

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 APPLICATION FOR INTERIM
COMPENSATION AND MOTION REGARDING
ACCOUNTS RECEIVABLE

Michael B. McCarty, the duly appointed and acting Chapter 7 Trustee herein applies for interim compensation in the amount of \$9,365.80 and in support thereof states as follows.

1. Date of Appointment

The debtor originally filed this case on November 27, 2006. The United States Trustee appointed me Trustee.

2. Brief Narrative of Services provided to Estate by Trustee

Upon my appointment, and after the schedules were filed, I reviewed the bankruptcy schedules and conducted the first meeting of creditors. I would note that the list of unsecured creditors in this case is 553 pages long. The case appeared to have some assets, primarily in accounts receivable and potential fraudulent conveyance claims. I hired James Rigby and Associates to assist me and to provide legal services to the estate. The estate also required the assistance of an accountant and I hired Ginnis and Chalhoub to provide accounting services to the estate.

Initially I received numerous calls from former students of the debtor. They did not understand the ramifications of the bankruptcy and wanted explanations. Many of them did not know why they

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RECEIVABLE 1

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1 had received the notice. Many wanted to discuss their student loans. I initially sent a letter to the bank
2 that held deposits of the debtor and demanded a turnover of those funds.

3 There were two landlords. I wrote each of them a letter regarding the personal property that
4 was located at the business premises. I went to the Lynnwood Washington offices of the debtor to
5 inspect the personal property. I discussed abandonment of this property as it appeared to have little
6 value. I discussed rejection of the leases with my attorney.

7 There are three associated adversary cases. First, I sued the principal of the debtor, Alan
8 Janisch. As a consequence, Mr. Janisch filed a chapter 7. This created new issues and complications
9 because he has his own bankruptcy trustee who has his own attorney. This necessitated negotiations
10 between my estate and Mr. Janisch's estate. We also sued a former landlord, Steve Fleishman and the
11 Bank of America regarding a cash deposit of \$62,000. As a result of that lawsuit, the estate received
12 \$92,000 after a settlement was approved by the Court. The settlement includes that amount the estate
13 received from a lawsuit against the Fleishman Family Trust. Several former students opposed this
14 settlement.

15 I also sued Kai Moldskred, an associate of Alan Janisch. Recently, I proposed a settlement
16 with Mr. Moldskred whereby the estate would have received approximately \$108,826.01 and the
17 Janisch estate would have retained \$45,673.09 from the sale of Janisch's house. The Court did not
18 approve that settlement. I have worked with my attorney regarding these lawsuits and made decisions
19 relative thereto.

20 In addition to being involved in the various adversary cases I have handled all of the
21 administrative aspects of this bankruptcy estate. Banking deposits have been held in the manner
22 prescribed by the U.S. Trustee. The bank accounts for the estate are reconciled monthly. Information
23 from each deposit is coded with information to tie the funds to a particular asset. Disbursements to any
24 and all claimants are also coded with information to tie the payment to the type of claim being paid for
25 the purposes of keeping the statistics required by the United States Trustee. The assets have been
26 entered into the computer data base. My staff and I have prepared annual U.S. Trustee reports for this
case as well as additional written reports required because of the length of time that this case has been

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1 opened. The case is reviewed on a quarterly basis as required by the United States Trustee. I handled
2 most aspects of the closing of the sale of the real estate. I also had a federal GAO audit recently and
3 this case was included in the cases they reviewed.

4 I will continue to administer this case. There will be additional receipts and disbursements to
5 creditors. There will be additional U.S. Trustee Reports. I will prepare the Final Report when this case
6 is ready to be closed. I will file a Trustee's Distribution Report after the funds have been distributed.
7 The estate still holds a judgment against the debtor which we will try to enforce. In addition, there are
8 a few payments to be received on one of the smaller law suits.

9 **Calculation of Interim Fee**

10 At this time I am requesting interim compensation the amount of \$9,365.80. The Trustee's
11 compensation is based upon section 326 of the bankruptcy code. Attached hereto as Exhibit "A" is a
12 printout from my software which shows the calculation of the fee. \$63,412.36 on hand. The estate
13 owes James Rigby \$46,768.50 in approved fees. I respectfully request that the Court allow me
14 \$9,365.80 of interim compensation.

