

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re:

FCC HOLDINGS, INC., *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 14-11987 (CSS)

(Jointly Administered)

Ref. Docket No. 14 **✓ 44**

**AGREED INTERIM ORDER PURSUANT TO 11 U.S.C §§ 361, 362, 363 AND 507  
(I) AUTHORIZING THE USE OF CASH COLLATERAL, (II) GRANTING ADEQUATE  
PROTECTION AND (III) SCHEDULING A FINAL HEARING**

Upon the motion (the "**Motion**")<sup>2</sup> of the above-captioned debtors and debtors in possession (each a "**Debtor**" and collectively, the "**Debtors**"), seeking entry of an agreed order pursuant to sections 361, 362, 363, and 507 of title 11 of the United States Code (as amended, the "**Bankruptcy Code**") (i) authorizing use of Cash Collateral on an interim basis, effective as of the Petition Date through the time of the hearing on the Motion on a final basis; (ii) granting the Debtors authority to provide interim and final adequate protection and determining that such adequate protection is adequate under the circumstances of these cases; and (iii) scheduling a hearing (the "**Final Hearing**") to consider entry of a final order (the "**Final Order**") authorizing the Debtors' use of the Cash Collateral; and an interim hearing on the Motion having been held before this Court on August 26, 2014; and upon consideration of the First Day Declaration and the entire record made by the Debtors at such hearing, and the Consenting Lenders having

<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: FCC Holdings, Inc. (2598); Education Training Corporation (1478); High-Tech Institute Holdings, Inc. (4629); EduTech Acquisition Corporation (8490); and High-Tech Institute, Inc. (3099). The Debtors' business address is 1000 Corporate Drive, Suite 500, Fort Lauderdale, FL 33334.

<sup>2</sup> Capitalized terms used but not otherwise defined herein shall have the meanings as set forth in the Motion or the First Day Declaration as applicable.



consented to the relief herein; and this Court having found good and sufficient cause appearing therefor,

**THIS COURT HEREBY FINDS AND CONCLUDES AS FOLLOWS:<sup>3</sup>**

A. **Commencement of Cases.** On August 25, 2014 (the “**Petition Date**”), each of the Debtors filed with this Court a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors are in possession of their properties and continuing to operate their businesses as debtors and debtors in possession under sections 1107 and 1108 of the Bankruptcy Code. No official committee of unsecured creditors (the “**Creditors Committee**”) has been appointed in these chapter 11 cases.

B. **Jurisdiction and Venue.** This Court has jurisdiction over the chapter 11 cases and the Motion pursuant to 28 U.S.C. §§ 157(b) and 1334. Consideration of the Motion constitutes a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The predicates for the relief sought herein are sections 105, 361, 362, and 363 of the Bankruptcy Code and Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure. Venue of the chapter 11 cases in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

C. **Adequate Notice.** On August 25, 2014, the Debtors filed the Motion with this Court and pursuant to Bankruptcy Rules 2002, 4001 and 9014, and the Local Rules, the Debtors provided notice of the Motion and the interim hearing by electronic mail, facsimile, hand delivery or overnight delivery to the following parties and/or to their counsel as indicated below: (a) the Office of the United States Trustee for the District of Delaware; (b) counsel to the Agent, (c) creditors holding the forty (40) largest unsecured claims as set forth in the consolidated list filed with the Debtors’ petitions; (d) those parties requesting notice pursuant to Rule 2002; (e)

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<sup>3</sup> Pursuant to Bankruptcy Rule 7052, any findings of fact contained herein that may be treated as conclusions of law as if set forth below and vice versa.

the Office of the United States Attorney General for the District of Delaware; (f) the Internal Revenue Service; (g) the Securities and Exchange Commission; and (h) the United States Department of Education (collectively, the **"Notice Parties"**).

D. **Cash Collateral Defined.** For purposes of this Order, the term **"Cash Collateral"** shall mean and include all "cash collateral" as defined by section 363(a) of the Bankruptcy Code and shall include and consist of, without limitation, all of the respective cash proceeds of the Post-Petition Collateral and Prepetition Collateral.

