
 U.S. BANKRUPTCY COURT
 WESTERN DISTRICT OF WASHINGTON
 AT SEATTLE

In re:) Case No. 06-14202-KAO
)
 COURT REPORTING INSTITUTE, INC.)
)
 Debtor.)

 CHAPTER 7 CREDITORS' (341) MEETING
 MICHAEL B. McCARTY PRESIDING

DECEMBER 28, 2006

Transcribed from Recorded Audio

DATE TRANSCRIBED: May 26, 2007

APPEARANCES

PRESIDING TRUSTEE: MICHAEL B. McCARTY
3245 146th Place S.E.
Suite 330
Bellevue, Washington 98007

FOR DEBTOR: DAVID W. FREESE
18604 76th Avenue West
Edmonds, Washington 98026

DEBTOR REPRESENTATIVE

ALEN JANISCH
JANE PETERSON
LEANNE HOBBS

CREDITOR REPRESENTATIVES

TINA WILLIS
LINDA JAMES
KIM KAYODA
JUDY McKINNEY
CHERYL PARESA

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December 28, 2006

UNIDENTIFIED SPEAKERS: [Indiscernible].

THE TRUSTEE: [Indiscernible] your Social Security number.

MR. JANISCH: [Indiscernible].

THE TRUSTEE: Okay. [Indiscernible] raise your right hand [indiscernible]. And do you affirm the testimony you're about to give shall be the truth, the whole truth, and nothing but the truth?

MR. JANISCH: I do.

THE TRUSTEE: Please state your name.

MR. JANISCH: Alen Janisch.

THE TRUSTEE: What's your present address?

MR. JANISCH: Would you like business or -- or home address?

THE TRUSTEE: Well, what's your home address?

MR. JANISCH: It's 13011 Meridian Avenue North, Seattle, 98133.

THE TRUSTEE: And that's your -- that's your home address; right?

MR. JANISCH: Correct.

THE TRUSTEE: What's your business address?

MR. JANISCH: It -- it was 929 North 130th Street,

Suite 2, Seattle, Washington 98133.

THE TRUSTEE: And what was your connection with the Debtor?

MR. JANISCH: With the Debtor, I -- I'm the owner and the sole stockholder of the company.

THE TRUSTEE: Okay. And were you the president, or CEO?

MR. JANISCH: Yes; correct. I was the president and CEO.

THE TRUSTEE: Okay. In that capacity, did you sign the Petition, schedule, statements, and related documents you filed with the court?

MR. JANISCH: Yes, I did.

THE TRUSTEE: Did you read those documents, though, before you signed them?

MR. JANISCH: I -- I read the summary sheets. Because of the volume of the -- the creditor list, I did not review those after they had been uploaded.

THE TRUSTEE: The creditor list?

MR. JANISCH: Correct.

THE TRUSTEE: Did you read the list of assets?

MR. JANISCH: Yes.

THE TRUSTEE: And you read this -- answers to the Statement of Financial Affairs?

MR. JANISCH: Correct. Yes.

THE TRUSTEE: Okay.

MR. JANISCH: And also, I did provide all the original information to -- to my attorneys.

THE TRUSTEE: Uh-huh. And so you're personally familiar with the information that's in the documents you filed with the court?

MR. JANISCH: Yes.

THE TRUSTEE: And to the best of your knowledge, is that information true and accurate?

MR. JANISCH: Yes, it is.

THE TRUSTEE: Are there any errors or omissions to bring to my attention?

MR. JANISCH: Not to my knowledge.

THE TRUSTEE: Are all of Court Reporting Institute's assets identified in the schedules?

MR. JANISCH: Yes.

THE TRUSTEE: Are all of its creditors listed in the schedules?

MR. JANISCH: To my knowledge, yes.

THE TRUSTEE: Has Court Reporting Institute filed bankruptcy before?

MR. JANISCH: No.

THE TRUSTEE: Now, you've listed some accounts receivables, and I think that you said they're being collected by two collection companies?

MR. JANISCH: Correct.

THE TRUSTEE: What are the names of the collection companies?

MR. JANISCH: I do not have those with me. They were provided, but I'm sure we can get them.

THE TRUSTEE: They were provided?

MR. JANISCH: Yes. What -- to my attorney.

THE TRUSTEE: Are they in the schedules?

MR. FREESE: You know, not specifically --

THE TRUSTEE: They're not on the schedules.

MR. FREESE: They're not specifically identified in the schedules.

THE TRUSTEE: Well, I need to know what they are.

MR. JANISCH: I'm sorry?

