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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**Form 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2016**

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

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Commission File Number 000-51371

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**LINCOLN EDUCATIONAL SERVICES CORPORATION**

(Exact name of registrant as specified in its charter)

**New Jersey**  
(State or other jurisdiction of incorporation or organization)

**57-1150621**  
(IRS Employer Identification No.)

**200 Executive Drive, Suite 340**  
**West Orange, NJ**  
(Address of principal executive offices)

**07052**  
(Zip Code)

**(973) 736-9340**  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of August 2, 2016, there were 23,817,014 shares of the registrant's common stock outstanding.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES

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FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2016

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**PART I – FINANCIAL INFORMATION**

## Item 1. Financial Statements

**LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(In thousands, except share amounts)**

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 10,950	\$ 38,420
Restricted cash	6,555	7,362
Accounts receivable, less allowance of \$8,604 and \$9,126 at June 30, 2016 and December 31, 2015, respectively	11,671	9,613
Inventories	1,278	1,043
Prepaid income taxes and income taxes receivable	314	349
Assets held for sale	46,029	45,911
Prepaid expenses and other current assets	2,630	2,566
Total current assets	<u>79,427</u>	<u>105,264</u>
PROPERTY, EQUIPMENT AND FACILITIES - At cost, net of accumulated depreciation and amortization of \$121,361 and \$122,037 at June 30, 2016 and December 31, 2015, respectively	<u>59,079</u>	<u>66,508</u>
<b>OTHER ASSETS:</b>		
Noncurrent restricted cash	20,273	15,259
Noncurrent receivables, less allowance of \$660 and \$797 at June 30, 2016 and December 31, 2015, respectively	4,567	4,993
Goodwill	14,536	14,536
Other assets, net	1,116	1,190
Total other assets	<u>40,492</u>	<u>35,978</u>
<b>TOTAL</b>	<u><u>\$ 178,998</u></u>	<u><u>\$ 207,750</u></u>

See notes to unaudited condensed consolidated financial statements.

**LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(In thousands, except share amounts)**  
**(Continued)**

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
	<u>(Unaudited)</u>	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of term loan	\$ 10,000	\$ 10,000
Current portion of capital lease obligations	-	114
Current portion of finance obligation	3,355	-
Unearned tuition	15,159	21,390
Accounts payable	11,892	12,863
Accrued expenses	10,142	12,157
Liabilities held for sale	14,719	14,236
Other short-term liabilities	208	686
Total current liabilities	<u>65,475</u>	<u>71,446</u>
<b>NONCURRENT LIABILITIES:</b>		
Long-term loan	31,510	32,124
Long-term capital lease obligations	-	3,785
Long-term finance obligation	-	9,672
Pension plan liabilities	5,537	5,549
Accrued rent	3,673	4,177
Total liabilities	<u>106,195</u>	<u>126,753</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, no par value - 10,000,000 shares authorized, no shares issued and outstanding at June 30, 2016 and December 31, 2015	-	-
Common stock, no par value - authorized: 100,000,000 shares at June 30, 2016 and December 31, 2015; issued and outstanding: 30,768,433 shares at June 30, 2016 and 29,727,555 shares at December 31, 2015	141,377	141,377
Additional paid-in capital	27,860	27,292
Treasury stock at cost - 5,910,541 shares at June 30, 2016 and December 31, 2015	(82,860)	(82,860)
(Accumulated deficit) retained earnings	(6,946)	2,260
Accumulated other comprehensive loss	(6,628)	(7,072)
Total stockholders' equity	<u>72,803</u>	<u>80,997</u>
<b>TOTAL</b>	<u>\$ 178,998</u>	<u>\$ 207,750</u>

See notes to unaudited condensed consolidated financial statements.

**LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share amounts)  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
REVENUE	\$ 41,894	\$ 44,739	\$ 85,337	\$ 92,413
COSTS AND EXPENSES:				
Educational services and facilities	21,667	22,511	44,811	45,425
Selling, general and administrative	23,072	26,595	50,084	56,234
(Gain) loss on sale of assets	(6)	8	(395)	(35)
Total costs & expenses	44,733	49,114	94,500	101,624
OPERATING LOSS	(2,839)	(4,375)	(9,163)	(9,211)
OTHER:				
Interest income	8	12	72	21
Interest expense	(1,522)	(1,541)	(3,094)	(3,029)
Other income	1,678	359	3,431	582
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(2,675)	(5,545)	(8,754)	(11,637)
PROVISION FOR INCOME TAXES	50	50	100	100
LOSS FROM CONTINUING OPERATIONS	(2,725)	(5,595)	(8,854)	(11,737)
LOSS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES	(413)	(2,010)	(352)	(2,751)
NET LOSS	\$ (3,138)	\$ (7,605)	\$ (9,206)	\$ (14,488)
Basic				
Loss per share from continuing operations	\$ (0.12)	\$ (0.24)	\$ (0.38)	\$ (0.51)
Loss per share from discontinued operations	(0.01)	(0.09)	(0.01)	(0.12)
Net loss per share	\$ (0.13)	\$ (0.33)	\$ (0.39)	\$ (0.63)
Diluted				
Loss per share from continuing operations	\$ (0.12)	\$ (0.24)	\$ (0.38)	\$ (0.51)
Loss per share from discontinued operations	(0.01)	(0.09)	(0.01)	(0.12)
Net loss per share	\$ (0.13)	\$ (0.33)	\$ (0.39)	\$ (0.63)
Weighted average number of common shares outstanding:				
Basic	23,448	23,132	23,400	23,094
Diluted	23,448	23,132	23,400	23,094

See notes to unaudited condensed consolidated financial statements.

**LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(In thousands)**  
**(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net loss	\$ (3,138)	\$ (7,605)	\$ (9,206)	\$ (14,488)
Other comprehensive income				
Employee pension plan adjustments	222	231	444	462
Comprehensive loss	<u>\$ (2,916)</u>	<u>\$ (7,374)</u>	<u>\$ (8,762)</u>	<u>\$ (14,026)</u>

See notes to unaudited condensed consolidated financial statements.

**LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(In thousands, except share amounts)  
(Unaudited)

	Common Stock		Additional Paid-in Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total
	Shares	Amount					
BALANCE - January 1, 2016	29,727,555	\$ 141,377	\$ 27,292	\$ (82,860)	\$ 2,260	\$ (7,072)	80,997
Net loss	-	-	-	-	(9,206)	-	(9,206)
Employee pension plan adjustments	-	-	-	-	-	444	444
Stock-based compensation expense							
Restricted stock	1,079,267	-	675	-	-	-	675
Net share settlement for equity- based compensation	(38,389)	-	(107)	-	-	-	(107)
BALANCE - June 30, 2016	<u>30,768,433</u>	<u>\$ 141,377</u>	<u>\$ 27,860</u>	<u>\$ (82,860)</u>	<u>\$ (6,946)</u>	<u>\$ (6,628)</u>	<u>\$ 72,803</u>

	Common Stock		Additional Paid-in Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total
	Shares	Amount					
BALANCE - January 1, 2015	29,933,086	\$ 141,377	\$ 26,350	\$ (82,860)	\$ 5,610	\$ (7,467)	\$ 83,010
Net loss	-	-	-	-	(14,488)	-	(14,488)
Employee pension plan adjustments, net of taxes	-	-	-	-	-	462	462
Stock-based compensation expense							
Restricted stock	(16,356)	-	746	-	-	-	746
Stock options	-	-	33	-	-	-	33
Net share settlement for equity- based compensation	(49,075)	-	(104)	-	-	-	(104)
BALANCE - June 30, 2015	<u>29,867,655</u>	<u>\$ 141,377</u>	<u>\$ 27,025</u>	<u>\$ (82,860)</u>	<u>\$ (8,878)</u>	<u>\$ (7,005)</u>	<u>\$ 69,659</u>

See notes to unaudited condensed consolidated financial statements.

**LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (9,206)	\$ (14,488)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	6,094	7,244
Amortization of deferred finance charges	459	222
Gain on disposition of assets	(395)	(40)
Gain on capital lease termination	(3,355)	-
Fixed asset donation	(58)	(9)
Provision for doubtful accounts	6,587	7,449
Stock-based compensation expense	675	779
Deferred rent	(271)	(380)
(Increase) decrease in assets:		
Accounts receivable	(8,570)	(11,143)
Inventories	(128)	(83)
Prepaid income taxes and income taxes receivable	35	30
Prepaid expenses and current assets	178	294
Other assets and charges	(1,044)	(880)
Increase (decrease) in liabilities:		
Accounts payable	(1,097)	3,032
Accrued expenses	(88)	1,069
Unearned tuition	(7,908)	(4,728)
Other liabilities	(46)	(14)
Total adjustments	(8,932)	2,842
Net cash used in operating activities	<u>(18,138)</u>	<u>(11,646)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(1,555)	(1,298)
Restricted Cash	816	-
Proceeds from sale of property and equipment	432	80
Net cash used in investing activities	<u>(307)</u>	<u>(1,218)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on borrowings	(386)	(32,500)
Reclassifications of payments of borrowings from restricted cash	-	30,000
Reclassifications of proceeds of borrowings from restricted cash	(5,023)	-
Payment of deferred finance fees	(645)	(250)
Proceeds from borrowings	-	8,500
Net share settlement for equity-based compensation	(107)	(104)
Principal payments under capital lease obligations	(2,864)	(231)
Net cash used in financing activities	<u>(9,025)</u>	<u>5,415</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,470)	(7,449)
CASH AND CASH EQUIVALENTS—Beginning of period	38,420	12,299
CASH AND CASH EQUIVALENTS—End of period	<u>\$ 10,950</u>	<u>\$ 4,850</u>

See notes to unaudited condensed consolidated financial statements.

**Six Months Ended  
June 30,**  
**2016      2015**

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest	\$ 2,782	\$ 3,085
Income taxes	\$ 112	\$ 79

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

Liabilities accrued for or noncash purchases of fixed assets	\$ 1,391	\$ 206
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See notes to unaudited condensed consolidated financial statements.

**LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015**  
**(In thousands, except share and per share amounts and unless otherwise stated)**  
**(Unaudited)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Business Activities** – Lincoln Educational Services Corporation and its subsidiaries (collectively, the “Company”) provide diversified career-oriented post-secondary education to recent high school graduates and working adults. The Company currently operates 30 schools in 15 states and offers programs in automotive technology, skilled trades (which include HVAC, welding and computerized numerical control and electronic systems technology, among other programs), healthcare services (which include nursing, dental assistant, medical administrative assistant and pharmacy technician, among other programs), hospitality services (which include culinary, therapeutic massage, cosmetology and aesthetics) and business and information technology (which includes information technology and criminal justice programs). The schools operate under the Lincoln Technical Institute, Lincoln College of Technology, Lincoln College of New England, Lincoln Culinary Institute, and Euphoria Institute of Beauty Arts and Sciences brand names. Most of the campuses serve major metropolitan markets and each typically offers courses in multiple areas of study. Five of the campuses are destination schools, which attract students from across the United States and, in some cases, from abroad. The Company’s other campuses primarily attract students from their local communities and surrounding areas. All of the campuses are nationally or regionally accredited and are eligible to participate in federal financial aid programs by the U.S. Department of Education (the “DOE”) and applicable state education agencies and accrediting commissions which allow students to apply for and access federal student loans as well as other forms of financial aid.

In the first quarter of 2015, the Company reorganized its operations into three reportable business segments: (a) Transportation and Skilled Trades, (b) Healthcare and Other Professions, and (c) Transitional which refers to businesses that are currently being phased out. In November, 2015, the Company’s Board of Directors approved a plan for the Company to divest 17 of the 18 schools included in its Healthcare and Other Professions business segment and, then, in December, 2015, the Board of Directors approved a plan to cease operations of the remaining school in this segment located in Hartford, Connecticut. The Hartford school is scheduled to close in the fourth quarter of 2016. Divestiture of the Healthcare and Other Professions business segment marks a shift in the Company’s business strategy intended to enable the Company to focus its energy and resources predominantly on Transportation and Skilled Trades though some other programs will continue to be available at some campuses. The results of operations of the 17 campuses included in the Healthcare and Other Professions segment that are being divested are reflected as discontinued operations in the condensed consolidated financial statements.

**Liquidity**—For the last several years, the Company and the proprietary school sector have faced deteriorating earnings. Government regulations have negatively impacted earnings by making it more difficult for potential students to obtain loans, which, when coupled with the overall economic environment, have discouraged potential students from enrolling in post-secondary schools. In light of these factors, the Company has incurred significant operating losses as a result of lower student population. Despite these events, the Company believes that its likely sources of cash should be sufficient to fund operations for the next twelve months. At June 30, 2016, the Company’s sources of cash primarily included cash from operations, and cash and cash equivalents of \$37.8 million (of which \$26.8 million is restricted). The Company is also continuing to take actions to improve cash flow by aligning its cost structure to its student population.

In addition to the current sources of capital that will provide short term liquidity, the Company plans to sell approximately \$31.3 million in assets net of liabilities, which are currently classified as held for sale and are expected to be sold within one year from the date of classification of which up to \$10 million will be required to pay down debt. Please refer to Note 11 Subsequent Events.

**Basis of Presentation** – The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial statements. Certain information and footnote disclosures normally included in annual financial statements have been omitted or condensed pursuant to such regulations. These statements, which should be read in conjunction with the December 31, 2015 consolidated financial statements and related disclosures of the Company included in the Annual Report on Form 10-K filed with the SEC on March 10, 2016, reflect all adjustments, consisting of normal recurring adjustments and impairments necessary to present fairly the consolidated financial position, results of operations and cash flows for such periods. The results of operations for the three and six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the full fiscal year ending December 31, 2016.

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

**Use of Estimates in the Preparation of Financial Statements** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. On an ongoing basis, the Company evaluates the estimates and assumptions including those related to revenue recognition, bad debts, impairments, fixed assets, income taxes, benefit plans and certain accruals. Actual results could materially differ from those estimates.

**New Accounting Pronouncements** – In March 2016, the Financial Accounting Standard Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*. ASU No. 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences. Under the new guidance, all excess tax benefits and tax deficiencies should be recognized as income tax expense or benefit in the income statement. Further, tax benefits should be recognized regardless of whether the benefits reduce taxes payable in the current period. Under the previous U.S. GAAP, excess tax benefits are recognized in additional paid-in capital; tax deficiencies are recognized either as an offset to accumulated excess tax benefits, if any, or in the income statement. Also, under the previous U.S. GAAP, excess tax benefits are not recognized until the deduction reduces taxes payable. The new guidance is effective for the Company on January 1, 2017, with earlier application permitted in any interim or annual period. The Company is currently evaluating the impact of ASU No. 2016-09, however it is not expected to have a material impact on the Company’s consolidated financial statements.

In February 2016, the FASB amended the ASU by creating ASU Topic 842, *Leases*. ASU Topic 842 requires a lessee to record a right-of-use asset and a lease liability for all leases with a lease term greater than 12 months. The main difference between previous U.S. GAAP and ASU Topic 842 is the recognition under ASU 842 of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. The new guidance, effective for the Company on January 1, 2019, with earlier application permitted, is being evaluated to determine if it will have a material impact on the Company’s consolidated financial statements.

In November 2015, the FASB issued guidance which simplifies the balance sheet classification of deferred taxes. The guidance requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. This guidance is effective for public business entities for annual periods, and for interim periods within those periods, beginning after December 15, 2016 with early adoption permitted. The Company early adopted as of December 31, 2015. It does not have a material impact on the Company’s consolidated results of operations, financial condition or the financial statement disclosures.

In April 2015, the FASB issued accounting guidance related to the presentation of debt issuance costs in the balance sheet as a direct reduction from the carrying amount of the debt liability, consistent with debt discounts, rather than as an asset. Amortization of debt issuance costs will continue to be reported as interest expense. Debt issuance costs related to revolving credit arrangements, however, will continue to be presented as an asset and amortized ratably over the term of the arrangement. In August 2015, the FASB issued accounting guidance related to the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements which clarifies that companies may continue to present unamortized debt issuance costs associated with line of credit arrangements as an asset. These pronouncements are effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early adoption permitted. The guidance became effective for the Company on January 1, 2016 and did not have a material impact on the Company’s consolidated financial statements.

In January 2015, the FASB issued ASU No. 2015-01, *Income Statement – Extraordinary and Unusual Items*. ASU 2015-01 simplifies income statement classification by removing the concept of extraordinary items from U.S. GAAP. Under the existing guidance, an entity is required to separately disclose extraordinary items, net of tax, in the income statement after income from continuing operations if an event or transaction is of unusual nature and occurs infrequently. This separate, net-of-tax presentation (and corresponding earnings per share impact) will no longer be allowed. The existing requirement to separately present items that are of unusual nature or occur infrequently on a pre-tax basis within income from continuing operations has been retained. The new guidance also requires similar separate presentation of items that are both unusual and infrequent. The guidance, effective for the Company on January 1, 2016, with earlier application permitted as of the beginning of the fiscal year of adoption, did not have a material impact on the Company’s consolidated financial statements.

In August 2014, the FASB issued a new standard – ASU No. 2014-15, *Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern* - that will explicitly require management to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. According to the new standard, substantial doubt about an entity’s ability to continue as a going concern exists if it is probable that the entity will be unable to meet its obligations as they become due within one year after the date the entity’s financial statements are issued. In order to determine the specific disclosures, if any, that would be required, management will need to assess if substantial doubt exists, and, if so, whether its plans will alleviate such substantial doubt. The new standard requires assessment each annual and interim period and will be effective for the Company on December 31, 2016 with earlier application permitted. The Company does not believe this guidance will have any impact on its consolidated financial statements.

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In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, a new standard related to revenue recognition, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The new standard will replace most of the existing revenue recognition standards in GAAP. In July 2015, the FASB voted to defer the effective date by one year to December 15, 2017 for annual reporting periods beginning after that date. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of revenue standard ASU 2014-09 by one year for all entities and permits early adoptions on a limited basis. The new standard can be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the change recognized at the date of the initial application. The Company is assessing the potential impact of the new standard on financial reporting and has not yet selected a transition method.

**Stock-Based Compensation** – The Company measures the value of stock options on the grant date at fair value, using the Black-Scholes option valuation model. The Company amortizes the fair value of stock options, net of estimated forfeitures, utilizing straight-line amortization of compensation expense over the requisite service period of the grant.

The Company measures the value of service and performance-based restricted stock on the fair value of a share of common stock on the date of the grant. The Company amortizes the fair value of service-based restricted stock utilizing straight-line amortization of compensation expense over the requisite service period of the grant.

The Company amortizes the fair value of the performance-based restricted stock based on the determination of the probable outcome of the performance condition. If the performance condition is expected to be met, then the Company amortizes the fair value of the number of shares expected to vest utilizing straight-line basis over the requisite performance period of the grant. However, if the associated performance condition is not expected to be met, then the Company does not recognize the stock-based compensation expense.

**Income Taxes** – The Company accounts for income taxes in accordance with FASB Accounting Standards Code (“ASC”) Topic 740, “Income Taxes” (“ASC 740”). This statement requires an asset and liability approach for measuring deferred taxes based on temporary differences between the financial statement and tax basis of assets and liabilities existing at each balance sheet date using enacted tax rates for years in which taxes are expected to be paid or recovered.

In accordance with ASC 740, the Company assesses its deferred tax asset to determine whether all or any portion of the asset is more likely than not unrealizable. A valuation allowance is required to be established or maintained when, based on currently available information, it is more likely than not that all or a portion of a deferred tax asset will not be realized. In accordance with ASC 740, the Company’s assessment considers whether there has been sufficient income in recent years and whether sufficient income is expected in future years in order to utilize the deferred tax asset. In evaluating the realizability of deferred income tax assets, the Company considered, among other things, historical levels of income, expected future income, the expected timing of the reversals of existing temporary reporting differences, and the expected impact of tax planning strategies that may be implemented to prevent the potential loss of future income tax benefits. Significant judgment is required in determining the future tax consequences of events that have been recognized in the Company’s consolidated financial statements and/or tax returns. Differences between anticipated and actual outcomes of these future tax consequences could have a material impact on the Company’s consolidated financial position or results of operations. Changes in, among other things, income tax legislation, statutory income tax rates, or future income levels could materially impact the Company’s valuation of income tax assets and liabilities and could cause the Company’s income tax provision to vary significantly among financial reporting periods.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. During the three and six months ended June 30, 2016 and 2015, the Company did not have any interest and penalties expense associated with uncertain tax positions.

## 2. WEIGHTED AVERAGE COMMON SHARES

The weighted average number of common shares used to compute basic and diluted loss per share for the three and six months ended June 30, 2016 and 2015 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Basic shares outstanding	23,448,224	23,131,856	23,399,708	23,094,040
Dilutive effect of stock options	-	-	-	-
Diluted shares outstanding	23,448,224	23,131,856	23,399,708	23,094,040

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For the three months ended June 30, 2016 and 2015, options to acquire 604,378 and 6,799 shares, respectively, were excluded from the above table because the Company reported a net loss for each quarter and, therefore, their impact on reported loss per share would have been antidilutive. For the six months ended June 30, 2016 and 2015, options to acquire 412,286 and 51,673 shares, respectively, were excluded from the above table because the Company recorded a net loss for each quarter and, therefore, their impact on reported loss per share would have been antidilutive. For the three and six months ended June 30, 2015, options to acquire 540,567 shares were excluded from the above table because they have an exercise price that is greater than the average market price of the Company's common stock and, therefore, their impact on reported loss per share would have been antidilutive.

In 2013, and 2014, the Company issued performance shares that vest when certain performance conditions are satisfied. As of June 30, 2016, these performance conditions were not met for most of these shares. As a result, the Company has determined that most of these shares are contingently issuable. Accordingly, 73,827 shares of outstanding performance shares have been excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2016, and 152,837 shares have been excluded for the three and six months ended June 30, 2015. Refer to Note 6 for more information on performance shares.

### 3. DISCONTINUED OPERATIONS

On November 3, 2015, the Board of Directors approved a plan for the Company to divest 17 of the 18 schools included in its Healthcare and Other Professions segment. The planned divestiture of the Company's Healthcare and Other Professions segment constitutes a strategic shift for the Company. The results of operations of these campuses are reflected as discontinued operations in the condensed consolidated financial statements. Implementation of the plan will result in the Company's operations being focused solely on the Transportation and Skilled Trades segment.

The results of operations at these 17 campuses for the three and six months ended June 30, 2016 and June 30, 2015 were as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue	\$ 26,186	\$ 27,654	\$ 53,387	\$ 56,700
Loss before income tax	(413)	(2,010)	(352)	(2,751)
Income tax benefit	-	-	-	-
Net loss from discontinued operations	\$ (413)	\$ (2,010)	\$ (352)	\$ (2,751)

On December 3, 2015, the Board of Directors approved a plan to cease operations at the Hartford, Connecticut school which is scheduled to close in the fourth quarter of 2016 and is included in the Transitional segment.

### 4. GOODWILL AND LONG-LIVED ASSETS

The Company reviews long-lived assets for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. There were no long-lived asset impairments during the three and six months ended June 30, 2016 and 2015.

The Company reviews goodwill and intangible assets for impairment when indicators of impairment exist. Annually, or more frequently if necessary, the Company evaluates goodwill and intangible assets with indefinite lives for impairment, with any resulting impairment reflected as an operating expense. The Company concluded that, as of June 30, 2016 and 2015, there was no indicator of potential impairment and, accordingly, the Company did not test goodwill for impairment.

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The carrying amount of goodwill at June 30, 2016 and 2015 is as follows:

	Gross Goodwill Balance	Accumulated Impairment Losses	Net Goodwill Balance
Balance as of January 1, 2016	\$ 108,417	\$ (93,881)	\$ 14,536
Adjustments	-	-	-
Balance as of June 30, 2016	\$ 108,417	\$ (93,881)	\$ 14,536

	Gross Goodwill Balance	Accumulated Impairment Losses	Net Goodwill Balance
Balance as of January 1, 2015	\$ 115,872	\$ (93,665)	\$ 22,207
Adjustments	-	-	-
Balance as of June 30, 2015	\$ 115,872	\$ (93,665)	\$ 22,207

Intangible assets, which are included in other assets in the accompanying condensed consolidated balance sheets, consist of the following:

	Trade Name	Curriculum	Total
Gross carrying amount at December 31, 2015	\$ 310	\$ 160	\$ 470
Adjustments	-	-	-
Gross carrying amount at June 30, 2016	310	160	470
Accumulated amortization at December 31, 2015	308	112	420
Amortization	2	7	9
Accumulated amortization at June 30, 2016	310	119	429
Net carrying amount at June 30, 2016	\$ -	\$ 41	\$ 41
Weighted average amortization period (years)	7	10	

Amortization of intangible assets was less than \$0.1 million for each of the three and six months ended June 30, 2016 and 2015.

The following table summarizes the estimated future amortization expense:

<b><u>Year Ending December 31,</u></b>	
Remainder of 2016	\$ 9
2017	16
2018	16
	\$ 41

**5. LONG-TERM DEBT AND LEASE OBLIGATIONS**

Long-term debt and lease obligations consist of the following:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Term loan (a)	\$ 41,510	\$ 42,124
Finance obligation (b)	3,355	9,672
Capital lease-property (with a rate of 8.0%) (c)	-	3,899
	44,865	55,695
Less current maturities	(13,355)	(10,114)
	<u>\$ 31,510</u>	<u>\$ 45,581</u>

(a) On July 31, 2015, the Company entered into a credit agreement with three lenders, Alostar Bank of Commerce (“Alostar”), HPF Holdco, LLC and Rushing Creek 4, LLC, led by HPF Service, LLC, as administrative agent and collateral agent (the “Agent”), for an aggregate principal amount of \$45 million (the “Term Loan”). The July 31, 2015 credit agreement, along with subsequent amendments to the Credit Agreement dated December 31, 2015 and February 29, 2016, are collectively referred to as the “Credit Agreement.” As of December 31, 2015 and prior to the effectiveness of a second amendment to the Credit Agreement on February 29, 2016 (the “Second Amendment”), the Term Loan consisted of a \$30 million term loan (the “Term Loan A”) from HPF Holdco, LLC, Rushing Creek 4, LLC and Tiger Capital Group, LLC, secured by a first priority lien in favor of the Agent on substantially all of the real and personal property owned by the Company, and a \$15 million term loan (the “Term Loan B”) from Alostar secured by a \$15.3 million cash collateral account. Pursuant to the Second Amendment, the Company received an additional \$5 million term loan from Alostar with which the Company repaid \$5 million of the principal amount of the Term Loan A. Accordingly, upon the effectiveness of the Second Amendment, the aggregate term loans outstanding under the Credit Agreement remained at approximately \$45 million, consisting of an approximate \$25 million Term Loan A and a \$20 million Term Loan B. In addition, pursuant to the Second Amendment, the amount of cash collateral securing the Term Loan B was increased to \$20.3 million. At the Company’s request, a percentage of the cash collateral may be released to the Company at the Agent’s sole discretion and with the consent of Alostar upon the satisfaction of certain criteria as outlined in the Credit Agreement. The Term Loan, which matures on July 31, 2019, replaced a previously existing \$20 million revolving credit facility with Bank of America, N.A. and other lenders, which was due to expire on April 5, 2016. The previously existing revolving credit facility was terminated concurrently with the effective date of the Credit Agreement on July 31, 2015 (the “Closing Date”).

