

1ST CIRCUIT COURT
STATE OF HAWAII
FILED

2006 MAR 20 AM 11:17

R. HIGA
CLERK

DAVID C. FARMER ATTORNEY AT LAW LLLC

DAVID C. FARMER 3946
225 Queen Street, Suite 15A
Honolulu, Hawaii 96813
Telephone: (808) 222-3133
Fax No. (808) 529-8642
E-mail: farmerd001@hawaii.rr.com

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,	)	Civil No. 05-1-1356-07 (SSM)
	)	(Other Civil Action)
)	
Plaintiff,	)	SUMMARY OF ACTIVITIES OF CO-
	)	RECEIVERS REBECCA S.P. YEE AND
vs.	)	BENJAMIN T. FUJIMOTO THROUGH
	)	February 28, 2006
PACIFIC EDUCATIONAL SERVICES)	
COMPANY, a Nevada corporation dba)	
Hawaii College of Pharmacy; DENISE A.)	
CRISWELL aka Deedee Criswell aka DeDe	)	Judge: The Honorable Sabrina S. McKenna
Criswell aka Denise Criswell Nakajima and)	
DAVID CHAMPION MONROE fka David	)	NO TRIAL DATE HAS BEEN SET
Yacas,)	
)	
Defendants.)	

**SUMMARY OF ACTIVITIES OF CO-RECEIVERS REBECCA S.P. YEE AND
BENJAMIN T. FUJIMOTO THROUGH FEBRUARY 28, 2006**

Rebecca S.P. Yee and Benjamin T. Fujimoto, duly appointed Co-Receivers (the Co-Receivers), by order of this Court entered herein September 21, 2005, hereby submit their Summary of Activities through February 28, 2006.

Leased Office Space

Pacific Educational Services (PES) had 3 leases with Campbell Estate and 2 sub-leases with Bank of Hawaii. 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.

Contents of Leased Office Space

All PES furniture and equipment were sold at an auction for net proceeds of \$68,463.

The 2004 Solara used by Dean Hamman Hassan is to be sold by McClain Auctions for a 10% commission. A buyer was identified in January, however the sale was never finalized; McClain is in the process of securing another buyer.

Asset Recovery Activity

Requested refund of the \$200,000 deposit paid to Kapolei Property Development (KPD) for the purchase of lot 63 in Kapolei. 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. Pursuing possible sale of furniture using McClain Auction.

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.
- Offer to sell Kapolei condo was accepted at \$357,500. The condo was assigned to Denise Criswell by her ex-husband Akihito Nakajima per their divorce decree. 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. The buyer agreed to extend the closing date several times due to the above issues and we agreed to pay fees to extend the interest rate lock on the buyer's mortgage. As the negotiation to get him to sign the necessary documents was not progressing, there was a possibility that we may lose the buyer. To prevent further delays and possible loss of the sale, an ex-parte motion to direct the chief court clerk to sign the conveyance documents on behalf of Nakajima was filed. The quitclaim deed transferring title to Criswell and the petition to note the divorce required to transfer title was obtained and will be recorded. The sale is expected to close on March 10. As per court order, the net sales proceeds will be deposited into a segregated interest bearing bank account subject to court finding regarding the disposition of the funds. Anticipating net proceeds from sale after expenses and mortgage loan payoff (around \$144,500)

will be about \$186,500. Will need to evaluate 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.

- Prepared and sent letters to William Nassar & Associates (WNA) and Pacific West Coast Development, LLC (PWCD) 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. Received a response letters and supporting documents from WNA dated January 13, 2006 and from PWCD dated February 13, 2006. Reviewed response letters and supporting material provided to ascertain if they adequately supported the billings. Prepared and sent follow-up letters to WNA and PWCD to provide further support and explanations on matters included in their response letters. Waiting for their response to our queries.
- Obtained from OCP, list of mainland properties under name of defendants. Conducting 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. Identified property in David Monroe's name in Las Cruces, New Mexico with outstanding mortgages of \$253K; in the process of determining market value and available equity.

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.

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

Received copy of D&O policy issued by Chubb to PEC. Legal counsel evaluating pursuit of a claim.

Provided payroll data to HEMIC (work comp carrier) auditor for payroll audit to determine final premium and possible refund on work comp policy completed; awaiting results.

Bank of Hawaii Cash Balance

The cash balance as of February 28, 2006 was \$1,064,108 comprised as follows: \$308,238 was in the general "working" account earning minimum interest; \$755,870 was in a "savings" account earning interest at a higher rate. A third account will be established per court order to hold the net proceeds from the sale of the condo previously mentioned.


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
- 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, March 8, 2006.


REBECCA S.P. YEE

Co-Receiver


BENJAMIN T. FUJIMOTO

Co-Receiver

DAVID C. FARMER ATTORNEY AT LAW LLLC

DAVID C. FARMER 3946
225 Queen Street, Suite 15A
Honolulu, Hawaii 96813
Telephone: (808) 223-3133
Fax No. (808) 529-8642
Email: farmerd001@hawaii.rr.com

Attorney for Co-Receivers

IN THE CIRCUIT COURT OF THE FIRST CIRCUIT

STATE OF HAWAII

STATE OF HAWAII, by its Office of	)	CIVIL NO. 05-1-1356-07 SSM
Consumer Protection,	)	(Other Civil Action)
)	
Plaintiff,	)	CERTIFICATE OF SERVICE
)	
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.)	
)	

CERTIFICATE OF SERVICE

TO: JEFFREY E. BRUNTON
Office of Consumer Protection
State of Hawaii
235 South Beretania Street, Suite 801
Attorney for Plaintiff

PACIFIC EDUCATIONAL SERVICES COMPANY
P.O. Box 43285
Louisville, KY 40253
Defendant

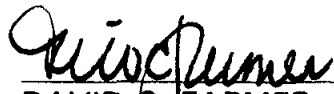
DENISE A. CRISWELL
P.O. Box 43285
Louisville, KY 40253
Defendant

DAVID C. MONROE
P.O. Box 43285
Louisville, KY 40253
Defendant

SIDNEY K. AYABE,
Ayabe Chong Nishimoto Sia & Nakamura
Pauahi Tower
1001 Bishop Street, Suite 2500
Honolulu, HI 96813
Attorney for Defendants

The undersigned hereby certifies that a filed-stamped copy of the foregoing will be served on the foregoing parties at the addresses listed above by depositing same in the U.S. mail, postage prepaid.

DATED: Honolulu, Hawaii, March 20, 2006.



DAVID C. FARMER
Attorney for Co-Receivers