E. **Prepetition Secured Obligations.**

(i) The Debtors have represented that prior to the Petition Date, FCC as borrower (the **"Borrower"**), and ETC, Edutech, High-Tech Institute Holdings, Inc., and High-Tech Institute, Inc. as guarantors (collectively, the **"Guarantors"**), Bank of Montreal as administrative agent (the **"Agent"**) and the other lenders party thereto from time to time (the **"Lenders"**) were party to that certain Credit Agreement, dated as of November 2, 2012, as amended by that First Amendment to Credit Agreement, dated as of January 31, 2012, that certain Second Amendment to Credit Agreement, dated as of June 14, 2013, that certain Third Amendment to Credit Agreement, dated as of April 4, 2013, and as amended and restated by that certain Amended and Restated Credit Agreement dated as of April 29, 2014, (the **"Amended and Restated Credit Agreement"**) and, together with the other Loan Documents as defined therein, the **"Pre-Petition Loan Documents"**).

(ii) The Debtors have represented that pursuant to the Amended and Restated Credit Agreement, certain lenders (the **"Term A Lenders"**) agreed to make certain term loans to the Borrower (the **"Term A Loans"**) and certain lenders (the **"Term B Lenders"**) agreed to make certain loans to the Borrower (the **"Term B Loans"**). As of the Petition Date, the Debtors

are obligated to the Term A Lenders in the approximate principal amount of \$18,578,846.15 plus all interest accrued thereon at the applicable default rate, plus all fees, costs, expenses, and costs of collection (including, without limitation, reasonable attorneys', financial advisors' and other professionals' fees and expenses fees) as set forth in the Amended and Restated Credit Agreement, heretofore or hereafter incurred by the Term A Lenders in connection therewith (the **"Term A Lenders' Secured Claim"**). As of the Petition Date, the Debtors are obligated to the Term B Lenders in the approximate principal amount of \$29,056,429.53 plus all interest accrued thereon at the applicable default rate, plus all fees, costs, expenses, and costs of collection (including, without limitation, reasonable attorneys', financial advisors' and other professionals' fees and expenses fees) as set forth in the Amended and Restated Credit Agreement, heretofore or hereafter incurred by the Term B Lenders in connection therewith (the **"Term B Lenders' Secured Claim"**).

F. **Exigent Circumstances.** In the Motion, the Debtors have asserted that they do not have sufficient available sources of working capital and financing to effect the transaction contemplated in the Purchase Agreement or to preserve and maintain the value of the Debtors remaining business and assets without the use of the Cash Collateral. The Debtors have further asserted that their ability to maintain the remaining business and assets and to complete the transactions contemplated in the Purchase Agreement or the sale or disposition of the Debtors' remaining business is critical to preserving the value of the Debtors' estates. In addition, the Debtors have represented that their need for use of Cash Collateral is critical and immediate. In the absence of the use of Cash Collateral, the continued operation of the Debtors' remaining business and preservation of assets would not be possible and the Debtors would not be able to consummate the transaction provided in the Purchase Agreement or preserve the value of the

remaining business and assets. Accordingly, the Debtors and their estates would suffer immediate and irreparable harm unless the Debtors are authorized to use Cash Collateral on the terms and conditions set forth herein.

G. **Lenders' Consent.** Subject to the terms and conditions of this Interim Order and the Consent Agreement, the Agent, on behalf of the Consenting Lenders, is willing to permit the Debtors to use Cash Collateral solely for the purposes set forth in through the Termination Date.

H. **Immediate Entry of this Order.** The Debtors have requested immediate entry of this Order pursuant to, and have complied with, Bankruptcy Rule 4001(b)(2) and Local Rule 4001-2. For the reasons stated above and as stated on the record at the hearing on the Motion, this Court concludes that immediate entry of this Order is in the best interests of the Debtors' estates and creditors in order to avoid immediate and irreparable harm to the Debtors and their properties and estates.

