

Honorable Karen A. Overstreet  
Hearing date: February 27, 2009; 9:30 a.m.  
Hearing Place: Room 7206, 700 Stewart Street, Seattle, WA 98101  
Responses due by: February 20, 2009; by 4:30 p.m.

UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re: ) Chapter 7  
COURT REPORTING INSTITUTE, INC. ) Bankruptcy No. 06-14202  
Debtor(s). ) DECLARATION OF JUDY  
MCKINNEY )

I, Judy McKinney, do declare under penalty of perjury:

1. I am over 18 years of age, am competent to testify to the statements herein, and make the statements herein based on facts personally known to me.
2. Attached hereto as Exhibit "A", is a true and correct of the Trustee's Motion for an Order Authorizing Trustee to Employ Collection Agency (filed March 23, 2007).
3. Attached hereto as Exhibit "B", is a true and correct copy of the Order Denying Motion for Trustee to Employ Collection Agency.
4. I purchased a CD of the hearing of the hearing that took place on April 20, 2007 of the oral argument on the CRI Trustee's Motion for an Order Authorizing Trustee to Employ Collection Agency.

DECLARATION OF JUDY MCKINNEY -1

Judy McKinney  
12250 Greenwood Ave. N.  
No. 316  
Seattle, WA 98133  
Student Creditor

1           5. I transcribed the CD and a true and correct copy of that transcript is  
2 attached hereto as Exhibit "C."

3           6. A true and correct copy the transcript of the Meeting of Creditors in the  
4 Alen Janisch bankruptcy is attached hereto as Exhibit "D."

5           7. I made a complaint with the Workforce Board about CRI and they upheld  
6 my complaint on August 1, 2005. A true correct copy of that determination is  
7 attached hereto as Exhibit "E."

8           8. I am aware of at least twenty students who made complaints about CRI  
9 and had them upheld.

10 DATED this 19<sup>th</sup> day of February, 2009

11   
12 Judy McKinney  
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DECLARATION OF JUDY MCKINNEY -2

Judy McKinney  
12250 Greenwood Ave. N.  
No. 316  
Seattle, WA 98133  
Student Creditor

Honorable Karen A. Overstreet  
Hearing date: April 20, 2007; 9:30 a.m.  
Hearing Place: Room 7206, 700 Stewart Street, Seattle, WA 98101  
Responses due by: April 13, 2007; by 4:30 p.m.

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

In re: ) Chapter 7  
COURT REPORTING INSTITUTE, INC., ) Bankruptcy No. 06-14202  
Debtor(s). ) NOTICE AND MOTION FOR AN  
ORDER AUTHORIZING TRUSTEE  
TO EMPLOY COLLECTION AGENCY

TO: The debtor, and its attorney of record, creditors, and parties of interest.

**NOTICE**

PLEASE TAKE NOTICE that the below joined motion will be heard on the 20th day of April, 2007, at 9:30 a.m., at the United States Courthouse, 700 Stewart Street, Seattle, Washington, in Room 7206, and the clerk is requested to note the motion on the motion docket for that day.

YOU ARE FURTHER NOTIFIED that responses or objections must be made in writing and the original filed with the Bankruptcy Court at the United States Courthouse, Room 6301, 700 Stewart Street, Seattle, Washington 98101. Copies must be served upon the United States Trustee's Office at the United States Courthouse, Room 5103, 700 Stewart Street, Seattle, Washington 98101, the above-named Judge and the undersigned attorney on or before April 13, 2007. Failure to comply with the local rule may be deemed by the court as opposition without merit. If responsive pleadings are not filed as stated above, the hearing may be stricken and an order granting the relief requested in the motion may be presented *ex parte*.

**NOTICE AND MOTION FOR AN ORDER  
AUTHORIZING TRUSTEE TO EMPLOY  
COLLECTION AGENCY**

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Exhibit "A"

**THE RIGBY LAW FIRM**  
600 Stewart Street, Suite 1908  
Seattle, WA 98101 - (206) 441-0826

1 **MOTION**

2 COMES NOW the duly appointed trustee, Michael B. McCarty, through counsel, The Rigby  
3 Law Firm, and James Rigby, and moves this court for an order authorizing the employment of a  
4 collection agency.

5 Among the assets of the bankruptcy estate are dozens of delinquent accounts receivable. The  
6 trustee believes that it is in the best interest of the creditors of the estate to attempt to collect these  
7 accounts. The trustee further believes it is in the best interest of the estate, pursuant to  
8 11 U.S.C. § 327, to employ Professional Collection Agencies International, Inc. as a collection  
9 agency under the same terms and condition that agency had with the debtor pre-petition.

10 Professional Collection Agencies International, Inc. is requesting 27 percent of the collected  
11 funds and 37 percent when legal action is initiated, plus miscellaneous costs and expenses. It is also  
12 requesting that it be indemnified for any damages arising from or as a consequence of the acts,  
13 admissions or errors of the debtor and or the trustee and his professionals.

14 Given the nature of the accounts, student loans, and the circumstances, that the court  
15 reporting school has closed, the trustee believes that this indemnity agreement is reasonable. A copy  
16 of the Agreement for Collection Services is attached hereto and incorporated herein.

17 WHEREFORE, the trustee prays for an order authorizing the employment of Professional  
18 Collection Agencies International, Inc. to pursue accounts receivable and to pay that company  
19 pursuant to the Agreement for Collection Services without further order of the court.

20 DATED this 23<sup>rd</sup> day of March, 2007.

21 THE RIGBY LAW FIRM

22 */S/ James Rigby*

23 \_\_\_\_\_  
24 James Rigby, WSBA #9658  
25 Of Attorneys for Trustee

**NOTICE AND MOTION FOR AN ORDER  
AUTHORIZING TRUSTEE TO EMPLOY  
COLLECTION AGENCY**  
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**THE RIGBY LAW FIRM**  
600 Stewart Street, Suite 1908  
Seattle, WA 98101 - (206) 441-0826

PROFESSIONAL COLLECTION AGENCIES INTERNATIONAL, INC.  
15111 8<sup>TH</sup> AVE SW SUITE #300; SEATTLE, WA 98166  
BUS: (206) 241-4567 FAX: (206) 246-7260

**AGREEMENT FOR COLLECTION SERVICES**

Professional Collection Agencies International, Inc. herein referred to as PCAI and \_\_\_\_\_ herein referred to as CLIENT, hereby agree that the accounts placed with PCAI are subject to the terms and conditions of the following agreement between the parties.

