

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., |) | |
| |) | DECLARATION OF MICHAEL B. |
| Debtor(s). |) | MCCARTY IN SUPPORT OF |
| _____ |) | SETTLEMENT WITH MOLDSKRED |

The undersigned makes the following statement 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. I am the Chapter 7 bankruptcy trustee in the above-captioned matter, and I have served on the Seattle Chapter 7 Trustee’s Panel since 1984.
3. The underlying facts in this matter are as follows:
4. Court Reporting Institute, Inc. (“CRI”) filed bankruptcy in the United States Bankruptcy Court for the Western District of Washington at Seattle under Bankruptcy No. 06-14202 on December 28, 2006.
5. I was appointed as the CRI Trustee.
6. As the CRI Trustee, I initiated an adversary proceeding in the United States Bankruptcy Court for the Western District of Washington at Seattle under Adversary No. 07-01167 against Moldskred and Alen Janisch (“Janisch”).
7. Janisch filed bankruptcy in the United States Bankruptcy Court for the Western District of Washington at Seattle under Bankruptcy No. 07-15620 on November 23, 2007.
8. Edmund J. Wood was appointed as the Janisch Trustee.

**DECLARATION OF MICHAEL B.
MCCARTY IN SUPPORT OF
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1 9. The claims between the two bankruptcy estates have been settled pursuant to orders
2 entered in the respective bankruptcy proceedings, whereby the two bankruptcy estates have agreed
3 to jointly settle claims against third parties and share in the recovery.

4 10. The Janisch Trustee has sold the Janisch residence, which was subject to a deed of
5 trust in favor of Moldskred and the Janisch Trustee is presently holding \$45,673.09 as the net
6 proceeds from that sale subject to the Moldskred deed of trust.

7 11. Moldskred is in the possession of one fourteen karat yellow gold diamond ring and
8 one eighteen karat yellow gold diamond ring (“Jewelry”) transferred by Janisch to Moldskred in
9 order to secure a loan.

10 12. The bankruptcy estates have made various claims against Moldskred in the pending
11 litigation.

12 13. As the CRI Trustee, I obtained a judgment against Moldskred in the amount of
13 \$123,000 and Moldskred has filed an appeal of that judgment.

14 14. Moldskred denies the allegations.

15 15. It is my opinion, in my best business judgment, that the settlement is optimum for this
16 case and should be approved by the court. It will reduce the litigation costs and maximize the
17 distribution to creditors.

18 16. The compromise is fair, reasonable and adequately based upon the fact and
19 circumstances. BR 9019(a). The substantive terms of the settlement compare favorably with the
20 likely r
21 ewards of litigation. The process by which a settlement was reached was an arms length negotiation
22 and all interests have been effectively represented by counsel.

23 17. Given the probability of success through litigation, the risk in all litigation,
24 complexity and its attendant expense, inconvenience and delay, and the paramount interest of the
25 creditors, with a proper deference for their reasonable views, the settlement proposed should be
approved.

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1 18. More likely than not, should the matter proceed to trial, the creditors would not
2 receive a greater recovery from this litigation than the proposed settlement will guarantee.

3 DATED this 22nd day of October, 2008.

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/S/ Michael B. McCarty

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Michael B. McCarty

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