I. **Alternative Financing Unavailable.** Given the Debtors' current financial condition, financing arrangements, and capital structure, the Debtors have been unable to obtain financing from sources on terms more favorable than provided for in this Interim Order. The Debtors likewise have been unable to obtain unsecured credit allowable under Section 364(b)(1) of the Bankruptcy Code as an administrative expense.

J. **Good Faith.** The terms of the Cash Collateral arrangement described herein are fair and reasonable, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and fair consideration. The terms concerning the Debtors' use of Cash Collateral as provided for in this Interim Order were negotiated in good faith and at arms' length between the Debtors and the Secured Parties, and the Secured Parties' claims, superpriority claims, replacement liens, and other protections

granted pursuant to this Interim Order will have the protections provided in Section 364(e) of the Bankruptcy Code and will not be affected by any subsequent reversal, modification, vacatur, amendment, reargument, or reconsideration of this Interim Order or any other order.

Based upon the foregoing findings and conclusions, and upon the record made before this Court at the hearing on the Motion, and good and sufficient cause appearing therefore:

IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT;

1. Motion Granted. The Motion is granted on an emergency and interim basis as set forth herein. Subject to the terms hereof, this Order is valid immediately and is fully effective upon its entry. All objections to the entry of this Order that have not been withdrawn are hereby overruled.

2. Authorization. In accordance with and pursuant to the terms and provisions of this Order during the period (the “**Cash Collateral Period**”) from the Petition Date through and including the Termination Date (as defined in paragraph 5 of this Order), the Debtors are authorized to use the following Cash Collateral to pay (i) costs and expenses of administration of the Chapter 11 Cases, (ii) to operate the Other Acquired Campuses (as defined in the Purchase Agreement), and (iii) to satisfy the other costs and expenses provided for in the budget annexed hereto as Exhibit 1 (as may be extended, amended, modified or supplemented with the consent of the Agent and the Debtors or as annexed to the Final Order, the “**Budget**”):

a. Any cash received from IEC Corporation pursuant to the Purchase Agreement or TSA (the “**IEC Cash**”) to the extent necessary to and used to fund the Budget;

b. The IEC Cash necessary to fund the payment of professional fees and expenses of professionals retained by the Debtors in the amount of the fees and expenses actually accrued, and unpaid, as of the Termination Date (the “**Carve-Out**”); and

c. Cash received by the Debtors from students related to (i) the Other Acquired Campuses which shall be used by the Debtors to pay a portion of the Agreed Expenses in accordance with Section 6.1(e) of the Purchase Agreement, and (ii) the CA Campuses which shall be used by the Debtors to pay a portion of CA Agreed Expenses in accordance with Section 6.1(e) of the Purchase Agreement; and

d. Up to \$1,000,000 of ordinary course post-petition collections of the Debtors' accounts receivable relating to student starts prior to July 25, 2014 (exclusive of the amounts set forth in paragraph c above).

3. Deposit Accounts. All cash receipts, Cash Collateral and, all proceeds from the sale, transfer or other disposition of any Prepetition Collateral shall be promptly deposited in the same bank accounts into which the collections and proceeds of the Prepetition Collateral were deposited under the Amended and Restated Credit Agreement (the "**Deposit Accounts**"). Such collections and proceeds (a) shall remain subject to and (b) shall be treated in accordance with the terms and conditions of this Order.

4. Adequate Protection. As adequate protection for (i) the use of the Cash Collateral pursuant to Bankruptcy Code section 363 and (ii) the imposition of the automatic stay pursuant to Bankruptcy Code section 362(a), the Agent on behalf of the Lenders is hereby granted the following liens and claims, which adequate protection is adequate under the circumstances of these cases:

a. Replacement Liens.

