

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

In Re:

COURT REPORTING INSTITUTE,
INC.,

Debtor(s).

NO. 06-14202

TRUSTEE'S REPLY TO OBJECTIONS OF JUDY
MCKINNEY AND TSVYAN RE ACCOUNTS
RECEIVABLE

COMES NOW Michael B. McCarty, the Chapter 7 Trustee who responds to the Objections of Judy McKinney and Tsvyan regarding the Trustee's recent motion regarding accounts receivable that have been received by the estate as follows.

I did not attend the hearing on the Motion to Hire Collections Agencies that my attorney brought at my bequest. Mr. Rigby did advise me that the Court denied the Motion and informed me that there was a discussion regarding abandonment of the accounts receivable. I believed that it was likely, from a legal standpoint, that if the accounts receivable were abandoned they would revert to the principal of the company (who, as I recall, had not yet filed bankruptcy). I therefore was not keen to abandon them. I did advise both collection agencies to cease collection activity.

Subsequently, I received some payments from one of the collection agencies. I should have brought the matter to the Court's attention at the time but I didn't and it would have been better had I taken the time to resolve the matter at the time it arose.

I have talked to the collection agency that sent me these funds and it was explained to me that the funds received were either the result of a judgment that had already been obtained being paid so that it could be satisfied and any lien released or the result of two consensual agreements entered into

TRUSTEE'S REPLY TO OBJECTIONS OF MCKINNEY AND TSVYAN
REGARDING ACCOUNTS RECEIVABLE 1

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1 prior to hearing on my motion to hire the collection agencies. I have now advised this collection
2 company to accept no more payments.

3 The transcript of the hearing on the motion to hire collection agencies has been provided by
4 Ms. Mckinney. The Court stated the following concerns:

5 Well, the question is how do you, you know, have you identified with this collection agent, you
6 know, what collection activities they're going to make? I mean, if what they're going to do is call
7 people at work and do all the sleazy kind of stuff that collection agencies do, you know, frighten these
8 students into thinking that if they don't pay their credit life is over, then I agree that I don't think we
9 should do that. If they're just going to write a letter and say "our records indicate that you owe this
10 amount for your education", you know, 'please pay or respond' and then maybe you want to pursue
11 those collections or not, that's probably, you know, a more comfortable result.

12 In fact, what happened was even more benign than writing letters to the account debtors. The
13 payments that came in were voluntary.

14 The Trustee would point out several other issues with respect to the objections by Ms.
15 McKinney and Mr. Tsvyan. First, neither has standing to object. There is no evidence that any actions
16 were taken by the collection agency on behalf of the Trustee to collect any debt from them. Mr.
17 Tsvyan appears to have an obligation to a lender on a student loan. Ms. McKinney was actually repaid
18 her tuition and the balance of her claim appears to be questionable. It appears to the Trustee the
19 actions of Ms. McKinney are not really the actions of an individual creditor who wants to be paid on a
20 claim but more in a representative capacity. In fact, it would appear that Ms. McKinney is
21 representing the former students of the debtor who may owe the debtor money. While none would
22 probably object to the position she has taken on their behalf, I do not think that she is an attorney
23 licensed to practice law in the State of Washington. Her supplemental response makes it clear that she
24 is engaged in the practice of law.

25 Although there is evidence, including the finding of the State of Washington Workforce
26 Traning and Education Coordinating Board, that the debtor engaged in unfair practices, the Trustee
would note that one of the court reporters he and this Court use, Hope Yeager, went to the school. The

1 Trustee has had other inquiries from former students who are working as court reporters. There are
2 about 15,000 creditors listed in the debtor's schedules, most of whom are former students. Only a few
3 have taken any interest in the case let alone be as remarkably active as Ms. McKinney.

4 While the Trustee concedes that he should not have deposited the receivables after entry of the
5 Court Order, the Trustee would, nevertheless, request that the Court allow the estate to retain the
6 payments that were voluntarily made and direct that no future payments be accepted.

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8 Respectfully submitted this 23rd day of February 2009.

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10 /s/ Michael B. McCarty
11 Michael B. McCarty, Trustee
12 WSBA #13162
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