A portion of the proceeds of the Term Loan was used by the Company to (i) repay approximately \$6.3 million in outstanding principal, accrued interest and fees due under the previously existing revolving credit facility, (ii) fund the \$20.3 million cash collateral account securing the portion of the Term Loan provided by Alostar, (iii) fund approximately \$7.4 million in a cash collateral account securing the letters of credit issued under the previously existing revolving credit facility that remain outstanding after the termination of that facility and (iv) pay transaction expenses in connection with the Term Loan and the termination of the previously existing revolving credit facility. The remaining proceeds of the Term Loan of approximately \$11 million may be used by the Company to finance capital expenditures and for general corporate purposes consistent with the terms of the Credit Agreement.

Interest will accrue on the Term Loan at a per annum rate equal to the greater of (i) 11% or (ii) 90-day LIBOR plus 9% determined monthly by the Agent and will be payable monthly in arrears. The principal balance of the Term Loan will be repaid in equal monthly installments, commencing on August 1, 2017, determined as the quotient of (i) 10% of the outstanding principal balance of the Term Loan as of July 2, 2017 divided by (ii) 12. A final installment of principal and all accrued and unpaid interest will be due on the maturity date of the Term Loan.

The Term Loan may be prepaid, in whole or in part, at any time, subject to the payment of a prepayment premium equal to (i) 5% of the principal amount prepaid at any time up to but not including the second anniversary of the Closing Date and (ii) 3% of the principal amount prepaid at any time commencing on the second anniversary of the Closing Date up to but not including the third anniversary of the Closing Date. In the event of any sale or other disposition of a school or real property by the Company permitted under the Term Loan, the net proceeds of such sale or disposition must be used to prepay the Loan in an amount determined pursuant to the Credit Agreement, subject to the applicable prepayment premium; provided, however, that no prepayment premium will be due with respect to up to \$15 million of aggregate repayments of the Term Loan made during the first year that the Term Loan is outstanding. A portion of the net cash proceeds of any disposition of a school in an amount determined pursuant to the terms of the Term Loan, must be deposited and held as cash collateral in a deposit account controlled by the Agent until the conditions for release set forth in the Term Loan are satisfied. In connection with the assets which are currently classified as held for sale and are expected to be sold within one year, the Company is required to classify \$10 million as short term debt due to the Term Loan prepayment minimum required with respect to any such disposition.

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The Term Loan contains customary representations, warranties and covenants such as minimum financial responsibility composite score, cohort default rate, and other financial covenants, including minimum liquidity, maximum capital expenditures, maximum 90/10 ratio and minimum EBITDA (as defined in the Term Loan), as well as affirmative and negative covenants and events of default customary for facilities of this type. The Company was in compliance with all covenants as of June 30, 2016. Subsequent to the 2015 fiscal year end, pursuant to the Second Amendment, the financial covenants were adjusted and, at the Company's election, will be adjusted for fiscal year 2017 and for each subsequent fiscal year until the maturity of the Term Loan at either the levels applicable to fiscal year 2016 (and each fiscal quarter thereof) contained in the Credit Agreement as of the Closing Date or the levels applicable to fiscal year 2016 (and each fiscal quarter thereof) contained in the Second Amendment. In the event that the Company elects to re-set the financial covenants at the 2016 covenant levels contained in the Second Amendment, the Company will be required to prepay on or before January 15, 2017, without prepayment penalty, amounts outstanding under the Term Loan up to \$4 million.

The Credit Agreement contains events of default, the occurrence and continuation of which provide the Company's lenders with the right to exercise remedies against the Company and the collateral securing the Term Loan, including the Company's cash. These events of default include, among other things, the Company's failure to pay any amounts due under the Term Loan, a breach of covenants under the Credit Agreement, the Company's insolvency and the insolvency of its subsidiaries, the occurrence of a material adverse event, the occurrence of any default under certain other indebtedness, and a final judgment against the Company in an amount greater than \$1 million.

Also, in connection with the Term Loan, the Company paid to the Agent a commitment fee of \$1 million on the Closing Date and is required to pay to the Agent other customary fees for facilities of this type. Total fees for the Term Loan were \$2.8 million during fiscal year 2015. During the first quarter of 2016, in connection with the effectiveness of the Second Amendment, the Company paid loan modification fees of \$0.5 million. These deferred finance fees are netted against the Term Loan on the condensed consolidated balance sheet and amortized to interest expense on the condensed consolidated statement of operations.

As of June 30, 2016 and December 31, 2015, the Company had \$44.3 million and \$44.7 million outstanding under the Term Loan; offset by \$2.7 million and \$2.5 million of deferred finance fees, respectively.

(b) The Company completed a sale and a leaseback of several facilities on December 28, 2001. The Company retained a continuing involvement in the lease and, as a result, it is prohibited from utilizing sale-leaseback accounting. Accordingly, the Company had treated this transaction as a finance lease. In January 2016, the lease was amended to cure certain provisions related to continuing involvement and, as a consequence, achieved sales treatment. In the first quarter of 2016, the lease was converted to an operating lease and rent payments are included in educational, services and facilities expense in the condensed consolidated statement of operations. In addition, the finance obligation, net of land and buildings, is being amortized straight-line through December 31, 2016.

(c) In 2009, the Company assumed a real estate capital lease for a property located in Fern Park, Florida having a term continuing through October 31, 2032. On February 27, 2015, the Company's Board of Directors approved a plan to cease operations of its school located at the Fern Park, Florida property, which school closed in the first quarter of 2016. In connection with the closure of the Fern Park, Florida school, on February 12, 2016, the Company paid a \$2.8 million lease termination fee to the landlord of the Fern Park, Florida property in connection with the amendment and early termination of the 2009 lease agreement. The amended lease agreement subsequently expired on April 10, 2016.

(d) On April 12, 2016, the Company entered into a credit agreement (the "L/C Agreement") with Sterling National Bank ("Sterling" under which Sterling has agreed to issue letters of credit from time to time at 100% margin against available funds in a cash collateral account maintained by the Company at Sterling. The maximum availability under the L/C Agreement is \$9.5 million. The Company will pay Sterling a letter of credit fee equal to 1.75% on the daily amount available to be drawn under each outstanding letter of credit, which fee is payable in quarterly installments in arrears. The L/C Agreement matures on April 1, 2017 and replaces a letter of credit facility with a prior lender. The L/C Agreement contains representations, warranties, affirmative and negative covenants and events of default customary for facilities of this type. As of June 30, 2016 there were no letters of credit outstanding under the L/C Agreement.

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Scheduled maturities of long-term debt and lease obligations at December 31, 2015 are as follows:

Year ending December 31,	
2016	\$ 10,000
2017	3,173
2018	3,462
2019	27,632
	<u>\$ 44,267</u>

The finance obligation of \$3.4 million is excluded from the scheduled maturities schedule as it is a non-cash liability.

## 6. STOCKHOLDERS' EQUITY

### *Restricted Stock*

The Company has two stock incentive plans: a Long-Term Incentive Plan (the "LTIP") and a Non-Employee Directors Restricted Stock Plan (the "Non-Employee Directors Plan").

Under the LTIP, certain employees received awards of restricted shares of common stock based on service and performance. The number of shares granted to each employee is based on the fair market value of a share of common stock on the date of grant.

On May 13, 2016, performance-based shares were granted which vest over two years on March 15, 2017 and March 15, 2018 based upon the attainment of a financial responsibility ratio during each fiscal year ending December 31, 2016 and 2017. There is no vesting period on the right to vote or the right to receive dividends on any of the restricted shares.

On June 2, 2014 and December 18, 2014, performance-based shares were granted which vest over three years based upon the attainment of (i) a specified operating income margin during any one or more of the fiscal years in the period beginning January 1, 2015 and ending December 31, 2017 and (ii) the attainment of earnings before interest, taxes, depreciation and amortization targets during each of the fiscal years ended December 31, 2015 through 2017. There is no vesting period on the right to vote or the right to receive dividends on any of the restricted shares.

On April 29, 2013, performance-based shares were granted which vest over four years based upon the attainment of (i) a specified operating income margin during any one or more of the fiscal years in the period beginning January 1, 2013 and ending December 31, 2016 and (ii) the attainment of earnings before interest, taxes, depreciation and amortization targets during each of the fiscal years ended December 31, 2013 through 2016. There is no vesting period on the right to vote or the right to receive dividends on any of the restricted shares.

Pursuant to the Non-Employee Directors Plan, each non-employee director of the Company receives an annual award of restricted shares of common stock on the date of the Company's annual meeting of shareholders. The number of shares granted to each non-employee director is based on the fair market value of a share of common stock on that date. The restricted shares vest on the first anniversary of the grant date; however, there is no vesting period on the right to vote or the right to receive dividends on these restricted shares.

For the six months ended June 30, 2016 and 2015, the Company completed a net share settlement for 38,389 and 49,075 restricted shares, respectively, on behalf of certain employees that participate in the LTIP upon the vesting of the restricted shares pursuant to the terms of the LTIP. The net share settlement was in connection with income taxes incurred on restricted shares that vested and were transferred to the employee during 2016 and/or 2015, creating taxable income for the employee. At the employees' request, the Company will pay these taxes on behalf of the employees in exchange for the employees returning an equivalent value of restricted shares to the Company. These transactions resulted in a decrease of \$0.1 million or less for each of the three and six months ended June 30, 2016 and 2015, respectively, to equity on the condensed consolidated balance sheets as the cash payment of the taxes effectively was a repurchase of the restricted shares granted in previous years.

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The following is a summary of transactions pertaining to restricted stock:

	Shares	Weighted Average Grant Date Fair Value Per Share
Nonvested restricted stock outstanding at December 31, 2015	450,494	\$ 3.69
Granted	1,105,487	1.67
Canceled	(26,200)	5.63
Vested	(244,029)	3.05
Nonvested restricted stock outstanding at June 30, 2016	<u>1,285,752</u>	2.03

The restricted stock expense for the three months ended June 30, 2016 and 2015 was \$0.3 million and \$0.4 million, respectively. The restricted stock expense for the six months ended June 30, 2016 and 2015 was \$0.7 million and \$0.8 million, respectively. The unrecognized restricted stock expense as of June 30, 2016 and December 31, 2015 was \$2.4 million and \$1.3 million, respectively. As of June 30, 2016, outstanding restricted shares under the LTIP had aggregate intrinsic value of \$1.9 million.

**Stock Options**

The fair value of the stock options used to compute stock-based compensation is the estimated present value at the date of grant using the Black-Scholes option pricing model. The following is a summary of transactions pertaining to stock options:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2015	246,167	\$ 12.52	3.98 years	\$ -
Canceled	(18,500)	14.92		-
Outstanding at June 30, 2016	<u>227,667</u>	12.33	3.73 years	-
Vested or expected to vest	<u>227,667</u>	12.33	3.73 years	-
Exercisable as of June 30, 2016	<u>227,667</u>	12.33	3.73 years	-

As of June 30, 2016, there was no unrecognized pre-tax compensation expense.

The following table presents a summary of stock options outstanding:

Range of Exercise Prices	At June 30, 2016					
	Stock Options Outstanding			Stock Options Exercisable		
	Shares	Contractual Weighted Average Life (years)	Weighted Average Price	Shares	Weighted Average Exercise Price	
\$ 4.00-\$13.99	165,167	3.85	\$ 9.46	165,167	\$ 9.46	
\$ 14.00-\$19.99	31,500	2.72	19.20	31,500	19.20	
\$ 20.00-\$25.00	31,000	4.10	20.62	31,000	20.62	
	<u>227,667</u>	3.73	12.33	<u>227,667</u>	12.33	

## 7. INCOME TAXES

The provision for income taxes for the three months ended June 30, 2016 and 2015 was \$0.1 million, or 1.9% of pretax loss, and \$0.1 million, or 0.9% of pretax loss, respectively. The provision for income taxes for the six months ended June 30, 2016 and 2015 was \$0.1 million, or 1.1% of pretax loss, and \$0.1 million, or 0.9% of pretax loss, respectively.

The Company assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence was the cumulative losses incurred by the Company in recent years. On the basis of this evaluation the realization of the Company's deferred tax assets was not deemed to be more likely than not and thus the Company maintained a valuation allowance on its net deferred tax assets as of June 30, 2016.

## 8. CONTINGENCIES

In the ordinary conduct of its business, the Company is subject to lawsuits, investigations and claims, including, but not limited to, claims involving students or graduates and routine employment matters. Although the Company cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against it, the Company does not believe that any currently pending legal proceedings to which it is a party will have a material adverse effect on the Company's business, financial condition, and results of operations or cash flows.

On December 15, 2015, the Company received an administrative subpoena from the Attorney General of the State of Maryland. Pursuant to the subpoena, Maryland's Attorney General has requested from the Company documents and detailed information relating to its Columbia, Maryland campus. The Company has responded to this request and intends to continue cooperating with the Maryland Attorney General's Office.

## 9. SEGMENTS

The for-profit education industry has been impacted by numerous regulatory changes, the changing economy and an onslaught of negative articles in the press. As a result of these actions, student populations have declined and operating costs have increased. Over the past few years, the Company has closed over 10 locations and exited its online business. The Company reviewed how it has been structured and decided to change its organization to enable the Company to better allocate financial and human resources to respond to its markets and with the goal of improving its profitability and competitive advantage. In the past, the Company offered any combination of programs at any campus. The Company has changed its focus to program offerings that create greater differentiation and attain excellence to attract more students and gain market share. Also strategically, the Company began offering continuing education training to employers who hire its students and this is best achieved at campuses focused on their professions.

As a result of these environmental, market forces and strategic decisions, the Company now operates in three reportable segments: a) Transportation and Skilled Trades, b) Healthcare and Other Professions, and c) Transitional which refers to business that is currently being phased out.

The Company's reportable segments have been determined based on a method by which we now evaluate performance and allocate resources. Each reportable segment represents a group of post-secondary education providers that offer a variety of degree and non-degree academic programs. These segments are organized by key market segments to enhance operational alignment within each segment to more effectively execute the Company's strategic plan. Each of the Company's schools is a reporting unit and an operating segment. The Company's operating segments have been aggregated into three reportable segments because, in the Company's judgment, the reporting units have similar services, types of customers, regulatory environment and economic characteristics.

On November 3, 2015 the Board of Directors approved a plan for the Company to divest 17 of the 18 schools included in the Healthcare and Other Professions business segment. Then, in December 2015, the Board of Directors approved a plan to cease operations of the remaining school in this segment located in Hartford, Connecticut. That school is scheduled to close in the fourth quarter of 2016. Divestiture of the Company's Healthcare and Other Professions business segment marks a strategic shift in business strategy. The results of operations of these 17 campuses are reflected as discontinued operations in the consolidated financial statements. The Hartford, Connecticut campus, which was previously included in the Healthcare and Other Professions segment is now included in the Transitional segment. Implementation of the plan would result in the Company's operations focused solely on the Transportation and Skilled Trades segment.

The Company's two remaining reporting segments are described below.

**Transportation and Skilled Trades** – Transportation and Skilled Trades offers academic programs mainly in the career-oriented disciplines of transportation and skilled trades (e.g. automotive, diesel, HVAC, welding and manufacturing).

**Transitional** – Transitional refers to operations that are being phased out and consists of the Company’s Fern Park, Florida and Hartford, Connecticut campuses. Each school employs a gradual teach-out process that enables the school to continue to operate while current students complete their course of study. These schools are no longer enrolling new students. The Fern Park, Florida campus was taught out as of March 31, 2016. On December 3, 2015, the Company announced it was teaching out the Hartford, Connecticut campus, where the teach-out is expected to be complete by December 2016.

The Company evaluates segment performance based on operating results. Adjustments to reconcile segment results to consolidated results are included under the caption “Corporate,” which primarily includes unallocated corporate activity.

Summary financial information by reporting segment is as follows:

	For the Three Months Ended June 30,					
	Revenue				Operating (Loss) Income	
	2016	% of Total	2015	% of Total	2016	2015
Transportation and Skilled Trades	\$ 41,032	97.9%	\$ 42,447	94.9%	\$ 2,431	\$ 2,770
Transitional	862	2.1%	2,292	5.1%	(1,147)	(1,926)
Corporate	-	0.0%	-	0.0%	(4,123)	(5,219)
Total	<u>\$ 41,894</u>	100.0%	<u>\$ 44,739</u>	100.0%	<u>\$ (2,839)</u>	<u>\$ (4,375)</u>

	For the Six Months Ended June 30,					
	Revenue				Operating (Loss) Income	
	2016	% of Total	2015	% of Total	2016	2015
Transportation and Skilled Trades	\$ 83,303	97.6%	\$ 87,291	94.5%	\$ 5,796	\$ 7,745
Transitional	2,034	2.4%	5,122	5.5%	(4,113)	(3,748)
Corporate	-	0.0%	-	0.0%	(10,846)	(13,208)
Total	<u>\$ 85,337</u>	100.0%	<u>\$ 92,413</u>	100.0%	<u>\$ (9,163)</u>	<u>\$ (9,211)</u>

	Total Assets	
	June 30, 2016	December 31, 2015
Transportation and Skilled Trades	\$ 85,882	\$ 90,045
Transitional	829	1,795
Corporate	46,258	69,999
Discontinued Operations	46,029	45,911
Total	<u>\$ 178,998</u>	<u>\$ 207,750</u>

**10. FAIR VALUE**

The carrying amount and estimated fair value of the Company's financial instrument, assets and liabilities, which are not measured at fair value on the Condensed Consolidated Balance Sheet, are listed in the table below:

	June 30, 2016				
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Financial Assets:</b>					
Cash and cash equivalents	\$ 10,950	\$ 10,950	\$ -	\$ -	\$ 10,950
Restricted cash	6,555	6,555	-	-	6,555
Prepaid expenses and other current assets	2,630	-	2,630	-	2,630
Noncurrent restricted cash	20,273	20,273	-	-	20,273
<b>Financial Liabilities:</b>					
Accrued expenses	\$ 10,142	\$ -	\$ 10,142	\$ -	\$ 10,142
Other short term liabilities	208	-	208	-	208
Term loan	41,510	-	36,009	-	36,009

The fair value of the Term loan is estimated based on a present value analysis utilizing aggregate market yields obtained from independent pricing sources for similar financial instruments

The carrying amounts reported on the Condensed Consolidated Balance Sheets for Cash and cash equivalents, Restricted cash and Noncurrent restricted cash approximate fair value because they are highly liquid.

The carrying amounts reported on the Condensed Consolidated Balance Sheets for Prepaid expenses and other current assets, Accrued expenses and Other short term liabilities approximate fair value due to the short-term nature of these items.

**11. SUBSEQUENT EVENTS**

On July 1, 2016, New England Institute of Technology at Palm Beach, Inc. ("NEIT"), a wholly-owned subsidiary of the Company, entered into a purchase and sale agreement (the "WPB Sale Agreement") with School Property Development Metrocentre, LLC ("SPD"), pursuant to which NEIT has agreed to sell to SPD the real property owned by NEIT located at 2400 and 2410 Metrocentre Boulevard East, West Palm Beach, Florida, including the improvements and other personal property located thereon (the "WPB Property") for a cash purchase price of approximately \$15.9 million. The WPB Sale Agreement contains customary representations, warranties, covenants and conditions to closing for agreements of this type.

Concurrently with the closing of the sale of the WPB Property and pursuant to the WPB Sale Agreement, NEIT will enter into a short-term lease agreement (the "WPB Lease") with SPD under which NEIT will lease back the WPB Property for continued use as a school in order to allow the teach-out of currently enrolled students. The monthly rental obligation under the WPB Lease is \$100,000 plus the direct payment by NEIT of all real estate and other taxes and utility charges assessed against the WPB Property. The term of the WPB Lease will run from the closing date through March 31, 2017, subject to extension at the option of NEIT for three additional months through June 30, 2017. Upon the closing, as required by the Company's credit agreement with its lender, the Company will repay, from the net cash proceeds of the sale, \$10 million of the principal amount of its term loan, plus a \$.5 million prepayment premium and accrued interest on the amount repaid. The Company expects that, assuming all conditions to closing are met, it will close on the sale in the third quarter of 2016.

The foregoing description does not purport to be complete and is qualified in its entirety by reference to the full text of the WPB Sale Agreement filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

**12. RELATED PARTY**

The Company has an agreement with MATCO Tools whereby MATCO will provide the Company, on an Advance Commission Basis, credits in MATCO Branded tools, tool storage, equipment, and diagnostics products. The CEO of the parent Company of MATCO is considered an immediate family member of one of the Company's board members. The Company's payable balances from this third party was immaterial at June 30, 2016 and 2015. Management believes that such transactions are at arm's length and on similar terms as would have been obtained from unaffiliated third parties.

## **Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion may contain forward-looking statements regarding the Company, our business, prospects and our results of operations that are subject to certain risks and uncertainties posed by many factors and events that could cause our actual business, prospects and results of operations to differ materially from those that may be anticipated by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those described in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the Securities and Exchange Commission (the “SEC”) and in our other filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may subsequently arise. Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the SEC that advise interested parties of the risks and factors that may affect our business.

The interim financial statements and related notes thereto filed in this Form 10-Q and the discussions contained herein should be read in conjunction with the annual financial statements and notes included in our Form 10-K for the year ended December 31, 2015, as filed with the SEC, which includes audited consolidated financial statements for our three fiscal years ended December 31, 2015.

### **General**

Lincoln Educational Services Corporation and its subsidiaries (collectively, the “Company”, “we”, “our” and “us”, as applicable) provide diversified career-oriented post-secondary education to recent high school graduates and working adults. The Company, which currently operates 30 schools in 15 states, offers programs in automotive technology, skilled trades (which include HVAC, welding and computerized numerical control and electronic systems technology, among other programs), healthcare services (which include nursing, dental assistant, medical administrative assistant and pharmacy technician, among other programs), hospitality services (which include culinary, therapeutic massage, cosmetology and aesthetics) and business and information technology (which includes information technology and criminal justice programs). The schools operate under the Lincoln Technical Institute, Lincoln College of Technology, Lincoln College of New England, Lincoln Culinary Institute, and Euphoria Institute of Beauty Arts and Sciences brand names. Most of the campuses serve major metropolitan markets and each typically offers courses in multiple areas of study. Five of the campuses are destination schools, which attract students from across the United States and, in some cases, from abroad. The Company’s other campuses primarily attract students from their local communities and surrounding areas. All of the campuses are nationally or regionally accredited and are eligible to participate in federal financial aid programs by the U.S. Department of Education and applicable state education agencies and accrediting commissions which allow students to apply for and access federal student loans as well as other forms of financial aid.

In the first quarter of 2015, we reorganized our operations into three reportable business segments: (a) Transportation and Skilled Trades, (b) Healthcare and Other Professions, and (c) Transitional which refers to businesses that are currently being phased out. In November, 2015, the Board of Directors of the Company approved a plan for the Company to divest 17 of 18 of the schools included in its Healthcare and Other Professions business segment. Then, in December 2015, the Board of Directors approved a plan to cease operations of the remaining schools in the Healthcare and Other Professions segment in Hartford, Connecticut. That school is scheduled to close in the fourth quarter of 2016. Implementation of the plan would result in the Company’s operations focused solely on the Transportation and Skilled Trades segment. This divestiture marks a shift in our business strategy will enable us to focus energy and resources predominantly on Transportation and Skilled Trades though some other programs will continue to be available at some campuses. The results of operations of the 17 campuses slated for divestiture are reflected as discontinued operations in the condensed consolidated financial statements.

As of June 30, 2016, we had 11,417 students enrolled at 30 campuses in our programs (7,041 students enrolled at 13 campuses that are included in continuing operations).

### **Subsequent Events**

On July 1, 2016, New England Institute of Technology at Palm Beach, Inc. (“NEIT”), a wholly-owned subsidiary of the Company, entered into a purchase and sale agreement (the “WPB Sale Agreement”) with School Property Development Metrocentre, LLC (“SPD”), pursuant to which NEIT has agreed to sell to SPD the real property owned by NEIT located at 2400 and 2410 Metrocentre Boulevard East, West Palm Beach, Florida, including the improvements and other personal property located thereon (the “WPB Property”) for a cash purchase price of approximately \$15.9 million. The WPB Sale Agreement contains customary representations, warranties, covenants and conditions to closing for agreements of this type.

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Concurrently with the closing of the sale of the WPB Property and pursuant to the WPB Sale Agreement, NEIT will enter into a short-term lease agreement (the “WPB Lease”) with SPD under which NEIT will lease back the WPB Property for continued use as a school in order to allow the teach-out of currently enrolled students. The monthly rental obligation under the WPB Lease is \$100,000 plus the direct payment by NEIT of all real estate and other taxes and utility charges assessed against the WPB Property. The term of the WPB Lease will run from the closing date through March 31, 2017, subject to extension at the option of NEIT for three additional months through June 30, 2017. Upon the closing, as required by the Company’s credit agreement with its lender, the Company will repay, from the net cash proceeds of the sale, \$10 million of the principal amount of its term loan, plus a \$.5 million prepayment premium and accrued interest on the amount repaid. The Company expects that, assuming all conditions to closing are met, it will close on the sale in the third quarter of 2016.

The foregoing description does not purport to be complete and is qualified in its entirety by reference to the full text of the WPB Sale Agreement filed as Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q, which is incorporated herein by reference.

### Discontinued Operations

The results of operations at the 17 campuses slated for divestiture, as discussed above, for the three and six months ended June 30, 2016 and 2015 were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenue	\$ 26,186	\$ 27,654	\$ 53,387	\$ 56,700
Loss before income tax	(413)	(2,010)	(352)	(2,751)
Income tax benefit	-	-	-	-
Net loss from discontinued operations	\$ (413)	\$ (2,010)	\$ (352)	\$ (2,751)

### Critical Accounting Policies and Estimates

Our discussions of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the period. On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, bad debts, impairments, income taxes, benefit plans and certain accruals. Actual results could differ from those estimates. The critical accounting policies discussed herein are not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not result in significant management judgment in the application of such principles. We believe that the following accounting policies are most critical to us in that they represent the primary areas where financial information is subject to the application of management’s estimates, assumptions and judgment in the preparation of our consolidated financial statements.