THE TRUSTEE: I need to know who they are. Those are executory contracts. They should be listed in the schedules. So the schedules are incomplete. Do you know whether -- do you have contracts with those collection companies?

MR. JANISCH: Yes. One is in Seattle, and one is in Boise.

THE TRUSTEE: And there's no collection company in California?

MR. JANISCH: Correct.

THE TRUSTEE: Were the accounts receivable assigned outright, or how -- how was that handled? Do you know?

MR. JANISCH: I do not know.

THE TRUSTEE: Okay. Where are copies of the agreements?

MR. JANISCH: They would be in our corporate files.

THE TRUSTEE: Where are your corporate files?

MR. JANISCH: In -- right now, out in my garage.

THE TRUSTEE: How -- how many boxes are there, approximately?

MR. JANISCH: Oh, probably about thirty of the larger boxes.

THE TRUSTEE: At the present time, where -- is it -- does the company have any office equipment at the present time?

MR. JANISCH: There is some left at the Seattle campus and the Tacoma campus.

THE TRUSTEE: Now, did the company lease equipment from other companies?

MR. JANISCH: Yes.

THE TRUSTEE: And has that property been returned to those leasing companies?

MR. JANISCH: Yes, it has.

THE TRUSTEE: When was it returned to them?

MR. JANISCH: It was returned early September of this year.

THE TRUSTEE: Did the company sell any equipment this year?

MR. JANISCH: Did our company?

THE TRUSTEE: Right.

MR. JANISCH: Yes, we did.

THE TRUSTEE: You did. Okay. Well, then, who did the selling?

MR. JANISCH: I sold it at -- at the first two weeks of September, in a -- in a liquidation sale at all campuses.

THE TRUSTEE: So how much, approximately, did the company get from the sale of the equipment?

MR. JANISCH: Somewhere around \$15,000.

THE TRUSTEE: All right. So in the Statement of Financial Affairs, question No. 2 says, "State the amount of income received by the Debtor other than from employment, trade, professional operation of business." And it says, "None." But actually, it would be \$15,000, wouldn't that?

MR. JANISCH: Correct.

THE TRUSTEE: Because you weren't in the business of selling equipment, were you?

MR. JANISCH: Correct.

THE TRUSTEE: Okay. And it took me about two minutes to find that out.

Why didn't you find that out, Mr. Freese?

MR. FREESE: I don't know. I'm not sure. The -- the rush of time; the schedules were due, and a Statement of Financial Affairs. I met with Mr. Janisch in my office late in

the evening to get them done.

THE TRUSTEE: Did you -- did you -- were you asked all the questions on the Statement of Financial Affairs?

MR. JANISCH: I believe I was; yes.

THE TRUSTEE: Did -- so the school [indiscernible] in September; right?

MR. JANISCH: The very last of August.

THE TRUSTEE: When was -- when was the bankruptcy filed?

FEMALE SPEAKER: November 27th.

MR. FREESE: Yeah. November 27th.

THE TRUSTEE: And do you recall about -- approximately how much money was on hand on -- at the end of August, when the company shut down?

MR. JANISCH: There was virtually nothing.

THE TRUSTEE: But you sold the equipment in early September, and you got \$15,000 from that.

MR. JANISCH: Correct. And -- and that went -- the proceeds went for the last payroll, which was due at the end of August.

THE TRUSTEE: Well, so -- question No. 3 on the Statement of Financial Affairs says, "payments to creditors"; and that would be payments to 90 -- within 90 days. And so that would be a payment that was within 90 days of the bankruptcy -- probably, those payments to those employees. And

so, those should be listed in ques- -- in answer to question No. 3. So I'm going to amend the schedules and put that information in; and anybody else that was paid in the 90 days prior to the bankruptcy filing.

Over the past year, where did the company have bank accounts?

MR. JANISCH: We had accounts at Washington Mutual and at U.S. Bank.

THE TRUSTEE: Okay. And does that include -- do you have an operation -- did you have operations in California --

MR. JANISCH: Correct.

THE TRUSTEE: -- in 2006?

MR. JANISCH: Correct.

THE TRUSTEE: And what bank did you use in California?

MR. JANISCH: Same as mentioned.

THE TRUSTEE: Okay. Same account, or different accounts?

MR. JANISCH: Same account.

THE TRUSTEE: Okay. And same accounts for the Idaho operation?

MR. JANISCH: Correct.

THE TRUSTEE: And where are the bank statements?

MR. JANISCH: The bank statements -- again, in the records in my garage.

THE TRUSTEE: Did the -- each school have its own ledger for receipts and expenses and disbursements?