(i) The Agent, on behalf of the Lenders, will be granted valid, binding, enforceable and perfected first priority replacement security interests in, and liens on (collectively, the "**Adequate Protection Liens**") all of the Debtors' prepetition and post-petition assets of every kind, nature, and description, tangible and intangible, now existing or hereafter acquired or arising, including, but not limited to, all contracts, all accounts, inventory, equipment, general intangibles, goods, motor vehicles, real estate, and the proceeds of leasehold interests (but not the leaseholds themselves), as well as all cash and non-cash products and

proceeds thereof (collectively, the “**Post-Petition Collateral**”), but excluding (for purposes of this Interim Order) causes of action and the proceeds of any causes of action under sections 502(d), 544, 545, 547, 548, 550 or 553 of the Bankruptcy Code (“**Avoidance Actions**”), provided, however, that the Final Order shall request that the Adequate Protection Liens cover Avoidance Actions. The post-petition grant of the Adequate Protection Liens shall be supplemental to and in addition to the security interest which the Lenders possess pursuant to the Amended and Restated Credit Agreement, and shall attach with the same priority as enjoyed by the liens asserted by the Lenders immediately prior to the Petition Date, to the extent of any diminution in value of the Collateral and Cash Collateral, and shall be subject to disgorgement in to the extent provided in a successful challenge in accordance with the provisions of paragraph 8 hereof.

(ii) The Adequate Protection Liens granted to the Agent on behalf of the Lender pursuant to this Interim Order shall be prior and senior to all liens and encumbrances of (a) all other secured creditors in and to such property granted, or arising, subsequent to the date of this Interim Order (including to the fullest extent permitted by law, without limitation, liens and security interests, if any, granted in favor of any federal, state, municipal, or other governmental unit, commission, board or court for any liability of the Debtors other than taxes); (b) any intercompany claim of the Debtors, or any parent, subsidiary or affiliate of the Debtors; and (c) any security interest or lien that is avoided or otherwise preserved for the benefit of the Debtors’ estate pursuant to § 551 of the Bankruptcy Code; provided, however, that the Adequate Protection Liens granted to the Agent on behalf of the Lender pursuant to this Interim Order shall not prime any valid, perfected, and non-avoidable prepetition lien held by, or granted to, any other party prepetition and shall not attach to the Carve-Out or the IEC Cash.

(iii) The Adequate Protection Liens granted pursuant to this Interim Order shall constitute valid and duly perfected security interests and liens, and the Lenders shall not be required to file or serve financing statements, notices of lien or similar instruments which otherwise may be required under federal or state law in any jurisdiction, or take any action, including taking possession, to validate and perfect such security interests and liens; and the failure by the Debtors to take any action or execute any documentation relating to the Adequate Protection Liens shall in no way affect the validity, perfection, or priority of such replacement liens. If, however, any Lender, in its discretion, shall determine to file any such financing statements, notices of lien or similar instruments, or to otherwise confirm perfection of such Adequate Protection Liens, the Debtors are authorized to cooperate with and assist in such process. The stay imposed by § 362(a) of the Bankruptcy Code hereby is solely lifted to allow the filing and recording of a certified copy of this Interim Order or any such financing statements, notices of lien, or similar instructions, and all such documents shall be deemed to have been filed or recorded at the time and date of this Interim Order.

(iv) The Adequate Protection Liens shall continue in full force and effect until the Lenders’ Claim has been indefeasibly paid in full, including to the extent authorized by the Court pursuant to § 506(b) of the Bankruptcy Code, such interest, fees, costs, and expenses, including reasonable attorneys’, financial advisors’ and other professionals’ fees, whether currently existing or hereafter accrued and incurred, as provided for by the applicable Existing First Lien Credit Documents and this Interim Order.



b. Lenders' Superpriority Claims. If, and to the extent that, the Adequate Protection Liens and the adequate protection described in the Proposed Interim Order are insufficient to provide adequate protection to the Lenders for any diminution in the value of their interests in their respective Collateral and Cash Collateral from and after the Petition Date, the Agent, on behalf of the Lenders, is hereby granted allowed superpriority claims against the Debtors' estates pursuant to § 507(b) of the Bankruptcy Code (the "**Lenders' Superpriority Claims**"), with priority in payment over any and all administrative expenses of the kinds specified or ordered pursuant to any provision of the Bankruptcy Code, including, but not limited to, §§ 105, 326, 328, 330, 331, 503(b), 507(a), 507(b), 1113 and 1114 of the Bankruptcy Code, and shall at all times be senior to the rights of the Debtors, and any successor trustee or any creditor, in the chapter 11 cases or any subsequent proceedings in any other chapter of the Bankruptcy Code; provided, however, the Lenders' Superpriority Claims shall not have priority over (a) the Carve-Out, or (b) the fees of the U.S. Trustee or the Clerk of the Court required to be paid in these chapter 11 cases and provided, further, however that no Lenders' Superpriority Claims shall be paid with the IEC Cash.