**Revenue Recognition.** Revenues are derived primarily from programs taught at the Company’s schools. Tuition revenues, textbook sales and one-time fees, such as nonrefundable application fees and course material fees, are recognized on a straight-line basis over the length of the applicable program as the student proceeds through the program, which is the period of time from a student’s start date through his or her graduation date, including internships or externships that take place prior to graduation, and the Company completes the performance of teaching the student which entitles the Company to the revenue. Other revenues, such as tool sales and contract training revenues are recognized as services are performed or goods are delivered. On an individual student basis, tuition earned in excess of cash received is recorded as accounts receivable, and cash received in excess of tuition earned is recorded as unearned tuition.

The Company evaluates whether collectability of revenue is reasonably assured prior to the student attending class and reassesses collectability of tuition and fees when a student withdraws from a course. The Company calculates the amount to be returned under Title IV and its stated refund policy to determine eligible charges. If there is a balance due from the student after this calculation, the Company expects payment from the student and the Company has a process to pursue uncollected accounts whereby, based upon the student's financial means and ability to pay, a payment plan is established with the student to ensure that collectability is reasonably assured. The Company continuously monitors its historical collections to identify potential trends that may impact our determination that collectability of receivables for withdrawn students is realizable. If a student withdraws from a program prior to a specified date, any paid but unearned tuition is refunded. Refunds are calculated and paid in accordance with federal, state and accrediting agency standards. Generally, the amount to be refunded to a student is calculated based upon the period of time the student has attended classes and the amount of tuition and fees paid by the student as of his or her withdrawal date. These refunds typically reduce deferred tuition revenue and cash on our consolidated balance sheets as the Company generally does not recognize tuition revenue in its consolidated statements of income (loss) until the related refund provisions have lapsed. Based on the application of its refund policies, the Company may be entitled to incremental revenue on the day the student withdraws from one of its schools. Prior to the year-ended December 31, 2015, the Company recorded this incremental revenue, any related student receivable and any estimate of the amount it did not expect to collect as bad debt expense during the quarter a student withdrew based on its analysis of the collectability of such amounts on an aggregate student portfolio basis, for which the Company had significant historical experience. Beginning in the three months ended December 31 2015, the Company recorded revenue for students who withdraw from one of its schools when payment is received because collectability on an individual student basis is not reasonably assured. The Company determined incremental revenue recognized for students who withdrew during the nine-months ended September 30, 2015 to be an immaterial error which was corrected during the fourth quarter of 2015. This resulted in a reduction of net revenues by \$0.3 million and bad debt expense by \$0.2 million, which resulted in an increase to the loss from continuing operations of \$0.1 million for the year ended December 31, 2015. Additionally, this correction reduced net student receivables from continuing operations by \$0.1 million. Prior year amounts, including quarterly financial results were not restated because the effects were not material.

**Allowance for uncollectible accounts.** Based upon our experience and judgment, we establish an allowance for uncollectible accounts with respect to tuition receivables. We use an internal group of collectors, augmented by third-party collectors as deemed appropriate, in our collection efforts. In establishing our allowance for uncollectible accounts, we consider, among other things, current and expected economic conditions, a student's status (in-school or out-of-school), whether or not a student is currently making payments and overall collection history. Changes in trends in any of these areas may impact the allowance for uncollectible accounts. The receivables balances of withdrawn students with delinquent obligations are reserved based on our collection history. Although we believe that our reserves are adequate, if the financial condition of our students deteriorates, resulting in an impairment of their ability to make payments, additional allowances may be necessary, which will result in increased selling, general and administrative expenses in the period such determination is made.

Our bad debt expense as a percentage of revenue for the three months ended June 30, 2016 and 2015 was 5.2% and 6.3%, respectively. Our bad debt expense as a percentage of revenue for the six months ended June 30, 2016 and 2015 was 5.1% and 5.6%, respectively. The improvement in our bad debt was mainly the result of improved historical collection rates and shift in student mix. Our exposure to changes in our bad debt expense could impact our operations. A 1% increase in our bad debt expense as a percentage of revenues for each of the three months ended June, 2016 and 2015 would have resulted in an increase in bad debt expense of \$0.4 million and \$0.4 million, respectively. A 1% increase in our bad debt expense as a percentage of revenues for each of the six months ended June, 2016 and 2015 would have resulted in an increase in bad debt expense of \$0.9 million and \$0.9 million, respectively.

We do not believe that there is any direct correlation between tuition increases, the credit we extend to students and our loan commitments. Our loan commitments to our students are made on a student-by-student basis and are predominantly a function of the specific student's financial condition. We only extend credit to the extent there is a financing gap between the tuition charged for the program and the amount of grants, cash, loans and parental loans that each student receives. Each student's funding requirements are unique. Factors that determine the amount of aid available to a student are student status (whether they are dependent or independent students), Pell Grants awarded, Plus Loans awarded or denied to parents and family contributions. As a result, it is extremely difficult to predict the number of students that will need us to extend credit to them. Our tuition increases have ranged historically from 2% to 5% annually and have not meaningfully impacted overall funding requirements.

Because a substantial portion of our revenue is derived from Title IV programs, any legislative or regulatory action that significantly reduces the funding available under Title IV programs or the ability of our students or schools to participate in Title IV programs could have a material effect on the realizability of our receivables.

**Goodwill.** We test our goodwill for impairment annually, or whenever events or changes in circumstances indicate an impairment may have occurred, by comparing its fair value to its carrying value. Impairment may result from, among other things, deterioration in the performance of the acquired business, adverse market conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of the acquired business, and a variety of other circumstances. If we determine that impairment has occurred, we are required to record a write-down of the carrying value and charge the impairment as an operating expense in the period the determination is made. In evaluating the recoverability of the carrying value of goodwill and other indefinite-lived intangible assets, we must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the acquired assets. Changes in strategy or market conditions could significantly impact these judgments in the future and require an adjustment to the recorded balances.

There was no goodwill impairment during the three and six months ended June 30, 2016 and 2015.

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**Long-lived assets.** We review the carrying value of our long-lived assets and identifiable intangibles for possible impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. We evaluate long-lived assets for impairment by examining estimated future cash flows. These cash flows are evaluated by using weighted probability techniques as well as comparisons of past performance against projections. Assets may also be evaluated by identifying independent market values. If we determine that an asset's carrying value is impaired, we will record a write-down of the carrying value of the asset and charge the impairment as an operating expense in the period in which the determination is made.

There was no long-lived asset impairment during the three and six months ended June 30, 2016 and 2015.

**Bonus costs.** We accrue the estimated cost of our bonus programs using current financial information as compared to target financial achievements and key performance objectives. Although our recorded liability for bonuses is based on our best estimate of the obligation, actual results could differ and require adjustment of the recorded balance.

**Income taxes.** We account for income taxes in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Code ("ASC") Topic 740, "Income Taxes" ("ASC 740"). This statement requires an asset and liability approach for measuring deferred taxes based on temporary differences between the financial statement and tax basis of assets and liabilities existing at each balance sheet date using enacted tax rates for years in which taxes are expected to be paid or recovered.

In accordance with ASC 740, we assess our deferred tax asset to determine whether all or any portion of the asset is more likely than not unrealizable. A valuation allowance is required to be established or maintained when, based on currently available information, it is more likely than not that all or a portion of a deferred tax asset will not be realized. In accordance with ASC 740, our assessment considers whether there has been sufficient income in recent years and whether sufficient income is expected in future years in order to utilize the deferred tax asset. In evaluating the realizability of deferred income tax assets, we considered, among other things, historical levels of income, expected future income, the expected timing of the reversals of existing temporary reporting differences, and the expected impact of tax planning strategies that may be implemented to prevent the potential loss of future income tax benefits. Significant judgment is required in determining the future tax consequences of events that have been recognized in our consolidated financial statements and/or tax returns. Differences between anticipated and actual outcomes of these future tax consequences could have a material impact on our consolidated financial position or results of operations. Changes in, among other things, income tax legislation, statutory income tax rates, or future income levels could materially impact our valuation of income tax assets and liabilities and could cause our income tax provision to vary significantly among financial reporting periods. On the basis of this evaluation the realization of our deferred tax assets was not deemed to be more likely than not and thus we have provided a valuation allowance on our net deferred tax assets.

We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. During the three and six months ended June 30, 2016 and 2015, there were no interest and penalties expense associated with uncertain tax positions.

**Effect of Inflation**

Inflation has not had a material effect on our operations.

## Results of Continuing Operations

Certain reported amounts in our analysis have been rounded for presentation purposes. The following table sets forth selected consolidated statements of continuing operations data as a percentage of revenues for each of the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenue	100.0%	100.0%	100.0%	100.0%
Costs and expenses:				
Educational services and facilities	51.7%	50.3%	52.5%	49.2%
Selling, general and administrative	55.1%	59.4%	58.7%	60.9%
Gain on sale of assets	0.0%	0.0%	-0.5%	0.0%
Total costs and expenses	106.8%	109.8%	110.7%	110.0%
Operating loss	-6.8%	-9.8%	-10.7%	-10.0%
Interest expense, net	-3.6%	-3.4%	-3.6%	-3.2%
Other income	4.0%	0.8%	4.0%	0.6%
Loss from continuing operations before income taxes	-6.4%	-12.4%	-10.3%	-12.6%
Provision for income taxes	0.1%	0.1%	0.1%	0.1%
Loss from continuing operations	-6.5%	-12.5%	-10.4%	-12.7%

### Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

#### Consolidated Results of Operations

**Revenue.** Revenue decreased by \$2.8 million, or 6.4%, to \$41.9 million for the three months ended June 30, 2016 from \$44.7 million in the prior comparable period of 2015. The decrease was a result of starting 2016 with approximately 800 fewer students than we had on January 1, 2015 which led to a 9.6% decline in average student population to approximately 6,600 as of June 30, 2016 from 7,300 as of June 30 of the prior year comparable quarter. Student start results for the quarter stabilized compared to the comparable quarter in the prior year. For the three months ended June 30, 2016, starts decreased by 0.5% compared to the same period in 2015. This was an improvement in comparison to the decline of approximately 10% during the same period in 2015 compared to the comparable quarter in 2014. Excluding the Transitional segment, the Company experienced a slight growth in starts to 1,936 for the quarter ended June 30, 2016 compared to 1,930 for the second quarter of 2015.

Partially offsetting the decrease in revenue was an increase of 3.5% in average revenue per student for the three months ended June 30, 2016 due to a shift in program mix.

We continue to face certain challenges in growing our student population levels including the impact Department of Education (“DOE”) incentive compensation regulations have on compensation practices for our admissions representatives, a low national unemployment rate and increased competition from peers and community colleges. We remain focused on our strategy to fully divest our Healthcare and Other Professions segment and continue to form partnership relationships to increase student population.

**Educational services and facilities expense.** Our educational services and facilities expense decreased by \$0.8 million, or 3.7%, to \$21.7 million for the three months ending June 30, 2016 from \$22.5 million in the prior year comparable period.

The expense reductions were primarily due to a decrease of \$0.6 million in instructional, books and tools expense driven by lower instructional expenses of \$0.8 million, or 7.8%, as a result of a reduction in the number of instructors and other related costs resulting from lower average student population, partially offset by a \$0.2 million, or 13.1% increase in books and tools expense incurred from the purchase of laptops which were provided to newly enrolled students in certain programs to enhance and expand the student overall learning experience.

Our facilities expense decreased by \$0.3 million, or 2.8%, resulting from two main factors. The first factor is a general reduction in facilities costs due to (a) the closure of the Fern Park, Florida campus during the first quarter of 2016; (b) the over 300,000 square foot reduction at the Hartford, Connecticut campus, which is scheduled to be taught-out by year-end; and (c) lower rent expense as a result of certain lease renegotiations. These savings were largely offset by increased rent expense resulting from the modification of a lease at three of our campuses which were previously accounted for as finance obligations under which rent payments were previously included in interest expense and the conversion of the lease for our Hartford, Connecticut campus from a capital lease to an operating lease during the first quarter of 2016. The second factor is a decrease in depreciation expense of approximately \$0.2 million, or 7.8%, as a result of accelerated depreciation expense in 2015 in connection with the Transitional segment campuses partially offset by additional depreciation expense in 2016 as a result of the reclassification of two facilities out of held for sale as of December 31, 2015.

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Our educational expenses contain a high fixed cost component and are not as scalable as some of our other expenses. As our student population decreases, we typically experience a reduction in average class size and therefore, are not always able to align these expenses with the corresponding decrease in population. Educational services and facilities expenses, as a percentage of revenue, increased to 51.7% from 50.3% in the prior year period.

**Selling, general and administrative expense.** Our selling, general and administrative expense decreased by \$3.5 million, or 13.2%, to \$23.1 million for the three months ended June 30, 2016 from \$26.6 million in the prior comparable period of 2015.

Administrative expense was lower by \$2.8 million, or 18.6%, as a result of approximately \$1.3 million in reduced salaries and benefit costs mainly due to lower healthcare claims, cost savings of \$0.4 million in connection with the closure of the Fern Park, Florida facility during the first quarter of 2016, and a \$0.6 decrease in bad debt expense which as a percentage of revenue was 5.2%. The improvement in bad debt expense was mainly the result of improved historical collection rates and shift in student mix.

Sales and marketing expense decreased by \$0.4 million, or 4.9%, as a result of a reduction of \$0.5 million in sales expense partially offset by an increase in marketing spending of \$0.1 million. The reduction in sales expense was mainly attributable to a reduction in the number of admissions representatives dedicated to the destination schools as a result of our implementation of a centralized call center which also reduced travel expense.

Student services expense decreased by \$0.2 million, or 10.4%, as a result of aligning support services with lower levels of population.

As a percentage of revenues, selling, general and administrative expense decreased to 55.1% for the quarter ended June 30, 2016 from 59.4% for the quarter ended June 30, 2015.

**Net interest expense.** For the three months ended June 30, 2016, our net interest expense remained essentially flat at \$1.5 million. There was an increase in our interest expense of \$1 million primarily resulting from our new Credit Agreement, which was offset by the transition of our finance obligation at three of our campuses to operating leases coupled with the lease termination agreements for our Fern Park, Florida and Hartford, Connecticut facilities which were previously accounted for as capital leases.

**Income taxes.** Our provision for income taxes was \$0.1 million, or 1.9% of pretax loss, in the second quarter of 2016, compared to \$0.1 million, or 0.9% of pretax loss, in the prior year period. No federal or state income tax benefit was recognized for the current period loss due to the recognition of a full valuation allowance. Income tax expense resulted from various minimal state tax expenses.

## Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

### Consolidated Results of Operations

**Revenue.** Revenue decreased by \$7.1 million, or 7.7%, to \$85.3 million for the six months ended June 30, 2016 from \$92.4 million in the prior comparable period of 2015. The decrease was a result of starting 2016 with approximately 800 fewer students than we had on January 1, 2015. This led to a 10.8% decline in average student population to approximately 6,700 as of June 30, 2016 from 7,500 as of June 30 in the prior year. Excluding the Transitional segment, starts were lower by 3.3% during the first half of 2016 compared to the first half of 2015.

Although 2016 average student population continues to be negatively impacted by the beginning of year population, start declines have slowed down as evidenced by the results for the six months ended June 30, 2016 compared to the prior year comparable periods. Starts for the first six months in 2016 were lower by 5.7% when compared to 2015, while starts for the first half of 2015 declined 8.5% as compared to the comparable period in 2014.

Partially offsetting the decrease in revenue was an increase of 3.4% in average revenue per student for the six months ended June 30, 2016 due to a shift in program mix.

We continue to face certain challenges in growing our student population levels, including the impact that DOE incentive compensation regulations have on compensation practices for our admissions representatives, a low national unemployment rate and increased competition from peers and community colleges. We remain focused on our strategy to fully divest our Healthcare and Other Professions segment and continue to form partnership relationships to increase student population.

**Educational services and facilities expense.** Our educational services and facilities expense decreased by \$0.6 million, or 1.3%, to \$44.8 million for the six months ending June 30, 2016 from \$45.4 million in the prior year comparable period.

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The decrease in expense was primarily due to a \$1.7 million, or 7.9%, reduction in our instructional expenses as a result of a reduction in the number of instructors and other related costs resulting from lower average student population, partially offset by an increase of \$0.3 million in books and tools expense resulting from the purchase of laptops which were provided to newly enrolled students in certain programs to enhance and expand their overall learning experience.

Our facilities expense increased by \$0.7 million, or 3.6% resulting from a) additional depreciation expense as a result of the reclassification of two campus out of held for sale as of December 31, 2015; b) increased rent expense resulting from the modification of a lease at three of our campuses which were previously accounted for as finance obligations under which rent payments were previously included in interest expense; and c) the conversion of the lease for our Hartford, Connecticut campus from a capital lease to an operating lease during the quarter ended March 31, 2016.

Our educational expenses contain a high fixed cost component and are not as scalable as some of our other expenses. As our student population decreases, we typically experience a reduction in average class size and, therefore, are not always able to align these expenses with the corresponding decrease in population. Educational services and facilities expenses, as a percentage of revenue, increased to 52.5% from 49.2%.

**Selling, general and administrative expense.** Our selling, general and administrative expense decreased by \$6.1 million, or 10.9%, to \$50.1 million for the six months ended June 30, 2016 from \$56.2 million in the prior year comparable period.

Administrative expense was lower by \$4.4 million, or 13.6%, as a result of (a) a \$2.6 million reduction in salaries and benefit costs mainly due to lower healthcare claims, which was partially offset by approximately \$0.7 million in severance paid during the first quarter of 2016; (b) cost savings of \$0.7 million in relation to the completion of the teach-out at our Fern Park, Florida campus; and (c) a \$0.8 decrease in bad debt expense which as a percentage of revenue was 5.1% for the six months ended June 30, 2016, compared to 5.6% for the same period in 2015. The improvement in bad debt expense was mainly the result of improved historical collection rates and shift in student mix.

Sales and marketing expenses decreased by \$1.4 million, or 7.0%, as a result of a reduction of \$1 million in sales expense in combination with a decrease in marketing expense of \$0.4 million. The reduction in sales expense was mainly attributable to a reduction in the number of admissions representatives dedicated to the destination schools as a result of our implementation of a centralized call center reducing travel and salary expense. The decrease in marketing expense is largely the result of suspended marketing efforts at the Fern Park, Florida and Hartford, Connecticut campuses. The Fern Park, Florida campus completed its teach out process as of March 31, 2016 and the Hartford, Connecticut campus is still on schedule to be fully taught out by December 31, 2016.

Student services expense decreased by \$0.4 million, or 8.4%, as a result of aligning support services with lower levels of population.

As a percentage of revenues, selling, general and administrative expense decreased to 58.7% for the six months ended June 30, 2016 from 60.8% for the prior year comparable period.

**Net interest expense.** For the six months ended June 30, 2016 our net interest expense remained essentially flat at \$3 million. There was an increase in our interest expense of \$1.8 primarily resulting from our new Term Loan, which was offset by the transition of our finance obligation at three of our campuses to operating leases coupled with the lease termination agreements for the Fern Park, Florida and Hartford, Connecticut facilities which were previously accounted for as capital leases.

**Income taxes.** Our provision for income taxes was \$0.1 million, or 1.1% of pretax loss, for the six months ended June 30, 2016, compared to \$0.1 million, or 0.9% of pretax loss, in the prior year period. No federal or state income tax benefit was recognized for the current period loss due to the recognition of a full valuation allowance. Income tax expense resulted from various minimal state tax expenses.

## Segment Results of Operations

The for-profit education industry has been impacted by numerous regulatory changes, the changing economy and an onslaught of negative media attention. As a result of these actions, student populations have declined and operating costs have increased. Over the past few years, the Company has closed over ten locations and exited its online business. On November 3, 2015, the Company's Board of Directors approved a plan to divest 17 of the 18 schools included in the Company's Healthcare and Other Professions business segment. The 17 campuses associated with this decision are reported in discontinued operations on the condensed consolidated statements of operations. On December 3, 2015, our Board of Directors approved a plan to cease operations at the remaining school in this segment, located in Hartford, Connecticut, which is scheduled to be taught out in the fourth quarter of 2016. The Company reviewed how it is structured and changed its organization, including reorganizing its Group Presidents to oversee each of the reporting segments. By aggregating the remaining 14 operating segments (Fern Park, Florida campus was fully taught out as of March 31, 2016) into two reporting segments, the Company is better able to allocate financial and human resources to respond to its markets with the goal of improving its profitability and competitive advantage.

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In the past, we offered any combination of programs at any campus. We have changed our focus to program offerings that create greater differentiation and attain excellence to attract more students and gain market share. Also strategically, we began offering continuing education training to employers who hire our students and this is best achieved at campuses focused on their profession.

As a result of these environmental, market forces and strategic decisions, we now operate in two reportable segments: a) Transportation and Skilled Trades and b) Transitional.

Our reportable segments have been determined based on a method by which we now evaluate performance and allocate resources. Each reportable segment represents a group of post-secondary education providers that offer a variety of degree and non-degree academic programs. These segments are organized by key market segments to enhance operational alignment within each segment to more effectively execute our strategic plan. Each of the Company's schools is a reporting unit and an operating segment. Our operating segments have been aggregated into two reportable segments because, in our judgment, the reporting units have similar services, types of customers, regulatory environment and economic characteristics. Our reporting segments are described below.

**Transportation and Skilled Trades** – Transportation and Skilled Trades offers academic programs mainly in the career-oriented disciplines of transportation and skilled trades (e.g. automotive, diesel, HVAC, welding and manufacturing).

**Transitional** – Transitional refers to operations that are being phased out and consists of our campuses that are currently being taught out. These schools are employing a gradual teach-out process that enables the schools to continue to operate while current students complete their course of study. These schools are no longer enrolling new students. In the first quarter of 2015, we announced that we are teaching out our campus in Fern Park, Florida and in December 2015, we announced that we are teaching out our campus in Hartford Connecticut. The teach-out at our Fern Park, Florida campus has been completed as of March 31, 2016 and the teach-out of our Hartford Connecticut campus is expected to be completed in December 2016.

We evaluate segment performance based on operating results. Adjustments to reconcile segment results to consolidated results are included under the caption "Corporate," which primarily includes unallocated corporate activity.

The following table present results for our two reportable segments:

	<b>Three Months Ended June 30,</b>		
	<b>2016</b>	<b>2015</b>	<b>% Change</b>
<b>Revenue:</b>			
Transportation and Skilled Trades	\$ 41,032	\$ 42,447	-3.3%
Transitional	862	2,292	-62.4%
Total	<u>\$ 41,894</u>	<u>\$ 44,739</u>	<u>-6.4%</u>
<b>Operating Income (Loss):</b>			
Transportation and Skilled Trades	\$ 2,431	\$ 2,770	-12.2%
Transitional	(1,147)	(1,926)	40.4%
Corporate	(4,123)	(5,219)	21.0%
Total	<u>\$ (2,839)</u>	<u>\$ (4,375)</u>	<u>35.1%</u>
<b>Starts:</b>			
Transportation and Skilled Trades	1,936	1,930	0.3%
Transitional	-	16	-100.0%
Total	<u>1,936</u>	<u>1,946</u>	<u>-0.5%</u>
<b>Average Population:</b>			
Transportation and Skilled Trades	6,489	6,978	-7.0%
Transitional	109	321	-66.0%
Total	<u>6,598</u>	<u>7,299</u>	<u>-9.6%</u>
<b>End of Period Population:</b>			
Transportation and Skilled Trades	6,950	7,321	-5.1%
Transitional	91	293	-68.9%
Total	<u>7,041</u>	<u>7,614</u>	<u>-7.5%</u>

### Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

#### Transportation and Skilled Trades

Revenue was lower by \$1.4 million, or 3.3%, to \$41 million in the three months ended June 30, 2016, as compared to \$42.4 million in the prior year comparable period, primarily driven by a 7.0% decline in average population which decreased to approximately 6,500 from 7,000 in the prior year comparable period, however, student starts grew slightly for the quarter ended June 30, 2016 compared to prior year comparable period. The decrease in average population was a result of starting 2016 with approximately 600 fewer students than we had on January 1, 2015.

The revenue decline from a lower population was slightly offset by a 3.8% increase in average revenue per student due to a shift in program mix.

Operating income was \$2.4 million compared to \$2.8 million, a decrease of \$0.3 million, or 12.2%, due to several factors:

- Educational services and facilities expense increased by \$0.5 million, comprised of: a \$0.4 million, or 5.0%, increase in facilities expense, primarily due to increased depreciation expense as a result of the reclassification of one campus out of held for sale as of December 31, 2015; increased rent expense resulting from the modification of a lease at three of our campuses which were previously accounted for as finance obligations under which rent payments were previously included in interest expense; and increased books and tools expenses resulting from the purchase of laptops which were provided to newly enrolled students in certain programs to enhance and expand their overall learning experience. These additional expenses were partially offset by \$0.3 million, or 3.1%, decrease in instructional expense as a result of realigning our cost structure to meet our student population.
- Selling, general and administrative expenses decreased by \$1.5 million, primarily comprised of a \$1.3 million decrease in administrative expense primarily the result of a decrease in salaries and benefits, lower bad debt expense and reduced legal expenses. The improvement in bad debt expense was mainly the result of an improved historical collection rates and shift in student mix.

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Despite the revenue decrease of \$1.4 million, operating income declined only by \$0.3 million as a result of cost management efforts.

**Transitional**

This segment consists of the Fern Park, Florida and Hartford, Connecticut campuses. The Fern Park, Florida campus has fully taught out all of its existing students and was officially closed as of March 31, 2016. The Hartford, Connecticut campus has ceased student enrollment and is currently still teaching out the remaining students through December 2016.

Revenue decreased by \$1.4 million, or 62.4%, to \$0.9 million for the three months ended June 30, 2016 from \$2.3 million, in the prior year comparable period. This decrease is mainly attributable to the closure of the Fern Park, Florida campus and the suspension of new student enrollment at our Hartford, Connecticut location which took effect in the fourth quarter of 2015.

Operating loss decreased by \$0.8 million, or 40.4%, to \$1.1 million from \$1.9 million.

**Corporate and Other**

This category includes unallocated expenses incurred on behalf of the Company. Corporate and Other costs decreased by \$1.1 million, or 21.0%, to \$4.1 for the three months ended June 30, 2016 from \$5.2 million for the comparable prior year quarter. This decrease was primarily a result of cost management efforts by the Company to meet its long term strategic goals and objectives.