MR. JANISCH: No. The accounts were handled out of our Seattle corporate office.

THE TRUSTEE: Okay. And so -- and did you have some general accounting software that you used for maintaining those accounts?

MR. JANISCH: Correct.

THE TRUSTEE: And what -- what software system did you use?

MR. JANISCH: I believe it was DacEasy Accounting.

THE TRUSTEE: And -- and so those -- your receipts and disbursements ledgers would be on a computer?

MR. JANISCH: Correct.

THE TRUSTEE: And where is that computer?

MR. JANISCH: Those are at our -- at the home of our ex-finance director, Khin Myatt Ni (phonetic).

THE TRUSTEE: Okay. And his address -- is his address in here? I think it might be here. Oh, no, it's not. What -- what's -- what's his -- do you know his address?

MR. JANISCH: I -- I do not have it by memory. It -- it's -- it is in Ballard, Seattle, Washington.

FEMALE SPEAKER: [Indiscernible].

THE TRUSTEE: The -- was this a sub-S or a C-corp?

MR. JANISCH: A sub-S corporation.

THE TRUSTEE: And did the corporation -- was it on a fiscal year, or a calendar year?

MR. JANISCH: It was on a December 31 year-end.

THE TRUSTEE: Oh. And did it file a tax return for 2005?

MR. JANISCH: Yes.

THE TRUSTEE: And where's a copy of that tax return?

MR. JANISCH: I'm sure in my garage; also, with our CPA, Todd Resch.

THE TRUSTEE: And did you ever -- did you ever borrow any money from the corporation?

MR. JANISCH: No.

THE TRUSTEE: Did you ever make any pledges of property to the corporation?

MR. JANISCH: Yes.

THE TRUSTEE: Why did you make pledges of property to the corporation?

MR. JANISCH: The -- the -- the pledges were made to secure draws that were in excess of earnings, as per regulations for the Department of Education.

THE TRUSTEE: And what property did you pledge to the company?

MR. JANISCH: At one time, a car; a ring; and a -- a part equity of my house.

THE TRUSTEE: And when were those -- well, so,

what -- the ring and the car, what do you have? A -- you got a security interest in the car? Or what -- how do you do that?

MR. JANISCH: I'm not sure I understand the question.

THE TRUSTEE: Well, did you have a -- did the company have a lien on your car?

MR. JANISCH: I -- I don't know.

THE TRUSTEE: Did -- did the company have a deed of trust on your house?

MR. JANISCH: I believe they did; yes.

THE TRUSTEE: And do you know when the deed of trust was reconveyed?

MR. JANISCH: Does that mean "issued"?

THE TRUSTEE: No. [Indiscernible] Does it still exist? Is it still in force?

MR. JANISCH: It is not still in force.

THE TRUSTEE: And when was it released?

MR. JANISCH: It was released, I believe, in September of this year.

THE TRUSTEE: And this is on the house where you live now?

MR. JANISCH: Correct.

THE TRUSTEE: And how much do you owe on that house?

MR. JANISCH: On the house, about \$250,000.

THE TRUSTEE: Okay. What -- what is Sage College?

MR. JANISCH: Sage College is another court reporting

school in Riverside, California.

THE TRUSTEE: And do you have anything to do with it?

MR. JANISCH: I had nothing to do with Riverside College.

THE TRUSTEE: Do you have anything to do with Sage College?

MR. JANISCH: I'm sorry -- Sage College. I had nothing to do with Sage College.

THE TRUSTEE: Did you have a bank of --
[indiscernible].

FEMALE SPEAKER: That's on the schedules.

THE TRUSTEE: Well, you had a bank account at "Federal Tell"?

MR. JANISCH: I'm sorry?

THE TRUSTEE: Federal Tell?

MR. JANISCH: At Federal Tell? That does not sound familiar.

FEMALE SPEAKER: [Indiscernible].

THE TRUSTEE: That's what it says on -- on here in the schedules that you verified.

MR. JANISCH: Oh, that should be a federal Pell account, with a "P," as in --

THE TRUSTEE: Okay. [Indiscernible] --

MR. JANISCH: Okay. And that -- that's what --

THE TRUSTEE: -- receipt of -- receipt of student

loan monies?

MR. JANISCH: Correct. And that was one of the accounts at U.S. Bank, and one of the accounts at Washington Mutual.

THE TRUSTEE: And you closed two Washington Mutual accounts in September. Was there money in those accounts?

MR. JANISCH: There was very little money; but what money was there was transferred over to the U.S. Bank account.