15 **MOTION REGARDING ACCOUNTS RECEIVABLE**

16 I recently was audited in a routine audit by the GAO. A question arose regarding the accounts
17 receivable of this case and the deduction of fees by two collection agencies. The schedules indicated
18 that the debtor had as much as \$200,000 in accounts receivable that had been assigned to two
19 collection companies. I discussed the accounts several times with the firms handling the collections. I
20 asked my attorney to obtain an Order hiring them, although I wasn't sure that an Order was necessary
21 since the accounts appeared to have been assigned to the companies. A couple of former students of
22 the debtor objected. I am not sure that any of the objecting creditors actually owed the debtor money.
23 The Court denied the Motion to hire the collection agencies on April 20, 2007. I contacted the
24 agencies and told them to stop active collection activities. However, I continued to receive payments
25 from time to time from Elliot Bay Adjustment Company and since the date the Court denied the
26 application to hire the collection agencies, I have received \$9,938.92 which I deposited into the

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1 account for the estate. The collection agency has not been taking any actions but is, according to it,
2 receiving voluntary payments.

3 The docket entry suggests that the Trustee could move for abandonment of the accounts
4 receivable. However, at the time I was concerned that an abandonment would cause these accounts
5 receivable to go to Janisch and therefore concluded that they should not be abandoned. Sending them
6 back to the collection agencies would not seem to resolve the matter, since their fees had been earned
7 pursuant to the original agreement with the debtor.

8 At this point I would request that the Court authorize me to accept the net payments that were
9 already made and either instruct me to return any future payments or to continue to collect unsolicited
10 payments. Having to return the payments at this point would be confusing and expensive because of
11 the fact that there is an intermediary.

12
13 Respectfully submitted this 2nd day of February 2009.

14 /s/ Michael B. McCarty
15 Michael B. McCarty, WSBA#13162

Trustee's Compensation

Debtor: COURT REPORTING INSTITUTE, INC.

Case: 06-14202

<u>Computation of Compensation</u>		
Total disbursements to other than the debtor are:		122,315.90
Pursuant to 11 U.S.C. 326, compensation is computed as follows:		
25% of First \$5,000	5,000.00 =	1,250.00
10% of Next \$45,000	45,000.00 =	4,500.00
5% of Next \$950,000	72,315.90 =	3,615.80
3% of Balance	0.00 =	0.00
Calculated Total Compensation:		\$9,365.80
Plus Adjustment:		0.00
Total Compensation:		\$9,365.80
Less Previously Paid:		0.00
Total Compensation Requested:		\$9,365.80
<u>Trustee Expenses</u>		
Premium on Trustee's Bond		0.00
Travel	0.0 miles at 0.0 cents per mile	0.00
Copies	0 copies at 0.0 cents per copy	0.00
Postage		0.00
Telephone Charges		0.00
Clerical / Secretarial	0.00 hours at 0.00 dollars per hour	0.00
Paralegal Assistance	0.00 hours at 0.00 dollars per hour	0.00
Supplies / Stationery		0.00
Distribution Expenses		0.00
Professional Expenses		0.00
Other Expenses		0.00
Other Expenses 2		0.00
Subtotal Expenses:		\$0.00
Plus Adjustment:		0.00
Total Expenses:		\$0.00
Less Previously Paid:		0.00
Total Expenses Requested:		\$0.00

The undersigned Trustee certifies under penalty of perjury that the foregoing is true and correct to the best of his/her knowledge and requests the United States Trustee to approve this report and accounts and requests the Court to provide for notice and opportunity for a hearing under 11 U.S.C. 330(a), 502(b), and 503(b) and to thereafter award final compensation or reimbursement of expenses and to make final allowance for the purposes of distribution to claims, administrative expenses, and other payments stated in this report and account.

WHEREFORE, the Trustee requests that this application be approved by this Court and that the Trustee be granted an allowance of \$9,365.80 as compensation and \$0.00 for reimbursement of expenses. The Trustee further states that no payments have been made or promised to him/her for services rendered or to be rendered in any capacity in this case. No agreement or understanding exists between applicant and any other person for sharing compensation received or to be received.

Dated: 02/02/09

Signed: _____

MICHAEL B MCCARTY
 BANKRUPTCY TRUSTEE
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