- 1) Collection Activities shall be in compliance with the Federal, State and Local laws and Regulations, be courteous, businesslike and consistent with the image and reputation of the CLIENT.
- 2) Collections made by PCAI of CLIENT's accounts will be deposited immediately into a separate trust account maintained in a bank of all CLIENTS.
- 3) All collections made by PCAI of CLIENT's accounts will be remitted to CLIENT, less PCAI's collection fee(s), 15 days after the end of the month in which collection is made.
- 4) CLIENT agrees to immediately provide PCAI with information on all direct payments received by CLIENT from accounts placed for collection with PCAI. At that time PCAI will advise CLIENT of the proper monetary disbursement. Merchandise accepted for return and credit is considered the same as payment. PCAI will prepare monthly statements containing account names, numbers, dates and amounts pertaining to payment received by PCAI or CLIENT. Collection fee(s) due PCAI on any statement to CLIENT are due and payable upon receipt of the statement by CLIENT.
- 5) PCAI shall have authority to receive payment in cash, check or money order and shall have the authority to endorse checks, drafts, money orders or other negotiable instruments made payable to CLIENT, which may be received in payment.
- 6) To help offset PCAI's cost of investigation and search, CLIENT authorizes PCAI to add and retain interest to accounts placed for collection at the rate allowable by law.
- 7) Fee(s) charged by PCAI shall be at the \_\_\_\_\_% of collected funds and a rate of \_\_\_\_\_% shall be assessed in the case where legal action is undertaken.
- 8) There shall be added to the commission fee and amount of any sales taxes, however designate, levied on such fee.
- 9) Should legal action be required, the amount of any listed claim may be adjusted to the portion of the account that constitutes principal only.
- 10) PCAI will not institute civil legal collection on any CLIENT's account if CLIENT requests that no legal action be taken. If legal action is commenced, PCAI agrees to pay all cost of litigation except:
  - a) If CLIENT fails to appear, after written notification, at scheduled trials or hearings.
  - b) If the complexity of the CLIENT's case requires the attorney for PCAI to expand more than the average five hours per case usually required on collection cases. However, after advising CLIENT that additional hours may be required, CLIENT may retain counsel to assist PCAI's attorney or compensate PCAI for any additional hours of their attorney's time at the rate of \$100.00 per hour.
  - c) If attorney fee(s) are awarded to the adverse party at trial as a result of acts or omissions of the CLIENT, including a determination that the amount was never legally owed, **in such cases, cost and fee(s) incurring by PCAI shall be recoverable from the CLIENT.**
- 11) PCAI agrees listed claims may be canceled by CLIENT only if claim is paid prior to the listing date, or upon mutual agreement. A service fee may be charged for accounts canceled after the listing date, or on amounts not legally owed.
- 12) CLIENT warrants, that so far, as is known to CLIENT, each account assigned for collection is a valid and existing account against the debtor. CLIENT further warrants that, so far, as is known to CLIENT, all disclosure requirements of the Federal Truth-In-Lending Act have been met.
- 13) This agreement shall be effective as of the date shown and continue in effect until terminated as hereinafter provided. Either party may terminate this agreement by giving the other party at least thirty (30) days prior notice of the date of termination. Accounts placed with PCAI before the cancellation shall remain with PCAI until which time, in PCAI's opinion, all collection activity has ceased.
- 14) CLIENT agrees to hold PCAI, its employees, agents and attorneys harmless on account of any suit, claims damages or expenses whatsoever arising from or as a consequence of the acts, omissions, or errors caused by CLIENT.
- 15) The provisions of this agreement shall override any and all contrary or conflicting provisions contained in any past or present agreements.

This agreement is entered into by and between PCAI and CLIENT, this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_, by their duly authorized and empowered representatives.

Professional Collection Agencies Int'l, Inc.

by: \_\_\_\_\_

CLIENT: \_\_\_\_\_

\_\_\_\_\_  
PCAI Representative

title: \_\_\_\_\_

Honorable Karen A. Overstreet  
April 20, 2007; 9:30 a.m.

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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.,	)	
	)	ORDER DENYING TRUSTEE
Debtor(s).	)	AUTHORITY TO EMPLOY
_____	)	COLLECTION AGENCY

THIS MATTER having come on regularly before the below-signed Judge of the above-entitled court, upon the trustee's Motion for an Order Authorizing Trustee to Employ Collection Agency, proper notice having been given, and having received two objections to the trustee's motion which caused the court to have concern about the trustee pursuing the accounts receivable, now, therefore, it is hereby

ORDERED that the trustee's motion for authority to employ a collection agency is hereby denied, and the trustee is hereby relieved of any responsibility or obligation to further engage in collection activities on the debtor's accounts receivable.

DONE IN OPEN COURT this \_\_\_\_\_ day of May, 2007.

Dated: May 9, 2007.

KAREN A. OVERSTREET  
UNITED STATES BANKRUPTCY JUDGE

Presented By:

THE RIGBY LAW FIRM

/s/ James Rigby

James Rigby, WSBA #9658  
Of Attorneys for Trustee

**ORDER DENYING TRUSTEE AUTHORITY  
TO EMPLOY COLLECTION AGENCY**

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**THE RIGBY LAW FIRM**  
600 Stewart Street, Suite 1908  
Seattle, WA 98101 - (206) 441-0826

Exhibit "B"

1           THE COURT: Anybody here on Court Reporting  
2 Institute? And you are?  
3           MR. TSYVAN: Mr. Tsyvan.  
4           THE COURT: So are you a principal of Court  
5 Reporting Institute?  
6           MR. TSYVAN: I was a student.  
7           THE COURT: Oh, so you were a student. Okay.  
8 And did you file something?  
9           MR. TSYVAN: (Inaudible.)  
10          THE COURT: Okay, let me have a look at the  
11 docket sheet there. Okay, so you are — you're a student,  
12 and I know I got a response from one student. Let's see,  
13 a letter. Did you write me a letter?  
14          MR. TSYVAN: Yeah, I sent you one.  
15          THE COURT: Okay, I see it. T-s-v-y-a-n is how  
16 you spell your name?  
17          MR. TSYVAN: Yes.  
18          THE COURT: Okay. You know, I'm not sure where  
19 the trustee is, perhaps in another courtroom. So why  
20 don't you wait for a few minutes and let's see if  
21 Mr. Rigby shows up, okay?  
22          MR. TSYVAN: No problem, thank you.  
23          UNIDENTIFIED SPEAKER: Your Honor, I saw  
24 Mr. Rigby check in so he's in the building.  
25          THE COURT: He's probably in one of the other

Exhibit "C"

1 courtrooms so let's wait until he has a chance to get in  
2 here.

3 MR. TSYVAN: Thank you.

4

5 (Other matters were heard.)

6

7 THE COURT: So Mr. Rigby, are you also here on  
8 the Sondheim matter?

9 MR. RIGBY: Yes, and I need to apologize to the  
10 Court.

11 THE COURT: Let's talk about the Court Reporting  
12 Institute one because there is a — sir, you want to come  
13 up now? He's here who wrote me a letter. Let's just talk  
14 about that one because I do have a concern, Mr. Rigby,  
15 about that one. I mean, are you proposing to have this  
16 collection agent, you know, go bang on the doors of  
17 students who have essentially been defrauded?

18 MR. RIGBY: Of course you know that that's not  
19 what the trustees is proposing to do.

20 THE COURT: But collection agencies, they — you  
21 know, they run amok. They go off and they do what they  
22 want, you know. And what controls do you have on what  
23 they're going to do?

24 MR. RIGBY: Our option then would be to abandon  
25 the claims. I mean there's—

1 THE COURT: I mean, are they all students?

2 MR. RIGBY: That's what this debtor did was it  
3 ran a school. And obviously, there's some serious—

4 THE COURT: Obviously not a good one.

5 MR. RIGBY: That's true. And obviously there's  
6 some serious problems with the school as the trustee does  
7 not know that there were problems with every student's  
8 education or what they received. I mean, there's I think  
9 dozens or more than dozens of accounts with this  
10 collection agency. In fact, there's a second collection  
11 agency that the debtor was using. I mean, the Court would  
12 agree that it's pretty standard procedure when a business  
13 files bankruptcy and they've got accounts in collection,  
14 it is the trustee's responsibility to pick those up and  
15 pursue those.

16 Now, in my discussions with the collection people  
17 they know that some of these — some of these accounts are  
18 problematical in the sense that people can't pay, won't  
19 pay, and they also know that some of the people probably  
20 don't owe any money. I mean, I really have no knowledge  
21 as to whether or not every student who owes money to the  
22 debtor has really a defense, which was that they didn't  
23 get the proper consideration for their agreement. And  
24 obviously the gentleman who wrote this letter, is this  
25 you?