THE TRUSTEE: Okay. Are there any creditors? Okay. I -- I can give you some time, but not a whole lot of time; because I've got more cases. Do you want to ask questions -- you need to identify who you are.

So why don't we start with you, ma'am. Who are you?

MS. PARESA: I'm Cheryl Paresa.

THE TRUSTEE: Cheryl Paresa?

MS. PARESA: I was a student at the school.

THE TRUSTEE: Uh-huh. Do you want to ask any questions?

MS. PARESA: Not directly at him; just some disclosure to you.

THE TRUSTEE: Uh-huh. Okay. Well, I -- I'm aware of the claims that -- I'm aware that a lot of students have asserted claims against Court Reporting Institute for a number of reasons; and I've seen newspaper articles, and I've talked to people. So I'm -- I'm aware of -- I'm aware of that. I --

the bankruptcy court isn't really going to do anything with respect to -- well, with the bankruptcy court, what's supposed to happen here is that if there are assets that -- that can be liquidated, that there can -- is money that can be recovered to pay creditors, then -- then I do that. And then there's a claims process, and claims are filed and categorized, and then money's paid out. And in, you know, most cases, there's only money paid out in about two and a half of the cases. These -- each case is an individual situation, of course; but there doesn't appear to be much here in the way of money or assets to be recovered to pay creditors.

The corporation isn't discharged of its debts; I mean, when a person or an individual files bankruptcy, they file bankruptcy to get a discharge of the debts, so they don't have to pay them back. But when a corporation files bankruptcy, it doesn't get a discharge; it just ceases to exist. So --

MS. PARESA: Well, we have put together a list of questions, so if one person could --

THE TRUSTEE: Okay. Sure.

Who wants to ask the questions?

MS. MCKINNEY: I would like to.

THE TRUSTEE: Okay. And your name?

MS. MCKINNEY: Judy McKinney.

THE TRUSTEE: Okay. The questions should be for --

for --

MS. MCKINNEY: Alen?

THE TRUSTEE: Yeah. Not for me.

MS. MCKINNEY: Okay.

Actually, Alen, I am looking at the 2000 Bankruptcy Court Schedule B, "Personal Property." Did you, under Accounts Receivable No. 16 -- can you look at that and read what you've written there?

MR. JANISCH: Okay, yes. That --

MS. MCKINNEY: Is that correct?

MR. JANISCH: That's -- that, I believe, is a truthful statement.

MS. MCKINNEY: And these are collections from students? Ex-students?

MR. JANISCH: These are collections from past students that were referred to -- with the two collection agencies that we talked about earlier.

MS. MCKINNEY: And there were none in Idaho or California? You used a collection agency in Seattle and Boise for --

MR. JANISCH: Correct.

MS. MCKINNEY: -- all of those schools?

MR. JANISCH: The Seattle -- the California accounts were collected through our Seattle agency.

MS. MCKINNEY: Okay. The next page of that same

schedule, the Personal Property, No. 28: Could you read that, and see what you state there, please.

MR. JANISCH: Yes.

MS. MCKINNEY: Is that correct?

MR. JANISCH: I believe that's correct.

MS. MCKINNEY: It says: "Office equipment, furnishings, and supplies, Seattle location, all used, assorted, 2000; Tacoma location, all used, assorted, 2000."

MR. JANISCH: I believe that's correct.

MS. MCKINNEY: Were your -- was there no equipment in Idaho or San Diego?

MR. JANISCH: The Idaho and the California schools were totally liquidated -- that, again, we talked about in regard to paying our final salary to faculty.

MS. MCKINNEY: \$15,000 total?

MR. JANISCH: Around that, yes.

MS. MCKINNEY: From four schools' worth of equipment?

MR. JANISCH: Yes.

MR. FREESE: It's interesting to me that in your property pledges there were many thousands of dollars -- many, many thousands of dollars listed, as far as equipment in the schools went.

THE TRUSTEE: Do you have a question?

MS. MCKINNEY: Yeah, I do have a question. What would have happened to that property?

MR. JANISCH: I don't -- I -- I have no recollection.

MS. MCKINNEY: You have no recollection of what happened to your furnishings or your property at your school.

MR. JANISCH: My -- my personal property, that we discussed, that I pledged, but I -- I don't under- --

MS. MCKINNEY: Your personal property was the equipment -- I -- I'm -- I'm a little confused here, because I thought this was a corporate bankruptcy. Am I wrong?

THE TRUSTEE: Personal property is a type of property, as opposed to real estate. Personal [indiscernible]
--

MS. MCKINNEY: Okay. I see. Yes.

