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January 27, 2014

Sidney K. Ayabe
Calvin E. Young
Ayabe, Chong, Nishimoto, Sia & Nakamura
1003 Bishop Street, Ste. 2500
Honolulu, Hawaii 96813

RE: Matthew Pritchard
Your Client: Peter Kubota
Our File No. 3088014

Dear Mr. Ayabe and Mr. Young:

Thank you for responding to my recent inquiry. Because you have confirmed that you are still representing Mr. Kubota, I am directing this correspondence to your attention. Please allow me to briefly recap the issues at hand.

Mr. Pritchard and his business partner Shaun Lether had two separate real estate parcels, the first being an ocean-front property (hereafter "OFP") and the second being a commercial lot in Pepeekeo named The Village at Pepeekeo (hereafter "the Village"). Mr. Pritchard retained Mr. Kubota to create an LLC which would own the Village property as its primary asset.

As it turned out, the Village was encumbered by a long-term lease which had been undiscovered by Mr. Pritchard's real estate agent or by Mr. Kubota, thereby rendering the title unmarketable. As a result, an offer made in June 2009 to purchase the Village for \$2,000,000 fell through. Knowing that the property was unloanable, he offered \$400,000.00 of his own money, and also convinced Gary Turner to loan \$100,000.00 in a junior mortgage position. He loaned this on an onerous term of one year, knowing full well that Mr. Pritchard's income could never support a \$500,000 payback within one year.

I do understand that the loan terms and conditions were disclosed to Mr. Pritchard and Mr. Lether, and that they were advised to seek independent legal representation, and they also executed a waiver of conflict. However, given Mr. Kubota's position as their attorney and financial advisor (as advertised on Mr. Kubota's website), these measures were not sufficient to avoid an inherent conflict of interest and prohibition against self-dealing. Additionally:

- A lender must have evidence of a borrower's ability to repay a mortgage. In this case, Mr. Kubota knew that Mr. Pritchard and Mr. Lether could NOT possibly repay the one year loan.
- What, then, was Mr. Kubota's "exit plan" in order to be repaid? The only answer is the equity in the Village. There was no other way unless he intended to "loan to own."
- Why, when the issue of the long-term lease on the Village arose, did Mr. Kubota not try at all to assist with resolving this? The proceeds from sale of the Village would have been more than sufficient to repay his \$400,000.00 investment, and yet he did nothing to help secure these funds.
- If Mr. Kubota's loan was illegal, then there could be no legal foreclosure on the OFP. However, Mr. Pritchard's counsel died during the foreclosure proceedings and Mr. Pritchard was deprived of the opportunity to present a meaningful foreclosure defense.

Finally, the practice of making loans to clients does not appear to be an isolated incident for Mr. Kubota. Mr. Pritchard is aware of at least one other recent incident, and understands that Mr. Kubota is operating as a Mortgage Lending Organization under the name Alia River Farms, LLC. It is Mr. Pritchard's belief that this organization is acting in violation of chapter 454f by not having two licenses.

Mr. Pritchard has expressed his intent to hire Hawaii counsel and pursue this matter in the Hawaii courts. I understand you have rejected his previous offer of \$500,000.00 to settle all aspects of this claim. In an effort to make one final attempt at resolving the matter, he has expressed his willingness to take in exchange a deed to the OFP signed over by Mr. Kubota. If ownership is rightfully restored to Mr. Prichard, the matter will be considered settled in full.

Again, because I do not represent Mr. Pritchard on this matter, you are free to communicate with him at P.O. Box 1749, Big Bear Lake, California, 92315. I thank you in advance for your prompt response.

Very truly yours,

PARKER STANBURY, LLP

By

GEORGE A. HUNLOCK