

# Saint Catharine College, Inc.



## **Thirteenth Report to Court**

**October 2017**

**United States District Court  
Western District of Kentucky at Louisville  
Civil Action No. 3:16-cv-00465-DJH**

**Prepared by:**

**LS Associates LLC as Receiver for the Assets**



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***PREFACE***

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This Report to the court (the Report”) and its contents have been prepared by LS Associates LLC (“LS”) with the assistance of Saint Catharine College, Inc. (The “College”). The material contained herein is based on information obtained from the College’s prior management, prior employees, contractors retained to assist the Receiver, creditors, internal records and public information.

LS has sought to use reasonable care in compiling this report, however it is not the policy of LS to make representations or warranties with respect to the material contained in the report, its accuracy or its completeness. Recipients of this report should conduct their own due diligence.

This report is provided only for the information of the persons and institutions to which it is directed.

## **I. Introduction and Overview**

On July 26, 2016, LS Associates LLC (“LS” or the “Receiver”) of Louisville, Kentucky was appointed as Receiver of the Property of Saint Catharine College (“SCC” or the “College”). The Receiver filed a first report to the court (the “First Report “) on September 24, 2016 and that report contains an introductory overview and historical information.

The Receiver filed a second update and report to the court on November 12, 2016, and has filed monthly updates and reports to the court though September 10, 2017, the twelfth report.

This thirteenth report serves as an update to the previous twelve updates and reports to the Court.

## **II. Actions by the Receiver Subsequent to Prior Reports**

Since the twelfth report to the Court, the Receiver has commenced with the following actions:

1. Maintained control of the property and related documents books and records and continued actions to secure and protect the assets.
  - Maintained relationship with security firm contracted to provide services on the premises as well as providing property access to necessary parties at the request of the Receiver.
  - Communication with the security firm with findings and recommendations and how to address same.
  - Continued communication with contractors as needed regarding repairs and maintenance issues.
  - Corresponding with insurance agent and contractor regarding open claim from water leak in May 2017.
    - Work with adjuster to reconcile variance in estimate of insurable costs and quote received.
    - Provide additional due diligence and complete and sign documents to obtain claim approval.
    - Received proceeds October 9, 2017 for \$ 5,839.24 related to the claim.
2. Continued to retain prior employees as subcontractors (very limited part time, off-site) and service providers for assistance in fulfilling duties.
3. Maintained control over the cash accounts of SCC.
4. Updated weekly cash budgets and sent bi-weekly updates and budgets for Trustee approvals in addition to bi-weekly conference calls with Trustees for updates and approvals on SCC related matters.
  - Paid obligations necessary for the protection, preservation and maintenance of the property pursuant to budgets prepared and approved.
  - Provided accounting of all actual expenditures and receipts since the appointment of the Receiver.
  - Received approval for expenditures and budget from the Trustee.
5. Demand and work to collect the receivables of the College.

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- On a contract basis, continued to retain and communicate with 1 prior employee as a subcontractor, part time off site, for approximately 2-4 hours per week, to assist in documenting student receivables and student refunds and as initial point of contact for student inquiries regarding transcript requests.
  - Continued to update and monitor the Master List, developed as system to identify, track, reconcile and understand student receivables.
  - Communicated and returned calls and emails from students related to account balances, transcripts requests and other concerns.
  - Communication with Collection Company to execute and research documents needed to continue collections.
  - Tracking all SCC internal collection activity in a call log.
  - Calls with Department of CPE to update them as to status of collections and student contact and answer complaints they received and forwarded.
  - Communicate bi-monthly with Huntington Bank, or as necessary, regarding collection progress and issues.
6. Communicating with creditors and working to reconcile and identify liabilities.
- Obtaining internal documents, emails or called creditors to continue to refine list of creditors with claims and creating a known accounts payable open listing.
  - Tracking vendor communication in a vendor log.
7. Sale of Real Estate

*Worked with the selected real estate broker CBRE to sell the real property.*

- Communication, conference calls and meetings at SCC with interested parties to include other educational institutions to answer questions and determine levels of interest.
  - Review letters of interest and intent received and calls with Trustee to evaluate same.
  - Continue to compile and provide due diligence information to interested parties.
  - Work with counsel to develop draft APA and possible sale procedure motion.
8. Addressing outstanding student issues :
- Continued communication with the offices of Counsel for Post-Secondary Education (CPE) and Kentucky Attorney General (AG).

*Transcripts*

- Continue to address transcript issues both with other colleges, with students and with Parchment.
9. Continue to communicate and return calls and emails to students on various issues.
10. Communicate with CPE and file motion with the Court for the release of a portion of the letter of credit that was previously held for student refunds.
- The Receiver has issued checks for the repayment from SCC all known student refunds.