THE TRUSTEE: -- is real estate; personal property is other things.

MS. MCKINNEY: So there's only -- there was only a total of \$4,000 worth of equipment left out of four schools: Is that, basically, what you're saying?

MR. JANISCH: Correct.

MS. MCKINNEY: Okay. I also have a question [indiscernible] just a moment.

Statement of Financial Affairs: "Income from employment or operation of business."

MR. JANISCH: Yes.

MS. MCKINNEY: Is that a true and correct statement of your income?

MR. JANISCH: As a gross income, yes. That's the -- that's approximate; yes.

MS. MCKINNEY: So you haven't provided any income taxes to back that up?

MR. JANISCH: I have, to my law offices; yes.

MS. MCKINNEY: To your law offices, but not to the bankruptcy court?

MR. JANISCH: To my recollection, I don't know.

MS. MCKINNEY: You don't know if you've provided --

THE TRUSTEE: I've asked them for tax returns. We don't --

MS. MCKINNEY: Okay. And you haven't gotten them yet? [Indiscernible].

THE TRUSTEE: Mr. Freese, do you have the tax returns?

MR. FREESE: I will search in the box of records that was supplied to me, and I will -- I will --

THE TRUSTEE: Do you just have -- do you just have one box of records?

MR. FREESE: I have just one box.

THE TRUSTEE: Well, I'll just -- why don't you just give me the box? I mean, it would have been nice if you brought it in today, really. But that had -- that box that Mr. Freese has has the tax returns in it?

MR. JANISCH: To my knowledge, yes.

MS. MCKINNEY: I'm sorry; I didn't hear that question.

THE TRUSTEE: He -- he says that the tax returns -- he thinks the tax returns are in a box that he gave to his attorney, that his attorney is supposed to give to me.

MR. FREESE: All right, we'll --

THE TRUSTEE: These are -- these are corporate tax returns. These are not his personal tax returns.

MS. MCKINNEY: Yeah, I understand. So \$3.8 million average, basically, per year; and they file bankruptcy on apparently \$750,000 worth of debt. It -- it just begs the question of, where did all that money go?

MR. JANISCH: It -- that -- please understand: That's the gross revenue.

MS. MCKINNEY: I understand.

MR. JANISCH: That's not a net income figure at all.

MS. MCKINNEY: I know it's not a net income.

MR. JANISCH: Yeah.

MS. MCKINNEY: But \$3.8 million per year gross, \$750,000 worth of debts, approximately; it doesn't -- it just doesn't seem right.

I'll go on, but that's your statement, anyway.

So I will have some other questions here for him.

The Workforce Training and Education Coordinating Board -- it's -- which page is this? This is still on the same

creditor -- the lawsuit, alleging fraud, breach of contract. There's a lawsuit filed in King County. There's also the Workforce Training and Education Coordinating Board. How much do you owe the Workforce Training and Education Coordinating Board, and are they pursuing you for that?

MR. JANISCH: I do not know.

MS. MCKINNEY: You don't know what you owe them?

MR. JANISCH: I do not know.

MS. MCKINNEY: And you don't know if they're going to pursue you for that?

MR. JANISCH: I -- I do not know that.

MS. MCKINNEY: Have you made any kind of an arrangement with them to file bankruptcy and get out of paying back?

MR. JANISCH: I -- my understanding is, this action that we're taking here for bankruptcy would include the Workforce Board.

MS. MCKINNEY: So you won't even have to pay them back.

MR. JANISCH: I --

MR. FREESE: Your Honor, I'm going to object to that question. It's asking the witness to speculate and assumes he has knowledge of the law, which I don't believe any foundation has been [indiscernible].

MS. MCKINNEY: Okay. I'll go on to the next

question. The next page, "Payments Related to Debt Counseling or Bankruptcy," he has, "None." But below that: "List all payments made or property transferred by or on behalf of the Debtor to any person, including attorneys, for consultation concerning debt consolidation, relief under the bankruptcy law -- " or, oh, excuse me. I'm sorry. The -- the question is the next one. I beg your pardon about that.

"Other Transfers," No. 10. "List all property other than property transferred in the ordinary course of business or financial affairs of the Debtor; transferred ..." You can read that. Anyway, your answer to that, about property transfers?

MR. JANISCH: Which number are you on, please?

MS. MCKINNEY: No. -- I'm on No. 10.

MR. JANISCH: No. 10. Okay. I -- I don't understand the question.

MS. MCKINNEY: Okay. Have you transferred -- you have written down a "none," a "none"; you've blocked that in?

MR. JANISCH: Right.

