

Statement of Michelle I. Pang

On March 23, 2007, Michelle I. Pang, employee of Bureau of Conveyances (BOC), Department of Land and Natural Resources (DLNR), State of Hawaii (SOH) was re-contacted by Hilton J. Lui. Upon contact Pang was informed by Lui that he had additional questions of her.

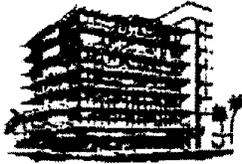
First of all, a document provided to Lui by Enrique was shown to Pang which appears to be a contact between Title Guaranty of Hawaii, Inc. and DLNR - BOC, Contract 46716, also known as ICS-FY-99-52, Services to Develop and Implement a Replacement Land Court and Regular Automated Tracking System for the State of Hawaii. Pang advised she has never seen it before and have no knowledge as to the contract. Pang advised there were some documents she found yesterday as a result of a subpoena that she was told required her to look for some documents that the cashiers had to provide relating to the LCATs and the billings. The first document she came across was a letter dated October 30, 1998 from Michael Pietsch of Title Guaranty to Mason Young, who was the Administrator of the Bureau of Conveyance which talks about the scanning of the images and how they were to receive a 50% discount on their LCATs subscription. This was found in an old folder for Title Guaranty for 1998. Apparently the scanning was to commence on 12/1/98. The agreement was forward by Susan Okamoto to the Cashiers via Memorandum dated 7/22/99 to make them aware of the 50% for monthly LCATs subscription and cost of the magnetic tape for the daily entry. Another letter that was recovered was dated August 26, 2003, from Carl Watanabe to Michael Pietsch where it noted the mutual termination of the imaging project on July 21, 2003, where the 50% would also end. Pang did not

know about the billing documents provided by Enrique subsequent to the July 21, 2003 date.

Pang advised that having a title company do the scanning for the BOC appears like a conflict of interest because Title Guaranty does recording with them and the majority of the documents that are recorded come from them. Pang question, "wouldn't this be part of an ethical thing?"

Documents are attached herewith.

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TITLE GUARANTY OF HAWAII

INCORPORATED

214 QUEEN STREET • P.O. BOX 3084 • HONOLULU, HAWAII 96802 • TELEPHONE 533-6261

October 30, 1998

W. Mason Young
Administrator
Bureau of Conveyances
1151 Punchbowl Street
Honolulu, Hawaii 96813

Re: Letter Agreement/Imaging Project
Revision No. 1

Dear Mr. Young:

1. Title Guaranty of Hawaii, Inc. has acquired the necessary high-speed paper scanning equipment to be installed at the Bureau of Conveyances. We have simulated testing of thousands of pages of recorded documents in our office in preparation of imaging implementation at the Bureau. We anticipate commencing operations on approximately November 9, 1998. Commenced
12/1/98
2. We agree that scanning is to commence with minimal interruption to daily activities of indexing and microfilming as is reasonably possible. Scanning will begin at approximately 3:30 in the afternoon for documents to record at 8:01 a.m. the next day. For any other documents, which have not been scanned, scanning will be performed at such times that are mutually convenient to Title Guaranty and Bureau employees. It is recognized that it may be necessary to continue scanning after normal business hours in order to complete the work. The schedule may need to be modified as we become more experienced with the scanning operations.
3. TG will provide two (2) viewing terminals and two (2) processing computers (one for scanning and one for indexing). The terminals will be used to retrieve and view images, which are stored in the on-site computer. We will provide a temporary printer with the understanding that the Bureau will provide its own printer after adequate testing; we assume the printer will be installed concurrent with the installation of our equipment. Any equipment supplied by TG will continue to be owned by TG and TG will operate the system with TG employees at the sole cost of Title Guaranty of Hawaii, Inc. We understand that all necessary cabling and electrical work has already been accomplished.
4. With regard to printing privileges, we contemplate that TG will be able to print documents for its own use and that the Bureau will charge other title companies and the general public according to its general scheduled rates (currently .50 per page). Since this revenue will belong to the Bureau, the Bureau will set those charges as it determines appropriate.

cc: Coy Nakaya



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5. TG will provide the Bureau with a copy of each completed CD-ROM containing the scanned documents at no charge to the Bureau. Depending on the number of documents and the storage capacity of the CD-ROM, it is anticipated that a CD will be delivered every three (3) to five (5) days. The hard drive will have capacity for approximately ten (10) days of documents based upon current volume estimates. Although the CD-ROM supplied to the Bureau will become the property of the Bureau, in order to enable TG to recover its costs, including amortization of its equipment, the Bureau will not reproduce, copy/sell or otherwise make available to other parties, the CD-ROMS. Images of the scanned documents may be accessed from the CD-ROM and reproduced to a paper copy for sale to the public. However, these documents will be on an individual document basis (not a bulk transfer of the images).

clarify 6. To enable Title Guaranty of Hawaii, Inc. to recoup its expenses, it is agreed that during the period the system is operational TG will be required to remit to the Bureau half (50%) of TG's monthly LCATS Subscription and the cost of the magnetic tape for the Daily Entry (Grantor/Grantee Index). TG will continue to pay the postage charges. } *Discount*

7. Title Guaranty will endeavor to perform all reasonable tasks to ensure that this project is successful. Significant project dates are as follows:

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- a) Equipment will be delivered prior to November 1, 1998
 - b) Full scanning will begin approximately November 9, 1998
 - c) Scanning completion is scheduled for January 30, 1999 with an option to extend.
 - d) Both Title Guaranty and the Bureau of Conveyances may agree to terminate this agreement prior to January 30, 1999.

Title Guaranty foresees that both the Bureau and the Public will be better served by the implementation of this scanning project and we look forward to continuing the project beyond the initial trial period.

Please call me if you have any questions (521-0259); I look forward to beginning this project and finalizing any remaining details.

Sincerely yours,



Michael A. Pietsch
President

MAP:ym

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Memorandum

To: Cashiers
From: Susan S Okamoto
Date: 07/22/99
Re: TG Discount

Attached is a copy of the Letter of Agreement between TG and the Bureau. A copy of this letter was sent to Mike Wilson who approved the Imaging Project. (Tomylu is maintaining a folder regarding the Imaging Project.)

The following was agreed upon by both TG and the Bureau:

1. TG is required to remit to the Bureau half (50%) of TG's monthly LCATS subscription and the cost of the magnetic tape for the Daily Entry
2. This agreement commences December 1, 1998 (this date is the beginning date for the CD information TG is providing to us.)

Effective today, all future billings should reflect a 50% discount on TG's billing for LCATS until such time the agreement is terminated.

cc: Mason, Carl

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LINDA LINGLE
GOVERNOR OF HAWAII



CARL T. WATANABE
ACTING REGISTRAR OF CONVEYANCES

TELEPHONE (808) 587-0120

FAX (808) 587-6136

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
BUREAU OF CONVEYANCES

P. O. BOX 2867

HONOLULU HAWAII 96803

August 26, 2003

COPY

Title Guaranty of Hawaii
235 Queen Street, 2nd floor
Honolulu, Hawaii 96813
Attn: Michael A. Pietsch

Dear Mr. Pietsch:

As a result of the mutual termination between the Bureau of Conveyances and Title Guaranty of the Imaging Project on Monday, July 21, 2003, the 50% discount of TG's monthly LCATS subscription will be terminated effective July 31, 2003.

All future LCATS billings beginning with August 2003 will reflect actual incurred charges.

Please call me at 587-0120 should you have any questions.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Carl T. Watanabe".

Carl T. Watanabe
Registrar

Cc: Cashiers

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