NEW ISSUE – BOOK ENTRY ONLY

Ratings: S&P A+
FITCH AA
MOODY'S Aa2
See "RATINGS" herein

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Board, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2015B Bonds and Series 2015E Bonds (collectively, the "Tax-Exempt Bonds") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is of the opinion that the Series 2015 Bonds and the income therefrom are exempt from all taxation by the State of Hawaii or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Bond Counsel further observes that interest on the Series 2015A Bonds, Series 2015C Bonds and the Series 2015D Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2015 Bonds. See "TAX MATTERS" in this Official Statement.

$166,285,000
BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII,
University Revenue Bonds

consisting of

$8,575,000 Taxable Series 2015A	**$47,010,000 Series 2015B (R)**	**$17,585,000 Taxable Series 2015C (R)**	**$25,715,000 Taxable Series 2015D (R)**	**$67,400,000 Series 2015E (Forward Delivery) (R)**

Dated: Date of Delivery **Due: 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, Taxable Series 2015A (the "*Series 2015A Bonds*"), University Revenue Bonds, Series 2015B (R) (the "*Series 2015B Bonds*"), University Revenue Bonds, Series 2015C (R) (the "*Series 2015C Bonds*"), University Revenue Bonds, Taxable Series 2015D (R) (the "*Series 2015D Bonds*" and, together with the Series 2015A Bonds, the Series 2015B Bonds and the Series 2015C Bonds, the "*Current Delivery Series 2015 Bonds*") and University Revenue Bonds, Refunding Series 2015E (Forward Delivery) (R) (the "*Series 2015E Bonds*" and, together with the Current Delivery Series 2015 Bonds, the "*Series 2015 Bonds*"). The Series 2015 Bonds are being issued in the aggregate principal amount of $166,285,000 to provide funds to (i) finance or reimburse the Board for a portion of the costs of acquiring, constructing and equipping certain Law School and Pharmacy School facilities (the "*Project*"), (ii) refund a portion of the Board's University Revenue Bonds, Series 2006A and University Bonds Refunding Series 2006A (collectively, the "*Refunded Bonds*") and (iii) pay costs relating to the issuance of the Series 2015 Bonds and the refunding of the Refunded Bonds, all as more fully described herein. For a discussion regarding the forward delivery of the Series 2015E Bonds, certain conditions to the obligation of the Underwriters to purchase the Series 2015E Bonds and certain risks to purchasers of beneficial interests in the Series 2015E Bonds resulting from the forward delivery thereof, see "**CERTAIN FORWARD DELIVERY CONSIDERATIONS WITH RESPECT TO THE SERIES 2015E BONDS**."

The Series 2015 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 August 20, 2015 (collectively, the "*Resolution*"). The Series 2015 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 2015 Bonds are issuable only as fully registered bonds, without coupons, in the denomination of $5,000 or integral multiples of $5,000 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 2015 Bonds. Purchases of beneficial ownership interests in the Series 2015 Bonds will be made in book-entry form only. Beneficial owners of the Series 2015 Bonds will not receive physical delivery of certificates evidencing their ownership interest in the Series 2015 Bonds so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2015 Bonds. So long as DTC or its nominee is the registered owner of the Series 2015 Bonds, payments of the principal of and interest on the Series 2015 Bonds will be made 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 2015 BONDS**."

The Series 2015 Bonds will bear interest from the date thereof, payable on April 1 and October 1 of each year, commencing April 1, 2016 for the Current Delivery Series 2015 Bonds and October 1, 2016 for the Series 2015E Bonds, at the rates per annum, and will mature on April 1 and October 1 of the years and in the principal amounts, as set forth on the inside cover. The Series 2015 Bonds are subject to redemption as described herein.

Neither the State of Hawaii (the "*State*") nor any department or political subdivision thereof, including the Board, is obligated to pay the Series 2015 Bonds from any source other than the moneys pledged under the Resolution. The Series 2015 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 2015 Bonds. No holder of any Series 2015 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 2015 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 2015 Bonds are offered when, as and if issued by the Board and received by the Underwriters, subject to approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Board, and subject to certain other conditions. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Alston Hunt Floyd & Ing and Katten Muchin Rosenman LLP. It is expected that the Current Delivery Series 2015 Bonds will be available for delivery in New York, New York, on or about September 24, 2015 and the Series 2015E Bonds will be available for delivery in New York, New York, on or about April 20, 2016.

BofA Merrill Lynch **Morgan Stanley**

September 10, 2015

MATURITY SCHEDULE

$8,575,000
Board of Regents of the University of Hawaii,
University Revenue Bonds,
Taxable Series 2015A

Due (October 1)	Amount	Rate	Yield	CUSIP† (91428L)	Due (October 1)	Amount	Rate	Yield	CUSIP† (91428L)
2016	$175,000	1.048%	1.048%	GD2	2025	$220,000	3.474%	3.474%	GN0
2017	180,000	1.387	1.387	GE0	2026	230,000	3.674	3.674	GP5
2018	180,000	1.819	1.819	GF7	2027	240,000	3.824	3.824	GQ3
2019	185,000	2.154	2.154	GG5	2028	250,000	3.974	3.974	GR1
2020	190,000	2.504	2.504	GH3	2029	260,000	4.124	4.124	GS9
2021	195,000	2.835	2.835	GJ9	2030	270,000	4.174	4.174	GT7
2022	200,000	3.035	3.035	GK6	2031	280,000	4.224	4.224	GU4
2023	205,000	3.224	3.224	GL4	2032	295,000	4.324	4.324	GV2
2024	215,000	3.374	3.374	GM2					

$960,000 4.593% Term Bonds due October 1, 2035, Priced: 100% to yield 4.593%, CUSIP†: 91428LGW0
$1,935,000 4.643% Term Bonds due October 1, 2040, Priced: 100% to yield 4.643%, CUSIP†: 91428LGX8
$1,910,000 4.693% Term Bonds due October 1, 2044, Priced: 100% to yield 4.693%, CUSIP†: 91428LGY6

$47,010,000
Board of Regents of the University of Hawaii,
University Revenue Bonds,
Series 2015B (R)

Due (October 1)	Amount	Rate	Yield	Price	CUSIP† (91428L)
2022	$2,130,000	5.000%	2.150%	118.476	GZ3
2023	3,280,000	4.000	2.340	112.073	HA7
2024	3,415,000	4.000	2.500	112.044	HB5
2025	3,575,000	5.000	2.620	120.853	HC3
2026	3,865,000	5.000	2.770	119.393C	HD1
2027	80,000	3.000	3.080	99.200	HE9
2028	85,000	3.125	3.220	98.995	HF6
2029	90,000	3.250	3.340	98.998	HG4
2030	90,000	3.375	3.490	98.664	HH2
2031	3,250,000	5.000	3.260	114.770C	HQ2
2031	1,240,000	3.500	3.610	98.670	HJ8
2032	4,715,000	5.000	3.320	114.219C	HK5
2033	4,930,000	4.000	3.700	102.491C	HL3
2034	5,155,000	5.000	3.410	113.398C	HM1
2035	5,425,000	5.000	3.440	113.126C	HN9
2036	2,660,000	5.000	3.480	112.764C	HR0
2036	3,025,000	3.750	3.870	98.283	HP4

† CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association. The CUSIP numbers are provided for convenience of reference only. The Board is not responsible for the selection of CUSIP numbers and makes no representation as to their correctness on the Series 2015 Bonds or as set forth in this Official Statement.

C Priced to first optional redemption date.

$17,585,000
Board of Regents of the University of Hawaii,
University Revenue Bonds,
Taxable Series 2015C (R)

Due	Amount	Rate	Yield	CUSIP† (91428L)
April 1, 2016	$1,640,000	0.811%	0.811%	HZ2
October 1, 2016	435,000	1.048	1.048	HS8
October 1, 2017	2,785,000	1.387	1.387	HT6
October 1, 2018	2,830,000	1.819	1.819	HU3
October 1, 2019	2,885,000	2.154	2.154	HV1
October 1, 2020	2,955,000	2.504	2.504	HW9
October 1, 2021	3,035,000	2.835	2.835	HX7
October 1, 2022	1,020,000	3.035	3.035	HY5

$25,715,000
Board of Regents of the University of Hawaii,
University Revenue Bonds,
Taxable Series 2015D (R)

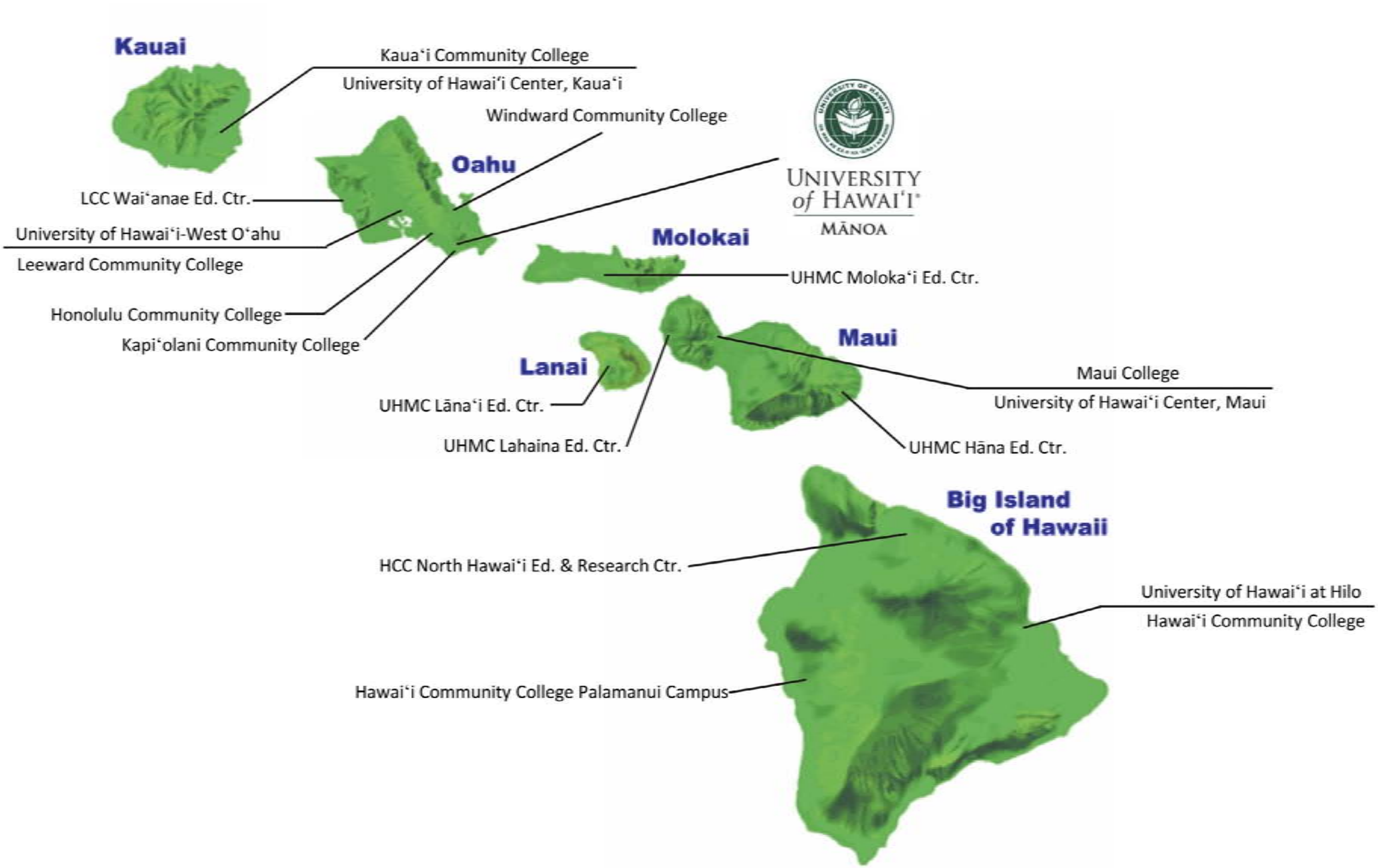
Due	Amount	Rate	Yield	CUSIP† (91428L)
April 1, 2016	$250,000	0.811%	0.811%	JG2
October 1, 2016	630,000	1.048	1.048	JA5
October 1, 2017	5,040,000	1.387	1.387	JB3
October 1, 2018	5,120,000	1.819	1.819	JC1
October 1, 2019	5,225,000	2.154	2.154	JD9
October 1, 2020	5,345,000	2.504	2.504	JE7
October 1, 2021	4,105,000	2.835	2.835	JF4

$67,400,000
Board of Regents of the University of Hawaii,
University Revenue Bonds,
Series 2015E (Forward Delivery) (R)

Due (October 1)	Amount	Rate	Yield	Price	CUSIP† (91428L)
2021	$1,400,000	5.000%	2.490%	112.710	JH0
2022	5,740,000	5.000	2.720	113.398	JJ6
2023	6,035,000	5.000	2.920	113.829	JK3
2024	6,345,000	5.000	3.090	114.103	JL1
2025	6,670,000	5.000	3.220	114.398	JM9
2026	7,010,000	5.000	3.390	114.063	JN7
2029	7,920,000	5.000	3.710	111.086[C]	JP2
2030	8,325,000	5.000	3.790	110.356[C]	JS6
2031	8,750,000	5.000	3.860	109.722[C]	JQ0
2032	9,205,000	5.000	3.920	109.183[C]	JR8

† CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association. The CUSIP numbers are provided for convenience of reference only. The Board is not responsible for the selection of CUSIP numbers and makes no representation as to their correctness on the Series 2015 Bonds or as set forth in this Official Statement.

C Priced to first optional redemption date.


Kauai
Kaua'i Community College
University of Hawai'i Center, Kaua'i
Windward Community College
Oahu
UNIVERSITY of HAWAI'I
MĀNOA
LCC Wai'anae Ed. Ctr.
University of Hawai'i-West O'ahu
Leeward Community College
Honolulu Community College
Kapi'olani Community College
Molokai
UHMC Moloka'i Ed. Ctr.
Maui
Lanai
Maui College
University of Hawai'i Center, Maui
UHMC Lāna'i Ed. Ctr.
UHMC Lahaina Ed. Ctr.
UHMC Hāna Ed. Ctr.
Big Island of Hawaii
HCC North Hawai'i Ed. & Research Ctr.
University of Hawai'i at Hilo
Hawai'i Community College
Hawai'i Community College Palamanui Campus

REGARDING USE OF THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NO ASSURANCE IS GIVEN THAT ACTUAL RESULTS WILL MEET THE FORECASTS OF THE BOARD IN ANY WAY, REGARDLESS OF THE LEVEL OF OPTIMISM COMMUNICATED IN THE INFORMATION. THE BOARD IS NOT OBLIGATED TO AND DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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 be any sale of the Series 2015 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 an estimate or matter of opinion, whether or not expressly so stated, is intended merely as an estimate or opinion and not as a representation of fact.

Neither the Series 2015 Bonds nor the Resolution has been registered or qualified with the Securities and Exchange Commission. The registration or qualification of the Series 2015 Bonds and the Resolution in accordance with applicable provisions of securities laws of the states in which the Series 2015 Bonds have been registered or qualified, and the exemption from registration and qualification in other states, shall not be regarded as a recommendation thereof.

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

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

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

In connection with this offering, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the Series 2015 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

TABLE OF CONTENTS

BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII

Randolph G. Moore, Chair
Jan Naoe Sullivan, Vice Chair
Eugene Bal III, Vice Chair

Coralie Chun Matayoshi
Benjamin Asa Kudo
Lee Putnam
Michelle Tagorda
Wayne Higaki
Michael McEnerney

Barry T. Mizuno
Jeffrey Portnoy
Stanford Yuen
Simeon Acoba
David Iha
Ernest Wilson

ADMINISTRATION

David Lassner, President, University of Hawaii
Nainoa Thompson, Advisor on Hawaiian Affairs
Risa E. Dickson, Vice President for Academic Affairs
Jan Gouveia, Vice President for Administration
John Morton, Vice President for Community Colleges
Carrie K. S. Okinaga, Vice President for Legal Affairs and University General Counsel
Kalbert Young, Vice President for Budget and Finance/Chief Financial Officer
Garret Yoshimi, Vice President for Information Technology/Chief Information Officer
Vassilis L. Syrmos, Vice President for Research and Innovation
Cynthia Quinn, Executive Administrator and Secretary of the Board of Regents

CHANCELLORS

Robert Bley-Vroman, Chancellor, University of Hawaii at Mānoa
Donald O. Straney, Chancellor, University of Hawaii at Hilo
Rockne Freitas, Chancellor, University of Hawaii – West Oʻahu
Noreen Yamane, Chancellor, Hawaii Community College
Erika Lacro, Chancellor, Honolulu Community College
Leon Richards, Chancellor, Kapiʻolani Community College
Helen Cox, Chancellor, Kauaʻi Community College
Manuel Cabral, Chancellor, Leeward Community College
Lui Hokoana, Chancellor, Maui College
Douglas Dystra, Chancellor, Windward Community College

Bond Counsel

Orrick, Herrington & Sutcliffe LLP

Auditors

Accuity LLP
Honolulu, Hawaii

Paying Agent

U.S Bank National Association
Seattle, Washington

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OFFICIAL STATEMENT

$166,285,000
BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII,
University Revenue Bonds
consisting of

$8,575,000 Taxable Series 2015A	$47,010,000 Series 2015B (R)	$17,585,000 Taxable Series 2015C (R)	$25,715,000 Taxable Series 2015D (R)	$67,400,000 Series 2015E (Forward Delivery) (R)

INTRODUCTION

This Official Statement, including the cover page and the appendices, is provided to furnish information regarding the $8,575,000 University Revenue Bonds, Taxable Series 2015A (the "*Series 2015A Bonds*"), $47,010,000 University Revenue Bonds, Series 2015B (R) (the "*Series 2015B Bonds*"), $17,585,000 University Revenue Bonds, Taxable Series 2015C (R) (the "*Series 2015C Bonds*"), $25,715,000 University Revenue Bonds, Taxable Series 2015D (R) (the "*Series 2015D Bonds*" and, together with the Series 2015A Bonds, Series 2015B Bonds and Series 2015C Bonds, the "*Current Delivery Series 2015 Bonds*") and $67,400,000 University Revenue Bonds, Series 2015E (Forward Delivery) (R) (the "*Series 2015E Bonds*" and, together with the Current Delivery Series 2015 Bonds, the "*Series 2015 Bonds*"), being issued by the Board of Regents of the University of Hawaii (the "*Board*"). See "**THE UNIVERSITY OF HAWAII.**"

The Series 2015 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 August 20, 2015 (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 2015 Bonds and certain other matters related to the Series 2015 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 2015 Bonds and any other series of Bonds outstanding under the Resolution are herein called the "*Revenue 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 2015 Bonds; Purpose and Security

The Resolution authorizes the issuance of one or more series of Revenue Bonds in order to accomplish any purpose of the University. The Series 2015 Bonds are being issued to provide funds to (i) finance or reimburse the Board for a portion of the costs of acquiring, constructing and equipping certain Law School and Pharmacy School facilities (the "*Project*"), (ii) refund a portion of the Board's University Revenue Bonds, Series 2006A (the "*Series 2006A Bonds*") and University Bonds Refunding Series 2006A (the "*Series 2006A University Bonds*") and (iii) pay costs relating to the issuance of the Series 2015 Bonds, as set forth in the Resolution. See "**PLAN OF FINANCE**" herein.

A portion of the proceeds of the Current Delivery Series 2015 Bonds will be deposited to effect a defeasance of a portion of the Series 2006A Bonds and a portion of the Series 2006A University Bonds (the "*Advance Refunded Bonds*"). See "**PLAN OF FINANCE – The Refunding**" A portion of those Series 2006A University Bonds which do not constitute Advance Refunded Bonds will be refunded on a current basis with the proceeds of the Series 2015E Bonds on July 15, 2016 for purposes of complying with certain federal income tax requirements (the "*Current Refunded Bonds*" and, together with the Advance Refunded Bonds, the "*Refunded Bonds*").

In addition to the Series 2006A Bonds, the University has previously issued its University Revenue Bonds, Series 2009A (the "*Series 2009A Bonds*"), University Revenue Bonds, Series 2010A-1 (Taxable – Build America Bonds), University Revenue Bonds, Series 2010A-2 (Tax-Exempt) (together, the "*Series 2010A Bonds*"), University Revenue Bonds, Series 2010B-1 (Taxable – Build America Bonds) and University Revenue Bonds, Series 2010B-2 (Tax-Exempt) (together the "*Series 2010B Bonds*", and, together with the Series 2010A Bonds the "*Series 2010 Bonds*") and its University Revenue Bonds, Series 2012A (R) (the "*Series 2012A Bonds*"). Prior to giving effect to the refunding of the Refunded Bonds and the issuance of the Series 2015 Bonds, as of August 1, 2015, there was $455,445,000 in aggregate principal amount of Revenue Bonds outstanding under the Resolution. After giving effect to the refunding of the Refunded Bonds as currently contemplated and the issuance of the Series 2015 Bonds it is anticipated that as of July 15, 2016 $535,430,000 principal amount of Revenue Bonds will be outstanding under the Resolution.

Pursuant to the Act and the Resolution, the Board formally created the Network comprised of (1) projects designated as "university projects" 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*"). Some of the University Projects currently included in the Network are the student housing and connecting food service facilities on the Mānoa campus, the bookstores located on any of the University's campuses, the University's student union on the Mānoa campus known as the Campus Center, including its dining facilities, the telecommunication system located on the Mānoa campus, those parking operations for the Mānoa campus which were financed with revenue bonds and/or in whole or in part from certain general obligation bonds, the student housing and connecting food service facilities on the Hilo campus, and faculty housing operated by the Mānoa campus. See "**THE UNIVERSITY OF HAWAII – The University Network**" herein for additional information regarding the Network.

All Revenue Bonds issued under the Resolution, including the Series 2015 Bonds, are limited obligations of the Board payable from and secured solely by the Revenues, subject to the application of the Revenues to the payment of the Current Expenses of the Network, which include costs and estimated costs of operation, maintenance and repair. See under "**SECURITY FOR THE BONDS – Pledge of Revenues**" below. "*Revenues*" consist of two primary elements (i) the income derived by the University from its ownership or operation and management of the Network, including the rates, rents, fees and charges imposed by the Board for the use or enjoyment of or the services furnished by University Projects, University Purposes, and other properties and facilities constituting the Network (collectively, the "*University System Revenues*"), and (ii) moneys in any special fund or revolving fund, which include, but are not limited to, the tuition and fees special fund, community colleges special fund, intercollegiate special fund, auxiliary enterprises special fund, student activities revolving fund, student health center revolving fund, real property and facilities use revolving fund, commercial enterprises revolving fund, and research and training revolving fund, unless otherwise restricted, appropriated or allocated by the Legislature of the State of Hawaii (the "*State*") to the Board, the University, the University System or the Network and permitted to be expended for Current Expenses or for Debt Service (collectively, the "*Legislative Appropriations*"). As more fully described under the subheading "**SECURITY FOR THE BONDS – Separate Resolution Financing**" herein, certain bonds issued under the hereinafter described University Bonds Resolution have a prior and paramount claim to the Legislative Appropriations. As of August 1, 2015, prior to giving effect to the refunding and defeasance of a portion of the Series 2006A University Bonds as described herein, $118,645,000 aggregate principal amount of bonds were outstanding under the University Bonds Resolution. Additional information relating to the University System Revenues and Legislative Appropriations can be found under the subheadings "**THE UNIVERSITY OF HAWAII – REVENUES – University System Revenues**" and "**THE UNIVERSITY OF HAWAII – Revenues – The University Special and Revolving Funds**" respectively.

The Series 2015D Bonds and Series 2015E Bonds will additionally be secured by a pledge on the University Bond Auxiliary Moneys; provided, however, that so long as any bonds of the Board are outstanding under the University Bond Resolution, such University Bonds will have a prior and paramount claim against such moneys. See "**SECURITY FOR THE BONDS – Additional Security for Certain Revenue Bonds – *Series 2015D and 2015E Bonds***" and "**– Separate Resolution Financing**" below. "*University Bond Auxiliary Moneys*" include a portion of the moneys in the Hawaii Tobacco Settlement Special Fund funded by receipts from the Master Settlement Agreement dated November 23, 1998, an industry-wide settlement of litigation between certain states, including the State of Hawaii, and certain tobacco companies.

The Series 2015E Bonds will not be delivered until on or about April 20, 2016. The delay in the issuance and delivery of the Series 2015E Bonds may have significant consequences to the purchasers of beneficial ownership interests therein. The market value of the Series 2015E Bonds on the date of issuance and delivery thereof is unlikely to be the same as, and will likely be greater or less than, the initial offering prices thereof, and such difference may be substantial. Several factors may adversely affect the market prices of the Series 2015E Bonds, including, but not limited to, a general increase in interest rates for all obligations and other indebtedness, any threatened or adopted change in federal tax laws affecting the relative benefits of owning tax-exempt securities instead of other types of investments, such as fully taxable obligations, or any adverse development with respect to the University. See "**CERTAIN FORWARD DELIVERY CONSIDERATIONS WITH RESPECT TO THE SERIES 2015E BONDS**" herein.

Limited Obligations

The Revenue Bonds, including the Series 2015 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 2015 Bonds from any source other than the moneys pledged under the Resolution. The Series 2015 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 2015 Bonds. No holder of any Series 2015 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 2015 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 2015 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 and Morgan Stanley & Co. LLC are underwriting the Series 2015 Bonds (the "*Underwriters*"). Orrick, Herrington & Sutcliffe LLP is Bond Counsel to the Board. Alston Hunt Floyd & Ing, Honolulu, Hawaii, and Katten Muchin Rosenman, New York, New York are serving as co-counsel to the Underwriters. Accuity LLP has audited the finances of the University appearing in **APPENDIX B**, but has not been asked to review, has not reviewed, and has no responsibility for, this Official Statement.

PLAN OF FINANCE

The Project

The proceeds of the Series 2015A Bonds will be applied to the design, construction and equipping of a new instructional and research facility at the Daniel K. Inouye College of Pharmacy at University of Hawaii Hilo (the "*Pharmacy Project*") and a new and renovated building at the William S. Richardson School of Law at the University of Hawaii Mānoa (the "*Law School Project*" and, together with the Pharmacy School Project, the "*Project*"). The Pharmacy Project and Law School Project will each constitute University Projects pursuant to the Resolution.

The Pharmacy Project will consist of an up to 45,000 square foot instructional and research facility including classrooms, teaching and research laboratories, offices and related spaces. The Pharmacy Project is anticipated to cost approximately $32,000,000, $5,000,000 of which will be funded with the proceeds of the Series 2015A Bonds and $28,000,000 of which will be contributed by the State from the proceeds of its general obligation bonds. The ultimate size and features of the Pharmacy Project will be value engineered to conform to the provided funding.

The Law School Project consists of an approximately 8,400 square foot building renovation/addition to provide dedicated space for professional clinical training facilities, community legal services, and outreach programs. The Law School Project will cost approximately $7,000,000, $3,500,000 of which will be funded with the proceeds of the Series 2015A Bonds and $3,500,000 of which will be contributed by the State from the proceeds of its general obligation bonds.

The Refunding

The Series 2015B Bonds, Series 2015C Bonds, Series 2015D Bonds and Series 2015E Bonds are being issued to provide for the prepayment and redemption of the Refunded Bonds. The Refunded Bonds all have a redemption price of par and consist of the following:

REFUNDED BONDS

Series	Maturity Date	Amount Outstanding	Interest Rate	Redemption Date	CUSIPs
Series 2006A University Bonds (C)	7/15/2017	$1,535,000	3.750%	7/15/2016	91428LAM8
Series 2006A University Bonds (C)	7/15/2017	3,365,000	5.000	7/15/2016	91428LAN6
Series 2006A University Bonds (C)	7/15/2018	5,140,000	5.000	7/15/2016	91428LAP1
Series 2006A University Bonds (C)	7/15/2019	5,410,000	5.000	7/15/2016	91428LAQ9
Series 2006A University Bonds (C)	7/15/2020	5,685,000	5.000	7/15/2016	91428LAR7
Series 2006A University Bonds (C)	7/15/2021	5,975,000	5.000	7/15/2016	91428LAS5
Series 2006A University Bonds (C)	7/15/2022	6,280,000	5.000	7/15/2016	91428LAT3
Series 2006A University Bonds (C)	7/15/2023	6,585,000	4.500	7/15/2016	91428LAU0
Series 2006A University Bonds (C)	7/15/2024	6,905,000	5.000	7/15/2016	91428LAV8
Series 2006A University Bonds (C)	7/15/2025	7,240,000	4.500	7/15/2016	91428LAW6
Series 2006A University Bonds (C)	7/15/2026	7,575,000	4.500	7/15/2016	91428LAX4
Series 2006A University Bonds (C)	7/15/2029	2,500,000	5.000	7/15/2016	91428LBA3
Series 2006A University Bonds (C)	7/15/2030	4,345,000	4.250	7/15/2016	91428LBB1
Series 2006A University Bonds (C)	7/15/2031	5,000,000	4.625	7/15/2016	91428LBC9
Series 2006A University Bonds	7/15/2030	10,530,000	4.250	7/15/2016	91428LBB1
Series 2006A University Bonds	7/15/2032	13,985,000	4.500	7/15/2016	91428LBD7
Series 2006A University Revenue Bonds	10/1/2017	2,575,000	4.000	10/1/2016	91428LBY1
Series 2006A University Revenue Bonds	10/1/2018	2,695,000	5.000	10/1/2016	91428LBZ8
Series 2006A University Revenue Bonds	10/1/2019	2,830,000	5.000	10/1/2016	91428LCA2
Series 2006A University Revenue Bonds	10/1/2020	2,980,000	5.000	10/1/2016	91428LCB0
Series 2006A University Revenue Bonds	10/1/2021	3,130,000	5.000	10/1/2016	91428LCC8
Series 2006A University Revenue Bonds	10/1/2023	6,755,000	5.000	10/1/2016	91428LCD6
Series 2006A University Revenue Bonds	10/1/2025	7,465,000	5.000	10/1/2016	91428LCE4
Series 2006A University Revenue Bonds	10/1/2026	2,450,000	4.250	10/1/2016	91428LCF1
Series 2006A University Revenue Bonds	10/1/2026	1,670,000	4.125	10/1/2016	91428LCG9
Series 2006A University Revenue Bonds	10/1/2036	32,640,000	5.000	10/1/2016	91428LCJ3

(C) Current Refunded Bonds to be redeemed with proceeds of the Series 2015E Bonds. See "CERTAIN FORWARD DELIVERY CONSIDERATIONS WITH RESPECT TO THE SERIES 2015E BONDS" herein.

The refunding of the Refunded Bonds will be accomplished through the deposit of funds (cash or direct obligations of the United States of America) into the Escrow Funds (the "*Escrow Funds*") established pursuant to escrow agreements (the "*Escrow Agreements*") each between the Board and U.S. Bank National Association, as escrow agent (the "*Escrow Agent*"), in an amount that will be, together with the income to accrue thereon, sufficient for (i) the payment of scheduled debt service on the Advance Refunded Bonds through their respective redemption date as shown in the foregoing table and (ii) the redemption price for each series of Refunded Bonds on their respective redemption dates. Any money remaining in the Escrow Funds after payments as described above will be deposited to the Bond Fund. Money and escrow investments in the Escrow Funds will be used solely for the purposes described above and the deposit of such money and escrow investments in the Escrow Funds will be irrevocable. Upon purchasing the government obligations in connection with the refunding of the Advance Refunded Bonds and upon receipt of the verification described under the caption "**VERIFICATION**" with respect thereto, such Advance Refunded Bonds will be deemed to have been paid and discharged.

ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds are estimated as follows:

	Series 2015A	Series 2015B	Series 2015C	Series 2015D	Series 2015E[(1)]	Total
SOURCES OF FUNDS						
Principal Amount	$8,575,000	$47,010,000	$17,585,000	$25,715,000	$67,400,000	$166,285,000
Net Original Issue Premium		5,639,372.25			$8,058,682	13,698,054
Total Sources	$8,575,000	$52,649,372	$17,585,000	$25,715,000	$75,458,682	$179,983,054
USES OF FUNDS						
Deposit to Project Fund	$8,500,000					$8,500,000
Deposit to Escrow Fund		52,231,189	17,444,411	25,511,987	75,289,738	170,477,325
Costs of Issuance[(2)]	75,000	418,184	140,589	203,013	168,944	1,005,730
Total Uses	$8,575,000	$52,649,372	$17,585,000	$25,715,000	$75,458,682	$179,983,054

May not foot due to rounding.
(1) The Series 2015E Bonds are forward delivery bonds.
(2) Includes Underwriters' discount and other legal and financial costs incurred in connection with the issuance and delivery of the Series 2015 Bonds and refunding of the Refunded Bonds.

THE SERIES 2015 BONDS

General Terms of the Series 2015 Bonds

The Series 2015 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 2015 Bond will be payable on April 1 and October 1 of each year, commencing April 1, 2016 for the Current Delivery Series 2015 Bonds and October 1, 2016 for the Series 2015E Bonds. The Series 2015 Bonds are issuable in fully registered form in the denomination of $5,000 or any integral multiple of $5,000. Interest on the Series 2015 Bonds will be calculated on the basis of a 360-day year and twelve 30-day months.

The Series 2015 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 2015 Bonds, and the ownership of one fully registered Series 2015 Bond for each maturity, in the principal amount of such maturity, of the Series 2015 Bonds will be registered in the name of Cede & Co., as nominee of DTC as the sole registered owner of the Series 2015 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 **APPENDIX D** "**BOOK-ENTRY SYSTEM**" hereto. U.S. Bank National Association will serve as the paying agent Series 2015 Bonds (in such capacity, the "*Paying Agent*"). Interest on the Series 2015 Bonds will be paid by check or draft payable to the registered owner and mailed by first class mail, postage prepaid, to 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 2015 Bond will be payable at the office of the Paying Agent.

Optional Redemption

The Series 2015A Bonds and Series 2015B Bonds maturing on and after October 1, 2026 are 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, 2025, in 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 2015A Bonds or Series 2015B Bonds or portions thereof to be redeemed plus accrued interest to the date of redemption.

The Series 2015E Bonds maturing on and after October 1, 2027 are 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, 2026, in 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 the Series 2015E Bonds or portions thereof to be redeemed plus accrued interest to the date of redemption.

In addition, the Series 2015A Bonds, Series 2015C Bonds and Series 2015D Bonds are subject to redemption on any date prior to October 1, 2025 at the option of the Board, in whole or in part (and if in part on a pro rata basis), at a redemption price equal to the greater of:

(1) 100% of the principal amount of the Series 2015A Bonds, Series 2015C Bonds or Series 2015D Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2015A Bonds, Series 2015C Bonds or Series 2015D Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2015A Bonds, Series 2015C Bonds or Series 2015D Bonds are to be redeemed, discounted to the date on which such 2015A Bonds, Series 2015C Bonds or Series 2015D Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Comparable Treasury Yield (defined below) plus 30 basis points,

plus, in each case, accrued interest on such Series 2015A Bonds, Series 2015C Bonds or Series 2015D Bonds to be redeemed to the redemption date.

"Calculation Agent" means a commercial bank or an investment banking institution of national standing that is a primary dealer of United States government securities in the United States and designated by the Board (which may be one of the institutions that served as an underwriter for the Series 2015 Bonds).

"Comparable Treasury Issue" means the United State Treasury security selected by the Calculation Agent as having a maturity comparable to the remaining term to maturity of the Series 2015A Bonds, Series 2015C Bonds or Series 2015D Bonds being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the Series 2015A Bonds, Series 2015C Bonds or Series 2015D Bonds being redeemed.

"Comparable Treasury Price" means, with respect to any date on which a Series 2015A Bond, Series 2015C Bond or Series 2015D Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Calculation Agent is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Calculation Agent, at 5:00 p.m. New York City time on the third business day preceding the date fixed for redemption.

"Comparable Treasury Yield" means the yield that represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated "H.15(519) Selected Interest Rates" under the heading "Treasury Constant Maturities," or any successor publication selected by the Calculation Agent that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the Series 2015A Bonds, Series 2015C Bonds or Series 2015D Bonds being redeemed. The Comparable Treasury Yield will be determined no sooner than the third business day nor earlier than the twentieth calendar day preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the Series 2015A Bonds, Series 2015C Bonds or Series 2015D Bonds being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the Series 2015A Bonds, Series 2015C Bonds or Series 2015D Bonds being redeemed; and (ii) closest to and less than the remaining term to maturity of the Series 2015A Bonds, Series 2015C Bonds or Series 2015D Bonds being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (each as defined herein) as of the date fixed for redemption.

"Reference Treasury Dealer" means a primary dealer of United States Government securities in the United States (which may be one of the institutions that served as an underwriter for the Series 2015 Bonds) appointed by the Board and reasonably acceptable to the Calculation Agent.

Selection for Redemption

If less than all of the Series 2015 Bonds of a series are called for redemption, the Board will designate the maturities from which the Series 2015 Bonds of such series are to be redeemed. For so long as the Series 2015 Bonds are registered in book-entry form and DTC or a successor securities depository is the sole registered owner of such Series 2015 Bonds, if fewer than all of the Series 2015 Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2015 Bonds to be redeemed shall be selected: (i) by lot, in the case of the Series 2015B Bonds or Series 2015E Bonds, and (ii) on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, in the case of the Series 2015A Bonds, Series 2015C Bonds or Series 2015D Bonds; provided that, so long as the Series 2015 Bonds are held in book-entry form, the selection for redemption of the Series 2015A Bonds, Series 2015C Bonds and Series 2015D Bonds will be made in accordance with the operational arrangements of DTC then in effect, and if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, all Series 2015A Bonds, Series 2015C Bonds and Series 2015D Bonds will be selected for redemption in accordance with DTC procedures by lot; provided further that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations. See **APPENDIX D**, "**BOOK-ENTRY SYSTEM**."

