thousands)

Funded Status

Actuarial valuations represent a long-term perspective and involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment return and health care cost trends. The projection of benefits does not explicitly incorporate the potential effects of the results of collective bargaining discussions on the contribution rate. Actuarially determined amounts are subject to periodic revisions as actual rates are compared with past expectations and new estimates are made about the future.

Funding Status as of July 1, 2007

Actuarial value of assets	$ -
Actuarial accrued liability	1,135,855
Unfunded actuarial accrued liability (“UAAL”)	$ 1,135,855
Funded ratio	0%
Covered payroll (active plan members)	478,812
UAAL as a percentage of covered payroll	237.2%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions used were as follows:

Actuarial valuation date	July 1, 2007
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	30 years
Asset valuation method	N/A
Actuarial assumptions	
Investment rate of return	5%
Projected salary increases	3.5%
Healthcare inflation rate	
Medical and Rx Pre-65	9.5% initial, 5% ultimate
Medical and Rx Post-65	10.0% initial, 5% ultimate

(All dollars reported in thousands)

16. Other Noncurrent Liabilities

Other noncurrent liabilities at June 30, 2008 and 2007 are comprised of:

	2008	2007
Liabilities under split interest agreements	$ 4,599	$ 4,114
Amounts held for others	2,359	2,348
Installment contract payable	48	95
Other	350	-
	$ 7,356	$ 6,557

17. State Appropriations

By statutory provision, the University prepares a biennium budget for its programs. Budgeted expenditures are derived primarily from the General Appropriations Act of 2007, and from other specific appropriations acts in various Session Laws of Hawai‘i (“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 State general and capital appropriations for the years ended June 30, 2008 and 2007 were $690,625 and $116,910, and $623,984 and $129,141, respectively.

(All dollars reported in thousands)

Net general and capital appropriations for the year ended June 30, 2008 were as follows:

General appropriations	
Act 213, SLH 2007, Appropriation Warrant No. 18	$ 670,485
Act 111, SLH 2007, Appropriation Warrant No. 59 (G 301)	261
Act 111, SLH 2007, Appropriation Warrant No. 59 (G 302)	1,402
Act 111, SLH 2007, Appropriation Warrant No. 59 (G 303)	175
Act 111, SLH 2007, Appropriation Warrant No. 59 (G 304)	175
Act 254, SLH 2007, Appropriation Warrant No. 94 (G 308)	50
Act 11, SLH2007, Appropriation Warrant No. 127 (G 322)	150
	672,698
Others	
Allotments for salary increases and other adjustment	
Act 94, 97, & 98, SLH 2005	4,496
	677,194
Total funds lapsed	(916)
G-08-020 reinstated in FY2009	(160)
G 319 (Flood) net encumbrance remaining that carries forward to FY 2009	14,507
Total general appropriations	$ 690,625
Capital appropriations	
Section 125, Act 213, SLH 2007	$ 106,910
Section 85 & 114, Act 178, SLH 2005	250
Section 85 & 114, Act 178, SLH 2005 as amended by Act 160, SLH 2006	11,296
Section 85 & 122, Act 178 SLH 2005 as amended by Act 160, SLH 2006	(1,033)
Total funds lapsed	(513)
Total capital appropriations	$ 116,910

(All dollars reported in thousands)

Net general and capital appropriations for the year ended June 30, 2007 were as follows:

General appropriations		
Act 178, SLH 2005, Appropriation Warrant No. 51	$	614,890
Act 187. SLH 2006, Appropriation Warrant No. 105 (G 330)		200
Act 248, SLH 2006, Appropriation Warrant No. 122 (G 331)		400
Act 240 SLH 2006, Appropriation Warrant No. 156 (G 334)		100
		615,590
Others		
Allotments for salary increases and other adjustment		
Act 94, 97, & 98, SLH 2005		7,759
		623,349
Total funds lapsed		(315)
G 319 (Flood) net encumbrance remaining that carries forward to FY 2008		950
Total general appropriations	$	623,984
Capital appropriations		
Act 178, SLH 2005, Section 85	$	3,448
Act 178, SLH 2005, Section 85 & 114		25,000
Act 178, SLH 2005, Section 85, as amended by Act 160, SLH2006		4,451
Act 178, SLH 2005, Section 85 & 114, as amended by Act 160, SLH2006		96,400
Act 178, SLH 2005, Section 85, 114, & 122, as amended by Act 160, SLH2006		(23)
Total funds lapsed		(135)
Total capital appropriations	$	129,141

18. Unrestricted Net Assets

Unrestricted net assets, as defined by GASB Statement No. 35, are not subject to externally imposed stipulations; however, they are subject to internal restrictions. Accordingly, unrestricted net assets may be designated for specific purposes by action of management or the Board or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are internally designated for academic and research programs and initiatives, and capital programs. Some designated unrestricted net assets may be used to fund certain unfunded liabilities included in the undesignated unrestricted net assets.

(All dollars reported in thousands)

The unrestricted net assets at June 30, 2008 and 2007 were as follows:

	2008	2007
Unrestricted net assets		
Designated		
Research and training	$ 55,428	$ 49,922
Contract commitments	43,007	24,189
Quasi-endowment	42,184	43,140
Capital projects	29,751	28,551
Bond System	14,346	20,175
Other designated net assets	8,413	8,059
Total designated	193,129	174,036
Undesignated (unfunded obligations for vacation, worker's compensation liabilities, payroll, etc.)	(41,281)	(19,776)
Total unrestricted net assets	$ 151,848	$ 154,260

19. Segment Information

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets and liabilities that are required by an external party to be accounted for separately. The University has one segment that meets the reporting requirement of GASB Statement No. 35.

The University Bond System consists of several University projects funded by bond proceeds. The University projects, operated and maintained jointly as a system include: (1) all existing University housing units located on the Mānoa campus and connecting food service facilities; (2) the University's student center known as the Campus Center and food services activities on the Mānoa campus; (3) all existing University housing units located on the Hilo campus and connecting food service facilities; (4) the telecommunication system located on the Mānoa campus; (5) all existing bookstores located on any campus of the University; (6) all University parking units located on any campus of the University which were financed in whole or in part from certain revenue or general obligation bonds; and (7) certain other University projects.

The University Bond System's outstanding debt was issued pursuant to a master resolution as amended in November 2001. The master resolution established a network of the University consisting of the University Bond System and any University purpose, which, at the election of the Board is included in the network pursuant to a supplemental resolution. The master resolution provides that all revenues collected or received from the Network should be used to support the Network (which includes the University projects of the University Bond System) and bond related expenses.

Management identified $522 in unrecorded receivables and room rental revenues that should have been recorded in 2007. To correct this error, the 2007 financial statements have been restated to increase the "Accounts receivable, less allowance for doubtful accounts" line item in the Statement of Net Assets and the "Room and other rentals" line item in the Statement of Changes in Net Assets by $522.

