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Attorney for Co-Receivers
REBECCA S.P. YEE and BENJAMIN T. FUJIMOTO

IN THE CIRCUIT COURT OF THE FIRST CIRCUIT

STATE OF HAWAII

STATE OF HAWAII, by its Office of
Consumer Protection,

Plaintiff,

vs.

PACIFIC EDUCATIONAL SERVICES
COMPANY, a Nevada corporation dba
Hawaii College of Pharmacy; DENISE A.
CRISWELL aka Deedee Criswell aka DeDe
Criswell aka Denise Criswell Nakajima and
DAVID CHAMPION MONROE fka David
Yacas,

Defendants.

) Civil No. 05-1-1356-07 (SSM)
) (Other Civil Action)

) **SUMMARY OF ACTIVITIES OF CO-**
) **RECEIVERS REBECCA S.P. YEE AND**
) **BENJAMIN T. FUJIMOTO THROUGH**
) **JANUARY 31, 2006**

) Judge: The Honorable Sabrina S. McKenna

) NO TRIAL DATE HAS BEEN SET

**SUMMARY OF ACTIVITIES OF CO-RECEIVERS REBECCA S.P. YEE AND
BENJAMIN T. FUJIMOTO THROUGH JANUARY 31, 2006**

Rebecca S.P. Yee and Benjamin T. Fujimoto, duly appointed Co-Receivers (the
ACo-Receivers@), by order of this Court entered herein September 21, 2005, hereby
submit their Summary of Activities through January 31, 2006.

Leased Office Space

Pacific Educational Services (PES) had 3 leases with Campbell Estate for 18,000 square feet for approximately \$45,000 per month and 2 sub-leases with Bank of Hawaii for 7,000 square feet for approximately \$15,000 per month. Vacated and terminated all 5 leases. Security deposits of \$44,275 and \$54,084 were paid to Campbell Estate and Bank of Hawaii respectively. Both Campbell Estate and Bank of Hawaii have indicated that back rent and other charges exceed the security deposit amounts. We were able to negotiate a security deposit return of \$13,571 from Bank of Hawaii. We were not able to negotiate a return from Campbell Estate as they maintained that they allowed PES to occupy the space beyond the time we vacated the Bank of Hawaii offices and they allowed PES to hold the auction at their site.

Contents of Leased Office Space

All PES furniture and equipment were sold on site at an auction held on Saturday November 19, 2005. Received net proceeds of \$68,463 in January from McClain Auctions.

The 2004 Solara used by Dean Hamman Hassan was sold at auction by McClain Auctions for a 10% commission. We are awaiting final settlement with McClain to receive the net proceeds from the sale.

Asset Recovery Activity

Requested Kapolei Property Development (KPD) (seller) to allow PES' the right to sell its' right to purchase lot 63 in Kapolei to an interested third party purchaser or recovering the \$200,000 deposit. KPD was not willing to allow PES to sell its' rights to a

third party but was agreeable to refunding the \$200,000. We await the necessary documents from KPD to get the refund.

Negotiating disposition with vendor of office furniture regarding \$30,000+ in prepaid but undelivered office furniture.

The following are recovery activities taken on assets identified thru the efforts of Office of Consumer Protection (OCP):

- Requested Wells Fargo Bank in Nevada to remit amounts in the name of David Monroe. Collection still pending.
- Requested University of Kentucky Federal Credit Union to remit \$9,116.20 in the name of Denise Criswell. Collection still pending.
- Listed Kapolei condo at \$360,000. The condo was assigned to Denise Criswell by her ex-husband Akihito Nakajima per their divorce decree. Received an offer at \$355,000 and countered at \$357,500 which was accepted. Our offer was contingent on court approval of the sale which we obtained. During the closing process, it was determined that the appropriate legal documents (quit claim deed and petition to note divorce) to transfer the title to Criswell was not executed by Nakajima. We had some difficulty contacting Nakajima to discuss this matter. He obtained legal counsel in Nevada to file a motion in Family Court claiming that Criswell failed to remove his name from liability on the mortgage by refinancing the condo as required in the divorce decree. As a result, Nakajima claimed he paid mortgage and related expenses of \$20,785.21 to preserve his credit rating. We are in the process of negotiating an agreement with his attorney to get him to sign the necessary documents required to sell the condo. We are seeking a "global"