In connection with any repayment of principal of the Series 2015A Bonds, Series 2015C Bonds or Series 2015D Bonds, including payments of scheduled mandatory sinking fund payments, the Paying Agent will direct DTC to make a pass-through distribution of principal to the owners of the Series 2015A Bonds, Series 2015C Bonds or Series 2015D Bonds. A form of Pro Rata Pass-Through Distribution of Principal Notice will be provided to the Paying Agent that includes a table of factors reflecting the relevant scheduled redemption payments, based on the current schedule of mandatory sinking fund payments, which is subject to change upon certain optional redemptions, and DTC's currently applicable procedures, which are subject to change.

For purposes of calculating pro rata pass-through distributions of principal, "pro rata" means, for any amount of principal or interest to be paid, the application of a fraction to such amounts where (a) the numerator is equal to the amount due to the owners of the 2015A Bonds, Series 2015C Bonds or Series 2015D Bonds on a payment date and (b) the denominator is equal to the total original par amount of the 2015A Bonds, Series 2015C Bonds or Series 2015D Bonds.

It is the Board's intent that redemption allocations made by DTC with respect to the Series 2015A Bonds, Series 2015C Bonds or Series 2015D Bonds be made on a pro rata pass-through distribution of principal basis as described above. However, neither the Board nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants, or any other intermediary will allocate the redemption of such Series 2015A Bonds, Series 2015C Bonds or Series 2015D Bonds on such basis.

If the Series 2015 Bonds are not registered in book-entry form and if fewer than all of the Series 2015 Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular 2015A Bonds, Series 2015C Bonds or Series 2015D Bonds of such maturity and bearing such interest rate to be redeemed will be selected on a pro rata basis, and the particular Series 2015B Bonds or Series 2015E Bonds of such maturity and bearing such interest rate to be redeemed will be selected by lot, provided that any such redemption must be performed such that all Series 2015 Bonds remaining outstanding will be in authorized denominations.

Mandatory Redemption

The Series 2015A Bonds identified below are also subject to redemption prior to maturity, in part, on each of the dates and in the respective principal amounts set forth below, at a Redemption Price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem the principal amount of Series 2015 Bonds specified for July 1 of each of the years shown below:

Series 2015A Bonds
Maturing October 1, 2035

Year (July 1)	Principal Amount
2033	$305,000
2034	320,000
2035*	335,000

** Final Maturity.*

Series 2015A Bonds
Maturing October 1, 2040

Year (July 1)	Principal Amount
2036	$350,000
2037	370,000
2038	385,000
2039	405,000
2040*	425,000

* *Final Maturity.*

Series 2015A Bonds
Maturing October 1, 2044

Year (July 1)	Principal Amount
2041	$445,000
2042	465,000
2043	490,000
2044*	510,000

* *Final Maturity.*

Notice of Redemption

Notice of redemption of any Series 2015 Bond is required to be mailed not less than 30 days prior to the redemption date to the holder of such Series 2015 Bond at its address as it appears on the registry books kept pursuant to the provisions of the Bond Resolution. Notice of redemption of Series 2015 Bonds will be given by the Paying Agent.

Each notice of redemption is required to state: (i) the title of the Series 2015 Bonds to be redeemed, the subseries designation thereof (if any), the redemption date, the place or places of redemption and the redemption price payable upon such redemption; (ii) if less than all the Series 2015 Bonds are to be redeemed, the distinctive number of the Series 2015 Bonds to be redeemed, (iii) that the interest on the Series 2015 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 such date there will become due and payable on each such Series 2015 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 Series 2015 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 Series 2015 Bond all of the principal of which matures on the same day is called for redemption, that such Series 2015 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 Series 2015 Bond or Bonds equaling in principal amount that portion of the principal sum not to be redeemed of the Series 2015 Bond to be surrendered.

Any notice of optional redemption may state that such redemption may be conditional upon the receipt by the Paying Agent on the date fixed for redemption of moneys sufficient to pay in full the redemption price of the Series 2015 Bonds proposed to be redeemed. If the notice contains such condition, and moneys sufficient to pay in full the redemption price of the Series 2015 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 Series 2015 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 Series 2015 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 Series 2015 Bonds surrendered for redemption shall be promptly returned to the holder or holders by the Paying Agent.

For so long as a book-entry only system is in effect with respect to the Series 2015 Bonds, notice of redemption, or notice of rescission of any conditional notice of redemption, of Series 2015 Bonds to be redeemed is to be mailed by the Paying Agent to the Securities Depository or its nominee. Any failure of the Securities Depository or of its nominee, or of a direct or indirect participant, to notify a beneficial owner of Series 2015 Bonds of any redemption will not affect the sufficiency or validity of the redemption of the Series 2015 Bonds to be redeemed. See "– Book-Entry System" below for a description of the book-entry only system. Neither the Board nor the Paying Agent can give any assurance that the Securities Depository, or direct or indirect participants, will distribute such redemption notices to the beneficial owners of the Series 2015 Bonds, or that they will do so on a timely basis.

Transfer or Exchange of the Bonds

Any Series 2015 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 Series 2015 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 Series 2015 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 Series 2015 Bond surrendered, a new duly executed Series 2015 Bond, as appropriate, of the same series, interest rate and maturity for a like aggregate principal sum as the Series 2015 Bond surrendered.

Any Series 2015 Bond may be surrendered for exchange for a new fully registered Series 2015 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 Series 2015 Bond or Bonds delivered in exchange.

The Paying Agent may charge a sum not exceeding the actual cost of each new fully registered Series 2015 Bond and may require the payment by the holder of the Series 2015 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.

SECURITY FOR THE BONDS

Pledge of Revenues

The Revenue Bonds, including the Series 2015 Bonds, are limited obligations of the Board payable from and secured solely by 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 Revenue 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 of the University 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 Revenues are more fully described under "**THE UNIVERSITY OF HAWAII – Revenues**" below. The Network is more fully described under "**THE UNIVERSITY OF HAWAII – The University Network**" below. The Revenue Bonds are additionally secured by a pledge of the University Bond Available Moneys subject to the prior and paramount lien thereon of the University Bonds all as described under "**Separate Resolution Financing**" below.

See **APPENDIX A – "THE UNIVERSITY OF HAWAII – Outstanding Indebtedness**" and **APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."**

The Series 2015 Bonds and all other Revenue Bonds are and will be equally and ratably secured by such lien and pledge, without priority by reason of series, number, date, maturity, date of sale, issuance and execution, or delivery thereof, except as described below under "**Additional Security for Certain Revenue Bonds**."

Neither the State nor any department or political subdivision thereof, including the Board, is obligated to pay the Series 2015 Bonds from any source other than the Revenues pledged under the Resolution. The Series 2015 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 2015 Bonds. No holder of any Series 2015 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 2015 Bonds.

Additional Security for Certain Revenue Bonds

Series 2010A Bonds. The Series 2010A Bonds, currently outstanding in the principal amount of $127,600,000, are secured by the Revenues on a parity with the other Revenue Bonds, including the Series 2015 Bonds, and are additionally secured by amounts on deposit in the Hawaii Cancer Research Special Fund established within the State treasury pursuant to Section 304A-2168, Hawaii Revised Statutes. The Hawaii Cancer Research Special Fund is funded primarily from collections of an excise tax imposed on each cigarette sold, used, or possessed by a wholesaler or dealer in the State pursuant to Section 245-3, Hawaii Revised Statutes. Currently, 2.0 cents per cigarette from these collections is deposited to the credit of the fund, and the cash balance in the fund as of June 30, 2014 and 2013 was $20,782,020 and $28,865,113, respectively. So long as any Series 2010A Bonds remain outstanding, the Hawaii Cancer Research Special Fund shall be allocated to the University's Cancer Research Center, shall continue to constitute Revenues, and shall be used solely for payment of debt service on the Series 2010A Bonds and current expenses and capital expenditures of the Cancer Research Center. **Such amounts only secure the Series 2010A Bonds and are not available for the repayment of any other Bonds, including the Series 2015 Bonds.**

Series 2015D and 2015E Bonds. The Series 2015D Bonds and Series 2015E Bonds are secured by the Revenues on a parity with the other Revenue Bonds, including the Series 2015A Bonds, Series 2015B Bonds and Series 2015C Bonds, and are additionally secured by a lien on the University Bond Auxiliary Moneys, including a portion of the moneys in the Hawaii Tobacco Settlement Special Fund. The University Bonds outstanding under the University Bond Resolution have prior and paramount claim against the University Bond Auxiliary Moneys as described under the subheading "**Separate Resolution Financing**" below. **Such amounts only secure the Series 2015D Bonds and Series 2015E Bonds and**

are not available for the repayment of any other Revenue Bonds, including the Series 2015A Bonds, Series 2015B Bonds or Series 2015C Bonds.

Outstanding and Additional Parity Revenue Bonds

Pursuant to the Resolution, the University has previously issued the Series 2001A Bonds, Series 2001B Bonds, Series 2006A Bonds, the Series 2009A Bonds, the Series 2010 Bonds and the Series 2012A Bonds. The Series 2001A Bonds and Series 2001B Bonds are no longer outstanding. As of August 1, 2015, prior to giving effect to the issuance of the Series 2015 Bonds or the refunding of Refunded Bonds, $455,445,000 aggregate principal amount of Bonds are outstanding under the Resolution. The Resolution authorizes the issuance of Additional Bonds secured equally and ratably with the Series 2015 Bonds (except for the Series 2010A Bonds, Series 2015D Bonds and Series 2015E Bonds which are secured by certain additional pledges as described under the subheading "**Additional Security for Certain Revenue Bonds**" above), 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.

Separate Resolution Financing

Pursuant to a separate resolution of the Board adopted May 17, 2002, as amended and supplemented (the "*University Bonds Resolution*"), the Board has financed university projects not constituting a part of the Network, which have a prior and paramount claim on the Legislative Appropriations pledged to the Revenue Bonds. University Bonds issued under the University Bonds Resolution (the "*University Bonds*") are equally and ratably secured by moneys credited to the University Revenue-Undertaking Fund appropriated by the Legislature of the State for the purpose of the payment of the principal of and interest on the University Bonds and a pledge of moneys from time to time on deposit in any special fund or revolving fund of the University derived from the ownership or operation of the University, and the funds and accounts established thereunder (the "*University Bond Available Moneys*"), but not moneys deposited in the University Revenue-Undertaking Fund derived from the Network. As of August 1, 2015, prior to giving effect to the refunding and defeasance of a portion of the Series 2006A University Bonds as described herein, $118,645,000 aggregate principal amount of bonds were outstanding under the University Bonds Resolution. It is anticipated that, as of July 15, 2016, after giving effect to the refunding and defeasance of those Series 2006A University Bonds which constitute Refunded Bonds, approximately $49,450,000 of University Bonds will remain outstanding.

Pursuant to the University Bonds Resolution, the University Bonds have a prior and paramount claim on a portion of the moneys in the Hawaii Tobacco Settlement Special Fund senior to that of the Series 2015D and Series 2015E Bonds. The State Legislature previously enacted legislation to allocate and appropriate each year, for the purpose of paying debt service on the University Bonds, in addition to other allocations, a portion of the moneys in the Hawaii Tobacco Settlement Special Fund funded by receipts from the Master Settlement Agreement dated November 23, 1998. The State Legislature has not previously appropriated less than the amount necessary to pay principal and interest coming due on such bonds from the Hawaii Tobacco Settlement Special Fund during any fiscal year. The Board does not currently expect to issue any additional bonds under the University Bonds Resolution, except for bonds that may be issued for the purpose of refunding existing University Bonds. See **APPENDIX A – "THE UNIVERSITY OF HAWAII – Separate Resolution Financing: University Bonds**."

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 Revenue Bonds and payments from the Revenues required by the Resolution (i) to pay Current Expenses of the University 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 University System, subordinate to the payment from the Revenues of the principal of and interest on the Revenue 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. As of June 30, 2015, $379,686 principal amount of such reimbursable obligations were outstanding.

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 has agreed with the Bondholders, among other things, as follows:

Maintenance of the Network. The Board has agreed 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 also has agreed 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 Legislative 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 agreed 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 agreed 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 agreed 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 agreed 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 agreed not to permit the creation of or issue any bonds (other than existing and future series of Revenue 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 Revenue Bonds or secured by a lien thereon. See "**SECURITY FOR THE BONDS – Outstanding and Additional Parity Revenue Bonds**" herein.

Against Sale or Other Disposition. The Board has agreed not to sell, lease or otherwise dispose of all or substantially all of the properties constituting the Network without simultaneously depositing cash or Governmental Securities in an amount sufficient so that no Revenue 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 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 Revenue Bonds, (iii) the Board may execute agreements 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 agreements comply with this paragraph, and (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 have 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 Revenue Bonds and to acquire or construct revenue-producing properties to constitute a part of the Network.

THE UNIVERSITY OF HAWAII

The University of Hawaii 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) the cost of construction of which is paid in whole or in part from the proceeds of Bonds or from the Revenues, whether such University Project is located on the Mānoa 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 consisting of the University System and University Purposes. The University System is comprised of various University Projects operated and maintained as a system and a portion of the Network. Some of the University Projects currently included in the Network are the student housing and connecting food service facilities on the Mānoa campus, the bookstores located on any of the University's campuses, the University's student union on the Mānoa campus known as the Campus Center, including its dining facilities, the telecommunication system located on the Mānoa campus, those parking operations for the Mānoa campus which were financed with revenue bonds and/or in whole or in part from certain general obligation bonds, the student housing and connecting food service facilities on the Hilo campus, and faculty housing operated by the Mānoa campus.

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.

Revenues

University System Revenues. The University System Revenues include, among other things, the rates, rents, fees and charges imposed by the Board for the use or enjoyment of or the services furnished by certain Network facilities which constitute the University System (the "*University System*"). See "**THE UNIVERSITY OF HAWAII – The University Network**" herein. Such rates, rents, fees and charges are primarily derived from the imposition of room rentals, bookstore sales, parking revenues, and the like. See **APPENDIX A – "THE UNIVERSITY OF HAWAII – Student Enrollment – Student Tuition, Housing Costs and Financial Aid"** for a description of tuition, fees and room and board charges at each campus.

The University Special and Revolving Funds. The Legislative Appropriations include certain moneys in any special fund or revolving fund, which include, but are not limited to, the tuition and fees special fund, community colleges special fund, intercollegiate special fund, auxiliary enterprises special fund, student activities revolving fund, student health center revolving fund, real property and facilities use revolving fund, commercial enterprises revolving fund, and research and training revolving fund, unless otherwise restricted, 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 or for Debt Service. See **APPENDIX A – "THE UNIVERSITY OF HAWAII – Outstanding Indebtedness**" and **APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."** As described under "**Separate Resolution Financing**" below, the University Bonds have a prior and paramount claim to the Legislative Appropriations.

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 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.

University System Revenues and Special and Revolving Funds. The following table shows University System Revenues and Current Expenses of the Network, amounts deposited to special and revolving funds and the University System Unrestricted Current Fund and Special and Revolving Funds prior year accumulated net position for the fiscal years ended June 30, 2010 through 2014:

Table 1
UNIVERSITY SYSTEM REVENUES AND SPECIAL AND REVOLVING FUNDS FOR THE FISCAL YEAR ENDED JUNE 30,
(in thousands of dollars)

	2010	2011	2012	2013	2014
University System Revenues	$ 74,165	$ 87,347	$ 111,733	$ 96,676	$ 97,083
Less Current Expenses (Network)	(55,033)	(60,165)	(57,684)	(56,373)	(56,870)
Deposits to Special and Revolving Funds[1]	357,890	382,500	401,469	396,854	408,054
Less Amounts Received from Hawaii Tobacco Settlement Special Fund[2]	(12,869)	(12,422)	(12,665)	(12,662)	(12,570)
Less Cigarette Tax Received from State[3]	(18,379)	(16,283)	(18,674)	(14,382)	(15,792)
Net University System Revenues and Deposits to Special and Revolving Funds	$345,774	$380,977	$424,179	$410,113	$419,905
University System Unrestricted Current Fund Prior Year Accumulated Net Position	$8,928	$7,926	$8,242	$8,108	$8,811
Special and Revolving Funds Prior Year Accumulated Net Position[1]	172,329	220,942	268,501	208,211	164,973
Less University Revenue-Undertakings Fund Tobacco Settlement Prior Year Accumulated Net Position[2]	(6,996)	(7,018)	(7,071)	(7,134)	(7,204)
Less Hawaii Cancer Research Special Fund Prior Year Accumulated Net Position[3]	(37,517	(43,346)	(40,644)	(37,943)	(27,075)
University System Unrestricted Current Fund and Special and Revolving Funds Revenues and Prior Year Accumulated Net Position[1]	$482,518	$559,481	$653,207	$581,355	$559,410

Source: University of Hawaii (unaudited).

1 Amounts on deposit in the special and revolving funds are available to the extent 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, however, that such amounts are subject and subordinate to the prior and paramount lien of the University Bonds Resolution as described under the subheading "**SECURITY FOR THE BONDS – Separate Resolution Financing**" above.

2 Such amounts are only available for debt service on the University Bonds, Series 2015D Bonds and Series 2015E Bonds and to pay medical school operating expenses.

3 Such amounts are only available for debt service on the Series 2010A Bonds and to pay operating expenses and capital expenditures for the cancer research center.

State Employees' Retirement System

For information relating to the University's share of the State Employees' Retirement System and the system itself see **APPENDIX A – "THE UNIVERSITY OF HAWAII – State Employees' Retirement System.**"

DEBT SERVICE REQUIREMENTS

Set forth below are the debt service requirements for the Revenue Bonds and University Bonds. Certain other indebtedness payable from the Revenues of the Network and described in **"Outstanding Indebtedness"** in **APPENDIX A** hereto is excluded. Debt Service requirements for the Revenue Bonds for each fiscal year ending June 30 includes interest payments on April 1 of such year and principal and interest payments on October 1 of the prior calendar year. Debt Service requirements for the University Bonds in each fiscal year ending June 30 includes interest payments on January 15 of such year and principal and interest payments on July 15 of the prior calendar year. See **APPENDIX A – "THE UNIVERSITY OF HAWAII – Outstanding Indebtedness"** hereto for a discussion of the University's other outstanding obligations.

Fiscal Year Ending June 30	Outstanding University Revenue Bonds Debt Service(1), (2)	Outstanding University Bonds Debt Service(2)	Series 2015 Bonds			Total Bonds Debt Service
			Principal	Interest	Total Debt Service	
2016	$28,691,579	$ 9,385,900	$1,890,000	$1,773,538	$3,663,538	$41,741,016
2017	28,684,251	5,197,475	1,240,000	6,584,610	7,824,610	41,706,336
2018	26,152,713	561,575	8,005,000	6,700,459	14,705,459	41,419,747
2019	24,817,838	561,575	8,130,000	6,571,002	14,701,002	40,080,415
2020	24,579,851	561,575	8,295,000	6,407,723	14,702,723	39,844,148
2021	24,594,114	561,575	8,490,000	6,212,091	14,702,091	39,857,779
2022	24,586,189	561,575	8,735,000	5,966,822	14,701,822	39,849,586
2023	24,576,413	561,575	9,090,000	5,612,585	14,702,585	39,840,573
2024	24,565,883	561,575	9,520,000	5,177,542	14,697,542	39,825,000
2025	24,549,161	561,575	9,975,000	4,727,210	14,702,210	39,812,946
2026	24,539,292	561,575	10,465,000	4,236,712	14,701,712	39,802,579
2027	23,428,637	561,575	11,105,000	3,700,665	14,805,665	38,795,877
2028	27,515,823	8,303,675	320,000	3,418,776	3,738,776	39,558,275
2029	27,498,046	8,307,888	335,000	3,406,692	3,741,692	39,547,625
2030	27,483,087		8,270,000	3,195,573	11,465,573	38,948,659
2031	27,465,478		8,685,000	2,775,470	11,460,470	38,925,948
2032	22,790,051		13,520,000	2,232,578	15,752,578	38,542,629
2033	22,772,699		14,215,000	1,550,587	15,765,587	38,538,286
2034	22,754,845		5,235,000	1,090,604	6,325,604	29,080,449
2035	22,735,117		5,475,000	848,776	6,323,776	29,058,893
2036	22,714,687		5,760,000	569,234	6,329,234	29,043,921
2037	22,699,884		6,035,000	294,572	6,329,572	29,029,456
2038	22,674,423		370,000	154,638	524,638	23,199,062
2039	22,656,339		385,000	137,111	522,111	23,178,450
2040	16,608,616		405,000	118,771	523,771	17,132,387
2041	16,585,441		425,000	99,503	524,503	17,109,943
2042			445,000	79,194	524,194	524,194
2043			465,000	57,841	522,841	522,841
2044			490,000	35,432	525,432	525,432
2045			510,000	11,967	521,967	521,967
Total	$ 628,720,456	$36,810,688	$166,285,000	$83,748,279	$250,033,279	$ 915,564,422

Columns may not foot due to rounding.

(1) Debt service on the Taxable 2010 Build America Bonds is net of federal interest subsidy.

(2) Excludes the Refunded Bonds.

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, 2014 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."**

PENDING LITIGATION

The University has been named as a defendant or codefendant in numerous lawsuits and claims arising in the normal course of operations. Counsel is presently unable to express an opinion as to the probable outcome of any of these lawsuits and claims, and accordingly, no provision for losses has been made for such matters. Any losses arising from such lawsuits and claims are expected to be paid from moneys in certain special or revolving funds of the University or from legislative appropriations obtained for such purpose and are not expected to have a material adverse effect on the University's financial position or the Revenues.

There is no pending litigation seeking to restrain or enjoin the sale, issuance, execution or delivery of the Series 2015 Bonds or in any other manner affecting the validity of such Bonds or the proceedings or authority pursuant to which they are to be sold and issued.

TAX MATTERS

Series 2015B Bonds and Series 2015E Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Board ("*Bond Counsel*"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2015B Bonds and Series 2015E Bonds (collectively, the "*Tax-Exempt Bonds*") is excluded from gross income for federal income tax purposes under Section 103 of the Code, and the Tax-Exempt Bonds and the income therefrom are exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Bond Counsel is of the further opinion that interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Complete copies of the proposed forms of the opinions of Bond Counsel relating to the Tax-Exempt Bonds are set forth in **APPENDICES E** and **F** hereto.

To the extent the issue price of any maturity of the Tax-Exempt Bonds is less than the amount to be paid at maturity of such Tax-Exempt Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Tax-Exempt Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Tax-Exempt Bonds which is excluded from gross income for federal income tax purposes and State of Hawaii tax purposes. For this purpose, the issue price of a particular maturity of the Tax-Exempt Bonds is the first price at which a substantial amount of such maturity of the Tax-Exempt Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Tax-Exempt Bonds accrues daily over the term to maturity of such Tax-Exempt Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Tax-Exempt Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Tax-Exempt Bonds. Beneficial Owners of the Tax-Exempt Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Tax-Exempt Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Tax-Exempt Bonds in the original offering to the public at the first price at which a substantial amount of such Tax-Exempt Bonds is sold to the public.

Tax-Exempt Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("*Premium Bonds*") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of the bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to exclusion from gross income for federal income tax purposes of interest on obligations such as the Tax-Exempt Bonds. The Board has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Tax-Exempt Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Tax-Exempt Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Tax-Exempt Bonds. The opinions of Bond Counsel assume the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Tax-Exempt Bonds may adversely affect the value of, or the tax status of interest on, the Tax-Exempt Bonds. Accordingly, the opinions of Bond Counsel are not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and that the Tax-Exempt Bonds and the income therefrom are exempt from taxation by the State or any political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Tax-Exempt Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Tax-Exempt Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Tax-Exempt Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinions of Bond Counsel are based on current legal authority, cover certain matters not directly addressed by such authorities, and represent Bond Counsel's judgment as to the proper treatment of the Tax-Exempt Bonds for federal income tax purposes. The opinions are not binding on the Internal Revenue Service ("*IRS*") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Board, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Board has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Tax-Exempt Bonds ends with the issuance of the Tax-Exempt Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Board or the Beneficial Owners regarding the tax-exempt status of the Tax-Exempt Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Board and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Board legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Tax-Exempt Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Tax-Exempt Bonds, and may cause the Board or the Beneficial Owners to incur significant expense.

Series 2015A Bonds, Series 2015C Bonds and Series 2015D Bonds

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2015A Bonds, Series 2015C Bonds and the Series 2015D Bonds (collectively, the "*Taxable Bonds*") is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the opinion that the Taxable Bonds and the income therefrom are exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Taxable Bonds. The proposed form of the opinion of Bond Counsel relating to the Taxable Bonds is contained in **APPENDIX E** hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Taxable Bonds that acquire their Taxable Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Taxable Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Taxable Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Taxable Bonds pursuant to this offering for the issue price that is applicable to such Taxable Bonds (i.e., the price at which a substantial amount of the Taxable Bonds are sold to the public) and who will hold their Taxable Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "*U.S. Holder*" means a beneficial owner of a Taxable Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "*Non-U.S. Holder*" generally means a beneficial owner of a Taxable Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Taxable Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Taxable Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Taxable Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Taxable Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Taxable Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Taxable Bonds is less than the amount to be paid at maturity of such Taxable Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Taxable Bonds), the difference may constitute original issue discount ("*OID*"). U.S. Holders of Taxable Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Taxable Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a

Taxable Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Taxable Bond.

Sale or Other Taxable Disposition of the Taxable Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Board) or other disposition of a Taxable Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Taxable Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Taxable Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Taxable Bond (generally, the purchase price paid by the U.S. Holder for the Taxable Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Taxable Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Taxable Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Taxable Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding. Payments on the Taxable Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Taxable Bonds may be subject to backup withholding at the current rate of 28% with respect to "reportable payments," which include interest paid on the Taxable Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Taxable Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("*TIN*") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "**Information Reporting and Backup Withholding**" and "**FATCA**," payments of principal of, and interest on, any Taxable Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to the Board through stock ownership and (2) a bank which acquires such Taxable Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Taxable Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Taxable Bonds. Subject to the discussions below under the headings "**Information Reporting and Backup Withholding**" and "**FATCA**," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Board) or other disposition of a Taxable Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Board) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Taxable Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that, at the time of such individual's death, payments of interest with respect to such Taxable Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "**FATCA**," under current U.S. Treasury Regulations, payments of principal and interest on any Taxable Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Taxable Bond or a financial institution holding the Taxable Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 28%.

Foreign Account Tax Compliance Act ("*FATCA*")—U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code, impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Taxable Bonds and sales proceeds of Taxable Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2016 and (iii) certain "pass-thru" payments no earlier than January 1, 2017. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Taxable Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Taxable Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

Forward Delivery of the Series 2015E Bonds

Assuming no change in current law, it is expected that Bond Counsel will be able to render the opinion substantially in the form appearing in **APPENDIX F** to this Official Statement on the date of delivery of the Series 2015E Bonds.

CERTAIN FORWARD DELIVERY CONSIDERATIONS WITH RESPECT TO THE SERIES 2015E BONDS

The Board will enter into a forward delivery contract of purchase (the "Forward Delivery Purchase Contract") for the Series 2015E Bonds with Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of itself and Morgan Stanley & Co. LLC (collectively, the "Underwriters"). Subject to the terms of the Forward Delivery Purchase Contract, the Board expects to issue and deliver the Series 2015E Bonds on April 20, 2016, or on such later date as is mutually agreed upon by the Board and the Underwriters (the "Series 2015E Settlement Date").

The following is a description of certain provisions of the Forward Delivery Purchase Contract. The following description is not to be considered a full statement of the terms of the Forward Delivery Purchase Contract and accordingly is qualified by reference thereto and is subject to the full text thereof.

Series 2015E Settlement

The issuance of the Series 2015E Bonds and the Underwriters' obligations under the Forward Delivery Purchase Contract to purchase, accept delivery of and pay for the Series 2015E Bonds on the Series 2015E Settlement Date are conditioned upon the performance by the Board of its obligations thereunder, including, without limitation, the delivery of an opinion, dated the Series 2015E Settlement Date, of Bond Counsel, substantially in the form and to the effect as set forth in **APPENDIX F** to this Official Statement. The issuance of the Series 2015E Bonds is further contingent upon the delivery of certain certificates and legal opinions, and the satisfaction of other conditions as of the Series 2015E Settlement Date. The Underwriters have the right to terminate their obligations under the Forward Delivery Purchase Contract, by notifying the Board of their election to do so, if

(a) At any time subsequent to the preliminary closing date (expected to be September 24, 2015) (the "Preliminary Closing Date") and on or prior to the Series 2015E Settlement Date, the Series 2015E Bonds are not rated by each of S&P, Moody's and Fitch; or

(b) At any time subsequent to the Preliminary Closing Date and on or prior to the Series 2015E Settlement Date there is a Change in Law. A "Change in Law" means:

(i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies; or

(ii) any legislation enacted by the Congress of the United States (if such enacted legislation has an effective date that is on or before the Series 2015E Settlement Date); or

(iii) any law, rule or regulation enacted by any governmental body, department or agency (if such enacted law, rule or regulation has an effective date that is on or before the Series 2015E Settlement date); or

(iv) any judgment, ruling or order issued by any court or administrative body, which with respect to clauses (b)(i) through (iv) above would (A) as to the Underwriters, legally prohibit the Underwriters from (1) accepting delivery of and paying for the Series 2015E Bonds in accordance with the provisions of the Forward Delivery Purchase Contract or (2) selling the Series 2015E Bonds or beneficial ownership interests therein to bona fide purchasers, or, (B) as to the Board, make the sale or issuance and delivery of the Series 2015E Bonds by the Board illegal, or (C) eliminate the exclusion from gross income for federal income tax purposes of interest on the Series 2015E Bonds, or (D) require the Series 2015E Bonds to be registered under the Securities Act of 1933 (the "Securities Act"); provided, however, that any such change in or addition to law, legislation, rule or regulation, or judgment, ruling or order referred to in clauses (i) through (iv) of this sentence shall have become effective, been enacted, or been issued, as the case may be, subsequent to the date of execution of the Forward Delivery Purchase Contract; or

(v) a stop order, ruling, regulation, or official statement by the United States Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the issuance or sale of the Series 2015E Bonds is, or would be, in violation of any provision of the federal securities laws, including the Securities Act or the Securities Exchange Act of 1934, as amended.

During the period of time between the date of this Official Statement and the Series 2015E Settlement Date (the "Forward Delivery Period"), certain information contained in this Official Statement could change in a material respect. The Board has agreed to amend or supplement this Official Statement with an updated Official Statement not more than 25 days nor less than five days prior to the Series 2015E Settlement Date. Except as described above, the Underwriters may not refuse to purchase the Series 2015E Bonds by reason of "general market or credit changes," including, but not limited to, (a) changes in the ratings of the Series 2015E Bonds, or (b) changes in the financial condition, operations, performance, properties or prospects of the Board prior to the Series 2015E Settlement Date.

Additional Risks Related To The Forward Delivery Period

During the Forward Delivery Period, certain information contained in this Official Statement could change in a material respect. Except as described under "**SERIES 2015E SETTLEMENT**" above, any changes in such information will not permit the Underwriters to terminate the Forward Delivery Purchase Contract or release the purchasers from their obligation to purchase the Series 2015E Bonds. In addition to the risks set forth above, purchasers of the Series 2015E Bonds are subject to certain additional risks, some of which are described below:

Ratings Risk. No assurances can be given that the ratings assigned to the Series 2015E Bonds on the Series 2015E Settlement Date will not be different from those currently assigned to the Series 2015E Bonds. Except as described under "**SERIES 2015E SETTLEMENT**" above, issuance of the Series 2015E Bonds and the Underwriters' obligations under the Forward Delivery Purchase Contract are not conditioned upon the assignment of any particular ratings for the Series 2015E Bonds or the maintenance of the initial ratings of the Series 2015E Bonds.

Secondary Market Risk. The Underwriters are not obligated to make a secondary market in the Series 2015E Bonds, and no assurances can be given that a secondary market will exist for the Series 2015E Bonds during the Forward Delivery Period. Purchasers of the Series 2015E Bonds should assume that the Series 2015E Bonds will be illiquid throughout the Forward Delivery Period.

Market Value Risk. The market value of the Series 2015E Bonds as of the Series 2015E Settlement Date may be affected by a variety of factors including, without limitation, general market conditions, the ratings then assigned to the Series 2015E Bonds, the financial condition of the University and federal income tax and other laws. The market value of the Series 2015E Bonds as of the Series 2015E Settlement Date could therefore be higher or lower than the price to be paid by the initial purchasers of the Series 2015E Bonds and that difference could be substantial. Neither the University nor the Underwriters make any representation as to the expected market prices of the Series 2015E Bonds as of the Series 2015E Settlement Date. Further, no assurance can be given that the introduction or enactment of any future legislation will not affect the market prices for the Series 2015E Bonds as of the Series 2015E Settlement Date or thereafter or not have a materially adverse impact on any secondary market for the Series 2015E Bonds.

Tax Treatment Risk. Subject to the additional conditions of settlement described under "**SERIES 2015E SETTLEMENT**" above, the Forward Delivery Purchase Contract obligates the University to deliver and the Underwriters to purchase the Series 2015E Bonds if the University delivers an opinion of Bond Counsel with respect to the Series 2015E Bonds substantially in the form and to the effect as set forth in **APPENDIX F**. During the Forward Delivery Period, new legislation, new court decisions, new regulations, or new rulings may be enacted, delivered or promulgated, or existing law, including regulations adopted pursuant thereto, may be interpreted in a manner that might prevent Bond Counsel from rendering its opinion or otherwise affect the substance of such opinion. Notwithstanding that the enactment of new legislation, new court decisions, the promulgation of new regulations or rulings or reinterpretations or existing law might diminish the value of, or otherwise affect, the exclusion of interest on the Series 2015E Bonds for purposes of federal or State income taxation, the University may still be able to satisfy the requirements for the delivery of the Series 2015E Bonds. In such event, the purchasers would be required to accept delivery of the Series 2015E Bonds. Prospective purchasers are encouraged to consult their tax advisors regarding the likelihood of any changes in tax law and the consequences of such changes to such purchasers.

Termination of Forward Delivery Purchase Contract. The Underwriters may terminate the Forward Delivery Purchase Contract by notification to University on or prior to the Series 2015E Settlement Date if any of the events described above in items (a) and (b) under "**SERIES 2015E SETTLEMENT**" occurs.

VERIFICATION

Causey Demgen & Moore P.C. (the "*Verification Agent*"), will verify from the information provided by the Underwriters the mathematical accuracy as of the date of issuance of the Current Delivery Series 2015 Bonds of (1) the computations contained in the schedules provided by the Underwriters to determine that the anticipated receipts from the securities and cash deposits listed in such schedules to be held in escrow will be sufficient to pay when due the principal, interest and any call premium payment requirements of the Advance Refunded Bonds, and (2) the computations of yield on both the Escrow Securities and the Series 2015 Bonds contained in the schedules provided to Bond Counsel for use in its determination that the interest on the Series 2015 Bonds is excluded from gross income for federal income tax purposes. The Verification Agent will express no opinion on the reasonableness of the assumptions provided to them, the likelihood that the principal of and interest on the Series 2015 Bonds will be paid as described in the schedules provided to them, or the exclusion of the interest on the Series 2015 Bonds from gross income for federal income tax purposes.

LEGALITY

The validity of the Series 2015 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Board. Complete copies of the proposed forms of Bond Counsel opinions are contained in **APPENDICES E** and **F** hereto. Bond

Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Alston Hunt Floyd & Ing and Katten Muchin Rosenman LLP.

RATINGS

Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Ratings Services have assigned their municipal bond ratings of "AA," "Aa2" and "A+," respectively, to the Series 2015 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 2015 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 attached as **APPENDIX G – "FORM OF CONTINUING DISCLOSURE CERTIFICATE;"** provided that if the inclusion or format of such information is changed in any future official statement, annual reports provided by the Board thereafter may instead contain or include by reference information of the type included in that official statement as so changed or, if different, the type of equivalent information included in the most recent official statement.

The Board failed to file timely notices in connection with the November 2011 downgrade of Financial Security Assurance, the bond insurer for the Series 2001B Bonds, and the March 2014 upgrade of National Public Finance Guarantee Corporation, the successor bond insurer for the Series 2006A Bonds and Series 2006A University Bonds.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of itself and Morgan Stanley & Co. LLC, has agreed to purchase the Current Delivery Series 2015 Bonds at a price equal to the par amount of $98,885,000, plus net original issue premium of $5,639,372.25, less an underwriting discount of $620,218.10, resulting in a purchase price of $103,904,154.15 and the Series 2015E Bonds at a price equal to the par amount of $67,400,000, plus original issue premium of $8,058,681.95, less an underwriting discount of $168,753.45, resulting in a purchase price of $75,289,928.50. The purchase contract relating to the Current Delivery Series 2015 Bonds (the "Contract of Purchase") provides that the Underwriters will purchase all the Current Delivery Series 2015 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth therein, including the approval of certain legal matters by counsel and certain other conditions. The obligations of the Underwriters to purchase the Series 2015E Bonds are subject to certain terms and conditions set forth in the and the Forward Delivery Purchase Contract. See "**CERTAIN FORWARD DELIVERY CONSIDERATIONS WITH RESPECT TO THE SERIES 2015E BONDS**" herein. The initial public offering prices may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2015 Bonds to certain dealers (including dealers depositing the Series 2015 Bonds into unit investment trusts certain of which may be sponsored or managed by the Underwriters) and others at prices lower than the public offering prices stated on the cover page hereof.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Series 2015 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2015 Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Board (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Board. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments; provided, however, that potential investors are advised that the offering of the Bonds is made only by means of the Official Statement. No dealer, broker, salesperson or other person has been authorized by the Board to give any information or to make any representation other than as contained in the Official Statement.