(All dollars reported in thousands)

Effective July 1, 2007, the University Bond System changed its method of accounting for bookstore inventories from the weighted average cost method to the retail method of accounting. The new method of accounting for inventory was adopted because the University Bond System believes the retail method provides a more meaningful presentation of its financial position. Comparative financial statements for the University Bond System of prior years have been restated to apply the new method retrospectively effective July 1, 2006. The consolidated financial statements of the University have not been restated as management believes that the effect is not material.

The following summary financial information as of June 30, 2008 and 2007 is presented before elimination of certain intra-University transactions.

	2008	Restated 2007
Condensed statements of net assets		
Assets		
Current assets	$ 58,206	$ 54,193
Capital assets, net	135,004	98,396
Other assets	48,773	93,567
Total assets	$ 241,983	$ 246,156
Liabilities		
Current liabilities	$ 21,054	$ 18,798
Noncurrent liabilities	128,327	131,544
Total liabilities	149,381	150,342
Net assets		
Invested in capital assets, net of related debt	52,206	51,082
Restricted expendable	4,081	6,561
Unrestricted	36,315	38,171
Total net assets	92,602	95,814
Total liabilities and net assets	$ 241,983	$ 246,156

(All dollars reported in thousands)

	2008	Restated 2007
Condensed statements of revenues, expenses and changes in net assets		
Operating revenues		
Bookstores	$ 31,510	$ 28,060
Room and other rentals	18,385	17,629
Parking	4,785	4,908
Telecommunications	3,433	3,090
Other operating revenues	4,785	3,505
Total operating revenues	62,898	57,192
Operating expenses (including $5,245 and $5,235 in depreciation expense in 2008 and 2007, respectively)	(69,008)	(57,941)
Operating loss	(6,110)	(749)
Nonoperating revenues	6,680	8,008
Nonoperating expenses	(3,782)	(2,544)
Increase (decrease) in net assets	(3,212)	4,715
Net assets		
Beginning of year	95,814	91,099
End of year	$ 92,602	$ 95,814

	2008	2007
Condensed statements of cash flows		
Net cash flows provided by (used in) operating activities	$ (3,104)	$ 5,100
Net cash flows provided by non-capital financing activities	2,411	3,515
Net cash flows provided by (used in) capital and related financing activities	(48,038)	81,281
Net cash flows provided by investing activities	7,741	6,359
Net increase (decrease) in cash and cash equivalents	(40,990)	96,255
Cash and cash equivalents		
Beginning of year	130,337	34,082
End of year	$ 89,347	$ 130,337

(All dollars reported in thousands)

20. Litigation, Other Contingent Liabilities and Commitments

Hawai‘i Revised Statutes §304A-108 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. The Board of Regents is not precluded from requesting and securing legislative appropriations to fund the settlement of any such claim or judgment against the University.

The University is contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, the University's management and general counsel are of the opinion that the outcome of such matters will not have a material effect on the University's financial position.

Substantial amounts are received and expended by the University under federal and state programs which are subject to audit by cognizant governmental agencies, and independent auditors under OMB Circular A-133. This funding relates to research, student aid and other programs. University management believes that any liabilities arising from such audits will not have a material effect on the University's financial position.

The University's significant construction commitments at June 30, 2008 are as follows:

Systemwide Facility Improvements	$ 44,666
UHWO Campus Development	32,050
Hilo – Science & Technology	25,046
Systemwide Fire, Health & Safety Improvements	20,962
Kauai - One-Stop Center building	9,059
Frear Hall Redevelopment	8,521
Komohana Agricultural Complex	7,136
Other Projects – State	5,897
Other	28,538
Total commitments	$ 181,875

In January 2008, the Office of Hawaiian Affairs ("OHA") and the State announced a settlement resolving the ceded land revenues dispute, which is subject to legislative approval. No further action was taken on House Bill 266 (State OHA settlement) during the 2008 legislative session. In March 2008, the Senate voted to hold the settlement bill (Senate Bill 2733) and requested a management and financial audit of OHA. The auditor's findings will be submitted for the 2009 Regular Legislative Session.

Also in January 2008, the Hawaii Supreme Court ruled that the State cannot sell or transfer ceded lands formerly owned by the Hawaiian Monarchy. The State appealed the ruling and the U.S. Supreme Court has agreed to hear the State's appeal. A decision from the U.S. Supreme Court will likely come in June 2009.

The University has estimated its pro rata portion of the payment due to OHA for fiscal years 2004 to 2008 to be $1,967, which is accrued as a liability at June 30, 2008.

21. New Accounting Pronouncements

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for the University's fiscal year beginning July 1, 2009. Statement No. 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. The University is currently evaluating the effect that Statement No. 51 will have on its financial statements.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for the University's fiscal year beginning July 1, 2009. Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The University is currently evaluating the effect that Statement No. 53 will have on its financial statements.

22. Subsequent Events

In the first half of fiscal year 2009, over $68,500 in capital improvement program funds were released by the Governor for University projects. In July 2008, $1,200 was released for the Clarence T.C. Ching (Cooke) field improvements, which was dedicated on February 2, 2009. The turf replacement project is the first phase of the Clarence T.C. Ching Athletics Complex. In August 2008, $60,000 was released for plans, designs and construction for the capital renewal, deferred maintenance, health and safety, and infrastructure projects at University campuses. In September 2008, $3,500 was released for the plans, design and construction of the upgrade of the existing air conditioning and ventilation systems at Bilger Addition and the renovation of existing facilities at Hawaii Community College Manono Campus. In November 2008, $3,800 was released for plans and design for an Information Technology and Emergency Operations Center Building.

In October 2008, the University of Hawaii Board of Regents approved a reduced operating budget for fiscal years 2010 and 2011. The University reduced the base budget by $13,500, as requested by the Governor. Due to the current economic conditions, further restriction are highly likely and may affect the 2009 fiscal year appropriated funds.

In January 2009, the University had groundbreaking ceremonies for the new West Oahu campus in the City of Kapolei. Also that month, the lease negotiations with the Hawaii community Development Authority were successfully concluded for the site of the University of Hawaii's Cancer Research Center of Hawaii research and clinical trials facility.

Required Supplementary Information
Other Than Management's
Discussion and Analysis

Post Employment Benefits Other than Pensions

REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b) - (a) / (c)
July 1, 2007	$0	$1,135,855	$1,135,855	0%	$478,812	237.2%

Other Supplementary Information

Accuity LLP

CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors on Supplemental Information

To the Board of Regents of the
University of Hawai'i

The report on our audits of the consolidated financial statements of the University of Hawai'i as of June 30, 2008 and 2007, and for the years then ended, appears on page 1. Those audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information (Schedules I, II, III, and IV) included hereinafter is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects in relation to the consolidated financial statements taken as a whole.