1 THE COURT: Yes.

2 MR. RIGBY: Okay, I mean, obviously there's  
3 problems with what he got on that. You know, I don't know  
4 what to say. I mean, we either take these forward and  
5 take them on a case-by-case basis whereas if it sounds  
6 like the students didn't get what they contracted for that  
7 we don't pursue it. The other thing that we could do—

8 THE COURT: Well, the question is how do you, you  
9 know, have you identified with this collection agent, you  
10 know, what collection activities they're going to make? I  
11 mean, if what they're going to do is call people at work  
12 and do all the sleazy kind of stuff that collection  
13 agencies do to, you know, frighten these students into  
14 thinking that if they don't pay their credit life is over,  
15 then I agree that I don't think we should do that. If  
16 they're just going to write a letter and say 'our records  
17 indicate that you owe this amount for your education,' you  
18 know, 'please pay or respond,' and then maybe let you  
19 determine based upon what the responses are whether you  
20 want to pursue those collections or not, that's probably,  
21 you know, a more comfortable result.

22 MR. RIGBY: Well, I don't think collections are  
23 terribly comfortable for anybody. You know, somebody owes  
24 somebody and they can't pay or they don't want to pay and  
25 the people on the other side want to get paid.

1           THE COURT: Right, but this is a collection agent  
2 that is — has been authorized by a federal court to go  
3 out and make collections. So that's why I'm more  
4 concerned about how they conduct themselves—

5           MR. RIGBY: There are statutes—

6           THE COURT: —given that — given that  
7 responsibility.

8           MR. RIGBY: The area is pervasively regulated by  
9 federal regulation as to what they can do. I mean, if you  
10 don't want — to tell you the truth, the trustee and I  
11 don't want to deal with this either. I mean, you know,  
12 it's a gnat on the end of the tail of the dog.

13           THE COURT: Well, then I'd just say just abandon  
14 them and let's be done with it. Or have the collection  
15 agent send one letter, you know, and make a couple of  
16 phone calls, and if that doesn't work just abandon them.

17           MR. RIGBY: I don't know that we're in a position  
18 to micro manage these things in the sense that there are  
19 dozens, if not hundreds, of accounts. The agency that's  
20 up today, the motion on today, I've talked to those guys  
21 and I talked to the other collection agent and these are  
22 special people that do this. This is not fun work.

23           THE COURT: Oh, I know they're special people who  
24 do this.

25           MR. RIGBY: It's not fun work.

1                   THE COURT: Mr. Rigby, let's not play games about  
2 collection agents. I mean, they're highly regulated but  
3 they don't, I mean, there are lots of cases where they're  
4 not, you know, they're not on the up and up. And if we  
5 approve somebody, you're responsible for supervising them  
6 so that they don't, you know, they don't really harshly  
7 pursue cases. I mean, if you've read the complaint that  
8 was filed. I mean, people have written to me in this case  
9 about the horrible experience that they had with this  
10 Court Reporting Institute.

11                   MR. RIGBY: Why don't we just make a  
12 motion to — if you want to deny the motion, I'll make a  
13 motion to abandon and we'll be done with it.

14                   THE COURT: I mean, that's fine with me.

15                   MR. RIGBY: I don't think we're in a position to  
16 go in and deal with — I mean, these are fairly small  
17 amounts that are ultimately—

18                   THE COURT: Well, what is the total because it  
19 doesn't really say.

20                   MR. RIGBY: We have no idea.

21                   THE COURT: You don't even know?

22                   MR. RIGBY: We don't know.

23                   THE COURT: But yeah, if the collection agency  
24 has had these accounts prior to the filing of the  
25 bankruptcy they should know what their collection

1 experience has been and they should be able to tell you  
2 here's the dollar amount that we have on paper.

3           MR. RIGBY: Their response has been these are  
4 terrible accounts. These people don't want to pay, these  
5 people can't pay. They're telling me they're doing us a  
6 favor by continuing on. They're telling us they're not  
7 going to sue anybody because they don't want to spend the  
8 money.

9           I mean, again, the trustee is just pursuing his  
10 responsibility. He is pursuing it under the law. If you  
11 have — I mean, there's a lot of things that I have a  
12 distaste for in life. Fine. If you don't want to engage  
13 a collection company, that's fine with us. Again, really,  
14 the trustee is not going to make any money on this thing.  
15 It's really more a matter of dotting the i's and crossing  
16 the t's so he pursues all the assets in the case.

17           THE COURT: Let's do it this way then.  
18 Let's — I'm going to deny your motion. And then just  
19 file a motion for abandonment and if nobody objects I'll  
20 enter an order.

21           MR. RIGBY: I'll do that and you understand of  
22 course that the debtor can go back and collect these  
23 accounts once they're abandoned.

24           THE COURT: Well, what debtor is left?

25           MR. RIGBY: Well, we'll see. I mean this is

1 going to be kind of interesting, because there's some  
2 litigation coming up with the owner. I mean the owner of  
3 this company drew out six or eight hundred thousand  
4 dollars in the last six months that this thing was in  
5 operation. And so we've got some real interesting things  
6 coming up that may be of significance.

7 THE COURT: Okay, you're right, I don't like that  
8 option. Because, I mean there's a lot — there are many  
9 allegations about the owner.

10 MR. RIGBY: Right.

11 THE COURT: But this company is out of business,  
12 isn't it?

13 MR. RIGBY: Court Reporting Institute, right.

14 THE COURT: How does that company go out to  
15 collect these accounts after it's defunct?

16 MR. RIGBY: I don't think that it will; legally  
17 it can. A corporation doesn't cease to exist upon filing  
18 bankruptcy. The bankruptcy state is legally I think  
19 separate. I don't think that they're going to pursue  
20 these. But it's possible.

21 THE COURT: Okay, well let's — I'm going to deny  
22 your motion and then you can move to abandon and we'll see  
23 what happens.

24 MR. RIGBY: Very good.

25 THE COURT: Okay?

1 MR. RIGBY: Thank you.

2 THE COURT: So do you understand what I just  
3 said?

4 MR. TSYVAN: No.

5 MR. RIGBY: They're off the hook.

6 THE COURT: I don't want them to collect — I  
7 don't want us, I don't want the bankruptcy court to be  
8 collecting these moneys. Certainly not without  
9 information about how much is there, Mr. Rigby.

10 MR. RIGBY: Again, these — the number would be  
11 meaningless in the gross amount anyhow. It's more a  
12 matter of what can be collected. I think they've probably  
13 gotten the bulk of what can be.

14 THE COURT: That's what I'm been thinking too is  
15 that they have probably been trying long enough.

16 MR. RIGBY: But, for sure if we hadn't brought  
17 this motion on it there would be questions properly  
18 directed at the trustees as to why they are not pursuing  
19 the assets in this case.

20 THE COURT: I agree there would be. So it's my  
21 responsibility.

22 MR. RIGBY: Very good.

23 THE COURT: Okay?

24 MR. RIGBY: Yes.

UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

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IN RE:

ALEN JANISCH,

Debtor.

No. 07-15620

---

341(a) MEETING OF CREDITORS

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2:30 P.M.