MS. MCKINNEY: "All property transferred in the course of business or financial affairs of the Debtor, transferred either absolutely or as security within two years immediately preceding the commencement of this case." Have you transferred any property in the last two years?

MR. JANISCH: No, I believe what I've said there is a correct statement.

MS. MCKINNEY: Okay. That's --

THE TRUSTEE: I think that, like -- that you're confusing a little bit between what Mr. Janisch has done personally and what the corporation has done.

MS. MCKINNEY: [Indiscernible].

THE TRUSTEE: Mr. Janisch has transferred some property personally.

MS. MCKINNEY: Um-hum.

THE TRUSTEE: But the corporation -- actually, there is a transfer here that he failed to disclose --

MS. MCKINNEY: Yes.

THE TRUSTEE: -- because he's testified about it before, and then as it revealed, [indiscernible] that CRI had a deed of trust on your house, and -- and it was released. That is a transfer of property, I believe.

[Indiscernible] your question before [indiscernible].

MS. MCKINNEY: What I'm getting at is, it appears that Court Reporting Institute has transferred property within that two years, and failed to disclose it. That's what I'm trying to point out.

THE TRUSTEE: What property are you talking about?

MS. MCKINNEY: I'm talking about his house that was transferred to Kai Moldskred on August 10th.

THE TRUSTEE: He --

MS. MCKINNEY: -- October 10th.

THE TRUSTEE: CRI never owned his house. CRI --

MS. MCKINNEY: CRI owned a portion.

THE TRUSTEE: No, they didn't. He --

MS. MCKINNEY: He.

THE TRUSTEE: They had a deed of trust on it, I think.

MS. MCKINNEY: Well, I have some papers here that I'd like to show you, maybe, afterwards.

THE TRUSTEE: That CRI had held title to the house?

MS. MCKINNEY: Court Reporting Institute --

THE TRUSTEE: -- held title?

MS. MCKINNEY: Well, I -- you know, they're real estate terms; and I know you're a real estate attorney, so you might be familiar with them.

Can you find that for me real quick?

I'll go on to the next one, just because we don't want to take up all your time here.

Is this claim allowed to be filed without a Social Security number? I'm just -- Social Security number or tax I.D. number? I didn't see that on there. I thought that I read that it had to be totally filled out.

MR. FREESE: [Indiscernible] I.D. number right there.

FEMALE SPEAKER: [Indiscernible] claims at EIM.

THE TRUSTEE: It's -- it's on the original notice of filing.

MS. MCKINNEY: Okay. Okay. Then I missed that.

Okay. So, number -- let's see. [Indiscernible]
number 18. No. 18: The name of your accountant in Sumner.
But you have, also, the name of a different accountant listed
under "Creditors"; [indiscernible] two different accountants?

MR. JANISCH: What's the second name that you're
referring to, please?

MS. MCKINNEY: I would have to look it up; but it's
the name of a different accountant and it was -- specifically
said "accounting services."

MR. JANISCH: Todd Resch has been our accountant
for -- oh, gosh, the last eight-ten years; and he's been our
CPA of record.

MS. MCKINNEY: And you didn't have -- your CPA of
record; but you didn't use an accountant for other
[indiscernible] --

MR. JANISCH: We had an on-staff bookkeeper/
accountant.

MS. MCKINNEY: Um-hum?

MR. JANISCH: But our on-staff person was not a CPA.

MS. MCKINNEY: And who was your on-staff person?

MR. JANISCH: It was Khin Myatt Ni.

MS. MCKINNEY: Um-hum. That wasn't the name.
I'll -- I'll find it later.

Following down: "Inventories," No. 20: "List the

dates of the last two inventories taken of the properties, the name of the person who supervised the taking, and the dollar amount." You have "none." You have never done an inventory?

MR. FREESE: You don't have goods you're selling to anybody.

THE TRUSTEE: That -- that question, I think, is really geared towards a company that sells products, and has an inventory of products, I think. I mean, that's what -- the way I would think of an inventory being. I mean, I suppose that you might have an inventory of the personal property; but that doesn't really seem right.

And that -- I think your question is asking the company that sells products if it has inventory of its products that were on hand for sale; or -- or -- you know, if it was manufacturing products, and had an inventory of its -- of its raw materials. But a company like this really wouldn't have inventory.

MS. MCKINNEY: Well, I guess as a layperson, it just feels, it's not right that you can have lists and lists and lists of security pledges [indiscernible] and end up with \$4,000.

THE TRUSTEE: Security pledges are not inventory.

MS. MCKINNEY: Okay. So that's not inventory. I'll go on.

