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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
	)	JUNE 30, 2006; CERTIFICATE OF
PACIFIC EDUCATIONAL SERVICES	)	SERVICE
COMPANY, a Nevada corporation dba)	
Hawaii College of Pharmacy; DENISE A.)	
CRISWELL aka Deedee Criswell aka DeDe)	
Criswell aka Denise Criswell Nakajima and	)	Judge: The Honorable Sabrina S. McKenna
DAVID CHAMPION MONROE fka David)	
Yacas,	)	Trial Date: May 14, 2007
)	
Defendants.	)	SCF: None
)	

**SUMMARY OF ACTIVITIES OF CO-RECEIVERS REBECCA S.P. YEE AND
BENJAMIN T. FUJIMOTO THROUGH JUNE 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 June 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. The 2004 Solara used by Dean Hamman Hassan was sold to Servco Pacific in April 2006 for \$14,500.

Asset Recovery Activity

The agreement with Kapolei Property Development for the purchase of lot 63 in Kapolei was terminated and the \$200,000 deposit was refunded and deposited in Merrill Lynch in May.

Disposition of the office furniture is taking longer than anticipated as it consists primarily of customized partitions, related attachments and chairs for multi-position cubicles. PES paid \$30,000+ for the office furniture which is in the possession of the dealer. The dealer claims that it is still owed the shipping costs on the 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. Identified two properties in Las Vegas Nevada in Denise Criswell's name; preliminary investigation indicates possible equity of half a million dollars. Nevada legal counsel will be addressing legal issues (ie. Homestead Exemption) and determining a course of action to pursue these properties.
- A refund check for \$25,522 from American Dental Education Association was received and deposited in Merrill Lynch in May.

Administrative Activities

The summary below shows that \$6,567,290 was received from students in tuition and fees. Attached are 4 exhibits providing a detailed accounting of net tuition and fees paid by students compiled from data obtained from PES' Quickbooks accounting system. There are discrepancies among inter-related Quickbook accounts of amounts billed and paid by students that are being further analyzed. Differences in count and amount in student payments with data that OCP had compiled were reviewed and reconciled.

Summary of Amounts Paid by Students & Applicants

	<u>Count</u>	<u>Amount</u>	
Students who paid \$28,550 in tuition & fees	32	913,600	Exhibit 1
Students who paid \$26,550 in tuition & fees	207	5,495,850	Exhibit 2
Applicants who paid \$1000 deposit	78	78,000	Exhibit 3
Students & applicants who paid the \$80 application fee	998	79,840	Exhibit 4
Total		6,567,290	

A preliminary balance sheet as of August 2, 2005 and preliminary statement of cashflow from inception up thru August 2, 2005 were included as exhibits to our May report. The information for these statements was compiled from data obtained from PES' Quickbooks accounting system. The statement balances per Quickbooks were adjusted to reflect bank reconciliation items such as outstanding checks recorded on Quickbooks but not cashed by the bank and debit and credit items posted to the bank account but not recorded on Quickbooks. August 2, 2005 is the cutoff date for the preliminary statements as that was the last transaction entry date noted on Quickbooks.

The preliminary statement of funds provided by operations shows that PES had total revenue of \$6,597,319 and disbursed \$4,236,103 for various expenses.

Further review and analysis of the Quickbooks data is being performed to identify potential additional sources of asset recovery and gain a better understanding of how the

funds were spent. Supplemental schedules will be provided based on the on-going analysis to provide further details of major fund inflows and cash disbursements.

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.

Bank of Hawaii & Merrill Lynch Cash Balance

The balances in the Bank of Hawaii savings account and segregated account were transferred to higher interest bearing accounts with Merrill Lynch during May.

The cash balance in the Merrill Lynch savings account as of June 30, 2006 was \$989. There was \$193,494 as of June 30, 2006 in the segregated account established at Merrill Lynch per court order to hold the net proceeds from the sale of the condo previously mentioned.

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

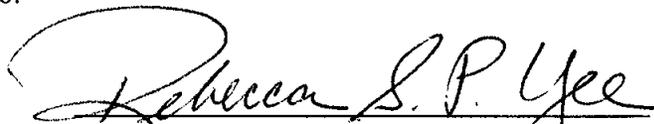
Bank of Hawaii Operating Acct # 0003-234525	
September 30, 2005 to June 30, 2006	
Beginning balance	-
Transfer from Smith Barney	976,452
Transfers from old accts	42,601
Various deposits	172,179
Interest income	140
Transfer to savings acct	(751,250)
Receiver fees & expenses	(126,364)
Fees to legal counsel	(47,299)
Other check disbursements	(5,985)
Bank charges	(373)
Ending balance at 6/30/06	<u>288,115</u>

Pending Asset Recovery Items

- 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

Respectfully submitted,

Honolulu, Hawaii, July 11, 2006.


REBECCA S.P. YEE
Co-Receiver


BENJAMIN T. FUJIMOTO
Co-Receiver