The following table present results for our two reportable segments:

	<b>Six Months Ended June 30,</b>		
	<b>2016</b>	<b>2015</b>	<b>% Change</b>
<b>Revenue:</b>			
Transportation and Skilled Trades	\$ 83,303	\$ 87,291	-4.6%
Transitional	2,034	5,122	-60.3%
Total	<u>\$ 85,337</u>	<u>\$ 92,413</u>	<u>-7.7%</u>
<b>Operating Income (Loss):</b>			
Transportation and Skilled Trades	\$ 5,796	\$ 7,745	-25.2%
Transitional	(4,113)	(3,748)	-9.7%
Corporate	(10,846)	(13,208)	17.9%
Total	<u>\$ (9,163)</u>	<u>\$ (9,211)</u>	<u>0.5%</u>
<b>Starts:</b>			
Transportation and Skilled Trades	3,596	3,717	-3.3%
Transitional	-	98	-100.0%
Total	<u>3,596</u>	<u>3,815</u>	<u>-5.7%</u>
<b>Average Population:</b>			
Transportation and Skilled Trades	6,521	7,101	-8.2%
Transitional	135	364	-62.9%
Total	<u>6,656</u>	<u>7,465</u>	<u>-10.8%</u>
<b>End of Period Population:</b>			
Transportation and Skilled Trades	6,950	7,321	-5.1%
Transitional	91	293	-68.9%
Total	<u>7,041</u>	<u>7,614</u>	<u>-7.5%</u>

#### Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

##### Transportation and Skilled Trades

Revenue decreased by \$4 million, or 4.6%, to \$83.3 million in the six months ending June 30, 2016, as compared to \$87.3 million in the prior year comparable period, primarily driven by an 8.2% decline in average population which decreased to approximately 6,500 from 7,100 in the prior year comparable period. The decrease in average population was a result of starting 2016 with approximately 600 fewer students than we had on January 1, 2015.

The overall starts number is lower by 3.3% compared to 2015; however, it is an improvement compared to the 5.3% decline for the same period in 2015 compared to the second quarter of 2014.

The revenue decline from a lower population was slightly offset by a 3.8% increase in average revenue per student due to a shift in program mix.

Operating income was \$5.8 million compared to \$7.7 million, a decrease of \$2 million, or 25.2%, driven by the following main factors:

- Educational services and facilities expense increased by \$0.6 million, comprised of a \$0.9 million, or 5.3%, increase in facilities expense, primarily due to increased depreciation expense as a result of the reclassification of one campus out of held for sale as of December 31, 2015; increased rent expense resulting from the modification of a lease at three of our campuses which were previously accounted for as finance obligations under which rent payments were previously included in interest expense; and increased books and tools expenses resulting from the purchase of laptops which were provided to newly enrolled students in certain programs to enhance and expand their overall learning experience. Partially offsetting the above increases was a \$0.8 million, or 4.2%, decrease in instructional expense as a result of realigning our cost structure to meet our population.

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- Selling, general and administrative expenses decreased by \$2.6 million primarily comprised of a \$1.9 million decrease in administrative expenses which was primarily the result of a decrease in salaries and benefits, lower bad debt expense and reduced legal expenses. The improvement in bad debt expense was mainly the result of an improved historical collection rates and shift in student mix.

Despite the revenue decrease of \$4 million, operating income declined only by \$2 million, as a result of cost management measures implemented which will continue in order to further improve operating efficiencies.

**Transitional**

This segment consists of our Fern Park, Florida and Hartford, Connecticut campuses where we have ceased student enrollment. Our Fern Park, Florida campus has fully taught out all of its existing students and is officially closed as of March 31, 2016, while our Hartford, Connecticut campus is currently still teaching out the remaining students through December 2016.

Revenue decreased by \$3.1 million, or 60.3%, to \$2 million for the six months ended June 30, 2016 from \$5.1 million, in the prior year comparable period. This decrease is mainly attributable to the closing of our Fern Park, Florida campus and the suspension of new student enrollment at our Hartford, Connecticut location which took effect in the fourth quarter of 2015.

Operating loss increased by \$0.4 million, or 9.7%, to \$4.1 million from \$3.7 million.

**Corporate and Other**

This category includes unallocated expenses incurred on behalf of the Company. Corporate and Other costs decreased by \$2.4 million, or 17.9%, to \$10.8 for the six months ended June 30, 2016 from \$13.2 million for the six months ended June 30, 2015. This decrease was primarily a result of cost management efforts by the Company to meet its long term strategic goals and objectives.

**LIQUIDITY AND CAPITAL RESOURCES**

Our primary capital requirements are for facilities expansion and maintenance, and the development of new programs. Our principal sources of liquidity have been cash provided by operating activities and borrowings under our term loan facility. The following chart summarizes the principal elements of our cash flow:

	<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
Net cash used in operating activities	\$ (18,138)	\$ (11,646)
Net cash used in investing activities	(307)	(1,218)
Net cash (used in) provided by financing activities	(9,025)	5,415

As of June 30, 2016, we had cash and cash equivalents of \$37.8 million, including restricted cash of \$26.8 million representing a decrease of approximately \$23.2 as compared to \$61 million of cash, cash equivalents and restricted cash as of December 31, 2015. This decrease is primarily the result of a net loss during the year of approximately \$9.2 million; a \$2.9 million lease termination fee paid in connection with the termination of the lease for our Fern Park, Florida campus; \$0.7 million loan modification fee paid to our lender in relation to an amendment of our Term Loan; and \$0.7 million in severance paid during the six months ended June 30, 2016. In addition, the decrease in our cash position is reflective of the seasonality of the industry, the reduction in revenue, and the timing of Title IV funds received.

For the last several years, we and the proprietary school sector generally have faced deteriorating earnings growth. Government regulations have negatively impacted earnings by making it more difficult for potential students to obtain loans, which when coupled with the overall economic environment have discouraged potential students from enrolling in our schools. In light of these factors, we have incurred significant operating losses as a result of lower student population. Despite these events, we believe that our likely sources of cash should be sufficient to fund operations for the next twelve months. As of June 30, 2016, our available sources of cash primarily include cash from operations and cash and cash equivalents of \$10.9.

To fund our business plans, including any anticipated future losses, purchase commitments, capital expenditures and principal and interest payments on borrowings, we leveraged our owned real estate that is not classified as held for sale. We are also continuing to take actions to improve cash flow by aligning our cost structure to our student population.

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Our primary source of cash is tuition collected from our students. The majority of students enrolled at our schools rely on funds received under various government-sponsored student financial aid programs to pay a substantial portion of their tuition and other education-related expenses. The largest of these programs are Title IV Programs which represented approximately 80% of our cash receipts relating to revenues in 2015. Students must apply for a new loan for each academic period. Federal regulations dictate the timing of disbursements of funds under Title IV Programs and loan funds are generally provided by lenders in two disbursements for each academic year. The first disbursement is usually received approximately 31 days after the start of a student's academic year and the second disbursement is typically received at the beginning of the sixteenth week from the start of the student's academic year. Certain types of grants and other funding are not subject to a 30-day delay. In certain instances, if a student withdraws from a program prior to a specified date, any paid but unearned tuition or prorated Title IV financial aid is refunded according to federal, state and accrediting agency standards.

As a result of the significance of the Title IV funds received by our students, we are highly dependent on these funds to operate our business. Any reduction in the level of Title IV funds that our students are eligible to receive or any impact on our ability to be able to receive Title IV funds would have a significant impact on our operations and our financial condition. See "Risk Factors" in Item 1A, included in our Annual Report on Form 10-K for the year ended December 31, 2015.

***Operating Activities***

Net cash used in operating activities was \$18.1 million for the six months ended June 30, 2016 compared to \$11.6 million for the comparable period of 2015. The \$6.5 million decrease in net cash primarily resulted from a decrease in collections due to lower population and other working capital items.

***Investing Activities***

Net cash used in investing activities was \$0.3 million compared to \$1.2 million for the six months ended June 30, 2016 and 2015, respectively. Our primary use of cash in investing activities was capital expenditures associated with investments in training technology, classroom furniture, and new program build outs.

We currently lease a majority of our campuses. We own our campuses in Grand Prairie, Texas; West Palm Beach, Florida; Nashville, Tennessee; Suffield, Connecticut; and Denver, Colorado. We have 17 schools that are held for sale.

Capital expenditures are expected to approximate 2% of revenues in 2016. We expect to fund future capital expenditures with cash generated from operating activities and cash borrowed under our term loan.

***Financing Activities***

Net cash used in financing activities was \$9.0 million as compared to cash provided from financing activities of \$5.4 million for the six months ended June 30, 2016 and 2015, respectively. The decrease of \$13.6 million was due to \$2.9 million in lease termination payments resulting from the termination of our lease agreement for our Fern Park, Florida campus; a decrease in net borrowing of \$6 million for the six months ended June 30, 2016 as compared to the six months June 30, 2015; and the reclassification of \$5.0 million to restricted cash.

***Credit Agreement***

On July 31, 2015, the Company entered into a credit agreement with three lenders, Alostar Bank of Commerce ("Alostar"), HPF Holdco, LLC and Rushing Creek 4, LLC, led by HPF Service, LLC, as administrative agent and collateral agent (the "Agent"), for an aggregate principal amount of \$45 million (the "Term Loan"). The July 31, 2015 credit agreement, along with subsequent amendments to the Credit Agreement dated December 31, 2015 and February 29, 2016, are collectively referred to as the "Credit Agreement." As of December 31, 2015 and prior to the effectiveness of a second amendment to the Credit Agreement on February 29, 2016 (the "Second Amendment"), the Term Loan consisted of a \$30 million term loan (the "Term Loan A") from HPF Holdco, LLC, Rushing Creek 4, LLC and Tiger Capital Group, LLC, secured by a first priority lien in favor of the Agent on substantially all of the real and personal property owned by the Company, and a \$15 million term loan (the "Term Loan B") from Alostar secured by a \$15.3 million cash collateral account. Pursuant to the Second Amendment, the Company received an additional \$5 million term loan from Alostar with which the Company repaid \$5 million of the principal amount of the Term Loan A. Accordingly, upon the effectiveness of the Second Amendment, the aggregate term loans outstanding under the Credit Agreement were approximately \$45 million, consisting of an approximate \$25 million Term Loan A and a \$20 million Term Loan B. In addition, pursuant to the Second Amendment, the amount of cash collateral securing the Term Loan B was increased to \$20.3 million. At the Company's request, a percentage of the cash collateral may be released to the Company at the Agent's sole discretion and with the consent of Alostar upon the satisfaction of certain criteria as outlined in the Credit Agreement. The Term Loan, which matures on July 31, 2019, replaced a previously existing \$20 million revolving credit facility with Bank of America, N.A. and other lenders, which was due to expire on April 5, 2016. The previously existing revolving credit facility was terminated concurrently with the effective date of the Credit Agreement on July 31, 2015 (the "Closing Date").

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A portion of the proceeds of the Term Loan was used by the Company to (i) repay approximately \$6.3 million in outstanding principal, accrued interest and fees due under the previously existing revolving credit facility, (ii) fund the \$20.3 million cash collateral account securing the portion of the Term Loan provided by Alostara, (iii) fund approximately \$7.4 million in a cash collateral account securing the letters of credit issued under the previously existing revolving credit facility that remain outstanding after the termination of that facility and (iv) pay transaction expenses in connection with the Term Loan and the termination of the previously existing revolving credit facility. The remaining proceeds of the Term Loan of approximately \$11.0 million may be used by the Company to finance capital expenditures and for general corporate purposes consistent with the terms of the Credit Agreement.

Interest will accrue on the Term Loan at a per annum rate equal to the greater of (i) 11% or (ii) 90-day LIBOR plus 9% determined monthly by the Agent and will be payable monthly in arrears. The principal balance of the Term Loan will be repaid in equal monthly installments, commencing on August 1, 2017, determined as the quotient of (i) 10% of the outstanding principal balance of the Term Loan as of July 2, 2017 divided by (ii) 12. A final installment of principal and all accrued and unpaid interest will be due on the maturity date of the Term Loan.

The Term Loan may be prepaid, in whole or in part, at any time, subject to the payment of a prepayment premium equal to (i) 5% of the principal amount prepaid at any time up to but not including the second anniversary of the Closing Date and (ii) 3% of the principal amount prepaid at any time commencing on the second anniversary of the Closing Date up to but not including the third anniversary of the Closing Date. In the event of any sale or other disposition of a school or real property by the Company permitted under the Term Loan, the net proceeds of such sale or disposition must be used to prepay the Loan in an amount determined pursuant to the Credit Agreement, subject to the applicable prepayment premium; provided, however, that no prepayment premium will be due with respect to up to \$15 million of aggregate repayments of the Term Loan made during the first year that the Term Loan is outstanding. A portion of the net cash proceeds of any disposition of a school in an amount determined pursuant to the terms of the Term Loan, must be deposited and held as cash collateral in a deposit account controlled by the Agent until the conditions for release set forth in the Term Loan are satisfied. In connection with the assets which are currently classified as held for sale and are expected to be sold within one year, the Company is required to classify \$10 million as short term debt due to the Term Loan prepayment minimum required with respect to any such disposition.

The Term Loan contains customary representations, warranties and covenants such as minimum financial responsibility composite score, cohort default rate, and other financial covenants, including minimum liquidity, maximum capital expenditures, maximum 90/10 ratio and minimum EBITDA (as defined in the Term Loan), as well as affirmative and negative covenants and events of default customary for facilities of this type. Pursuant to the Second Amendment, the financial covenants were adjusted and, at the Company's election, will be adjusted for fiscal year 2017 and for each subsequent fiscal year until the maturity of the Term Loan at either the levels applicable to fiscal year 2016 (and each fiscal quarter thereof) contained in the Credit Agreement as of the Closing Date or the levels applicable to fiscal year 2016 (and each fiscal quarter thereof) contained in the Second Amendment. In the event that the Company elects to re-set the financial covenants at the 2016 covenant levels contained in the Second Amendment, the Company will be required to prepay on or before January 15, 2017, without prepayment penalty, amounts outstanding under the Term Loan up to \$4 million. The Company was in compliance with all financial covenants as of June 30, 2016.

The Credit Agreement contains events of default, the occurrence and continuation of which provide the Company's lenders with the right to exercise remedies against the Company and the collateral securing the Term Loan, including the Company's cash. These events of default include, among other things, the Company's failure to pay any amounts due under the Term Loan, a breach of covenants under the Credit Agreement, the Company's insolvency and the insolvency of its subsidiaries, the occurrence of a material adverse event, the occurrence of any default under certain other indebtedness, and a final judgment against the Company in an amount greater than \$1 million.

Also, in connection with the Term Loan, the Company paid to the Agent a commitment fee of \$1 million on the Closing Date and is required to pay to the Agent other customary fees for facilities of this type. Total fees for the Term Loan were \$2.8 million during the fiscal year 2015, which are included in deferred finance charges on the condensed consolidated balance sheet. During the first quarter of 2016, in connection with the effectiveness of the Second Amendment, the Company paid to the Agent a loan modification fee of \$0.5 million.

***L/C Credit Agreement***

On April 12, 2016, the Company entered into a credit agreement (the "L/C Agreement") with Sterling National Bank ("Sterling" under which Sterling has agreed to issue letters of credit from time to time at 100% margin against available funds in a cash collateral account maintained by the Company at Sterling. The maximum availability under the L/C Agreement is \$9.5 million. The Company will pay Sterling a letter of credit fee equal to 1.75% on the daily amount available to be drawn under each outstanding letter of credit, which fee is payable in quarterly installments in arrears. The L/C Agreement matures on April 1, 2017 and replaces a letter of credit facility with a prior lender. The L/C Agreement contains representations, warranties, affirmative and negative covenants and events of default customary for facilities of this type. As of June 30, 2016 there were no letters of credit outstanding under the L/C Agreement.

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The following table sets forth our long-term debt (in thousands):

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Term loan	\$ 41,510	\$ 42,124
Finance obligation	3,355	9,672
Capital lease-property (with a rate of 8.0%)	-	3,899
	<u>44,865</u>	<u>55,695</u>
Less current maturities	<u>(13,355)</u>	<u>(10,114)</u>
	<u>\$ 31,510</u>	<u>\$ 45,581</u>

As of June 30, 2016, we had outstanding loan commitments to our students of \$31.7 million, as compared to \$33.4 million at December 31, 2015. Loan commitments, net of interest that would be due on the loans through maturity, were \$23.6 million at June 30, 2016, as compared to \$24.8 million at December 31, 2015. Loan commitments decreased as a result of lower population and fewer campuses.

### Contractual Obligations

**Long-term Debt.** As of June 30, 2016, our current portion of long-term debt and our long-term debt consisted of borrowings under our Term Loan.

**Lease Commitments.** We lease offices, educational facilities and equipment for varying periods through the year 2030 at base annual rentals (excluding taxes, insurance, and other expenses under certain leases).

The following table contains supplemental information regarding our total contractual obligations as of June 30, 2016 (in thousands):

	<b>Payments Due by Period</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
Term Loan (including interest)	\$ 55,879	\$ 14,384	\$ 13,601	\$ 27,894	\$ -
Operating leases	106,644	21,200	37,706	24,520	23,218
Total contractual cash obligations	<u>\$ 162,523</u>	<u>\$ 35,584</u>	<u>\$ 51,307</u>	<u>\$ 52,414</u>	<u>\$ 23,218</u>

### Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of June 30, 2016, except for surety bonds. As of June 30, 2016, we posted surety bonds in the total amount of approximately \$14.9 million. Cash collateralized letters of credit of \$6.6 million are primarily comprised of letters of credit for the DOE and security deposits in connection with certain of our real estate leases. These off-balance sheet arrangements do not adversely impact our liquidity or capital resources.

### Seasonality and Outlook

#### Seasonality

Our revenue and operating results normally fluctuate as a result of seasonal variations in our business, principally due to changes in total student population. Student population varies as a result of new student enrollments, graduations and student attrition. Historically, our schools have had lower student populations in our first and second quarters and we have experienced larger class starts in the third quarter and higher student attrition in the first half of the year. Our second half growth is largely dependent on a successful high school recruiting season. We recruit our high school students several months ahead of their scheduled start dates, and thus, while we have visibility on the number of students who have expressed interest in attending our schools, we cannot predict with certainty the actual number of new student enrollments and the related impact on revenue. Our expenses, however, typically do not vary significantly over the course of the year with changes in our student population and revenue. During the first half of the year, we make significant investments in marketing, staff, programs and facilities to meet our second half of the year targets and, as a result, such expenses do not fluctuate significantly on a quarterly basis. To the extent new student enrollments, and related revenue, in the second half of the year fall short of our estimates, our operating results could be negatively impacted. We expect quarterly fluctuations in operating results to continue as a result of seasonal enrollment patterns. Such patterns may change as a result of new school openings, new program introductions, and increased enrollments of adult students and/or acquisitions.

## **Outlook**

Similar to many companies in the proprietary education sector, we have experienced significant deterioration in student enrollments over the last several years. This can be attributed to many factors including the economic environment and numerous regulatory changes such as changes to admissions advisor compensation policies, elimination of the ability-to-benefit (“ATB”), changes to the 90/10 Rule and cohort default rates, gainful employment and modifications to Title IV amounts and eligibility. While the industry has not returned to growth the trends are far more stable as declines have slowed.

As the economy continues to improve and the unemployment rate continues to decline our student enrollment is negatively impacted due to a portion of our potential student base entering the workforce prematurely without obtaining any post-secondary training. Offsetting this short term decline in available students is the fact that an increasing number of the “baby boom” generation are retiring from the workforce. The retirement of baby boomers coupled with a growing economy has resulted in additional employers looking to us to help solve their workforce needs. With schools in 15 states, we are a very attractive employment solution for large regional and national employers.

To fund our business plans, including any anticipated future losses, purchase commitments, capital expenditures, principal and interest payments on borrowings and to satisfy the DOE financial responsibility standards, we have entered into a new Credit Agreement described above and continue to have the ability to sell our assets that are classified as held for sale. We are also continuing to take actions to improve cash flow by aligning our cost structure to our student population.

On November 3, 2015, our Board of Directors approved a plan for us to divest our Healthcare and Other Professions business segment. Implementation of the plan results in our operations focused solely on the Transportation and Skilled Trades business segment. Due to the Board’s decision to divest the Healthcare and Other Professions business segment, this segment was classified as discontinued operations and asset and liabilities classified as held for sale.

## **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to certain market risks as part of our on-going business operations. On July 31, 2015, the Company repaid in full and terminated a previously existing revolving line of credit with the proceeds of a new \$45 million Term Loan. Our obligations under the Term Loan are secured by a lien on substantially all of our assets and our subsidiaries and any assets that we or our subsidiaries may acquire in the future. Outstanding borrowings bear interest at the rate of 11.0% as of June 30, 2016. As of June 30, 2016, we had \$44.3 million outstanding under the Term Loan.

Based on our outstanding debt balance as of June 30, 2016, a change of one percent in the interest rate would have caused a change in our interest expense of approximately \$0.4 million, or \$0.02 per basic share, on an annual basis. Changes in interest rates could have an impact however on our operations, which are greatly dependent on students’ ability to obtain financing. Any increase in interest rates could greatly impact our ability to attract students and have an adverse impact on the results of our operations. The remainder of our interest rate risk is associated with miscellaneous capital equipment leases, which is not significant.

## **Item 4. CONTROLS AND PROCEDURES**

(a) *Evaluation of disclosure controls and procedures.* Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e)) as of the end of the quarterly period covered by this report, have concluded that our disclosure controls and procedures are adequate and effective to reasonably ensure that material information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission’s Rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) *Changes in Internal Control Over Financial Reporting.* There were no changes made during our most recently completed fiscal quarter in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS

In the ordinary conduct of our business, we are subject to periodic lawsuits, investigations and claims, including, but not limited to, claims involving students or graduates and routine employment matters. Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us, we do not believe that any currently pending legal proceeding to which we are a party will have a material adverse effect on our business, financial condition, results of operations or cash flows.

On December 15, 2015, the Company received an administrative subpoena from the Attorney General of the State of Maryland. Pursuant to the subpoena, Maryland's Attorney General has requested from the Company documents and detailed information relating to its Columbia, Maryland campus. The Company has responded to this request and intends to continue cooperating with the Maryland Attorney General's Office.

### Item 5. OTHER INFORMATION

On July 1, 2016, New England Institute of Technology at Palm Beach, Inc. ("NEIT"), a wholly-owned subsidiary of the Company, entered into a purchase and sale agreement (the "WPB Sale Agreement") with School Property Development Metrocentre, LLC ("SPD"), pursuant to which NEIT has agreed to sell to SPD the real property owned by NEIT located at 2400 and 2410 Metrocentre Boulevard East, West Palm Beach, Florida, including the improvements and other personal property located thereon (the "WPB Property") for a cash purchase price of approximately \$15.9 million. The WPB Sale Agreement contains customary representations, warranties, covenants and conditions to closing for agreements of this type.

Concurrently with the closing of the sale of the WPB Property and pursuant to the WPB Sale Agreement, NEIT will enter into a short-term lease agreement (the "WPB Lease") with SPD under which NEIT will lease back the WPB Property for continued use as a school in order to allow the teach-out of currently enrolled students. The monthly rental obligation under the WPB Lease is \$100,000 plus the direct payment by NEIT of all real estate and other taxes and utility charges assessed against the WPB Property. The term of the WPB Lease will run from the closing date through March 31, 2017, subject to extension at the option of NEIT for three additional months through June 30, 2017. Upon the closing, as required by the Company's credit agreement with its lender, the Company will repay, from the net cash proceeds of the sale, \$10 million of the principal amount of its term loan, plus a \$.5 million prepayment premium and accrued interest on the amount repaid. The Company expects that, assuming all conditions to closing are met, it will close on the sale in the third quarter of 2016.

The foregoing description does not purport to be complete and is qualified in its entirety by reference to the full text of the WPB Sale Agreement filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

On August 3, 2016, the Company issued a press release reporting its financial results for the fiscal quarter ended June 30, 2016, a copy of which is attached as Exhibit 99.1 to this Quarterly Report on Form 10Q.

### Item 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
10.1 *	Purchase and Sale Agreement dated July 1, 2016 between New England Institute of Technology at Palm Beach, Inc. and School Property Development Metrocentre, LLC
10.2(1)	Credit Agreement dated as of April 12, 2016 among Lincoln Educational Services Corporation and Lincoln Technical Institute, Inc. and its subsidiaries, and Sterling National Bank
31.1 *	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 *	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32 *	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101**	The following financial statements from Lincoln Educational Services Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, formatted in XBRL: (i) Condensed Consolidated Statements of Operations, (ii) Condensed Consolidated Balance Sheets, (iii) Condensed Consolidated Statements of Cash Flows, (iv) Condensed Consolidated Statement of Changes in Stockholders' Equity, and (v) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and in detail.

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(1) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on April 18, 2016.

\* Filed herewith.

\*\* As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LINCOLN EDUCATIONAL SERVICES CORPORATION

Date: August 9, 2016

By: /s/ Brian Meyers  
Brian Meyers  
Executive Vice President, Chief Financial Officer and Treasurer

Exhibit Index

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**PURCHASE AND SALE AGREEMENT**

**THIS PURCHASE AND SALE AGREEMENT** (this "**Agreement**") is made and entered into as of the Effective Date, by and between NEW ENGLAND INSTITUTE OF TECHNOLOGY AT PALM BEACH, INC., a Florida corporation ("**Seller**") and SCHOOL PROPERTY DEVELOPMENT METROCENTRE, LLC, a Florida limited liability company AND/OR ASSIGNS ("**Purchaser**"). Seller and Purchaser are sometimes referred to herein individually as a "**Party**", and collectively as the "**Parties**".

**WHEREAS**, Seller is the owner of certain real property located in Palm Beach County, Florida more fully described in Section 2.1 hereof which includes a facility located at 2400 Metrocentre Boulevard East, West Palm Beach, Florida 33407 and a facility located at 2410 Metrocentre Boulevard East, West Palm Beach, Florida 33407, as more specifically described in this Agreement.

**WHEREAS**, Seller desires to sell such real property to Purchaser, and Purchaser desires to purchase such real property from Seller, on the terms set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the mutual covenants set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

**ARTICLE I  
DEFINITIONS**

**1.1 Definitions.** In addition to the terms defined above in the introduction and recitals to this Agreement, the terms set forth on Exhibit A attached hereto when used in this Agreement shall have the meanings set forth on Exhibit A.