Alen, you stated that you're president and CEO; is

that correct?

MR. JANISCH: Correct.

MS. MCKINNEY: 100 percent stockholder; is that --

MR. JANISCH: Correct.

MS. MCKINNEY: Okay. Any other officers of the corporation?

MR. JANISCH: No.

MS. MCKINNEY: Okay. Who is Ron Christian?

MR. JANISCH: Ron Christian is one of our attorneys in Boise, Idaho.

MS. MCKINNEY: Was he not the vice president of Court Reporting Institute?

MR. JANISCH: I don't have knowledge of that.

MS. MCKINNEY: Okay. Thank you.

Let's see, here. [Indiscernible]. Let's see. And it says here, following down, No. 23: The amount of money or description of value of property, as far as your compensation went -- do you remember how you answered that?

MR. JANISCH: Yes.

MS. MCKINNEY: And it was?

MR. JANISCH: On average, about \$15,000 per month.

MS. MCKINNEY: On average? You didn't take out a certain amount of money on a regular basis?

MR. JANISCH: Some months might've been a little bit more; some months might've been a little less. But on average,

that was the figure.

MS. MCKINNEY: Okay.

Do you girls have any other questions or info?

[Indiscernible].

THE TRUSTEE: This is a reconveyance of the deed of trust. It doesn't mean that the Court Reporting Institute owned the property. Isn't that the facts?

MS. MCKINNEY: That they were the beneficiary.

THE TRUSTEE: They were the beneficiary of a deed of trust.

MS. MCKINNEY: Well, I guess one concern we have, Alen, is that you've pretty well blurred the corporate and the personal line here to really make it very confusing for us. And you don't have to answer that. I understand that's your attorney shaking his head, but --

THE TRUSTEE: Well, I see no evidence [indiscernible] allegation. I've had some [indiscernible] --

MS. MCKINNEY: Yeah. As students --

THE TRUSTEE: -- so far.

MS. MCKINNEY: -- we were ripped off for amazing amounts of money. So we don't want to lose our claim. We're telling you that we don't want to be forever barred from collecting from him; because he has [indiscernible] --

THE TRUSTEE: Okay. Well, I told you this -- I've told you this in e-mails; I've told you this -- again: The

corporation is not discharged of its --

MS. MCKINNEY: Okay.

THE TRUSTEE: -- debts in bankruptcy. It just ceases to exist. If you have a claim, file a proof of claim with the court. The claim will be allowed or disallowed if it needs to be. If there's no money to disburse, it doesn't need to be. You know? That's the -- that's all the bankruptcy court can do. I mean, what do you want us to do?

MS. MCKINNEY: No; but nobody's told me -- "File a claim with the court; but it doesn't look like there is any money." What if there is money in the future? How will [indiscernible] --

THE TRUSTEE: File a claim with the court. There won't be any money in the future, because the corporation ceases to exist.

UNIDENTIFIED SPEAKERS: [Indiscernible].

MS. MCKINNEY: I'm done.

MS. PARESA: It just seems really unfair that hundreds of students will spend the rest of their life paying back these loans. And he is going to walk away [indiscernible].

THE TRUSTEE: You know, maybe you have some remedy with some state agency or some federal agency. That's not what the bankruptcy court is about. Look at the people at Enron. They lost their life savings. You know, there are a lot of bad

things that happen in this world. This system is not designed to correct those situations. It's designed to liquidate assets and pay creditors what money there is. That's what it is. That's life.

MS. MCKINNEY: Okay. So -- what? Alen Janisch is listed as a possible creditor.

Is that correct, Alen? You may owe yourself money?

MR. JANISCH: I -- I don't recall that.

MS. MCKINNEY: Your name's on the list.

THE TRUSTEE: His name's on the list, but, you know --

MS. PARESA: As a creditor.

MS. MCKINNEY: As a creditor.

UNIDENTIFIED SPEAKERS: [Indiscernible].

FEMALE SPEAKER: [Indiscernible] printed schedule [indiscernible].

THE TRUSTEE: We didn't print [indiscernible] that. They were too big.

MS. MCKINNEY: Yeah. I know.

THE TRUSTEE: At this point it doesn't matter. If there's money to fight about, then it would matter. If there's no money to fight about, there's no reason to do it -- do it.

MS. MCKINNEY: You know, my understanding from reading -- a layperson's -- and understand, that I am just a plain citizen here: Bankruptcy -- bankruptcy's not a place to

get rid of fraudulently-gotten means. And that's exactly what this court [indiscernible].