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/ Randolph G. Moore
Chair

APPENDIX A

THE UNIVERSITY OF HAWAII

TABLE OF CONTENTS

APPENDIX A

THE UNIVERSITY OF HAWAII

General

The University of Hawaii (the "*University*" or "*UH*") is Hawaii's sole state public university system and is governed by a single Board of Regents. It is comprised of ten campuses, including three University campuses, seven community college campuses, three University Centers, multiple learning centers, and extension, research, and service programs distributed across six islands throughout the State. In addition to the flagship campus of the University at Mānoa, the University System also includes the 3,701-student (as of Spring 2015) campus at Hilo on the island of Hawaii and the smaller campus in West O'ahu on the island of O'ahu. The community college system in the University System consists of seven community colleges. There are four community college campuses on the island of O'ahu and one community college campus on each of the islands of Maui, Kaua'i, and Hawaii, making college classes accessible and affordable and easing the transition from high school to college for many students. 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 O'ahu's Mānoa Valley. Six years later, the University petitioned the legislature for university status, and the campus became the University of Hawaii in 1920.

Campuses and Academic Programs

The University System provides students with one doctoral-research campus, two comprehensive baccalaureate campuses, and seven community college campuses 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, 131 associate degrees in liberal arts and career and technical education, bachelor's degrees in 146 programs, master's degrees in 93 programs, and doctoral degrees in 62 programs, including medicine, law, pharmacy and architecture degrees. In addition, the University maintains a co-operative extension program. The three University Centers extend access to baccalaureate or higher degrees and certificates in communities beyond the physical location of campuses.

Mānoa Campus

The oldest campus and the flagship of the University System is at Mānoa on the island of O'ahu. The University was established at Mānoa 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 Mānoa to distinguish it from the other units of the growing University System. The campus at Mānoa remains by far the largest and most comprehensive unit in the University System, comprising 10 schools and colleges, offering 100 baccalaureate degrees and 143 graduate and professional degrees. Regular credit enrollment for the spring 2015 semester was 18,283, of which 13,372 were full-time students and 4,911 were part-time students, with 13,086 students enrolled as undergraduates and 5,093 as graduates. A total of 4,923 degrees were awarded during fiscal year 2014-2015, of which 1,458 were graduate degrees and 3,465 were bachelor's and other undergraduate degrees. The University at Mānoa is situated on approximately 320 acres on the island of Oʻahu, seven miles east of the central business district of the City and County of Honolulu. The estimated daytime student population of the University at Mānoa campus is approximately 18,283. For the 2014 fall semester, the University at Mānoa had 2,689 faculty (6,259 faculty and staff).

The University at Mānoa 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 32 universities or consortia in the United States designated as a land, sea and space grant college. As a major research university, the University at Mānoa has the capability of serving not only the State but the nation and the international community as well. The University at Mānoa 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 Mānoa offers instruction in more languages than most American institutions. Languages taught include Arabic, Cambodian, Chamorro, Chinese, Filipino, French, German, Greek, Hawaiian, Hindi, Illokano, Indonesian, Italian, Japanese, Korean, Latin, Maori, Portuguese, Russian, Samoan, Sanskrit, Spanish, Tahitian, Thai, Tongan, and Vietnamese. Other languages are taught on an as-needed basis, including Burmese, Classical Tibetan, Dutch, Khmer, Manchu, Pali, Prakrit, Tagalog, and Welsh. 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 and colleges are located at the University at Mānoa, including Law, Medicine, Agriculture, Business Administration, Hawaiian Knowledge, Pacific and Asian Studies, and Ocean and Earth Sciences and Technology. The University at Mānoa also sponsors an NCAA Division I intercollegiate sports program.

Hilo Campus

The campus of the University of Hawaii at Hilo on the island of Hawaii 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. As of the fall 2014 semester, the campus had 364 faculty (678 faculty and staff). Regular credit enrollment for the spring 2015 semester was 3,701, of which 2,903 were full-time and 798 were part-time, with 3,126 students enrolled as undergraduates and 553 as graduates. A total of 905 degrees were awarded during fiscal year 2014-2015, of which 156 were graduate degrees and 749 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 O‘ahu Campus

The University of Hawaii–West O‘ahu is the most recent addition to the University System. It opened its doors in January 1976 as West O‘ahu College and is currently located on the Leeward Community College campus in Pearl City on the island of O‘ahu. The name of the institution was changed to the University of Hawaii–West O‘ahu by the Board in 1989. Formerly an upper division campus, the University of Hawaii–West O‘ahu became a four-year campus and admitted its first class of freshmen in the fall semester of 2007.

The campus at West O‘ahu was established to support the region's substantial growth. University of Hawaii–West O‘ahu permits students to pursue their educational and professional goals through a curriculum that places major emphasis on workforce development with selected professional programs (such as elementary education, accounting and health care administration) as well as the humanities and social sciences. Courses are scheduled to accommodate student schedules, including evening, weekend and online courses.

As of the fall 2014 semester, the campus had 141 faculty (236 faculty and staff). Regular credit enrollment for the spring 2015 semester was 2,344, of which 1,160 were full-time and 1,184 were part-time, with 2,319 as undergraduates. During fiscal year 2014-2015, 439 degrees were awarded, all of which were bachelor's degrees.

In August 2012, the University opened a state-of-the-art baccalaureate campus in the City of Kapolei on the island of O‘ahu. The first phase of the campus was built on 41 acres and consists of a classroom building, laboratory building, administration building, library/resource center, campus center and maintenance building. The architectural design of the new campus has and continues to 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 is being developed in phases over the next decade. When completed, the University of Hawaii–West O‘ahu is expected to 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 spring semester of 2015, the community college system served 28,694 credit students, which is more than half of the enrollment of the entire University System. The community college subsystem is comprehensive, 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 degree. 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
2014-2015 Academic Year

College	Island	FTE Enrollment*	Faculty/Staff*	Degrees Awarded**
Hawaii	Big Island	1,948	337	569
Honolulu	O‘ahu	2,407	395	725
Kapi‘olani	O‘ahu	4,568	606	1,335
Kaua‘i	Kaua‘i	831	197	264
Leeward	O‘ahu	4,478	481	1,000
Maui	Maui	2,140	380	575
Windward	O‘ahu	1,439	202	369
Total:		17,811	2,598	4,837

* *As of the fall semester of 2014.*
** *In fiscal year 2014-2015.*
Source: University of Hawaii Institutional Research and Analysis Office.

In addition to the community college subsystem, the University System provides dozens of educational, training and research centers across the Hawaiian Islands including centers located in Wai‘anae, O‘ahu; Hāna, Maui; Lāna‘i; Moloka‘i 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 ("*ACCJC*") of the Western Association of Schools and Colleges. All campuses meet or exceed their accreditation requirements. The most recent reaffirmation of accreditations at the University at Mānoa and Hilo campuses were for 10 years each, and for seven years at the West O‘ahu campus. Each community college is separately accredited and the most recent reaffirmation of accreditation for each campus was for six years, the maximum allowed by ACCJC policy. 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 Mānoa is the University's flagship research campus and in fiscal year 2009 was ranked in the top 50 by the National Science Foundation 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 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.

Recent University Capital Improvements and Future Capital Plans

In the past three years the University has completed over $800 million of capital projects including new campuses at West O‘ahu and West Hawai‘i, a new cancer research center, a new system IT building at the Mānoa Campus serving all ten campuses and new buildings at the Hilo campus, Maui College and Windward Community College. Future capital plans are currently focused on reducing deferred maintenance, with the Board instituting a moratorium on new construction until progress has been made thereagainst.

Administrative Organization

The University System is governed by the Board, the members of which are appointed by the Governor and confirmed by the State Senate. 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 structure, management and operation 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.

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 nominated by the Candidate Advisory Council for the Board of Regents, 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)**	**Profession**
Randolph G. Moore, Chair	2018	Retired, Assistant Superintendent for School Facilities, Department of Education
Jan Naoe Sullivan, Vice Chair	2016	Chief Operating Officer, Oceanit
Eugene Bal III, Vice Chair	2018	Former Executive Director, Maui High Performance Computing Center
Coralie Chun Matayoshi	2016	Chief Executive Officer, American Red Cross, Hawaii State Chapter
Barry T. Mizuno	2018	Retired, Consultant, BTM LLC
Benjamin Asa Kudo	2017	Counsel, Ashford and Wriston
Jeffrey Portnoy	2019	Chair of Litigation Department, Cades Schutte
Lee Putnam	2019	Retired, Assistant Vice President for Academic Affairs, University of Hawaii
Stanford Yuen	2019	Principle, SLC Consulting
Michelle Tagorda	2016	Undergraduate Advisor, University of Hawaii
Simeon Acoba	2017	Retired, Associate Justice, Supreme Court of Hawaii
Wayne Higaki	2016	Chief Development Officer, North Hawaii Community Hospital
David Iha	2017	Retired, Executive Administrator and Secretary, Board of Regents of the University of Hawaii
Michael McEnerney	2020	Former Forensic Accountant, McEnerney Shimabukuro Okazaki and Fujita CPAs AAC
Ernest Wilson	2020	Retired, Dean, Hawaii Pacific University TIM program

Administration

Administrative personnel of the University System include the following individuals:

David Lassner, President. David Lassner was appointed University of Hawaii president effective July 1, 2014 after serving as interim president since September 1, 2013.

Lassner has worked at the university since 1977, and, prior to serving as president and interim president, served as the University's vice president for information technology and chief information officer. Lassner is a member of the university's graduate faculty and has taught both online and in-person courses in computer science, communications, business and education.

In his prior positions Lassner played an active leadership role in a variety of local, national and international information and communications technology organizations. He served on the boards of Hawaii's High Technology Development Corporation and Public Broadcasting Service affiliate and he chaired the state's Broadband Task Force. Lassner also served on the board of Internet2 and was a co-founder and board member of the Kuali Foundation, a founding steering committee member and past-chair of the Western Interstate Commission for Higher Education's Cooperative for Educational Technologies (WCET) cooperative and past-chair of the board of EDUCAUSE, the major professional association for information technology in higher education.

Lassner led a major statewide federally funded project that interconnected public schools, libraries and campuses on six islands with fiber optics and has received multiple awards from the National Science Foundation focused on research and education networking and cyberinfrastructure. He is principal investigator for the Maui High Performance Computing Center and for the Pacific Disaster Center, major Department of Defense programs on Maui.

Lassner earned an AB in economics summa cum laude and MS in computer science at the University of Illinois at Urbana-Champaign and a PhD in communication and information sciences from the University of Hawaii. He has been recognized with Internet2's Richard Rose Award, WCET's Richard Jonsen Award and as a Distinguished Alumnus of the University of Hawaii.

Risa E. Dickson, Vice President for Academic Affairs. As vice president for academic affairs, Risa E. Dickson serves as the chief academic officer for the University System with overall responsibility for leadership, planning and intercampus coordination of academic affairs, student affairs, policy and planning, institutional research and analysis, international and strategic initiatives and Hawaii P–20 Partnerships for Education.

Dickson served at California State University, San Bernardino for 24 years as associate provost for academic affairs, executive assistant to the president for planning and special programs, associate dean of the College of Arts and Letters, and chair of the department of Communication Studies. She is an American Council on Education Fellow and is a member of the ACE Council of Fellows Professional Development Committee.

An attachment theorist by training, Dickson has studied attachment patterns across the life span, and has most recently focused on biological foundations of communication behavior. Dickson earned a bachelor's degree in communication theory from California State University, Northridge and a master's degree in communication and a doctorate in interpersonal and organizational communication from the University of Southern California.

Jan Gouveia, Vice President for Administration. As vice president for administration, Jan Gouveia is responsible for overseeing and managing systemwide operational programs in procurement, real property and risk management, capital improvements, human resources, and internal and external communications.

Gouveia brings more than 15 years of administrative and leadership experience in the public and private sectors, including 4 years with the University of Hawaii. She previously served as Hawaiian Airlines' managing director for training and development and manager of strategy and transformation with the strategic goal of increasing efficiency and effectiveness. She has previously held cabinet level positions in state government, served as chief legal counsel for the Honolulu Board of Water Supply and was the inaugural director of risk management at the University.

Gouveia holds a BA in political science from the University of Hawaii at Mānoa and a juris doctorate and master's in business administration from Gonzaga University.

Dr. John F. Morton, Vice President for Community Colleges. Dr. Morton has served as Vice President for Community Colleges since July 2005 and is responsible for executive leadership, policy decision-making, resource allocation and development of support services for the University of Hawai'i's seven community colleges. Dr. Morton earned a B.S. in chemistry and M.A. in political science from the University of Illinois and a Ph.D. in Communication and Information Sciences from the University of Hawaii at Mānoa.

At the University of Hawaii where he began in 1970, Dr. Morton previously served as Chancellor at Kapi'olani Community College for 20 years where he directed the development of a new campus on Diamond Head and a rapidly increasing student population. He started his UH career at Leeward Community College as a faculty member in chemistry and political science, and was Dean of Instruction, Coordinator for Advanced Institutional Development Program, and Director for Special Programs and Community Services.

In January 2002, Dr. Morton became project coordinator, overseeing the planning, development, and implementation of the first unified Student Information System for the University of Hawaii System and continues to oversee this project.

Active nationally and regionally, he serves as a member of the board for Community Colleges for International Development and RC 2020 (Renewal and Change).

Locally, Dr. Morton serves on numerous boards including chairing the Hawaii Health Information Corporation Board and the Assets School Board of Trustees. He also serves on the Board of the Pacific Asian Affairs Council and the High Technology Development Corporation.

Carrie K. S. Okinaga, Vice President for Legal Affairs and University General Counsel. As university general counsel and vice president for legal affairs, Carrie K. S. Okinaga serves as a member of the president's executive leadership team and is responsible for overseeing the provision of legal services to the Board of Regents, the president, the university administration and its operating units. Okinaga joined the university system in June 2015, with legal experience gained in both the private and public sectors.

Following 12 years in private practice in Honolulu, Okinaga worked with three mayors as the City and County of Honolulu's corporation counsel from 2005 to 2011. From 2012 to 2015, she served as senior vice president, general counsel and corporate secretary of First Hawaiian Bank. Okinaga also served on the board for the Honolulu Authority for Rapid Transportation from its inception until June 2015, serving as HART's first board chair for two years until 2013.

Born and raised in Hawaii, Okinaga attended the University of Hawaii at Mānoa, participating in the honors program. She received her bachelor of arts degree in government/public policy from Pomona College in 1989, graduating magna cum laude. She graduated from Stanford Law School in 1992, and served on its Board of Visitors from 2006 to 2014.

Kalbert K. Young, Vice President for Budget and Finance/Chief Financial Officer. Kalbert K. Young joined the University of Hawaii System in January 2015. As the University's chief financial affairs officer, Young is responsible for leading and directing the university's systemwide financial management and budgetary functions.

He previously served as the State of Hawaii's budget and finance director. As budget director, he administered the state budget to develop near- and long-term financial plans and strategies and to provide programs for the improvement of state agencies' management and financial management. Young has served as a trustee to the State of Hawaii Employees' Retirement System and as a trustee on the State of Hawaii Deferred Compensation Plan.

Prior to serving as budget director for the state, Young served as the director of finance for the County of Maui. His professional experience and background includes government service work in the State House of Representatives on the staff of the chair of the House Committee on Economic Development.

His private sector experience includes government relations, budget and financial planning and internal audit at Kamehameha Schools—a private non-profit educational trust in Hawaii. He has also worked in the area of land planning and development for the Kapalua Land Company, a subsidiary of Maui Land and Pineapple.

Young holds a bachelor of arts degree in American history and a master of business administration degree from the University of Hawaii at Mānoa.

Garret Yoshimi, Vice President for Information Technology/Chief Information Officer. As the University of Hawaii's vice president for information technology and chief information officer (VPIT/CIO), Garret Yoshimi is responsible for the University's systemwide information technology systems and services. Yoshimi provides executive leadership in collaboratively setting forth the overall vision, goals, strategies and plans for the effective and appropriate use of information technologies to advance the University System.

Yoshimi joined the University in January 2015. Prior to serving as the University's VPIT/CIO, Yoshimi was vice president and chief operating officer for eWorld Enterprise Solutions. He brings to the university more than 35 years of experience in information technology in both the public and private sectors in Hawaii. He has served as the first CIO for the Hawaii Judiciary, senior technology executive for the East-West Center and CIO for DTRIC Insurance.

Yoshimi also previously served as telecommunications manager before being promoted to director of technology infrastructure for the University of Hawaii. He actively represented the University of Hawaii in state and national venues as a member of EDUCAUSE, Internet2 and the Association for College and University Technology Advancement, which awarded him the Bill D. Morris award for individual leadership.

A native of Honolulu, Yoshimi earned a bachelor of science degree in electrical engineering from Purdue University and a graduate certificate in telecommunications and information resource management from the University of Hawaii at Mānoa.

Vassilis L. Syrmos, Vice President for Research and Innovation. As vice president for research and innovation of the University of Hawaii System, Vassilis Syrmos is charged with providing critical leadership and coordination of systemwide research and innovation efforts, including management and direction of the University's research support, technology transfer and many compliance functions. One of his priorities will be to support significant growth in research through the University of Hawaii Innovation Initiative (HI²), which seeks to double the state's research enterprise to $1 billion annually over the next decade.

Syrmos previously served as the associate vice chancellor for research at the University of Hawaii at Mānoa where he worked on a range of projects including developing major research facilities such as the Daniel K. Inouye Center for Microbial Oceanography: Research and Education (C-MORE Hale), the state's only laboratory to be rated LEED Platinum and, since 1991, has been a professor with the department of electrical engineering at the University of Hawaii Mānoa. He has also served as the associate dean of the College of Engineering and spent a sabbatical leave at The Boeing Company as a research fellow.

Syrmos is the author/coauthor of more than 100 journal and conference papers and the book Optimal Control, 2nd edition, John Wiley, 1995. He was an associate editor of Circuits, Systems and Signal Processing and has served in numerous international conferences in technical program committees, editorial boards and organizing committees. His research has been funded by the National Science Foundation, the Defense Advanced Research Projects Agency, the Office of Naval Research, the Naval Air Systems Command, the Naval Sea Systems Command, the Air Force Research Labs at Wright Patterson, the Army Research Labs, The Boeing Company, Hawaiian Electric Company and Hamamatsu Photonics.

Syrmos has been a consultant for the Canada France Hawaii Telescope, Innovative Solutions, Science Technology International and others. He is a Boeing AD Welliver Fellow, a member of the Sigma Xi research organization, a senior member of the Institute of Electrical and Electronics Engineers and was a member of the board of the Hawaii Technology Development Venture program. He is a board member of the Research Corporation of the University of Hawaii (RCUH), the Pacific International Center of High Technology Research (PICHTR), Natural Energy Laboratory of Hawaii Authority (NELHA), the Hawaii Academy of Sciences and XLR8UH, the University of Hawaii's first proof of concept accelerator.

Syrmos obtained his PhD at Georgia Institute of Technology in electrical engineering and a diploma in electrical engineering from Democritus University of Thrace, Greece.

Council of Chancellors

Chief executives of the University System's three university and seven community college campuses comprise the Council of Chancellors, which reports to the university president. The chancellors are:

Robert Bley-Vroman, Mānoa	Leon Richards, Kapiʻolani
Donald Straney, Hilo	Helen Cox, Kauaʻi
Rockne Freitas, West Oʻahu	Manuel Cabral, Leeward
Noreen Yamane, Hawaii	Lui Hokoana, Maui
Erika Lacro, Honolulu	Douglas Dystra, Windward

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
FTE ENROLLMENT BY CAMPUS
Fall Semester 2010 to 2014

Fall	Total University System	UH Mānoa	UH Hilo	UH West O'ahu	Community Colleges
2010					
Undergraduate	35,461	11,935	2,944	823	19,759
Graduate	5,073	4,397	676	0	0
Total:	40,534	16,332	3,620	823	19,759
2011					
Undergraduate	35,648	12,360	2,945	910	19,433
Graduate	4,812	4,126	686	0	0
Total:	40,460	16,486	3,631	910	19,433
2012					
Undergraduate	36,334	12,798	2,977	1,222	19,337
Graduate	4,656	3,974	682	0	0
Total:	40,990	16,772	3,659	1,222	19,337
2013					
Undergraduate	35,943	12,793	2,910	1,481	18,759
Graduate	4,448	3,787	661	0	0
Total:	40,391	16,580	3,571	1,481	18,759
2014					
Undergraduate	34,854	12,504	2,866	1,673	17,811
Graduate	4,383	3,752	631	0	0
Total:	39,237	16,256	3,497	1,673	17,811

Source: University of Hawaii Institutional Research and Analysis Office. Figures may not match official tables due to rounding.

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
MĀNOA CAMPUS
APPLICATIONS AND NEW ENROLLMENTS
UNDERGRADUATE

	Applications			New Enrollments		
Fall	**Received**	**Accepted**	**Percent Accepted**	**Freshman (1)**	**Transfer**	**Total Enrolled**
2010	11,589	8,570	73.9%	1,864	1,970	3,834
2011	11,513	9,136	79.4	2,003	2,107	4,110
2012	11,796	9,743	82.6	1,981	2,181	4,162
2013	12,286	9,880	80.4	2,005	2,084	4,089
2014	12,226	9,794	80.1	1,841	2,011	3,852

(1) The calculation for determining first-time freshmen status was revised in Spring 2013. As of November 2013, counts for first-time freshmen for all years were revised to reflect the new calculation.
Source: University of Hawaii Institutional Research and Analysis Office.

Table A-4
HILO CAMPUS
APPLICATIONS AND NEW ENROLLMENTS
UNDERGRADUATE

	Applications			New Enrollments		
Fall	**Received**	**Accepted**	**Percent Accepted**	**Freshman (1)**	**Transfer**	**Total Enrolled**
2010	3,236	2,481	76.7%	404	607	1,011
2011	3,225	2,484	77.0	469	646	1,115
2012	3,272	2,614	79.9	461	637	1,098
2013	3,202	2,561	80.0	496	639	1,135
2014	3,142	2,427	77.2	432	614	1,046

(1) The calculation for determining first-time freshmen status was revised in Spring 2013. As of November 2013, counts for first-time freshmen for all years were revised to reflect the new calculation.
Source: University of Hawaii Institutional Research and Analysis Office.

Table A-5
WEST O'AHU CAMPUS
APPLICATIONS AND NEW ENROLLMENTS
UNDERGRADUATE

	Applications			New Enrollments		
Fall	Received	Accepted	Percent Accepted	Freshman (1)	Transfer	Total Enrolled
2010	1,202	946	78.7%	105	371	476
2011	1,382	1,128	81.6	122	450	572
2012	2,005	1,589	79.3	301	506	807
2013	2,299	1,869	81.3	291	551	842
2014	2,408	1,903	79.0	266	583	849

(1) The calculation for determining first-time freshmen status was revised in Spring 2013. As of November 2013, counts for first-time freshmen for all years were revised to reflect the new calculation.
Source: University of Hawaii Institutional Research and Analysis Office.

Table A-6
COMMUNITY COLLEGES
APPLICATIONS AND NEW ENROLLMENTS
UNDERGRADUATE

	Applications			New Enrollments		
Fall	Received	Accepted	Percent Accepted	Freshman (1)	Transfer	Total Enrolled
2010	21,546	20,741	96.3%	5,984	3,477	9,461
2011	21,964	20,560	93.6	5,801	3,243	9,044
2012	21,960	20,072	91.4	5,763	3,391	9,154
2013	22,935	20,660	90.1	5,485	3,277	8,762
2014	21,732	19,849	91.3	5,274	3,044	8,318

(1) The calculation for determining first-time freshmen status was revised in Spring 2013. As of November 2013, counts for first-time freshmen for all years were revised to reflect the new calculation.
Source: University of Hawaii Institutional Research and Analysis Office.

As the sole provider of public higher education in the State of Hawaii with ten campuses throughout the State, including a flagship doctoral-research campus, two comprehensive baccalaureate campuses and seven community colleges, transfers play a key role in providing access to higher education for many students in the State. The majority of undergraduate transfers in to the University System's four year campuses are from the System's community colleges, and transfers in to the community colleges are primarily from other UH campuses, including other community colleges.

Student Tuition, Housing Costs and Financial Aid

In October 2011 the Board approved a five-year tuition schedule for the academic years 2012-2013 through 2016-2017 to increase tuition at each campus. In academic year 2014-2015 a review of the tuition schedule was performed and as a result, in May 2015 the Board adjusted the scheduled tuition increases for academic years 2015-2016 and 2016-2017. Under the currently approved schedule, tuition rates will increase between 25 to 53 percent, depending on the campus and degree program, over the five-year period. The increases generated additional revenues of approximately $18.8 million in academic year 2013-2014 over academic year 2011-2012 levels and are projected to generate an additional $33.3 million of revenue by the end of the schedule in academic year 2016-2017 over academic year 2013-2014 levels.

The University seeks to provide affordable education for its students. The University has increased its institutional financial aid for students from $34.8 million in academic year 2007-2008 to $65.2 million in academic year 2013-2014. The share of students receiving aid in 2013–14 academic year ranged from 34% (Kapiʻolani CC) to 81% (University of Hawaiʻi at Hilo) for all students and 51% (Kapiʻolani CC) to 82% (Hawaiʻi CC) for first-time, full-time freshmen. On average, financial aid recipients receive $9,856 in financial assistance from the University. Further, first-time full-time freshmen financial aid recipients receive $6,669 in financial assistance. Concurrent with the new tuition schedule, executive policy requires the allocation of tuition revenues for financial assistance to be at least 10% at Mānoa, 12% at Hilo and West Oʻahu and 8.8% at the community colleges by the end of the tuition schedule in academic year 2016-2017. In addition, non-need-based aid shall be not less than what was awarded in AY 2013-2014. Further, students receive various federal and other, non-institutional financial assistance. For example, undergraduate students received $67.2 million from 18,518 Pell Grants in Academic Year 2013-14.

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
MĀNOA CAMPUS
Annual Tuition, Fees and Room and Board Charges

Academic Year	Tuition and Fees		Average Room and Board
	Resident	Non-resident	
2010-2011	$8,095	$21,535	$9,410
2011-2012	9,100	23,932	10,279
2012-2013	9,404	25,652	10,029
2013-2014	9,904	27,472	10,218
2014-2015	10,620	29,412	13,284

Source: University of Hawaii Institutional Research and Analysis Office.

Table A-8
HILO CAMPUS
Annual Tuition, Fees and Room and Board Charges

Academic Year	Tuition and Fees		Average Room and Board
	Resident	Non-resident	
2010-2011	$5,416	$15,904	$7,134
2011-2012	5,944	17,416	7,182
2012-2013	6,184	17,776	7,338
2013-2014	6,536	18,296	7,616
2014-2015	7,036	19,036	9,328

Source: University of Hawaii Institutional Research and Analysis Office.

Table A-9
WEST O'AHU CAMPUS
Annual Tuition and Fees

Academic Year	Tuition and Fees	
	Resident	Non-resident
2010-2011	$4,666	$14,362
2011-2012	5,146	15,754
2012-2013	5,602	16,666
2013-2014	6,336	17,856
2014-2015	6,888	18,888

Source: University of Hawaii Institutional Research and Analysis Office.

Table A-10
COMMUNITY COLLEGES
Annual Tuition and Fees

Academic Year	Tuition and Fees (a)(b)	
	Resident	Non-resident
2010-2011	$2,183	$7,223
2011-2012	2,399	7,408
2012-2013	2,495	7,531
2013-2014	2,623	7,375
2014-2015	2,815	7,663

(a) Average community college tuition.
(b) Academic Year 2014-2015 mandatory fees at the community colleges range from $30 per academic year to $134 per academic year.
Source: University of Hawaii Institutional Research and Analysis 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/Degree	Total UH System	UH Mānoa	UH Hilo	UH West O'ahu	Community Colleges
2010-2011					
Associate/Certificate	3,324	0	0	0	3,324
Bachelor/Other Undergraduate	3,796	2,957	581	255	3
Graduate/Professional Practice	1,868	1,718	150	0	0
Total:	8,988	4,675	731	255	3,327
2011-2012					
Associate/Certificate	3,638	0	0	0	3,638
Bachelor/Other Undergraduate	4,055	3,026	721	301	7
Graduate/Professional Practice	1,935	1,741	194	0	0
Total:	9,628	4,767	915	301	3,645
2012-2013					
Associate/Certificate	4,097	0	0	0	4,097
Bachelor/Other Undergraduate	4,301	3,267	676	349	9
Graduate/Professional Practice	1,603	1,470	133	0	0
Total:	10,001	4,737	809	349	4,106
2013-2014					
Associate/Certificate	5,158	0	0	0	5,158
Bachelor/Other Undergraduate	4,474	3,444	665	352	13
Graduate/Professional Practice	1,646	1,505	141	0	0
Total:	11,278	4,949	806	352	5,171
2014-2015					
Associate/Certificate	4,830	0	0	0	4,830
Bachelor/Other Undergraduate	4,660	3,465	749	439	7
Graduate/Professional Practice	1,614	1,458	156	0	0
Total:	11,104	4,923	905	439	4,837

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

Faculty

The full-time equivalent faculty in the University System in the academic year 2014-2015 totals approximately 3442. Of the total headcount of faculty on the tenure track, approximately 73.1% are tenured. When all faculty are considered, including those that are neither tenured nor tenure-track, approximately 51.0% 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.

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, 2014 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 incorporated 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 position has increased 6.3% over the past five fiscal years ended June 30 of the years shown in the table below.

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

	2010	2011	2012	2013*	2014
Assets and Deferred Outflows of Resources					
Total Assets	$2,687,219	$3,247,271	$3,363,424	$3,400,654	$3,464,626
Deferred Outflows of Resources				5,883	5,576
Total Assets and Deferred Outflows of Resources	$2,687,219	$3,247,271	$3,363,424	$3,406,537	$3,470,202
Total Liabilities	841,272	1,261,626	1,391,301	1,469,640	1,508,676
Net Position					
Invested in capital assets, net of related debt	1,099,820	1,182,287	1,336,377	1,482,274	1,519,669
Restricted:					
Nonexpendable	170,706	184,089	191,532	207,338	218,133
Expendable	509,592	613,763	574,344	530,130	598,070
Unrestricted	65,829	5,506	(130,130)	(282,845)	(374,346)
Total Net Position	1,845,947	1,985,645	1,972,123	1,936,897	1,961,526
Total Liabilities and Net Position	$2,687,219	$3,247,271	$3,363,424	$3,406,537	$3,470,202

* *In 2014, the University adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement provides financial reporting guidance for proper classification and recognition of previously reported assets and liabilities as deferred inflows or deferred outflows of resources. Management has adopted the new standard in the University's financial statements. Due to the adoption of GASB Statement No. 65, in fiscal year 2014, the 2013 financial statements were restated. The beginning net position as of July 1, 2012 was restated by approximately $929 from $1,972,123 to $1,971,194.*

Source: University of Hawaii

A change in the accounting and recognition methodology for the University's allocated share of the State's actuarial determined total OPEB liability resulted in a reduction in the University's unrestricted net position of $579.2 million, $514.4 million, $413.5 million, $318.1 million, and $206.3 million as of June 30, 2014, 2013, 2012, 2011, and 2010, respectively, compared to the prior methodology. Annual required OPEB contribution payments, on a pay as you go basis, relating to such liability are paid directly by the State Department of Budget and Finance from its general fund appropriation and not out of the University's operating budget appropriation. See **"STATE EMPLOYEES' RETIREMENT SYSTEM"** below and **APPENDIX B – "AUDITED FINANCIAL STATEMENTS."**

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)

	2010	2011	2012	2013*	2014
Revenues:					
Tuition and fees, net	$ 209,588	$ 223,857	$ 237,071	$ 241,811	$ 248,377
State appropriations	369,948	359,077	375,754	374,280	391,266
Grants and contracts	474,347	502,414	476,231	482,619	494,321
Sales and services	127,405	141,795	136,899	133,211	130,879
Investment income, net	28,146	47,307	1 ,272	32,206	51,520
Private gifts	24,398	24,703	40,031	35,206	61,127
Other revenue	2,847	3,063	3,107	2,989	2,935
Revenues Supporting Core Activities	1,236,679	1,302,216	1,270,365	1,302,322	1,380,425
Expenses Associated with Core Activities Before Depreciation	1,209,526	1,293,204	1,356,460	1,385,846	1,397,784
Income (Loss) from Core Activities Before Depreciation	27,153	9,012	(86,095)	(83,524)	(17,359)
Depreciation	87,401	85,591	91,933	106,631	109,458
Expenses Associated with Core Activities Including Depreciation	1,296,927	1,378,795	1,448,393	1,492,477	1,507,242
Income (Loss) from Core Activities	(60,248)	(76,579)	(178,028)	(190,155)	(126,817)
Other Nonoperating Income, net	186,137	216,277	164,506	155,858	151,446
Increase (Decrease) in Net Position	125,889	139,698	(13,522)	(34,297)	24,629
Net Position, Beginning of Year	1,720,058	1,845,947	1,985,645	1,971,194	1,936,897
Net Position, End of Year	$ 1,845,947	$ 1,985,645	$ 1,972,123	$ 1,936,897	$ 1,961,526

* *In 2014, the University adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement provides financial reporting guidance for proper classification and recognition of previously reported assets and liabilities as deferred inflows or deferred outflows of resources. Management has adopted the new standard in the University's financial statements. Due to the adoption of GASB Statement No. 65, in fiscal year 2014, the 2013 financial statements were restated. The beginning net position as of July 1, 2012 was restated by approximately $929 from $1,972,123 to $1,971,194.*
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-Mānoa, UH-Hilo, UH-West O‘ahu, UH Community Colleges, Systemwide Support, as well as several program areas, including the John A Burns School of Medicine, Waikiki Aquarium, and Hawaii Small Business Development Center). 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 mid-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, generally not later than mid-June, allocation notices are transmitted to all State agencies, which may include any restrictions imposed by the Governor 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 general fund 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 costs, private fundraising costs, and workers compensation/unemployment insurance premiums.

As a result of several statutory changes and a State constitutional provision that authorizes the Board of Regents and the President to maintain exclusive jurisdiction over the internal organization and management of the University system, the University enjoys a much greater degree of discretion over its operating budget priorities than other State departments.

State Appropriations. In fiscal year 2013-2014, State appropriations were the second-largest source of revenues supporting the University's core activities. State appropriations (excluding the University's share of various overhead costs that are administered on a statewide basis) comprised 28.3%, 28.7% and 29.6% of the University's revenues in fiscal year 2013-2014, 2012-2013 and 2011-2012, respectively. General fund State appropriations to the University for the past five fiscal years 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)

	2010	2011	2012	2013	2014
General Fund State Appropriations	$369,948	$359,077	$375,754	$374,280	$391,226

Source: University of Hawaii.

In addition, the General Fund State Appropriations for the Fiscal Year ended June 30, 2015 are anticipated to be approximately $413.4 million which is based on legislative appropriations, adjustments and executive restrictions to date. See "**—The State's Finances and its Impact on the University**" herein for additional information.

General fund appropriations have increased in recent years, resulting in general fund appropriations for fiscal year 2013-2014 approximately $21.3 million higher than in fiscal year 2009-2010, a 5.8% increase.

State lawmakers also appropriated $92.9 million in Capital Improvement Program ("CIP") general obligation bond-funded projects for fiscal year 2015-2016. This funding includes $44.4 million as a lump sum for the development and improvements of various facilities across the entire UH system and $10 million for minor projects in the Community College system. There is also $24 million appropriated for an Administration and Allied Health Facility for the University of Hawaii – West O'ahu campus.

Grants and Contracts. Grants and contracts are the largest source of revenues supporting the University's core activities. Grants and contracts comprised 35.8%, 37.1% and 37.5% of the University's revenues in fiscal years 2013-2014, 2012-2013 and 2011-2012, respectively. In fiscal year 2013-2014, federal grant revenue accounted for approximately 85.9% of sponsored programs at the University, while the remainder was funded by private organizations and State and local agencies. The top five federal sponsors in fiscal years 2013-2014 are the Department of Health and Human Services, Department of Defense, National Science Foundation, Department of Energy, and Department of Commerce and in fiscal year 2012-2013 are the Department of Health and Human Services, Department of Defense, National Science Foundation, Department of Commerce, and Department of Education with no sponsor contributing more than 11.7% in fiscal years 2013-2014 and 14.3% in fiscal years 2012-2013 of the total amount of all grants and contracts.

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)

	2010	2011	2012	2013	2014
Federal Grants and Contracts	$397,984	$438,854	$419,847	$420,631	$424,450
Other	76,363	63,560	56,384	61,988	69,871
Total Grants and Contracts	$474,347	$502,414	$476,231	$482,619	$494,321

Source: University of Hawaii.

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 2.7% over the past five years.

Gifts and Fund Development.

The University of Hawai'i Foundation. The University of Hawai'i Foundation ("UHF") is a nonprofit organization that was established in 1955, legally separate from the University, to encourage and manage private support for 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. Currently, UHF is the central fundraising organization for the University, providing a variety of fundraising services and managing more than 4,900 separate donor accounts for the benefit of the University. As of June 30, 2015, UHF's endowment was valued at $269.5 million. Each year, UHF pays out approximately 5.5% of its endowment for its operations and to support the University's programs. In fiscal year 2013-2014, UHF distributed $37.6 million to the University, with approximately $10.8 million going into student aid and services and $5.0 million for academic support. In fiscal year 2012-2013, UHF distributed $36.3 million to the University, with approximately $10.4 million going into student aid and services and $5.8 million for academic support. For the fiscal year ended June 30, 2014, UHF reported in its financial statements revenues of $126.7 million and expenses of $49.8 million.