settlement as title to properties in Kentucky and Nevada that he also assigned to Criswell per their divorce decree appears not to have been legally transferred. We have contacted legal representatives in those states to research title and equity position to determine if it's feasible to proceed further. The buyer has agreed to extend the closing date several times due to the above issues. The prospective buyer of the condo is an investor and is interested in "pre-leasing" the condo to a renter to generate income. Any rental income would be PES' until closing of the sale. We are evaluating the pros and cons of pre-leasing. There are liability issues requiring an insurance policy and if the sale falls through, showing the condo to prospective buyers may be complicated if it's occupied by a renter. Evaluating potential tax issue on sale of condo if the sales proceeds are reported to IRS under PES' tax ID as PES has no cost basis on the condo.

- PES' computer system was comprised of multiple servers connecting 3 locations and numerous workstations, PCs and laptops. Used a third party provider to copy all data on servers, PCs and laptops to a retrievable media, disconnect hardware and cabling and assemble all relevant purchase and software documentation to enhance value at auction. To conserve cash, bartered with vendor for services provided for servers he was interested in based on prices obtained from an independent source. Received \$2,750 in December as net result of barter process.
- Received \$450 from sale of a laptop to a former employee of PES.
- Received \$967 in January for residual balances in investment accounts kept at Smith Barney.

- Prepared and sent letters to William Nassar & Associates and Pacific West Coast Development, LLC requesting further support for \$254,565 and \$325,000 that PES paid them respectively for services they provided. We were unable to locate documentation in PES' files to support the payments.
- Obtained from OCP, list of mainland properties (see attached list) under name of defendants. Contacted legal representatives in those states to assist in title and lien searches to assist in evaluation of the cost/benefit of pursuing these properties and the legal requirements in those cases we plan to pursue.

Administrative Activities

Preparing an accounting of net tuition and fees paid by each student based on review of available records.

Preparing an accounting of cashflow from inception from available records to identify all cash inflows and outflows. Review of the cash disbursements could identify additional sources of asset recovery and a better understanding of how the funds were spent.

Obtained year-end payroll reports from Ceridian and mailed to former employees. Updated mailing addresses as required upon notification by former employees.

Evaluate tax issues regarding filing of federal and state tax returns for 2004 and 2005.

Appears that no federal income tax return was filed for 2004.

Insurance Policies

Requested and received copy of D&O policy issued by Chubb to PEC. Legal counsel will be evaluating pursuit of a claim.

Contacted PES' insurance agent Bank of Hawaii Insurance to determine the policies PES had and whether any refunds for prepaid premiums were due. Preparing for a payroll audit by work comp carrier HEMIC to determine final premium and possible refund on work comp policy.

Bank of Hawaii Cash Balance

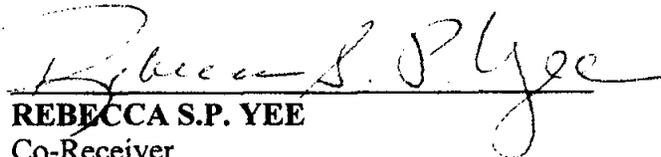
The account balance as of January 31, 2006 was \$1,112,276.

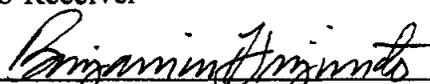
Pending Asset Recovery Items

- Proceeds from sale of 2004 Solara sold at auction
- Return of \$200,000 deposit paid to KPD for purchase of lot 63 in Kapolei
- Disposition of \$30,000+ in prepaid but undelivered office furniture
- Denise Criswell's account in University of Kentucky Federal Credit Union for \$9,116
- Possible refund if any unearned workers' compensation premium
- Pending sale of condo in Kapolei for \$357,500
- David Monroe's account in Wells Fargo Bank in Nevada (amount unknown)
- Potential claim against D&O insurance carrier
- Various mainland properties owned or co-owned by defendants

Respectfully submitted,

Honolulu, Hawaii, February 15, 2006.


REBECCA S.P. YEE
Co-Receiver


BENJAMIN T. FUJIMOTO
Co-Receiver