5. Termination. The Debtors' right to use the Cash Collateral as herein authorized shall terminate (other than Cash Collateral necessary to fund the Carve-Out) on the earliest of (i) the Second Closing (or if the Second Closing has been terminated, upon the entry of a sale order pertaining to the purchase of the Second Closing FCC Assets), (ii) the date of termination of the Purchase Agreement pursuant to its terms, (iii) the date the Chapter 11 Cases are converted or dismissed, or a trustee is appointed, or (iv) as otherwise ordered by the Court (the "**Termination Date**").

6. Exercise of Rights and Remedies. At any time after the Termination Date, upon five (5) business days' notice to the Debtors, any official committee, and the United States Trustee, (a) the Agent on behalf of the Lenders may immediately exercise all rights and remedies and take all or any actions available under the Amended and Restated Credit Agreement and other Loan Documents and applicable law. Any such actions by any of the foregoing parties shall not require relief from the automatic stay pursuant to Bankruptcy Code section 362 (which is hereby deemed modified and vacated to the extent necessary to permit such exercise of rights and remedies and the taking of such actions) or further order of or application to this Court.

7. Allowance of Claims and Liens; Release. The Debtors have stipulated and agreed as follows:

a. As of the Petition Date, the Debtors were indebted and liable to the Lenders, without claim, defense, counterclaim, recoupment or offset of any kind, in the aggregate principal amount of approximately \$50,084,922.48<sup>4</sup> in respect of loans made by the Lenders to or for the benefit of the Debtors pursuant to, and in accordance with, the Pre-Petition Loan Documents plus (i) accrued and unpaid interest thereon, (ii) all costs, fees, expenses and charges payable under the Pre-Petition Loan Documents (including, without limitation, fees and expenses of the Agent's attorneys and financial advisors) and other obligations incurred in connection therewith, (iii) any other loans, advances and other financial accommodations made pursuant to the Pre-Petition Loan Documents, and (iv) all other payment obligations of the Debtors arising under or in relation to any Pre-Petition Loan Document, (collectively, in each case whether now existing or hereafter arising, due or to become due, direct or indirect, absolute or contingent, and howsoever evidenced, held or acquired, the "**Pre-Petition Obligations**"); and

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<sup>4</sup> Amounts are inclusive of the principal amount of Letters of Credit which were outstanding as of the Petition Date. IEC has provided cash collateral for certain of these Letters of Credit.

b. the Pre-Petition Obligations constitute the legal, valid and binding obligations of the Debtors, enforceable in accordance with their terms (other than in respect of the stay of enforcement arising from section 362 of the Bankruptcy Code); and

c. no portion of the Pre-Petition Obligations is subject to avoidance, recharacterization, setoff, recoupment or subordination pursuant to the Bankruptcy Code or applicable nonbankruptcy law; and