JULY 10, 2008

US COURTHOUSE, ROOM 4107

SEATTLE, WASHINGTON

Exhibit "D"

APPEARANCES

APPEARING AS TRUSTEE: EDMUND J. WOOD ("EJW")  
303 N 67<sup>th</sup> Street  
Seattle, WA 98101

DEBTOR: ALAN JANISCH ("AJ")  
PRO SE

APPEARING FOR MCCARTY: JIM RIGBY ("JR")  
600 Stewart Street, Suite 1908  
Seattle, WA 98101

CREDITORS: JESSICA BURTA ("JB")

\* \* \* \* \*

Alen Janisch ("AJ"), having been first duly sworn upon oath by Edmund J. Wood,  
Trustee, testified as follows:

EXAMINATION

EJW: Ok have a seat. Any creditors here?

KAE: Attorney for the Trustee.

EJW: Okay.

KAE: Um, Mr. Janisch, did you have a checking, savings, or other financial account, when you  
filed the Bankruptcy Petition?

AJ: For my personnel one?

KAE: Yes.

AJ: Uh, I did not. It had been closed.

KAE: And what was the account that was closed?

AJ: It was a...it was an account I had at Key Bank.

KAE: And when was it closed?

AJ: It was closed either late December or early January of this year.

KAE: Ok, you filed in November of 2007.

AJ: Uh, I thought I filed in January, than the account was still open at the time.

KAE: Ok, why wasn't it listed?

AJ: Um...

KAE: On the bankruptcy schedules.

AJ: I thought it was, I don't know.

KAE: Ok, do have your bank statements, uh, canceled checks and check registers, for that

account for the one year time period prior to filing?

AJ: I do but they're locked in a storage, uh, facility that I do not have access to currently.

KAE: Why don't you have access to it?

AJ: I'm behind in my payments.

KAE: So you can't even access the facility when you're behind?

AJ: That's correct.

KAE: How far are you behind?

AJ: Uh, I'm... I'm three months, going on four months, behind.

KAE: And what's the name of the facility?

AJ: It's, uh, Hanson Brothers Storage.

KAE: And where are they located?

AJ: They're in North Seattle. They're about 128<sup>th</sup>, uh, and a block off Aurora.

EJW: Which way? East or West?

AJ: Uh, they're a block, uh, East.

KAE: Ok, your bankruptcy schedules, uh, also list the only household goods and furnishings you have is a couch, a tv and a bed.

AJ: Uh, I have some other miscellaneous furniture but that's the biggest things I have.

KAE: Ok, why weren't the other household goods and furnishings listed?

AJ: Um, that was list... that was prepared by my attorney, and, uh, I trusted him to put things down that we discussed.

KAE: I think at the previous meeting of creditors you were asked if you had read the bankruptcy schedules...

AJ: Yes.

KAE: ...you had signed.

AJ: Yes.

KAE: And, I think you indicated that you had not.

AJ: I had not, I have since.

KAE: Ok, and is the information in those documents true and accurate?

AJ: Uh...

KAE: Bankruptcy schedules?

AJ: I looked at the computer downstairs, and when I reviewed it, it appeared accurate, yes.

KAE: Ok. Do you have a computer?

AJ: Uh, I do have a computer. It's an old one, but I do have one.

KAE: Why isn't that listed, uh, under question number four, computer equipment on schedule B?

AJ: Again, I'd have to defer to how my attorney prepared the paperwork.

KAE: But, I thought you said you reviewed them and you were satisfied that they were accurate?

AJ: Yes.

KAE: So you did note that there was no listing for computer equipment?

AJ: I didn't specifically notice that, but, I'm not disagreeing with what your saying.

KAE: Ok, your sche...your Sstatement of Financial Affairs also indicates that you have no income from any source for the last two years.

AJ: Correct.

KAE: You've had no income for the last two years, earned or otherwise?

AJ: Correct.

KAE: So you've received no income from CRI?

AJ: No.

KAE: How are you able to make mortgage payments?

AJ: Uh, I wasn't able to, that's why my house was, uh, foreclosed and taken away from me.

KAE: Well, you've made mortgage payments up until August of '07, did you not?

AJ: Yes, I was living off a small savings account that I had.

KAE: And, where was the savings account?

AJ: Uh, that was, uh, going back to key...to Key Bank.

KAE: So you had a savings and a checking account at Key Bank?

AJ: No, they were one and the same.

KAE: Well, was it a savings, or a checking, or a savings and a checking?

AJ: Um, my understanding....

KAE: Did you have two accounts?

AJ: No, it was...it was a checking.

KAE: So you don't have a savings account...

AJ: Correct.

KAE: ...a second savings account?

AJ: Correct.

KAE: So, the Statement of Financial Affairs also indicates that you made no transfers to, uh, anyone, for security or absolute, in the last two years. No sales, no transfers.

AJ: Uh, no sales, uh, no transfers. It was previously disclosed that I had two rings that had been transferred as a pledge of security to Kai Moldskred.

KAE: Along with the Deed of Trust against your home, correct?

AJ: That's correct.

KAE: Why weren't those items disclosed in the question regarding transfers in the last two years?

AJ: Those were, uh, uh, previous to two years ago I believe.

KAE: Two years prior to November 2007, when you filed the Bankruptcy Petition?

AJ: Uh, no it would not have been.

KAE: Ok, so why weren't those disclosed in the Statement of Financial Affairs?

AJ: Uh, I thought they were.

KAE: Wha... what makes you think they were?

AJ: They...they were recorded. They were, uh, filed with the... the clerks office.

KAE: Why does that seem to make you believe that they're in the bankruptcy schedules?

AJ: Uh, again I have to defer to how my attorney prepared the paperwork.

KAE: But, you read the bankruptcy schedules?

AJ: Yes.

KAE: You read the question and you read your answer?

AJ: Uh, yes.

KAE: And, your said no transfers the last two years?

AJ: Uh, that has to be a truthful statement. I don't have any proof other...

KAE: But, that's not a truthful statement, is it?

AJ: There...

KAE: There were transfers....

AJ: There were transfers in those...those...transfers, that we just discussed were made.

KAE: So that is not an accurate answer, correct? That there were no transfers in the last two years.

AJ: Well, there...there were transfers, that is a correct statement.

KAE: And, your answer none in the Statement of Financial Affairs to that question is incorrect.

AJ: Than I made a mistake, yes.

KAE: You've also listed no interest in any businesses....no stock or interested in...interests in unincorporated or incorporated businesses.

AJ: Correct.

KAE: So you have no interest in CRI? You had no shareholders interest in CRI at the time you filed the petition?

AJ: Uh, th... the corporate bankruptcy had already been filed, so I no longer had ownership of that...I was the sole stock holder of Court Reporting Institute.

KAE: Right, so why didn't you list ownership of the shares on your bankruptcy schedules when you filed in November of 2007?

AJ: I no lon...I no longer owned the company, the...the company ha...is going through bankruptcy. So I don't see why I would list it.

KAE: Ok, you were also requested in the Statement of Financial Affairs to list all businesses that you had any ownership interest in for the preceding six years, and you listed none.

AJ: Uh, that's not a truthful statement.

KAE: That's not, right, cause you owned CRI, correct?

AJ: That's correct.

EJW: Any other companies that you owned

AJ: Uh, no.

EJW: Any other bank accounts other than the one at Key Bank?

AJ: Uh, in previous years, yes. But not since.

EJW: Where else do you have accounts?

AJ: Uh, previous to Key Bank, I had an...uh, an account at Washington Mutual.

EJW: Which branch?

AJ: At the....the North Gate branch.

KAE: And what time period was that open, from when to when?

AJ: I...I....I'd have to go back and look at my records, but it was at least, uh, three years ago.

KAE: And, it was closed?

AJ: Correct.

KAE: At the time that you filed the Bankruptcy Petition were you a party to any unexpired lease?

AJ: I'm sorry, I didn't hear the question.