### III. Inventory of Personal Property

The only remaining inventoriable assets of St Catharine College are currently the property, uncollected receivables and cash. These updated since the first report are as follows (no change from 9<sup>th</sup> report with exception of receivable collections):

- Cash Accounts - *see page 9*
- Cash Account held for student refunds – *Balance \$ 273,616 – amounts held pursuant to court order and used only upon Approval from the Kentucky agency of Continuing Professional Education – motion filed to release a portion of these funds*
- Accounts Receivables – Collectability and net recovery values unknown - *\$227,941 collected case to date*
  - Student Account Receivables, not at collection company - *approximately 300 accounts totaling a little over \$ 2 million*
  - Amounts Due for Students from DOE - *this amount is now believed to be \$0 as all pending loans have been cancelled.*
  - Amounts at Collection Company - *approx. 275 accounts remain open and active , totaling approx. \$ 1.67 million*
  - 2 Pending Lawsuit Receivables
- Personal Property and Equipment – *auction concluded December 8, 2016. Total net proceeds received in January 2017 were \$ 582,159 and details presented as exhibit in Fifth Report.*
  - 4 – 15 Passenger Vans - **SOLD**
  - Significant personal property and equipment to include lab equipment, x ray equipment, dorm furniture, desks, weight room equipment and a fully stocked library. An accurate detailed equipment listing was not available at SCC and it would be cost prohibitive for the Receiver to prepare an itemized detailed inventory of property and equipment. It was estimated that the auction of the personal property was approximately 2,000 lots. – **SOLD**
- Real Estate – Values Unknown
  - Acreage
  - Hamilton Health and Sciences Building with Labs
  - Spalding Student and Community Center with Kitchen
  - Lourdes Hall – administrative offices and basketball court and facilities
  - Hundley Library and Graduate Studies Center
  - 4 Residence Halls
    - Siena Hall
    - Dominic Hall
    - Althaire Hall
    - Aquinas Apartments
  - Athletic Facilities
    - Softball Fields
    - Baseball Complex
    - Soccer Complex with Track
    - 6 Tennis Courts
  - Main Entrance Marquee
  - Clock Tower
  - 2 Homes - **SOLD**
  - Small Farm with a Barn

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## IV. Summary of Receipts and Disbursements and Operating Budget

## Summary of Receipts and Disbursements

Below is a summary of receipts and disbursements for the approximate 14 months since the appointment of the Receiver on 07/26/16.

St Catharine College - Receipts and Disbursements From July 26,2016 through October 10,2017			
			TOTAL July 26,2016 - October 10,2017
	Cash Collateral Accounts	Operating Account	TOTAL
<b>Beginning Cash</b>	\$ 208,850	\$ -	\$ 208,850
<b>Sources of Cash:</b>			
Receivable Collections	227,941	-	227,941
Department of Education Collections	-	-	-
Sale of Homes - Net	206,984	-	206,984
Vehicle Sales	-	10,200	10,200
Equipment Auctions - Net	-	582,159	582,159
Other - Misc Deposits	83,561	103,816	187,377
<b>Total Deposits</b>	<b>518,486</b>	<b>696,175</b>	<b>1,214,661</b>
<b>Total Cash Available</b>	<b>727,336</b>	<b>696,175</b>	<b>1,423,510</b>
<b>Cash Requirements:</b>			
<b>ACCOUNTS RECEIVABLE COLLECTIONS</b>			
Kenaly - DOE Collection and Submission	22,444	-	22,444
Subcontractors - Personnel For Collections	94,640	-	94,640
IT - Website, Email and Systems	26,539	-	26,539
Postage	120	-	120
Telephone	179	-	179
Bank Fees /Credit Card Processing /Postage	5,756	-	5,756
Office Janitorial	5,750	-	5,750
ENA or Other Miscellaneous	-	-	-
<b>TOTAL ACCOUNTS RECEIVABLE COLLECTIONS</b>	<b>155,429</b>	<b>-</b>	<b>155,429</b>
<b>REAL ESTATE</b>			
Electrical/HVAC Maintenance	38,315	-	38,315
Utilities	238,200	-	238,200
Elevator Service	1,366	-	1,366
Insurance - Property	148,543	-	148,543
Janitorial	5,900	-	5,900
Mowing	15,541	-	15,541
Pest Control	1,000	-	1,000
Repairs and Maintenance	-	-	-
Security	192,940	-	192,940
Trash	4,296	-	4,296
Miscellaneous	4,574	-	4,574
<b>TOTAL REAL ESTATE *</b>	<b>650,675</b>	<b>-</b>	<b>650,675</b>
<b>EQUIPMENT /VEHICLES</b>			
Moving /Securing Equipment in SCC Owned Facilities	11,000	-	11,000
Fees to Auction Vehicles and Relocate	-	1,148	1,148
ENA	-	-	-
<b>TOTAL EQUIPMENT AND VEHICLES</b>	<b>11,000</b>	<b>1,148</b>	<b>12,148</b>
<b>RECEIVER FEES</b>			
Total LS Associates LLC	-	304,198	304,198
States and Harbison - Counsel to Receiver	-	149,508	149,508
<b>TOTAL RECEIVER FEES</b>	<b>-</b>	<b>453,706</b>	<b>453,706</b>
<b>OTHER PROFESSIONALS</b>			
Stay Bonuses	-	12,000	12,000
Other Legal Professional Fees - Related to Open Litigations	-	37,923	37,923
<b>TOTAL OTHER PROFESSIONALS</b>	<b>-</b>	<b>49,923</b>	<b>49,923</b>
<b>EXPENDITURES POST RECEIVER</b>	<b>817,104</b>	<b>504,776</b>	<b>1,321,880</b>
<b>TOTAL OTHER LAWSUITS / LEGAL FEES /ACCOUNTING</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PRE - RECEIVER EXPENSES</b>			
Final Employee Payroll and Benefits	90,948	-	90,948
Legal Fees	-	26,088	26,088
Critical Vendors - Necessary to continue Service & Minimize Expenses	8,838	-	8,838
<b>TOTAL PRE - RECEIVER EXPENSES</b>	<b>99,786</b>	<b>26,088</b>	<b>125,874</b>
<b>ENA, Transfers or Other Miscellaneous Expenses</b>	<b>(130,656)</b>	<b>130,656</b>	<b>(0)</b>
<b>Total Expenditures</b>	<b>786,234</b>	<b>661,520</b>	<b>1,447,754</b>
<b>PROTECTIVE ADVANCES RECEIVED FROM HUNTINGTON NATIONAL BANK AS TRUSTEE - Net Of Proceeds From Homes Received</b>	<b>64,402</b>	<b>-</b>	<b>64,402</b>
<b>Net Cash End of Period</b>	<b>\$ 5,504</b>	<b>\$ 34,655</b>	<b>\$ 40,158</b>

