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IN THE UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re:)	Chapter 7
)	Bankruptcy No. 06-14202
COURT REPORTING INSTITUTE, INC.,)	
)	
Debtor(s).)	
_____)	
BANKRUPTCY ESTATE OF COURT)	Adversary No. 07-01167
REPORTING INSTITUTE, INC., by and)	
through Michael B. McCarty, Bankruptcy)	
Trustee,)	
)	
Plaintiff,)	
)	PLAINTIFF'S STATEMENT OF
v.)	UNCONTROVERTED FACTS
)	
ALEN JANISCH, a single man; and)	
KAI MOLDSKRED and JOYCE)	
MOLDSKRED, husband and wife, and the)	
marital community comprised thereof,)	
)	
Defendants.)	
_____)	

COMES NOW the plaintiff, the Bankruptcy Estate of Court Reporting Institute, Inc., by and through Michael B. McCarty, the Bankruptcy Trustee, through counsel, The Rigby Law Firm, and James Rigby, and files this Statement of Uncontroverted Facts.

Pursuant to LBR 7056-1(b), plaintiff states the following facts are uncontroverted:

1. Moldscred was well aware that his \$150,000 loan to Janisch would be transferred to the Janisch capital account in CRI so that it would place CRI in a better "zone" in terms of reporting to the U.S. Department of Education ("DOE"). See attachment to Second Declaration of James

1 Rigby, Deposition Upon Oral Examination of Kai Moldskred taken June 13, 2008 (“Moldskred
2 Dep”), page 38, line 16.

3 2. Moldskred was keenly aware of the purpose of his \$150,000 loan to Janisch in
4 December of 2005 because they had extensive business deals which went back for decades. *See*
5 paragraphs 3, 4 and 5 below.

6 3. Janisch and Moldskred have had extensive business dealings since they were
7 roommates. *See* Moldskred Dep., pg. 13, Ins. 12-25.

8 4. During the past 20 to 25 years, Janisch and Moldskred have owned several
9 condominiums together. *See* Moldskred Dep., pg. 14, Ins. 6-25.

10 5. Moldskred has purchased Janisch’s interest in three condominiums they own
11 together, plus one condominium and one house that Janisch owned himself. *See* Moldskred Dep.,
12 pg. 14, Ins. 6-25.

13 6. Moldskred is well versed in business in general and CRI’s business in particular. *See*
14 paragraphs 7, 8, 9 and 10 below.

15 7. Moldskred has a Bachelor of Arts degree in accounting from the University of
16 Washington which he received in 1977. *See* Moldskred Dep., pg. 11, Ins. 12-17.

17 8. While Moldskred’s present occupation is investing in real estate and stock (*See*
18 Moldskred Dep., pg. 13, Ins. 6-10), in his last job Moldskred was the in-house accountant for CRI.
19 *See* Moldskred Dep., pg. 12.

20 9. He kept the accounting records and prepared profit and loss sheets and financial
21 statements for CRI. *Id.*

22 10. He worked for CRI during the years 1993 through 2000, and he had worked part time
23 for CRI in 1989. *Id.*

24 11. Over the years, Moldskred has made a series of loans to CRI and Janisch. *See*
25 paragraphs 12 through 17 below.

**PLAINTIFF’S STATEMENT OF
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1 12. In fact, Moldskred and Janisch had invested in a computer printer business and
2 printers from that business were sold to CRI in exchange for a promissory note in the late 1980's.
3 *See* Moldskred Dep., pg. 15, ln. 22 through pg. 16, ln. 8.

4 13. During late 1997 and 1998, Moldskred deferred his salary so as to loan the funds to
5 CRI at 12 percent interest. *See* Moldskred Dep., pg. 27, lns. 9-16.

6 14. That loan was not paid off until August of 2005. *See* Moldskred Dep., Ex. 3 -
7 Moldskred Declaration, Ex. B-2.

8 15. During May of 1996, the various loans Moldskred made to CRI totaling \$165,710.90
9 were forgiven as to CRI and assumed by Janisch. *See* Moldskred Dep., Ex. 3 - Moldskred
10 Declaration, pg. 1, ln. 24.

11 16. Those various loans ran through the years and were not paid off until recently. *See*
12 *See* Moldskred Dep., Ex. 3 - Moldskred Declaration, and paragraph 17 below.

13 17. In fact, in 2005 Janisch paid Moldskred interest on the loans in the amount of
14 \$250,000. *See* Moldskred Dep., pg. 21, lns. 8-11.

15 18. He has loaned Janisch money from time to time as necessary. *See* Moldskred Dep.,
16 Ex. 3 - Moldskred Declaration.

