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May 16, 2000

The Honorable Kevin S. C. Chang
 Judge, First Circuit Court
 Ka`ahumanu Hale
 777 Punchbowl Street
 Honolulu, Hawaii 96813

Re: Estate of Bernice Pauahi Bishop, Deceased
Equity No. 2048
Case No. 1EQ000002048 KSCC
Order Re Trustee Compensation

Dear Judge Chang:

The Attorney General, acting pursuant to Rule 32 of the Hawaii Probate Rules, has lodged a proposed order approving and adopting the report of the Trustee Compensation Committee. The Interim Trustees of the Kamehameha Schools object to the form proposed by the Attorney General and, pursuant to Rule 32, submit herewith their proposed form of order.

The proposed order submitted by the Attorney General is derived from a form of order first prepared and circulated by me. The form of that draft has not been approved by all parties.¹

¹ I circulated a draft order on February 6, 2000. On February 23, Deputy Attorney General Hugh Jones responded, requesting a change to one paragraph of the draft. I also received a call from Colbert Matsumoto requesting modifications to the draft. On March 16, a revised form was transmitted by me. That form is the one now proposed by the Attorney General. (There are some transcription errors in the Attorney General's form, however. If these are material to the Court's settlement of the Order, I will be prepared to detail them.)

Colbert Matsumoto again contacted me concerning the form. He pointed out that, while I had made some of the requested changes, I had not made additions requested by him concerning other employment benefits and insurance costs to be incurred by the Estate of behalf of the Trustees. On April 10, I circulated a letter to Colbert, Ben Matsubara and Hugh discussing the matter.

On May 10, 2000, Hugh wrote me concerning the Order. I responded to him, Ben and Colbert the same day, requesting that Hugh defer filing anything and suggesting that Ben seek a chambers conference. On May 12, Hugh lodged with the Court the Attorney General's version of the draft I had circulated on March 16.

The proposed order does not resolve issues raised by Colbert on behalf of the Compensation Committee and, I presume, remains unsatisfactory to the Committee. The referenced correspondence has discussed the issues in greater detail and is available to you for your review if you wish to see it.

The Honorable Kevin S. C. Chang
May 16, 2000
Page 2

Having received Mr. Jones' notice of submission of a proposed order, I reviewed the file materials and the transcript of the Court's decision. I then noted that the Court was specific about the form of the Order, saying:

Mr. Graham, you prepare a first amended order which incorporates the Order Granting Petition For Approval Of A Plan For Determining Trustee Compensation Pursuant To Stipulation No. 15 And For Creation Of A Compensation Committee In Accordance With The Plan filed on May 10, 1999, and which approves the report of the trustee compensation committee and which adopts the committee's determination of reasonable compensation for Trustees of the Kamehameha Schools and the other conditions as noted on the record this morning.

The March 16 draft, and thus the Attorney General's submission, are not entirely in compliance with this direction.

The Interim Trustees' proposed order is enclosed. As directed by the Court, it is a first amended order. It incorporates the text of my March 16 draft (which is the basis of the Attorney General's submission). It contains a paragraph which states that the Court both approves the Committee's report and adopts its determination, as follows: (the underscored words do not appear in the March 16 draft nor in the Attorney General's proposed form):

Based on the foregoing, the Court approves the Compensation Committee's Report and adopts the Compensation Committee's determination of the reasonable annual compensation for each trustee of Kamehameha Schools as presented at pages 7 and 8 of the Compensation Committee's Report filed on October 1, 1999, which reads as follows:

It also includes an additional paragraph drawn from the Compensation Committee Report and requested by Mr. Matsumoto that reads as follows:

The Trustees shall serve as "independent contractors" and not as "employees" of the Trust Estate. Accordingly, fringe benefits typically associated with employment by an organization shall not be included in the compensation to be provided to the Trustees.

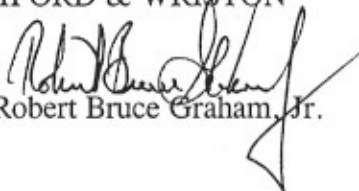
However, neither the form proposed by the Interim Trustees nor the one proposed by the Attorney General includes provisions requested by Colbert Matsumoto on behalf of the

The Honorable Kevin S. C. Chang
May 16, 2000
Page 3

Committee concerning Estate insurance. I believe that text acceptable to the Interim Trustees, Colbert Matsumoto and Ben Matsubara can be developed. I understand, however, that the Attorney General is opposed to any mention of the Estate insurance. I previously suggested a chambers conference to discuss this issue and to obtain the Court's directions concerning the text of its Order. I respectfully submit that such a conference remains desirable.

Respectfully submitted,

ASHFORD & WRISTON


By Robert Bruce Graham, Jr.

Enclosure

cc: Colbert M. Matsumoto, Esq., w/enc.
Benjamin M. Matsubara, Esq., w/enc
Hugh R. Jones, Esq., w/enc.
Harry Yee, Esq., w/enc.