KAE: At the time that you filed the Bankruptcy Petition were you a party to a lease?

AJ: [inaudible]

KAE: Commercial or residential?

AJ: Yes.

KAE: Why wasn't that listed?

AJ: Uh....

KAE: In the bankruptcy schedules?

AJ: Again, I have to defer to how my attorney prepared the paperwork, I'm in error if that should have been listed.

KAE: Ok, at the time you filed the Bankruptcy Petition did you have any co-debtors on any of the obligations?

AJ: No.

KAE: So weren't a guarantor for any obligations?

AJ: I was...I'm sorry was the guarantor?

KAE: I said, that was my question. So you...

AJ: Yes.

KAE: Ok...

AJ: I was...

KAE: And, that was a guarantor for CRI obligations?

AJ: Uh, in...in some, yes.

KAE: Ok. And what CRI obligations where you, uh, had you guaranteed?

AJ: Uh, the Seattle, uh, campus property lease, I, uh, guaranteed for the company.

KAE: Anything else?

AJ: I had two, uh, lines of credit that I personally guaranteed for the company.

KAE: And, who were the lines of credit with?

AJ: Um, one was with, uh, US Bank, and one was with, uh, Washington Mutual Bank.

KAE: Any other guarantees for CRI obligations?

AJ: Um, I did have a number of credit card debt, but they were not in the name of CRI, they were in my name personally.

KAE: And, why weren't those obligations listed, um, involving a co-debtor on your bankruptcy schedules?

AJ: Uh, I thought they were listed, I believe I saw them on there.

KAE: I'm talking about Schedule H where it says that, um, no other persons are liable with you on any debts.

AJ: Uh, there are no other people liable for me on the debts. I was responsible for them.

KAE: Any entities liable for... with you on your debts, like CRI.

AJ: Uh, I'm confused by the questions...there was some debts that CRI owed that I personally guaranteed.

KAE: Right, which would make CRI a co-debtor.

AJ: Oh, ok.

KAE: Ok. Finally, how did you prepare the list of creditors, or I should say the matrix of creditors, for this case?

AJ: Uh, the records were turned over to my attorney at that time and his office prepared those.

KAE: What records did you turn over to him to prepare the matrix?

AJ: Uh, it was a list of all the, uh, credit cards, the uh, companies we did business with, a list of the, uh, student accounts.

KAE: And when you say student accounts what do you mean?

AJ: Uh, that students who had en....enrolled, uh, at our school over the last few years of all

campuses.

KAE: Over the last few years is what time period?

AJ: Um, I believe it was three years.

KAE: I don't have anything further.

JR: Uh, for the record, uh, my name is James Rigby, I'm the Trust...er the attorney for Mike McCarty as the Trustee in CRI. Uh, Mr. Janisch do you remember obtaining a loan from Steve Fleischman in December 2005?

AJ: Uh, yes.

JR: Do you remember how much it was for?

AJ: It...it was about 150,000 that I borrowed personally, and then, uh, put into the, uh, company.

JR: And by company you mean CRI?

AJ: Yes, correct.

JR: And you booked that into your capital account, right?

AJ: That's correct.

JR: So you did not treat it as a loan to CRI?

AJ: That's correct.

JR: And, you repaid that...the loan, uh, on, uh, January 3 2006 with two checks right?

AJ: That sounds correct, yes.

JR: Who did you obtain the loan from?

AJ: Uh, from Steve Fleischman.

JR: Was it a...was it a check that he had on his personnel account?

AJ: Uh, I...I believe it was a check that was on his families' company business.

JR: Ok. Because you repaid that with, uh, two checks. Uh, one number 4377 for 50,000 dollars and that was payable to Fleischman Center.

AJ: That's... that's the landlord, the family company landlord.

JR: Is Fleischman Center the entity that made the loan to you?

AJ: Uh, that must have been, yes.

JR: And you...than you also paid, uh, on January 3 2006 check number 4378 for 100,000 dollars, um, excuse me the first...the prior check was to Fleischman Family L.L.P., who's that?

AJ: Uh, that's the family landlord.

JR: Ok, and...and the second check, the 4377 was to Fleischman Center, who's that?

AJ: Um, well, it...it has to be the same family, I don't...I don't remember why there were two different entities, but it is the same family.

JR: Ok, were there any documentation for the loan?

AJ: Uh, no.

JR: What was the interest rate or fee that you paid for the loan?

AJ: Uh, there was no interest.

JR: And, how many times...this was an annual event, right?

AJ: Uh, yes.

JR: How many times in the past did you do that prior to December 2005?

AJ: Uh, probably three, perhaps four times.

JR: During those three to four trans...so what it would be like four to five transactions total?

AJ: Uh, well it would be one transaction at the end of each year and at the beginning of the new year.

JR: So you would have...so you're talking about five different loans and five different payments over about five years, right?

AJ: Possibly four.

JR: Ok, four or five. Who did you talk to on the Fleischman side?

AJ: Uh, Steve Fleischman.

JR: Each time?

AJ: Uh, yes.

JR: Did you ever talk to his dad?

AJ: Uh, yes.

JR: What's his name?

AJ: Uh, it's Richard.

JR: And when would've you talked to Richard Fleischman?

AJ: Um, many years ago, they lived in a...Richard...Dick is now older and is kinda retired from the business, leaving it to Steve.

JR: How long have you done business with the Fleischman family?

AJ: About 20 years now.

JR: And, what's the nature of the business you had with them?

AJ: Uh, they were the landlords and I was...my company was a tenet.

JR: And, did you tell, uh, Fleischman what you were going to use the money for?

AJ: Uh, yes.

JR: What did you tell...which Fleischman did you talk to about the loan?

AJ: Uh, to Steve Fleischman.

JR: And, what did you tell him about the loan?

AJ: That the money was to...that I was going to invest the money in the company and then pay him back, uh, as soon as possible in the new year.

JR: This is about a loan, for about a week right?

AJ: Correct.

JR: And did you explain why the company needed the money for that week?

AJ: Yes.

JR: What did you tell him?

AJ: Uh, that it was to bolster our financial position at year end.

JR: Did you tell what the purpose for that was?

AJ: Uh, yes.

JR: What did you tell him?

AJ: Again to bolster the company's financial position at year end.

JR: Did you tell him that that was...so it would assist you in obtaining student loans from the Department of Education?

AJ: Uh, no, it...it wouldn't assist us in that. But it did keep our financial ratios solid so that we could continue participating with the Department of Education.

JR: Did you tell Fleischman that if you didn't have that, uh, that equity and that ratio, that you would go out of business.

AJ: Uh, no.

JR: What did you tell him would happen if you didn't get the loan?

AJ: It would...it would be a hardship. We would have difficulties, but schools can stay in business and do stay in business without funding from the Department of Education.

JR: But it makes it more difficult.

AJ: It makes it more difficult, yes.

JR: Ok. Would he expect that he might not be paid on some of his, uh, rent payments if, uh, you had difficulties?

AJ: Uh, possibly. But he had, uh, up until...up until those times the rent to him was current and paid in full.

JR: Until when?

AJ: Uh, well we were current up through declaring our business bankruptcy in August of '06.

JR: Is there any particular reason why you would make a loan for 150,000 dollars and not charge you any fee for that?

AJ: Uh, it was a business courtesy. We...we've done business for 20 years.

JR: You received similar loans from Kai Moldskred. Did you receive similar loans from anybody else?

AJ: Uh, no.

JR: Where do you presently live?

AJ: Uh, right now I do not have a permanent address, I'm staying with friends.