**ARTICLE II  
THE PROPERTY AND LIABILITIES**

**2.1 Description of the Property.** Subject to the terms set forth in this Agreement, at the Closing, Seller shall sell, convey, transfer, assign and deliver to Purchaser, and Purchaser shall purchase and accept from Seller, all right, title and interest of Seller in and to the property and assets set forth in this Section 2.1. (the "**Property**");

2.1.1. **Land.** The land described in Schedule 2.1.1, together with all appurtenant easements and any and all other rights, title and interests of Seller appurtenant thereto, including without limitation, all applicable mineral, oil and gas and other subsurface rights, development rights, air rights and water rights (the "**Land**");

2.1.2. **Improvements.** All buildings, structures and other improvements located on or affixed to the Land and all fixtures on the Land which constitute real property under Applicable Law (the "**Improvements**") (The Land and Improvements are referred to collectively herein as the "**Real Property**");

2.1.3. **Intangible Property.** To the extent assignable, all rights, warranties, guarantees, utility contracts, approvals (governmental or otherwise), permits, certificates of occupancy, surveys, plans and specifications, trademarks or tradenames, copyrights, and any agreements, covenants or indemnifications that Seller received from a third-party, including any prior owner, and relating to the Property (the "**Intangible Property**"), but not to such intangible property which is attributable solely to Seller's business operated on the Property;

2.1.4. **Title Insurance.** At Closing, Seller shall convey to Purchaser fee simple title to the Real Property by duly executed and acknowledged Deed, as defined in Section 8.3.1(b), subject only to: (a) such exceptions as Purchaser shall have approved or shall be deemed to be approved pursuant to Section 2.1.5 below (the "**Permitted Exceptions**"); (b) all covenants, conditions, restrictions, easements, reservations, declarations, and limitations of record, if any; (c) property taxes for the year of Closing; and (d) a leaseback to Seller as hereafter described in Section 8.5. Unless otherwise agreed to by the Parties, Seller covenants to: (i) cause to be released from the Property, and to remove as exceptions to title on or prior to the Closing Date all mortgages, liens, deeds of trust and other monetary encumbrances; (ii) cause the standard and customary Schedule B-II exceptions on the Title Commitment for "gap", mechanics liens, parties in possession and unrecorded encumbrances to be deleted (collectively, (i) and (ii) are the "**Pre-Disapproved Exceptions**"); (iii) satisfy all Schedule B-1 requirements on the Title Commitment that relate to the Property and/or Seller contained in the Title Commitment; (iv) satisfy, close and/or otherwise discharge any code violations applicable to the Property; (v) satisfy, close and/or otherwise discharge all open, expired and/or cancelled permits that are applicable to the Property; and (vi) take commercially reasonable steps to, by the Closing Date, obtain such estoppels and other title-related documentation (collectively, "**Estoppels**") which Purchaser reasonably requests in writing.

2.1.5. **Procedure for Approval of Title.** Within five (5) days after the Effective Date, Seller shall deliver to Purchaser a prior owner's title insurance policy or other evidence of title as a base for issuance of a title insurance commitment to Purchaser. Purchaser shall have until twenty (20) days after such delivery to obtain a title insurance commitment and, if Purchaser so elects, a survey of the Real Property, and review and approve, in writing, the condition of the title and the survey to the Real Property. Purchaser shall have until August 15, 2016 ("**Title Review Period**") to deliver written notice ("**Title Defects Notice**") to Seller specifying any objections to title or title or survey defects that make title unmarketable (each, a "**Title Defect**", and collectively, the "**Title Defects**"). Any title matters not objected to within the Title Review Period, other than Pre-Disapproved Exceptions, shall be deemed accepted by Purchaser. Seller shall have until the earlier to occur of (i) thirty (30) days after receipt of the Title Defects Notice, or (ii) up to three (3) days prior to the Closing Date (such earlier date being hereinafter referred to as the "**Seller Title Cure Period**"), to cure or remove the objections made or deemed to have been made by Purchaser and to obtain any such Estoppels reasonably requested by Purchaser during the Title Review Period. If any Title Defect(s) cannot reasonably be cured and/or removed and/or if Seller reasonably determines that Seller will not be able to obtain any Estoppels within such Seller Title Cure Period, then Seller shall notify Purchaser in writing by the expiration of such Seller Title Cure Period whether Seller elects to cure or remove such Title Defect(s) and obtain such Estoppels before Closing. Seller shall in all events have the obligation to (i) act in good faith in making such elections and curing any Title Defects that Seller elects to cure and obtaining any such Estoppels which Seller elects to obtain, and (ii) specifically remove the Pre-Disapproved Exceptions. Except as provided above, Seller shall not be obligated to cure any Title Defects and/or obtain any Estoppels, however, should Seller elect to attempt to cure or remove any Title Defect and/or obtain any Estoppels, Seller shall, prior to the Closing Date ("**Cure Period**") accomplish such cure and obtain such Estoppels. In the event Seller elects (or is deemed to have elected) not to cure or remove any Title Defect and/or obtain any Estoppels, or in the event Seller fails to cure or remove any Title Defect or obtain any Estoppels which Seller agrees or is required to cure or obtain within the Cure Period, then Purchaser shall be entitled to (i) terminate this Agreement and obtain a refund of the Deposit or (ii) waive any objections that Seller has not elected to cure and close this transaction as otherwise contemplated herein. If at any time after the Title Review Period and prior to the Closing Date, Purchaser receives a new, updated or supplemental Title Commitment or survey and such new, updated or supplemental Title Commitment or survey discloses one or more title exceptions or defects that were not contained in any prior Title Commitment or survey issued during the Title Review Period (in each case, a "**New Title Defect**") and any New Title Defect is unacceptable to Purchaser, Purchaser may, within seven (7) business days after receiving such new, updated or supplemental Title Commitment or survey, as the case may be, deliver to Seller another written notice of Purchaser's objections with respect to any New Title Defect only and the process described in this Section shall apply thereto ("**Extended Title Review Period**"), provided that if the Extended Title Review Period has not been finalized by at least two (2) Business Days before the Closing Date, then the Closing may be postponed, at Purchaser's sole discretion, until a date which shall not extend beyond ten (10) days after the expiration of the Extended Title Review Period.

**ARTICLE III  
PURCHASE PRICE**

**3.1 Purchase Price.** The purchase price for the Property is FIFTEEN MILLION SIX HUNDRED SEVENTY FIVE THOUSAND and 00/100 Dollars (\$15,675,000.00) if this transaction is closed on or before July 28, 2016. If for any reason this transaction is closed after July 28, 2016, then the purchase price for the Property shall be FIFTEEN MILLION NINE HUNDRED TWENTY FIVE THOUSAND and 00/100 Dollars (\$15,925,000.00). The applicable purchase price for the Property, depending on the date of Closing, is referred to herein as the "Purchase Price", and in any case the Purchase Price shall be adjusted at Closing as otherwise expressly provided in this Agreement.

**3.2 Deposit.**

3.2.1. **Deposit.** Purchaser shall deposit with Escrow Agent the amount of TWO HUNDRED FIFTY THOUSAND and 00/100 Dollars (\$250,000.00) (the "**First Deposit**"), which First Deposit shall be delivered to Escrow Agent on or before July 5, 2016. If the Closing does not occur on or before July 28, 2016, then purchaser shall deliver an additional deposit in the amount of TWO HUNDRED FIFTY THOUSAND AND 00/100 Dollars (\$250,000.00) ("**Second Deposit**") to Escrow Agent no later than August 15, 2016. The First Deposit and Second Deposit, if any, are herein collectively referred to as the "**Deposit**". The Deposit shall be held by Escrow Agent in escrow as earnest money pursuant to the escrow agreement in the form attached hereto as **Exhibit B**, to be entered into among Seller, Purchaser and Escrow Agent (the "**Earnest Money Escrow Agreement**"), and delivered to Escrow Agent concurrently with the Deposit. If Purchaser terminates this Agreement pursuant to the Due Diligence Contingency in accordance with Section, 4.1.1 or if Purchaser properly terminates this Agreement pursuant to any other provision of this Agreement, the Deposit shall be refunded to Purchaser in accordance with Section 3.2.4.

3.2.2. Investment of Deposit. The Deposit shall be invested in accordance with the Earnest Money Escrow Agreement upon Purchaser's delivery of the Deposit.

3.2.3. Disbursement of Deposit to Seller. At Closing, Purchaser shall cause Escrow Agent to disburse the Deposit to Seller, and Purchaser shall receive a credit against the Purchase Price in the amount of the Deposit disbursed to Seller. If this Agreement is terminated for any reason and Purchaser is not entitled to a refund of the Deposit under an express provision of this Agreement, then upon such termination Seller may provide written notice to Escrow Agent directing Escrow Agent to disburse the Deposit to Seller and Escrow Agent shall disburse the Deposit to Seller within one (1) Business Day of Escrow Agent's receipt of such notice from Seller. This Section 3.2.3 shall survive the termination of this Agreement.

3.2.4. Refund of Deposit to Purchaser. If this Agreement is terminated and Purchaser is entitled to a refund of the Deposit (whether pursuant to the Due Diligence Contingency in accordance with Section 4.1.1 or any other express provision of this Agreement), then Purchaser or Seller shall provide written notice to Escrow Agent directing Escrow Agent to disburse the Deposit to Purchaser.

### **3.3 Payment of Purchase Price.**

3.3.1. Payment at Closing. At Closing, Purchaser shall pay to Seller an amount equal to the Purchase Price (as adjusted pursuant to Sections 3.1 and 8.1, as applicable), less the Deposit disbursed to Seller. Purchaser shall cause the wire transfer of funds to be received by Seller on the Closing Date.

3.3.2. Method of Payment. All amounts to be paid by Purchaser to Seller pursuant to this Agreement shall be paid by wire transfer of immediately available U.S. federal funds.

## **ARTICLE IV CONTINGENCIES**

### **4.1 Due Diligence.**

4.1.1 Due Diligence Contingency. Purchaser shall have until the earlier of the Closing or 5:00 p.m. (Eastern Time) on August 15, 2016 (the "Due Diligence Period"), to perform its due diligence review of the Property and all matters related thereto which Purchaser deems advisable, including, without limitation, any engineering, environmental, title, survey, financial, operational and legal compliance matters relating to the Property. If Purchaser, in its sole discretion, is not satisfied with the results of its due diligence review of the Property for any reason, Purchaser shall have the right to terminate this Agreement by providing written notice to Seller prior to the expiration of the Due Diligence Period (the "Due Diligence Contingency"). If Purchaser terminates this Agreement pursuant to the Due Diligence Contingency in accordance with this Section 4.1.1, then the Deposit shall be refunded to Purchaser in accordance with Section 3.2.4, and the Parties shall have no further rights or obligations under this Agreement, except those which expressly survive such termination. If Purchaser does not terminate this Agreement pursuant to the Due Diligence Contingency in accordance with this Section 4.1.1, then subject to the terms and provisions of this Agreement, Purchaser shall be deemed to have waived its rights to terminate this Agreement pursuant to the Due Diligence Contingency.

4.1.2. Due Diligence Inspections. Purchaser shall have the right to perform such examinations, tests, investigations and studies of the Property (the "**Inspections**") as Purchaser reasonably deems advisable, in accordance with this Section 4.1.2. Purchaser may conduct the Inspections with its officers, employees, contractors, consultants, agents or representatives ("**Purchaser's Inspectors**"). Seller shall provide reasonable access to the Property for Purchaser's Inspectors to perform the Inspections; provided, however, that (i) Purchaser shall provide Seller with at least twenty four (24) hours prior notice of each of the Inspections; (ii) Purchaser's Inspectors shall be accompanied by an employee, agent or representative of Seller; (iii) the Inspections shall be conducted by Purchaser's Inspectors at commercially reasonable times acceptable to both Purchaser and Seller; and (iv) Purchaser's Inspectors shall not perform any drilling, coring or other invasive testing, without Seller's prior written consent, which consent may not be unreasonably withheld, conditioned or delayed, and which consent shall be deemed provided if Seller fails to provide such consent within five (5) days of receiving Purchaser's request for such consent.

4.1.3. Release and Indemnification. Purchaser (for itself and its Affiliates) hereby releases the Seller and its Affiliates for any and all claims, damages, losses, risks, liabilities and expenses (including reasonable attorneys' fees and costs) ("**Indemnification Loss**") incurred by Purchaser at the Property arising from or in connection with the Inspections (including, without limitation, any liens placed on the Property or any other property owned by a Person other than Purchaser as a result of such Inspections), except to the extent resulting from Seller's or its Affiliates' gross negligence or willful misconduct. Purchaser shall defend, indemnify and hold harmless the Seller and its Affiliates in accordance with ARTICLE XIII from and against any Indemnification Loss incurred by any Seller or its Affiliates arising from or in connection with the Inspections. Upon receipt of Seller's written request, Purchaser, at no cost or expense to Seller, shall repair any damage to the Property or any other property located at the Land which was owned by a Person other than Purchaser, and which was caused by Purchaser or Purchaser's Inspectors, arising from or in connection with the Inspections, and restore such property to the same condition as existed prior to such Inspections, or replace such property with property of the same or substantially similar quantity and quality. This Section 4.1.3 shall survive the termination of this Agreement.

4.1.4. Insurance. Prior to commencing any Inspections, Purchaser shall provide to Seller a certificate of insurance, in form and substance reasonably satisfactory to Seller, evidencing that Purchaser maintains (i) commercial general liability insurance in an amount no less than Two Million and 00/100 Dollars (\$2,000,000.00), with an insurance company with a Best's rating of no less than A/VIII, insuring Purchaser against its indemnification obligations under Section 4.1.3 and naming Seller and such other Persons designated by Seller as an additional insured thereunder, and (ii) worker's compensation insurance in amount, form and substance required under Applicable Law. Purchaser's maintenance of such insurance policies shall not release or limit Purchaser's indemnification obligations under Section 4.1.4.

**ARTICLE V**  
**REPRESENTATIONS AND WARRANTIES**

**5.1 Seller's Representations and Warranties.**

To induce Purchaser to enter into this Agreement and to consummate the transaction described in this Agreement, Seller hereby makes the express representations and warranties in this Section 5.1, upon which Seller acknowledges and agrees that Purchaser is entitled to rely.

5.1.1. Organization and Power. Seller is duly formed, validly existing, in good standing in the jurisdiction of its incorporation or formation, and is qualified to do business in the jurisdiction in which the Property is located, and has all requisite power and authority to own, sell, transfer and otherwise use the Property.

5.1.2. Authority and Binding Obligation. (i) Seller has full power and authority to execute and deliver this Agreement and all other documents to be executed and delivered by Seller pursuant to this Agreement (the "**Seller Documents**"), and to perform all obligations of Seller under each of the Seller Documents, (ii) the execution and delivery by the signer on behalf of Seller of each of the Seller Documents, and the performance by Seller of its obligations under each of the Seller Documents, has been duly and validly authorized by all necessary action by Seller, and (iii) each of the Seller Documents, when executed and delivered, will constitute the legal, valid and binding obligations of Seller enforceable against Seller in accordance with its terms, except to the extent Purchaser itself is in default thereunder.

5.1.3. Consents and Approvals; No Conflicts. Subject to the approval of the appropriate Governmental Authorities in connection with the recordation of any Seller Documents as appropriate, (i) no filing with, and no permit, authorization, consent or approval of, any Governmental Authority or other Person is necessary for execution or delivery by Seller of any of the Seller Documents, or the performance by Seller of any of its obligations under any of the Seller Documents or the consummation by Seller of the transaction described in this Agreement, except to the extent the failure to obtain such permit, authorization, consent or approval would not have a material adverse effect on Seller's ability to consummate the transaction described in this Agreement, and (ii) neither the execution and delivery by Seller of any of the Seller Documents, nor the performance by Seller of any of its obligations under any of the Seller Documents, nor the consummation by Seller of the transaction described in this Agreement, will: (A) violate any provision of Seller's organizational or governing documents; (B) violate any Applicable Law to which Seller is subject in any material respect; or (C) result in the creation or imposition of any lien or encumbrance on the Property or any portion thereof.

5.1.4. Condemnation. Seller has not received any written notice of any pending condemnation proceeding or other proceeding in eminent domain.

5.1.5. Compliance with Applicable Law. Seller has not received any written notice of a violation of any Applicable Law with respect to the Property which has not been cured or dismissed. Seller has received no written notice from, any Governmental Authority requiring any work, repairs, construction, alterations or installations on or in connection with the Property, or asserting any violation of any federal, state, county or municipal laws, ordinances, codes, orders, regulations or requirements affecting any portion of the Property, including, without limitation, the Americans with Disabilities Act and any applicable environmental laws or regulations.

5.1.6. Litigation. Seller has not (i) been served with any court filing in any litigation with respect to the Property in which Seller is named a party which both (A) has not been resolved, settled or dismissed, and (B) will not be covered by the insurance policies maintained by Seller and/or its Affiliates with respect to the Property, or (ii) received written notice of any claim, charge or complaint from any Governmental Authority or other Person pursuant to any administrative, arbitration or similar adjudicatory proceeding with respect to the Property which both (A) has not been resolved, settled or dismissed, and (B) will not be covered by the insurance policies maintained by Seller and/or its Affiliates with respect to the Property. To Seller's knowledge, there is no action, suit or proceeding threatened against Seller or relating to the Property which would impair Seller's ability to execute or perform its obligations under this Agreement or the Lease.

5.1.7. Finders and Investment Brokers. Except for CBRE, Inc. ("**Broker**"), Seller has not dealt with any Person who has acted, directly or indirectly, as a broker, finder, financial adviser or in such other capacity for or on behalf of Seller in connection with the transaction described by this Agreement in a manner which would entitle such Person to any fee or commission in connection with this Agreement or the transaction described in this Agreement. At Closing, Seller shall be solely responsible for payment of Broker's commission in the amount of two percent (2%) of the Purchase Price. Except as provided above, Seller represents to Purchaser that Seller has not incurred any obligation to any broker or real estate agent with respect to the purchase or sale of the Property. Seller warrants and represents to Purchaser that except as provided in this Section 5.1.7 as to Broker, Seller has employed (expressly or implied) no broker or finder and has made no agreement (express or implied) to pay any broker's commissions or finder's fees in connection with the transactions contemplated by this Agreement. Seller agrees to indemnify and defend Purchaser against and to hold Purchaser harmless of and from all claims, demands, liabilities, costs, and expenses (including, but not limited to, reasonable attorneys' fees) for any commission or fee payable to or claimed by any broker or finder employed (expressly or impliedly) by Seller or with whom it made an agreement (express or implied) to pay a broker's commission or a finder's fee. The foregoing representation and warranty shall survive the Closing.

5.1.8. Foreign Person. Seller is a "United States person" (as defined in Section 7701(a) (30) (B) or (C) of the Code) for the purposes of the provisions of Section 1445(a) of the Code.

5.1.9. Compliance. Seller has received no written notice of the violation of any zoning, building, health, fire, water use, or similar statute, or any ordinance, law, rule, regulation, or code of any governmental authority, with respect to the Property. Seller has received no written notice of any disputes concerning the location of the boundary lines of the Property that are not readily observable from a survey of the Land.

5.1.10. Assessments. Seller has received no written notice of any plans for improvements by any governmental or quasi-governmental authority which are likely to result in a special assessment against the Property.

5.1.11. Hazardous Materials. Seller has received no written notice and has no actual knowledge that there are “hazardous materials” (as hereinafter defined) attributable to or affecting the Property, except for the use of “hazardous materials” in accordance with applicable Environmental Laws. The term “**Hazardous Material**” means any chemical, compound, material, substance or other matter that: (a) is defined as a hazardous substance, hazardous material or waste, or toxic substance under any Environmental Laws; (b) is regulated, controlled or governed by any Environmental Laws or other laws, and any waste, substance or material which, even if not regulated, controlled or governed by any Environmental Laws, is known to pose a hazard to the health and safety of the occupants of the Property or of the property adjacent to the Property; (c) is petroleum or a petroleum product; or (d) is asbestos, formaldehyde, radioactive material, drug, bacteria, virus, or other injurious or potentially injurious material (by itself or in combination with other materials). “**Environmental Laws**” shall mean any and all federal, state or local laws, ordinances, rules, decrees, orders, regulations or court decisions relating to hazardous substances, hazardous materials, hazardous waste, toxic substances, environmental conditions on, under or about the Property, or soil and ground water conditions, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), the Resource Conservation and Recovery Act (RCRA), the Hazardous Materials Transportation Act, any other law or legal requirement concerning hazardous or toxic substances, and any amendments to the foregoing.

Notwithstanding the foregoing, if Purchaser has actual knowledge of a breach of any representation or warranty made by Seller in this Agreement, as evidenced by written notice and/or documentation in Purchaser’s possession prior to (i) the expiration of the Due Diligence Period, and Purchaser nevertheless elects not to terminate this Agreement pursuant to the Due Diligence Contingency or otherwise, or (ii) Closing, and Purchaser nevertheless proceeds to close the transaction described in this Agreement, such representation or warranty by Seller shall be deemed to be qualified or modified to reflect Purchaser’s actual knowledge of such breach. Each of the representations and warranties of Seller contained in this Agreement shall be true as of the Closing Date and shall survive the Closing for a period of twelve (12) months, unless a different survival period is expressly provided for elsewhere in this Agreement as such survival period relates to any specific representations or warranties. Any claim that a representation or warranty has been breached by Seller must be made in writing by Purchaser prior to the expiration of the applicable survival period.

**5.2. Purchaser’s Representations and Warranties.** To induce Seller to enter into this Agreement and to consummate the transaction described in this Agreement, Purchaser hereby makes the representations and warranties in this Section 5.2, upon which Purchaser acknowledges and agrees that Seller is entitled to rely.

5.2.1. Authority and Binding Obligation. (i) Purchaser has full power and authority to execute and deliver this Agreement and all other documents to be executed and delivered by Purchaser pursuant to this Agreement (the "**Purchaser Documents**"), and to perform all obligations of Purchaser arising under each of the Purchaser Documents, (ii) the execution and delivery by the signer on behalf of Purchaser of each of the Purchaser Documents, and the performance by Purchaser of its obligations under each of the Purchaser Documents, has been duly and validly authorized by all necessary action by Purchaser, and (iii) each of the Purchaser Documents, when executed and delivered, will constitute the legal, valid and binding obligations of Purchaser enforceable against Purchaser in accordance with its terms, except to the extent Seller itself is in default thereunder.

5.2.2. Consents and Approvals; No Conflicts. (i) To the Purchaser's actual knowledge, no filing with, and no permit, authorization, consent or approval of, any Governmental Authority or other Person is necessary for the execution or delivery by Purchaser of any of the Purchaser Documents, the performance by Purchaser of any of its obligations under any of the Purchaser Documents, or the consummation by Purchaser of the transaction described in this Agreement, and (ii) neither the execution and delivery by Purchaser of any of the Purchaser Documents, nor the performance by Purchaser of any of its obligations under any of the Purchaser Documents, nor the consummation by Purchaser of the transaction described in this Agreement, will: (A) to the Purchaser's actual knowledge, violate any Applicable Law to which Purchaser is subject; or (B) result in a violation or breach of or constitute a default under any contract, agreement or other instrument or obligation to which Purchaser is a party or by which any of Purchaser's properties are subject.

5.2.3. Finders and Investment Brokers. Except for Broker, whose compensation is Seller's sole obligation, Purchaser has not dealt with any Person who has acted, directly or indirectly, as a broker, finder, financial adviser or in such other capacity for or on behalf of Purchaser in connection with the transaction described by this Agreement in any manner which would entitle such Person to any fee or commission in connection with this Agreement or the transaction described in this Agreement. The foregoing representation and warranty shall survive the Closing.

5.2.4. No Violation of Anti-Terrorism Laws. To Purchaser's knowledge, none of Purchaser's property or interests is subject to being "blocked" under any Anti-Terrorism Laws, and Purchaser is not in violation of any Anti-Terrorism Laws.

## **ARTICLE VI COVENANTS**

### **6.1 Confidentiality.**

6.1.1. Disclosure of Confidential Information. Seller and Purchaser shall keep confidential and not make any public announcement or disclose to any Person the existence or any terms of this Agreement or any information disclosed by the Inspections or any other documents, materials, data or other information with respect to the Property which is not generally known to the public (the "**Confidential Information**"). Notwithstanding the foregoing, Seller and Purchaser shall be permitted to disclose any Confidential Information: (i) to the extent required under Applicable Law, (ii) which is wholly and independently developed by the receiving party without the use of Confidential Information of the disclosing party, (iii) in response to a valid order of a court or other governmental body in the United States or any political subdivision thereof, but only to the extent of and for the purposes of such order, provided, however, that the receiving party shall first notify the disclosing party in writing of the order and permit the disclosing party to seek an appropriate protective order, (iv) to the extent such disclosure is approved for release by written authorization of the disclosing party, but only to the extent of and subject to such conditions as may be imposed in such written authorization, (v) if, at the time of such disclosure to the receiving party, was known to such receiving party free of restriction and evidenced by documentation in the receiving party's possession, and (vi) to any Person on a "need to know" basis, such as their respective shareholders, partners, members, trustees, beneficiaries, directors, officers, employees, attorneys, consultants, engineers, surveyors, lenders, investors, managers, franchisors and such other Persons whose assistance is required to consummate the transactions described in this Agreement; provided, however, that Seller or Purchaser (as the case may be) shall (A) advise such Person of the confidential nature of such Confidential Information, and (B) use commercially reasonable efforts to cause such Person to maintain the confidentiality of such Confidential Information.

6.1.2. Public Announcements. Notwithstanding Section 6.1.1, a Party shall have the right upon Closing to make a public announcement regarding the transaction described in this Agreement, provided that Seller and Purchaser shall approve the form and substance of any such public announcement, which approval shall not be unreasonably withheld, conditioned or delayed, except if a Party is required to make a public announcement under Applicable Law, in which case no such approval by the other Party shall be required but such Party (i) shall provide the other Party prior written notice that such public announcement is required under Applicable Law, and (ii) shall consult with the other Party regarding the form and substance of such public announcement.

6.1.3. Communication with Governmental Authorities. Without limiting the generality of the provisions in Section 6.1.1, Purchaser shall not, through its contractors, consultants, agents, representatives or any other Person (including, without limitation, Purchaser's Inspectors), directly or indirectly, communicate with any Governmental Authority or any official, employee or representative thereof, involving any matter with respect to the Property prior to the expiration of the Due Diligence Period without Seller's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Nothing contained in this Agreement shall prohibit Purchaser from accessing publicly available databases and records with respect to obtaining information in connection with a Phase I environmental report or a Property physical condition report or reviewing zoning, building code compliance and entitlements.