On June 30, 2009, UHF successfully completed its seven-year Centennial Campaign after raising $336 million. Fiscal years 2010 and 2011 were "interim" years between the Centennial Campaign and a new campaign that began it quiet phase on July 1, 2011. In interim fiscal year 2011 and 2010, $46.7 million and $41.2 million was raised versus a goal of $45.0 million and $40.0 million, respectively. The goal for the new campaign will likely range from $400 to $500 million. In fiscal year 2012, $66.9 million was raised versus a goal of $50.0 million. In fiscal year 2013, $66.3 million was raised versus a goal of $56.0 million. In fiscal year 2014, $98.6 million was raised versus a goal of $61.0 million.

A variety of activities have been completed for the new campaign including conducting a wealth analysis, a capacity analysis, identifying preliminary campaign priorities, feasibility studies, preparing case statements and completing a campaign prospectus. Activities underway include finalization of campaign priorities and branding the campaign, developing a marketing and communication plan, and recruiting and partnering with effective volunteer leaders.

UHF's results generally are based on two components: investment returns and donor contributions. In the fiscal year 2015, UHF's investments generated a positive return of 0.8% and donors contributed more than $19.3 million. As of June 30, 2015, UHF's endowment was valued at approximately $269.5 million and allocated as follows:

Table A-16
UNIVERSITY OF HAWAII FOUNDATION
ENDOWMENT ASSET ALLOCATION PERCENTAGES
(as of June 30, 2015)

Investment	Percentage
United States Equity	16%
Global Equity	17
Marketable Alternative Assets	17
Fixed Income	14
Private Real Assets	8
Emerging Markets Equity	7
Global Tactical Assets Allocation	5
Private Equity/Venture Capital	4
Public Real Assets	3
Cash	9
Total	100%

Source: University of Hawaii Foundation.

The University and UHF maintain separate investment policies. See "**– The University's Investment Policy**" herein. 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.

University Endowment. The University also maintains a separate endowment pool. In the fiscal year 2015, the University's endowment pool generated a positive return of 2.5%. As of June 30, 2015, the University's endowment was valued at approximately $65.5 million and allocated as follows:

Table A-17
UNIVERSITY OF HAWAII
ENDOWMENT ASSET ALLOCATION PERCENTAGES
(as of June 30, 2015)

Investment	Percentage
US Equity	50%
International Equity	13
US Fixed Income	15
Global Fixed Income	22
Cash[1]	0
Total	100%

Source: University of Hawaii.
(1) Represents less than 1%.

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 June 30, 2010 to June 30, 2015.

Table A-18
UNIVERSITY OF HAWAII AND UNIVERSITY OF HAWAII FOUNDATION
ENDOWMENT FUND PERFORMANCE
AS A PERCENTAGE OF THE ENDOWMENT FUND
(as of June 30)

	2010	2011	2012	2013	2014	2015
University of Hawaii[1]	8.9%	16.8%	1.0%	10.5%	15.7%	2.5%
University of Hawaii Foundation[2]	10.6%	19.2%	-2.1%	11.9%	15.9%	0.8%

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

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 activity constituted 2.5% and 3.7% of the University's revenues in fiscal years 2012-2013 and 2013-2014, respectively. The University and

UHF have no exposure to derivative or other structured products. 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 2012-2013 and 2013-2014, the University instituted a 4.5 percent distribution rate on restricted and unrestricted endowments based upon a five-year moving average of market values at fiscal year end. The total restricted and unrestricted distributions available to the University amounted to $2.4 million and $2.3 million in fiscal years 2014 and 2013.

The University's Investment Policy. The University and UHF maintain separate comprehensive investment policies. See "**—Gifts and Fund Development**" above and **APPENDIX B** "**Audited Financial Statements**" hereto for additional information regarding the University's investment policies.

Investment Monitoring. The endowment pool maintained by the University is managed through a contract with UBS Financial Services, Inc. (the "Investment Manager"). The Investment Manager is responsible for the investment and overall performance of the endowment pool and for compliance with the University's investment policy. The Investment Manager reports quarterly to University management and meet regularly with the Board of Regents on the performance and compliance of the endowment pool.

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

Table A-19
UNIVERSITY CASH AND INVESTMENTS
FOR THE FISCAL YEAR ENDED JUNE 30
(in thousands of dollars)

	2010	2011	2012	2013	2014
Current Assets:					
Cash and cash equivalents	$ 47,031	$ 71,709	$ 55,567	$ 78,704	$ 64,307
Operating investments	261,343	330,936	392,779	298,841	278,046
Noncurrent Assets:					
Restricted cash and cash equivalents	11,167	20,056	39,702	54,649	3,647
Endowment and other investments (1)	488,165	699,501	486,961	413,471	495,813
Total Cash and Investments	$807,706	$1,122,202	$975,009	$845,665	$841,813

Source: University of Hawaii.

(1) The increase in endowment and other investments in fiscal year 2011 was primarily due to the Series 2010A and Series 2010B Bond proceeds.

The University and UHF have no exposure to derivative or other structured products.

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, 2014 and 2013 amounted to $2.1 billion and $2.0 billion, respectively, an increase of 52.7% and 58.9% over the prior five fiscal years.

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

	2010	2011	2012	2013	2014
Capital assets not being depreciated:					
Land	$ 12,486	$ 12,486	$ 14,486	$ 14,891	$ 36,211
Construction in progress	170,744	268,915	545,827	397,825	230,965
Total capital assets not being depreciated	$183,230	$281,401	$560,313	$412,716	$267,176
Capital assets being depreciated:					
Land improvements	$ 88,521	$ 89,668	$ 102,014	$ 122,161	$ 127,590
Infrastructure	95,249	101,502	107,526	149,100	170,432
Buildings	1,446,951	1,553,107	1,608,864	1,964,451	2,192,091
Equipment	313,383	324,776	350,271	366,068	383,343
Library books	164,637	162,971	157,190	159,466	161,839
Total assets being depreciated	$2,108,741	$2,232,024	$2,325,865	$2,761,246	$3,035,295
Less accumulated depreciation	$ 935,107	$ 995,788	$1,059,241	$1,146,842	$1,230,621
Capital assets, net	$1,356,864	$1,517,637	$1,826,937	$2,027,120	$2,071,850

Source: University of Hawaii.

The University's capital improvements program for fiscal biennium 2015-2017 includes a total of $92.9 million in Legislative Appropriations and authorizations; all in State funded general obligation bonds. The University received a total of $390.0 million in Legislative Appropriations and authorizations for capital improvements for the fiscal biennium 2013-2015, which included $347.7 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, as amended by GASB Statement No. 61, The Financial Reporting Entity: Omnibus and amendment of GASB Statement No. 14 and No. 34, 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 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."**

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, 2014, RCUH reported in its financial statements revenues of $7.0 million and expenses of $6.3 million.

The State's Finances and its Impact on the University

The 2015 Legislature appropriated $427.5 million in general funds for university operations for fiscal year 2015-2016. Subsequently, on July 22, 2015, the Governor issued Executive Memorandum No. 15-01, promulgating interim budget execution policies, including a preliminary restriction on the expenditure of the general funds appropriated to the University by $12.4 million. The result of this, at this point in time, is an adjusted general fund appropriation of $415.1 million for fiscal year 2015-2016 compared to a general fund appropriation of $413.4 million for fiscal year 2014-2015. The University represents approximately 6.5 percent of the State's executive general fund budget.

Chapter 37-111, Hawaii Revised Statutes, creates a Council on Revenues ("COR") which creates quarterly reports to the Governor and Legislature for their utilization in estimating revenues available to the state. Chapter 37-112, Hawaii Revised Statutes, states that should either the Governor or the Legislature use a revenue estimate that differs than that of the COR, they must publicly state that fact in addition to the reasons for using a differing revenue estimate. The practical implication is that COR revenue estimates are highly regarded in the formulation and execution of the state's general fund operating budget.

At its meeting on May 21, 2015, the Council on Revenues raised its previous forecast for State general fund tax revenue growth in the fiscal year ending 2015 from 5.5% to 7.5%. The Council also lowered its forecast for growth for fiscal year 2016 from 5.5% to 2.7% and raised the forecast for growth for fiscal year 2017 from 5.5% to 6.4%. The revised forecast for State general fund tax revenues for fiscal year 2015 through fiscal year 2021 as of May 21, 2015 is shown below:

Fiscal Year Ending	**General Fund Tax Revenues (in Thousands of Dollars)**	**Growth From Previous Year**
2015	$5,773,038	7.5%
2016	5,928,910	2.7
2017	6,308,360	6.4
2018	6,665,320	5.5
2019	6,988,086	5.0
2020	7,337,490	5.0
2021	7,704,365	5.0

A Preliminary Comparative Statement of State General Fund Tax Revenues was released by the State of Hawaii Department of Taxation on July 13, 2015, which indicates that general fund tax deposits are up 6.8% for the year ending June 30, 2015.

In reaching its new forecast, the Council noted that General Fund tax revenues grew much faster than their earlier forecast, but noted also that the higher growth was due mainly to the fact that the Tax Department had slowed processing of individual income tax (IIT) refunds to prevent paying fraudulent refund claims. The Department predicted that delays in IIT refunds would cause about $104 million of refunds that would ordinarily have been paid out in fiscal year 2015 to be paid out instead in fiscal year 2016.

Council members also discussed the effect of the significant drop in oil prices, of the continued strength of the dollar in foreign exchange markets, and of the recent slowdown in U.S. economic growth. Overall, the members found no reason to change their assessment of long-term economic growth for Hawaii.

State Support for Capital Improvements

The following table shows amounts provided by the State to the University for capital improvements for the fiscal years ended June 30, 2006 through 2015. Over that 10 year period, the State provided over $1.5 billion, for an average of $156 million annually, almost half of which was contributed for capital renewal, deferred maintenance ("*CRDM*") and health, safety and code requirements ("*HSC*").

Fiscal Year	Total UH CIP GO Bond Funds & General Funds (in Thousands of Dollars)	Total CRDM & HSC included in CIP GO Bond Funds (in Thousands of Dollars)
2006	$128,783	$50,742
2007	105,488	65,000
2008	183,036	50,000
2009	138,946	60,000
2010	171,908	115,840
2011	209,889	80,910
2012	135,217	80,000
2013	140,964	79,413
2014	173,994	78,000
2015	173,700	79,000
10 Year Total	**$1,561,925**	**$738,905**
Average	**$156,192**	**$73,890**

Collective Bargaining

The Hawaii State Constitution under Article XIII, Section 2, grants public employees in the State the right to organize for the purpose of collective bargaining as provided by law. Chapter 89, HRS, provides for 14 recognized bargaining units ("Units") for all public employees throughout the State, including State, county and municipal employees. Each Unit is represented by an employee organization otherwise known as the exclusive bargaining representative of all employees within such unit which negotiates with the public employer. For the purpose of negotiating a collective bargaining agreement ("CBA"), the public employer of an appropriate Unit is statutorily defined by law under HRS §89-6. In Units with employees in multiple jurisdictions (i.e. State, Counties, Judiciary, Hawaii Health Systems Corporation), the public employer includes the Governor and an employer representative from each applicable jurisdiction to include the Mayors, the Chief Justice, the Hawaii Health Systems Corporation board, the President of the University of Hawaii, the Superintendent of Education, the Board of Regents of the University of Hawaii, and the Board of Education. In the case of the University's Unit 7 and 8 employees, the public employers are the Governor, the Board of Regents, and the President of the University of Hawaii.

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 Unit involved. Decisions by the public employer of the Board of Regents appointed employees (Units 7 and 8) are determined by simple majority vote with the Governor having three votes, the Board of Regents having two votes, and the University President having one vote. By statute, statutory impasse is declared by the Hawaii Labor Relations Board on February 1st in the final year of any contract if there is no resolution by January 31st, and the parties may attempt to resolve the impasse through voluntary or mandatory mediation. If the impasse is not resolved through mediation, for Units 2, 3, 4, 6, 8, 9, 10, 11, 12, 13 & 14, it shall be submitted to a three member arbitration panel (i.e. interest arbitration) as these Units do not have the right to strike. The Units that do have the right to strike (Units 1, 5 and 7) are still able to mutually agree other impasses processes and procedures, including the possibility of entering into the interest arbitration. Although the statute characterizes arbitration decision 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 Units: Unit 1 (Nonsupervisory employees in blue collar positions), Unit 2 (Supervisory employees in blue collar positions), Unit 3 (Nonsupervisory employees in white collar positions), Unit 4 (Supervisory employees in white collar positions), Unit 7 (Faculty of the University of Hawaii and the community college system), Unit 8 (Personnel of the University of Hawaii and the community college system, other than faculty), Unit 9 (Registered professional nurses) or Unit 10 (Institutional health, and correctional workers). Employees in executive/managerial positions, as well as certain other personnel designated as excluded from collective bargaining pursuant to HRS §89-6(f), are not represented by any union, and some employees (e.g., certain contractual hires) are not parties to any recognized Unit.

Pursuant to mutually agreed upon terms specified in CBAs effective from July 1, 2011 through June 30, 2013, University employees within Units 1, 2, 3, 4, 8, 9 and 10 were subjected to roughly a 5% salary reduction during fiscal years 2012 and 2013. Thereafter, multi-year, successor CBAs for Units 1, 2, 3, 4, 8, 9 and 10 were reached in 2013. CBAs pertaining to Units 2, 3, 4, 8 and 9 were effective from July 1, 2013 through June 30, 2015. CBAs pertaining to Units 1 and 10 are effective for the duration of July 1, 2013 through June 30, 2017. The aforementioned CBAs stipulated across-the-board salary increases or changes to salary schedules that effectively increased salaries in each year covered by the terms of these agreements which have already been legislatively approved.

The Unit 7 faculty members of the University were under a six-year CBA covering the period July 1, 2009 through June 30, 2015. The subject Unit 7 CBA included a provision to temporarily reduce the salaries of faculty paid by appropriated funds by 6.667 % for 18 months beginning January 1, 2010. Effective July 1, 2011, the salaries of faculty members subjected to the temporary reduction were restored to December 31, 2009 rates (plus any subsequent promotions or special salary adjustments). The Unit 7 CBA stipulates that faculty who were subjected to the mandated temporary salary reduction may be eligible for one-time lump sum payments equivalent up to the amount of the temporary reduction taken to be paid in fiscal years 2013 (25%), 2014 (25%), and 2015 (50%) all due on August 1st of each respective fiscal year. The Unit 7 CBA provided faculty members with 3% across the board increases to base salaries effective July 1, 2013 and on July 1, 2014.

On June 20, 2014 the University administration and the University of Hawaii Professional Assembly ("*UHPA*") tentatively agreed to a two-year successor collective bargaining agreement covering the period July 1, 2015 to June 30, 2017. The tentative agreement was ratified in support by the Unit 7 faculty members on August 25, 2014. The successor agreement provides a 4% across the board pay increase effective July 1, 2015 and July 1, 2016, increase to the minimum salaries to faculty members paid by rank, and negotiated EUTF contributions. The total cost is estimated at $32 million which was subject to legislative appropriations.

Negotiations for Units 2, 3, 4, and 9 are complete and successor bargaining contracts for the period July 1, 2015 to June 30, 2017 have been agreed to and ratified. The University completed interest arbitration proceedings in early July 2015 with the Hawaii Government Employees Association ("*HGEA*") for Unit 8 APT employees of the University for a successor contract beyond July 1, 2015. The University's employees in Unit 1 – Blue Collar, Non-supervisory employees and Unit 10 – Institutional, Health, and Correctional workers are working under a four-year (4) contract that covers the period July 1, 2013 to July 1, 2017.

For more information see Note 19 to the Audited Financial Statements attached hereto as **APPENDIX B**.

State Employees' Retirement System

THE INFORMATION CONTAINED IN THIS SECTION IS PRIMARILY DERIVED FROM INFORMATION PRODUCED BY THE STATE RETIREMENT SYSTEM, ITS INDEPENDENT ACCOUNTANT AND ITS ACTUARY. THE UNIVERSITY HAS NOT INDEPENDENTLY VERIFIED THE INFORMATION PROVIDED BY THE STATE RETIREMENT SYSTEM, ITS INDEPENDENT ACCOUNTANT AND ITS ACTUARY, AND

MAKES NO REPRESENTATIONS NOR EXPRESSES ANY OPINION AS TO THE ACCURACY OF SUCH INFORMATION.

All regular employees of the University are covered under the Employees' Retirement System of the State (referred to as the "*State Retirement System*"), a cost sharing, multiple employer defined benefit pension plan that provides retirement, disability and death benefits funded by employee contributions and by employer contributions. This section contains certain information relating to the State Retirement System. The comprehensive annual financial report of the State Retirement System and most recent valuation report of the State Retirement System may be obtained by contacting the State Retirement System. The comprehensive annual financial reports of the State Retirement System are also available on the State's website at http://portal.ehawaii.gov/, and other information about the State Retirement System are available on the State Retirement System's website at http://ers.ehawaii.gov/. Such documents and other information are not incorporated herein by reference.

The State Retirement System uses a variety of assumptions to calculate the actuarial accrued liability, actuarial value of assets and other actuarial calculations and valuations of the State Retirement System. No assurance can be given that any of the assumptions underlying such calculations and valuations (including, but not limited to, the current actuarial assumptions adopted by the State Retirement System's Board of Trustees, the State Retirement System's benefit structure or the actuarial method used by the State Retirement System) will reflect the actual results experienced by the State Retirement System. Variances between the assumptions and actual results may cause an increase or decrease in, among other things, the State Retirement System's actuarial value of assets, actuarial accrued liability, unfunded actuarial accrued liability or funded ratio. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions (including, but not limited to, the current actuarial assumptions, benefit structure or actuarial method used by the State Retirement System), one or more or which may prove to be inaccurate or be changed in the future. Actuarial assessments will change with the future experience of the pension plans. See "GENERAL INFORMATION" and "ACTUARIAL VALUATION" below for more information on the actuarial assumptions used by the State Retirement System.

Much of the disclosure set forth in this "State Employees' Retirement State Retirement System" section is based on the Report to the Board of Trustees on the 89th Annual Actuarial Valuation for the Year Ended June 30, 2014 (the "*2014 Valuation Report*"), which is the most recent valuation report of the State Retirement System. The information presented in the 2014 Valuation Report was based on actuarial assumptions adopted by the State Retirement System's Board of Trustees in January 2011. As described more fully under "GENERAL INFORMATION" below, a revised benefit structure and future employer contribution rates were enacted through statute subsequent to such actuarial assumptions. The 2014 Valuation Report is the first with new members under the new tier of benefits and member contribution rates. However, the liability for this group of employees represents just a small fraction of the total liabilities of the State Retirement System. Included in the 2014 Valuation Report are projections showing the long-term impact of both the increased employer contributions and the change in benefits for employees first hired after June 30, 2012.

June 2012, the Governmental Accounting Standards Board ("*GASB*") voted to approve two new statements relating to the accounting and financial reporting for public employee pension plans by state and local governments. Statement No. 67, Financial Reporting for Pension Plans ("*GASB 67*"), is effective for reporting periods beginning after June 15, 2013. GASB 67 requires enhanced pension disclosures in notes and required supplementary information for financial reports of pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions ("*GASB 68*"), is effective for fiscal years beginning after June 15, 2014. GASB 68 will require governments providing defined benefit pension plans to recognize pension obligations as balance sheet liabilities (as opposed to footnote disclosures), require more immediate recognition of certain changes in liabilities, require use of the entry age normal actuarial cost method (currently employed by the State Retirement System) for reporting purposes, and limit the smoothing of differences between actual and expected investment returns on pension assets. In certain cases, a lower discount rate will be required for valuing pension liabilities. In addition, employers participating in cost-sharing, multiple employer defined benefit plans, including the University, will be required to report their proportionate shares of the collective net pension liability and expense for such plans.

At this time, the State Retirement System does not expect that the net pension liability reported under GASB 67 will be a significantly different amount than the unfunded actuarial accrued liability (UAAL) that would have been reported under the prior accounting standards. The State intends to implement GASB 68 beginning with the fiscal year ended June 30, 2015, and the State Retirement System is determining the allocation of the net pension liability among its participating employers. The University's proportionate share of the net pension liability is expected to represent a substantial increase in its total liabilities and a corresponding reduction in its net assets.

Reference is made to "**RECENT DEVELOPMENTS**" below for a discussion of recent Hawaii legislation aimed at reducing the unfunded actuarial accrued liability of the State Retirement System.

University Share of State Employee's Retirement System

The University's share of the State Retirement System costs for the five fiscal years ended June 30, 2010 through June 30, 2014 were: $75.6 million for the fiscal year ended June 30, 2010; $72.2 million for the fiscal year ended June 30, 2011; $75.5 million for the fiscal year ended June 30, 2012; $84.2 million for the fiscal year ended June 30, 2013; and $87.8 million for the fiscal year ended June 30, 2014. In addition to the foregoing retirement benefit payments, for fiscal years 2012 through 2016 the State has appropriated, for the benefit of University employees, $123.3 million for the fiscal year ended June 30, 2012; $123.2 million for the fiscal year ended June 30, 2013; $138.7 million for the fiscal year ended June 30, 2014; $138.7 million for the fiscal year ended June 30, 2015; and $143.1 million for the fiscal year ended June 30, 2016.

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. 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.

The University's independent actuarial consultant has estimated the actuarial accrued liabilities and annual OPEB costs under GASB 45 for the University. According to the consultant, the unfunded actuarial accrued liabilities for Trust Fund OPEBs were approximately $1.2 billion, $2.0 billion and $1.9 billion as of July 1, 2014, 2013 and 2012, respectively, and the corresponding annual OPEB costs (annual required contributions) for the fiscal years ended June 30, 2014, 2013, 2012 and 2011 were approximately $106.8 million, $142.6 million, $136.1 million and $150.6 million, respectively. Payments totaling approximately $57.0 million, $53.6 million, $40.2 million and $34.8 million were made to the Trust Fund during the fiscal year ended June 30, 2014, 2013, 2012 and 2011, respectively. The University contributions are financed on a pay-as-you-go basis. The University's annual required contribution for fiscal year 2014-2015 is estimated to be approximately $42.0 million. For additional information on employee benefits and pensions see Notes 14 and 15 to the University's audited financial statements in **APPENDIX B – "AUDITED FINANCIAL STATEMENTS."**

General Information

The State Retirement System began operation on January 1, 1926. The actuarial information presented below is provided for all employers of the State Retirement System in total. The State Retirement System's plan year runs from July 1 of each year through the following June 30. The State Retirement System covers all regular employees of the State and each of its counties, including judges and elected officials. As it is a cost-sharing plan, the State Retirement System does not allocate its liabilities among participating employers. See "**UNIVERSITY SHARE OF STATE EMPLOYEE'S RETIREMENT SYSTEM**" below for information relating to the University's contributions.

The statutory provisions of HRS Chapter 88 govern the operation of the State Retirement System. Responsibility for the general administration of the State Retirement System is vested in a Board of Trustees, with certain areas of administrative control being vested in the Department of Budget and Finance. The Board of Trustees consists of eight members: the Director of Finance of the State, ex officio; four members of the State Retirement System (two general employees, one teacher, and one retiree) who are elected by the members and retirees of the State Retirement System; and three citizens of the State (one of whom shall be an officer of a bank authorized to do business in the State, or a person of similar experience) who are appointed by the Governor and may not be employees of the State or any county. All contributions, benefits and eligibility requirements are established by statute, under HRS Chapter 88, and may only be amended by legislative action.

Prior to 1984, the State Retirement System consisted of only a contributory plan. Legislation enacted in 1984 created a noncontributory retirement plan for certain members of the State Retirement System who are also covered under Social Security. The noncontributory plan provides for reduced benefits and covers most employees hired after June 30, 1984 and employees hired before that date who elected to join the plan. Police officers, firefighters, other enforcement officials, certain elected and appointed officials and other employees not covered by Social Security are excluded from the noncontributory plan. The minimum service required for retirement eligibility is five years of credited service under the contributory plan and ten years of credited service under the noncontributory plan. Both the contributory and noncontributory plans provide a monthly retirement allowance based on the employee's age, years of credited service, and average final compensation (the "AFC"). The AFC is the average salary earned during the five highest paid years of service, including the vacation payment, if the employee became a member prior to January 1, 1971 or the three highest paid years of service, excluding the vacation payment (whichever is higher). The AFC for members hired after that date is based on the three highest paid years of service, excluding the vacation payment.

On July 1, 2006, a defined benefit contributory plan (the "Hybrid Plan") was established pursuant to Act 179, SLH 2004. Members in the Hybrid Plan are eligible for retirement with full benefits at age 62 with no less than 5 years of credited service or age 55 and no less than 30 years of credited service. Members receive a benefit multiplier of 2% for each year of credited service in the Hybrid Plan. Most new employees hired from July 1, 2006 were required to join the Hybrid Plan.

In December 2010, the State Retirement System's actuary completed an Actuarial Experience Study for the five-year period ended June 30, 2010 (the "2010 Experience Study"). In fiscal year 2011, based in part on the results of the Experience Study, the Legislature acted to limit the growth of the State's pension liabilities by passing Act 163, SLH 2011. This Act, effective July 1, 2012, enacted certain changes to the funding of the State Retirement System and the benefit structure for new members in all plans. Funding changes include increasing the statutorily required employer contribution rates (see "**FUNDING STATUS**" below). Benefit changes for new members include increasing the age and service requirements for retirement eligibility, reducing the retirement benefit multiplier and reducing the interest rate credited to employee contributions to 2%. The change in the interest rate credited to employee contributions to 2% is for new members in the Hybrid Plan and Contributory Plan hired on or after July 1, 2011. All other benefit changes are effective for new members hired on or after July 1, 2012. Act 163, SLH 2011, also reduced the investment yield rate assumption for fiscal year 2011 from 8% to 7.75% and gave authority to the Board of Trustees to adopt all assumptions to be used for actuarial valuations of the State Retirement System, including the assumed investment yield rate for subsequent fiscal years. To better reflect the recent actual experience of the State Retirement System, the Board of Trustees adopted the assumption recommendations set forth in the 2010 Experience Study, including continuing the investment yield rate assumption of 7.75%. During its September 23, 2014 meeting, the Board of Trustees reviewed actuarial scenarios based on the State Retirement System's short and long-term investment return risk and approved a three year plan for the phased-in reduction of the investment yield rate from 7.75% to 7.50% beginning with the June 30, 2015 valuation of the State Retirement System, as follows: 7.65% for the June 30, 2015 valuation, 7.55% for the June 30, 2016 valuation and 7.50% for the June 30, 2017 valuation, respectively. The Legislature also enacted Act 152 and 153, SLH 2012, effective June 30, 2012 and July 1, 2012, respectively, to define compensation for retirement purposes as normal periodic payments excluding overtime, supplemental payments, bonuses and other differentials, and to assess employers annually for all retiree pension costs attributable to non-base pay during the last years of retirement.

In fiscal year 2011, the Legislature acted to improve and protect the State Retirement System's funded status by placing a moratorium on the enhancement of benefits. Act 29, SLH 2011, provides that there shall be no benefit enhancement for any group of members until the actuarial value of the State Retirement System's assets is 100 percent of the State Retirement System's actuarial accrued liability.

In 2012, the Legislature acted to reduce the overall UAAL of the State Retirement System by limiting the impact of spiking by public employees through (i) Act 152 SLH 2012, which revised the method of computing pension benefits for employees hired after July 1, 2015 by excluding from compensation (for pension calculation purposes) all non-base compensation components, such as overtime, supplemental payments, bonuses, lump sum salary supplements, allowances or differentials and (ii) Act 153, SLH 2012, which holds state or local governmental employers financially responsible for excessive overtime and related employee practices by increasing each governmental employer's annual contributions to include the actuarial present value of the "excess maximum retirement allowance resulting from significant non-base pay increases" relating to that employer's current and former employees.

As of June 30, 2014, the contributory plan covered 5,006 active police officers and firefighters employees or 7.4% of the active members of the State Retirement System, and 1,275 other active employees or 1.9% of all active members for a total of 6,281 active members. The noncontributory plan covered 17,061 active employees or 25.4% of all active members. The Hybrid Plan covered 43,864 active members or 65.3% of all active members. The Hybrid Plan membership will continue to increase in the future as most new employees hired from July 1, 2006 will be required to join this plan.

As of June 30, 2014, the State Retirement System's membership comprised approximately 67,206 active employees, 8,105 inactive vested members and 43,087 pensioners and beneficiaries. The following table shows the number of active members, inactive members and retirees and beneficiaries of the State Retirement System as of June 30, 2013 and as of June 30, 2014:

STATE RETIREMENT SYSTEM MEMBERSHIP

Category	June 30, 2013	June 30, 2014
Active	66,226	67,206
Inactive	7,312	8,105
Retirees and beneficiaries	41,812	43,087
Total	**115,350**	**118,398**

Funded Status

Based on the actuarial valuation as of June 30, 2014, the State Retirement System's underfunded status increased compared to the prior year. The increase was due to the deferral of investment losses from prior valuations and the future increases in contributions not being effective for that fiscal year. The unfunded actuarial accrued liability (the "*UAAL*") as of June 30, 2014 was $8.578 billion. The State estimates that the share of the UAAL to be funded by the four counties is 26% of the UAAL. The statutory employee and employer contribution rates are intended to provide for the normal cost plus the amortization of the UAAL over a period not in excess of 30 years. Based on the current contribution rates of 25.0% for police and fire employees and 17% for all other employees, the future contribution rates established in statute (see "**FUNDING POLICY**" below), and the new benefit tier for employees hired after June 30, 2012, the actuary has determined that the remaining amortization period is 26 years. Because this period is within 30 years (the maximum period specified by HRS Section 88 122(e)(1)), the financing objectives of the State Retirement System are currently being realized. HRS Section 88 122(e)(1) provides that the employer contribution rates are subject to adjustment when the funding period is in excess of 30 years. See "**FUNDING POLICY**" below for information on increases in the employer contribution rates and benefits changes.

Funding Policy

Prior to fiscal year 2006, the State Retirement System was funded on an actuarial reserve basis. Actuarial valuations were prepared annually by the consulting actuary to the Board of Trustees to determine the employer contribution requirement. In earlier years, the total actuarially determined employer contribution was reduced by some or all of the investment earnings in excess of the investment yield rate applied in actuarial valuations to determine the net employer appropriations to be made to the State Retirement System. Act 327, SLH 1997, amended HRS Section 88-107, so that, beginning with the June 30, 1997 valuation, the State Retirement System retains all of its excess earnings for the purpose of reducing the unfunded actuarial accrued liability. However, Act 100, SLH 1999, reinstated the excess earnings credit for the June 30, 1997 and June 30, 1998 valuations. For those two valuations, the investment earnings in excess of a 10% actuarial return was to be applied as a reduction to the employer contributions. In accordance with the statutory funding provisions (HRS Section 88-122, as amended by Act 147, SLH 2001), the total actuarially determined employer contribution to the pension accumulation fund was comprised of the normal cost plus the level annual payment required to amortize the unfunded actuarial accrued liability over a period of 29 years from July 1, 2000. The contribution requirement was determined in the aggregate for all employers in the State Retirement System and then allocated to individual employers based on the payroll distribution of covered employees as of the March preceding the valuation date. The actuarially determined employer contribution derived from a valuation was paid during the third fiscal year following the valuation date, e.g., the contribution requirement derived from the June 30, 1998 valuation was paid into the State Retirement System during the fiscal year ended June 30, 2001. The actuarial cost method used to calculate employer contributions was changed in 1997 by Act 327 from the frozen initial liability actuarial cost method to the entry age normal actuarial cost method effective with the June 30, 1995 actuarial valuation. Employer contributions were determined separately for two groups of covered employees: (1) police officers, firefighters, and corrections officers; and (2) all other employees who are members of the State Retirement System.

Act 181, SLH 2004, established fixed employer contribution rates as a percentage of compensation (15.75% for their police officers and firefighters and 13.75% for other employees) effective July 1, 2005. Pursuant to Act 256, SLH 2007, employer contributions beginning July 1, 2008 increased to 19.70% for police officers and firefighters and 15.00% for all others employees. As of June 30, 2010, the State Retirement System's actuary determined that the remaining period required to amortize the UAAL was 41.3 years, which was greater than the maximum of 30 years specified by HRS Section 88-122(e)(1). As a result, and pursuant to the recommendations of the 2010 Experience Study, the Board of Trustees requested an increase in the statutory employer contribution rates to bring the funding period down to 30 years. In response, the Legislature enacted Act 163, SLH 2011, pursuant to which, effective July 1, 2012, employer contribution requirements will gradually increase as follows:

STATE RETIREMENT SYSTEM EMPLOYER CONTRIBUTION REQUIREMENTS

Employer Contribution effective starting	Police Officers and Firefighters (% of total payroll)	Other Employees (% of total payroll)
July 1, 2012	22.0	15.5
July 1, 2013	23.0	16.0
July 1, 2014	24.0	16.5
July 1, 2015	25.0	17.0

Under the contributory plan, police officers, firefighters, and corrections officers are required to contribute 12.2% of their salary to the plan and most other covered employees are required to contribute 7.8% of their salary. Under the Hybrid Plan, covered employees are generally required to contribute 6.0% of their salary to the plan, with sewer workers in specified classifications, water safety officers and emergency medical technicians required to contribute 9.75% of their salary. Effective July 1, 2012, contribution rates for newly hired employees covered under the contributory and Hybrid Plan increased by 2% pursuant to Act 163, SLH 2011, such that the corresponding contribution rates for new employees as discussed in this paragraph will be 14.2%, 9.8%, 8.0% and 11.75%, respectively. Employees covered under the noncontributory plan do not make contributions.

Actuarial Methods

The State Retirement System's actuary uses the entry age normal cost method. The most recent valuation was performed for the year ended June 30, 2014.

Since the State statutes governing the State Retirement System establish the current employee and employer contribution rates, the actuarial valuation determines the number of years required to amortize (or fund) the UAAL. For the June 30, 2014 valuation, this determination was made using an open group projection to reflect both the increasing contribution rates and the changes in benefits for members hired after June 30, 2012.

Because of this amortization procedure, any change in the unfunded actuarial accrued liability due to (i) actuarial gains and losses, (ii) changes in actuarial assumptions or (iii) amendments, affects the funding period.

On an aggregate basis with regards to the contributory, the Hybrid, and the noncontributory plans, the total normal cost for benefits provided by the State Retirement System for the fiscal year beginning July 1, 2014 was 10.96% of payroll, which was 11.74% of payroll less than the total contributions required by law (17.28% from employers plus 5.26% in the aggregate from employees). Since only 5.76% of the employers' 16.76% contribution is required to meet the normal cost (5.42% comes from the employee contribution), it is intended that the remaining 11.74% of payroll will be used to amortize any unfunded actuarial accrued liabilities over a period of years in the future, assuming that total payroll increases by 3.50% per year. Due to the changes enacted in 2011 (increases in the employer contribution rates and new benefits and contribution rates for members hired after June 30, 2012), the percentage of payroll available to amortize the unfunded actuarial liabilities is expected to increase each year for the foreseeable future.

Actuarial Valuation

The actuarial value of assets is equal to the market value, adjusted for a four year phase-in of actual investment return in excess of or below expected investment return. The actual return is calculated net of investment and administrative expenses, and the expected investment return is equal to the assumed investment return rate multiplied by the prior year's market value of assets, adjusted for contributions, benefits paid, and refunds. The actuarial value of assets has been based on a four–year smoothed valuation that recognizes the excess or shortfall of investment income over or under the actuarial investment yield rate assumption. The actuarial asset valuation method is intended to smooth out year-to-year fluctuations in the market return. The excess or shortfall in the actual return during the year, compared to the investment yield rate assumption, is spread over this valuation and the next three valuations.

The State Retirement System's actuary uses certain assumptions (including rates of salary increase, probabilities of retirement, termination, death and disability, and an investment yield rate assumption) to determine the amount that an employer must contribute in a given year to provide sufficient funds to the State Retirement System to pay benefits when due. Prior to fiscal year 2012, HRS Section 88 122(b) provided for the Board of Trustees to adopt the assumptions to be used by the State Retirement System except the investment yield rate, which was set by the Legislature. Act 163, SLH 2011, set the investment yield rate at 7.75% for fiscal year 2011 but also amended HRS Section 88 122(b) to allow the Board of Trustees to establish, for subsequent fiscal years, all assumptions to be used by the State Retirement System, including the investment yield rate assumption. The Board of Trustees periodically evaluates and revises the assumptions used by the State Retirement System for actuarial valuations, including by commissioning experience studies to evaluate the actuarial assumptions to be used by the State Retirement System. The current assumptions, including the 7.75% investment yield rate, were adopted by the State Retirement System's Board of Trustees based on the recommendations of the State Retirement System's actuary in the most recent experience study, the 2010 Experience Study. These assumptions, funding changes and benefit structure are reflected in the 2014 Valuation Report. The impact of the phased-in reduction of the investment yield rate from 7.75% to 7.50%, which was also based on current actuarial assumptions, cannot be determined at this time, but will be reflected beginning with the June 30, 2015 Valuation Report, as follows: 7.65% for the June 30, 2015 valuation, 7.55% for the June 30, 2016 valuation and 7.50% for the June 30, 2017 valuation, respectively. Also, a new experience study for the State Retirement System will be conducted in 2015.