Accuity LLP

Honolulu, Hawai'i
March 20, 2009

999 Bishop Street, Suite 1900
Honolulu, Hawaii 96813
Telephone: 808 531 3400 Facsimile: 808 531 3433

University of Hawai‘i
State of Hawai‘i
Condensed Statements of Net Assets
Condensed Statements of Revenue, Expenses and Changes in Net Assets
Current Unrestricted Funds Excluding General Fund and University Bond System
As of and for the Years Ended June 30, 2008 and 2007
(All dollars reported in thousands) Schedule I

	2008	2007
Condensed statements of net assets		
Assets		
Current assets	$ 251,385	$ 171,141
Total assets	$ 251,385	$ 171,141
Liabilities		
Current liabilities	$ 76,600	$ 68,445
Noncurrent liabilities	2,776	2,534
Total liabilities	79,376	70,979
Net assets		
Unrestricted	172,009	100,162
Total net assets	172,009	100,162
Total liabilities and net assets	$ 251,385	$ 171,141
Condensed statements of revenues, expenses and changes in net assets		
Operating revenues	$ 269,802	$ 228,044
Operating expenses	(242,547)	(200,044)
Operating income	27,255	28,000
Nonoperating revenues	46,636	16,314
Nonoperating expenses and transfers	(2,044)	(11,294)
Increase in net assets	71,847	33,020
Net assets		
Beginning of year	100,162	67,142
End of year	$ 172,009	$ 100,162

1. Basis of Presentation

The accompanying condensed statements of net assets and related condensed statements of revenues, expenses and changes in net assets present the financial position and results of operations of certain of the University’s Special and Revolving Funds, which are pledged as collateral on the University’s Series 2002A revenue bonds and Refunding Series 2006A bonds, and are presented on the accrual basis of accounting.

University of Hawai‘i
State of Hawai‘i
Schedules of Series 2002A Revenue Bond Proceeds Activity
Years Ended June 30, 2008 and 2007
(All dollars reported in thousands)

Schedule II

	2008	2007
Beginning balance	$ 13,277	$ 15,263
Additions		
Interest and investment income	549	912
Total additions	549	912
Deductions		
Payments – building, construction in progress, other	2,027	2,886
Management fees	11	12
Total deductions	2,038	2,898
Ending balance	$ 11,788	$ 13,277

1. Basis of Presentation

The accompanying schedules of Series 2002A revenue bond proceeds activity presents the sources and uses of Series 2002A revenue bond proceeds associated with the construction of the John A. Burns School of Medicine facility at Kaka‘ako.

2. Refinancing

In October 2006, the University refinanced a majority of the outstanding Series 2002A revenue bonds through the issuance of Refunding Series 2006A bonds. Proceeds from the State’s settlement agreement with tobacco companies are expected be utilized to service the outstanding balance of the new debt.

University of Hawai‘i
State of Hawai‘i
Condensed Statements of Net Assets
Condensed Statements of Revenue, Expenses and Changes in Net Assets
Current Unrestricted Funds Excluding General Fund
As of and for the Year Ended June 30, 2008 and 2007
(All dollars reported in thousands) Schedule III

	2008	2007
Condensed statements of net assets		
Assets		
Current assets	$ 282,044	$ 203,455
Total assets	$ 282,044	$ 203,455
Liabilities		
Current liabilities	$ 92,036	$ 79,323
Noncurrent liabilities	3,610	3,392
Total liabilities	95,646	82,715
Net assets		
Unrestricted	186,398	120,740
Total net assets	186,398	120,740
Total liabilities and net assets	$ 282,044	$ 203,455
Condensed statements of revenues, expenses and changes in net assets		
Operating revenues	$ 332,140	$ 284,714
Operating expenses	(300,599)	(250,402)
Operating income	31,541	34,312
Nonoperating revenues	48,440	18,420
Nonoperating expenses and transfers	(14,323)	(18,688)
Increase in net assets	65,658	34,044
Net assets		
Beginning of year	120,740	86,696
End of year	$ 186,398	$ 120,740

1. Basis of Presentation

The accompanying condensed statements of net assets and related condensed statements of revenues, expenses and changes in net assets present the financial position and results of operations of certain of the University’s Special and Revolving Funds, which are pledged as collateral on the University’s Series 2006A revenue bonds, and are presented on the accrual basis of accounting.

University of Hawai‘i
State of Hawai‘i
Schedules of Series 2006A Revenue Bond Proceeds Activity
Year Ended June 30, 2008 and 2007
(All dollars reported in thousands) Schedule IV

	2008	2007
Beginning balance	$ 89,871	$ -
Additions		
Bond proceeds	-	100,987
Investment income	3,511	2,113
Total additions	3,511	103,100
Deductions		
Payments – building, construction in progress, other	42,509	12,449
Transfers – retire indebtedness	2,600	780
Total deductions	45,109	13,229
Ending balance	$ 48,273	$ 89,871

1. Basis of Presentation

The accompanying schedules of Series 2006A revenue bond proceeds activity presents the sources and uses of Series 2006A revenue bond proceeds associated with the construction of the Frear Hall dormitory at the Mānoa campus and repair and maintenance of various housing projects.

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APPENDIX C

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 November 16, 2001, entitled "A RESOLUTION CREATING AND ESTABLISHING A NETWORK CONSISTING OF A UNIVERSITY SYSTEM, INCLUDING CERTAIN UNIVERSITY PROJECTS, AND UNIVERSITY PURPOSES, OF THE BOARD OF REGENTS, UNIVERSITY OF HAWAII; CREATING AND ESTABLISHING AN ISSUE OF REVENUE BONDS OF THE BOARD OF REGENTS, UNIVERSITY OF HAWAII, AND PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID BONDS AND LIMITING SUCH PAYMENT TO THE REVENUES OF SAID NETWORK; SETTING FORTH THE TERMS AND CONDITIONS FOR THE ISSUANCE OF BONDS; SETTING FORTH THE TERMS AND CONDITIONS FOR THE ISSUANCE OF ADDITIONAL SERIES 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," as amended by the resolution adopted by the Board on November 16, 2006, entitled "A SUPPLEMENTAL RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $100,000,000 PRINCIPAL AMOUNT OF BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII, UNIVERSITY REVENUE BONDS, SERIES 2006A ; AUTHORIZING THE EXECUTION OF CERTAIN AGREEMENTS WITH RESPECT TO SAID BONDS; MAKING CERTAIN AMENDMENTS TO THE RESOLUTION; AND PROVIDING FOR THE PAYMENT AND SECURITY OF SAID BONDS; AND ADDING CERTAIN UNIVERSITY PROJECTS TO THE UNIVERSITY SYSTEM," and as further supplemented by the resolution adopted by the Board on February 20, 2009 entitled: "A SUPPLEMENTAL RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $100,000,000 PRINCIPAL AMOUNT OF BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII, UNIVERSITY REVENUE BONDS, SERIES 2009A ; AUTHORIZING THE EXECUTION OF CERTAIN AGREEMENTS WITH RESPECT TO SAID BONDS; PROVIDING FOR THE PAYMENT AND SECURITY OF SAID BONDS; AND ADDING CERTAIN UNIVERSITY PROJECTS TO THE UNIVERSITY SYSTEM" (herein referred to collectively as 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 OF CERTAIN TERMS

"<u>Additional Bond</u>" or "<u>Additional Bonds</u>" 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.