d. there is no dispute with the Debtors and the Debtors do not have, and hereby forever waives, releases and affirmatively agrees not to allege or otherwise pursue, any defenses, affirmative defenses, counterclaims, claims, causes of action, recoupments, setoffs or other rights that they have or may have arising under the Bankruptcy Code, applicable nonbankruptcy law or otherwise against the Term B Lenders or the Agent or any of their respective affiliates, subsidiaries, agents, officers, directors, employees, attorneys and advisors (i) to contest any "Defaults" or "Events of Default" under the Pre-Petition Loan Documents which were or could have been declared by the Agent or Term B Lenders as of the Petition Date; (ii) to contest any provisions of the Pre-Petition Loan Documents; (iii) to contest the amount of the Debtors' indebtedness to the Lenders as of the Petition Date; (iv) to contest the conduct of the Term B Lenders or Agent in administering the Pre-Petition Loan Documents; (v) against the Term B Lenders or Agent with respect to any lender liability theories or pursuant to Section 510 of the Bankruptcy Code or pursuant to Sections 544, 547, 548, 549, 550, 552, and 553 of the Bankruptcy Code (the "Avoidance Actions"); and (vi) to challenge that the mortgages, security interests and liens granted to the Agent under the Pre-Petition Loan Documents or this Order are senior, valid, fully perfected, non-voidable, enforceable first priority mortgages, security interests and liens fully securing the Pre-Petition Obligations; and

e. the liens and security interests granted to the Agent pursuant to and in connection with the Pre-Petition Loan Documents were, on the Petition Date, and are, (i) valid, binding, perfected, enforceable, first priority liens on and security interests in (the “**Pre-Petition Liens**”) substantially all of the Debtors’ assets constituting “Collateral” under, and as defined in, the Pre-Petition Loan Documents (together with Cash Collateral, the “**Pre-Petition Collateral**”); (ii) not subject to avoidance, recharacterization, setoff, recoupment or subordination pursuant to the Bankruptcy Code or applicable nonbankruptcy law, and (iii) subject and subordinate only to (A) after giving effect to this Order, the Carve-Out, (B) the Replacement Liens, and (C) valid, perfected and unavoidable liens permitted under the Pre-Petition Loan Documents to the extent such permitted liens are senior to the Pre-Petition Liens on the Pre-Petition Collateral (the “**Permitted Pre-Petition Liens**”).

8. Effect on Third Parties. The provisions of the foregoing paragraph 7 of this Order shall be binding upon the Debtors and any successor thereto in all circumstances. The stipulations, admissions and provisions contained in this Order, including, without limitation, in paragraph 7 of this Order, shall be binding upon all parties in interest, including, without limitation, any Committee, unless a party in interest has timely filed an adversary proceeding, objection or contested matter on or before the date that is the later of (i) 75 days after the entry of this Order, (ii) in the case of such an action brought by a Committee, but only to the extent one is appointed, 60 days after the appointment of the statutory committee of unsecured creditors appointed in this Case, (iii) the entry of a Final Order or (iv) such later date as has been agreed to, in writing, by the Agent (the “**Challenge Period**”), (A) challenging the validity, enforceability, priority or extent of the Pre-Petition Obligations or the Pre-Petition Liens on the Pre-Petition Collateral or (B) otherwise asserting or prosecuting any Avoidance Actions or any

other claims, counterclaims or causes of action, objections, contests or defenses (collectively, **"Claims and Defenses"**) against the Term B Lenders or Agent or their respective agents, affiliates, subsidiaries, directors, officers, employees, representatives, attorneys or advisors in connection with matters related to the Pre-Petition Loan Documents, the Pre-Petition Obligations, the Pre-Petition Collateral, or the conduct of the Term B Lenders or Agent in connection therewith, and (B) there is a final order in favor of the plaintiff or objecting party sustaining any such objection, challenge or claim in any such timely filed adversary proceeding, objection or contested matter; *provided*, that as to the Debtors, all such Claims and Defenses are hereby irrevocably waived and relinquished as of the Petition Date. If, during the Challenge Period, the case converts to a Chapter 7 or a Chapter 11 trustee is appointed, the Challenge Period shall be extended for such Chapter 7 or Chapter 11 trustee until, the later of (a) the remaining period of the Challenge Period or (b) 21 days after conversion, with respect to a Chapter 7 Trustee, or 21 days after appointment for a Chapter 11 trustee, with the right reserved to seek a further extension from the Court. If no such adversary proceeding, objection or contested matter is timely filed (x) the Pre-Petition Obligations shall constitute allowed claims, not subject to counterclaim, setoff, recoupment, subordination, recharacterization, defense or avoidance, for all purposes in these Cases and any subsequent chapter 7 case, (y) the Pre-Petition Liens on the Pre-Petition Collateral shall be deemed legal, valid, binding, enforceable, perfected and of the priority described in paragraph 7, not subject to recharacterization, subordination, avoidance or reduction, and (z) the Pre-Petition Obligations, the Pre-Petition Liens on the Pre-Petition Collateral, the conduct of the Term B Lenders and Agent, and the Term B Lenders and Agent themselves shall not be subject to any other or further challenge by any party in interest, and any such party shall be enjoined and forever barred from, seeking to exercise the rights of