The State anticipates that as the percentage of employees hired after June 30, 2012, increases and the new funding policies impact the State Retirement System, the State will be able to fully amortize the UAAL over a 26 year period. Assuming a constant employment base, the number of employees entitled to pre-2012 retirement benefits should equal the number of employees entitled to post-2012 retirement benefits in fiscal year 2021. The combination of the higher contribution policies and new benefit structure for future employees will enable the Retirement State Retirement System to absorb the prior adverse experience over the 26 year term.

The following table sets forth the schedule of funding progress of the State Retirement System for the ten most recent actuarial valuation dates.

SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in millions)

June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b)–(a)	Funded Ratio (a)/(b)	Payroll (c)	UAAL as a Percentage of Payroll ((b)–(a))/(c)
2005	8,914.8	12,986.0	4,071.1	68.6%	3,041.1	133.9%
2006*	9,529.4	14,661.4	5,132.0	65.0%	3,238.3	158.5%
2007	10,589.8	15,696.5	5,106.8	67.5%	3,507.0	145.6%
2008	11,381.0	16,549.1	5,168.1	68.8%	3,782.1	136.6%
2009	11,400.1	17,636.4	6,236.3	64.6%	4,030.1	154.7%
2010	11,345.6	18,483.7	7,138.1	61.4%	3,895.7	183.2%
2011**	11,942.8	20,096.9	8,154.2	59.4%	3,916.0	208.2%
2012	12,242.5	20,683.4	8,440.9	59.2%	3,890.0	217.0%
2013	12,748.8	21,243.7	8,494.9	60.0%	3,906.7	217.4%
2014	13,641.8	22,220.1	8,578.3	61.4%	3,991.6	214.9%

Source: The 2014 Valuation Report.
* Assumption changes and new Hybrid Plan effective June 30, 2006.
** Figures reflect assumption changes effective June 30, 2011.

The total assets of the State Retirement System on a market value basis amounted to $12.4 billion as of June 30, 2013, $14.2 billion as of June 30, 2014 and $14.4 billion as of June 30, 2015 (unaudited). Actuarial certification of assets as of June 30, 2013 was $12.2 billion. Actuarial certification of assets as of June 30, 2013 and June 30, 2014 was $12.7 billion and $13.6418 billion, respectively. The State Retirement System's unfunded actuarial accrued liability as of June 30, 2014 was $8.5783 billion. Since the State Retirement System is a cost sharing, multiple employer public retirement State Retirement System, the unfunded actuarial accrued liability is not allocated to the State and the counties. The following table shows the normal cost as a percentage of payroll, employee contribution rate and effective employer normal cost rate for the two groups of covered employees for fiscal years 2013 and 2014:

NORMAL COST

	June 30 2013			June 30, 2014		
	Police and Firefighters	Other Employees	All Employees	Police and Firefighters	Other Employees	All Employees
Normal cost as % of payroll	19.84%	9.91%	11.02%	19.47%	9.92%	10.96%
Employee contribution rate	12.24%	4.38%	5.26%	12.30%	4.58%	5.42%
Effective employer normal cost rate	7.60%	.53%	5.76%	7.17%	5.34%	5.54%

Source: The 2014 Valuation Report.

The following table shows a comparison of the actuarial value of assets ("*AVA*") to the market values, the ratio of the AVA to market value and the funded ratio based on AVA compared to funded ratio based on market value of assets, for the last two valuation dates:

ASSET VALUES

	June 30, 2013	June 30, 2014
AVA	$12,748.8 million	$13,641.8 million
Market Value of Assets	$12,357.8 million	$14,203.0 million
Market Value as Percentage of AVA	103.2%	96.0%
Funded Ratio (AVA)	60.0%	61.4%
Funded Ratio (Market Value)	58.2%	63.9%

Source: The 2014 Valuation Report.

The following table shows the annual required contributions, actual contributions and the percentage of actuarially required contribution that has been funded as of the last 10 valuation dates. Employer contribution rates are set prospectively by the statute and, accordingly, may be greater or less than the ARC in any given year.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollar amounts in thousands)

June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2005	328,717	328,717	100.0%
2006*	423,446	423,446	100.0%
2007	476,754	454,494	95.3%
2008	510,727	488,770	95.7%
2009	526,538	578,635	109.9%
2010	536,237	547,613	102.1%
2011	582,535	534,858	91.8%
2012	654,755	548,353	83.7%
2013	667,142	581,447	87.2%
2014	705,224	653,128	92.6%

Source: The 2014 Valuation Report.

* Effective July 1, 2005, the required contributions are based on contribution rates and not specific dollar amounts.

Asset Allocation

The following table shows the target and actual asset allocation of the State Retirement System as of June 30, 2014:

ASSET ALLOCATION*

Asset Type	June 30, 2013	June 30, 2014
Cash and Short-term Equivalents	3.0%	2.9%
Fixed Income Securities	20.8%	18.4%
Equity Securities	61.5%	65.3%
Real Estate	9.8%	8.2%
Other	4.9%	5.2%
Total:	**100.0%**	**100.0%**

* The data shown in this table is taken from, and reflects the presentation used in, the 2014 Valuation Report. Prior presentations of State Retirement System asset allocation data showed both target and actual allocations.

As of June 30, 2015, the System reported an asset allocation of 30.63% domestic equity, 18.83% non-U.S. equity, 18.11% fixed income, 6.19% real estate, 5.8% covered calls, 4.6% real return, 4.78% private equity, and the balance in other assets. In August 2014, the Board of Trustees of the State Retirement System approved a change in its asset allocation policy from the current asset-class policy to a new risk-based asset allocation framework within the categories of Broad Growth, Principal Protection, Real Estate and Real Return and Other. This new policy became effective as of October 1, 2014.

The following statistical information addresses the entire State Retirement System, including both State and county employees. The State Retirement System issues a Comprehensive Annual Financial Report that may be obtained by writing to the Employees' Retirement State Retirement System of the State of Hawaii, 201 Merchant Street, Suite 1400, Honolulu, Hawaii 96813.

Employer Contribution Rate

The following schedule shows the total actuarially determined employer contribution rate for all employees based on the last five annual actuarial valuations:

EMPLOYER CONTRIBUTION RATES

Actuarial Valuation as of June 30	Total Calculated Employer Contribution Rate for All Employees (% of total payroll)*	Funding Period (Years)
2010	15.49	41.3
2011	15.52	25.0
2012	16.11	30.0
2013	16.76	28.0
2014	17.28	26.0

* Reflects Act 181, SLH 2004, which amended HRS Sections 88-105,88-122,88-123, 88-124, 88-125 & 88-126, and Act 163, SLH 2011.

The decrease in the funding period in 2011 is a reflection of Act 163, SLH 2011, which was enacted to raise the employer contribution rates over the next several years and to provide for smaller benefits for employees hired after June 30, 2012, to bring the funding period in line with the 30-year statutory requirement. The increase in the funding period in 2012 reflects the final recognition of the investment losses from fiscal year 2009. It also reflects the significant changes due to Act 163 and the State Retirement System's open group projection policy which assumes that the number of active members will remain constant and there will be no actuarial gains or losses on liabilities or investments. The decrease in the funding periods in 2013 and 2014 was due to liability gains from positive experience versus the actuarial assumptions and large investment gains, respectively.

Summary of Actuarial Certification Statement

The summary of the actuarial certification of the Employees' Retirement State Retirement System as of June 30, 2013 and June 30, 2014 is set forth below:

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII
Summary of Actuarial Certification as of June 30, 2013 and June 30, 2014
(Includes all counties)

ASSETS	**2013**	**2014**
Total current assets	$12,748,828,110	$13,641,755,300
Present value of future employee contributions	1,679,827,365	1,800,553,136
Present value of future employer normal cost contributions	1,737,037,958	1,703,379,872
Unfunded actuarial accrued liability	8,494,916,267	8,578,342,247
Present value of future employer Early Incentive Retirement Program contribution	N/A	N/A
TOTAL ASSETS	$24,660,609,700	$25,724,030,555
LIABILITIES		
Present value of benefits to current pensioners and beneficiaries	$11,182,535,047	$11,672,987,746
Present value of future benefits to active employees and inactive members	13,478,074,653	14,051,042,809
TOTAL LIABILITIES	$24,660,609,700	$25,724,030,555

Source: Gabriel, Roeder, Smith & Company.

As of June 30, 2014, the unfunded actuarial accrued liability (under the entry age normal actuarial cost method) of the State Retirement System amounted to approximately $8.58 billion. The State Retirement System's funded ratios — assets divided by the actuarial accrued liability — increased during fiscal year 2013 as shown below:

FUNDED RATIOS

June 30, 2013	**June 30, 2014**
60.0%	61.4%

Recent Developments

In 2015, the Legislature acted to further bolster the State Retirement System's funded status through Acts 85 and 86, SLH 2015, which (i) extended the period for mandatory refunds of contributions upon termination of an employee's membership; (ii) increased the amount of required credited service for vested death benefits for employees who join the State Retirement System after June 30, 2015 from five to ten years; (iii) required employees receiving workers' compensation benefits to have retirement contributions deducted from those benefit; (iv) established a one year deadline for contributions required as a condition to inclusion in membership service of unpaid leaves of absence for all members and for membership service credits for members who join the State Retirement System after June 30, 2016; and (v) provided for payment for acquisition of membership service based on actuarial cost effective June 30, 2020.

The University does not believe that these Acts will have a material adverse effect on the University's finances or operations or materially impair its ability to pay debt service on its Revenue Bonds, including the Series 2015 Bonds.

Employee Health Benefits

All regular employees of the University are eligible for coverage under health plans provided through the State of Hawaii Public Employer-Union Health Benefit Trust Fund (the "*Trust Fund*"), which was established in 2003 to design, provide and administer health and other benefit plans for State and county employees, retirees and their dependents. The Trust Fund is administered by a ten-member Board of Trustees (the "*TF Board*") appointed by the Governor comprised of five union representatives and five management representatives. The Board is responsible for determining the nature and scope of health plans offered by the Trust Fund, negotiating and entering into contracts with insurance carriers, ruling on eligibility and establishing management policies for the Trust Fund and overseeing Trust Fund activities. The Trust Fund currently provides medical, prescription drug, dental, vision, chiropractic and group life benefits. Benefits with respect to regular employees are funded by a combination of employer contributions set by collective bargaining agreement or by executive order (with respect to non-union employees) and employee contributions through payroll deductions. Benefits for retirees are funded by a statutory formula.

In recent years, public and private health plan providers nationwide and in Hawaii, including the Trust Fund, have experienced substantial increases in health care costs. In the case of the Trust Fund, the current fiscal situation faced by State and county employers has made it extremely difficult for the employers to increase employer contributions for health benefits in order to maintain the historical employer-employee contribution ratio. In the past, the TF Board has attempted to mitigate health plan rate increases by modifying benefits, and employees have been required to bear a larger share of the increased rates. The University cannot predict what actions will be taken (including changes to future plan benefits or employer-employee contribution rates) to address the impact of rising health care costs on the Trust Fund or what financial effects such changes may have on the University.

The State has recently enacted measures to reduce significantly the State's actuarial accrued liability for unfunded OPEB liabilities. Act 88, SLH 2001, Relating to Public Employees Health Benefits (partially codified as HRS Chapter 87A), established the Trust Fund. The Trust Fund provides health and other benefit plans for public employees, retirees and their dependents. The employers participating in the Trust Fund include the State and the University. Public employer contributions to the Trust Fund for the health and other benefit plans of public employees and their dependents are determined under HRS Chapter 89C, or by way of applicable public sector collective bargaining agreements. Except for reimbursement of medical insurance coverage under Medicare, public employer contributions to fund the health and other benefit plans of retirees are not to exceed certain monthly contribution levels specified in HRS Chapter 87A.

For employee health premium payments for fiscal years 2012 through 2016 the State has appropriated, for the benefit of University employees, $78.7 million for the fiscal year ended June 30, 2012; $79.5 million for the fiscal year ended June 30, 2013; $78.9 million for the fiscal year ended June 30, 2014 and has appropriated $85.1 million for the fiscal year ended June 30, 2015 and $91.1 million for the fiscal year ended June 30, 2016.

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 and Outstanding Under the Resolution. The University has previously issued and has Outstanding the following Bonds pursuant to the Resolution:

Designation	Principal Amount Outstanding as of June 30, 2015
$100,000,000 Board of Regents of the University of Hawaii, University Revenue Bonds, Series 2006A (the "*Series 2006A Bonds*")	$87,540,000
$100,000,000 Board of Regents of the University of Hawaii, University Revenue Bonds, Series 2009A (the "*Series 2009A Bonds*")	89,820,000
$111,265,000 Board of Regents of the University of Hawaii, University Revenue Bonds, Series 2010A-1 (the "*Series 2010A-1 Bonds*")	111,265,000
$27,375,000 Board of Regents of the University of Hawaii, University Revenue Bonds, Series 2010A-2 (the "*Series 2010A-2 Bonds*")	16,335,000
$127,535,000 Board of Regents of the University of Hawaii, University Revenue Bonds, Series 2010B-1 (the "*Series 2010B-1 Bonds*")	127,535,000
$26,555,000 Board of Regents of the University of Hawaii, University Revenue Bonds, Series 2010B-2 (the "*Series 2010B-2 Bonds*")	18,295,000
$8,575,000 Board of Regents of the University of Hawaii, University Revenue Bonds, Series 2012A (R) (the "*Series 2012A Bonds*")	4,655,000
Total	$455,445,000

The 2006A Bonds, which are enhanced by a bond insurance policy issued by MBIA Insurance Corporation, were issued to finance or refinance the costs of construction of a dormitory facility designated as Frear Hall, the maintenance of existing food service facilities at the Mānoa campus and the maintenance of existing University Projects in the University System. The Series 2009A Bonds were issued to finance and refinance, among other things, the costs of acquisition, conversion and development of student housing facilities at the University's Mānoa and Hilo campuses, the development of the West O'ahu campus, additions to the Biomedical Science Building on the Mānoa campus, additions to the Campus Center on the Hilo campus and to refund certain outstanding indebtedness. The Series 2010A-1 Bonds and the Series 2010A-2 Bonds were issued to finance and refinance the costs of construction and maintenance of the University's Cancer Research Center of Hawaii. The Series 2010B-1 Bonds and the Series 2010B-2 Bonds were issued to finance and refinance, among other things, renovations and additions to the Mānoa Campus Center, construction and equipment for an Information Technology Building, renovations to the Sinclair Library basement on the Mānoa campus, further development of the West O'ahu campus, various energy conservation/efficiency projects on the community college campuses of O'ahu, Kauai and Maui, and renovation and construction of other University Projects. The Series 2012A Bonds were issued to refund certain other revenue bonds of the Board. The Board elected to issue and designate the Series 2010A-1 Bonds and the Series 2010B-1 Bonds as "Build America Bonds" pursuant to the American Recovery and Reinvestment Act of 2009, which authorized the Board to issue such Bonds as taxable bonds to finance capital expenditures for which it could otherwise issue tax-exempt bonds and to receive a subsidy payment from the federal government equal to 35% of each interest payment on such bonds ("Subsidy Payment"). To the extent such Subsidy Payments are paid by the federal government to the Board, such amounts constitute Revenues of the Network for purposes of the Resolution and are pledged as security for all Bonds. The Subsidy Payments do not represent a full faith credit obligation of the United States. All of the outstanding Revenue Bonds bear interest at a fixed rate.

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 a portion of the bonds issued in 2002. 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 Appropriations" 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 which is prior and paramount to the lien thereagainst of the Series 2015D Bonds and Series 2015E Bonds. The aforesaid bonds have a prior and paramount claim on the Legislative Appropriation pledged to such bonds. As of August 1, 2015, prior to giving effect to the refunding and defeasance of a portion of the Series 2006A University Bonds as described herein, there are $118,645,000 principal amount of University Bonds outstanding. It is anticipated that, as of July 15, 2016, after giving effect to the refunding and defeasance of those Series 2006A University Bonds which constitute Refunded Bonds, it is anticipated that $49,450,000 principal amount of University Bonds will remain outstanding. All of the outstanding University Bonds bear interest at a fixed rate.

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, 2015, approximately $380 thousand of principal reimbursements remained outstanding. Annual reimbursement, including semi-annual interest payments, range from approximately $186 thousand to $195 thousand 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, 2015, there were no outstanding obligations under the leasing agreement, nor under any installment purchase contract agreements.

EB-5 Financing – West O‘ahu. On May 4, 2012, the University entered into a five-year, unsecured loan agreement (“*Note*”) with Hawaii Regional Center LP III (“*Lender*”) for a commitment amount not to exceed $18 million, subject to certain limitations. The proceeds were used to facilitate and fund construction of the UH-West O‘ahu campus located in Kapolei, Hawaii. The Note bears interest at the rate of 1.5% per annum, which is due and payable semi-annually to the Lender on January 1 and July 1 each year until the Note has been paid in full. Under the terms of the Note, repayment each fiscal year is limited and subject to specific appropriations by the State to make such payments. The Note matures on July 16, 2017, at which time the unpaid principal will be due. As of June 30, 2014, $17 million remains outstanding.

APPENDIX B
AUDITED FINANCIAL STATEMENTS

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UNIVERSITY of HAWAI'I®

SYSTEM

2014 Annual Financial Report, Required supplementary Information and Other Supplemental Information University of Hawaii State of Hawaii

University of Hawaiʻi
State of Hawaiʻi
Index
June 30, 2014 and 2013

Report of Independent Auditors

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

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of the University of Hawai‘i (the “University”), a component unit of the State of Hawai‘i, as of and for the years ended June 30, 2014 and 2013, and the related notes to the consolidated financial statements, which collectively comprise the University’s basic financial statements as listed in the accompanying index.

Management’s Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the University of Hawai‘i Foundation (the “Foundation”), which represent 13.0 percent and 11.0 percent, respectively, of the total assets and deferred outflows of resources and 1.0 percent and 1.0 percent, respectively, of the total operating revenues of the University as of and for the years ended June 30, 2014 and 2013. 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 as of and for the years ended June 30, 2014 and 2013, are based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Hawai‘i, as of June 30, 2014 and 2013, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and schedules of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Acuity LLP

Honolulu, Hawai‘i
February 12, 2015

Introduction

The following discussion and analysis provides an overview of the consolidated financial position and activities of the University of Hawai‘i (the "University") for the years ended June 30, 2014 and 2013, with selected information for the year ended June 30, 2012. 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 Hawai‘i's sole public higher education system and is governed by a Board of Regents consisting of fifteen members appointed by the Governor of the State of Hawai‘i. The University system is comprised of ten campuses with approximately 60,000 students and 10,000 faculty and staff. The University provides a broad range of 385 degree (baccalaureate to post-doctoral level) programs, through a framework of sixteen colleges and nine professional schools. Through its seven community colleges on O‘ahu, Hawai‘i, Maui and Kaua‘i, the University offers more than 279 certificate and associate degree programs and in certain areas, baccalaureate degrees. In addition to organized research institutes and administrative service and distance learning centers, the University system 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 Hawai‘i 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:

- **Statements of Net Position** – The Consolidated Statements of Net Position present information on the University’s assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the University’s financial condition is improving or deteriorating. Net position increases 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, there is an indication of deteriorating financial condition.

- **Statements of Revenues, Expenses and Changes in Net Position** – The Consolidated Statements of Revenues, Expenses and Changes in Net Position present the University’s revenues and expenses and illustrate how current year activities improve or weaken the University’s financial condition. Changes in net position 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 Position 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 is primarily comprised of bookstores, student and faculty housing, food services, parking and athletics. 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.

- **Statements 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, 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. Summarized information of the individual components of the University’s consolidated financial position, results of operations and cash flows for the years ended June 30, 2014 and 2013 is presented in Note 18 to the consolidated financial statements.

Financial Position

The Consolidated Statements of Net Position 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 presented using fair and current values, respectively. 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 position, representing a measurement of the current financial condition of the University. The University’s assets, liabilities and net position at June 30, 2014, 2013 and 2012 are summarized as follows (in thousands):

	2014	Percentage of Total Assets and Deferred Outflows	2013	Percentage of Total Assets and Deferred Outflows	2012	Percentage of Total Assets and Deferred Outflows	FY 14 vs 13 Change	FY 13 vs 12 Change
Current assets								
Cash and operating investments	$ 342,353	10%	$ 377,545	11%	$ 448,346	13%	$ (35,192)	$ (70,801)
Receivables, net	108,463	3%	112,384	3%	95,112	3%	(3,921)	17,272
Other current assets	23,597	1%	36,301	1%	23,107	1%	(12,704)	13,194
Total current assets	474,413	14%	526,230	15%	566,565	17%	(51,817)	(40,335)
Noncurrent assets								
Endowment and other investments	499,460	14%	468,120	14%	526,663	16%	31,340	(58,543)
Capital assets, net	2,071,850	60%	2,027,120	60%	1,826,937	54%	44,730	200,183
Other noncurrent assets	418,903	12%	379,184	11%	443,259	13%	39,719	(64,075)
Total assets	3,464,626	100%	3,400,654	100%	3,363,424	100%	63,972	37,230
Deferred outflows of resources								
Deferred loss on refunding	5,576	0%	5,883	0%	6,180	0%	(307)	(297)
Total deferred outflows of resources	5,576	0%	5,883	0%	6,180	0%	(307)	(297)
Total assets and deferred outflows of resources	3,470,202	100%	3,406,537	100%	3,369,604	100%	63,665	36,933
Current liabilities	263,583	8%	269,754	8%	290,210	8%	(6,171)	(20,456)
Noncurrent liabilities								
Long-term debt	578,585	17%	593,930	17%	608,670	18%	(15,345)	(14,740)
Other noncurrent liabilities	666,508	19%	605,956	18%	499,530	14%	60,552	106,426
Total liabilities	1,508,676	43%	1,469,640	43%	1,398,410	42%	39,036	71,230
Net position								
Net investment in capital assets	1,519,669	44%	1,482,274	44%	1,336,377	41%	37,395	145,897
Restricted								
Nonexpendable	218,133	6%	207,338	6%	191,532	6%	10,795	15,806
Expendable	598,070	17%	530,130	16%	574,344	17%	67,940	(44,214)
Unrestricted	(374,346)	-11%	(282,845)	-8%	(131,059)	-4%	(91,501)	(151,786)
Total net position	$ 1,961,526	57%	$ 1,936,897	57%	$ 1,971,194	60%	$ 24,629	$ (34,297)

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 existing current assets.

At June 30, 2014, 2013 and 2012, working capital amounted to $210.8 million, $256.5 million and $276.4 million, respectively. The University is working toward maintaining a prudent level of working capital to fund operations, including pre-funding its approximately $420 million in extramural grants which are on a cost reimbursement basis and to provide for uncertainties such as possible cuts to federal programs and the fiscal economic situation in the United States (“US”) and Asia. Based on the $1,550 million of operating expenses (excluding depreciation) for the fiscal year ended June 30, 2014, the working capital at year end represents approximately 55 days of operating funds.

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 were $474.4 million, $526.2 million and $566.6 million at June 30, 2014, 2013 and 2012, respectively. Total current assets decreased by $51.8 million, or 9.8% percent, at June 30, 2014 compared to June 30, 2013, primarily due to a $35.2 million decrease in cash and operating investments. Operating investments decreased by $20.8 million primarily due to a $21.0 million decrease in time certificates of deposits (“TCDs”), which were used to fund construction, repairs and maintenance and payroll in the current year. Total current assets decreased by $40.3 million, or 7.1 percent, at June 30, 2013 compared to June 30, 2012, primarily due to decreases in operating investments offset by increases in cash and cash equivalents and accounts receivable. Operating investments decreased by $93.9 million primarily due to a decrease of $68 million in time certificates of deposit (“TCDs”), which were used to fund construction, repairs and maintenance and payroll. Increases in accounts receivable of $18.5 million were primarily due to timing of collections of Federal accounts receivable.

- Current liabilities consist primarily of accounts payable, accrued payroll and fringe benefits, advances from sponsors and deferred revenue. Current liabilities also include amounts due to the State of Hawai‘i, the current portion of long-term liabilities and other current liabilities. Total current liabilities were $263.6 million, $269.8 million and $290.2 million at June 30, 2014, 2013 and 2012, respectively. Total current liabilities decreased by $6.2 million, or 2.3 percent, at June 30, 2014 compared to June 30, 2013, and by $20.5 million, or 7.1 percent, at June 30, 2013 compared to June 30, 2012, primarily due to decreases in accounts payable.

Endowment and Other Investments

The University’s endowment and other investments, including endowments held with the Foundation, increased by $31.3 million to $499.5 million at June 30, 2014 and decreased by $58.5 million to $468.1 million at June 30, 2013. Endowments and other investments held with the Foundation amounted to $365.8 million at June 30, 2014 and $311.8 million at June 30, 2013. The fiscal year 2014 increase was primarily due to an increase in the fair value of investments.

In fiscal year 2012, the University’s auction rate securities portfolio decreased by $22.9 million due to redemptions at par value, in accordance and under the terms of the agreement with Citigroup Global Markets Inc. In July 2012, the University fully liquidated the remaining $25.5 million auction rate securities portfolio, at par.

The University’s endowment funds consist of both permanent endowments and funds functioning as endowments (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 academic and research programs by generating a predictable stream of annual support for current needs, while preserving the purchasing power of the endowment funds for future periods.

The University’s spending rate policy is to limit 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 years 2014 and 2013, the University instituted a 4.5 percent distribution rate on restricted and unrestricted endowments. The total restricted and unrestricted distributions available to the University amounted to $2.4 million and $2.3 million in fiscal years 2014 and 2013.

Capital and Debt Activities

The University’s capital assets are separated into seven categories: land, buildings, infrastructure, land improvements, equipment, library materials, and construction in progress. At June 30, 2014, 2013 and 2012, total capital assets, net of accumulated depreciation amounted to $2.1 billion, $2.0 billion and $1.8 billion, respectively, which represented 60 percent, 60 percent and 54 percent, respectively, of the University’s total assets. Capital asset additions totaled $186.5 million, $313.7 million and $416.8 million in fiscal years 2014, 2013 and 2012, respectively, while depreciable capital asset disposals, net of accumulated depreciation, amounted to $32.3 million, $6.8 million and $15.6 million, respectively. The decrease of the additions was due to the completion of many strategic capital projects. In fiscal year 2014, the University transferred $19 million capital asset to the State and Federal governments.

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 years 2014, 2013 and 2012 or in progress as of June 30, 2014, 2013 and 2012 included:

- **University of Hawai‘i at West O‘ahu** (“UH-West O‘ahu”) - The new $177 million UH-West O‘ahu Kapolei campus opened to over 2,000 students on August 20, 2012. The current campus consists of approximately 220,000 square feet of building floor area, which includes a state-of-the-art high-tech classroom building, laboratory building, campus center, library and resource center, and maintenance and mechanical plant building. The architectural design of the new campus incorporates the latest trends in environmental sustainability and achieved LEED gold certification. The construction of the entire campus and adjacent business and retail community will span several decades. When completed, UH-West O‘ahu will accommodate 7,600 students and 1,000 faculty and staff.

- **University of Hawai‘i Cancer Center** – Construction of the 156,000 square foot building for the University of Hawai‘i Cancer Center was completed in September 2012. The $120 million center that is part of the University of Hawai‘i at Mānoa, is adjacent to the UH Mānoa John A Burns School of Medicine in Kaka‘ako. Under a partnership agreement with The Queen’s Medical Center, Hawai‘i Pacific Health, and Kuakini Health Systems, the center will lead research efforts, including clinical trials while the hospitals continue to deliver care to patients, making use of the latest research. The UH Cancer Center is one of 65 National Cancer Institute centers across the United States, a designation that brings grant funding needed to further research in epidemiology, natural products and cancer biology, and prevention and control of carcinogenesis.

- **University of Hawaiʻi at Mānoa Center for Life Science Research and Teaching** – This $55 million project includes the renovation of Edmondson Hall for the Biology department, Snyder Hall for the Microbiology department, and a new building with stairs and elevators that will be used by both Edmondson and Snyder. The renovation of Edmondson Hall was completed on July 10, 2013. Edmonson Hall's first two floors consist of biology laboratories, while floors three and four are for graduate and faculty research.

- **University of Hawaiʻi Information Technology Center** – The $52.4 million Information Technology Center was completed on December 16, 2013. The building is six stories high with approximately 74,000 square feet of floor space and has received a LEED silver certification. The Information Technology Center is equipped with an emergency situation room, meeting and training rooms, and houses the entire system-wide Information Technology department.

- **University of Hawaiʻi at Mānoa Campus Center Renovations and Expansion Project** – The $46 million project was completed on April 11, 2014. It includes the addition of the two-story Warrior Recreation Center along with renovations to Campus Center and Hemenway Hall. The Warrior Recreation Center includes an indoor track, a fitness center, locker rooms, and a multi-purpose gymnasium. Renovations to Campus Center include the addition of Starbucks Coffee, an outdoor seating area, improvements to the central air conditioning system, and a new store-front for the University of Hawaiʻi Bookstore.

- **Community College Energy Conservation Project** – The $40 million project taking place on the University of Hawaiʻi Community College campuses statewide is designed to reduce electricity and water consumption. The Community Colleges will also incorporate photovoltaic energy systems on each campus through new projects, such as ʻIke Leʻa (UHMC), Hale Aloha (Hawaiʻi CC), and Hale Laʻakea (WCC). Other components of the project include solar water heaters, energy efficient HVAC and lighting systems, and electric car charging stations.

- **University of Hawaiʻi at Hilo's University Village** – Hale ʻAlohonua, the first phase of the University of Hawaiʻi at Hilo's University Village project was completed on August 19, 2013. The $33.8 million, 105,505 square foot residence hall is located across the main campus of the University of Hawaiʻi at Hilo's entrance on Kawili Street. The facility is made up of three, three-story walk-ups and a student life common area where the students will be able to cook, do their laundry, and study.

- **Hawaiʻi Community College Pālamanui Campus** – The groundbreaking ceremony for the $25 million Hawaiʻi Community College Pālamanui Campus took place on May 28, 2013. The community of Pālamanui, "A Place of Enlightenment", will consist of parks, a University Village Town Center, a University Inn, and placed in the middle will be the Hawaiʻi Community College Pālamanui Campus. The first phase includes a 24,000 square foot structure with classrooms, science labs, library, and culinary arts kitchens, which will be powered by a large photovoltaic system.

- **Ka Haka ʻUla o Keʻelikolani College of Hawaiian Language** – Hale ʻOlelo, the $24.4 million College of Hawaiian Language facilities on the University of Hawaiʻi at Hilo campus was completed on January 11, 2014. The featured space for this 36,800 square foot educational facility is a 200-seat performing arts room with enhanced acoustics and includes a custom retractable lighting system (Haka) and a 36-foot high ceiling. Other notable spaces include a distance learning center designed to support remote classroom instruction and video conferences as well as a library and archives collection for extremely rare printed and audio records.

- **University of Hawai‘i at Hilo Student Services** – The new $22 million three-story, 35,000 square foot Student Services building was placed into service in May 2014. Students will now be able to attend to their financial, registration and counseling needs in one central location. The project included photovoltaic panels for the Library, College of Business Economics, Performing Arts Center, and the Student Services Buildings.

- **University of Hawai‘i at Mānoa Gartley Hall Renovation** – The blessing for the recently renovated University of Hawai‘i at Mānoa Gartley Hall took place on November 6, 2014. Gartley Hall is the second oldest building on the Mānoa campus and is home to the School of Social Work. The $17.7 million renovation corrected structural issues in the building, preserved the historic features of the building, and installed photovoltaic panels for energy efficiency.

- **Leeward Community College Ka ‘Imi ‘Ike** – The dedication ceremony of the $16.6 million Leeward Community College education building Ka ‘Imi ‘Ike (The Search for Knowledge) was held on August 22, 2014. The 24,000 square foot teacher education building includes classrooms, a lecture hall, offices, a resource center, and meeting spaces. Ka ‘Imi ‘Ike is energy efficient, utilizing large windows for natural sunlight, photovoltaic panels, and a hybrid air-conditioning unit.

- **Clarence T.C. Ching Athletics Complex** – The $16 million Clarence T.C. Ching Athletics Complex was completed on August 31, 2014. The three-story facility includes grandstand seating for 2,500 people and offices and locker rooms for women's soccer, cross country, track and field, and sand volleyball. Adjacent to the grandstand seating is a sand volleyball court with bleacher style seating.

General obligation bonds have also been issued by the State of Hawai‘i that included financing for University projects. These bonds are carried as liabilities of the State. In fiscal year 2014, 2013 and 2012, the State appropriated funds directly to the Department of Budget and Finance to pay for debt service on general obligation bonds issued for the University. As a result, the University itself received no appropriations and made no transfers for debt service on general obligation bonds for these fiscal years. In fiscal year 2014, 2013 and 2012, $101.0 million, $97.8 million and $82.5 million was appropriated in each year, respectively.

The University also uses revenue bond financing for major capital projects. In February 2012, the University issued $8.6 million in Series 2012A(R) revenue bonds to constructively retire $9.0 million of the outstanding Series 2001B revenue bonds. The proceeds of the Series 2012A(R) revenue bonds were deposited into a trust account with an escrow agent to fully defease the outstanding principal of the Series 2001B bonds. The defeasance resulted in an accounting gain of $0.9 million and an immaterial economic loss (difference between the present values of the debt service payments on the old and new debt).

In October 2010, the University issued $292.7 million in Series 2010A-1 ($111.3 million), 2010A-2 ($27.4 million), 2010B-1 ($127.5 million), and 2010B-2 ($26.6 million) bonds (collectively, the "Series 2010 Bonds") for the purpose of financing the costs of certain University projects. The Series 2010A-1 and Series 2010B-1 bonds are designated as "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009. These University projects include the construction and maintenance of the University's Cancer Center, renovations and additions to the Mānoa Campus Center, construction and equipment for an Information Technology Building, renovations to the Sinclair Library basement on the Mānoa campus, further development of the UH-West O‘ahu Kapolei campus, various energy conservation/efficiency projects on the community college campuses on O‘ahu, Kaua‘i and Maui, land acquisition for the Leeward Community College Wai‘anae Education Center, construction of the Kapi‘olani Community College Culinary Institute of the Pacific, and renovation of the observatory for the Panoramic Survey Telescope & Rapid Response System 2 telescope. The Series 2010 revenue bonds was assigned municipal bond ratings of "A+", "Aa3", and "AA-" by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively. The interest rates for the Series 2010 Bonds range from 2.50% – 6.03% (first interest payment due on April 1, 2011) and mature on October 1, 2030 and 2040.

At June 30, 2014, 2013 and 2012, revenue bonds payable amounted to $593.9 million, $608.7 million and $622.9 million, respectively. Debt service in fiscal year 2014 amounted to $45.2 million, consisting of $14.7 million of principal and $30.5 million of interest. Debt service in fiscal year 2013 amounted to $45.2 million, consisting of $14.2 million of principal and $31.0 million of interest. Debt service in fiscal year 2012 amounted to $45.1 million, consisting of $13.8 million of principal and $31.3 million of interest. Principal reductions during fiscal year 2014, 2013 and 2012 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. 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. While all unrestricted revenues of the University, excluding those revenues pledged under the University Bond System, 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 $9.9 million in fiscal years 2014, 2013 and 2012 to cover the debt service due.

On May 4, 2012, the University entered into a five-year, unsecured loan agreement (“Note) with Hawaii Regional Center LP III (“Lender”) for a commitment amount not to exceed $18,000, subject to certain limitations. The proceeds were used to facilitate and fund construction of the UH-West O‘ahu campus located in Kapolei, Hawai‘i.

The Note bears interest at the rate of 1.5% per annum, which is due and payable semi-annually to the Lender on January 1 and July 1 each year until the Note has been paid in full. Under the terms of the Note, repayment each fiscal year is limited and subject to specific appropriations by the State to make such payments. The Note matures on July 16, 2017, at which time the unpaid principal will be due. As of June 30, 2014, $17,000 remains outstanding.

Net Position

Net position represents the residual interest in the University’s assets after liabilities are deducted. At June 30, 2014, 2013 and 2012, total net position amounted to $2 billion, $1.9 billion and $2 billion, respectively. Net position is reported in four major categories: net investment in capital assets, restricted nonexpendable, restricted expendable and unrestricted.

Net investment 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 $1.5 billion, $1.5 billion and $1.3 billion at June 30, 2014, 2013 and 2012, respectively. The $37.4 million increase in fiscal year 2014, as compared to fiscal year 2013, was primarily attributable to $186.5 million of capital asset additions, offset by $109.5 million of depreciation expense, $32.3 million in net disposals, and $15.3 million decrease in related debt. The $145.9 million increase in fiscal year 2013, as compared to fiscal year 2012, was primarily attributable to $313.7 million of capital asset additions, offset by $106.6 million of depreciation expense, $6.8 million in net disposals, and $14.7 million decrease in related debt.

Restricted nonexpendable net position primarily represents the University's and Foundation's permanent endowment funds, which are required to be maintained in perpetuity, amounted to $218.1 million, $207.3 million and $191.5 million at June 30, 2014, 2013 and 2012, respectively. The increases of $10.8 million and $15.8 million in fiscal years 2014 and 2013, respectively, were primarily attributable to new permanent endowment gifts received.

Restricted expendable net position is subject to externally imposed restrictions governing their use. Net position was restricted for the following purposes at June 30, 2014, 2013 and 2012 (in thousands):

	2014	2013	2012
Plant facilities	$ 310,195	$ 304,397	$ 375,821
Donor-restricted activities	234,200	178,018	157,600
Loan activities	41,172	35,353	25,020
External sponsor activities	12,502	12,362	15,903
	$ 598,070	$ 530,130	$ 574,344

In fiscal year 2014, the overall increase of $67.9 million in restricted expendable net position was primarily attributable to an increase of approximately $56.2 million in donor-restricted activities, which was a direct result of an increase in donations received through the Foundation. In fiscal year 2013, the overall decrease of $44.2 million in restricted expendable net position was primarily attributable to a decrease of approximately $71.4 million in plant facilities, which is a direct result of the decrease in unspent capital appropriations.