"<u>Certificate of Determination</u>" 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.

"<u>Construct</u>" and "<u>Construction</u>" mean and include respectively, (i) acquire, purchase, plan, construct, reconstruct, remodel, renovate, improve, better and extend, and (ii) acquisition, purchase, planning, construction, reconstruction, remodeling, renovation, improvement, betterment and extension.

"<u>Cost of Construction</u>" means all costs and estimated costs of construction, and without limiting the generality of the foregoing, shall include all costs and estimated costs of the preparation and issuance of revenue bonds and obtaining of a loan; cost of land acquisition; engineering, architectural, supervisory, inspection, fiscal, legal, administrative and clerical fees, costs and expenses; interest which it is estimated will accrue during the construction period and for six months thereafter on money obtained by loan or through the issuance of Bonds, or both; amounts necessary to establish or increase reserves; costs of utilities, equipment, fixtures and apparatus necessary or convenient for the use and occupancy of a University Project, and, if so determined by the Board, the initial furnishings of a University Project; and necessary travel expenses.

"Current Expenses" means the costs and estimated costs of operation, maintenance and repair and without limiting the generality of the foregoing, shall include all necessary operating expenses; charges for and expenses of repairs, upkeep, replacement and renewals occurring in the ordinary course; salaries, wages and fees of officers, employees and contractors of the Board engaged in the maintenance of the Network; costs of supplies and equipment including ordinary and current rentals of equipment or property or fees and charges for equipment or property incurred under agreement to the extent permitted by the fourth paragraph of Section 6.10 of the Resolution; cost of food, beverages and merchandise; a properly allocated share of charges for insurance; costs and expenses of administration arising out of, and properly allocable to, the operation, maintenance and repair of the Network and the servicing of the debt (including the Bonds) incurred with respect thereto; Integrated Swap Agreement Payments; payments required to be made by the Board pursuant to law to the extent such payments constitute Current Expenses of the Network; and all other expenses incident to the operation, maintenance and repair of the Network; provided that the term "Current Expenses" shall not include depreciation, general administration expenses of the Board, and the credits to the University Network Repair and Replacement Account or any subaccount therein required by the Resolution.

"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.

"Federal Government" means the United States of America or the Department of Housing and Urban Development or any other department or agency acting for and on behalf of the United States of America.

"Fiscal Year" means the fiscal year for the State of Hawaii as established from time to time by said 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 of a Bond" or "Bondholder" means any person who shall be the bearer of any Bond not then registered, or the registered owner or his duly authorized attorney-in-fact, representative or assigns, of any Bond which shall at the time be registered other than to bearer.

"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.

"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.

"Investment Securities" means 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) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America; and interest of which are unconditionally guaranteed by the United States of America; (ii) 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; (iii) 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, Inc. ("Fitch") issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation; (iv) 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, Inc. and maturing not more than 360 days after the date of purchase; (v) commercial paper rated "A-1+" by S&P and/or "P-1" by Moody's and/or "F-1+" by Fitch, Inc. at the time of purchase and which matures not more than 270 days after the date of purchase; (vi) investments in a money market fund rated "AAAm" or AAm-G" or better by S&P; (vii) 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 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; (b) and 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; (viii) 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, 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 and/or [such counterparty] [the investment agreement] is downgraded below "AAA" by Fitch, the Board shall have the option to terminate the agreement; and (ix) such other investments as may from time to time to be permitted by the laws of the State but are not described above.

"Legislative Appropriations" means moneys in any revolving fund or special fund appropriated or allocated by the Legislature of the State to the Board, the University, the University System or the Network and permitted to be expended for Current Expenses of the Board, the University, the University System or the Network or for Aggregate Debt Service or Debt Service, or a combination thereof; *provided* that so long as any bonds of the Board are outstanding under the resolution adopted on May 17, 2002, Legislative Appropriations shall be subject and subordinate to the lien on such moneys imposed by such resolution.

"Network" means the University System and any University Purpose which, at the election of the Board, is included as a part of the Network pursuant to a Supplemental Resolution, *provided* that the inclusion of such University Purpose in the Network under the Resolution would not be in violation of law or in violation of the terms of any grant, gift, bequest or devise.

"Resolution" means the Resolution as originally adopted by the Board on November 16, 2001 as it may from time to time be supplemented, modified or amended by any resolution supplemental thereto.

"Revenues" means and includes all moneys and other income of whatever nature received or derived by the Board from its ownership or operation and management of the Network or which the Board is entitled to receive as a result of such ownership, operation and management, including Legislative Appropriations to the extent permitted by law; *provided, however,* that the term "Revenues" shall not include moneys received as proceeds from the sale of Bonds except to the extent such proceeds are credited to the University Network Bond Account in the University System Revenue-Undertakings Fund or a subaccount therein, or the moneys derived from any University Project or University Purpose which is not included in the Network hereunder, or the moneys derived from any other network or university system that may hereafter be established separate and apart from the Network established hereunder, or gifts the terms of which preclude their being used for the payment of cost of construction, cost of maintenance, or both, of the Network or for the payment of the principal of or interest on the Bonds or, unless permitted by law, general appropriations or taxes.

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

"University Project" means any undertaking or improvement, whether or not capable of producing revenue, constructed, maintained, or both, by the Board, in furtherance of the purposes of the University, including facilities defined in the Chapter 304A, Hawaii Revised Statutes. 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.

"University Purpose" means any action, undertaking or improvement by the Board reasonably related to the development and promotion of the University as an institution of higher learning or an action or undertaking related thereto.

"University Revenue-Undertakings Fund" means the special fund of the name created in the treasury of the State of Hawaii by Section 304A-2167.5, Hawaii Revised Statutes.

"University System" shall mean that portion of the Network established in Section 2.01 of the Resolution.

"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.

THE RESOLUTION

The Resolution authorizes the issuance and sale or exchange 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 relating to the issuance of Additional Bonds, including refunding Bonds.

Authorization of Bonds; Equal Security; Validity (Section 2.02)

The Bonds shall be payable solely from and secured solely by the Revenues, all of which Revenues are pledged to the punctual payment of the Bonds and interest and premium thereon. The foregoing pledge constitutes a lien on the Revenues prior and paramount to any claim or obligation of any nature against the Revenues subsequently arising or subsequently incurred, subject to the application of the Revenues to the payment of the Current Expenses of the Network, as provided in 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.

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.

Authorization and Issuance of Additional Bonds (Sections 2.03, 2.04 and 2.05)

At any time and from time to time, the Board may issue one or more additional series of Bonds under the Resolution upon compliance with certain conditions enumerated therein, including the following:

1. The Additional Bonds are to be issued for lawful purpose.

2. The University Project or Projects and/or the University Purpose to be financed from the proceeds of the Additional Bonds of such series, is or are made part of the Network and the moneys, if any, to be derived therefrom, or Legislative Appropriations or other moneys made a part of the Revenues shall thereafter constitute Revenues pledged as additional security for the Bonds, including the Bonds then outstanding and the Proposed Additional Bonds.