JR: Ok, are...are...do you spend...do you spend any nights on, um, or at Fleischman properties.

AJ: Uh, yes I do.

JR: And how long have you been living in a Fleischman property?

AJ: Uh, that's about, uh, about two months now.

JR: And are you paying any rent?

AJ: I am not.

JR: Do...do they expect to receive any rent for that?

AJ: No.

JR: They're doing that because you have a long term relationship with them?

AJ: That's correct

JR: Have they...what's your present contact? Do you have any place where you receive mail now?

AJ: Uh, I've been picking up my mail still at my old address on Meridian Avenue North.

JR: Your home?

AJ: Yes.

JR: And that's going to soon be clo...uh, foreclosed or sold, correct?

AJ: Yes, the...the last notice I saw was on August 8<sup>th</sup>.

JR: Do you have a P.O. box or any other place to pick up mail?

AJ: Uh, not yet but I will have to get a P.O. box.

JR: Ok, we tell you that under bankruptcy code that your required to provide the Court with a new mailing address if you move and you can file a notice on the sixth floor in the Clerk's office. But when you no longer get your notice or mail at your old residence you have to file with the Court an address we can contact you. Thank you. I don't have any other questions.

KAE: I have one final one. What's the address at the Fleischman property where you're staying?

AJ: It's, um, 917 North 130<sup>th</sup> Street, that's in Seattle.

KAE: And do you have a zip code?

AJ: Uh, 981, uh, 33.

KAE: Is there a phone there?

AJ: Uh, I do not have a phone. Uh, the Fleischman's do an office phone.

KAE: Ok, what's the phone there?

AJ: Uh, 206, uh, 365-2200

KAE: And who lives there?

AJ: Uh, that is an office phone.

KAE: Oh, who lives at 917 North 130<sup>th</sup> Street?

AJ: Uh, that's the main company office for the Fleischman's.

KAE: So, that's an office building not a residence?

AJ: That's correct.

KAE: And you're living there?

AJ: Uh, yeah just in a vacant room.

KAE: What's the name of the business that's there?

AJ: Uh, it's the... it used to be known as Lee James Financial Company.

KAE: What is it currently known as?

AJ: Uh, I don't believe it has a current name other than Fleischman Family Properties.

KAE: I don't have anything further.

JB: I have a couple questions.

EJW: Sure.

JB: Mr. Janisch, did you receive an inheritance from your father?

AJ: I did, yes.

JB: Would that be about 2005?

AJ: Uh, that's correct.

JB: And what was the amount....

KAE: ...What's your name for the record.

JB: I'm Jessica Burta. What was the amount?

AJ: Uh, it was a little under... it was a little over 750,000 but not quite 800,000.

JB: And that was a cash inheritance?

AJ: Uh, it was half cash and about half of the house that my dad left me.

JB: Ok. You also got...what was the value of the house that he left you?

AJ: Well, when I first received it, it was about 450,000. I understand currently it's about 350,000 with properties being down in value.

JB: At the time you were also receiving income from the school?

AJ: Um, back prior to 2006 yes, that's correct.

JB: In 2006 you closed the school?

AJ: That's correct.

JB: Were...did...were you able to get your records from Mr. Wood?

AJ: Uh...

JB: I think you were supposed to have turned them in by the 5<sup>th</sup>.

AJ: No, they've been...they've been...I've been denied access to my, uh, to my storage locker so have not had access to them.

JB: Ok, that's all I have.

EJW: Do you have a key to that locker?

AJ: Uh, I do.

EJW: Can I have it?

AJ: Uh, of course. I do not have it with me.

EJW: Ok, can you drop it off at my office.

AJ: Alright.

EJW: Do you know where I am?

AJ: Uh, no but I am sure I can find it..

EJW: Ok, it's out by the zoo. It's not too far.

AJ: Alright.

EJW: Um, and I remember now when you mention that we actually only got part way through here because when I asked you if you read the petition before you signed it, you signed the petition in blank...

AJ: Yeah...

EJW: ... is that right?

AJ: Yes.

EJW: That's your testimony? Now you've read it.

AJ: I've read it.

EJW: Right, and it...but the signature on it is your signature?

AJ: That's correct.

EJW: Ok, um, and now you've gone through that, right? You've gone through the petition and stuff, and we've already discussed a number of things, but other than the things that have been discussed today, um, you are familiar with the information that is in there?

AJ: Uh, yes, I looked at it on the downstairs computer.

EJW: And other than the questions been raised today the...the petition and schedules are accurate?

AJ: I believe they are.

EJW: Ok, and there are...are there any errors or misses that you saw when you looked through them?

AJ: Uh, no, other than what...

EJW: Other than what we've talked about?

AJ: ...we've talked about here.

EJW: Ok, and other than what we've talked about, you listed all your assets?

AJ: Yes.

EJW: And all your liabilities?

AJ: Yes.

EJW: All your creditors? Um, have you ever filed bankruptcy before?

AJ: For the business I have, for personnel no.

EJW: Ok, so, um, when you say you've gotten between 750 and 800 from your father's inheritance, about two years ago, two and a half years ago, um, what did you do with the cash?

AJ: That went into the company, into CRI, we were building a new campus in Tacoma, Washington, that, uh, took quite a bit of money to get started.

EJW: Now you were the executor of the estate, right?

AJ: Correct.

EJW: So, how did...did you right a check to yourself then from the estate account?

AJ: Uh, basically yes.

EJW: Well, I mean it's either yes or no. Did ...I mean, was there a separate bank account for the estate?

AJ: Uh, there were...there were three separate bank accounts that I ended up eventually closing and transferring that money to me.

EJW: And where were those accounts?

AJ: There was a small one at Washington Mutual, North Gate, there was a larger certificate at, uh, Washington Federal.

EJW: Which branch?

AJ: The, um, it was, uh, on 145<sup>th</sup> Street about 5<sup>th</sup> North East. And there was another account at a bank at North Gate that I do not remember the name of.

EJW: What was that one used for?

AJ: I'm sorry?

EJW: What was that account used for?

AJ: Uh, it was just a savings account that my father had had.

EJW: Oh so were all of these accounts originally in his name?

AJ: Uh, correct.

EJW: That's Elro...what's his..

AJ: Elrow, yes.

EJW: And did he have any significant debts?

AJ: Uh, no.

EJW: So, you...you closed these three accounts and wrote checks to yourself that you deposited into the Key Bank account?

AJ: Um, I don't remember that I did that. I might have deposited them directly into the CRI account.

EJW: CRI. And where are the records from those accounts?

AJ: Uh, again they're in my storage locker.

EJW: Ok, and your going to give me the key.

AJ: I'll get the keys.

JR: I've got just a couple more questions. During 2007 prior to filing bankruptcy, did you gamble at all?

AJ: Uh, yes I played cards.

JR: Do you have any idea how much money you lost gambling in 2007?

AJ: Uh, not much. I didn't have that much to spend.

JR: Did you lose 10,000 dollars?

AJ: Oh, I...I...I...no.

KAE: Where did you get the money to gamble if you didn't have any income in 2007?

AJ: 2007...2007, well I still had my savings account and I did have a small individual retirement account that I was using to live off of.

KAE: And what was the individual retirement account you're referring too?

AJ: I'm sorry?

KAE: What was the IRA your referring to?

AJ: That was it. A retirement account that I had set up.

KAE: Where?

AJ: Uh, it, uh, with, uh, New York Life Insurance Company.

KAE: And how much was in that account?

AJ: Uh, well right now it's about 2,000 dollars.

KAE: Right now it's 2,000 dollars?