the Debtors' estates regarding any such challenge, including, without limitation, any successor thereto, or from asserting any Claims and Defenses against the Term B Lenders or the Agent, or any of their respective agents, affiliates, subsidiaries, directors, officers, employees, representatives, attorneys or advisors. If any such adversary proceeding or contested matter is timely filed, the stipulations and admissions and provisions contained in paragraph 7 of this Order shall nonetheless remain binding and preclusive on any Committee and on any other person or entity, except to the extent that such findings and admissions were expressly challenged in such adversary proceeding or contested matter by such party. For the avoidance of doubt, any trustee appointed or elected in these cases shall, until the expiration of the periods provided herein for asserting Claims and Defenses and thereafter for the duration of any adversary proceeding or contested matter commenced pursuant to the Challenge Period (whether commenced by such trustee or commenced by any other party in interest on behalf of the Debtors' estates), be deemed to be a party other than the Debtors and shall not, for purposes of such adversary proceeding or contested matter, be bound by the acknowledgments, admissions, confirmations, stipulations and waivers of the Debtors in this Order.

9. IEC's Alternative Transaction Protections. The Debtors will be requesting in connection with the Sale Motion that the Court approve certain protections to IEC in the event the Debtors consummate an Alternative Transaction (as defined in the Purchase Agreement) as set forth in Section 11.3 of the Purchase Agreement (the "**Bid Protections**"). The Final Order shall request that, if the Bid Protections are approved, the proceeds of any Alternative Transaction shall be used first to pay the Bid Protections and that IEC be granted an allowed superpriority administrative expense claim for the Bid Protections (which shall be an administrative expense claim of the kind specified in Sections 503(b) and 507(b) of the

Bankruptcy Code). In addition, in the event of an Alternative Transaction (as defined in the Purchase Agreement) with respect to one or more of the Other Acquired Campuses (as defined in the Purchase Agreement), nothing herein shall prejudice the right of IEC to seek reimbursement of any IEC Cash advanced to fund the Agreed Expenses (as defined in the Purchase Agreement) related to such Other Acquired Campuses from the proceeds of such Alternative Transaction; provided however, that no such reimbursement nor the Bid Protections shall be charged against or otherwise satisfied from the Deed of Trust Collateral.

10. Tuition Options LLC Loans. Notwithstanding anything herein to the contrary, Post-Petition Collateral shall not include any payments received by the Debtors for the purpose of reducing or paying down student loan obligations that are owned by Tuition Options LLC. Such payments shall be placed in a segregated account subject to further order of the Court. Notwithstanding anything herein to the contrary, the Adequate Protection Liens granted hereunder shall not prime any valid, perfected, non-avoidable prepetition lien of Tuition Options LLC and shall not prime any valid, enforceable right of setoff that Tuition Options LLC may have, if any.

11. Modifications. Any stay, modification, reversal or vacatur of this Interim Order or dismissal or conversion of the chapter 11 cases shall not affect the validity of any obligation of the Debtors to the Lenders incurred prior thereto pursuant to this Interim Order.

12. Survival. The provisions of this Order and any actions taken pursuant hereto shall: (a) survive the Termination Date and entry of any order (i) converting any of the chapter 11 cases to a case under chapter 7 of the Bankruptcy Code; (ii) substantively consolidating any of the Debtors or their respective estates; or (iii) dismissing or closing any of

the chapter 11 cases; and (b) shall continue in full force and effect notwithstanding the Termination Date or entry of any such order.