3. Except in the case of Additional Bonds issued to refund outstanding Bonds, the Supplemental Resolution providing for the issuance of the Additional Bonds shall provide that any accrued interest received upon the sale of the Additional Bonds shall be paid into the University Revenue-Undertakings Fund and credited to the Interest Subaccount in the University Network Bond Account.

4. 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 University Network Revenue Account, the University Network Bond Account (including any subaccounts therein) and the University Network Repair and Replacement Account.

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, 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.

In the event of the inclusion of a University Purpose in furtherance of the purposes of the University which is not capable of producing any revenue or revenue sufficient to make such University Purpose self-sufficient and is authorized by law to be designated as and included in the Network for all purposes hereof: the Board shall allocate Legislative Appropriations in an amount, together with revenues (if any) of such University Purpose, sufficient to pay Current Expenses allocable to such University Purpose and the Debt Service allocable to the Bonds issued to finance such University Purpose, all such Legislative Appropriations allocated shall continue to constitute Revenues, and all payments thereafter required to be made by the Board as Current Expenses related to such University Purpose shall continue to constitute Current Expenses, of the Network so long as Bonds remain outstanding; in the event of the inclusion of a university parking unit or units in the University System by reason of the foregoing provisions of this paragraph, for all purposes hereof: all moneys thereafter derived by the Board under Sections 304A-2601 and 304A-2102, Hawaii Revised Statutes, from the campus or campuses on which such university parking units are located or are to be located shall constitute Revenues, and all payments thereafter required to be made by the Board by reason of the provisions of Section 304A-2102, Hawaii Revised Statutes, with respect to such campus or campuses shall constitute Current Expenses of the University System; and, in the event of the inclusion of a University Project in the University System in furtherance of the purposes of the University which is not capable of producing any revenue or revenue sufficient to make such University Project self-sufficient and is authorized by law to be designated as and included in a university system, including the Network, for all purposes hereof: the Board shall allocate Legislative Appropriations in an amount, together with revenues (if any) of such University Project, sufficient to pay Current Expenses allocable to such University Project and the Debt Service allocable to the Bonds issued to finance the cost of construction, all such Legislative Appropriations allocated shall continue to constitute Revenues, and all payments thereafter required to be made by the Board as Current Expenses related to such University Project shall continue to constitute Current Expenses, of the Network so long as Bonds remain outstanding.

The Board has authorized the Designated Financial Officer to cause to be issued one or more series of refunding Bonds for the purpose of refunding any Outstanding Bonds of the Board. In order to effect said issue, and in lieu of and substitution for a Supplemental Resolution of the Board, the Designated Financial Officer shall set forth in a Certificate of Determination:

(1) a brief statement of the Designated Financial Officer 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;

(2) except in the case of the issue of one or more series of refunding 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 percent (3%) of the principal amount of the Bonds to be refunded;

(3) the Bonds to be refunded and the date or dates, if any, of the retirement or redemption thereof; and

(4) the matters listed in clauses (a) through (m) the paragraph numbered 1 of Section 2.05 of the Resolution.

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.

Variable Rate Bonds (Section 2.06)

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.

Hedge, Support and Other Financial Agreements (Section 2.07)

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 Revenues and secured by a lien on and pledge of Revenues on a parity with the lien on and pledge of the Revenues created for the payment and security of the Bonds; *provided* such payments shall meet the requirements of Section 2.02 or 2.03 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 Revenues on a parity with the lien on and pledge of the Revenues created for the payment and security of the Bonds, a separate account shall be established in the University Network Bond Account for the payment thereof and payments to such account shall be made ratably from Revenues at the time Revenues are disbursed to the other accounts in the University Network Bond Account pursuant to Section 5.02 of the Resolution. For the purposes of Sections 2.03, 6.05, and for any other provision of the Resolution as otherwise appropriate, any obligation to make payments which are payable from Revenues and secured by a lien on and pledge of Revenues on a parity with the lien on and pledge of the Revenues created for the payment and security of the Bonds as provided in this Section 2.07 shall be deemed and treated as a " Bond" under the Resolution.

Deposit of Revenues; (Section 5.01)

From and after the delivery of any Bond and so long as any Bond remains outstanding, all Revenues are required to be deposited in the University Revenue-Undertakings Fund and credited to the University Network Revenue Account.

Use and Application of Moneys Credited to the University Network Revenue Account (Section 5.02)

The moneys in the University Revenue-Undertakings Fund on credit to the University Network Revenue Account therein shall be used and applied for the following purposes in the following order of priority:

A. **FIRST:** *Current Expenses.* Moneys on credit to the University Network Revenue Account shall be applied from time to time to pay, as a first charge and as the same become due and payable, all Current Expenses of the Network.

B. **SECOND:** *Debt Service and Subordinate Debt Service and Reserves.* To pay when due the Debt Service and the Debt Service Reserve Requirement for each series of the Bonds and, after such payments shall be provided for, to pay when due any bonds, notes, certificates, warrants or other evidences of indebtedness issued as permitted by the Resolution.

C. **THIRD:** *University Network Repair and Replacement Account Credits.* On or before the close of each Fiscal Year, but only after the Current Expenses of the Network becoming due or accruing in such Fiscal Year have been paid or provided for and the credits required by B above of this section to be made during such Fiscal Year shall have been made, there shall be transferred from the moneys on credit to the University Network Revenue Account to the University Network Repair and Replacement Account as provided in Section 5.04 of the Resolution.

D. **FOURTH:** *Reimbursement of Principal and Interest of General Obligation Bonds.* On or before the close of each Fiscal Year, but only after the Current Expenses of the Network becoming due or accruing in such Fiscal Year have been paid or provided for and the credits required by the provisions of B and C above of this section to be made during such Fiscal Year shall have been made, the moneys then remaining on credit to the University Network Revenue Account may be credited to the Reimbursable General Obligation Bond Subaccount in the University Network Reimbursable General Obligation Bond Account, to be applied to the reimbursement of the general fund of the State for any bond requirements on general obligation bonds issued for University Projects or University Purposes included in the Network to the extent such reimbursement is required by law.

E. **FIFTH:** *Surplus Revenues.* At the end of each Fiscal Year, but only after the Current Expenses of the Network becoming due or accruing in such Fiscal Year have been paid or provided for and the credits required by the provisions of B, C and D above in this section to be made in such Fiscal Year shall have been made, there shall be set aside in the University Network Revenue Account such amount of the moneys then remaining therein as may be deemed necessary by the Board to be retained therein for the purpose of the provisions of A, B, C and D above in the next following Fiscal Year. Any moneys then remaining in the University Network Revenue Account which have not been set aside therein pursuant to the preceding sentence may be used by the Board at the end of the Fiscal Year for any one or more of the following purposes:

(i) to redeem, in an amount of not less than $5,000 principal amount at any one time, outstanding Bonds in accordance with the provisions for redemption of such Bonds and the provisions of the Resolution; or

(ii) for any expenditures, including the payment of debt service (including the payment of the principal of or interest on bond anticipation notes), in improving or restoring any existing University Project and/or University Purpose included in the Network or providing additional University Projects and/or University Purposes, which additional University Projects and/or University Purposes shall constitute part of the Network; or

(iii) to complete the restoration of University Projects and/or University Purposes included in the Network which are damaged or destroyed if the proceeds of insurance received with respect thereto are insufficient for such restoration; or

(iv) for any other lawful purpose, including without limitation, the making of loans under a loan program or programs established by the Board or the making of payments into the Debt Service Reserve Subaccount in the University Network Bond Account and the University Network Repair and Replacement Account.