17 19. In exchange, Moldskred became the owner of Janisch's interest in all of their jointly
18 owned real properties and Moldskred became the owner of at least one condominium and one house
19 which Janisch owned individually. *See* Moldskred Dep., pg. 14, lns. 6-25.

20 20. Additionally, Janisch has paid Moldskred hundreds of thousands of dollars in cash
21 to pay off loans running at 12 percent interest which were initiated over a decade ago. *See*
22 Moldskred Dep., Ex. 3 - Moldskred Declaration.

23 21. Although Moldskred worked for CRI maintaining its accounting records and working
24 with students to issue them financial aid disbursement for their expenses (*See* Moldskred Dep., pg.
25 35, lns. 10-19.), Moldskred did not want to have financial dealings directly with CRI. *See*
Moldskred Dep., pg. 41, lns. 3-18.

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1 22. Moldskred also had a history of making what he called “short term loans” to Janisch
2 in late December, which is the end of the CRI tax year, which loans were paid early the following
3 month. *See* paragraphs 24, 25 and 26 below.

4 23. He made such a loan in December of 2005. *See* Moldskred Dep., pg. 37, ln. 4.

5 24. He also made a similar loan in December of 2004, which was paid early the next
6 month. *See* Moldskred Dep., pg. 39, lns. 6-12.

7 25. Although Moldskred did not remember in his deposition whether or not he had made
8 loans for the years 2000 through 2003, he did remember making a loan in December of 1999 which
9 was repaid shortly thereafter. *See* Moldskred Dep., pg. 40, lns. 12-17.

10 26. While Moldskred was not involved in the DOE compliance issues while he worked
11 as the in-house accountant for CRI, he was clearly aware that the CRI equity as reflected on its
12 financial statement was critical to the DOE’s continued approval of student loans for students
13 attending CRI. *See* Moldskred Dep., pg. 36.

14 27. He had the impression that, while there were no standards for specific ratios of equity
15 for schools prior to 1994, in around 1995 or 1996 the DOE adopted regulations requiring certain
16 ratios with respect to equity and schools authorized to accept student loan proceeds on behalf of
17 students. *See* Moldskred Dep., pg. 36, lns. 13-25.

18 28. This is about the same time that Moldskred forgave \$165,710.90 in loans to CRI
19 which were then assumed by Janisch. Compare paragraphs 15 and 28 above.

20 29. This would have improved CRI’s equity ratios by the amount of the debt forgiven,
21 or \$165,710.90, a significant amount for a relatively modest company. *Id.*

22 30. Moldskred explained his understanding of the use of the “short term loan” funds in
23 his deposition as follows:

24 “Q. Why would he need \$150,000 for a week?

25 A. From my understanding, when you talk about these financial ratios,
I think he mentioned - - well, he has done this in prior years, so this wasn’t an
unusual transaction, and I know he has done it with other people besides me. But

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1 from what I understand, it would have alleviated - - there's several different zones,
2 from what I understand, that he tells me. There's a below-the-zone where you have
3 a bunch of requirements. There's in-the-zone where you don't - - or very few
4 reporting requirements. And then there's out-of-the-zone where you're considered
5 safe, and you don't need any extra reporting requirements. So it's just a matter of
6 how much he had to do, as far as reporting to the Government and what level zone.

7 Q. What do you mean by "zone"?

8 A. The ratio that these numbers - - the \$150,000 would have gone into
9 his capital account, from what I understand. And there's like three ratios. I can't
10 even tell you what the third ratio is. But one of them is capital, and one of them is
11 net income. I assume - - I don't know how much weighting each of those are, and
12 I don't know what the third one is. But I know probably the retained earnings - - or
13 earnings of the corporation is probably the heaviest weighted. And the corporation
14 was profitable in 2005 - - to my understanding, it was over 300,000 - - when I gave
15 him the loan. So the other ratio was just to boost up his capital to help that portion
16 of the ratio to increase a little bit.

17 Q. So Alen was going to use your \$150,000 to pay into CRI's capital
18 account to increase CRI's net worth so it would place in a higher zone or a better
19 zone for CRI in terms of reporting to the Department of Education?

20 A. Yeah. He was going to place it in - - it was going to be his capital in
21 the company.

22 Q. Right. But my point is that the money was used to increase the capital
23 account in the company, right?

24 A. Yes.

25 Q. And the purpose of that was so the company would have a better
showing with the Department of Education to reduce the requirements for reporting
to the Department of Education?

A. That is what I understand.

See Moldskred Dep., pg. 37, ln. 12 to pg. 39, ln. 5.

DATED this 12th day of August, 2008.

THE RIGBY LAW FIRM

/S/ James Rigby

James Rigby, WSBA #9658
Of Attorneys for Plaintiff/Trustee

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