Net position that is not subject to externally imposed restrictions governing their use is classified as unrestricted for financial reporting purposes. At June 30, 2014, 2013 and 2012, unrestricted net position amounted to deficits of $374.3 million, $282.8 million and $131.1 million, respectively. Although unrestricted net position is not subject to externally imposed restrictions, all of the University's unrestricted net position has been internally designated for various academic and research programs and initiatives, contractual commitments, and capital projects. In addition, unrestricted net position of $46.7 million, $36.0 million and $31.1 million were designated for endowment activities at June 30, 2014, 2013 and 2012, respectively.

The reduction in unrestricted net position for the fiscal years ended June 30, 2014, 2013 and 2012 is primarily attributable to the University's required accounting and recognition for the University's allocated share of the State of Hawai‘i actuarial determined total other post-employment benefits ("OPEB") liability. Similar to other state and local governments, the State of Hawai‘i ("State") plan has been paid on a "pay as you go" basis, which resulted in the OPEB liability growing substantially each year. As a result, despite total assets of the University growing each year, unrestricted net position continues to decline due to recognition of the OPEB liability. The University's share of the OPEB liability as of June 30, 2014, 2013 and 2012 was $579.2 million, $514.4 million and $413.5 million, respectively. Annual required OPEB contribution payments, on a "pay as you go" basis, towards this liability were paid directly by the State Department of Budget and Finance from its general fund appropriation and not out of the University's operating budget appropriation. The University makes contributions 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 University employees' actual salaries.

Results of Operations

The Consolidated Statements of Revenues, Expenses and Changes in Net Position are 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, 2014, 2013 and 2012, summarized to match revenues supporting core activities with expenses associated with core activities, are as follows (in thousands of dollars):

	2014		2013		2012		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	FY 14 vs 13 Change	FY 13 vs 12 Change
Revenues								
Operating								
Tuition and fees	$ 377,550	27.4%	$ 362,175	27.8%	$ 349,421	27.5%	$ 15,375	$ 12,754
Less: Scholarship allowances	(129,173)	-9.3%	(120,364)	-9.2%	(112,350)	-8.8%	(8,809)	(8,014)
Grants and contracts	427,056	30.8%	414,793	31.9%	409,974	32.3%	12,263	4,819
Sales and services	130,879	9.5%	133,211	10.2%	136,899	10.8%	(2,332)	(3,688)
Other revenue	2,935	0.2%	2,989	0.2%	3,107	0.3%	(54)	(118)
Total operating revenues	809,247	58.7%	792,804	60.9%	787,051	62.1%	16,443	5,753
Non-operating								
State appropriations	391,266	28.3%	374,280	28.7%	375,754	29.5%	16,986	(1,474)
Federal Pell grant	67,265	4.9%	67,826	5.2%	66,257	5.2%	(561)	1,569
Net investment income (expense)	51,520	3.7%	32,206	2.5%	1,272	0.1%	19,314	30,934
Private gifts	61,127	4.5%	35,206	2.7%	40,031	3.1%	25,921	(4,825)
Total non-operating revenues	571,178	41.5%	509,518	39.1%	483,314	37.9%	61,660	26,204
Total revenues supporting core activities	1,380,425	100.0%	1,302,322	100.0%	1,270,365	100.0%	78,103	31,957
Expenses								
Operating								
Compensation and benefits	1,070,419	71.0%	1,049,129	70.3%	1,027,243	70.9%	21,290	21,886
Supplies, services and cost of goods sold	238,687	15.8%	243,893	16.3%	235,678	16.3%	(5,206)	8,215
Telecom and utilities	79,860	5.3%	79,787	5.4%	80,852	5.6%	73	(1,065)
Scholarships and fellowships	50,835	3.4%	51,414	3.4%	51,760	3.6%	(579)	(346)
Other expense	110,597	7.3%	110,928	7.4%	117,922	8.1%	(331)	(6,994)
Total operating expenses	1,550,398	102.8%	1,535,151	102.9%	1,513,455	104.5%	15,247	21,696
Non-operating (revenues) expenses								
Transfers (from) to State, net	(183,460)	-12.2%	(172,757)	-11.6%	(179,495)	-12.4%	(10,703)	6,738
Transfers (from) to Federal – capital assets	4,156	0.3%	-	0.0%	-	0.0%	4,156	-
Interest expense	26,690	1.8%	23,452	1.6%	22,500	1.6%	3,238	952
Total non-operating (revenues) expenses	(152,614)	-10.0%	(149,305)	-9.8%	(156,995)	-10.8%	(3,309)	7,690
Expenses associated with core activities before depreciation	1,397,784	-	1,385,846	-	1,356,460	-	11,938	29,386
Income (loss) from core activities before depreciation	(17,359)	-	(83,524)	-	(86,095)	-	66,165	2,571
Depreciation	109,458	7.4%	106,631	7.1%	91,933	6.3%	2,827	14,698
Expenses associated with core activities including depreciation	1,507,242	100.0%	1,492,477	100.1%	1,448,393	100.0%	14,765	44,084
Loss from core activities	(126,817)		(190,155)		(178,028)		$ 63,338	$ (12,127)
Other nonoperating activity								
Capital gifts and grants	146,068		147,772		169,291			
Permanent endowment	9,502		14,670		8,754			
Other revenue (expenses) net	(4,124)		(6,584)		(13,539)			
Other nonoperating income, net	151,446		155,858		164,506			
Increase (decrease) in net position	24,629		(34,297)		(13,522)			
Net position								
Beginning of year	1,936,897		1,971,194		1,984,716			
End of year	$ 1,961,526		$ 1,936,897		$ 1,971,194			

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 under-graduate 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 and faculty housing, food services, parking and athletics.

Tuition and fees revenue, net of scholarship allowances, increased by $6.6 million, or 2.7 percent, to $248.4 million in fiscal year 2014, and increased by $4.7 million, or 2.0 percent, to $241.8 million in fiscal year 2013. Scholarship allowances amounted to $129.2 million, $120.4 million and $112.4 million in fiscal years 2014, 2013 and 2012, respectively. For fiscal year 2014 and 2013, the increase in tuition and fees revenue and scholarship allowances are primarily attributable to increase in tuition and fee rate increases.

Revenues from federal, state and local grants and contracts and nongovernmental sponsored programs increased by $12.3 million, or 3.0 percent to $427.1 million in fiscal year 2014, and increased by $4.8 million, or 1.2 percent to $414.8 million in fiscal year 2013. The fiscal year 2014 net increase was attributable to a $4.4 million increase in federal grants and contracts, a net increase of $6.8 million in nongovernmental sponsored programs and a $1.1 million increase in state and local grants. The fiscal year 2013 net increase was attributable to a $0.8 million decrease in federal grants and contracts, a net decrease of $2.0 million in nongovernmental sponsored programs and offset by a $7.6 million increase in state and local grants.

Sales and services revenues, which are mainly comprised of bookstores, student and faculty housing, food services, parking and athletics, decreased by $2.3 million, or 1.8 percent, to $130.9 million in fiscal year 2014, and decreased by $3.7 million, or 2.7 percent, to $133.2 million in fiscal year 2013.

General state appropriations increased by $17.0 million, or 5 percent, to $391.3 million in fiscal year 2014 and decreased by $1.5 million, or 0.4 percent, to $374.3 million in fiscal year 2013. The decrease in fiscal year 2013 was mainly attributable to a decrease of $8.8 million in the University's general funds from legislative appropriations and gubernational restrictions offset by a $7.0 million reduction in executive restrictions.

The University's net investment income for fiscal year 2014, as compared to fiscal year 2013, increased by $19.3 million, resulting in net investment income of $51.5 million. The fiscal year 2014 increase was mainly due to the increase in realized gain of $17.0 million. The University's net investment income for fiscal year 2013, as compared to fiscal year 2012, increased by $30.9 million, resulting in net investment income of $32.2 million. The fiscal year 2013 increase was mainly due to the change in unrealized gain of $31.6 million.

The components of net investment income for the years ended June 30, 2014, 2013 and 2012 were as follows (in thousands):

				Increase (Decrease)	
	2014	**2013**	**2012**	**FY 14-13 Change**	**FY 13-12 Change**
Interest and dividend income	$ 7,621	$ 9,011	$ 9,408	$ (1,390)	$ (397)
Net realized gains (losses)	21,904	4,878	7,052	17,026	(2,174)
Net unrealized gains (losses)	22,826	19,102	(12,494)	3,724	31,596
Other, net	(831)	(785)	(2,694)	(46)	1,909
	$ 51,520	$ 32,206	$ 1,272	$ 19,314	$ 30,934

Private gifts, most of which are restricted as to use, increased by $25.9 million, or 74 percent, to $61.1 million in fiscal year 2014 when compared to $35.2 million in fiscal year 2013. The fiscal year 2014 increase was primarily attributable to an increase in unrealized gains. Private gifts, most of which are restricted as to use, decreased by $4.8 million, or 12.0 percent, to $35.2 million in fiscal year 2013 when compared to $40.0 million in fiscal year 2012. The fiscal year 2013 decrease was primarily attributable to a decrease in unrealized gains. 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 University is committed to recruiting and retaining outstanding faculty and staff, and providing compensation equivalent to peer institutions and nonacademic employers. Of the University’s operating expenses, approximately 69.0 percent during fiscal year 2014, 68.3 percent during fiscal year 2013, and 67.9 percent during fiscal year 2012 were related to compensation and benefits.

Compensation and benefits increased by $21.3 million, or 2.0 percent, to $1,070.4 million in fiscal year 2014 as compared to fiscal year 2013, and increased by $21.9 million, or 2.1 percent, to $1,049.1 million in fiscal year 2013 as compared to fiscal year 2012.

This fiscal year 2014 increase was attributable to three factors: pay increases and an increase in the number of employees offset by a decrease of postretirment health and life insurance benefits during the year. The University recognized $106.8 million, $142.6 million and $136.1 million related to postretirement health and life insurance benefits in fiscal year 2014, 2013 and 2012, respectively. The decrease was due to enacted Act 268, SLH 2013 during the 2013 legislative session. The Act requires the State and the University to establish a phased annual contribution schedule starting in fiscal year 2015 to fully fund the Annual Required Contribution as determined by an actuary within 30 years. As a result, the discount rate used to calculate the liability has changed from 4% to 7%, which resulted in a lower cost in fiscal year 2014.

Supplies, services and cost of goods sold expense includes service fees, printing and binding, advertising, dues and subscriptions, controlled property acquisitions, cost of goods sold for resale items and other miscellaneous operating costs. In fiscal year 2014, such expenses decreased by $5.2 million, or 2.1 percent, to $238.7 million as compared to fiscal year 2013. In fiscal year 2013, such expenses increased by $8.2 million, or 3.5 percent, to $243.9 million as compared to fiscal year 2012. The increase was primarily attributable to increases in other services and supplies and materials, offset by decreases in cost of goods sold for resale items and non-capital asset acquisitions.

The University is committed to providing affordable yet quality education to its students. To accomplish this goal, student aid is provided in the form of scholarships and fellowships, including tuition and fee waivers applied to student accounts and reflected as reductions and allowances to student tuition and student housing revenues, and scholarship and fellowship payments (mostly academic and athletic) made directly to students. Total aid to students increased by $8.2 million, or 4.8 percent, to $180.0 million in fiscal year 2014 as compared to the prior fiscal year 2013. Total aid to students increased by $7.7 million, or 4.7 percent, to $171.8 million in fiscal year 2013 as compared to the prior fiscal year 2012. Increases are consistent and in line with increased enrollment and with scheduled tuition increases.

The University depreciates its capital assets over their estimated useful lives using the straight-line method. Depreciation expense increased by $2.8 million, or 2.7 percent, to $109.5 million during fiscal year 2014 as compared to fiscal year 2013, and increased by $14.7 million, or 16.0 percent, to $106.6 million during fiscal year 2013 as compared to fiscal year 2012. The increase in 2014 and 2013 was primarily attributable to building and equipment additions, and reclassifications from construction in progress.

Transfers from State amounted to $183.5 million, $172.8 million and $179.5 million in fiscal year 2014, 2013 and 2012, respectively. Transfers from State were primarily for fringe benefit expenses and the University's Cancer Center cigarette stamp tax collections.

The Cigarette Tax and Tobacco Tax Law, HRS section 245-15, effective July 1, 2006, established the Hawai‘i 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 30, 2007	1.0 cent per cigarette
October 1, 2007 – September 30, 2008	1.5 cents per cigarette
October 1, 2008 – thereafter	2.0 cents per cigarette

Other Nonoperating Activities

Revenues from other nonoperating activities are generally 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 and state capital appropriations and transfers may only be used for the purchase or construction of specified capital assets. While additions to permanent endowments must be retained in perpetuity, investment earnings thereon may be available in future years to support specified programs.

In fiscal year 2014, capital gifts and grants, including state capital appropriations and transfers, decreased by $1.7 million, or 1.2 percent, to $146.1 million compared to $147.8 million in fiscal year 2013. The State of Hawai‘i capital appropriations increased by $13.8 million, or 10.8 percent to $142.0 million. Other capital gifts and grants during fiscal year 2014 included federal capital grants of $15.9 million and private capital gifts and grants of $5.9 million.

In fiscal year 2013, capital gifts and grants, including state capital appropriations and transfers, decreased by $21.5 million, or 12.7 percent, to $147.8 million compared to $169.3 million in fiscal year 2012. The State of Hawai‘i capital appropriations decreased by $9.2 million, or 6.7 percent to $128.2 million. Other capital gifts and grants during fiscal year 2013 included federal capital grants of $18.5 million and private capital gifts and grants of $1.1 million.

Cash Flows

The Consolidated Statements 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, 2014, 2013 and 2012 are as follows (in thousands):

	2014	2013	2012	FY 14 vs. 13 Change	FY 13 vs. 12 Change
Cash received from operations	$ 799,092	$ 778,370	$ 787,231	$ 20,722	$ (8,861)
Cash payments for operations	(1,314,062)	(1,331,830)	(1,218,760)	17,768	(113,070)
Net cash used in operating activities	(514,970)	(553,460)	(431,529)	38,490	(121,931)
Net cash provided by noncapital financing activities	508,527	501,084	511,811	7,443	(10,727)
Net cash used in capital and related financing activities	(50,446)	(110,101)	(228,103)	59,655	118,002
Net cash provided by investing activities	42,492	185,614	131,679	(143,122)	53,935
Net (decrease) increase in cash	(14,397)	23,137	(16,142)	(37,534)	39,279
Cash					
Beginning of year	78,704	55,567	71,709	23,137	(16,142)
End of year	$ 64,307	$ 78,704	$ 55,567	$ (14,397)	$ 23,137

The University’s cash and cash equivalents decreased by $14.4 million, or 18.3 percent, to $64,307 million at June 30, 2014 from $78.7 million at June 30, 2013. During fiscal year 2014, $515.0 million in cash was used for operating activities, offset by $508.5 million in cash provided by noncapital financing activities. The University’s cash and cash equivalents increased by $23.1 million, or 41.6 percent, to $78.7 million at June 30, 2013 from $55.6 million at June 30, 2012. During fiscal year 2013, $553.5 million in cash was used for operating activities, offset by $501.1 million in cash provided by noncapital financing activities.

Net cash used in capital and related financing activities amounted to $50.4 million, $110.1 million and 228.1 million in fiscal years 2014, 2013 and 2012, respectively.

The $59.7 million decrease in cash used in capital and related financing activities in fiscal year 2014 as compared to fiscal year 2013 was primarily attributable to a decrease in capital asset purchased of $120.6 million, offset by a decrease in capital appropriations of $54.9 million and proceeds from notes payable. The $118.0 million decrease in cash used in capital and related financing activities in fiscal year 2013 as compared to fiscal year 2012 was primarily attributable to an increase in capital appropriations of $26.1 million and a decrease in capital asset purchases of $88.5 million.

Looking Forward

The University of Hawaii plays a vital role for the State of Hawaii as its sole provider of public higher education institution. Looking toward the future, the state economy continues to improve. The visitor and construction industries are growing, and the unemployment rate has declined to 4.2% in September 2014. While caution is being exercised in light of federal program cutbacks as well as realignment of research and development funding to improve health care and expanding coverage through the Affordable Care Act and international economic uncertainties, management believes that the University is positioned to maintain its financial condition and level of service to students, the research community, and the State of Hawai‘i.

Enrollment and Tuition

System-wide enrollment decreased slightly with 57,052 students in fall 2014 as compared to 58,941 in the prior year, as the State’s improving economy continues to provide employment opportunities. On October 26, 2011, the University’s Board of Regents approved a new tuition increase schedule for Fall 2012 through Spring 2017 following its increase schedule for the previous six years. This new schedule continues to provide stability and predictability for the University and its students while preserving affordability and access as the sole provider of public higher education in the State of Hawai‘i. The continued implementation of this schedule is under continuing review by the Board of Regents.

Extramural Funds

Funding profile uncertainties with sponsored agencies, federal sequestration and the realignment of research and development (“R&D”) funding priorities have impacted the research community nationwide. Fiscal year 2014 extramural awards closed at $392 million, which represents a four percent reduction from $409 million in fiscal year 2013. However, the University made significant progress in diversifying the funding stream and received a $40 million award from the Simons Foundation, the largest private foundation gift the University has received. In addition, the University launched its first proof of concept center, XLR8UH, to create new funding opportunities and position the University’s research enterprise to further the State of Hawaii’s economy.

Facilities and Infrastructure

The University has a strong commitment to its core facilities and infrastructure. In the past two years, the University completed a number of major and critical projects: a new campus at West O‘ahu, an innovative Cancer Research Center, an Information Technology building that serves all 10 campuses, and new buildings at the Hilo campus, Maui College and Windward Community College. The State of Hawaii legislature continues its strong support to the University’s capital improvements and provided general obligation bond appropriations for capital improvement projects for the 2013–2015 and 2011–2013 fiscal biennia of approximately $347 million and $276 million, respectively.

Fundraising

The University launched a seven-year $500 million fundraising campaign and began its “quiet phase” on July 1, 2011. Since the launch of the campaign, the University has consistently exceeded its fundraising goals. In fiscal year 2014, the University raised $98.6 million as compared to $66.3 million in fiscal year 2013 and $66.9 million in fiscal year 2012.

State General Fund Appropriations
The Hawaiʻi Governor supported, and the State legislature appropriated, an increase of $24.5 million in general funds for the University System Fiscal Year 2015 operating budget. These funds will be allocated throughout the campuses to fund faculty salary increases that were negotiated through collective bargaining. Future general fund appropriations are dependent upon quarterly State Council on Revenues projections and priorities yet to be articulated by the newly elected Governor and State legislature. The Board of Regents has been working closely with the University leadership in reviewing the Fiscal Year 2015 campus financial operating plans, to include campus operating reserves to ensure sufficient operating funds for Academic Year 2014–2015, and beyond.

New Campuses
UH-West Oʻahu's new campus in Kapolei opened in the Fall of 2012. Headcount enrollment has increased in Fall 2014, 2013 and 2012 by 12.7%, 18.2% and 20.2%, respectively, over the previous year.

The University of Hawaiʻi and the Hawaiʻi Island community broke ground on the long anticipated Hawaiʻi Community College Pālamanui campus in Kona on May 28, 2013. With the opening of UH-West Oʻahu's Kapolei campus, West Hawaiʻi is the only major community without a permanent higher education facility. Pālamanui will be the first permanent, physical University of Hawaiʻi campus in the area. The University continues to pursue its mission to make higher education accessible to all communities in the state.

University of Hawaiʻi 15 to Finish Campaign
UH's Hawaiʻi Graduation Initiative ("HGI") is focused on increasing the number of citizens with a college degree to support a highly skilled workforce and promote the economic vitality of the State.

As part of HGI, the *15 to Finish* initiative encourages students attending or planning to attend the University's 2- or 4-year campuses to take 15 credits per semester to graduate on time in four years for a baccalaureate degree or two years for an associate degree. Across the nation, the norm has been to take 12 credits per semester and one to three additional years to complete a degree. The University of Hawaiʻi was the first university system in the nation to put together a comprehensive strategy to encourage students to take 15 credits. Supported by research showing that students taking 15 credits are likely to perform as well better than students taking fewer than 15 credits, the communications campaign and changes in individual campus procedures have made a significant difference. The overall strategy has been endorsed by Complete College America and adopted by 15 other states.

Overall, the percentage of first-time freshmen taking 15 or more credits at the UH four-year campuses (UH Mānoa, UH Hilo and UH West Oʻahu) has increased from 36.4% to 55.5% since the *15 to Finish* initiative began.

The percentage of first-time freshmen at the UH four-year campuses taking 30 or more credits in the academic year (including the spring semester and summer session) has increased from 44.1% to 59.9%: UH Mānoa: 47.2% to 67.7%; UH Hilo: 37.7% to 44.6%; UH West Oʻahu: 15.0% to 32.6%. Taking 30 credits per academic year accomplishes the same objective as 15 credits in the fall and spring semesters.

The percentage of first-time freshmen at the UH Community Colleges taking 15 or more credits, although low compared to the UH four-year campuses, has nearly doubled, from 7.5% before the initiative began to 13.0% in fall 2014. The most remarkable change has occurred at Windward CC, where the percentage has increased from 3.7% to over 22%.

At UH Mānoa, where the campus instituted a Premier Registration process that gives freshmen the option to register early with a pre-selected schedule of 15 credits, the most remarkable change has occurred. The percentage of first-time freshmen at UH Mānoa taking 15 or more credits increased in Fall 2014 to 63.2%. This figure compares to an average of 37.5% for the combined Fall 2009 to Fall 2011 cohorts, before the *15 to Finish* initiative began in fall 2012.

Hawaiʻi Innovation Initiative
The University of Hawaiʻi is working in partnership with community and business groups to build the state's research industry through the Hawaiʻi Innovation Initiative. The goal is to build a $1 billion research enterprise in Hawaiʻi. The university, in partnership with the business community, plans to create innovation clusters that link fundamental scientific discovery with applied research and economic development. The university will also provide the training required for technological innovation and economic development to enable Hawaiʻi's citizens to lead and participate in this sector. The Hawaiʻi Innovation Initiative will focus on the following hubs: astronomy, ocean sciences, health sciences and wellness, data intensive sciences and engineering, agriculture, and sustainability sciences including energy.

Impact of the University on the State of Hawaiʻi's Economy
In fiscal year 2012, student spending; state and federal government-funded University spending for goods and services; out-of-state visitor spending; and University-related expenditures totaled $2.32 billion, $1.84 billion of which was spent locally. Together with additional indirect and induced benefits from these activities, the University had a total impact of $3.61 billion on Hawaiʻi's economy.[1]

Overall, the $1.84 billion of local education related expenditures attributable to the University generated $3.61 billion in local business sales, $1.1 billion in employee earnings, $194 million in state tax revenues, and nearly 30,000 jobs in Hawaiʻi in fiscal year 2012. This represented approximately 4.8% of total (non-farm) jobs, 3.6% of worker earnings, and 3.2% of total state tax revenues in the economy of Hawaiʻi.

The University represents about 4.0% of Hawaiʻi GDP (estimated). By comparison, in 2011, retail trade's contribution to Hawaiʻi GDP was 6.9%; construction, 5.6%; the health care industry, 6.7%; hotels and other accommodations and food services, 8.1%; utilities, 2.3%; and agriculture, 0.7%. The University of Hawaiʻi system is a major economic sector in Hawaiʻi, and due to the significant proportion of spending on research, is expected to play an even larger role as the Hawaiʻi Innovation Initiative progresses.

[1] **Source:** http://www.uhero.hawaii.edu/assets/UHSystemImpactReport-Public.pdf

University of Hawai‘i
State of Hawai‘i
Consolidated Statements of Net Position
June 30, 2014 and 2013
(All dollars reported in thousands)

	2014	2013
Assets and Deferred Outflows of Resources		
Current assets		
Cash and cash equivalents	$ 64,307	$ 78,704
Operating investments	278,046	298,841
Due from State of Hawai‘i	924	329
Accounts receivable, net	89,301	96,109
Current portion of notes and contributions receivable, net	17,788	15,266
Accrued interest receivable	450	680
Inventories	11,608	12,288
Prepaid expenses and other current assets	11,989	24,013
Total current assets	474,413	526,230
Noncurrent assets		
Due from State of Hawai‘i	349,084	338,108
Endowment and other investments	499,460	468,120
Notes and contributions receivable, net	52,116	24,637
Capital assets, net	2,071,850	2,027,120
Other noncurrent assets	17,703	16,439
Total noncurrent assets	2,990,213	2,874,424
Total assets	3,464,626	3,400,654
Deferred outflows of resources		
Deferred loss on refunding	5,576	5,883
Total deferred outflows of resources	5,576	5,883
Total assets and deferred outflows of resources	$ 3,470,202	$ 3,406,537
Liabilities and Net Position		
Current liabilities		
Accounts payable	$ 71,078	$ 76,431
Accrued payroll and fringe benefits	57,496	54,835
Advances from sponsors	26,636	35,202
Unearned revenue	44,010	38,497
Due to State of Hawai‘i	6,272	6,303
Current portion of long-term liabilities	49,186	47,369
Other current liabilities	8,905	11,117
Total current liabilities	263,583	269,754
Noncurrent liabilities		
Accrued vacation	44,341	43,550
Accrued workers’ compensation	8,918	9,277
Other postemployment benefits	579,196	514,364
Due to State of Hawai‘i	380	555
Revenue bonds payable	578,585	593,930
Premium on bonds payable	3,802	4,696
Note payable	17,000	16,500
Other noncurrent liabilities	12,871	17,014
Total noncurrent liabilities	1,245,093	1,199,886
Total liabilities	1,508,676	1,469,640
Commitments and contingencies		
Net position		
Net investment in capital assets	1,519,669	1,482,274
Restricted		
Nonexpendable	218,133	207,338
Expendable	598,070	530,130
Unrestricted	(374,346)	(282,845)
Total net position	1,961,526	1,936,897
Total liabilities and net position	$ 3,470,202	$ 3,406,537

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 Position
Years Ended June 30, 2014 and 2013
(All dollars reported in thousands)

	2014	2013
Operating revenues		
Student tuition and fees	$ 377,550	$ 362,175
Less: Scholarship allowances	129,173	120,364
Net student tuition and fees	248,377	241,811
Federal appropriations, grants and contracts	357,185	352,805
State and local grants and contracts	30,072	28,946
Nongovernmental sponsored programs	39,799	33,042
Sales and services of educational departments, other	32,943	39,074
Auxiliary enterprises		
Bookstores	23,638	25,097
Student housing (net of scholarship allowances of $1,503 and $1,996)	29,644	26,438
Other auxiliary enterprises revenues	44,654	42,602
Other operating revenues	2,935	2,989
Total operating revenues	809,247	792,804
Operating expenses		
Compensation and benefits	1,070,419	1,049,129
Supplies, services and cost of goods sold	238,687	243,893
Depreciation	109,458	106,631
Telephone and utilities	79,860	79,787
Scholarships and fellowships	50,835	51,414
Travel expenses	33,279	33,648
Repairs and maintenance	26,907	24,597
Rental expenses	13,043	14,096
Other operating expenses	37,368	38,587
Total operating expenses	1,659,856	1,641,782
Operating loss	(850,609)	(848,978)
Nonoperating revenues (expenses)		
State appropriations	391,266	374,280
Federal Pell grants	67,265	67,826
Private gifts	61,127	35,206
Net investment income	51,520	32,206
Interest expense	(26,690)	(23,452)
Net transfers from (to) State of Hawai‘i for		
Fringe benefits	153,919	142,859
Tobacco settlement	2,644	2,736
Interest on Tobacco settlement	(5)	(10)
Hawaii Barrel Tax	201	2,776
School of Nursing	983	88
University of Hawai‘i Cancer Center	7,893	6,657
Loss on disposal of capital assets	(4,486)	(6,845)
Other, net	362	261
Net nonoperating revenues before capital and endowment additions (deductions)	705,999	634,588
Capital – state appropriations	142,029	128,186
Capital – federal grants/subsidies	15,865	18,528
Capital – gifts and grants	5,901	1,126
Net transfers to State of Hawai‘i for capital assets	(17,727)	(68)
Transfers from State of Hawai‘i, Tobacco settlement	9,926	9,926
Transfers from State of Hawai‘i, University of Hawai‘i Cancer Center	7,899	7,725
Transfers to Federal – capital assets	(4,156)	-
Additions to permanent endowments	9,502	14,670
Total other revenues	169,239	180,093
Net nonoperating revenues	875,238	814,681
Change in net position	24,629	(34,297)
Net position		
Beginning of year (restated)	1,936,897	1,971,194
End of year	$ 1,961,526	$ 1,936,897

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

University of Hawaiʻi
State of Hawaiʻi
Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013
(All dollars reported in thousands)

	2014	2013
Cash flows from operating activities		
Student tuition and fees	$ 247,158	$ 238,851
Grants and contracts	416,854	406,691
Other revenues	135,080	132,828
Payments to employees	(847,053)	(807,843)
Payments to suppliers and other	(416,174)	(472,573)
Payments for scholarships and fellowships	(50,835)	(51,414)
Net cash used in operating activities	(514,970)	(553,460)
Cash flows from noncapital financing activities		
State appropriations	390,671	374,390
Gifts and grants for other than capital purposes	106,180	114,413
Transfer from State of Hawaiʻi for		
Hawaii Barrel Tax	201	2,776
School of Nursing	983	88
Tobacco Settlement	2,644	2,736
University of Hawaiʻi Cancer Center	7,893	6,657
Transfers to State of Hawaiʻi for		
Interest on Tobacco Settlement	(5)	(10)
Other receipts (disbursements)	(40)	34
Net cash provided by noncapital financing activities	508,527	501,084
Cash flows from capital and related financing activities		
Capital appropriations	131,053	185,919
Capital gifts and grants	21,748	17,889
Proceeds from note payable	500	16,500
Purchases of capital assets	(182,112)	(302,717)
Proceeds from sale of capital assets	5,912	-
Principal paid on capital debt	(14,906)	(14,399)
Interest paid on capital debt	(30,466)	(30,944)
Transfer from State of Hawaiʻi, Tobacco settlement	9,926	9,926
Transfer from State of Hawaiʻi, University of Hawaiʻi Cancer Center	7,899	7,725
Net cash used in capital and related financing activities	(50,446)	(110,101)
Cash flows from investing activities		
Interest and dividends on investments, net	7,888	8,743
Proceeds from sales and maturities of investments	1,239,893	1,264,619
Purchase of investments	(1,205,289)	(1,087,748)
Net cash provided by investing activities	42,492	185,614
Net increase (decrease) in cash and cash equivalents	(14,397)	23,137
Cash and cash equivalents		
Beginning of year	78,704	55,567
End of year	$ 64,307	$ 78,704

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, 2014 and 2013
(All dollars reported in thousands)

	2014	2013
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (850,609)	$ (848,978)
Adjustments to reconcile operating loss to net cash used in operating activities		
On behalf payments by State for fringe benefits	153,919	142,859
Depreciation expense	109,458	106,631
Bad debt expense, net	2,651	4,025
Changes in operating assets and liabilities		
Accounts receivable	4,458	(19,550)
Notes and contributions receivable	497	726
Inventories	680	428
Prepaid expenses and other assets	10,097	(13,555)
Accounts payable	(6,063)	(31,690)
Accrued payroll and benefits	4,743	(2,705)
Accrued workers’ compensation liability	(430)	(187)
Advances from sponsors	(8,566)	2,778
Other postemployment benefits	64,832	100,902
Other, net	(637)	4,856
Net cash used in operating activities	$ (514,970)	$ (553,460)
Supplemental information of noncash transactions		
Noncash contributions	$ 1,437	$ 10,263
Net transfers to State of Hawai‘i for capital assets	(17,727)	(68)
Transfers to Federal for capital assets	(4,156)	-
Accounts payable for capital assets	29,963	29,254

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 Hawaiʻi (the "University") include the activities of the University of Hawaiʻi at Mānoa, University of Hawaiʻi at Hilo, University of Hawaiʻi at West Oʻahu, University of Hawaiʻi at Maui College, University of Hawaiʻi 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,* as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. 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 Hawaiʻi (the "Research Corporation") and the University of Hawaiʻi 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 Hawaiʻi, 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 Hawaiʻi Foundation, 2444 Dole Street, Bachman Hall, Room 101, Honolulu, HI 96822.

Similarly, the University is fiscally dependent upon the State of Hawaiʻi (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 ("CAFR").

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.

The Foundation's accounting policies conform to accounting principles generally accepted in the United States ("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 business-type activities of governmental units as promulgated by the GASB.

Cash, Cash Equivalents and Investments
The University considers all cash and investments with original maturities of three months or less to be cash equivalents. The carrying amounts reported in the Consolidated Statements of Net Position for cash equivalents approximate fair value due to the short maturity of these investments.

The University classifies unspent cash, cash equivalents and investments from the issuance of revenue bonds held with an escrow agent and invested until used for the cost of construction as noncurrent assets.

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. Investment agreements, absolute return funds and 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 Position. 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 and Due to 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 remain 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 Hawaiʻi in the accompanying Consolidated Statements of Net Position.

Amounts due to the State of Hawaiʻi are primarily due to operating advances and general obligation bond debt service requirements.

Perpetual Trusts
The Foundation is the beneficiary of certain perpetual trusts held and administered by others. The fair value 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 fair value.

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 (utilizing discount rates ranging from two percent to five percent) 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 uncollectible receivables 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 in excess of two years 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 the gift. Depreciation of capital assets is provided for on a straight-line basis over the estimated useful lives (3 to 100 years) of the respective assets. The University's policy is to capitalize tangible, nonexpendable personal property having an estimated useful life of more than one year. Interest incurred on tax-exempt construction financing, net of investment income on any unspent financing proceeds, is capitalized as a cost of construction. When taxable debt is incurred specifically for a project, interest is capitalized on amounts expended on the project using the weighted-average cost of outstanding borrowings. The capitalization of interest ceases when the project is substantially complete or construction activity is suspended for more than a brief period. The University incurred interest cost of $29,720 and $30,311 for the years ended June 30, 2014 and 2013, respectively, of which capitalized interest as a cost of construction amounted to $3,030 and $6,758, respectively. 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. Maintenance and repairs, as well as minor replacements, renewals and betterments, are charged to operations. Major renewals, replacements and betterments are capitalized in the year incurred. Capital assets retired or otherwise disposed of are removed from the appropriate asset and related accumulated depreciation accounts. Gains and losses on disposals and the net book value of transfers of capital assets are reflected in operations.

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.

Deferred Loss on Refunding
The University defers recognition of the loss on debt refunding related to issuance of its revenue bonds and amortizes these costs over the life of the bonds using the effective interest rate method.

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 Position.

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

Other Postemployment Benefits
The University applies the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which requires accrual-based measurement and 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.

Revenue Bonds Payable
Revenue bonds payable include outstanding amounts due from the issuance of revenue bonds by the University.

Net Position
The University's net position is classified into the following four net position categories:

- **Net investment in capital assets**: This component of net position represents the University's total investment in capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those capital assets.

- **Restricted**:

    - Nonexpendable – Net position subject to externally imposed stipulations that they be maintained permanently by the University, which includes the University's permanent endowment funds.

    - Expendable – Net position that is 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 position not classified as restricted or net investment in capital assets and not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Regents (“Board”) or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic and research programs and initiatives, and capital asset programs.

When an expense is incurred for purposes for which both restricted and unrestricted resources are available to pay the expenses, resources are generally applied proportionate to the benefit realized. For instances in which such a determination is not feasible or if there are cost compliance issues, unrestricted resources are applied first.

Net Position Restricted by Enabling Legislation
GASB Statement No. 46*, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34*, requires that limitations on the use of net position imposed by enabling legislation be reported as restricted net position. 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 position at June 30, 2014 and 2013 amounted to $816,203 and $737,468, respectively, of which $320,398 and $313,750 were restricted by enabling legislation for capital activity.

Operating and Nonoperating Activities
The University’s policies for defining operating activities, as reported on the Consolidated Statements of Revenues, Expenses and Changes in Net Position, are those that generally result from exchange transactions such as payments received for providing services and goods and payments 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.

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 expenses 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.

Management's Estimates
The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. These estimates, among others, include workers' compensation liabilities, postemployment benefit liabilities, allowances for uncollectible receivables, the useful lives of capital assets, the valuation of investments and the current versus noncurrent classification of assets and liabilities.

With respect to workers' compensation insurance, the University is self-insured for the first $500 per occurrence and annual aggregate and obtains excess insurance of $50,000 from a commercial insurance company. The University records a liability for risk financing and insurance related losses if it is determined that a loss has been incurred and the amount can be reasonably estimated. 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 represents the University's best estimate of workers' compensation liabilities based on available information. The University's estimated liability for workers' compensation claims is included in "Other Liabilities" in the accompanying Statements of Net Position (see Note 11).

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

The allowance for uncollectible receivables is a valuation account used to estimate the portion of accounts, notes and contributions receivable that are considered uncollectible.

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

In general, the fair value of investments has been determined using values supplied by independent pricing services.

New Accounting Pronouncements

In 2014, the University adopted GASB Statement No.65, *Items Previously Reported as Assets and Liabilities*. This Statement provides financial reporting guidance for proper classification and recognition of previously reported assets and liabilities as deferred inflows or deferred outflows of resources. Management has adopted the new standard in the University's financial statements. Due to the adoption of GASB Statement No. 65, in fiscal year 2014, the 2013 financial statements were restated. The beginning net position as of July 1, 2013 was restated by approximately $929 from $1,972,123 to $1,971,194.

