

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

DIGITAL MEDIA SOLUTIONS, LLC,)	CASE NO. 1:19-cv-145
)	
Plaintiff,)	JUDGE DAN AARON POLSTER
)	
v.)	MAGISTRATE JUDGE
)	THOMAS M. PARKER
SOUTH UNIVERSITY OF OHIO,)	
LLC, <i>et. al.</i> ,)	
)	
Defendants.)	

REPORT ON THE PAYMENT OF STUDENT STIPENDS

Mark E. Dottore, Receiver of the Receivership Entities, gives this report on the status of the payment to students of accelerated semester funding (the “**Student Stipends**”). The Student Stipends are monies, borrowed by students and used by them to pay for their living costs and expenses while they are taking academic courses and studying at Argosy University campuses. For many (if not all) students, the Student Stipends are critical necessities, as the students have already borrowed the money and they have no other source of income while they are studying. Moreover, the students have counted on this money to insure that they can focus effectively on challenging academics in their program degrees.

The receivership has never had the money to pay the Student Stipends because the receivership estate was severely cash-strapped when the Receiver was appointed and because of the schools’ “Heightened Cash Monitoring 2” status. Heightened Cash Monitoring 2 requires that the Receiver advance the Student

Stipends and then seek reimbursement from the United States Department of Education (the “DOE”). The amount that is required to pay the Student Stipends is roughly \$13 million.

To be clear: the money to pay the Student Stipends *is not missing*. Under DOE regulations, the receivership has to have on hand \$13 million to advance to students, and then the DOE reimburses the receivership. Because the receivership never had sufficient resources to pay the Student Stipends, it could not advance the money; because the funds could not be advanced, the DOE regulations state that it is under no obligation to reimburse. To put it bluntly, the payment of the Student Stipends is stalled over a “chicken and egg” debate.

The DOE and Receiver have been in discussions since the Receiver’s appointment, and in earnest discussions since February 7, 2019, both looking for a way to rectify this matter for those who matter most, the students of these institutions owed these funds. The institutions, the Receiver and state and regulatory agencies are fielding hundreds of calls a day from students facing eviction, impacted by repossession, unable to pay childcare and unable to provide for their families as a result of these funds not being released.

While the hopes for a breakthrough have dimmed, the Receiver is still attempting to secure a workaround under which the funds will immediately be released from the DOE and to the students with the hope that easing the financial burden will allow them to return to their studies and focus on completing their degrees.

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CERTIFICATE OF SERVICE

In accordance with Section 1.4 of the Electronic Filing and Procedures Manual of the Northern District of Ohio and Federal Rule of Civil Procedure 5(b)(2)(E), a copy of the foregoing has been served through the Court's filing system on all counsel of record on February 19, 2019.

/s/ Mary K. Whitmer

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