<u>University Network Bond Account (Section 5.03)</u>

(a) *Interest Subaccount.* There shall be established a separate subaccount in the University Network Bond Account for each series of Bonds issued hereunder, each subaccount to be known as an "Interest Subaccount" 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 Subaccount was established as the same becomes due and may not be applied to the payment of interest on any other series of Bonds.

Moneys in an Interest Subaccount shall be used and applied solely for the purpose of paying interest on Bonds of the series for which such Interest Subaccount is established as the same becomes due and payable 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 fifteen (15) calendar days prior to an Interest Payment Date for the Bonds of such series, there shall be credited to the Interest Subaccount for Bonds of the series for which such Interest Subaccount 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 a 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 Subaccount, 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 the University Network Bond Account or other lawfully available moneys credited to an Interest Subaccount; *provided* that in any event there shall be credited to the University Network Bond Account 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) There shall be established a separate subaccount in the University Network Bond Account for each series of Bonds issued hereunder, each subaccount to be known as a "Serial Bond Principal Subaccount" 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 Subaccount was established as the same becomes due and may not be applied to the payment of principal on any other series of Bonds.

Moneys in a Serial Bond Principal Subaccount shall be used and applied solely for the purpose of paying the principal on the Bonds of the series for which such Serial Bond Principal Subaccount is established as the same becomes due and payable 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 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 fifteen (15) calendar days prior to the stated maturity of and a principal payment of any such Bonds of such series maturing serially, there shall be credited to the Serial Bond Principal Subaccount for such Bonds of the series for which such Serial Bond Principal Subaccount 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 University Network Bond Account 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 then outstanding.

(c) There shall be established a separate subaccount in the University Network Bond Account for each series of Bonds issued hereunder, each subaccount to be known as a "Term Bond Principal Subaccount" 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 Subaccount was established as the same becomes due and may not be applied to the payment of principal on any other series of Bonds.

Moneys in a Term Bond Principal Subaccount shall be used and applied solely for the purpose of providing for the respective sinking fund installment and the retirement of the Bonds of the series for which such Term Bond Principal Subaccount is established as the same becomes due and payable 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 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 fifteen (15) 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 Subaccount for such Bonds of the series for which such Term Bond Principal Subaccount 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 Subaccount 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 Subaccount 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 Subaccount 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 Subaccount on such sinking fund installment dates. The Designated Financial Officer may also apply the moneys credited to this Subaccount 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 Subaccount; 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 Subaccount 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 University Network Bond Account such amount as shall be necessary to permit the retirement of Bonds on the next succeeding on the next sinking fund installment date.

The moneys on credit in the University Network Bond Account on further credit to any Interest Subaccount, Serial Bond Principal Subaccount and Term Bond Principal Subaccount shall be transferred to the Director of Finance or 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 Subaccount or upon declaration, as hereinafter provided, or otherwise.

Whenever the total of the moneys on credit in the University Network Bond Account (regardless of the Subaccount therein to which such moneys are credited) with respect to a particular series of Bonds which are not required for the payment of principal and interest and premium, if any, which has theretofore become due (whether by maturity or upon redemption or by purchase or by declaration, as hereinafter provided, or otherwise) with respect to such series of Bonds, but is unpaid, is sufficient to retire at maturity, or to redeem prior to maturity in accordance with their respective terms, all of the Bonds of such series then Outstanding, together with interest thereon to their maturity date or the date fixed for the redemption thereof, no further deposits need be made to the University Network Bond Account with respect to such series of Bonds, and without further authorization or direction of the Board, the proper officers of the Board shall call for redemption all Bonds of such series which may be redeemed by their terms, on the next succeeding redemption date for which the required redemption notice may practicably be given, and shall apply such total to such retirement or redemption.

(d) After providing for the credits described in (a) through (c) above, there shall be credited to such accounts and subaccounts as may be established for the payment of bonds, notes, certificates, warrants or other evidences of indebtedness issued as permitted in Section 6.08 of the Resolution.

University Network Repair and Replacement Account (Section 5.04)

There shall be established a University Network Repair and Replacement Account for the Network. There shall be established two separate subaccounts in the University Network Repair and Replacement Account, one such subaccount to be designated "Major Repair and Maintenance Subaccount" and the other such subaccount to be designated "Sinking Fund and Ordinary Repair and Maintenance Subaccount."

There shall be credited to the University Network Repair and Replacement Account and further credited to the Major Repair and Maintenance Subaccount therein at the times specified in the Resolution, such amount as the

Board or the Designated Financial Officer shall specify; *provided* that the amount on credit thereto shall at all times be at least $1,000,000. In the event that any moneys are withdrawn from the Major Repair and Replacement Subaccount in the University Network Repair and Replacement Account, the Board or the Designated Financial Officer may provide for annual credits thereto in such amounts and at such times as they shall determine until there shall be on credit to the University Network Repair and Replacement Account the minimum amount specified in the preceding sentence.

Moneys on credit to the Major Repair and Replacement Subaccount in the University Network Repair and Replacement Account may be drawn on and used by for the purpose of paying the costs of unusual or extraordinary maintenance and repair, renewals or replacements, and the renovating and replacement of furniture and equipment not annually recurring, of the Network, including additions, improvements or betterments thereto, not paid as part of the ordinary and normal Current Expenses of the Network.

There shall be credited to the University Network Repair and Replacement Account and further credited to the Sinking Fund and Ordinary Repair and Maintenance Subaccount therein at the times specified in the Resolution, such amount as the Board or the Designated Financial Officer shall specify.

Moneys on credit to the Sinking Fund and Ordinary Repair and Maintenance Subaccount in the University Network Repair and Replacement Account may be drawn on and used for the purpose of paying the costs not annually recurring or paid as part of the ordinary and normal Current Expenses of the Network including without limitations, maintenance and repair, renewal or replacement, and renovation and replacement of furniture and equipment, of the Network; additions, improvements or betterments to the Network; any expenditures in improving or restoring any existing University Project and/or University Purpose in the Network; providing additional University Projects and/or University Purposes, which additional University Projects and/or University Purposes shall constitute part of the Network; or completing the restoration of University Projects and/or University Purposes included in the Network which are damaged or destroyed if the proceeds of insurance received with respect thereto are insufficient for such restoration.