The GASB issued Statement No. 66, *Technical Corrections – 2012*. The objective of this Statement is to enhance usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The requirements of this Statement are effective for reporting periods beginning after December 15, 2012. This Statement did not have a material effect on the University's financial statements.

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued in June 2012. This Statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2014. The University is currently evaluating this accounting pronouncement.

The GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The Statement amends and addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The requirements of this Statement are effective for reporting periods beginning after June 15, 2014. The University is currently evaluating this accounting pronouncement.

(All dollars reported in thousands)

Reclassifications

Certain amounts in the 2013 consolidated financial statements have been reclassified to conform to the 2014 presentation. Such reclassifications, excluding implementation of GASB 65, had no impact on the 2013 change in net position as previously reported, however did impact operating loss and net nonoperating revenues.

	2013 As Previously Reported	Reclassifications	2013 Revised
Net position			
Net investment in capital assets	$ 1,492,599	$ (10,325)	$ 1,482,274
Restricted – expendable	526,584	3,546	530,130
Unrestricted	(288,796)	5,951	(282,845)
Operating revenues			
Federal appropriations, grants and contracts	420,631	(67,826)	352,805
Sales and services of educational departments, other	54,105	(15,031)	39,074
Auxiliary enterprises			
Bookstores	26,812	(1,715)	25,097
Other auxiliary enterprises revenue	32,232	10,370	42,602
Total operating revenues	867,006	(74,202)	792,804
Operating expenses			
Compensation and benefits	1,049,129	105	1,049,234
Supplies, services and cost of goods sold	252,203	(8,310)	243,893
Telephone and utilities	79,796	(9)	79,787
Travel expenses	33,653	(5)	33,648
Repairs and maintenance	24,606	(9)	24,597
Rental expenses	14,310	(214)	14,096
Other operating expenses	36,416	2,171	38,587
Total operating expenses	1,648,158	(6,376)	1,641,782
Operating loss	(781,152)	(67,826)	(848,978)
Nonoperating revenues (expenses)			
Federal Pell grants	-	67,826	67,826
Interest expense	(23,553)	101	(23,452)
Net nonoperating revenues before capital and endowment additions (deductions)	566,661	67,927	634,588
Net nonoperating revenues	746,754	67,927	814,681
Cash flows from operating activities			
Net cash used in operating activities	(485,634)	(67,826)	(553,460)
Cash flows from noncapital financing activities			
Net cash provided by noncapital financing activities	433,258	67,826	501,084

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, 2014 and 2013, classified as cash and cash equivalents and operating investments, were $267,023 and $302,424, with corresponding bank balances of $285,460 and $303,073, respectively. The portion of such bank balances covered by the Federal Deposit Insurance Corporation or by collateral held by the State Director of Finance in the name of the University totaled $280,632 at June 30, 2014 and $300,182 at June 30, 2013. Additional cash equivalent balances of $2,180 at June 30, 2014 and $7,478 at June 30, 2013 represent deposits with investment brokers covered by the Securities Investor Protection Corporation and additional insurance provided by the investment brokers.

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.

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

As a result of market fluctuations, the fair market value of certain donor-restricted endowments was less than the historical cost of such funds by $2,099 and $5,066 at June 30, 2014 and 2013, respectively. These unrealized losses have been recorded as reductions in unrestricted net position. Future market gains will be used to restore this deficiency in unrestricted net position before any net appreciation above the historical cost value of such funds increases restricted expendable net position.

- **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. Use of the income is either restricted by the donor or unrestricted and designated by the Board.

The Hawaiʻi Uniform Prudent Management of Institutional Funds Act ("HUPMIFA"), established under Hawaiʻi Revised Statute §517E, was enacted by the State of Hawaiʻi on July 1, 2009. HUPMIFA requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the University classifies as restricted nonexpendable net position (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in restricted nonexpendable net position is classified as restricted expendable net position until those amounts are expended and distributed by the University in accordance with its Board-approved spending rate policy and in a manner consistent with the standard of prudence prescribed by HUPMIFA. In fiscal years 2014 and 2013, the University's spending rate policy provided for annual distributions ranging from four percent to five percent of the trailing five-year moving average of the endowment fair value.

Investment management fees incurred by the University during fiscal years 2014 and 2013 approximated $1,500 in each year.

(All dollars reported in thousands)

At June 30, 2014 and 2013, the University's investments were comprised of the following:

	2014		2013	
	Fair Value	Cost	Fair Value	Cost
Money market funds	$ 25,406	$ 25,406	$ 65,243	$ 65,243
Fixed income securities	197,922	199,786	193,744	195,814
Equity securities	5,754	5,137	21,375	17,639
Mutual funds	159,894	149,981	111,965	107,339
Time certificates of deposit	203,014	203,014	224,011	224,011
Limited partnerships	72,645	42,392	49,639	32,104
Absolute return	26,914	22,349	19,833	16,593
Real estate	24,802	23,435	25,336	25,023
Other investments	61,155	48,525	55,815	48,540
Total investments	777,506	720,025	766,961	732,306
Less: Current portion	278,046	277,865	298,841	292,552
Total noncurrent investments	$ 499,460	$ 442,160	$ 468,120	$ 439,754

(All dollars reported in thousands)

Changes in the University's investments for the year ended June 30, 2014 were as follows:

	Fair Value	Cost Basis	Net Unrealized Gain (Loss)	Net Realized Gain (Loss)
University Endowment Pool				
End of year	$ 66,217	$ 64,643	$ 1,574	
Beginning of year	60,234	54,269	5,965	
Net change	5,983	10,374	(4,391)	$ 10,927
Foundation Endowment Pool				
End of year	264,174	210,514	53,660	
Beginning of year	225,141	195,464	29,677	
Net change	39,033	15,050	23,983	9,070
Associated Students of the University of Hawai‘i				
End of year	8,251	7,561	690	
Beginning of year	7,126	6,479	647	
Net change	1,125	1,082	43	1,082
School of Medicine				
End of year	5,622	5,622	-	
Beginning of year	5,099	5,099	-	
Net change	523	523	-	(1)
University Bond System				
End of year	53,537	53,539	(2)	
Beginning of year	83,876	83,957	(81)	
Net change	(30,339)	(30,418)	79	(94)
Operating investments				
End of year	278,046	277,865	181	
Beginning of year	298,841	298,862	(21)	
Net change	(20,795)	(20,997)	202	4
Other				
End of year	101,659	100,281	1,378	
Beginning of year	86,644	88,176	(1,532)	
Net change	15,015	12,105	2,910	916
Total investments				
End of year	777,506	720,025	57,481	
Beginning of year	766,961	732,306	34,655	
Net change	$ 10,545	$ (12,281)	$ 22,826	$ 21,904

(All dollars reported in thousands)

Changes in the University's investments for the year ended June 30, 2013 were as follows:

	Fair Value	Cost Basis	Net Unrealized Gain (Loss)	Net Realized Gain (Loss)
University Endowment Pool				
End of year	$ 60,234	$ 54,269	$ 5,965	
Beginning of year	56,282	53,993	2,289	
Net change	3,952	276	3,676	$ 1,055
Foundation Endowment Pool				
End of year	225,141	195,464	29,677	
Beginning of year	201,316	189,275	12,041	
Net change	23,825	6,189	17,636	3,008
Associated Students of the University of Hawai‘i				
End of year	7,126	6,479	647	
Beginning of year	6,607	6,273	334	
Net change	519	206	313	461
School of Medicine				
End of year	5,099	5,099	-	
Beginning of year	9,087	9,084	3	
Net change	(3,988)	(3,985)	(3)	(2)
University Bond System				
End of year	83,876	83,957	(81)	
Beginning of year	171,290	171,405	(115)	
Net change	(87,414)	(87,448)	34	(158)
Operating investments				
End of year	298,841	298,862	(21)	
Beginning of year	367,279	366,904	375	
Net change	(68,438)	(68,042)	(396)	47
Auction rate securities				
End of year	-	-	-	
Beginning of year	25,500	25,500	-	
Net change	(25,500)	(25,500)	-	-
Other				
End of year	86,644	88,176	(1,532)	
Beginning of year	82,081	81,455	626	
Net change	4,563	6,721	(2,158)	467
Total investments				
End of year	766,961	732,306	34,655	
Beginning of year	919,442	903,889	15,553	
Net change	$ (152,481)	$ (171,583)	$ 19,102	$ 4,878

(All dollars reported in thousands)

	2014	2013
Summary of net investment income		
Change in unrealized net gain	$ 22,826	$ 19,102
Net realized gain	21,904	4,878
	44,730	23,980
Interest and dividend income	7,621	9,011
Other	655	711
Investment income before management fees	53,006	33,702
Less: Management fees	1,486	1,496
Net investment income	$ 51,520	$ 32,206

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 or collateralized 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.

The University's investment strategy incorporates certain financial instruments, which involve, to varying degrees, elements of market risk and credit risk. 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 Position and is not represented by the contract or notional amounts of the instruments.

Investment Risk Factors
There are many factors that affect the value of investments. Some, such as custodial credit risk, concentration 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.

Concentration Risk
Concentration 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 five percent of the total fixed income portion of the portfolio. Individual equities are limited to not more than five percent of the total market value of the stock portfolio. In addition, investment in any one stock is not to exceed five percent of a corporation's outstanding common stock.

(All dollars reported in thousands)

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 (“S&P”), 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 than 15 percent of the fixed income investments may be graded with an S&P quality rating below “A”. The University’s mutual bond funds are not rated and classified as such. The underlying securities of the mutual bond funds are graded with an S&P quality rating of “A” or higher.

The composition of fixed income securities at June 30, 2014 and 2013, along with credit quality ratings, is summarized below:

		Credit Quality Rating					
	Fair Value	U.S. Govt-Exempt	AAA	AA	A	BBB	Not Rated
2014							
U.S. Treasury	$ 76,926	$ 76,926	$ -	$ -	$ -	$ -	$ -
U.S. government agencies	120,278	-	120,155	123	-	-	-
Corporate bonds	717			78	346	293	-
Mutual bond funds	106,418	-	-	-	-	-	106,418
Total fixed income securities	$ 304,339	$ 76,926	$ 120,155	$ 201	$ 346	$ 293	$ 106,418

		Credit Quality Rating					
	Fair Value	U.S. Govt-Exempt	AAA	AA	A	BBB	Not Rated
2013							
U.S. Treasury	$ 100,046	$ 100,046	$ -	$ -	$ -	$ -	$ -
U.S. government agencies	81,473	-	80,891	308	274	-	-
Corporate bonds	12,225	-	327	1,740	6,794	3,364	-
Mutual bond funds	112,065	-	-	-	-	-	112,065
Total fixed income securities	$ 305,809	$ 100,046	$ 81,218	$ 2,048	$ 7,068	$ 3,364	$ 112,065

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, are more volatile than those with shorter maturities.

(All dollars reported in thousands)

At June 30, 2014, the composition of the University's fixed income investments and maturities are summarized below:

		Investment Maturities (in Years)			
	Fair Value	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
U.S. Treasury	$ 76,926	$ 38,166	$ 36,945	$ 1,790	$ 25
U.S. government agencies	120,278	54,930	39,926	11,938	13,484
Corporate bonds	717	95	400	222	-
Mutual bond funds	106,418	32,327	51,695	16,500	5,896
Total fixed income securities	$ 304,339	$ 125,518	$ 128,966	$ 30,450	$ 19,405

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 investments in publicly-traded foreign securities.

At June 30, 2014 and 2013, the University's exposure to foreign currency risk expressed in U.S. dollars was not significant.

3. Accounts Receivable

The composition of accounts receivable at June 30, 2014 and 2013 is summarized as follows:

	2014	**2013**
U.S. government	$ 58,485	$ 60,301
State and local government	6,403	5,793
Private agencies	7,773	6,764
Other	42,984	47,000
	115,645	119,858
Less: Allowance for uncollectible receivables	26,344	23,749
	$ 89,301	$ 96,109

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 $44,142 in 2014 and $46,424 in 2013.

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, 2014 and 2013 is summarized as follows:

	2014	2013
Student notes		
Federal loan programs	$ 19,079	$ 19,178
State loan programs	8,095	8,311
University loan funds	68	69
Other notes receivable	47	71
Total student and other notes outstanding	27,289	27,629
Less: Allowance for uncollectible receivables	7,954	7,514
Total student and other notes receivable, net	19,335	20,115
Contributions receivable	52,635	20,933
Less: Allowance for uncollectible pledges	1,207	1,045
Less: Discount to present value	859	100
Total contributions receivable, net	50,569	19,788
Total student notes and contributions receivable, net	69,904	39,903
Less: Current portion, net	17,788	15,266
	$ 52,116	$ 24,637

The allowance for uncollectible receivables at June 30, 2014 and 2013 is comprised of:

	2014	2013
Federal Perkins loan program	$ 4,575	$ 4,363
State of Hawaiʻi Higher Education loans	3,317	3,062
Nursing/Health Profession loans	34	35
Hawaiʻi Educator loans	-	2
Short-term loans	28	52
	$ 7,954	$ 7,514

Payments on contributions receivable at June 30, 2014 are expected to be collected in:

Less than one year	$ 15,636
One year to five years	36,999
	$ 52,635

The principal repayment and interest rate terms of federal and University loans vary considerably. The allowance for uncollectible receivables 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 profession 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, Hawai‘i Educator loans and University short-term loans may be written off with the approval of the University’s General Counsel.

During the years ended June 30, 2014 and 2013, the University distributed $2,628 and $2,456 in student loans through the U.S. Department of Education Federal Perkins Loan, respectively, and $151,730 and $153,387 in Direct Loan programs, respectively. These distributions and related funding sources are not included as expenses or revenues in the accompanying financial statements.

As discussed in Note 1 to the consolidated financial statements, pledges for permanent endowments that do not meet eligibility requirements, as defined by GASB Statement No. 33, are not recorded as assets until the related gift is received. Accordingly, permanent endowment pledges totaling approximately $9,359 and $3,259 at June 30, 2014 and 2013, 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, 2014 and 2013 are summarized below:

		2014	2013
University of Hawai‘i Bookstore merchandise inventory	Lower of cost or market using the first-in, first-out retail inventory method.	$ 8,453	$ 10,339
University of Hawai‘i Chemistry Stockroom	Cost applied on the first-in, first-out basis.	1,103	1,088
University of Hawai‘i Facilities Management Warehouse	Cost applied on the first-in, first-out basis.	1,034	-
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.	676	572
University of Hawai‘i other inventory	Cost applied on the first-in, first-out basis.	342	289
		$ 11,608	$ 12,288

(All dollars reported in thousands)

7. Capital Assets

A summary of capital assets at June 30, 2014 and 2013 is as follows:

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
2014					
Nondepreciable capital assets					
Land	$ 14,891	$ 87	$ -	$ 21,233	$ 36,211
Construction in progress	397,825	145,838	6,080	(306,618)	230,965
Total capital assets not being depreciated	412,716	145,925	6,080	(285,385)	267,176
Depreciable capital assets					
Land improvements	122,161	28	-	5,401	127,590
Infrastructure	149,100	552	15,290	36,070	170,432
Buildings	1,964,451	15,062	20,988	233,566	2,192,091
Equipment	366,068	22,529	15,602	10,348	383,343
Library materials	159,466	2,373	-	-	161,839
Total capital assets being depreciated	2,761,246	40,544	51,880	285,385	3,035,295
Less: Accumulated depreciation	1,146,842	109,458	25,679	-	1,230,621
Capital assets, net	$ 2,027,120	$ 77,011	$ 32,281	$ -	$ 2,071,850

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
2013					
Nondepreciable capital assets					
Land	$ 14,486	$ 405	$ -	$ -	$ 14,891
Construction in progress	545,827	277,206	98	(425,110)	397,825
Total capital assets not being depreciated	560,313	277,611	98	(425,110)	412,716
Depreciable capital assets					
Land improvements	102,014	432	-	19,715	122,161
Infrastructure	107,526	792	-	40,782	149,100
Buildings	1,608,864	14,321	13,695	354,961	1,964,451
Equipment	350,271	18,227	12,082	9,652	366,068
Library materials	157,190	2,276	-	-	159,466
Total capital assets being depreciated	2,325,865	36,048	25,777	425,110	2,761,246
Less: Accumulated depreciation	1,059,241	106,631	19,030	-	1,146,842
Capital assets, net	$ 1,826,937	$ 207,028	$ 6,845	$ -	$ 2,027,120

(All dollars reported in thousands)

Capital assets consist of land, land improvements, infrastructure, buildings, equipment, library materials, and construction in progress. Construction in progress (“CIP”) additions represent costs for new projects, net of the amount of capital assets placed in service. CIP is not depreciated until the asset is placed in service. 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 percent of the University’s property, are recorded at the State’s value of $1 per parcel. Assets owned by the federal government, although in the custody of the University, are not included in the capital asset total.

The State Department of Accounting and General Services (“DAGS”) administers certain of the University’s construction projects. Upon completion, the University records the total project cost, including amounts funded from state and federal sources. No capital assets were transferred to the University from DAGS in 2014 or 2013.

8. Other Noncurrent Assets

Other noncurrent assets at June 30, 2014 and 2013 were comprised of:

	2014	2013
Interest in beneficial trusts held by others	$ 15,159	$ 13,912
Prepaid bond insurance	337	355
Other	2,207	2,172
	$ 17,703	$ 16,439

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, 2014 and 2013 were as follows:

	2014		2013	
	Due from	Due to	Due from	Due to
State appropriations for current operations	$ 924		$ 329	
State capital appropriations – noncurrent	349,084		338,108	
Total due from State of Hawai‘i	$ 350,008		$ 338,437	
Imprest/petty cash advances		$ 86		$ 95
Advance		6,000		6,000
General obligation bonds – current		176		167
Employee fringe adjustments		10		41
Due to State of Hawai‘i – current		6,272		6,303
General obligation bonds – noncurrent		380		555
Total due to State of Hawai‘i		$ 6,652		$ 6,858

(All dollars reported in thousands)

10. Due to the State of Hawaiʻi for General Obligation Bonds

Activity related to amounts due to the State of Hawaiʻi for general obligation bonds for the year ended June 30, 2014 is as follows:

	Original Amount	Beginning Balance	Principal Repayment	Ending Balance
Series DB (interest rate, 2.80% to 5.25%)				
Student Housing				
Mānoa	$ 731	$ 366	$ 84	$ 282
Hilo	143	71	16	55
Parking Structure Phase I	425	213	49	164
	1,299	650	149	501
Series DG (interest rate, 5.00%)				
Student Housing				
Mānoa	82	41	9	32
Hilo	16	7	2	5
Parking Structure Phase I	47	24	6	18
	145	72	17	55
	$ 1,444	$ 722	$ 166	$ 556

Activity related to amounts due to the State of Hawaiʻi for general obligation bonds for the year ended June 30, 2013 is as follows:

	Original Amount	Beginning Balance	Principal Repayment	Ending Balance
Series DB (interest rate, 2.80% to 5.25%)				
Student Housing				
Mānoa	$ 731	$ 446	$ 80	$ 366
Hilo	143	87	16	71
Parking Structure Phase I	425	260	47	213
	1,299	793	143	650
Series DG (interest rate, 5.00%)				
Student Housing				
Mānoa	82	50	9	41
Hilo	16	9	2	7
Parking Structure Phase I	47	29	5	24
	145	88	16	72
	$ 1,444	$ 881	$ 159	$ 722

(All dollars reported in thousands)

General obligation bonds are payable in annual installments, including semi-annual interest payments, with final payment due in July 2017. The bonds mature in designated numerical sequence and are payable from the operations of the University. The interest and principal payments are due as follows:

	Principal	Interest
Series DB	September 1	March 1 and September 1
Series DG	July 1	January 1 and July 1

At June 30, 2014, principal and interest maturities on general obligation bonds for each of the next five years, and the next subsequent five-year period and thereafter are as follows:

	Principal	Interest
Year ending June 30,		
2015	$ 176	$ 3
2016	185	1
2017	195	-
	$ 556	$ 4

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

In June 2005, the State issued $772,600 in general obligation Series DG (refunding bonds), of which the University's portion was approximately $145, with a five percent 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 $1,299, with interest rates ranging from 2.80 percent to 5.25 percent to advance refund approximately $1,299 (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.

(All dollars reported in thousands)

11. Long-Term Liabilities

Long-term liability activity for the years ended June 30, 2014 and 2013 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2014					
Bonds payable					
Revenue bonds payable	$ 608,670	$ -	$ 14,740	$ 593,930	$ 15,345
Other liabilities					
Workers' compensation	14,698	3,866	4,296	14,268	5,350
Accrued vacation	70,758	26,843	24,769	72,832	28,491
Postretirement health care/life insurance benefits (Note 15)	514,364	106,832	42,000	579,196	-
Note payable	16,500	500	-	17,000	-
Total other liabilities	616,320	138,041	71,065	683,296	33,841
Total long-term liabilities	$ 1,224,990	$ 138,041	$ 85,805	$ 1,277,226	$ 49,186
2013					
Leases and bonds payable					
Revenue bonds payable	$ 622,910	$ -	$ 14,240	$ 608,670	$ 14,740
Other liabilities					
Workers' compensation	14,885	4,072	4,259	14,698	5,421
Accrued vacation	74,602	25,410	29,254	70,758	27,208
Postretirement health care/life insurance benefits (Note 15)	413,462	142,602	41,700	514,364	-
Note payable	-	16,500	-	16,500	-
Total other liabilities	502,949	188,584	75,213	616,320	32,629
Total long-term liabilities	$ 1,125,859	$ 188,584	$ 89,453	$ 1,224,990	$ 47,369

Revenue Bonds Payable

The University's revenue bonds payable at June 30, 2014 and 2013 is as follows:

	Series	Date Issued	Authorized	2014	2013
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	$ 89,825	$ 92,020
University Health & Wellness Center (interest rate, 3.5% to 5.0%)	Ref 2006A	October 25, 2006	133,810	127,420	131,495
Various acquisition and construction projects (interest rate, 2.5% to 6.0%)	2009A	April 15, 2009	100,000	92,195	94,480
University's Cancer Center (interest rate, 2.5% to 6.0%)	2010A-1, 2010A-2	October 7, 2010	138,640	130,495	133,290
Various construction projects (interest rate, 2.5% to 6.0%)	2010B-1, 2010B-2	October 7, 2010	154,090	147,995	150,085
Student Housing System at Mānoa and Telecommunications System (interest rate, 2.0% to 5.0%)	2012A(R)	February 22, 2012	8,575	6,000	7,300
			$ 635,115	$ 593,930	$ 608,670

In February 2012, the University issued $8,575 in Series 2012A(R) revenue bonds to retire (current refund) $8,955 of the outstanding Series 2001B revenue bonds. The proceeds of the Series 2012A(R) bonds were deposited into a trust account with an escrow agent to fully defease the outstanding principal of the Series 2001B bonds. The defeasance resulted in an accounting gain of $943 and an economic loss (difference between the present values of the debt service payments on the old and new debt) of $27. The coupon interest rates for the Series 2012A(R) bonds range from 2.0 percent – 5.0 percent (first interest payment due on April 1, 2012) and mature on October 1, 2018.

In October 2010, the University issued $292,730 in Series 2010A-1 ($111,265), 2010A-2 ($27,375), 2010B-1 ($127,535), and 2010B-2 ($26,555) bonds (collectively, the “Series 2010 Bonds”) for the purpose of financing the costs of certain University projects. The Series 2010A-1 and Series 2010B-1 bonds are designated as “Build America Bonds” under the provisions of the American Recovery and Reinvestment Act of 2009. These University projects may include the construction and maintenance of the University’s Cancer Center, renovations and additions to the Mānoa Campus Center, construction and equipment for an Information Technology Building, renovations to the Sinclair Library basement on the Mānoa campus, further development of the University of Hawai‘i at West O‘ahu (“UH-West O‘ahu”) Kapolei campus, various energy conservation/efficiency projects on the community college campuses on O‘ahu, Kaua‘i and Maui, land acquisition for the Leeward Community College Wai‘anae Education Center, construction of the Kapi‘olani Community College Culinary Institute of the Pacific, and renovation of the observatory for the Panoramic Survey Telescope & Rapid Response System 2 telescope. The coupon interest rates for the Series 2010 Bonds range from 2.50 percent – 6.03 percent (first interest payment due on April 1, 2011) and mature on October 1, 2030 and 2040.

The University receives funds from the State of Hawai‘i Tobacco Settlement Special Fund for the payment of principal and interest on the Refunding Series 2006A bonds to finance the cost of construction of the medical school facility and for annual operating expenses incurred by the facility. The funds received from the State of Hawai‘i Tobacco Settlement Special Fund for debt service amounted to $9,926 in 2014 and 2013.

The revenue bonds are paid from certain unrestricted revenues in annual installments, including semi-annual interest payments ranging from $490 to $15,906 with the final payment due in October 2040. Series 2006A, 2009A, 2010 and 2012A(R) bonds interest is payable semi-annually on April 1 and October 1, and the principal is payable on October 1 of each year. The 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 and supplemented, 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 derived from the University Bond System, are pledged to the payment of the Refunding Series 2006A 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, 2009A, 2010 and 2012A(R) bonds, interest and premiums (if any).

The University entered into continuing disclosure certificates for the benefit of revenue bondholders, where it agreed to provide certain financial information and operating data relating to the University with respect to its revenue bonds to the Municipal Securities Rulemaking Board. The University, based on consultation with its bond counsel and bond underwriter, has complied in all material respects with the continuing disclosure requirements.

(All dollars reported in thousands)

At June 30, 2014, future maturities of revenue bonds are as follows:

	Principal	Interest
Year ending June 30,		
2015	$ 15,345	$ 29,852
2016	17,115	29,126
2017	17,700	28,393
2018	18,585	27,651
2019	18,065	26,836
2020–2024	102,020	120,402
2025–2029	122,520	92,999
2030–2034	137,500	60,491
2035–2039	113,195	25,845
2040–2041	31,885	1,943
	$ 593,930	$ 443,538

Bond Premiums
Activity related to the premiums on general obligation and revenue bonds for the years ended June 30, 2014 and 2013 is as follows:

	Series	Beginning Balance	Additions	Reductions	Ending Balance
2014					
John A. Burns School of Medicine	Ref 2006A	$ 1,314	$ -	$ 58	$ 1,256
University's Cancer Center	2010A	1,395	-	365	1,030
Various construction projects	2010B	1,976	-	465	1,511
General obligation	DB	9	-	5	4
General obligation	DG	2	-	1	1
Total bond premiums		$ 4,696	$ -	$ 894	$ 3,802
2013					
John A. Burns School of Medicine	Ref 2006A	$ 1,383	$ -	$ 69	$ 1,314
University's Cancer Center	2010A	1,777	-	382	1,395
Various construction projects	2010B	2,447	-	471	1,976
General obligation	DB	15	-	6	9
General obligation	DG	3	-	1	2
Total bond premiums		$ 5,625	$ -	$ 929	$ 4,696

Note Payable
On May 4, 2012, the University entered into a five-year, unsecured loan agreement ("Note) with Hawaii Regional Center LP III ("Lender") for a commitment amount not to exceed $18,000, subject to certain limitations. The proceeds were used to facilitate and fund construction of the UH-West Oʻahu campus located in Kapolei, Hawaiʻi.

The Note bears interest at the rate of 1.5% per annum and is due and payable semi-annually to the Lender on January 1 and July 1 each year until the Note has been paid in full. Under the terms of the Note, repayment each fiscal year is limited and subject to specific appropriations by the State to make such payments. The Note matures on July 16, 2017, at which time the unpaid principal will be due. As of June 30, 2014, $17,000 remains outstanding.

(All dollars reported in thousands)

12. Line of Credit (Research Corporation)

The Research Corporation has a revolving line of credit with First Hawaiian Bank in the amount of $5,000 for short-term working capital, expiring on February 1, 2015. 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 the Research Corporation’s accounts receivable. The rate of interest on borrowings was 3.28 percent at June 30, 2014 and 2013. At June 30, 2014 and 2013, 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
Year ending June 30,	
2015	$ 2,612
2016	1,650
2017	1,300
2018	1,247
2019	642
2020–2024	615
2025–2029	334
Thereafter	1,789
	$ 10,189

Rent expense for outside space for the years ended June 30, 2014 and 2013 approximated $10,195 and $8,366, 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 only of 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 full retirement benefits 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 two percent 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 Hawai'i Revised Statues ("HRS") Chapter 88 and amended by the Hawai'i 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 percent of salary for the Contributory Plan and 6.0 percent 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, 2014, 2013 and 2012 were $87,753, $84,154 and $75,497, respectively. Effective July 1, 2008, the employer contribution rate increased from 13.75 percent to 15.00 percent 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.

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

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

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

Other Benefits

The State absorbs the fringe benefit cost for employees paid from State and federal appropriations. In fiscal years 2014 and 2013, the State appropriated funds to the Department of Budget and Finance to pay for these fringe benefit costs on behalf of the University. Fringe benefit costs included in total revenue and total expenditures amounted to $168,891 and $154,757 for fiscal years 2014 and 2013, 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. As of June 30, 2014 and 2013, accumulated sick leave approximated $428,237 and $406,973, respectively.

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 2014 and 2013 were $2,080 and $2,146, respectively. Temporary wage loss payments for fiscal years 2014 and 2013 amounted to $577 and $625, 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 Hawaiʻi Employer-Union Health Benefits Trust Fund ("EUTF"), an agent, multiple-employer defined benefit plan that replaced the Hawaiʻi 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:

Hawaiʻi Employer-Union Health Benefits Trust Fund
City Financial Tower
210 Merchant Street, Suite 1520
Honolulu, Hawaiʻi 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 percent of the base monthly contribution for employees retiring with fewer than ten years of credited service. Retirees may elect a 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 percent of the base monthly contribution. For those retiring with at least 15 years, but fewer than 25 years of service, the State pays 75 percent of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100 percent of the base monthly contribution. Retirees in this category may elect a 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 percent of the base monthly contribution. For those retiring with at least 15 years, but fewer than 25 years of service, the State pays 75 percent of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100 percent of the base monthly contribution. Only single plan coverage is paid for retirees in this category. Retirees may elect family coverage, but must pay the difference.

(All dollars reported in thousands)

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 parameters of GASB Statement No. 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 tables present the annual OPEB cost and the percentage of annual OPEB cost contributed to the plan for the fiscal year ended June 30, 2014:

Projected June 30, 2014 Net OPEB Obligation ("NOO")

July 1, 2013 net OPEB obligation	$ 514,364
Plus: Annual OPEB cost	106,832
Less: Employer contributions (estimated "pay as you go" method)	42,000
Equals: Expected June 30, 2014 net OPEB obligation	$ 579,196

The University remitted $56,972 and $53,598 in State assessed OPEB contributions for the years ended June 30, 2014 and 2013, respectively. The University's actuarially determined minimum OPEB contribution was $42,000 and $41,700 for the years ended June 30, 2014 and 2013, respectively. The difference between the State assessed and University actuarially determined OPEB contribution is reported net with Transfers from (to) State for Fringe Benefits in the accompanying Consolidated Statements of Revenues, Expenses and Changes in Net Position.

OPEB Summary

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	$106,832	39.3%	$579,196
June 30, 2013	$142,602	29.2%	$514,364
June 30, 2012	$136,078	30.6%	$413,462

(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.

Actuarial value of assets	$ -
Actuarial accrued liability	1,185,790
Unfunded actuarial accrued liability (“UAAL”)	$ 1,185,790
Funded ratio	0%
Covered payroll (active plan members)	$ 550,758
UAAL as a percentage of covered payroll	215.3%

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:

State of Hawaiʻi actuarial valuation date	July 1, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage, closed
Amortization period	30 years
Asset valuation method	Not applicable
Actuarial assumptions	
Investment rate of return	4%
Projected salary increases	3.5%
Health care 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, 2014 and 2013 are comprised of:

	2014	2013
Liabilities under split interest agreements	$ 6,889	$ 6,488
Amounts held for others	3,182	2,946
Unearned revenue on pending sale of real estate	-	5,150
Other	2,800	2,430
	$ 12,871	$ 17,014

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 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 they are not expended or encumbered, general fund appropriations generally lapse at the end of the fiscal year. The Hawai‘i State Legislature specifies the lapse date and any other particular conditions relating to terminating the authorizations for other appropriations.

Act 122, SLH 2014 Section 35, provided $101,013 in general fund appropriations directly to the Department of Budget and Finance to pay for debt service on general obligation bonds issued for the University. As a result, the University itself received no appropriations and made no transfers for debt service on general obligation bonds for the year ended June 30, 2014.

Act 164, SLH 2011 Section 32, provided $97,770 in general fund appropriations directly to the Department of Budget and Finance to pay for debt service on general obligation bonds issued for the University. As a result, the University itself received no appropriations and made no transfers for debt service on general obligation bonds for the year ended June 30, 2013.

The net amount of the University’s State general and capital appropriations for the years ended June 30, 2014 and 2013 were $391,266 and $142,029 and $374,280 and $128,186, respectively.