### **Items of Note on Receipts and Disbursements**

- No monies have been received from the DOE since the Receiver's appointment.
- Disbursements have been made to the Receiver and the Receiver's counsel of \$304,198 and \$ 149,508 respectively as approved by the Trustee.
- Disbursements of \$ 37,923 were made to legal professionals, as approved by the Trustee, for services post Receiver related to pending lawsuits that were brought by SCC pre –Receiver, with the DOE and with a former accounting firm.
- \$99,786 of the disbursements were related to Pre-Receiver expenditures for employee final payroll and benefit related matters that had been approved by the Trustee prior to the Receivership in addition to payments to vendors necessary to continue service.
- \$ 26,088 was paid to Frost Brown Todd as counsel for SCC Pre –Receiver and as approved by the Trustee.
- Huntington National Bank as Trustee has advanced \$ 271,386 since October 21, 2016 to fund expenditures related to the collateral however received the net proceeds of the home sales of \$ 206,984 for a net funding of \$ 64,402.

### **V. Change in Assets**

As of the date of this report the only items that have been disposed of are:

- Collections of receivables of \$227,941.
- 4 passenger vans that were sent to auction at Manheim Auto auction on August 25, 2016. The net proceeds of the auction are reported and reside in the operating account.
- The return of a John Deere Tractor to its lessor Wells Fargo.
- The personal property and equipment were auctioned off in an online auction by Great American on December 7 and 8<sup>th</sup>. Accounting for the auction was included as an exhibit to the Fifth report.
- The return to the lessor of soccer field lights.
- The sale of the two homes owned by SCC pursuant to court order.

**VI. Debts and Claims against Assets**

Creditor Group

There are secured lenders and unsecured creditors to St Catharine College. In addition there are creditors which may consist of employees, students, past vendors and current vendors.

No evaluation has been made as to secured and unsecured status at this point.

Huntington National Bank, as Trustee, contends that it was owed \$24,264,753.60 by SCC as of July 19, 2016, secured by a first mortgage on SCC’s real estate and a first lien on accounts receivable, accounts and general intangibles (collectively, the “Trustee Collateral”). (Dkt. No. 1). Farmers National Bank of Lebanon contends that it was owed \$1,500,100.00 by SCC as of June 1, 2015, secured by a second on lien on the Trustee Collateral. (Dkt. No. 8-1).

St Catharine College - Debts and Claims Against Estate							
							Estimated
							Amounts
							Due
<i>Secured Creditors</i>							<b>Collateral</b>
							24,264,754
							1,500,100
							4,000,000
							<b>\$ 29,764,854</b>

**Trade Accounts Payable**

Upon the Receiver's arrival, SCC did not have an updated, accurate Accounts Payable Aging. Creditors are calling, emailing and or submitting invoices claiming past due invoices for the periods prior to the appointment of the receiver. There were also contracts that the College had entered into for services that are claiming there were noncancellable and the balance of the contracts are due.

The Receiver is accumulating these invoices along with invoices located at SCC, fielding calls from vendors and compiling a list of these creditors.

Currently there are not funds available to pay these invoices.

As of this report 60 accounts payable pre Receiver creditors have been identified totaling approximately \$ 370,232.