6.1.4. Communication with Employees. Without limiting the generality of the provisions in Section 6.1.1, Purchaser shall not, through its contractors, consultants, agents, representatives or any other Person (including, without limitation, Purchaser's Inspectors), directly or indirectly, communicate with any Person representing any employees involving any matter with respect to the Property or this Agreement, without Seller's prior written consent, which consent may be withheld in Seller's reasonable discretion, unless such communication is arranged by Seller.

6.1.5. Standard of Operation and Maintenance. Between the Effective Date and the date and time of Closing: (i) Seller shall operate, manage, and maintain the Property in substantially the same manner as it has been operated by Seller as of the Effective Date; (ii) Seller shall continue to maintain all existing insurance policies held by Seller affecting the Property; (iii) other than as set forth in this Agreement, Seller shall not dispose of any interest in the Property and shall not mortgage, pledge or subject to lien or other encumbrance any interest in the Property; (iv) Seller shall not seek or consent to any zoning or other change affecting the zoning or use of the Property; and (v) to the extent that Seller receives a written notice from any Governmental Authority advising of the violation of any law applicable to the Property, Seller will provide a copy of said notice to Purchaser promptly after Seller's receipt of same.

**ARTICLE VII  
CLOSING CONDITIONS**

**7.1. Mutual Closing Conditions.**

7.1.1. Satisfaction of Mutual Closing Conditions. The respective obligations of Seller and Purchaser to close the transaction contemplated in this Agreement are subject to the satisfaction at or prior to Closing of the following conditions precedent (the "**Mutual Closing Conditions**"):

(a) Adverse Proceedings. No litigation or other court action shall have been commenced seeking to obtain an injunction or other relief from such court to enjoin the consummation of the transaction described in this Agreement, and no preliminary or permanent injunction or other order, decree or ruling shall have been issued by a court of competent jurisdiction or by any Governmental Authority, that would make illegal or invalid or otherwise prevent the consummation of the transaction described in this Agreement.

(b) Adverse Law. No Applicable Law shall have been enacted that would make illegal or invalid or otherwise prevent the consummation of the transaction described in this Agreement.

7.1.2. Failure of Mutual Closing Condition. If any of the Mutual Closing Conditions is not satisfied at Closing, then each Party shall have the right to terminate this Agreement by providing written notice to the other Party, in which case the Deposit shall be refunded to Purchaser in accordance with Section 3.2.4, and the Parties shall have no further rights or obligations under this Agreement, except for those which expressly survive such termination.

**7.2. Purchaser Closing Conditions.**

7.2.1. Satisfaction of Purchaser Closing Conditions. In addition to the Mutual Closing Conditions, Purchaser's obligations to close the transactions described in this Agreement are subject to the satisfaction at or prior to Closing of the following conditions precedent (the "**Purchaser Closing Conditions**"):

(a) Seller's Deliveries. All of the Seller Closing Deliveries, as set forth in Section 8.3.1 hereof, shall have been delivered to Purchaser or deposited with Escrow Agent in the Closing Escrow to be delivered to Purchaser at Closing.

(b) Representations and Warranties. The representations and warranties of Seller in this Agreement (as qualified by any schedules to this Agreement and any amendments or supplements to such schedules) shall be true and correct as of the Closing (or as of such other date to which such representation or warranty expressly is made), as such representations and warranties may be updated from time to time by Seller in a writing delivered to Purchaser prior to Closing, except to the extent any breach of such representations or warranties (as updated by Seller) would not prevent Seller from consummating the transaction described in this Agreement.

(c) Covenants and Obligations. The covenants and obligations of Seller in this Agreement shall have been performed in all material respects.

### **7.3 Seller Closing Conditions**

7.3.1. Satisfaction of Seller Closing Conditions. In addition to the Mutual Closing Conditions, Seller's obligations to close the transactions contemplated in this Agreement are subject to the satisfaction at or prior to Closing of the following conditions precedent (the "Seller Closing Conditions"):

(a) Receipt of the Purchase Price. Purchaser shall have (A) paid to Seller or deposited with Escrow Agent written direction to disburse the same to Seller at Closing, the Purchase Price (as adjusted pursuant to Sections 3.1 and 8.1, as applicable), and (B) delivered written direction to Escrow Agent to disburse the Deposit to Seller at Closing.

(b) Purchaser's Deliveries. All of the Purchaser Closing Deliveries shall have been delivered to Seller or deposited with Escrow Agent in the Closing Escrow to be delivered to Seller at Closing.

(c) Representations and Warranties. The representations and warranties of Purchaser in this Agreement shall be true and correct in all material respects as of the Closing (or as of such other date to which such representation or warranty expressly is made), as such representations and warranties may be updated from time to time by Purchaser in a writing delivered to Seller prior to Closing, except to the extent any breach of such representations or warranties (as updated by Purchaser) would not prevent Purchaser from consummating the transaction described in this Agreement.

(d) Covenants and Obligations. The covenants and obligations of Purchaser in this Agreement shall have been performed in all material respects.

## **ARTICLE VIII CLOSING**

**8.1 Closing Date**. Seller and Purchaser have agreed that Purchaser shall be entitled to a reduced Purchase Price of FIFTEEN MILLION SIX HUNDRED SEVENTY-FIVE THOUSAND 00/100 Dollars (\$15,675,000.00) if Purchaser closes this transaction on or before July 28, 2016. If for any reason this transaction closes after July 28, 2016 and on or before August 31, 2016, the Purchase Price shall be FIFTEEN MILLION NINE HUNDRED TWENTY-FIVE THOUSAND 00/100 Dollars (\$15,925,000.00). In any event, subject to Sections 2.1.5, 10.2, 11.1.1, 11.2.1 and 11.2.2, the outside closing date for this transaction shall be August 31, 2016 and the date on which this transaction closes is referred to herein as the "Closing Date". The Closing shall be effected through the Closing Escrow pursuant to the Closing Escrow Agreement as provided in Section 8.2 and shall occur at the offices of Seller's counsel or such other place as agreed to in writing between Seller and Purchaser.

**8.2 Closing Escrow.** The Closing shall take place by means of a so called “New York style” escrow (the “**Closing Escrow**”), and, at or prior to the Closing, the Parties shall enter into a closing escrow agreement with the Escrow Agent with respect to the Closing Escrow in form and substance reasonably acceptable to Seller, Purchaser and the Escrow Agent (the “**Closing Escrow Agreement**”) pursuant to which (i) the Deposit to be paid by Purchaser pursuant to Section 3.3 shall be deposited with Escrow Agent, (ii) prior to Closing, all funds necessary to close the transaction contemplated by this Agreement shall be deposited with the Escrow Agent, (iii) all of the documents required to be delivered by Seller and Purchaser at Closing pursuant to this Agreement shall be deposited with Escrow Agent, and (iv) at Closing, the Purchase Price (as adjusted pursuant to Sections 3.1 and 8.1, as applicable) and the Deposit shall be disbursed to Seller and the documents deposited into the Closing Escrow shall be delivered to Seller and Purchaser (as the case may be) pursuant to the Closing Escrow Agreement.

**8.3 Closing Deliveries.**

8.3.1 **Seller’s Deliveries.** Before Closing, Seller shall deliver or cause to be delivered to Purchaser or deposited with Escrow Agent in the Closing Escrow to be delivered to Purchaser at Closing, all of the (i) documents set forth in this Section 8.3.1, each of which shall have been duly executed by Seller and acknowledged (if required), and (ii) other items set forth in this Section 8.3.1 (the “**Seller Closing Deliveries**”), as follows:

- (a) A closing certificate in the form of Exhibit C, together with all exhibits thereto;
- (b) A special warranty deed (the “**Deed**”) in the form of Exhibit D conveying the Real Property to Purchaser subject to the Permitted Exceptions;
- (c) A bill of sale (the “**Bill of Sale**”) in the form of Exhibit G, executed by Seller in favor of Purchaser, conveying the Improvements and other personal property located at the Land to Purchaser;
- (d) A general assignment (“**Assignment**”) in the form of Exhibit H, executed by Seller in favor of Purchaser, assigning, transferring and conveying the Intangible Property to Purchaser, if any;
- (e) A no lien affidavit and such other agreements, affidavits or other documents as may be reasonably required by the Title Company from Seller to issue the Title Policy.
- (f) Any real estate transfer tax declaration or similar documents required under Applicable Law in connection with the conveyance of the Real Property;
- (g) A FIRPTA affidavit in the form set forth in the regulations under Section 1445 of the Code;

- (h) The Closing Statement prepared pursuant to Section 9.1;
- (i) the Lease; and,
- (j) Such other documents and instruments as may be reasonably requested by Purchaser in order to consummate the transaction described in this Agreement.

8.3.2. **Purchaser's Deliveries.** Before Closing, Purchaser shall deliver or cause to be delivered to Seller or deposited with Escrow Agent in the Closing Escrow to be delivered to Seller all of the (i) documents set forth in this Section 8.3.2, each of which shall have been duly executed by Purchaser and acknowledged (if required), and (ii) other items set forth in this Section 8.3.2 (the "**Purchaser Closing Deliveries**"), as follows:

- (a) The Purchase Price (as adjusted pursuant to Sections 3.1 and 8.1, as applicable, and subject to the adjustments provided herein and a credit for the Deposit) to be paid by Purchaser;
- (b) A letter of direction to Escrow Agent directing Escrow Agent to disburse the Deposit to Seller;
- (c) A closing certificate in the form of Exhibit E, together with all exhibits thereto;
- (d) The Closing Statement prepared pursuant to Section 9.1;
- (e) The Lease; and,
- (f) Such other documents and instruments as may be reasonably requested by Seller or the Title Company in order to consummate the transaction described in this Agreement.

**8.4. Possession.** Seller shall deliver sole possession of the Real Property, subject to the Permitted Exceptions upon completion of the Closing, and subject to the Lease.

**8.5 Leaseback.** On and after the Closing Date, Seller shall lease the Property back from Purchaser upon terms set forth in a written lease agreement in the form attached as Exhibit "F" hereto, with Purchaser, as landlord, and Seller, as tenant, (the "**Lease**"). The Lease shall be executed by the parties at Closing.

#### **ARTICLE IX PRORATIONS AND EXPENSES**

**9.1 Closing Statement.** No later than the day prior to Closing, the Parties, through their respective employees, agents or representatives, jointly shall make such examinations, as may be necessary to make the adjustments and prorations to the Purchase Price as set forth in Section 9.2 or any other provisions of this Agreement. Based upon such examinations, the Parties jointly shall prepare prior to Closing a closing statement (the "**Closing Statement**"), which shall set forth their best estimate of the amounts of the items to be adjusted and prorated under this Agreement. The Closing Statement shall be approved and executed by the Parties at Closing, and such adjustments and prorations shall be final with respect to the items set forth in the Closing Statement, except to the extent any such items shall be reprorated after the Closing as expressly set forth in Section 9.2. Notwithstanding the foregoing, if at any time within three (3) months after the Closing Date, any Party discovers any item which was omitted or incorrectly adjusted or prorated in the Closing Statement, such item shall be adjusted and prorated in the same manner as if their existence or such error had been known at the time of the preparation of the Closing Statement, and the Party in whose favor such original omission or error was made shall refund such difference to the other Party promptly after the original omission or error is discovered.

**9.2 Transaction Costs.**

9.2.1. Seller's Transaction Costs. In addition to the other costs and expenses to be paid by Seller set forth elsewhere in this Agreement, Seller shall pay for the following items in connection with this transaction: (i) documentary stamp taxes and surtax, if any, in connection with the conveyance of the Real Property; (ii) the commission due to Broker; (iii) recording fees for documents needed to cure Title Defects; and (iv) the fees and expenses of its own attorneys, accountants and consultants.

9.2.2. Purchaser's Transaction Costs. In addition to the other costs and expenses to be paid by Purchaser as set forth elsewhere in this Agreement, Purchaser shall pay for the following items in connection with this transaction: (i) the fees and expenses incurred by Purchaser for Purchaser's Inspectors or otherwise in connection with the Inspections; (ii) the fees and expenses for the Title Commitment and the premium for the Title Policy (including any extended coverage premium and any endorsements to the Title Policy), (iii) the fees and expenses for the survey; (iv) any mortgage tax, title insurance fees and expenses for any loan title insurance policies, recording charges or other amounts payable in connection with any financing obtained by Purchaser; (v) recording fees on the Deed and financing statements, if any; and (vi) the fees and expenses of its own attorneys, accountants and consultants.

9.2.3. Other Transaction Costs. All other fees, costs and expenses not expressly addressed in this Section 9.2 or elsewhere in this Agreement shall be allocated between Seller and Purchaser in accordance with applicable local custom for similar transactions.

**ARTICLE X  
DEFAULT AND REMEDIES**

**10.1 Seller's Default.** If at or before Closing Seller fails to perform its covenants or obligations under this Agreement in any material respect (a "**Seller Default**"), and no Purchaser Default has occurred which remains uncured beyond any applicable cure periods provided herein, then Purchaser shall be entitled to exercise one, and only one, of the following remedies: (a) terminate this Agreement, in which case the Deposit shall be refunded to Purchaser in accordance with Section 3.2.4, and the Parties shall have no further rights or obligations under this Agreement, except those which expressly survive such termination; (b) proceed to Closing without any reduction in or setoff against the Purchase Price, in which case Purchaser shall be deemed to have waived such Seller Default; or (c) seek a court order for specific performance.

**10.2. Seller's Right to Cure.** Notwithstanding anything to the contrary in this Agreement, Purchaser shall not have the right to exercise its remedies under clauses (a) or (c) of Section 10.1 for a Seller Default or Section 7.2 for a failure of a Purchaser Closing Condition (a "**Purchaser Closing Condition Failure**"), unless Purchaser has provided written notice to Seller specifying in reasonable detail the nature of the Seller Default or Purchaser Closing Condition Failure (as the case may be), and Seller has not cured such Seller Default or Purchaser Closing Condition Failure (as the case may be) within thirty (30) days after Seller's receipt of such notice (the "**Seller Cure Period**"), in which case the Closing shall be postponed until the date which is five (5) Business Days after the expiration of the Seller Cure Period.

**10.3 Purchaser's Default.** If (i) Purchaser has not deposited the Deposit within the time periods provided in, and otherwise in accordance with, Section 3.2.1, or (ii) at any time at or prior to Closing, Purchaser fails to perform, in any material respect, any of its other covenants or obligations under this Agreement, which breach or default is not caused by an act or omission of Seller (a "**Purchaser Default**"), and if Purchaser fails to cure such Purchaser Default within the Purchaser Cure Period set forth herein, then Seller, as its sole and exclusive remedy, may elect to terminate this Agreement by providing written notice to Purchaser, in which case the Deposit shall be disbursed to Seller in accordance with Section 3.2.3 as agreed upon liquidated damages, consideration for execution of this Agreement, and in full settlement of any claims, and the Parties shall have no further rights or obligations under this Agreement, except those which expressly survive such termination.

**10.4 Purchaser's Right to Cure.** Notwithstanding anything to the contrary in this Agreement, Purchaser shall not be deemed to be in default of this Agreement, and Seller shall not have the right to exercise any remedy(ies) against Purchaser for a Purchaser Default, unless Seller has provided written notice to Purchaser specifying in reasonable detail the nature of the Purchaser Default, and Purchaser has not cured such Purchaser Default within thirty (30) days after Purchaser's receipt of such written notice (the "**Purchaser Cure Period**"); except that a failure of Purchaser to pay the Purchase Price on the Closing Date shall not be subject to cure and in the event of such default, Seller shall have the right to immediately exercise its available remedies.

**ARTICLE XI  
RISK OF LOSS**

**11.1 Casualty.** If, at any time after the Effective Date and prior to Closing or earlier termination of this Agreement, the Property or any portion thereof is damaged or destroyed by fire or any other casualty (a "**Casualty**"), Seller shall give written notice of such Casualty to Purchaser promptly after the occurrence of such Casualty.

11.1.1. **Material Casualty.** If the amount of the repair restoration of the Property required by a Casualty equals or exceeds three percent (3%) of the Purchase Price (a "**Material Casualty**") and such Material Casualty was not caused by Purchaser or Purchaser's Inspectors, or their respective employees or agents, then Purchaser shall have the right to elect, by providing written notice to Seller within ten (10) days after Purchaser's receipt of Seller's written notice of such Material Casualty, to (a) terminate this Agreement, in which case the Deposit shall be refunded to Purchaser in accordance with Section 3.2.4, and the Parties shall have no further rights or obligations under this Agreement, except those which expressly survive such termination, or (b) proceed to Closing, without terminating this Agreement, in which case Seller shall (i) provide Purchaser with a credit against the Purchase Price in an amount equal to the lesser of: (A) the applicable insurance deductible, and (B) the reasonable estimated costs for the repair or restoration of the Property required by such Material Casualty, and (ii) transfer and assign to Purchaser all of Seller's right, title and interest in and to all insurance proceeds (including, but not limited to, casualty, lost profits and business interruption proceeds) payable under Seller's insurance policies maintained by Seller with respect to the Property and any Seller or its Affiliate-owned business(es) operating therein, except those proceeds allocable to lost profits and costs incurred by Seller for the period prior to the Closing. If Purchaser fails to provide written notice of its election to Seller within such time period, then Purchaser shall be deemed to have elected to proceed to Closing pursuant to clause (b) of the preceding sentence. If the Closing is scheduled to occur within Purchaser's ten (10) day election period, the Closing Date shall be postponed until the date which is five (5) Business Days after the expiration of such ten (10) day election period.

11.1.2. **Non Material Casualty.** In the event of any (i) Casualty which is not a Material Casualty, or (ii) Material Casualty which is caused by Purchaser or Purchaser's Inspectors, or their respective employees or agents, then Purchaser shall not have the right to terminate this Agreement, but shall proceed to Closing, in which case Seller shall (A) provide Purchaser with a credit against the Purchase Price (except if such Casualty is caused by Purchaser or Purchaser's Inspectors, or their respective employees or agents) in an amount equal to the lesser of: (1) the applicable insurance deductible, and (2) the reasonable estimated costs for the repair or restoration required by such Casualty and (B) transfer and assign to Purchaser all of Seller's right, title and interest in and to all insurance proceeds (including, but not limited to, casualty, lost profits and business interruption proceeds) payable under Seller's insurance policies maintained by Seller with respect to the Property, except those proceeds allocable to any lost profits or costs incurred by Seller for the period prior to the Closing.

**11.2 Condemnation.** If, at any time after the Effective Date and prior to Closing or the earlier termination of this Agreement, any Governmental Authority commences any condemnation proceeding or other proceeding in eminent domain with respect to all or any portion of the Real Property (a "**Condemnation**"), Seller shall give written notice of such Condemnation to Purchaser promptly after Seller receives notice of such Condemnation.

11.2.1. Material Condemnation. If the Condemnation would (i) result in the permanent loss of more than three percent (3%) of the fair market value of the Land or Improvements, (ii) result in the reduction of the total area of the Land or any Improvements located thereon by five percent (5%) or more (exclusive of any access roads, parking areas, or streets), (iii) result in any permanent material reduction or restriction in access to the Land or Improvements, or (iv) have a permanent materially adverse effect on Purchaser's intended use of the Property for a school and other commercial purposes (a "Material Condemnation"), then Purchaser shall have the right to elect, by providing written notice to Seller within ten (10) days after Purchaser's receipt of Seller's written notice of such Material Condemnation, to (A) terminate this Agreement, in which case the Deposit shall be refunded to Purchaser in accordance with Section 3.2.4, and the Parties shall have no further rights or obligations under this Agreement, except those which expressly survive such termination, or (B) proceed to Closing, without terminating this Agreement, in which case Seller shall assign to Purchaser all of Seller's right, title and interest in all proceeds and awards from such Material Condemnation. If Purchaser fails to provide written notice of its election to Seller within such time period, then Purchaser shall be deemed to have elected to proceed to Closing pursuant to clause (B) of the preceding sentence. If the Closing is scheduled to occur within Purchaser's ten (10) day election period, the Closing shall be postponed until the date which is five (5) Business Days after the expiration of such ten (10) day election period.

11.2.2. Non-Material Condemnation. In the event of any Condemnation other than a Material Condemnation, Purchaser shall not have the right to terminate this Agreement, but shall proceed to Closing, in which case Seller shall assign to Purchaser all of Seller's right, title and interest in all proceeds and awards from such Condemnation.

## ARTICLE XII MISCELLANEOUS PROVISIONS

### 12.1 Notices.

12.1.1 Method of Delivery. All notices, requests, demands and other communications required to be provided by any Party under this Agreement (each, a "Notice") shall be in writing and delivered, at the sending Party's cost and expense, by (i) personal delivery, (ii) certified U.S. mail, with postage prepaid and return receipt requested, (iii) overnight courier service, (iv) facsimile transmission, or (v) electronic transmission (including via email), to the recipient Party at the following address, email address or facsimile number (or to such other address, email address or facsimile number as the Parties may designate from time to time in writing):

If to Seller:

New England Institute of Technology at Palm Beach, Inc.  
c/o Mr. Tayfun Selen  
Lincoln Educational Services  
200 Executive Drive  
West Orange, NJ 07052  
Facsimile No.: (561) 393-1650  
Email: tselen@lincolnedu.com

With copies to:

Jeffrey R. Rich, Esq.  
Genova Burns LLC  
141 West Front Street, Suite 130  
Red Bank, NJ 07701  
Fax: (732) 758-6597  
Email: Jrich@genovaburns.com

Martin J. Genauer, Esq.  
Berger Singerman  
1450 Brickell Avenue, Suite 1900  
Miami, Florida 33131  
Fax. (305)714-4346  
MGenauer@bergersingerman.com

If to Purchaser:

School Property Development Metrocentre, LLC  
4500 PGA Blvd., Suite 303A  
Palm Beach Gardens, FL 33410  
Facsimile No.: 561-686-5442  
Email: mark.rodberg@gmail.com

With a copy to:

Gary Gerson, Esq.  
Nason, Yeager, Gerson, White & Lioce, P.A.  
3001 PGA Boulevard, Suite 305  
Palm Beach Gardens, FL 33410  
Fax: 561-622-2131  
Email: ggerson@nasonyeager.com

12.1.2. **Receipt of Notices.** All Notices sent by a Party (or its counsel pursuant to Section 12.1.4) under this Agreement shall be deemed to have been received by the Party to whom such Notice is sent upon (i) delivery to the address, email address or facsimile number of the recipient Party, provided that such email or facsimile delivery is made prior to 5:00 p.m. (local time for the recipient Party) on a Business Day, otherwise it will be deemed to have been delivered the following Business Day, or (ii) the attempted delivery of such Notice if (A) such recipient Party refuses delivery of such Notice, or (B) such recipient Party is no longer at such address, email address or facsimile number, and such recipient Party failed to provide the sending Party with its current address, email address or facsimile number pursuant to Section 12.1.3.

12.1.3. **Change of Address.** The Parties and their respective counsel shall have the right to change their respective address and/or facsimile number and/or email address for the purposes of this Section 12 by providing a Notice of such change in address and/or facsimile number and/or email address as required under this Section 12.1.3.

12.1.4. **Delivery by Party's Counsel.** The Parties agree that the attorney for such Party shall have the authority to deliver Notices on such Party's behalf to the other Party hereto.

**12.2 No Recordation.** Neither Purchaser, any Affiliate of Purchaser, nor any Person acting by or on behalf of Purchaser shall record this Agreement, or any memorandum or other notice of this Agreement, in any public records. Purchaser hereby grants a power of attorney to Seller (which power is coupled with an interest and shall be irrevocable) only to execute and record on behalf of Purchaser a memorandum or other notice removing this Agreement or any memorandum or other notice of this Agreement from the public records, or evidencing the termination of this Agreement.

**12.3 Time is of the Essence.** Time is of the essence of this Agreement; provided, however, that notwithstanding anything to the contrary in this Agreement, if the time period for the performance of any covenant or obligation, satisfaction of any condition or delivery of any Notice or item required under this Agreement shall expire on a day other than a Business Day, such time period shall be extended automatically to the next Business Day.

**12.4 Assignment.** Purchaser shall not assign this Agreement or any interest therein to any Person, without the prior written consent of Seller, which consent shall not be unreasonably withheld, conditioned or delayed, and which consent shall be automatically deemed provided if Seller fails to provide such consent within five (5) days after receiving Purchaser's notice requesting such consent.

**12.5 Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the Parties, and their respective successors and (subject to Section 12.4) assigns.

**12.6 Third Party Beneficiaries.** This Agreement shall not confer any rights or remedies on any Person other than the Parties and their respective successors and (subject to Section 12.4) assigns.

**12.7 GOVERNING LAW.** THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF FLORIDA, WITHOUT GIVING EFFECT TO ANY PRINCIPLES REGARDING CONFLICT OF LAWS.

**12.8 Rules of Construction.** The following rules shall apply to the construction and interpretation of this Agreement:

12.8.1. Singular words shall connote the plural as well as the singular, and plural words shall connote the singular as well as the plural, and the masculine shall include the feminine and the neuter, as the context may require.

12.8.2. All references in this Agreement to particular articles, sections, subsections or clauses (whether in upper or lower case) are references to articles, sections, subsections or clauses of this Agreement. All references in this Agreement to particular exhibits or schedules (whether in upper or lower case) are references to the exhibits and schedules attached to this Agreement, unless otherwise expressly stated or clearly apparent from the context of such reference.

12.8.3. The headings in this Agreement are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

12.8.4. Each Party and its counsel have reviewed and revised (or requested revisions of) this Agreement and have participated in the preparation of this Agreement, and therefore any rules of construction requiring that ambiguities are to be resolved against the Party which drafted the Agreement or any exhibits hereto shall not be applicable in the construction and interpretation of this Agreement or any exhibits hereto.

12.8.5. The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms shall refer to this Agreement, and not solely to the provision in which such term is used.

12.8.6. The terms “include,” “including” and similar terms shall be construed as if followed by the phrase “without limitation.”

12.8.7. The term “sole discretion” with respect to any determination to be made a Party under this Agreement shall mean the sole and absolute discretion of such Party, without regard to any standard of reasonableness or other standard by which the determination of such Party might be challenged.

**12.9 Severability.** If any term or provision of this Agreement is held to be or rendered invalid or unenforceable at any time in any jurisdiction, such term or provision shall not affect the validity or enforceability of any other terms or provisions of this Agreement, or the validity or enforceability of such affected term or provision at any other time or in any other jurisdiction.

**12.10 JURISDICTION AND VENUE.** ANY LITIGATION OR OTHER COURT PROCEEDING WITH RESPECT TO ANY MATTER ARISING FROM OR IN CONNECTION WITH THIS AGREEMENT SHALL BE CONDUCTED IN A COURT OF COMPETENT JURISDICTION LOCATED IN PALM BEACH COUNTY, FLORIDA, AND SELLER (FOR ITSELF AND ALL OF SELLER’S AFFILIATES) AND PURCHASER (FOR ITSELF AND ALL OF PURCHASER’S AFFILIATES) HEREBY SUBMIT TO JURISDICTION AND CONSENT TO VENUE IN SUCH COURTS, AND WAIVE ANY DEFENSE BASED ON FORUM NON CONVENIENS.