13. Successors and Assigns. The provisions of this Order shall be binding upon and inure to the benefit of the Agent, the Lenders, the Debtors and their respective estates, and their respective successors and assigns, including, without limitation, any trustee, committee or other fiduciary hereafter appointed as a legal representative of any of the Debtors or their estates in these chapter 11 cases or in any subsequent chapter 7 cases of the Debtors.

14. Continuing Jurisdiction. The Court shall retain jurisdiction to hear and determine all matters arising from or relating to the interpretation or implementation of this Order.

15. Final Hearing. The Motion is set for a final hearing (the “**Final Hearing**”) to be held at 12:30 p.m. (Eastern time) on September 22, 2014, with an objection deadline of 4:00 p.m. (Eastern time) on September 15, 2014 (the “**Objection Deadline**”). Any objection to entry of the Final Order shall be filed with this Court, and served upon the respective counsel to the Debtors and counsel to the Agent, on or before the Objection Deadline.

Dated: August 28, 2014



THE HONORABLE CHRISTOPHER S. SONTCHI  
UNITED STATES BANKRUPTCY JUDGE



**EXHIBIT 1 TO ORDER**

8/26/2014  
9:27 PM

Anthem Education Transaction Scenario Forecast  
Cash Need Step 2 (Anthem) 4 Week

Anthem Education  
Cash Flow Forecast  
Ending 9/19/14

Cash Flow Forecast						
Anthem Education	Forecast	Forecast	Forecast	Forecast	Forecast	Total
Cash Flow Projection	8/29/14	9/5/14	9/12/14	9/19/14	9/19/14	
(In \$000s) Week Ending						
Beginning Cash Balance	\$ 2,988	\$ 1,284	\$ -	\$ -	\$ -	\$ 2,988
Cash Transfer Net - IEC	653	712	517	1,063		2,945
Operating Receipts						
T4 Deposits (less normal refunds)	-	-	-	-	-	-
T4 Net						
Tuition Options Net	-	-	-	-	-	-
Campus and Other Deposits	100	100	100	100		400
Total Operating Receipts	100	100	100	100		400
Total Receipts	753	812	617	1,163		3,245
Cash Available Before Disbursements	3,738	2,096	617	1,163		6,331
Payroll - FCC / Corporate <sup>(1)</sup>	892	-	-	-		892
Payroll - Anthem Acquired / Teach Out	320	798	-	682		1,800
Payroll - US Colleges	-	66	-	66		132
Campus Rent - Anthem Acquired	113	485	-	-		598
Campus Rent - US Colleges	12	52	-	-		64
Medical	143	29	25	26		224
Stipends <sup>(2)</sup>	729	53	48	56		885
Current Operating Expenses Incurred - FCC / Corporate	-	-	-	-		-
Current Operating Expenses Incurred - Anthem Acquired	-	577	464	304		1,344
Current Operating Expenses Incurred - US Colleges	20	16	11	8		56
503 (b)(9) Claims <sup>(3)</sup>	135	-	-	-		135
Rent Cure Payments	-	-	-	-		-
Bankruptcy Professional Fees and Retainers	20	20	20	20		80
Debtor's Counsel <sup>(4)</sup>	-	-	-	-		-
Debtor's Financial Advisor <sup>(4)</sup>	-	-	-	-		-
US Trustee	30	-	-	-		30
Utility Deposits	-	-	50	-		50
Cash Management Fee	40	-	-	-		40
Total Disbursements	2,455	2,096	617	1,163		6,331
Ending Cash Balance	\$ 1,284	\$ -	\$ -	\$ -	\$ -	\$ -

<sup>(1)</sup> Includes approximately \$110,000 in outstanding 401k and FSA funding obligations and \$53,500 in outstanding payroll checks.

<sup>(2)</sup> Contains approximately \$638,000 in outstanding stipend checks to be reissued.

<sup>(3)</sup> Estimated based on Purchase Order Placed Since August 5, 2014.

<sup>(4)</sup> Debtor's Counsel and Financial Advisor's fees are assumed to be paid by currently held retainers.

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