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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)	Civil No. 05-1-1356-07 (SSM)
Consumer Protection,)	(Other Civil Action)
)	
Plaintiff,)	SUMMARY OF ACTIVITIES OF CO-
)	RECEIVERS REBECCA S.P. YEE AND
vs.)	BENJAMIN T. FUJIMOTO THROUGH
)	May 31, 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 May 31, 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 May 31, 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

In April 2006, we signed the necessary documents drafted by Kapolei Property Development terminating the agreement for the purchase of lot 63 in Kapolei and received the refund of the \$200,000 deposit in May and deposited it in Merrill Lynch.

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. 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.
- 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. A replacement check was received and deposited in Merrill Lynch in May.

Administrative Activities

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

A preliminary balance sheet as of August 2, 2005 and preliminary statement of cashflow from inception up thru August 2, 2005 are included as exhibits. 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. \$6,545,450 of the total revenue was paid in by students for the various fees charged by PES.

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 May 31, 2006 was \$986,039 and includes the \$200,000 refund from KPD and \$25,522 refund from ADEA May deposits mentioned previously. There was \$192,819 as of May 31, 2006 in a 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 May 31, 2006

Beginning balance	-
Transfer from Smith Barney	976,452
Transfers from old accts	42,601
Various deposits	171,316
Interest income	117
Transfer to savings acct	(751,250)
Receiver fees & expenses	(112,185)
Fees to legal counsel	(32,578)
Other check disbursements	(5,985)
Bank charges	(373)
Ending balance at 5/31/06	<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, June 8, 2006.


REBECCA S.P. YEE
Co-Receiver


BENJAMIN T. FUJIMOTO
Co-Receiver

Pacific Educational Services dba Hawaii College of Pharmacy
Preliminary Balance Sheet @ 8/2/05 (Last Entry)

	<u>Pre Adj Balance</u>	<u>Net Adj</u>	<u>Post Adj Balance</u>
ASSETS			
Bank of Hawaii Checking/Savings	(401,689)	615,243	213,554
Bankoh Sweep Acct	(163,334)	(20,000)	(183,334)
Go Print System - Petty Cash	40		40
Cash Box	5,875		5,875
Bank of America	(25)		(25)
Total Checking/Savings	<u>(559,133)</u>		<u>36,110</u>
Smith Barney Investments 12112	480,877		480,877
Smith Barney Money Funds 12112	19,458		19,458
SBI Insured Deposit Accts 12143	369,247		369,247
SBI Investments 12143	750,000	(550,000)	200,000
Total Smith Barney	<u>1,619,582</u>		<u>1,069,582</u>
Employee Advances	63,805		63,805
Loan to Hawaii College of Dental Med	549,475	(177,475)	372,000
Loan - JPW Mortgage, LLC	925		925
Loans Receivable - Other	3,000		3,000
Total Loans Receivable	<u>553,400</u>		<u>375,925</u>
Subscriptions for Library	107,239		107,239
Prepaid Insurance	41,694		41,694
Prepaid Expenses - Other	30		30
Total Prepaid Expenses	<u>148,963</u>		<u>148,963</u>
Receivable - Employees	1,300		1,300
Subscription Receivable on PES Stock	75,000		75,000
Undeposited Funds	100		100
Buildings	15,000		15,000
Computers	292,030		292,030
Library	248		248
Office Equipment	48,633		48,633
Office Furniture	50,846		50,846
Pre-Opening Expenses	833		833
Software	4,796		4,796
Vehicles	22,640		22,640
Total Fixed Assets	<u>435,027</u>		<u>435,027</u>
Refundable Deposits	285,674		285,674
TOTAL ASSETS	<u>2,623,718</u>		<u>2,491,486</u>
LIABILITIES & EQUITY			
Accounts Payable	3,840		3,840
Loan From Officer	30,430		30,430
Tuition Deposits	21,000		21,000
Total Liabilities	<u>55,270</u>		<u>55,270</u>
Capital Stock	75,000		75,000
Retained Earnings	2,218,117		2,218,117
Net Income	275,331	132,232	143,099
Total Equity	<u>2,568,448</u>		<u>2,436,216</u>
TOTAL LIABILITIES & EQUITY	<u>2,623,718</u>	<u>-</u>	<u>2,491,486</u>

Data Source: PES Quickbooks system

Pacific Educational Services dba Hawaii College of Pharmacy
Preliminary Statement of Cashflows 2003 up thru 8/2/05 (Last Entry)

Funds provided by:

	<u>Post Adj Bal</u>	<u>Pct of Total</u>
Funds from operations	2,361,217	97.7%
Funds provided by creditors	3,840	0.2%
Funds provided by loan from officer	30,430	1.3%
Funds provided by tuition deposits	21,000	0.9%
Total funds provided	<u>2,416,487</u>	<u>100.0%</u>

Funds used for:

Investments in Smith Barney	1,069,582	44.9%
Loan to Hawaii College of Dental Medicine	372,000	15.6%
Fixed Assets	435,027	18.3%
Refundable Deposits	285,674	12.0%
Subscriptions for Library	107,239	4.5%
Advances to employees	63,805	2.7%
Prepaid Insurance	41,694	1.8%
Other Loans	3,000	0.1%
Loan to Employees	1,300	0.1%
Loan - JPW Mortgage, LLC	925	0.0%
Undeposited Funds	100	0.0%
Other prepaid expenses	30	0.0%
Total funds used	<u>2,380,377</u>	<u>100.0%</u>

Cash position	<u>36,111</u>	<u>1.5%</u>
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Data Source: PES Quickbooks system

Pacific Educational Services dba Hawaii College of Pharmacy
Preliminary Statement of Funds Provided by Operations 2003 up thru 8/2/05 (Last Entry)

	<u>Pre Adj Bal</u>	<u>Adjustments</u>	<u>Post Adj Bal</u>	<u>Pct of Total</u>
Tuition fee	6,298,000		6,298,000	95.5%
Student application fee	80,000		80,000	1.2%
Student body fee	71,700		71,700	1.1%
Technology fee	59,750		59,750	0.9%
Seat deposit fee (forfeited)	36,000		36,000	0.5%
Dividends received	33,190		33,190	0.5%
Rental sublease income	8,000		8,000	0.1%
Revenue from book sales	3,887		3,887	0.1%
Interest income	3,831		3,831	0.1%
Capital gains	1,108		1,108	0.0%
Deposits from unknown source	937	5	942	0.0%
White coat ceremony fees	700		700	0.0%
Revenue from fines	170		170	0.0%
Vending machine revenue	42		42	0.0%
Total revenue	6,597,315	5	6,597,320	100.0%
Salaries & wages	999,346	86,446	1,085,792	25.6%
Rent	740,081	(2,161)	737,920	17.4%
Employee leasing	725,847		725,847	17.1%
Consultants & professional fees	97,481	454,565	552,046	13.0%
Hawaii general excise tax	263,517		263,517	6.2%
Unidentified expenditures	594,810	(398,500)	196,310	4.6%
Travel, entertainment & meals	83,503		83,503	2.0%
Payroll taxes	81,860		81,860	1.9%
Accounting	76,623		76,623	1.8%
Insurance	49,403		49,403	1.2%
Telephone	47,679		47,679	1.1%
Medical insurance	41,246		41,246	1.0%
Recruitment & relocation expenses	40,836		40,836	1.0%
Network administration	32,906		32,906	0.8%
Legal fees	28,269		28,269	0.7%
Student body expense	23,306		23,306	0.6%
Printing & reproduction	16,746		16,746	0.4%
Supplies	16,693		16,693	0.4%
Internet	15,346		15,346	0.4%
Curriculum expense	16,116	(1,693)	14,423	0.3%
Advertising	14,157		14,157	0.3%
Equipment rental	13,217		13,217	0.3%
Pension expense	11,121		11,121	0.3%
Accreditation expense	10,500		10,500	0.2%
Staff development	10,127		10,127	0.2%
Repairs & maintenance	8,644		8,644	0.2%
Dues	12,467	(6,455)	6,012	0.1%
Investment management fees	5,711		5,711	0.1%
Postage & delivery	5,281		5,281	0.1%
Business development	4,344		4,344	0.1%
Academic misc disbursements	3,714		3,714	0.1%
Licenses & permits	3,192	(30)	3,162	0.1%
Auto related expense	2,941		2,941	0.1%
Payroll processing	2,010		2,010	0.0%
Retirement plan administration	1,500		1,500	0.0%
Publications & subscriptions	1,246		1,246	0.0%
Bad debt	1,090		1,090	0.0%
Bank service charge	466	64	530	0.0%
Meeting expenses	476		476	0.0%
Interest expense	47		47	0.0%
Foreign taxes on dividend	1		1	0.0%
Total disbursements	4,103,866	132,237	4,236,103	100.0%
Funds provided by operations	2,493,449	(132,232)	2,361,217	37.8%

Data Source: PES Quickbooks system