**12.11 WAIVER OF TRIAL BY JURY.** EACH PARTY HEREBY WAIVES ITS RIGHT TO A TRIAL BY JURY IN ANY LITIGATION OR OTHER COURT PROCEEDING WITH RESPECT TO ANY MATTER ARISING FROM OR IN CONNECTION WITH THIS AGREEMENT.

**12.12 Prevailing Party.** If any litigation or other court action, arbitration or similar adjudicatory proceeding is commenced by any Party to enforce its rights under this Agreement against any other Party, all fees, costs and expenses, including, without limitation, reasonable attorneys' fees and court costs, incurred by the prevailing Party in such litigation, action, arbitration or proceeding shall be reimbursed by the losing Party; provided, that if a Party to such litigation, action, arbitration or proceeding prevails in part, and loses in part, the court, arbitrator or other adjudicator presiding over such litigation, action, arbitration or proceeding shall award a reimbursement of the fees, costs and expenses incurred by such Party on an equitable basis.

**12.13 Incorporation of Recitals, Exhibits and Schedules.** The recitals to this Agreement, and all exhibits and schedules referred to in this Agreement are incorporated herein by such reference and made a part of this Agreement. Any matter disclosed in any schedule to this Agreement shall be deemed to be incorporated in all other schedules to this Agreement.

**12.14 Entire Agreement.** This Agreement sets forth the entire understanding and agreement of the Parties hereto, and shall supersede any agreements and understandings (written or oral) between the Parties on or prior to the Effective Date with respect to the transaction described in this Agreement.

**12.15 Amendments, Waivers and Termination of Agreement.** No amendment or modification to any terms or provisions of this Agreement, waiver of any covenant, obligation, breach or default under this Agreement or termination of this Agreement (other than as expressly provided in this Agreement), shall be valid unless in writing and executed and delivered by each of the Parties.

**12.16. Not an Offer.** The delivery by Seller of this Agreement executed by Seller shall not constitute an offer to sell the Property, and Seller shall have no obligation to sell the Property to Purchaser, unless and until all Parties have executed and delivered this Agreement to all other Parties.

**12.17 Execution of Agreement.** A Party may deliver executed signature pages to this Agreement by electronic transmission (including email and facsimile) to any other Party, which electronically transmitted copy shall be deemed to be an original executed signature page. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which counterparts together shall constitute one agreement with the same effect as if the Parties had signed the same signature page.

**12.18 Radon Gas Disclosure.** Radon gas is a naturally occurring radioactive gas that, when accumulated in a building in sufficient quantities may present health risks to persons who are exposed to it over a period of time. Levels of Radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding Radon and Radon testing may be obtained from the Palm Beach County Health Department.

[SIGNATURES TO FOLLOW]

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed and delivered in its name by a duly authorized officer or representative.

**SELLER:**

**NEW ENGLAND INSTITUTE OF TECHNOLOGY AT PALM BEACH, INC.,**  
a Florida corporation

By: /s/ Scott M. Shaw

Name: Scott M. Shaw

Title: President & CEO

Date: 07/01/16

**PURCHASER:**

**SCHOOL PROPERTY DEVELOPMENT METROCENTRE, LLC,**  
a Florida limited liability company

By: /s/ Patrick C. Koenig

Name: Patrick C. Koenig

Title: Member

Date: 06/30/16

**SCHEDULE 2.1.1**

**LEGAL DESCRIPTION OF THE LAND**

Parcel 1:

Lot 12, METROCENTRE CORPORATE PARK, according to the Plat thereof on file in the Office of the Clerk of the Circuit Court in and for Palm Beach County, Florida, as recorded in Plat Book 61, Page 140.

and

That portion of Lot 13, METROCENTRE CORPORATE PARK, according to the Plat thereof on file in the Office of the Clerk of the Circuit Court in and for Palm Beach County, Florida as recorded in Plat Book 61, Page 140 lying East of the following described line:

Commence at the Northwest corner of said Lot 13; thence South 85 degrees 01 minutes 07 seconds East, along the North line of said Lot 13 (the North line of said Lot 13 is assumed to bear South 85 degrees 01 minutes 07 seconds East and all other bearings are relative thereto) a distance of 139.54 feet to the beginning of a curve concave to the South, having a radius of 675.00 feet and a central angle of 00 degrees 46 minutes 24 seconds, thence continue Easterly along the arc of said curve a distance of 9.11 feet to the Point of Beginning of the hereinafter described line; thence South 02 degrees 45 minutes 30 seconds West a distance of 304.74 feet to a point; thence South 26 degrees, 35 minutes 12 seconds West a distance of 115.00 feet to a point on the South line of said Lot 13 lying 41.81 feet Northwesterly, as measured along the arc of the Southeast corner of said Lot 13, said point being the Point of Terminus of the herein described line.

Also known as Parcel B of Minor Subdivision Plat attached to Affidavit of Ownership recorded in Official Records Book 9891, Page 347.

Parcel 2:

Lot 11, METROCENTRE CORPORATE PARK, according to the Plat thereof on file in the Office of the Clerk of the Circuit Court in and for Palm Beach County, Florida, as recorded in Plat Book 61, Page 140.

Parcel 3:

Lot 10, METROCENTRE CORPORATE PARK, according to the Plat thereof on file in the Office of the Clerk of the Circuit Court in and for Palm Beach County, Florida, as recorded in Plat Book 61, Page 140.

Parcel 4:

Lots 1, 28, 29, 30 and 31, of AUSTRALIAN BUSINESS PARK according to the Plat thereof, on file in the Office of the Clerk of the Circuit Court in and for Palm Beach County, Florida, as recorded in Plat Book 40, Page 88.

**EXHIBIT A**

**DEFINITIONS**

“Affiliate(s)” means any corporation, partnership, limited liability company, or other entity that, directly or indirectly, controls, is controlled by, or is under common control with a Party, as applicable, or with the parent company or any subsidiaries of that Party. For purposes of the aforementioned definition, the terms “controls,” “controlled by,” and “under common control with” mean the (A) right to direct the management and policies of the applicable entity or entities, whether directly or indirectly, or (B) the ownership of more than 50% of the stock, partnership, membership, or other equity interests of and in the applicable entity or entities.

“Anti-Terrorism Laws” means Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other Applicable Law addressing or in any way relating to terrorist acts and acts of war.

“Applicable Law” means (i) all statutes, laws, common law, rules, regulations, ordinances, codes or other legal requirements of any Governmental Authority, stock exchange, board of fire underwriters and similar quasi-governmental authority, and (ii) any judgment, injunction, order or other similar requirement of any court or other adjudicatory authority, in effect at the time in question and in each case to the extent the Person or property in question is subject to the same.

“Business Day” means any day other than a Saturday, Sunday or federal legal holiday.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and any regulations, rulings and guidance issued by the Internal Revenue Service.

“Effective Date” shall mean the date on which the last one of Landlord and Tenant has signed and delivered this Agreement to the other party.

“Escrow Agent” means Nason, Yeager, Gerson, White & Lioce, P.A., through its offices at 3001 PGA Blvd., Suite 305, Palm Beach Gardens, FL 33410.

“Governmental Authority” means any federal, state or local government or other political subdivision thereof, including, without limitation, any Person exercising executive, legislative, judicial, regulatory or administrative governmental powers or functions, in each case to the extent the same has jurisdiction over the Person or property in question.

“Person” means any natural person, corporation, general or limited partnership, limited liability company, association, joint venture, trust, estate, Governmental Authority or other legal entity, in each case whether in its own or a representative capacity.

“Taxes” means any federal, state, local or foreign, real property, personal property, sales, use, room, occupancy, ad valorem or similar taxes, assessments, levies, charges or fees imposed by any Governmental Authority on Seller with respect to the Property or the Business, including, without limitation, any interest, penalty or fine with respect thereto, but expressly excluding any (i) federal, state, local or foreign income, capital gain, gross receipts, capital stock, franchise, profits, estate, gift or generation skipping tax, or (ii) transfer, documentary stamp, recording or similar tax, levy, charge or fee incurred with respect to the transaction described in this Agreement.

“Title Commitment” means a standard 2006 ALTA form of title commitment (with Florida modifications) for the issuance of the Title Policy.

“Title Policy” shall mean an owner’s policy of title insurance issued in accordance with this Agreement.

“Title Company” shall mean Nason, Yeager, Gerson, White & Lioce, P.A., as agent for Old Republic National Title Insurance Company.

**EXHIBIT B**  
**FORM OF EARNEST MONEY ESCROW AGREEMENT**

THIS EARNEST MONEY ESCROW AGREEMENT (this "**Agreement**") is made and entered into as of this \_\_\_\_ day of \_\_\_\_\_, 2016 (the "**Effective Date**"), by and among NEW ENGLAND INSTITUTE OF TECHNOLOGY AT PALM BEACH, INC. ("**Seller**"), and SCHOOL PROPERTY DEVELOPMENT METROCENTRE, LLC AND/OR ASSIGNS ("**Purchaser**"), and NASON, YEAGER, GERSON, WHITE & LIOCE, P.A. ("**Escrow Agent**"). (Seller, Purchaser and Escrow Agent are sometimes referred to herein individually as a "**Party**", and collectively as the "**Parties**").

Recitals

WHEREAS, Seller and Purchaser are parties to that certain Purchase and Sale Agreement, dated as of \_\_\_\_\_, 2016 (the "**Purchase Agreement**"), for the sale and purchase of real property located at 2400 Metrocentre Boulevard East, West Palm Beach, Florida 33407 and 2410 Metrocentre Boulevard East, West Palm Beach, Florida 33407 (together, the "**Property**"). All initial capitalized terms used, but not defined, in this Agreement shall have the meaning set forth in the Purchase Agreement.

WHEREAS, Purchaser is required to deposit certain monies into escrow with Escrow Agent to be held as earnest money for the benefit of Seller pursuant to the Purchase Agreement in connection with the purchase of the Facilities.

WHEREAS, Escrow Agent is willing to hold such earnest money in escrow, and invest and disburse such earnest money, on the terms set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller, Purchaser and Escrow Agent hereby agree as follows:

1. Deposit and Investment of Earnest Money

(a) Deposit and Acceptance of Earnest Money. The Purchase Agreement provides that Purchaser shall deliver to Escrow Agent the sum of Two Hundred Fifty Thousand and no/100 Dollars (\$250,000) (the "**First Deposit**") on or before July 5, 2016. The Purchase Agreement further provides that if the closing of the Purchase Agreement does not occur on or before July 28, 2016, then Purchaser shall deliver to Escrow Agent an additional sum of \$250,000 ("**Second Deposit**"). The funds so delivered by Purchaser to Escrow Agent, including the First Deposit and the Second Deposit, if delivered, are herein referred to as "**Earnest Money**".

(b) Escrow Account. Escrow Agent shall hold the Earnest Money in an escrow account (the "**Escrow Account**") for the benefit of Seller and Purchaser pursuant to this Agreement, and shall not commingle the Earnest Money with its own funds.

2. Disbursement of Earnest Money.

(a) Disbursement at Closing. At Closing, Escrow Agent shall disburse the Earnest Money to Seller or to any other Person to whom Purchaser and Seller jointly direct the Earnest Money to be disbursed by providing written notice to Escrow Agent.

(b) Disbursement if Closing Not Consummated

(i) If the Purchase Agreement is terminated for any reason and the Closing is not consummated prior to the Closing Date or if Seller or Purchaser otherwise is entitled to receive the Earnest Money pursuant to the Purchase Agreement, either Seller or Purchaser (as the case may be) (the "**Requesting Party**") may provide written notice to Escrow Agent that the Purchase Agreement has been terminated and Seller or Purchaser (as the case may be) is entitled to receive the Earnest Money pursuant to the Purchase Agreement and that the Earnest Money is to be distributed in accordance with the instructions given in such notice (a "**Disbursement Request**"). Escrow Agent shall provide written notice (the "**Receipt Notice**") to the other Party (the "**Confirming Party**") of its receipt of such Disbursement Request (together with a copy of the Disbursement Request) no later than one (1) Business Day after its receipt of such Disbursement Request.)

(ii) If the Confirming Party disputes that the Requesting Party is entitled to receive the Earnest Money, the Confirming Party shall provide written notice to Escrow Agent within one (1) Business Day after its receipt of the Receipt Notice disputing that the Requesting Party is entitled to receive the Earnest Money (a "**Dispute Notice**"). If Escrow Agent has not received a Dispute Notice from the Confirming Party within such one (1) Business Day period, the Confirming Party shall be deemed to have authorized the disbursement set forth in the Disbursement Request, and Escrow Agent shall disburse the Earnest Money pursuant to the instructions set forth in the Disbursement Request. If Escrow Agent receives a Dispute Notice within such one (1) Business Day period, Escrow Agent shall retain the Earnest Money in the Escrow Account pending receipt of separate written direction from Seller and Purchaser authorizing the disbursement of the Earnest Money to the same Person as provided in Section 2, or a final unappealable order of court with respect to distribution of the Earnest Money. Notwithstanding the foregoing, if Escrow Agent receives contrary written directions from Seller and Purchaser or no written directions within six (6) months after the Effective Date, Escrow Agent shall have the right to deposit the Earnest Money with any court of competent jurisdiction in *Palm Beach County, Florida* and interplead Seller and Purchaser. Upon depositing the Earnest Money and filing its complaint in interpleader, Escrow Agent shall be released from all liability under this Agreement regarding the Earnest Money, except as otherwise expressly provided in this Agreement.

(c) Reliance. Escrow Agent may act in reliance on any writing or instrument or signature that Escrow Agent, in good faith, believes to be genuine, and may assume the validity and accuracy of any statement or assertion contained in such a writing or instrument and may assume that any person purporting to give any writing, notice, advice, or instruction in connection with the provisions hereof has been duly authorized so to do. Escrow Agent's duties hereunder shall be limited to the safe-keeping of the Earnest Money and the disposition of the same in accordance with the terms hereof.

3. Escrow Fees. Escrow Agent shall not be entitled to any fees or costs for serving as Escrow Agent hereunder.

4. Compliance with Court Orders. Seller and Purchaser hereby authorize and direct Escrow Agent to accept, obey and comply with any and all writs, orders, judgments or decrees issued or entered by any court with or without jurisdiction (a "Court Order") notwithstanding anything to the contrary in this Agreement, and agree that if Escrow Agent accepts, obeys or complies with any such Court Order notwithstanding any provision to the contrary in this Agreement, Escrow Agent shall not be liable to Seller or Purchaser by reason of such acceptance, obedience or compliance, notwithstanding that any such Court Order is entered without jurisdiction or is subsequently reversed, modified, annulled, set aside or vacated.

5. Release and Indemnification. Seller and Purchaser hereby release Escrow Agent and its officers, managers, employees and agents (each, an "Escrow Agent Party"), for any liability, damage, loss, cost or expense incurred by Seller or Purchaser to the extent resulting from (i) any action taken or not taken in good faith upon advice of Escrow Agent's counsel given with respect to any questions relating to its obligations under this Agreement, or (ii) any action taken or not taken in reliance upon any document, including any written notice provided to Escrow Agent pursuant to this Agreement, as to the due execution and the validity and effectiveness of such document, and the truth and accuracy of any information contained therein, which such Escrow Agent Party in good faith believes to be genuine, to have been signed or presented by a duly authorized person or persons and to comply with the terms of the Purchase Agreement and this Agreement, except to the extent resulting from the gross negligence, willful default, intentional misconduct or breach of trust by such Escrow Agent Party. Seller and Purchaser, jointly and severally, shall indemnify and hold harmless any Escrow Agent Party against any liability, damage, loss, cost or expense, including, without limitation, reasonable attorneys' fees and court costs, incurred by such Escrow Agent Party to the extent resulting from the performance by any Escrow Agent Party of Escrow Agent's obligations under this Agreement, except to the extent resulting from the gross negligence, willful default, intentional misconduct or breach of trust by such Escrow Agent Party.

6. Relationship of Parties. Seller and Purchaser acknowledge and agree that Escrow Agent is acting solely as a stakeholder at their request, and that Escrow Agent, in its capacity as escrow agent, shall not be deemed to be the agent of either Seller or Purchaser.

7. Notices

(a) Method of Delivery. All notices, requests, demands and other communications (each, a "Notice") required to be provided by any Party to any other Party pursuant to this Agreement shall be in writing and shall be delivered (i) in person, (ii) by certified U.S. mail, with postage prepaid and return receipt requested, (iii) by overnight courier service, (iv) by facsimile transmittal, or (v) electronic transmission, including via email, to the other Party to this Agreement at the following address, email address or facsimile number (or to such other address, email address or facsimile number as the Parties may designate from time to time pursuant to Section 7(c)):

If to Seller:

New England Institute of Technology at Palm Beach, Inc.  
C/O Lincoln Educational Services  
200 Executive Drive  
West Orange, NJ 07052  
Attn: Mr. Tayfun Selen, VP of Procurement and Real Estate  
Facsimile No.: (561) 393-1650  
Email: tselen@lincolnedu.com

With a copy to: Jeffrey R. Rich, Esq.  
Genova Burns LLC  
141 W. Front Street, Suite 130  
Red Bank, NJ 07701

If to Purchaser:

School Property Development Metrocentre, LLC  
4500 PGA Blvd., Suite 303 A  
Palm Beach Gardens, FL 33410  
Facsimile No.: 561-686-5442  
Email: mark.rodberg@gmail.com

With a copy to:

Gary Gerson, Esq.  
Nason, Yeager, Gerson, White & Lioce, P.A.  
3001 PGA Blvd., Suite 305  
Palm Beach Gardens, FL 33410  
Fax: 561-622-2131  
Email: ggerson@nasonyeager.com

If to Escrow Agent:

Gary Gerson, Esq.  
Nason, Yeager, Gerson, White & Lioce, P.A.  
3001 PGA Blvd., Suite 305  
Palm Beach Gardens, FL 33410  
Fax: 561-622-2131  
Email: ggerson@nasonyeager.com

(b) Receipt of Notices. All Notices sent by any Party (or their respective counsel pursuant to Section 7(d)) under this Agreement shall be deemed to have been received by the Party to whom such Notice is sent upon (i) delivery to the address, email address or facsimile number of the recipient Party, provided that such email or facsimile delivery is made prior to 5:00 p.m. (local time for the recipient Party) on a Business Day, otherwise it will be deemed to have been delivered the following Business Day, or (ii) the attempted delivery of such Notice if (A) such recipient Party refuses delivery of such Notice, or (B) such recipient Party is no longer at such address, email address or facsimile number, and such recipient Party failed to provide the sending Party with its current address, email address or facsimile number pursuant to Section 7(c).

(c) Change of Address. The Parties (and the Persons to whom copies of Notices are to be delivered pursuant to Section 7(a)) shall have the right to change their respective address, email address and/or facsimile number for the purposes of this Section 7 by providing a Notice of such change in address, email address and/or facsimile as required under this Section 7.

(d) Delivery by Party's Counsel. The Parties agree that the attorney for such Party shall have the authority to deliver Notices on such Party's behalf to the other Parties hereto.

8. Assignment. Neither Seller nor Purchaser shall assign any of its rights, or delegate any of its obligations, in this Agreement, without the prior written consent of the other Party.

9. Successors and Assigns; Third Party Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns pursuant to Section 8. This Agreement shall not confer any rights or remedies upon any person or entity other than the Parties and their respective successors and assigns pursuant to this Section 8.

10. Conflict with Purchase Agreement. If any of the terms or provisions of this Agreement conflict with, or are inconsistent with, any terms or provisions of the Purchase Agreement, the terms and provisions of this Agreement shall control.

11. Governing Law; Severability. This Agreement shall be governed by the laws of the State of Florida. If any term or provision of this Agreement is held to be or rendered invalid or unenforceable at any time in any jurisdiction, such term or provision shall not affect the validity or enforceability of any other terms or provisions of this Agreement, or the validity or enforceability of such affected terms or provisions at any other time or in any other jurisdiction.

12. Jurisdiction; Venue. Any litigation or other court proceeding with respect to any matter arising from or in connection with this Agreement shall be conducted in a Court of competent jurisdiction located in Palm Beach County, Florida, and each Party hereby submits to jurisdiction and consents to venue in such courts.

13. Waiver of Trial by Jury. Each Party hereby waives its right to a trial by jury in any litigation or other court proceeding by any Party against any other Party with respect to any matter arising from or in connection with this Agreement.

14. Prevailing Party. If any litigation or other court action, arbitration or similar adjudicatory proceeding is undertaken by any Party to enforce its rights under this Agreement, all fees, costs and expenses, including, without limitation, reasonable attorneys' fees and court costs, of the prevailing Party in such action, suit or proceeding shall be reimbursed or paid by the Party against whose interest the judgment or decision is rendered. This Section 14 shall survive the termination of this Agreement.

15. Recitals. The recitals to this Agreement are incorporated herein by such reference and made a part of this Agreement.

16. Entire Agreement; Amendments to Agreement. This Agreement sets forth the entire understanding and agreement of the Parties hereto, and shall supersede any other agreements and understandings (written or oral) between or among the Parties on or prior to the date of this Agreement with respect to the transaction contemplated in this Agreement. No amendment or modification to any terms of this Agreement, or cancellation of this Agreement, shall be valid unless in writing and executed and delivered by all of the Parties.

17. Electronic Transmission; Counterparts. A Party may deliver executed signature pages to this Agreement by electronic transmission, including without limitation, email and facsimile transmission, to any other Parties, which email or facsimile copy shall be deemed to be an original executed signature page. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which counterparts together shall constitute one agreement with the same effect as if the Parties had signed the same signature page.

**[Remainder of Page Intentionally Left Blank;  
Signature Page Follows]**

IN WITNESS WHEREOF, Seller, Purchaser and Escrow Agent have caused this Agreement to be executed and delivered in their names by their respective duly authorized officers or representatives as of the Effective Date.

SELLER:

New England Institute of Technology at Palm Beach, Inc.,  
a Florida corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

PURCHASER:

School Property Development Metrocentre, LLC  
a Florida limited liability company

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

ESCROW AGENT:

Nason, Yeager, Gerson, White & Lioce, P.A.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT C**  
**FORM OF SELLER CLOSING CERTIFICATE**

THIS CLOSING CERTIFICATE (this "**Certificate**") is made by New England Institute of Technology at Palm Beach, Inc., a Florida corporation ("**Seller**"), and delivered to School Property Development Metrocentre, LLC ("**Purchaser**"), pursuant to that certain Purchase and Sale Agreement, dated as of June \_\_, 2016 (the "**Agreement**"), between Seller and Purchaser. All initial capitalized terms used, but not defined, in this Certificate shall have the meaning set forth in the Agreement.

Seller hereby states and certifies the following for the purpose of inducing: (a) Purchaser to purchase from Seller that certain property located in the State of Florida, described on Exhibit A attached hereto (the "**Property**"); and (b) Title Company to insure title to the Property:

1. The representations and warranties made by Seller under the Agreement (as the same may have been updated, amended, supplemented or amended by Seller) are true and correct in all material respects as of the date of this Certificate, with the same effect as if made on the date of this Certificate.

2. Seller has performed its covenants and obligations under the Agreement in all material respects as of the date of this Certificate.

IN WITNESS WHEREOF, Seller has caused this Certificate to be executed and delivered in its name by a duly authorized officer or representative as of this \_\_\_ day of \_\_\_\_\_, 2016.

**SELLER:**

New England Institute of Technology at Palm Beach, Inc.,  
a Florida corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT "A" TO SELLER CLOSING CERTIFICATE**  
**LEGAL DESCRIPTION**

**EXHIBIT D**  
**FORM OF DEED**

THIS INSTRUMENT PREPARED BY,  
AND AFTER RECORDING RETURN TO:

**SPECIAL WARRANTY DEED**

This Special Warranty Deed is made the \_\_\_\_ day of \_\_\_\_\_, 2016, by **NEW ENGLAND INSTITUTE OF TECHNOLOGY AT PALM BEACH, INC.**, a Florida corporation, whose address is \_\_\_\_\_ ("**Grantor**"), in favor of **SCHOOL PROPERTY DEVELOPMENT METROCENTRE, LLC**, a Florida limited liability company, whose address is 4500 PGA Blvd., Suite 303A, Palm Beach Gardens, FL 33410 ("**Grantee**").

GRANTOR, for and in consideration of the sum of Ten Dollars (\$10.00) and other valuable consideration, receipt of which is hereby acknowledged, has granted, bargained and sold to Grantee, and Grantee's successors and assigns forever, the land located in Palm Beach County, Florida, as more particularly described in **Exhibit "A"** attached hereto and made a part hereof (the "**Property**").

TO HAVE AND TO HOLD, the same together with all and singular tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining, and all the estate, right, title, interest, lien, equity, and claim whatsoever of the Grantor, either in law or in equity, to the use, benefit and behalf of the Grantee forever.

This conveyance is made subject to the following:

1. Taxes and assessments for the year 2016 and subsequent years.
2. Zoning and other governmental regulations.
3. All covenants, conditions, restrictions, easements, reservations, declarations, and limitations of record (none of which are reimposed by this conveyance).

TO HAVE AND TO HOLD, the same in fee simple forever.

Together with all tenements, hereditaments and appurtenances belonging or in any way appertaining to the Property.

AND Grantor hereby covenants that Grantor has good right and lawful authority to sell and convey the Property, and hereby specially warrants the title to the Property and will defend the same against the lawful claims and demands (excluding those arising out of the encumbrances described above) of all persons claiming by, through and under Grantor, but none others.

IN WITNESS WHEREOF, the Grantor has caused this Special Warranty Deed to be executed the day and year first above written.

WITNESSES:

\_\_\_\_\_  
Print Name: \_\_\_\_\_

**NEW ENGLAND INSTITUTE OF TECHNOLOGY AT PALM BEACH, INC.**  
a Florida corporation

\_\_\_\_\_  
Print Name: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

STATE OF FLORIDA            )  
  ) SS  
COUNTY OF MIAMI-DADE    )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2016, by \_\_\_\_\_, the \_\_\_\_\_ of **NEW ENGLAND INSTITUTE OF TECHNOLOGY AT PALM BEACH, INC.**, a Florida corporation on behalf of the company; who is personally known to me or who has produced \_\_\_\_\_ as identification.