University Network Reimbursable General Obligation Bond Account (Section 5.05)

There shall be established a University Network Reimbursable General Obligation Bond Account. There shall be credited to the University Network Reimbursable General Obligation Bond Account at the times and in the amounts and for the purposes specified in the Resolution.

Investment of Moneys in Accounts (Section 5.06)

Moneys on deposit in the University Revenue-Undertakings Fund for credit to the several accounts and subaccount therein established by this Article (other than a Construction Account) shall be invested in Investment Securities maturing as follows: (i) moneys on credit to the University Network Revenue Account 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 Subaccount in the University Network Bond Account 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 University Network Repair and Replacement Account shall be invested so as to mature by no later than the earlier of five (5) 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 University Network Revenue Account.

Construction Account (Section 5.07)

There shall be established a separate account in the University Revenue-Undertakings Fund, to be known as the “Construction Account.” In the event of the issuance of a series of Bonds hereunder for the purposes of paying cost of construction of University Projects to be included in the Network, the Board or the Designated Financial Officer shall in the Supplemental Resolution or Certificate of Determination authorizing such series of Bonds create a Construction Subaccount in the Construction Account 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 Subaccount in the Construction Account, to which shall be credited the amount of the proceeds so specified.

The moneys on credit from time to time in a Construction Subaccount or Construction Interest Subaccount in the Construction Account shall be held under and subject to the Resolution; shall 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 Subaccounts were established; and shall be used and applied solely to the payment of cost of construction of the Network, in accordance with law.

Proceeds of any series of Bonds may be credited in the Construction Account 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 or to reimburse the Board for cost paid from the University Network Repair and Replacement Account.

Moneys in the Construction Account on credit to a Construction Interest Subaccount therein shall be applied by the Board as follows: on each Interest Payment Date until the moneys in such Construction Interest Subaccount are exhausted there shall be withdrawn from the moneys credited to such account and credited to the University Network Bond Account 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 Subaccount an amount, together with accrued interest received upon the sale of the series of Bonds with respect to which such Construction Interest Subaccount 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 Subaccount.

Covenants to Secure Bonds (Article VI)

The Board covenants with the purchasers and holders of the Bonds that so long as the Bonds remain outstanding, the Board will (i) warrant and defend title to all property constituting a part of the Network (ii) complete construction of any University Project or University Purpose included or to be included in the Network as planned and provide the furnishings and moveable equipment necessary to the full enjoyment and occupancy of each University Project or University Purpose; (iii) operate and maintain the Network 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 Network in good repair and to make additions and improvements thereto in conformity with standards customarily followed for programs of like size and character.

In addition, with respect to University Projects or University Purposes included in the Network capable of producing revenue sufficient to make all such University Projects or University Purposes self-sustaining, the Board covenants to impose and collect rates, rents, fees and charges for the use or enjoyment and services of the facilities of such University Projects or University Purposes, and shall revise such rates, rents, fees and charges from time to time whenever necessary, so that portion of the Network shall be and always remain self-sustaining.

With respect to University Projects or University Purposes included in the Network not capable of producing any revenue or revenue sufficient to make such University Project or University Purpose self-sustaining, the Board shall allocate Legislative Appropriations so that portion of the Network (with such Legislative Appropriations) shall be and always remain self-sufficient.

The rates, rents, fees and charges prescribed and collected and Legislative Appropriations so allocated shall be such as will produce Revenues at least sufficient: (1) to pay the Current Expenses of the Network; (2) to pay when due all Bonds and interest thereon; to make all sinking fund installment payments or credits which may be required with respect to Bonds issued in the form customarily known as "term Bonds" in the amounts and at the times required by any Supplemental Resolution or Certificate of Determination; and to establish and maintain the Debt Service Reserve Subaccounts; (3) to establish and maintain the University Network Repair and Replacement

Account; (4) to pay when due all other bonds, notes (including bond anticipation notes), certificates or other evidences of indebtedness and interest thereon, including reserves therefor, for the payment of which the Revenues shall be pledged, charged or otherwise encumbered or which are otherwise payable from the Revenues or from a special fund or account maintained or to be maintained from the Revenues; (5) if and to the extent then required by law, to reimburse the general fund of the State for any bond requirements on general obligation bonds of the State issued for the Network or any University Project or University Purpose therein; and (6) to carry out all the covenants and provisions of the Resolution.

In addition, the Board covenants (i) to pay all taxes, assessments and other governmental charges or surcharges imposed upon the Board, the Network, the Revenues, the University Revenue-Undertakings Fund or any account created by 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 Network, the Revenues, the University Revenue-Undertakings Fund or any account created by 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 Network, which shall be open to inspection by the Bondholders and their agents and representatives; (iv) within 120 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 Network 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 Network or the Revenues and the moneys in the University Revenue-Undertakings Fund, 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 Revenues prior to or on a parity with the Bonds or which will be secured by or be a lien and charge on the Revenues prior to or on a parity with the lien and charge on the Revenues pursuant to the Resolution; (ii) not to sell, convey, dispose of or lease any properties constituting the Network, 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 Network 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 Network; and (iv) to pay solely out of Revenues 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 Network or any University Project or University Purpose; and (iii) to take all actions required to preserve the lien created by the Resolution and to carry out the provisions of the Resolution.

Adoption of Supplemental Resolution
(Sections 8.01 and 8.02)

(b) Without the consent or concurrence of any Bondholder, the Board may adopt a supplemental resolution (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.

(c) 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 included in the Network; or (f) authorize the creation of any pledge of the Revenues, 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 the University Revenue-Undertakings Fund or the University Network Revenue Account, the University Network Bond Account or the University Network Repair and Replacement Account 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 Revenues required to be credited to the University Network Bond Account.

Events of Default and Remedies (Article IX)

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

(1) If payment of the principal and premium (if any) of 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 within 30 days after the same becomes due and payable;

(3) If the credits to the University Network Bond Account are not made or satisfied in any year ending June 30 in the amounts required and such failure continues for 60 days after the expiration of such year;

(4) 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, 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;

(5) If any proceedings shall be instituted, with 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 the Revenues or any other moneys pledged under the Resolution or any supplemental resolution, or for the purpose of adjusting the claims of such creditors, pursuant to any federal or State statute;

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

(7) If, under any laws for the relief of debtors, any court assumes custody of the Network or any building thereof and such custody is not terminated with 90 days after the date of assumption; or

(8) 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) and (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 Network and apply all Revenues 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 holders of the Bonds under any applicable statute.

Defeasance (Article XI)

(a) The obligations of the Board under the Resolution and any supplemental resolution, and the liens, pledges, 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 Director of Finance for cancellation or otherwise surrendered to the Director of Finance or other 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, either (i) has been made or (ii) has been provided by depositing with the Director of Finance or other 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.

(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.

No Personal Liability (Section 12.02)

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.