THE TRUSTEE: And that's true, with an individual; because an individual continues to exist after bankruptcy. An individual who files bankruptcy and who's committed fraud continues to exist as an individual and can go out and make money, and make a living; and if there's fraudulent debts that that person incurred, then there's a way to get paid, because that person still exists.

The corporation doesn't exist anymore.

MS. MCKINNEY: Okay. So the rest --

THE TRUSTEE: I mean, the corporation isn't going to go out and start making more money that it can pay people back if it defrauded people. Enron can't -- you know, Enron actually can reorganize; and in a reorganization, you can. And in that situation, it might. This is a Chapter 7 liquidation. There's nothing to reorganize.

If this were to be reorganized, and if -- if your allegations are true, then all it would be doing is creating a situation where the company would continue to defraud new people so you could get paid.

MS. MCKINNEY: Well, I guess, then, what I -- it's slapping me in the face with a [indiscernible] at the courthouse door is -- the lesson here is, if you're gonna commit fraud, do it in a corporation. That's what I'm feeling

like [indiscernible].

THE TRUSTEE: There are other -- yeah, there are other venues for fraud.

MS. MCKINNEY: Yeah.

THE TRUSTEE: Internal Revenue's -- there are other agencies.

MS. MCKINNEY: But it's -- yeah, if the corporation ceases to exist, how do you pursue that?

THE TRUSTEE: You -- you can't. It doesn't exist anymore.

MS. MCKINNEY: No. So then, there aren't other [indiscernible].

THE TRUSTEE: What in this forum. What else could there be? Your point is to get money. Where is the money going to come from?

MS. MCKINNEY: Um-hum. Exactly. It's in his garage.

THE TRUSTEE: It's in his garage? Yeah.

Are there any other creditors in this case who want to ask questions?

FEMALE SPEAKER: And I just had one question.

THE TRUSTEE: What was your --

FEMALE SPEAKER: All the students got Pell grants and State Need grants; and they were transferring over to other schools for this particular school year. I just learned this recently. My understanding is that once the federal government

and the state issues any funds in a -- in a student's name, and it goes to the school to be disbursed to the student, they no longer can disburse that amount a second time.

So because all the monies for that first half-year or whatever were used by CRI, and CRI went down, those students are out that amount of money. It -- and it -- it's supposed to be used for the whole school year. So they can't get that redisbursed; so that's just gone money?

THE TRUSTEE: You know, I know nothing about student loans. And personally, I --

FEMALE SPEAKER: No, not loans; no, this is Pell grant --

THE TRUSTEE: And -- or -- okay.

FEMALE SPEAKER: -- Pell grants.

THE TRUSTEE: Grants. I know nothing about grants. I know nothing about loans.

FEMALE SPEAKER: Because his bank accounts have the Pell grant money in them.

THE TRUSTEE: But I will say this: If you're looking for a remedy, you should look for a governmental agency that would monitor situations like this so that you don't get into this situation, so it's not created in the first place; you know?

FEMALE SPEAKER: Um-hum.

THE TRUSTEE: You know -- that -- you know, you --

this is where it ends up; but there's nothing that this court can do to create it. And if the governmental agencies were better funded; if you had politicians who you elected to office who would better police these situations, then maybe you wouldn't get into this problem. But that's not a problem that this court can deal with.

MS. MCKINNEY: I don't --

FEMALE SPEAKER: So you don't -- you don't have knowledge of that --

THE TRUSTEE: I -- I don't -- I know nothing about --

FEMALE SPEAKER: -- or understanding of that or anything.

THE TRUSTEE: I know nothing about Pell grants.

FEMALE SPEAKER: All right.

MS. WILLIS: You know, we just have some teachers sitting over there. And I'm just so curious as to why they think it's so funny.

MS. MCKINNEY: Yeah. Why [indiscernible] --

MS. WILLIS: Why -- why --

UNIDENTIFIED SPEAKERS: [Indiscernible].

THE TRUSTEE: [Indiscernible] appropriate. I've got to move on. I've given you half an hour.

MS. WILLIS: Yeah, I understand that. That's it.

THE TRUSTEE: That's not --

MS. WILLIS: But it's just amazing to me that they

think it's so funny.

FEMALE SPEAKER: Talk to them outside
[indiscernible].

THE TRUSTEE: Maybe they don't think -- maybe they
don't think it's so funny. Maybe they think something else is
funny.

MS. HOBBS: Meet you out front.

THE TRUSTEE: Maybe they think what I'm saying is
stupid. I don't care. This case is over. You're excused. I
need the box of records. I need to contact you to pick up your
other records.

(Conclusion of Proceeding)