(All dollars reported in thousands)

Net general and capital appropriations for the year ended June 30, 2014 were as follows:

General appropriations		
Act 134, SLH 2013, Appropriation Warrant No. 35	$	386,721
Act 237, SLH 2013, Appropriation Warrant No. 89		500
Act 272, SLH 2013, Appropriation Warrant No. 97		100
Act 275, SLH 2013, Appropriation Warrant No. 89		150
Total funds lapsed		(158)
Collective bargaining adjustment		3,953
Total general appropriations	$	391,266
Capital appropriations		
Act 134, SLH2013	$	83,900
Sections 39 & 71 of Act 134, SLH 2013		51,940
Section 39 of Act 134, SLH 2013		10,000
Total funds lapsed		(3,811)
Total capital appropriations	$	142,029

Net general and capital appropriations for the year ended June 30, 2013 were as follows:

General appropriations		
Act 164, SLH 2011, Appropriation Warrant No. 18	$	377,460
Act 129, SLH 2012, Appropriation Warrant No. 57		30
Total funds lapsed		(77)
Collective bargaining adjustment		120
Executive restrictions		(3,253)
Total general appropriations	$	374,280
Capital appropriations		
Act 164, SLH2011, as Amended by Act 106, SLH 2012	$	51,163
Sections 36 & 37 of Act 164, SLH 2011, as Amended by Act 106, SLH 2012		68,976
Section 36 of Act 164, SLH 2011, as Amended by Act 106, SLH 2012		825
Act 164, SLH2011		7,500
Total funds lapsed		(278)
Total capital appropriations	$	128,186

(All dollars reported in thousands)

18. Blended Component Information

The following condensed combining information summarizes the individual components of the University's consolidated financial position, results of operations and cash flows as of and for the years ended June 30, 2014 and 2013:

Condensed Consolidating Statements of Net Position

	2014				
	University	Research Corporation	Foundation	Consolidation Adjustments	Total
Assets and deferred outflows of resources					
Current assets	$ 405,372	$ 47,182	$ 21,859	$ -	$ 474,413
Interdepartmental receivables	31,303	5,559	11,135	(47,997)	-
Capital assets, net	2,068,363	1,273	2,214	-	2,071,850
Other assets	498,357	-	416,541	3,465	918,363
Total assets	3,003,395	54,014	451,749	(44,532)	3,464,626
Deferred outflows of resources	5,576	-	-	-	5,576
Total deferred outflows of resources	5,576	-	-	-	5,576
Total assets and deferred outflows of resources	$ 3,008,971	$ 54,014	$ 451,749	$ (44,532)	$ 3,470,202
Liabilities					
Current liabilities	$ 251,331	$ 11,007	$ 1,245	$ -	$ 263,583
Interdepartmental payables	5,675	28,607	4,318	(38,600)	-
Noncurrent liabilities	1,230,800	4,222	10,071	-	1,245,093
Total liabilities	1,487,806	43,836	15,634	(38,600)	1,508,676
Net position					
Net investment in capital assets	1,516,182	1,273	2,214	-	1,519,669
Restricted					
Nonexpendable	10,493	-	216,999	(9,359)	218,133
Expendable	381,474	-	213,131	3,465	598,070
Unrestricted	(386,984)	8,905	3,771	(38)	(374,346)
Total net position	1,521,165	10,178	436,115	(5,932)	1,961,526
Total liabilities and net position	$ 3,008,971	$ 54,014	$ 451,749	$ (44,532)	$ 3,470,202

(All dollars reported in thousands)

	2013				
	University	Research Corporation	Foundation	Consolidation Adjustments	Total
Assets and deferred outflows of resources					
Current assets	$ 443,800	$ 46,286	$ 36,144	$ -	$ 526,230
Interdepartmental receivables	38,635	12,331	3,315	(54,281)	-
Capital assets, net	2,023,921	983	2,216	-	2,027,120
Other assets	521,111	-	332,911	(6,718)	847,304
Total assets	3,027,467	59,600	374,586	(60,999)	3,400,654
Deferred outflows of resources	5,883	-	-	-	5,883
Total deferred outflows of resources	5,883	-	-	-	5,883
Total assets and deferred outflows of resources	$ 3,033,350	$ 59,600	$ 374,586	$ (60,999)	$ 3,406,537
Liabilities					
Current liabilities	$ 254,364	$ 12,446	$ 2,944	$ -	$ 269,754
Interdepartmental payables	14,059	33,867	3,040	(50,966)	-
Noncurrent liabilities	1,186,583	3,869	9,434	-	1,199,886
Total liabilities	1,455,006	50,182	15,418	(50,966)	1,469,640
Net position					
Net investment in capital assets	1,479,075	983	2,216	-	1,482,274
Restricted					
Nonexpendable	10,493	-	200,104	(3,259)	207,338
Expendable	377,176	-	159,672	(6,718)	530,130
Unrestricted	(288,400)	8,435	(2,824)	(56)	(282,845)
Total net position	1,578,344	9,418	359,168	(10,033)	1,936,897
Total liabilities and net position	$ 3,033,350	$ 59,600	$ 374,586	$ (60,999)	$ 3,406,537

(All dollars reported in thousands)

Condensed Consolidating Statements of Revenues, Expenses and Changes in Net Position

	2014				
	University	Research Corporation	Foundation	Consolidation Adjustments	Total
Operating revenues					
Student tuition and fees, net	$ 249,334	$ -	$ -	$ (957)	$ 248,377
Federal appropriations, grants and contracts	357,185	4,708	-	(4,708)	357,185
State and local grants and contracts	28,992	2,290	-	(1,210)	30,072
Nongovernmental sponsored programs	49,585	-	-	(9,786)	39,799
Sales and services of educational departments, other	30,276	-	5,667	(3,000)	32,943
Auxiliary enterprises	97,936	-	-	-	97,936
Other operating revenues	529	-	2,406	-	2,935
Total operating revenues	813,837	6,998	8,073	(19,661)	809,247
Operating expenses					
Depreciation	109,211	211	36	-	109,458
Other operating expenses	1,517,767	6,120	49,754	(23,243)	1,550,398
Total operating expenses	1,626,978	6,331	49,790	(23,243)	1,659,856
Operating income (loss)	(813,141)	667	(41,717)	3,582	(850,609)
Nonoperating activity					
Nonoperating revenues (expenses)	445,258	93	103,062	(3,564)	544,849
Capital contributions and additions to permanent and term endowments	141,582	-	15,602	(6,100)	151,084
Special and extraordinary items	-	-	-	-	-
Transfers	179,305	-	-	-	179,305
Total nonoperating activity	766,145	93	118,664	(9,664)	875,238
Increase (decrease) in net position	(46,996)	760	76,947	(6,082)	24,629
Net position					
Beginning of year	1,571,628	9,418	359,168	(3,317)	1,936,897
End of year	$ 1,524,632	$ 10,178	$ 436,115	$ (9,399)	$ 1,961,526

(All dollars reported in thousands)

	2013				
	University	Research Corporation	Foundation	Consolidation Adjustments	Total
Operating revenues					
Student tuition and fees, net	$ 243,009	$ -	$ -	$ (1,198)	$ 241,811
Federal appropriations, grants and contracts	352,805	4,284	-	(4,284)	352,805
State and local grants and contracts	27,982	1,883	-	(919)	28,946
Nongovernmental sponsored programs	41,657	-	-	(8,615)	33,042
Sales and services of educational departments, other	36,594	-	5,480	(3,000)	39,074
Auxiliary enterprises	94,199	-	-	(62)	94,137
Other operating revenues	520	-	2,469	-	2,989
Total operating revenues	796,766	6,167	7,949	(18,078)	792,804
Operating expenses					
Depreciation	106,428	166	37	-	106,631
Other operating expenses	1,504,120	5,705	47,393	(22,067)	1,535,151
Total operating expenses	1,610,548	5,871	47,430	(22,067)	1,641,782
Operating income (loss)	(813,782)	296	(39,481)	3,989	(848,978)
Nonoperating activity					
Nonoperating revenues (expenses)	430,039	67	60,059	(3,838)	486,327
Capital contributions and additions to permanent and term endowments	140,927	-	13,899	771	155,597
Special and extraordinary items	-	-	-	-	
Transfers	172,757	-	-	-	172,757
Total nonoperating activity	743,723	67	73,958	(3,067)	814,681
Increase (decrease) in net position	(70,059)	363	34,477	922	(34,297)
Net position					
Beginning of year (as restated)	1,641,687	9,055	324,691	(4,239)	1,971,194
End of year	$ 1,571,628	$ 9,418	$ 359,168	$ (3,317)	$ 1,936,897

Condensed Consolidating Statements of Cash Flows

	2014			
	University	Research Corporation	Foundation	Total
Net cash provided by (used in)				
Operating activities	$ (514,055)	$ 3,903	$ (4,818)	$ (514,970)
Noncapital financing activities	492,741	-	15,786	508,527
Capital and related financing activities	(49,945)	(501)	-	(50,446)
Investing activities	59,109	90	(16,707)	42,492
Total change in cash	(12,150)	3,492	(5,739)	(14,397)
Cash and cash equivalent balances				
Beginning of year	35,296	33,819	9,589	78,704
End of year	$ 23,146	$ 37,311	$ 3,850	$ 64,307

(All dollars reported in thousands)

	2013			
	University	**Research Corporation**	**Foundation**	**Total**
Net cash provided by (used in)				
Operating activities	$ (546,100)	$ 253	$ (7,613)	$ (553,460)
Noncapital financing activities	487,525	-	13,559	501,084
Capital and related financing activities	(110,006)	(95)	-	(110,101)
Investing activities	191,972	1,064	(7,422)	185,614
Total change in cash	23,391	1,222	(1,476)	23,137
Cash and cash equivalent balances				
Beginning of year	11,905	32,597	11,065	55,567
End of year	$ 35,296	$ 33,819	$ 9,589	$ 78,704

19. 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 State and the Office of Hawaiian Affairs (“OHA”) are involved in an ongoing dispute relating to certain lands transferred by the former Republic of Hawai‘i to the United States which were reconveyed to the State upon Hawai‘i’s admission to the Union in 1959. These lands (collectively, the “ceded lands”) are the subject of a number of claims, litigation and legislation, which are being addressed by the State on behalf of all State agencies, including the University. These matters are more fully described in the State’s Comprehensive Annual Financial Report (“CAFR”) that includes financial statements and required supplementary information which may be obtained from the following address:

State of Hawai‘i Department of Accounting and General Services
1151 Punchbowl Street
Honolulu, Hawai‘i 96813

Although the ultimate outcome and financial impact to the University of these OHA matters are not presently known, the University has come to an agreement with the State with respect to the University's estimated pro rata portion of its obligation due to OHA related to revenues generated from ceded lands. The University's financial statements reflect the liabilities and disbursements in connection with this agreement.

Risk Management
In general, the University obtains third party insurance coverage directly from third party insurers or is covered under the umbrella of the State's insurance program. However, the University is partially or entirely self-insured for certain risks, such as unemployment and workers' compensation claims.

Construction and Other Contracts
The University is committed under contracts awarded for construction and other services. These commitments amounted to approximately $207,076 and $250,036 as of June 30, 2014 and 2013.

Collective Bargaining Agreements
The Board of Regents, as a public employer, is mandated by Hawai‘i Revised Statutes ("HRS"), Chapter 89 to negotiate with and enter into written agreements with exclusive representatives (i.e., unions) on matters of wages, hours and conditions of employment affecting University personnel included in various bargaining units. These written agreements, also known as collective bargaining agreements ("CBA") or successor agreements, including supplemental agreements, memorandums of agreement, and memorandums of understanding, reached outside of these successor agreements, cover wages, hours, contributions to the Employer-Union Trust Fund, and other terms and conditions of employment subject to collective bargaining.

Depending on the nature of their positions, most employees working at the University are included in a bargaining unit ("BU") as defined in HRS §89-6(a). Civil service personnel (e.g., blue collar non-supervisory/supervisory, white collar non-supervisory/supervisory, registered professional nurses, and institutional and health positions) working at the University are included in BUs 1, 2, 3, 4, 9 and 10. Non-civil service positions such as faculty members and administrative, professional and technical ("APT") staff are Board of Regents ("BOR") appointees and are included in BUs 7 and 8, respectively. As such, the University is responsible for properly administering the eight CBAs associated with aforementioned BUs.

Pursuant to mutually agreed upon terms specified in CBAs effective from July 1, 2011 through June 30, 2013, certain employees within BUs 1, 2, 3, 4, 8 and 10 were subjected to a 5% salary reduction during fiscal years 2012 and 2013. Thereafter, multi-year, successor CBAs for BUs 1, 2, 3, 4, 8 and 10 were reached between the unions and the Employer in 2013. CBAs pertaining to BUs 2, 3, 4 and 8 are now effective for the duration of July 1, 2013 through June 30, 2015. CBAs pertaining to BUs 1 and 10 are now effective for the duration of July 1, 2013 through June 30, 2017. The aforementioned CBAs stipulate across-the-board ("ATB") salary increases or changes to salary schedules that effectively increase salaries in each year covered by the terms of these agreements which have already been legislatively approved.

The Unit 7 faculty members of the University are currently under a six-year CBA covering the period July 1, 2009 through June 30, 2015. The subject Unit 7 CBA included a provision to temporarily reduce the salaries of faculty paid by appropriated funds by 6.667 % for 18 months beginning January 1, 2010. Effective July 1, 2011, the salaries of faculty members subjected to the temporary reduction were restored to December 31, 2009 rates (plus any subsequent promotions or special salary adjustments). The Unit 7 CBA stipulates that faculty who were subjected to the mandated temporary salary reduction may be paid one-time lump sum payments equivalent up to the amount of the temporary reduction taken to be paid in fiscal years 2013 (25%), 2014 (25%), and 2015 (50%) all due on August 1st of each respective fiscal year. The Unit 7 CBA also provides for all faculty members to have their base salaries increased by 3% effective July 1, 2013 and July 1, 2014.

On June 20, 2014 the University administration and the University of Hawaiʻi Professional Assembly ("UHPA") tentatively agreed to a two-year successor collective bargaining agreement covering the period July 1, 2015 to June 30, 2017. The tentative agreement was ratified in support by the Unit 7 faculty members on August 25, 2014. The successor agreement will provide a 4% across the board pay increase in each of the next two years, increases the minimum salaries to faculty members paid by rank, and negotiated EUTF contributions. The total cost is estimated at $32 million which is subject to legislative appropriations.

Successor bargaining negotiations are underway between the University and the Hawaii Government Employees Association ("HGEA") for Unit 8 APT employees of the University who are currently working on a contract that covers the period July 1, 2013 to July 1, 2015.

The University's employees in BU 1 – Blue Collar, Non-supervisory employees and BU 10 – Health, Institutional, and Correctional employees are working under a four-year (4) contract that covers the period July 1, 2013 to July 1, 2017.

The State is currently in successor bargaining negotiations with the HGEA over BUs 2, 3, 4 and 9 who are currently working under contracts that cover the period July 1, 2013 to July 1, 2015.

In assessing the University's responsibilities to negotiate and administer CBAs, below are several considerations in regards to litigation, contingent liabilities and commitments:

- Without exception, the BOR must participate with exclusive representatives in good-faith negotiations over the issue of wages, hours and conditions of work (as mandated by HRS §89-9[a]), for University personnel included in the applicable BUs.

- CBAs for civil service personnel (BUs 1, 2, 3, 4, 9 and 10) are negotiated by and between the State of Hawaiʻi (including the BOR and other public employers), the respective Counties (including the City and County of Honolulu), the Hawaii Health Systems Corporation, and the Judiciary, with the exclusive representative of each bargaining unit. The exclusive representative for BUs 1 and 10 is the United Public Workers ("UPW") while the exclusive representative for BUs 2, 3, 4 and 9 is the Hawaiʻi Government Employees Association ("HGEA"). These CBAs for the aforementioned BUs are applicable to all civil service personnel working for the State which are represented by the State as a Department under the Executive Branch.

- CBAs for faculty members (BU 7) are negotiated by and between the Governor, the University President, and the BOR with UHPA, the exclusive representative for Faculty members. APT personnel (BU 8) are negotiated by and between the Governor, the University President, and the BOR with the HGEA who is the exclusive representative for the University's APTs. In contrast to CBAs for civil service personnel, the CBAs for BUs 7 and 8 are applicable only to the University as BOR appointees, specifically APT personnel and faculty members of the University.

- Failure of parties to achieve successor agreements during negotiations initiated on behalf of blue collar workers (BU 1) and/or faculty (BU 7) could result in work interruptions and/or stoppages that may hamper or halt University operations since these bargaining units still retain the right to strike.

- If an impasse exists regarding successor negotiations involving BUs 2, 3, 4, 8, or 9, the BOR, along with the respective exclusive representatives and other public employers is subject to interest arbitration, whereby the decision of the arbitration panel and its cost items are subject to legislative appropriations and approval.

- Once a successor agreement is reached and legislatively approved, the University has a responsibility and commitment to abide by all the terms set forth in the agreement.

- As an employer of employees belonging to multiple bargaining units, the University may sometimes be subject to unforeseen labor costs related to the assertion of the most favored nation clause.

- Improper administration, disputes regarding CBA interpretation, or a lack of adherence to CBAs could result in litigation and associated costs.

Note: Certain employees, such as Executive/Managerial personnel and those whose responsibilities concern confidential matters affecting employee-employer relations, are excluded from collective bargaining pursuant to HRS §89-6; wages, hours and other terms and conditions of employment for these personnel are provided by law or action of the BOR, as applicable.

Required Supplementary Information Other Than Management’s Discussion and Analysis

University of Hawai‘i
State of Hawai‘i
Schedule of Funding Progress (Unaudited)
Year Ended June 30, 2014
(All dollars reported in thousands)

Postemployment Benefits Other than Pensions

REQUIRED SUPPLEMENTARY INFORMATION
Schedule 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, 2013	$0	$1,185,790	$1,185,790	0%	$579,196	204.7%
July 1, 2011	$0	$1,965,769	$1,965,769	0%	$517,856	379.6%
July 1, 2009	$0	$1,849,949	$1,849,949	0%	$495,498	373.4%

Other Supplementary Information

Accuity LLP
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors on Supplemental Information

To the Board of Regents
University of Hawai‘i

The report on our audits of the consolidated financial statements of the University of Hawai‘i as of June 30, 2014 and 2013, and for the years then ended, appears on pages 1 and 2. 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, IV, V, VI, VII, VIII and IX) included hereinafter is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Accuity LLP

Honolulu, Hawai‘i
February 12, 2015

University of Hawai‘i
State of Hawai‘i
Condensed Statements of Net Position
Condensed Statements of Revenues, Expenses and Changes in Net Position
Current Unrestricted Funds Excluding General Fund and University Bond System
As of and for the Years Ended June 30, 2014 and 2013
(All dollars reported in thousands) Schedule I

	2014	2013
Condensed statements of net position		
Assets		
Current assets	$ 251,619	$ 308,613
Noncurrent assets	2,207	2,172
Total assets	$ 253,826	$ 310,785
Liabilities		
Current liabilities	$ 80,830	$ 90,452
Noncurrent liabilities	17,640	20,671
Total liabilities	98,470	111,123
Net position		
Unrestricted	155,356	199,662
Total net position	155,356	199,662
Total liabilities and net position	$ 253,826	$ 310,785
Condensed statements of revenues, expenses and changes in net position		
Operating revenues	$ 346,444	$ 346,584
Operating expenses	413,077	400,085
Operating loss	(66,633)	(53,501)
Nonoperating revenues and transfers	61,610	50,270
Nonoperating expenses and transfers	39,283	59,108
Change in net position	(44,306)	(62,339)
Net position		
Beginning of year	199,662	262,001
End of year	$ 155,356	$ 199,662

1. Basis of Presentation

The accompanying condensed statements of net position and related condensed statements of revenues, expenses and changes in net position 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. The financial information of the Research Corporation of the University of Hawai‘i and the University of Hawai‘i Foundation is not reflected in this schedule.

In accordance with University policy, the University’s liability for other postemployment benefits is not allocated internally to individual departments and funds. Accordingly, no liability for other postemployment benefits is reflected in this schedule.

2. Reclassifications

Certain amounts in the 2013 condensed statement of revenues, expenses and changes in net position – Current Unrestricted Funds Excluding General Fund and University Bond System have been reclassified to conform to the 2014 presentation. Such reclassifications have no impact on the 2013 change in net position as previously reported.

University of Hawai‘i
State of Hawai‘i
Schedules of Series 2002A Revenue Bond Proceeds Activity
Years Ended June 30, 2014 and 2013
(All dollars reported in thousands) Schedule II

	2014	2013
Beginning balance	$ 6,100	$ 9,087
Additions		
Interest and investment income	7	8
Total additions	7	8
Deductions		
Payments – building, construction in progress, other	480	2,989
Management fees	5	6
Total deductions	485	2,995
Ending balance	$ 5,622	$ 6,100

1. Basis of Presentation

The accompanying schedules of Series 2002A revenue bond proceeds activity present 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. The financial information of the Research Corporation of the University of Hawai‘i and the University of Hawai‘i Foundation is not reflected in this schedule.

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 to be utilized to service the outstanding balance of the new debt.

University of Hawai'i
State of Hawai'i
Condensed Statements of Net Position
Condensed Statements of Revenues, Expenses and Changes in Net Position
Current Unrestricted Funds Excluding General Fund
As of and for the Years Ended June 30, 2014 and 2013
(All dollars reported in thousands) Schedule III

	2014	2013
Condensed statements of net position		
Assets		
Current assets	$ 282,790	$ 341,536
Noncurrent assets	2,207	2,175
Total assets	$ 284,997	$ 343,711
Liabilities		
Current liabilities	$ 97,115	$ 109,012
Noncurrent liabilities	18,710	21,795
Total liabilities	115,825	130,807
Net position		
Unrestricted	169,172	212,904
Total net position	169,172	212,904
Total liabilities and net position	$ 284,997	$ 343,711
Condensed statements of revenues, expenses and changes in net position		
Operating revenues	$ 427,554	$ 423,035
Operating expenses	468,290	454,899
Operating loss	(40,736)	(31,864)
Nonoperating revenues and transfers	61,893	50,619
Nonoperating expenses and transfers	64,889	81,101
Change in net position	(43,732)	(62,346)
Net position		
Beginning of year	212,904	275,250
End of year	$ 169,172	$ 212,904

1. Basis of Presentation

The accompanying condensed statements of net position and related condensed statements of revenues, expenses and changes in net position 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, 2009A, 2010A, 2010B and 2012A(R) revenue bonds, and are presented on the accrual basis of accounting. The financial information of the Research Corporation of the University of Hawai'i and the University of Hawai'i Foundation is not reflected in this schedule.

In accordance with University policy, the University's liability for other postemployment benefits is not allocated internally to individual departments and funds. Accordingly, no liability for other postemployment benefits is reflected in this schedule.

2. Reclassifications

Certain amounts in the 2013 condensed statement of revenues, expenses and changes in net position – Current Unrestricted Funds Excluding General Fund have been reclassified to conform to the 2014 presentation. Such reclassifications have no impact on the 2013 change in net position as previously reported.

University of Hawaiʻi
State of Hawaiʻi
Schedules of Series 2006A Revenue Bond Proceeds Activity
Years Ended June 30, 2014 and 2013
(All dollars reported in thousands)

Schedule IV

	2014	2013
Beginning balance	$ 4,295	$ 6,835
Additions		
Interest and investment income	3	7
Total additions	3	7
Deductions		
Payments – building, construction in progress, other	189	2,543
Management fees	3	4
Total deductions	192	2,547
Ending balance	$ 4,106	$ 4,295

1. Basis of Presentation

The accompanying schedules of Series 2006A revenue bond proceeds activity present 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. The financial information of the Research Corporation of the University of Hawaiʻi and the University of Hawaiʻi Foundation is not reflected in this schedule.

University of Hawai‘i
State of Hawai‘i
Schedules of Series 2009A Revenue Bond Proceeds Activity
Years Ended June 30, 2014 and 2013
(All dollars reported in thousands) Schedule V

	2014	2013
Beginning balance	$ 17,011	$ 31,131
Additions		
Interest and investment income	9	27
Total additions	9	27
Deductions		
Payments – building, construction in progress, other	8,438	14,124
Management fees	11	23
Total deductions	8,449	14,147
Ending balance	$ 8,571	$ 17,011

1. **Basis of Presentation**

The accompanying schedules of Series 2009A revenue bond proceeds activity present the sources and uses of Series 2009A revenue bond proceeds associated with the financing of costs of certain University projects. The financial information of the Research Corporation of the University of Hawai‘i and the University of Hawai‘i Foundation is not reflected in this schedule.

University of Hawai‘i
State of Hawai‘i
Schedules of Series 2010A Revenue Bond Proceeds Activity
Years Ended June 30, 2014 and 2013
(All dollars reported in thousands) Schedule VI

	2010A-1	2010A-2
Balance at June 30, 2012	$ 32,199	$ 29,745
Additions		
Interest and investment income	19	58
Total additions	19	58
Deductions		
Payments − building, construction in progress, other	32,096	2,023
Management fees	11	24
Total deductions	32,107	2,047
Balance at June 30, 2013	111	27,756
Additions		
Interest and investment income	-	26
Total additions	-	26
Deductions		
Payments − building, construction in progress, other	-	1,966
Transfers to State	-	1,045
Management fees	-	22
Total deductions	-	3,033
Balance at June 30, 2014	$ 111	$ 24,749

1. Basis of Presentation

The accompanying schedules of Series 2010A-1 and Series 2010A-2 revenue bond proceeds activity present the sources and uses of the bond proceeds associated with construction and maintenance of the University’s Cancer Center. The financial information of the Research Corporation of the University of Hawai‘i and the University of Hawai‘i Foundation is not reflected in these schedules.

University of Hawaiʻi
State of Hawaiʻi
Schedules of Series 2010B Revenue Bond Proceeds Activity
Years Ended June 30, 2014 and 2013
(All dollars reported in thousands) Schedule VII

	2010B-1	2010B-2
Balance at June 30, 2012	$ 51,941	$ 19,411
Additions		
Interest and investment income	64	25
Total additions	64	25
Deductions		
Payments – building, construction in progress, other	30,435	6,072
Management fees	32	13
Total deductions	30,467	6,085
Balance at June 30, 2013	21,538	13,351
Additions		
Interest and investment income	27	18
Total additions	27	18
Deductions		
Payments – building, construction in progress, other	10,224	8,693
Management fees	12	7
Total deductions	10,236	8,700
Balance at June 30, 2014	$ 11,329	$ 4,669

1. Basis of Presentation

The accompanying schedules of Series 2010B-1 and Series 2010B-2 revenue bond proceeds activity present the sources and uses of the bond proceeds associated with renovations and additions to the Mānoa Campus Center, construction and equipment for an Information Technology Building, renovations to the Sinclair Library basement on the Mānoa campus, further development of the West Oʻahu campus, various energy conservation/efficiency projects on the community college campuses on Oʻahu, Kauaʻi and Maui, and the financing of costs of renovation and construction of other University projects. The financial information of the Research Corporation of the University of Hawaiʻi and the University of Hawaiʻi Foundation is not reflected in these schedules.

University of Hawai‘i
State of Hawai‘i
Condensed Statements of Net Position
Condensed Statements of Revenues, Expenses and Changes in Net Position
University Bond System
As of and for the Years Ended June 30, 2014 and 2013
(All dollars reported in thousands) Schedule VIII

	2014	2013
Condensed statements of net position		
Assets and deferred outflows of resources		
Current assets	$ 82,356	$ 79,591
Capital assets, net	489,452	484,513
Other assets	53,536	83,866
Total assets	625,344	647,970
Deferred outflows of resources	5	8
Total deferred outflows of resources	5	8
Total assets and deferred outflows of resources	$ 625,349	$ 647,978
Liabilities		
Current liabilities	$ 31,972	$ 37,489
Noncurrent liabilities	459,728	471,829
Total liabilities	491,700	509,318
Net position		
Net investment in capital assets	73,422	83,487
Restricted expendable	1,037	1,065
Unrestricted	59,190	54,108
Total net position	133,649	138,660
Total liabilities and net position	$ 625,349	$ 647,978
Condensed statements of revenues, expenses and changes in net position		
Operating revenues		
Bookstores	$ 25,687	$ 27,265
Room and other rentals	30,907	28,036
Parking	6,186	6,643
Telecommunications	3,527	3,766
Other operating revenues	10,387	9,020
Total operating revenues	76,694	74,730
Operating expenses (including $20,601 and $17,040 in depreciation expense in 2014 and 2013, respectively)	(85,205)	(80,716)
Operating loss	(8,511)	(5,986)
Nonoperating revenues	25,226	25,400
Nonoperating expenses	(21,726)	(17,252)
Change in net position	(5,011)	2,162
Net position		
Beginning of year (restated)	138,660	136,498
End of year	$ 133,649	$ 138,660

University of Hawai‘i
State of Hawai‘i
Condensed Statements of Cash Flows
University Bond System
As of and for the Years Ended June 30, 2014 and 2013
(All dollars reported in thousands) Schedule IX

	2014	2013
Condensed statements of cash flows		
Net cash flows provided by operating activities	$ 6,785	$ 2,368
Net cash flows provided by non-capital financing activities	5,578	2,083
Net cash flows used in capital and related financing activities	(40,259)	(91,015)
Net cash flows provided by investing activities	754	548
Net decrease in cash and cash equivalents	(27,142)	(86,016)
Cash and cash equivalents		
Beginning of year	146,454	232,470
End of year	$ 119,312	$ 146,454

1. **Reporting Entity**

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 service 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) the parking operations for the Mānoa Campus 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 the bond resolution adopted in November 2001 and as amended and supplemented by supplemental resolutions adopted in November 2006, February 2009, August 2010 and January 2012. The bond resolutions 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 bond resolutions provide that all revenues collected or received from the Network be used to support the Network (which includes the University projects of the University Bond System) and bond related expenses.

2. **Basis of Presentation**

The accompanying condensed statements of net position and related condensed statements of revenues, expenses and changes in net position and condensed statement of cash flows present the financial position and results of operations of the University Bond System, and are presented on the accrual basis of accounting.

In accordance with University policy, the University's liability for other postemployment benefits is not allocated internally to individual departments and funds. Accordingly, no liability for other postemployment benefits is reflected in this schedule.

3. New Accounting Pronouncements

In 2014, the University adopted GASB Statement No. 65, *Items Previously Reported as Assets and* Liabilities. This Statement provides financial reporting guidance for proper classification and recognition of previously reported assets and liabilities as deferred inflows or deferred outflows of resources. Management has adopted the new standard in the University Bond System's condensed financial statements. Due to the adoption of GASB Statement No. 65 in fiscal year 2014, the 2013 condensed financial statements were restated. The beginning net position as of July 1, 2012 was restated by approximately $240 from $136,738 to $136,498.

4. Reclassifications

Certain amounts in the 2013 condensed statement of revenues, expenses and changes in net position – University Bond System have been reclassified to conform to the 2014 presentation. Such reclassifications have no impact on the 2013 change in net position as previously reported.

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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 and supplemented by the resolutions adopted by the Board on November 16, 2006, February 20, 2009, August 30, 2010, January 19, 2012 and August 20, 2015 (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

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

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

"*Construct*" and "*Construction*" 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.

"*Cost of Construction*" 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; and (b) the securities are held free and clear of any lien of the Resolution or of an independent third party acting solely as agent ("*Agent*") for the Board, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the Board shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Board; and (c) a security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Bondholders; and (d) the Board will be provided with a valuation for the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and (e) the Board has the option of terminating the repurchase agreement in the event that the long-term debt ratings of the provider, are reduced below "Baa3" by Moody's and/or "BBB-" by S&P, and/or "BBB-" by Fitch if such provider is a Broker/Dealer and below "A3" by Moody's and/or "A-" by S&P and/or "A-" by Fitch if such provider is a Bank; (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, except to the extent that such Legislative Appropriations are not permitted to be used to pay debt service on such bonds or to pay costs of any project financed with such bonds.

"*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, or as a result of the financing thereof, 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 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.

University Network Bond Account (Section 5.03)

(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.

<u>Events of Default and Remedies (Article IX)</u>

(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

BOOK-ENTRY SYSTEM

The information in this Appendix B concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and neither the Board nor the Underwriters takes responsibility for the completeness or accuracy thereof. Neither the Board nor the Underwriters can or does give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2015 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2015 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2015 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2015 Bonds. The Series 2015 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 security certificate will be issued for each maturity of each series of the Series 2015 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any series and maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such series and maturity.

DTC and Its Participants. DTC, the world's largest securities depository 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 a Standard & Poor's rating of AA+. 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.

Purchase of Ownership Interest. Purchases of the Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("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 2015 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 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 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 the Series 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 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.

Notices. 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2015 Bonds within a series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2015 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 Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments. Principal, redemption proceeds, distributions, and interest payments on the Series 2015 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 Board or Paying Agent, 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, Paying Agent or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or Paying Agent, 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.

Discontinuance of Book-Entry System. DTC may discontinue providing its services as depository with respect to the Series 2015 Bonds at any time by giving reasonable notice to the Board or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security 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, Bond certificates will be printed and delivered.

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL FOR CURRENT DELIVERY SERIES 2015 BONDS

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September 24, 2015

Board of Regents of the University
of Hawaii
Honolulu, Hawaii

Re: Board of Regents of the University of Hawaii University Revenue Bonds, Series 2015A, Series 2015B (R), Series 2015C (R) and 2015D (R) (Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Board of Regents of the University of Hawaii (the "Issuer") in connection with the issuance of $8,575,000 aggregate principal amount of the Issuer's University Revenue Bonds, Series 2015A (the "2015A Bonds"), $47,010,000 aggregate principal amount of the Issuer's University Revenue Bonds, Series 2015B (R) (the "2015B Bonds"), $17,585,000 aggregate principal amount of the Issuer's University Revenue Bonds, Series 2015C (R) (the "2015C Bonds"), and $25,715,000 aggregate principal amount of the Issuer's University Revenue Bonds, Series 2015D (R) (the "2015D Bonds" and, together with the 2015A Bonds, the 2015B Bonds and the 2015C Bonds, the "Bonds"), pursuant to a Resolution adopted by the Board on November 16, 2001 (the "Original Resolution"), as heretofore amended and supplemented by the Supplemental Resolution adopted by the Board on November 16, 2006, the Supplemental Resolution adopted by the Board on April 15, 2009, the Supplemental Resolution adopted by the Board on August 30, 2010, the Supplemental Resolution adopted by the Board on January 19, 2012, and the Supplemental Resolution adopted by the Board on August 20, 2015 (collectively with the Original Resolution, as heretofore supplemented, the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

In such connection, we have reviewed the Resolution, the Certificate of Determination of the Issuer, dated September 24, 2015 (the "Certificate of Determination"), the Tax Certificate of the Issuer, dated the date hereof (the "Tax Certificate"), an opinion of counsel of the Issuer, certificates of the Issuer and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution, the Certificate of Determination and the

Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolution, the Certificate of Determination and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public entities like the Issuer in the State of Hawaii. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Resolution or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding limited obligations of the Issuer payable from Revenues pledged therefor under the Resolution.

2. The Resolution has been duly adopted by, and constitutes the valid and binding obligation of, the Issuer, and the Certificate of Determination has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer.

3. Interest on the 2015B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and the Bonds and the income therefrom are exempt from all taxation by the State of Hawaii or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Interest on the 2015B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the 2015A Bonds, the 2015C Bonds and the 2015D Bonds is not excludable from gross income for federal income tax purposes. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX F
PROPOSED FORM OF OPINION OF BOND COUNSEL FOR SERIES 2015E BONDS

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April 20, 2016

Board of Regents of the University
of Hawaii
Honolulu, Hawaii

Re: Board of Regents of the University of Hawaii
University Revenue Bonds, Series 2015E (R)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Board of Regents of the University of Hawaii (the "Issuer") in connection with the issuance of $67,400,000 aggregate principal amount of the Issuer's University Revenue Bonds, Series 2015E (R) (the "Bonds") pursuant to a Resolution adopted by the Board on November 16, 2001 (the "Original Resolution"), as heretofore amended and supplemented by the Supplemental Resolution adopted by the Board on November 16, 2006, the Supplemental Resolution adopted by the Board on April 15, 2009, the Supplemental Resolution adopted by the Board on August 30, 2010, the Supplemental Resolution adopted by the Board on January 19, 2012, and the Supplemental Resolution adopted by the Board on August 20, 2015 (collectively with the Original Resolution, as heretofore supplemented, the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

In such connection, we have reviewed the Resolution, the Certificate of Determination of the Issuer, dated September 24, 2015 (the "Certificate of Determination"), the Tax Certificate of the Issuer, dated September 24, 2015, as supplemented on the date hereof (the "Tax Certificate"), an opinion of counsel of the Issuer, certificates of the Issuer and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution, the Certificate of Determination and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolution, the Certificate of Determination and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public entities like the Issuer in the State of Hawaii. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Resolution or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding limited obligations of the Issuer payable from Revenues pledged therefor under the Resolution.

2. The Resolution has been duly adopted by, and constitutes the valid and binding obligation of, the Issuer, and the Certificate of Determination has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. The Bonds and the income therefrom are exempt from all taxation by the State of Hawaii or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX G
FORM OF CONTINUING DISCLOSURE CERTIFICATE

Dated September 24, 2015

BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII
University Revenue Bonds, Series 2015A, Series 2015B, Series 2015C (R),
Series 2015D (R) and Series 2015E (Forward Delivery) (R)

This Continuing Disclosure Certificate (this "*Disclosure Certificate*") is provided in connection with the issuance by the Board of Regents of the University of Hawaii (the "*Board*") of $166,285,000 University Revenue Bonds, Taxable Series 2015A, Series 2015B (R), Taxable Series 2015C (R), Taxable Series 2015D (R) and Series 2015E (Forward Delivery) (R) (collectively, the "*Series 2015 Bonds*"). The Series 2015 Bonds are being issued pursuant to Chapter 304A, Hawaii Revised Statutes, and a resolution of the Board adopted November 16, 2001 (the "*Resolution*"), as amended to date, including by a Supplemental Resolution of the Board adopted August 20, 2015 (the "*Supplemental Resolution*"). The Board covenants and agrees as follows:

Section 1. Purpose of Disclosure Certificate. This Disclosure Certificate is being executed and delivered on behalf of the Board for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the Board pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person which (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Dissemination Agent*" shall mean initially the Vice President of Budget and Finance/Chief Financial Officer of the University, or any successor Dissemination Agent designated in writing by the Board and which has filed with the Board a written acceptance of such designation.

"*Holder*" shall mean the person in whose name any Bond shall be registered.

"*Listed Events*" shall mean any of the events listed in subsection 5(a) of this Disclosure Certificate.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access ("*EMMA*") website of the MSRB, currently located at http://emma.msrb.org.

"*Participating Underwriters*" shall mean any original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports. (a) The Board shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the University's Fiscal Year (presently June 30), commencing with the report for the Fiscal Year ending June 30, 2016, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the University may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the University's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than fifteen (15) business days prior to the date set forth in subsection (a) above, the Board shall provide the Annual Report to the Dissemination Agent. If the Board is unable to provide to the MSRB an Annual Report by the date required in subsection (a) above, the Board shall send or cause to be sent, in a timely manner, a notice to the MSRB in substantially the form attached as Exhibit A.

Section 4. Contents of Annual Reports. The University's Annual Report shall contain or include by reference information of the type included in the final Official Statement (the "*Official Statement*") dated September 10, 2015, relating to the Bonds, as set forth under the following headings or in the following tables or appendices: "**THE UNIVERSITY OF HAWAII — Table 1**", **APPENDIX A – "THE UNIVERSITY OF HAWAII – Tables A-1 through A-20"**, and **APPENDIX B – AUDITED FINANCIAL STATEMENTS**".

The audited financial statements of the University for the prior Fiscal Year shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the University's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the Board or related public entities, which have been made available to the public on the MSRB's website. The Board shall clearly identify each such other document so included by reference.

If the inclusion or format of the information referenced above is changed in any future official statement, thereafter the Annual Report shall instead contain or include by reference information of the type included in that official statement as so changed or, if different, the type of equivalent information included in the Board's most recent official statement.

Section 5. Reporting of Significant Events. (a) The Board shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten (1) business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Board shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten (10) business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. Modifications to rights of Bond holders;

3. Optional, unscheduled or contingent Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement

to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the Board obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Board shall determine if such event would be material under applicable federal securities laws.

(d) If the Board learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Board shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

Section 6. Termination of Reporting Obligation. The Board's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Board shall give notice of such termination in a filing with the MSRB.

Section 7. Dissemination Agent. The Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Board pursuant to this Disclosure Certificate.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Board may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of subsection 3(a), Section 4 or subsections 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders or (ii) does not materially impair the interests of the Holders or Beneficial Owners of the Bonds, as determined by a party unrelated to the Board (such as a trustee or bond counsel).

In the event of any amendment or Waiver of a provision of this Disclosure Certificate, the Board shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event or of any other notice required to be filed hereunder, in addition to that which is required by this Disclosure Certificate. If the Board chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Board shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event, or any other event required to be reported.

Section 10. Default. In the event of a failure of the Board to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Board to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Board to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Board, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 12. Governing Law. This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State of Hawaii, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State of Hawaii; provided, however, that to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

UNIVERSITY OF HAWAII

By: ______________________________

KALBERT YOUNG
Vice President for Budget and Finance
Chief Financial Officer

EXHIBIT A

FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Board of Regents of the University of Hawaii
Names of Bond Issues:	University of Hawaii Revenue Bonds, Series 2015A, Series 2015B, Series 2015C (R), Series 2015D (R) and Series 2015E (R)
Date of Issuance:	September 24, 2015

NOTICE IS HEREBY GIVEN that the Board of Regents of the University of Hawaii has not provided an Annual Report with respect to the above named Bonds as required by its Continuing Disclosure Certificate dated September 24, 2015. [The Board anticipates that the Annual Report will be filed by _______________.]

Dated:

UNIVERSITY OF HAWAII

By ______[to be signed only if filed]__________

Title ______________________________________

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BOARD OF REGENTS OF THE UNIVERSITY OF HAWAII • University Revenue Bonds, Series 2015