APPENDIX D

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 REVENUE BONDS, SERIES 2009A ,
$100,000,000

At your request we have examined into the validity of One Hundred Million Dollars ($100,000,000) principal amount of University Revenue Bonds, Series 2009A, 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 2009RA-1 upwards; are dated as of the date of this opinion; bear interest from the date of authentication thereof, payable October 1, 2009, and each April 1 and October 1 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:

$57,675,000 Serial Bonds

Maturity Date (October 1)	Amount	Rate	Maturity Date (October 1)	Amount	Rate
2009	$575,000	3.000%	2021	$2,730,000	5.250%
2010	570,000	3.000	2022	150,000	4.500
2011	2,155,000	4.000	2022	3,225,000	5.500
2012	2,220,000	2.500	2023	1,100,000	5.000
2013	2,285,000	3.000	2023	2,460,000	5.500
2014	2,375,000	5.000	2024	510,000	4.750
2015	2,480,000	4.000	2024	3,245,000	5.500
2016	2,575,000	3.500	2025	965,000	4.750
2017	2,675,000	4.000	2025	2,995,000	5.500
2018	750,000	5.000	2026	1,080,000	5.000
2018	2,035,000	4.000	2026	1,965,000	5.500
2019	2,275,000	4.000	2027	985,000	5.125
2019	630,000	5.250	2027	2,220,000	5.000
2020	360,000	4.125	2028	3,375,000	5.125
2020	2,680,000	5.250	2029	3,555,000	5.250
2021	475,000	4.250			

Term Bonds

Maturity Date (October 1)	Amount	Rate
2034	$3,345,000	5.375%
2034	17,525,000	5.250
2038	1,560,000	5.500
2038	19,895,000	6.000

The Bonds are subject to redemption prior to maturity upon the terms and conditions and at the 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 304A, Hawaii Revised Statutes, and under and pursuant to a resolution, entitled: "A RESOLUTION CREATING AND ESTABLISHING A NETWORK CONSISTING OF A UNIVERSITY SYSTEM, INCLUDING CERTAIN UNIVERSITY PROJECTS, AND UNIVERSITY PURPOSES, OF THE BOARD OF REGENTS, UNIVERSITY OF HAWAII; CREATING AND ESTABLISHING AN ISSUE OF REVENUE BONDS OF THE BOARD OF REGENTS, UNIVERSITY OF HAWAII, AND PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID BONDS AND LIMITING SUCH PAYMENT TO THE REVENUES OF SAID NETWORK; SETTING FORTH THE TERMS AND CONDITIONS FOR THE ISSUANCE OF BONDS; SETTING FORTH THE TERMS AND CONDITIONS FOR THE ISSUANCE OF ADDITIONAL SERIES 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 of the University of Hawaii (the "Board") under the aforesaid Chapter 304A on November 16, 2001, as amended, and a resolution supplemental thereto authorizing the Bonds entitled: "A SUPPLEMENTAL RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $100,000,000 PRINCIPAL AMOUNT OF BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII, UNIVERSITY REVENUE BONDS, SERIES 2009A ; AUTHORIZING THE EXECUTION OF CERTAIN AGREEMENTS WITH RESPECT TO SAID BONDS; PROVIDING FOR THE PAYMENT AND SECURITY OF SAID BONDS; AND ADDING CERTAIN UNIVERSITY PROJECTS TO THE UNIVERSITY SYSTEM" duly adopted by the Board on February 20, 2009 (herein, as amended or supplemented, 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 special obligations of the Board, payable on a parity with the bonds heretofore and hereafter issued under the Resolution, payable from and secured solely by the Revenues of the Network (as such term is defined in the Resolution), such Revenues consisting generally of the money derived by the Board for the use or enjoyment and services of facilities of the university projects and university purposes included in the Network.

2. The Bonds are equally and ratably secured with the bonds heretofore and 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 revenues, subject, however, to the right of the Board to apply such revenues to the payment of the costs of operation, maintenance and repair of the Network.

3. The Resolution is a valid obligation of the Board, and enforceable 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. The Board is obligated to produce Revenues at least sufficient to pay the costs of operation, maintenance and repair of the Network, including any reserves therefor; to pay when due the Bonds and all other bonds issued under the Resolution, and interest thereon, including reserves therefor; to reimburse the general fund of the State of Hawaii for any debt service on general obligation bonds of the State issued for the Network or any university projects therein, to the extent required by law; and to carry out all covenants and provisions of the Resolution.

5. Assuming compliance by the Board with the tax covenants made in the proceedings relating to the issuance of the Bonds, (i) interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and (ii) interest on the Series 2009A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. It is also our opinion that for any Bonds having original issue discount (a *"Discount Bond"*), original issue discount that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds. 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 taxation by the State of Hawaii or any county or 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 State of Hawaii. We express no opinion regarding other Federal or State of Hawaii tax consequences arising with respect to the Bonds except as expressly stated herein.

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

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 2001 Official Statement of the Board in the tables under the headings "SELECTED HISTORICAL FINANCIAL INFORMATION" and "REVENUE AND EXPENSE FORECAST," and the tables in Appendix D (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 November 16, 2001 entitled "A RESOLUTION CREATING AND ESTABLISHING A NETWORK CONSISTING OF A UNIVERSITY SYSTEM, INCLUDING CERTAIN UNIVERSITY PROJECTS, AND UNIVERSITY PURPOSES, OF THE BOARD OF REGENTS, UNIVERSITY OF HAWAII; CREATING AND ESTABLISHING AN ISSUE OF REVENUE BONDS OF THE BOARD OF REGENTS, UNIVERSITY OF HAWAII, AND PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID BONDS AND LIMITING SUCH PAYMENT TO THE REVENUES OF SAID NETWORK; SETTING FORTH THE TERMS AND CONDITIONS FOR THE ISSUANCE OF BONDS; SETTING FORTH THE TERMS AND CONDITIONS FOR THE ISSUANCE OF ADDITIONAL SERIES 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 2001 Official Statement" means the Official Statement of the Board relating to its University Revenue Bonds, Series 2009A .

"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 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 eight 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. 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 19th day of December, 2001.

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

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

I, the undersigned, Howard Todo, being the duly appointed Vice President for Budget and Finance/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 December 19, 2001 (the "Master Certificate"); (ii) Merrill Lynch, Pierce, Fenner & Smith Incorporated, the underwriter listed in the Official Statement related to the Board of Regents of the University of Hawaii, University Revenue Bonds, Series 2009A (the "Series 2009A Bonds"), shall be a beneficiary of the Master Certificate; (iii) the Holders of the Series 2009A Bonds shall also be beneficiaries of the Master Certificate; (iv) the Beneficial Owners of the Series 2009A 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.

A listing of the current nationally recognized municipal securities information repositories ("NRMSIRs") as of the date of this Series Certificate can be located at www.sec.gov/info/municipal/nrmsir.htm. It is expected that effective July 1, 2009, information to be submitted pursuant to the Master Certificate shall be submitted only to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access portal, and not to any NRMSIRs or state information depository.

Dated this ____ day of April, 2009

____
Howard Todo
Vice President for Budget and Finance/Chief Financial Officer
University of Hawaii

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BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII • UNIVERSITY REVENUE BONDS SERIES 2009A

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