AJ: Yes.

KAE: What was it at the beginning of 2007?

AJ: Uh, I... I'd have to look at my records, but it...it was probably about 10,000 dollars.

KAE: Why isn't that listed on the bankruptcy schedules?

AJ: Again, I have to defer to my attorney, that was...he knew about it and uh...

KAE: Alright but you read the schedules...

AJ: Yes.

KAE: And, they're signed under penalty of perjury.

AJ: Yes.

KAE: And that's not correct when it doesn't list your IRA account.

AJ: Uh, again I have to defer to my attorney, whether he thought it should have been listed or not.

KAE: Nothing further.

EJW: This small savings that you lived on, was that the IRA?

AJ: Uh, no.

EJW: Ok and where was the small savings account then?

AJ: Uh, that was what we talked about at Key Bank.

EJW: At Key Bank, ok.

JR: So how many records did you give your attorney?

AJ: Aw, it was... it was, uh, box.

JR: Maybe a bankers box?

AJ: A bankers box.

JR: And did you ever get that back from him?

AJ: I did.

JR: Ok. When did you get it back from him?

AJ: It was probably February of this year.

JR: And then what did you do with that?

AJ: Uh, it's in storage.

EJW: Did you take anything out of the box before you put it in storage?

AJ: No.

EJW: Ok. Any other questions? That's all you're excused.

AJ: Uh, may I ask you a question?

EJW: Sure.

AJ: Um, is it...I have nothing else to lose, uh, instead of just getting a discharge, uh, is it possible to just have this case dismissed?

EJW: Not very likely. I mean I would oppose it. I mean you can ask the Judge I think. I can't stop you from asking the Judge.

AJ: Ok, even though there's nothing...no assets to go after?

JR: Well, I don't know about that. Um, but the Judge, I mean you should get your own advice on this, but I...I think that the Judge is, uh, decision will be based on what's good for your creditors. So you can figure out a way why that would be better for your creditor, be my guest.

AJ: Well, I'm...I'm not disputing anything that I owe the company, I'm not disputing the claims, uh, and after that's resolved, uh, there's nothing that I really have of consequence left personally.

EJW: Well, whatever. I mean...

AJ: Ok.

EJW: ...nobody filed this except you. You're the one who filed it, you know. My position would be it needs to play out. But it's the Judge's choice not mine. You have the rights of any debtor. Ok you're excused. That concludes the 2:30 calender.

CERTIFICATE

STATE OF WASHINGTON )

COUNTY OF KING )

I do hereby certify:

1. That the foregoing 341(a) Meeting of Creditors was recorded electronically by Edmund J. Wood and reduced to transcript form by me;
2. That the 341(a) Meeting of Creditors as transcribed is a full, true and correct transcript of the testimony, including questions and answers, all objections, and exceptions of counsel made and taken at the time of the foregoing examination.

I CERTIFY UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF WASHINGTON THAT THE FOREGOING IS TRUE AND CORRECT.

DATED this 30<sup>th</sup> day of July, 2008, at Seattle, Washington.

By: *Joshua Williams*  
Joshua Williams

I certify that I know or have satisfactory evidence that Joshua Williams is the person who appeared before me, and said person acknowledged that she signed this instrument and acknowledged it to be her free and voluntary act for the uses and purposes mentioned in this instrument.

SUBSCRIBED AND SWORN to before me this 30<sup>th</sup> day of July, 2008.



Notary Signature *Yoon Park*  
NOTARY PUBLIC of the  
State of Washington: Seattle, WA  
My appointment expires: 12-31-2008



STATE OF WASHINGTON

Workforce Training and Education Coordinating Board

128 - 10th Avenue, S.W. • P.O. Box 43105 • Olympia, WA 98504-3105

Phone: 360-753-5662 • Fax: 360-586-5862 • Web: www.wtb.wa.gov • E-mail: wtecb@wtb.wa.gov

August 1, 2005

CRI Career Training  
Alen Janisch, President  
929 North 130 Street #2  
Seattle WA 98133

RE: Complaint by [REDACTED]

Dear Mr. Janisch:

In accordance with Chapter 28C.10.120 RCW, the Workforce Training and Education Coordinating Board (the Workforce Board) reviewed a complaint filed against CRI Career Training (CRI) by the student identified above. As you will see, this complaint is very similar to a number of complaints previously filed against CRI.

This determination is structured as follows: There are four major areas of complaint identified as numbers 1 through 4; several of the major areas have subparts identified as 1a, 1b, 1c, etc. The school's responses to the each of the subparts of the four complaints immediately follow the subpart and are identified as "School's Response to 1a, School's Response to 1b, etc. Following all four of the student's complaints and CRI's responses are the Workforce Board's Findings, Conclusions, Determination, and Order.

### Student's Complaints

**1. Advertising/Claims Made by School:** 1a. The school misleads prospective students regarding its graduation rate, placement rate, and the length of time it takes an average student to complete the Court Reporter program. Students are told the average is 30 months and that it can be completed in as little as 12 months. The school emphasizes this point by explaining that although certain public technical schools charge less tuition, it takes longer for students to complete those programs (3 to 4 years) and that when you factor in the amount of income you lose by being in school longer, the public school programs are actually more expensive than CRI.

School Response to 1a: The school stated that it has never provided false information regarding its graduation times or placement rates. Students enroll for a 30-month program and are told it could take longer than that to finish.

1b. CRI gave false information about the skills necessary to become a court reporter and the costs to be incurred both as part of their school and upon graduation.

School Response to 1b: The school stated that it did not give false information about the skills necessary to become a court reporter or the cost to be incurred.

1c. The school continually misled students regarding the accreditation standards the school followed and, additionally, misled accreditation agency representatives regarding the type of education being taught at the school.

School Response to 1c: The school stated that it did not mislead students regarding accreditation standards of the school. The school further stated that CRI always taught to the NCRA minimum standards while it was NCRA accredited.

1d. CRI advertised courses and instruction that were not actually offered, or taught these courses at a level where a student could not potentially learn them at a professional level needed for graduation or securing employment. CRI advertises that its program prepares students for careers as scopists, captioners, medical transcriptionists, or CART writers. In reality, students were only taught how to write on a stenograph machine and take testimony.

School Response to 1d: The school stated that it never advertised courses or instruction that were not actually offered. The school further stated that all courses are taught at a level that leads to successful employment in the court reporting field.

**2. Instructor Qualifications:** 2a. CRI consistently employed students as teachers or self-taught classes to a degree not supported by NCRA standards. The majority of learning was done by students dictating to other students from books or from machine dictation via the Stenowave system. Tapes were typically of very poor quality, incorrectly timed, produced by people with thick accents that were very difficult to understand, and by people with poor vocabularies.

School Response to 2a: The school stated that any students employed by CRI as lab assistants worked under the direct supervision of an instructor.

2b. CRI courses were run by unqualified staff or by staff members who rotated through class at a rate that is unacceptable among any educational standards. During beginning theory classes, students were often left to self-teach. A member of the administrative staff would show up for the first few minutes of class to take attendance, then the class would be left alone for hours with no instruction or supervision.

School Response to 2b: The school stated that all classes are taught by qualified instructors. Any lab assistants who may have worked in the class would have been under the direct supervision of an instructor.

**3. Standards of Progress:** Despite a lack of real learning or educational progress, CRI continually moved students ahead to the next level of instruction without teaching the skills necessary to graduate.

School Response to 3: CRI responded that it never moved students ahead to the next level of instruction unless they had completed all the necessary requirements of the course.

