

FIRST CIRCUIT COURT
STATE OF HAWAII
FILED

2006 MAY -9 PM 3: 16

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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,	)	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
	)	April 30, 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 APRIL 30, 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 April 30, 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. We were unable to sell the 2004 Solara used by Dean Hamman Hassan at auction so it was sold to Servco Pacific in April 2006 for \$14,500.

Asset Recovery Activity

Requested refund of the \$200,000 deposit paid to Kapolei Property Development (KPD) for the purchase of lot 63 in Kapolei. In April 2006, we signed the necessary documents drafted by KPD terminating the purchase agreement and await 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.

- Closed sale of Denise Criswell's Kapolei condo on March 10 for net sales proceeds of \$192,829.25 along with \$500 received from the buyer to purchase the furnishings. Proceeds were deposited into a segregated interest bearing bank account subject to court finding regarding the disposition of the funds. Nakajima claimed he paid mortgage and related expenses of \$20,785.21 to preserve his credit rating. Some of his payments related to the Kapolei condo. If needed, we may negotiate with him to reimburse some of this expense in return for his cooperation in transferring title to Criswell's other property in Kentucky. Form 1099-S (Proceeds from Real Estate Transactions) was filed with the IRS by escrow showing that PES received gross proceeds of \$357,500 from the sale. Need to evaluate potential tax consequence on sale of condo 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 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. Received a follow-up response from WNA on March 20, 2006 where he confirms

that \$174,460 of the \$254,565 paid to WNA remains in his Trust Account. Waiting for response back from PWCD.

- 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 and determined that further pursuit was not warranted due to the limited amount of equity available. Identified three properties in Kentucky in the name of David C. Monroe however further investigation determined that it was not the David Monroe named in our receivership. Denise Criswell has a property in Kentucky as part of her divorce decree; preliminary investigation indicates possible equity of \$90K. Further evaluation is required to determine the feasibility of pursuit due to the property title not being transferred from Ken Nakajima to Denise Criswell, as well as legal requirements in the state of Kentucky.
- Received notification from American Dental Education Association (ADEA) in April 2006 that a check issued to PES on September 8, 2005 for \$25,522 had not been cashed. We were not able to locate original check so we requested issuance of replacement check.

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; final premium audit showed additional premiums owed. Although the policy was cancelled midterm, payroll costs were higher than projected due to growth in staffing and the payroll to start-up the dental school operations.

Bank of Hawaii Cash Balance

The “unsegregated” cash balance as of April 30, 2006 was \$1,062,178 comprised as follows: \$302,807 was in the general “working” account earning minimum interest; \$759,371 was in a “savings” account earning interest at a higher rate. There is \$192,545 in a third account established per court order to hold the net proceeds from the sale of the condo previously mentioned. The balances in the savings account and the segregated account were transferred to Merrill Lynch cash management accounts in May 2006 in order to achieve higher interest income to offset some of the administrative expenses.

The summary of activity in the Bank of Hawaii “working” account is as follows:

Bank of Hawaii Operating Acct # 0003-234525
September 30, 2005 to April 30, 2006

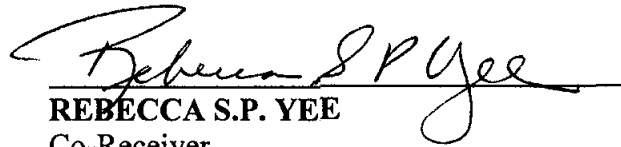
Beginning balance	-
Transfer from Smith Barney	976,452
Transfers from old accts	42,601
Various deposits	171,316
Interest income	92
Transfer to savings acct	(751,250)
Receiver fees & expenses	(102,067)
Fees to legal counsel	(29,105)
Other check disbursements	(4,859)
Bank charges	<u>(373)</u>
Ending balance at 4/30/06	<u><u>302,807</u></u>


Pending Asset Recovery Items

- 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
- 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
- Replacement check from ADEA for \$25,522.

Respectfully submitted,

Honolulu, Hawaii, May 5, 2006.


REBECCA S.P. YEE
Co-Receiver


BENJAMIN T. FUJIMOTO
Co-Receiver

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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

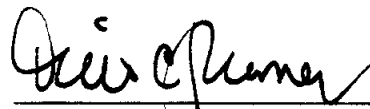
PACIFIC EDUCATIONAL SERVICES COMPANY
P.O. Box 43285
Louisville, KY 40253
Defendant
DENISE A. CRISWELL
P.O. Box 43285
Louisville, KY 40253
Defendant

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, May 9, 2006.



DAVID C. FARMER
Attorney for Co-Receivers