**4. Method of Instruction:** 4a. The school completely changed the theoretical foundation of its educational approach to court reporting in 1999, but offered no retraining to students taught under the old method, and provided no method for these students to succeed.

School Response to 4a: The school stated that when it changed to a new theory, students were offered a transitional program they could use if they wished to change to the new theory.

4b. Critical components of an education for court reporting - medical and legal terminology - were taught inadequately and unprofessionally.

School Response to 4b: The school stated that [REDACTED] did not take medical or legal terminology.

4c. Instruction on Computer Aided Transcription software was completely inadequate despite being a key and vital daily tool used in any court reporter position.

School Response to 4c: The school responded that not only did [REDACTED] receive instruction in computer aided transcription software in class, she received hours of private instruction from Ms. Hobbs on her software.

4d. CRI misrepresented the basic typing class instruction and training provided by their school. The typing tutors the school states are available are, in reality, textbooks called "typing tutor."

School Response to 4d: The school stated that the typing class assumes familiarity with the keyboard and that typing tutors are available. The emphasis of the class is on drill work and skill development on drills designed to increase skill accuracy. The school further stated that [REDACTED] passed the required tests necessary to meet her typing requirement.

4e. After requesting additional assistance from Sandra Metz to learn how to become a CART writer, and being told CRI had nothing in the way of material or instructional aids to assist with that, Ms. Metz stated that all you had to do to become a CART writer was build a good dictionary and write accurately and cleanly.

School Response to 4c: The school stated that Ms. McKinney was given an alternate schedule in order to concentrate her efforts in the areas she needed to work on and that she was regularly tutored on her software by faculty members.

#### Agency's Findings

The above complaints are not new; most have been brought to the Workforce Board's attention repeatedly by former CRI students. As have previous complainants, Ms. McKinney complained that:

- CRI's teaching methods are not effective,
- students basically teach themselves,
- the school employs unqualified instructors,
- the school's standards of progress are not consistently followed,
- the Stenowave system is faulty, and
- prospective students are misled with regard to the length of time it takes to complete the program.

The school's responses to the complaints are, likewise, not new. As it has in the past, the school maintains that its methods of instruction, faculty qualifications, and equipment are effective, that its program adequately prepares students for entry level employment in the Court Reporting Field.

When the Workforce Board investigated CRI in 2001, the Board's major concern was the amount of time it took students to progress through the program. CRI was advertising a 2.5 year program; however, the Workforce Board found that the few students who actually completed the program took an average of four years to get through the day program and more than five years to get through the evening program. At that time, the Workforce Board determined that CRI was misleading students with regard to the actual length of the program and required CRI to disclose to prospective students, the likelihood that it would take them much longer than 2.5 years to get through the Court Reporter program.

Although the school's catalog and enrollment agreement now contain statements informing students that it could take them longer than 2.5 years to complete the program, the Workforce Board consistently receives information from CRI students that the statement is downplayed by admissions representatives. Students report that the school continues to sell a 2.5 year program, further enticing prospective students with the anecdote that "a student even completed the program in one year." As of May 2005, there were four CRI students at the 225 wpm speed level, the last level before graduation; three day students who have been at CRI for an average of four years and one evening student who has been a student for nearly seven years. (Approximately 185 students are in attendance at CRI at any given time.)

In 2003, the Workforce Board found that the school was using students as instructors and had at least one instructor teaching a course for which she was not qualified. To settle those complaints, the school agreed to comply with a negotiated agreement specifying minimum qualifications for individuals who teach various court reporting courses. While investigating these current complaints, the Workforce Board learned that the school continues to employ students as teachers.

Finally, to determine the accuracy of the school's claim that its method of instruction, standards of progress, course content and equipment are effective and that "students do succeed, graduate from CRI, and are successful as court reporters," the Workforce Board examined student data reported annually to the Workforce Board by CRI. That data revealed that CRI's completion rate was 6 percent for the period July 1, 2000 through June 30, 2003; only 10 of the 179 students who left the program during that period actually completed the program. Of those 10 completers, three (3) were working in the field six to nine months after graduation.

#### Conclusion

Notwithstanding the issues detailed in this determination, the real issue is that a tiny percentage of CRI students actually ever graduate and obtain jobs as court reporters. Hundreds of students have paid thousands of dollars each for a program they will never complete.

The Workforce Board has given CRI numerous chances to improve the quality of its Court Reporting program. It is troubling that CRI students continue to file complaints about issues the Workforce Board believed it dealt with a number of years ago. This recent rash of complaints, coupled with the school's abysmal completion and placement rates, make it clear the school's court reporting program is simply not adequate to achieve the objective for which it is offered.

Based on the findings outlined above, the Workforce Board concludes that the school engaged in a significant number of unfair business practices by failing to comply with the terms of a student contract (which incorporates the school's catalog by reference) [RCW28C.10.110(1)], representing falsely the qualifications of its faculty [RCW28C.10.110(6)], providing prospective students with information which has the tendency to mislead or deceive prospective students regarding current practices of the school [RCW28C.10.110(8)] and making statements in connection with the offering of education that the school knew or reasonably should have known to be false, substantially inaccurate, or misleading [RCW28C.10.110(10)].

#### Determination

It is the Workforce Board's determination that the complainant suffered a financial loss as a result of the school's unfair business practices. The amount of the loss is the total tuition and fees paid by ~~XXXXXXXXXX~~. Based on the information available to the Workforce Board at the

~~██████████~~ Complaint

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time of this determination, the amount due the complainant is \$19,900 (\$100 registration fee, and \$19,800 tuition.)

### Order

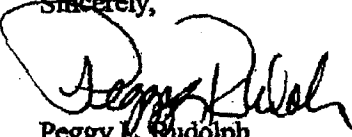
The school is ordered to provide a refund to Ms. McKinney as outlined above. The refund is to be paid within thirty days of the school's receipt of this Order. The school is further ordered to cease and desist from engaging in the unfair business practices listed in the Conclusion section of this Order.

### Appeal

You may appeal this decision by filing notice of appeal with the Workforce Board, postmarked within twenty (20) calendar days of receipt of this letter. If no appeal is filed within the 20 calendar days, you have waived your right to appeal and no further remedy is available under RCW 28C.10.

The appeal will be filed under the Administrative Procedure Act, chapter 34.05 RCW. Timely filing stays the Workforce Board's order during the appeal process. If the Workforce Board adjudication is *affirmed* in part or in its entirety in an administrative hearing, the school shall pay the costs of the hearing (RCW 28C.10.120(4)).

Sincerely,



Peggy L. Rudolph  
Program Specialist  
(360) 586-8682

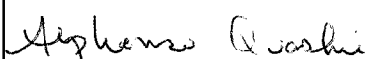
cc: ~~██████████~~

1 CERTIFICATE OF SERVICE

2 I hereby certify that on February 19, 2009, I served a copy of the foregoing  
3 document on the following parties by sending a copy via facsimile. I also served a  
4 copy of the Declarations of Pam Fukai, Linda James and Jan Harlan:

5 Michael B. McCarty, Esq.  
6 McCarty & Gebben LLP  
7 3245 146<sup>th</sup> Place SE, Suite 330  
8 Bellevue, WA 98007  
9 Fax: (425) 378-9473

10 James Rigby, Esq.  
11 600 Stewart Street  
12 Suite 1908  
13 Seattle, WA 98101  
14 Fax: (206) 441-0533

15   
16 Alphonso Quashie

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23  
24  
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DECLARATION OF JUDY MCKINNEY -3

Judy McKinney  
12250 Greenwood Ave. N.  
No. 316  
Seattle, WA 98133  
Student Creditor