\_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Notary Public  
My Commission Expires:

Exhibit "A" to Special Warranty Deed

DESCRIPTION OF PROPERTY

Exhibit "B" to Special Warranty Deed

PERMITTED EXCEPTIONS

**EXHIBIT E**

**FORM OF PURCHASER CLOSING CERTIFICATE**

THIS CLOSING CERTIFICATE (this "Certificate") is made by School Property Development Metrocentre, LLC, a Florida limited liability company ("**Purchaser**") and delivered to New England Institute of Technology at Palm Beach, Inc., a Florida corporation ("**Seller**"), pursuant to that certain Purchase and Sale Agreement, dated as of June \_\_\_\_, 2016 (the "Agreement"), between Seller and Purchaser. All initial capitalized terms used, but not defined in this Certificate shall have the meaning set forth in the Agreement.

Purchaser hereby states and certifies the following for the purpose of inducing: (a) Seller to sell to Purchaser that certain property located in the State of Florida, described on Exhibit A attached hereto (the "**Property**"); and (b) Title Company to insure title to the Property:

1. The representations and warranties made by Purchaser under the Agreement (as the same may have been updated, amended, supplemented or amended by Purchaser) are true and correct in all material respects as of the date of this Certificate, with the same effect as if made on the date of this Certificate..
2. Purchaser has performed its covenants and obligations under the Agreement in all material respects as of the date of this Certificate.
3. IN WITNESS WHEREOF, Purchaser has caused this Certificate to be executed and delivered in its name by a duly authorized officer or representative as of this \_\_\_\_ day of \_\_\_\_\_, 2016.

**PURCHASER:**

School Property Development Metrocentre, LLC,  
a Florida limited liability company

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT "F"**

**LEASE AGREEMENT**

This LEASE AGREEMENT ("**Lease**"), dated as of the Effective Date, is by and between **SCHOOL PROPERTY DEVELOPMENT METROCENTRE LLC**, a Florida limited liability company AND/OR ASSIGNS, having his principal office at 4500 PGA Blvd., Suite 303A, Palm Beach Gardens, FL 33410 ("**Landlord**"), **NEW ENGLAND INSTITUTE OF TECHNOLOGY AT PALM BEACH, INC.**, a Florida Corporation, having an address at c/o **LINCOLN EDUCATIONAL SERVICES**, 200 Executive Drive, West Orange, NJ, 07052 ("**Tenant**").

WITNESSETH THAT, in consideration of the rents, covenants and agreements hereinafter set forth, Landlord and Tenant covenant, warrant and agree as follows:

**RECITALS**

Concurrently with the execution of this Lease, Landlord is purchasing the Property from Tenant pursuant to that certain Purchase and Sale Agreement dated as of June 30, 2016 ("**Purchase Agreement**"). It is a condition precedent to the closing of the Purchase Agreement that Landlord and Tenant enter into this Lease.

1. **Definitions.** In addition to the terms otherwise defined in this Lease, for purposes of this Lease, the following terms shall have the following meanings:

**"Building"** shall mean the two buildings having the street addresses of 2400 Metrocentre Boulevard East and 2410 Metrocentre Boulevard East, West Palm Beach, Florida

**"Building Systems"** shall mean the HVAC Systems, mechanical, electrical, plumbing and life safety systems of the Building.

**"Effective Date"** means the date of the closing of the Purchase Agreement.

**"Governmental Authority"** means any federal, state or local government or other political subdivision thereof, including, without limitation, any person or entity exercising executive, legislative, judicial, regulatory or administrative governmental powers or functions, in each case to the extent the same has jurisdiction over the person, entity or property in question.

**"Hazardous Materials"** shall mean any chemical, compound, material, substance or other matter that: (a) is defined as a hazardous substance, hazardous material or waste, or toxic substance under any Hazardous Materials Law; (b) is regulated, controlled or governed by any Hazardous Materials Law or other laws, and any waste, substance or material which, even if not regulated, controlled or governed by any Hazardous Materials Law, is known to pose a hazard to the health and safety of the occupants of the Property or of the property adjacent to the Property; (c) is petroleum or a petroleum product; or (d) is asbestos, formaldehyde, radioactive material, drug, bacteria, virus, or other injurious or potentially injurious material (by itself or in combination with other materials).

**"Hazardous Materials Laws"** shall mean any and all federal, state or local laws, ordinances, rules, decrees, orders, regulations or court decisions relating to hazardous substances, hazardous materials, hazardous waste, toxic substances, environmental conditions on, under or about the Premises, the Building or the Property, or soil and ground water conditions, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), the Resource Conservation and Recovery Act (RCRA), the Hazardous Materials Transportation Act, any other law or legal requirement concerning hazardous or toxic substances, and any amendments to the foregoing.

**"HVAC Systems"** shall mean the plumbing, heating, air conditioning, and ventilating systems of the Building.

**"Impositions"** shall mean all taxes of every kind and nature (including, but not limited to real, ad valorem, single business, and personal property taxes) on or with respect to the Demised Premises, or the use, lease, ownership or operation thereof; all general and special assessments, levies, permits, inspection and license fees on or with respect to the Demised Premises; all water and sewer rents and other utility charges on or with respect to the Demised Premises; and all other public charges and/or taxes whether of a like or different nature, even if unforeseen or extraordinary, imposed or assessed upon or with respect to the Demised Premises, during the Term, against Landlord, Tenant or any of the Demised Premises as a result of or arising in respect of the occupancy, leasing, use, maintenance, operation, management, repair or possession thereof, or any activity conducted on the Demised Premises, or the Rent, including without limitation, any rent tax, sales tax, occupancy tax or excise tax levied by any governmental body on or with respect to such Rent, including pursuant to Fla. Stat. ch 212.031 (2012); all payments required to be made to a Governmental Authority (or private entity in lieu thereof) that are in lieu of any of the foregoing, whether or not expressly so designated; and any penalties, fines, additions or interest thereon or additions thereto, but expressly excluding federal, state and local (A) transfer taxes as the result of a conveyance by Landlord of its interest in the Demised Premises, (B) franchise, capital stock or similar taxes, if any, of Landlord, and (C) income, excess profits or other taxes, if any, of Landlord, determined on the basis of or measured by its net or gross income; to the extent not covered above, any and all other fees, costs and expenses incurred by Landlord and Tenant for the use, lease, ownership, operation, repair and maintenance of the Property.

**"Landlord's Address for Notices"** shall mean 4500 PGA Blvd., Suite 303A, Palm Beach Gardens, FL 33410, mark.rodberg@gmail.com, with a copy to Gary N. Gerson, Esq., Nason, Yeager, Gerson, White & Lioce, P.A., 3001 PGA Blvd., Suite 305, Palm Beach Gardens, FL 33410, ggerson@nasonyeager.com.

"**Lease Commencement Date**" shall mean the date of this Lease, being the date of the closing of the Purchase Agreement.

"**Lease Expiration Date**" shall mean March 31, 2017, unless extended or shortened in accordance with the terms and provisions of the Lease.

"**Permitted Use**" shall mean for the operation and maintenance of a school.

"**Premises**" or "**Demised Premises**" shall mean the Building, the parking lot and the other property located at 2400 Metrocentre Boulevard East and 2410 Metrocentre Boulevard East, West Palm Beach, Florida as more particularly shown on Exhibit A attached hereto.

"**Property**" shall mean the real property upon which the Premises are located, and all appurtenances thereto as legally described in Exhibit A.

"**Tenant Parties**" shall mean Tenant and all of Tenant's employees, agents, representatives, contractors, subcontractors, students, invitees, assignees and sublessees (subject to Section 14 hereof)

"**Tenant's Address for Notices**" shall mean Lincoln Educational Services, 200 executive Drive, West Orange, NJ 07052, Attn: Tayfun Selen, tselen@lincolnedu.com.

"**Term**" or "**Lease Term**" shall mean a term commencing on the Lease Commencement Date and ending on the Lease Expiration Date, unless extended or shortened in accordance with the terms and provisions of the Lease.

2. Premises.

Landlord hereby leases to Tenant, and Tenant hereby rents from Landlord, the Premises for the Term. The Building located within the Premises shall be used exclusively (a) by Tenant; and (b) for the Permitted Use.

3. Term.

The Term shall commence on the Lease Commencement Date and shall expire on the Lease Expiration Date; provided, however, that Tenant, at its option, shall be entitled to terminate this Lease upon thirty (30) days written notice to Landlord and, provided further, that no such termination shall become effective prior to January 1, 2017 regardless of when the termination notice is given. Tenant shall have the option ("**Renewal Option**") to extend the duration of the Lease Term for three (3) additional months commencing on April 1, 2017 and terminating on June 30, 2017 ("**Renewal Term**") by delivering to Landlord, on or before December 31, 2016, written notice of Tenant's election to exercise such Renewal Option. All other conditions of this Lease shall apply during the Renewal Term and the duration of the Renewal Term shall be deemed part of the Lease Term for purposes of this Lease.

4. Rent.

(a) Tenant covenants and agrees to pay Rent in advance on the first (1st) day of each calendar month during the Term and without notice, demand, abatement, deduction, counterclaim, setoff, defense or otherwise, in lawful money of the United States, to Landlord at 4500 PGA Blvd., Suite 303A, Palm Beach Gardens, FL 33410 throughout the Term of this Lease as follows:

(i) During the Lease Term, Tenant shall pay rent in advance in the amount of ONE HUNDRED THOUSAND and 00/100 Dollars (\$100,000) per month ("**Rent**"). For the avoidance of all doubt, Tenant is also responsible for the direct payment of (or reimbursement of, if paid by Landlord) all Impositions and all other taxes, including, but not limited to, assessments on the Property, sales taxes and utility payments assessed or incurred pursuant to this Lease Agreement before they become delinquent (and if any such Imposition does become delinquent, Tenant shall be responsible for all applicable late fees, fine and penalties attributable to such delinquency);

(b) Concurrently with Tenant's execution of this Lease, Tenant shall pay to Landlord an amount equal to one (1) monthly installment of Rent payable under this Lease for the first full calendar month of the Lease Term.

(c) If the Lease Commencement Date is a day other than the first day of a month, then the Rent from the Lease Commencement Date until the first day of the following month shall be prorated on a per diem basis at the rate of one-thirtieth (1/30th) of the monthly installment of Rent payable.

(d) Any Rent payable by Tenant to Landlord under this Lease which is not paid within ten (10) days after the same is due will be automatically subject to a late payment charge of two percent (2%) of the delinquent amount, in each instance, to cover Landlord's additional administrative costs.

This Section 4 shall survive the expiration or other termination of the Lease.

5. Condition of Demised Premises. Tenant has examined and is aware of the condition of the Premises and Tenant accepts same in its present "AS-IS, WHERE IS" and "WITH ALL FAULTS" condition. Neither Landlord nor any agents or employees of Landlord have made any representations or warranties, direct or indirect, oral or written, express or implied, to Tenant or any agents or employees of Tenant with respect to the condition of the Premises or its fitness for any particular purpose, except as specifically set forth in this Lease. Tenant, its successors and assigns, and anyone claiming by, through or under Tenant, assumes all risks associated with the Premises, except as otherwise specifically set forth in this Lease.

6. Triple Net Lease. This is net lease to Landlord. It is the intent of the Parties hereto that the Rent payable under this Lease shall be a net return to Landlord and that Tenant shall pay all costs and expenses relating to the Premises and the business carried on therein during the Term of this Lease, excluding (i) any estate tax, franchise tax, inheritance tax or income tax payable by Landlord, (ii) any principal, interest and other payments on any loans encumbering Landlord's fee interest in the Premises and (iii) any provisions of this Lease specifically to the contrary. The Impositions (and any other amount or obligation relating to the Premises which is not expressly declared to be that of Landlord) shall be deemed to be an obligation of Tenant to be performed by Tenant at Tenant's expense. Rent shall be paid by Tenant without notice or demand, setoff, counterclaim, abatement, suspension, deduction or defense. Without limiting the generality of the foregoing, the Parties agree that Landlord has no obligation whatsoever to provide any services of any kind to the Premises, to maintain or repair the Improvements or any other portion of the Premises, to carry any insurance with respect to the Premises, to pay any taxes or Impositions levied or assessed against the Premises, or to perform any other obligation whatsoever relating to the Premises, all of which shall be the responsibility of Tenant hereunder, except as may be otherwise expressly provided herein.

7. Use of Premises: Compliance with Laws: Hazardous Materials.

(a) The Premises shall be used by Tenant only for the Permitted Use and for no other purpose.

( b ) Tenant, at Tenant's sole cost and expense, shall comply with and shall cause all of Tenant Parties to comply with all applicable laws, ordinances, rules and regulations of governmental and quasi-governmental authorities, including, without limitation, the Americans with Disabilities Act of 1990, as amended by the Americans with Disabilities Act Amendments Act of 2008 (and the regulations promulgated thereunder) applicable to the use or occupancy of the Premises. The foregoing obligation of Tenant shall not however permit Tenant to make, without Landlord's prior written approval, any Alterations to the Premises which otherwise would require Landlord's approval under this Lease, and Tenant shall comply with all of the requirements of this Lease in making any such Alterations.

(c) Tenant shall not cause or permit any Hazardous Materials to be generated, used, released, stored or disposed of in or about the Premises, the Building or the Property; provided, however, Tenant may use and store reasonable quantities of cleaning and office supplies and other similar materials as may be reasonably necessary for Tenant to conduct normal business operations in the Premises. Tenant shall indemnify, defend and hold Landlord, its employees and agents, harmless from and against any damage, injury, loss, liability, charge, demand or claim based on or arising out of the presence or removal of, of failure to remove, Hazardous Materials generated, used, released, stored or disposed of by Tenant or any Tenant Party in or about the Premises, the Building or the Property, whether before or after the Lease Commencement Date.

8. Building and Equipment; Maintenance and Repairs. At its expense, Tenant shall keep the Premises, Building, Building Systems and the Property in good repair and condition and shall perform all routine and non-routine maintenance and repairs with respect thereto. Notwithstanding the foregoing, Landlord shall be responsible for all repairs required to be made with respect to the roof, all structural elements of the Building and for all capital improvements which the Building requires during the Term, including, without limitation, major repairs to or replacements of the Building Systems. Any and all such repairs and replacements shall be performed at the sole cost and expense of Landlord within a reasonable time after Landlord's receipt of written notice from Tenant of the need for the same.

9. Alterations.

(a) Tenant shall not make or allow to be made: (i) any exterior, mechanical or structural alteration to the Building and/or parking lots, regardless of the cost of such alteration; and (ii) any other material alterations, additions or improvements in or to the Premises, the cost of which is greater than or equal to \$15,000.00 (collectively, "**Alterations**") without first obtaining Landlord's written consent, which consent shall not be unreasonably withheld, conditioned or delayed so long as such actions would not potentially reduce the fair market value of the Premises.

(b) Tenant agrees that all Alterations and other minor improvements and alterations (regardless of whether Landlord's consent is required) shall be done at Tenant's sole cost and expense and in a good and workmanlike manner by licensed and insured contractors and subcontractors, that the structural integrity of the Building shall not be impaired, and that no liens shall attach to all or any part of the Premises, the Building, or the Property by reason thereof. Tenant shall obtain, at its sole expense, all permits and other governmental approvals required for such work.

(c) Unless otherwise elected by Landlord as hereinafter provided, all Alterations and other minor improvements and alterations made by Tenant shall become the property of Landlord and shall be surrendered to Landlord on or before the Lease Expiration Date, except as otherwise set forth in this Lease. Notwithstanding the foregoing, movable equipment, trade fixtures, personal property, furniture, and any other items that can be removed without material harm to the Premises will remain Tenant's property (collectively, "**Tenant Owned Property**") and shall not become the property of Landlord but shall be removed by Tenant, at its sole cost and expense, not later than the Lease Expiration Date. Tenant shall repair at its sole cost and expense all damage caused to the Premises and the Building by the removal of any Alterations that Tenant is required to remove and Tenant Owned Property. Landlord may remove any Tenant Owned Property or Alterations that Tenant is required but fails to remove at the Lease Expiration Date and Tenant shall pay to Landlord the reasonable cost of removal. Tenant's obligations under this Section shall survive the expiration or earlier termination of this Lease.

10. Insurance.

(a) Tenant shall procure at its cost and expense, and keep in effect during the Term, insurance coverage for all risks of physical loss or damage insuring the full replacement value of Alterations, other minor improvements and alterations made by Tenant and all items of Tenant Owned Property. Landlord shall not be liable for any damage or damages of any nature whatsoever to persons or property caused by explosion, fire, theft or breakage, vandalism, falling plaster, by sprinkler, drainage or plumbing systems, HVAC or air conditioning equipment, by the interruption of any public utility or service, by steam, gas, electricity, water, rain or other substances leaking, issuing or flowing into any part of the Premises, by natural occurrence, acts of the public enemy, riot, strike, insurrection, war, court order, requisition or order of governmental body or authority, or by anything done or omitted to be done by any tenant and any of the Tenant Parties, occupant or person in the Building, it being agreed that Tenant shall be responsible for obtaining appropriate insurance to protect its interests.

(b) Tenant shall procure at its cost and expense, and maintain throughout the Term: (i) special form perils coverage (including hurricane or other wind damage); (ii) flood insurance (which shall be required only if the Premises are located in either Zone "A" or Zone "V"); (iii) comprehensive commercial general liability insurance applicable to the Premises with minimum inclusive limits of not less than \$2,000,000 per occurrence, and not less than \$5,000,000.00 general aggregate; (iv) statutory worker's compensation insurance; (v) employer's liability insurance with minimum inclusive limits of \$100,000.00 per accident covering all of Tenant's employees; and (vi) comprehensive automobile liability insurance including contractual liability with inclusive limits of not less than \$1,000,000.00 per occurrence ("**Tenant's Insurance**"). Such liability insurance shall include, without limitation, products and completed operations liability insurance, fire and legal liability insurance, and such other coverage as Landlord may reasonably require from time to time. During the Term at Landlord's request, Tenant shall increase such insurance coverage to a level that is commercially reasonable as required by Landlord.

(c) Tenant shall procure for Landlord and maintain throughout the Term, at Tenant's cost and expense: (i) a standard policy of "all risk" insurance with customary exclusions covering the Building in the full replacement cost of the Building, together with rent loss insurance and windstorm coverage (on a full replacement cost basis); and (ii) broad form commercial general liability insurance with a minimum combined single limit of liability of at least \$2,000,000, written by companies authorized to do business in the State of Florida ("**Landlord's Insurance**").

(d) Both Landlord's Insurance and Tenant's Insurance shall be issued by companies authorized to do business in the State of Florida and with a Best's Rating of A-VI or higher. Tenant shall have the right to provide insurance coverage pursuant to blanket policies obtained by Tenant if the blanket policies expressly afford the coverage required by this Section. All insurance policies required to be carried by Tenant under this Lease (except for worker's compensation insurance) shall name Landlord, and any other reasonable number of parties designated by Landlord as additional insureds. All insurance policies required to be carried by Landlord (as procured and maintained by Tenant) and Tenant under this Lease shall (i) as to liability coverages, be written on an "occurrence" basis; (ii) provide that Landlord shall receive thirty (30) days' notice from the insurer before any cancellation or change in coverage; (iii) contain a provision that no act or omission of Landlord or Tenant shall affect or limit the obligation of the insurer to pay the amount of any loss sustained; and (iv) in the event such policy contains a general aggregate, be endorsed to provide that the general aggregate applies separately per location. Each such policy shall contain a provision that such policy and the coverage evidenced thereby shall be primary and non-contributing with respect to any policies carried by Landlord. Tenant shall deliver reasonably satisfactory evidence of such insurance to Landlord on or before the date Tenant first enters or occupies the Premises, and thereafter at least thirty (30) days before the expiration dates of expiring policies. Notwithstanding the foregoing, if any such insurance expires without having been renewed by Tenant, Landlord shall have the option, in addition to Landlord's other remedies to procure such insurance for the account of Tenant, immediately and without notice to Tenant, and the cost thereof shall be paid by Tenant to Landlord. The limits of the insurance required under this Lease shall not limit Tenant's liability.

11. Indemnification.

(a) Except when caused by any negligent or willful act of Landlord, Tenant shall indemnify, defend and hold Landlord harmless from and against any and all claims, losses, costs, liabilities, damages and expenses including, without limitation, penalties, fines and reasonable attorneys' fees, to the extent incurred in connection with or arising from: (i) the use or occupancy or manner of use or occupancy of the Premises or any injury or damage caused by Tenant, Tenant Parties or any person occupying the Premises through Tenant; and/or (ii) a default by Tenant under this Lease.

(b) Except when caused by any negligent or willful act of Tenant, Tenant Parties or any person occupying the Premises through Tenant, Landlord shall indemnify, defend and hold Tenant harmless from and against any and all claims, losses, costs, liabilities, damages and expenses including, without limitation, penalties, fines and reasonable attorneys' fees, to the extent incurred in connection with or arising from: (i) any injury or damage caused by any negligent or willful acts of Landlord; and/or (ii) a default by Landlord under this Lease.

(c) The terms of this Section shall survive the expiration or sooner termination of this Lease.

12. Damage and Destruction.

(a) If the Premises are destroyed or damaged by fire or other casualty so that Tenant is unable to occupy the Premises for its Permitted Use and, in Landlord's judgment reasonably exercised within ten (10) days after the destruction or damage, repairs cannot be made within one hundred twenty (120) days after the date of the damage or destruction such that Tenant is able to occupy the Premises (or a commercially reasonable portion thereof) for its Permitted Use, Landlord may terminate this Lease effective as of the date of the damage or destruction by giving Tenant written notice by the expiration of such ten (10) day period.

(b) If Landlord does not terminate this Lease as provided in Section 12(a) above, Landlord shall promptly rebuild, repair and restore the Premises and the Building to their former condition, provided, however, that: (i) if Landlord has not completed such restoration within ninety (90) days after the date of the damage or destruction; and (ii) if Tenant is unable to occupy the Premises (or a commercially reasonable portion thereof) for its Permitted Use; and (iii) if the cause of such destruction or damage to the Premises was not caused by any negligent or willful act of Tenant, Tenant Parties or any person occupying the Premises through Tenant, then Tenant may, at its option, terminate this Lease upon written notice to Landlord.

(c) If the damage or destruction renders all or part of the Premises untenable, Rent shall proportionately abate commencing on the date of the damage or destruction and ending on the date the Premises are delivered to Tenant with Landlord's restoration obligation substantially complete. The extent of the abatement shall be based upon the portion of the Premises rendered untenable, inaccessible or unfit for the Permitted Use.

(d) Notwithstanding anything to the contrary in this Lease, Landlord and Tenant mutually waive their respective rights of recovery against each other and each other's officers, directors, constituent partners, members, agents and employees, and Tenant waives such rights against each lessor under any ground or underlying lease and each lender under any mortgage or deed of trust or other lien encumbering the Property or any portion thereof or interest therein, to the extent any loss is or would be covered by fire, extended coverage, or other property insurance policies required to be carried under this Lease or otherwise carried by the waiving party, and the rights of the insurance carriers of such policy or policies are to be subrogated to the rights of the insured under the applicable policy. Each party shall cause its insurance policy to be endorsed to evidence compliance with such waiver.

13. Condemnation.

(a) If all of the Premises is condemned or taken in any permanent manner before or during the Term for any public or quasi-public use, or any permanent transfer of the Premises is made in avoidance of an exercise of the power of eminent domain (each of which events shall be referred to as a "**taking**"), this Lease shall automatically terminate as of the date of the vesting of title due to such taking. If a part of the Premises is so taken, this Lease shall automatically terminate as to the portion of the Premises so taken as of the date of the vesting of title as a result of such taking. If such portion of the Property is taken as to render the balance of the Premises unusable by Tenant for the Permitted Use, as reasonably determined by either Landlord or Tenant, this Lease may be terminated by Landlord or Tenant, as of the date of the vesting of title as a result of such taking, by written notice to the other party given within thirty (30) days following notice to Landlord of the date on which said vesting will occur. If this Lease is not terminated as a result of any taking, Landlord shall restore the Building to an architecturally whole unit; provided, however, that Landlord shall not be obligated to expend on such restoration more than the amount of condemnation proceeds actually received by Landlord.

(b) Landlord shall be entitled to the entire award for any taking, including, without limitation, any award made for the value of the leasehold estate created by this Lease. No award for any partial or entire taking shall be apportioned, and Tenant hereby assigns to Landlord any award that may be made in any taking, together with any and all rights of Tenant now or hereafter arising in or to such award or any part thereof; provided, however, that nothing contained herein shall be deemed to give Landlord any interest in or to require Tenant to assign to Landlord any separate award made to Tenant for its relocation expenses, the taking of personal property and fixtures belonging to Tenant, the unamortized value of improvements made or paid for by Tenant, or the interruption of or damage to Tenant's business.

(c) In the event of a partial taking that does not result in a termination of this Lease as to the entire Premises, Rent shall be equitably adjusted in relation to the portions of the Premises and Building taken or rendered unusable by such taking.

(d) If all or any portion of the Premises is taken for a limited period of time before or during the Term, this Lease shall remain in full force and effect; provided, however, that Rent shall abate during such limited period in proportion to the portion of the Premises taken by such taking. Landlord shall be entitled to receive the entire award made in connection with any such temporary taking; provided, however, that nothing contained herein shall be deemed to give Landlord any interest in or to require Tenant to assign to Landlord any separate award made to Tenant for its relocation expenses, the taking of personal property and fixtures belonging to Tenant, the unamortized value of improvements made or paid for by Tenant, or the interruption of or damage to Tenant's business. Any temporary taking of all or a portion of the Premises which continues for two (2) months shall be deemed a permanent taking of the Premises or such portion thereof.

14. Assignment and Subletting.

(a) Neither Tenant nor any approved assignee of Tenant, directly or indirectly, voluntarily or by operation of law, shall sell, assign, encumber, mortgage, pledge or otherwise transfer or hypothecate all or any part of the Premises or Tenant's leasehold estate hereunder (each such act is referred to as an "**Assignment**") without Landlord's prior written consent, which consent may be withheld by Landlord in Landlord's sole discretion. Any Assignment that is not in compliance with this Section shall be void.

(b) Tenant shall not, directly or indirectly, voluntarily or by operation of law, sublet the Premises or any portion thereof or permit the Premises to be occupied by anyone other than Tenant.

(c) Any request by Tenant for Landlord's consent to a specific Assignment shall include: (i) the name of the proposed assignee or transferee; (ii) the nature of the proposed assignee's or transferee's, business to be carried on in the Premises; (iii) a copy of the proposed Assignment; and (iv) such financial information (in the event of an Assignment) and such other information as Landlord may reasonably request concerning the proposed assignee or transferee or its business. Landlord shall respond in writing, stating the reasons for any disapproval, within twenty (20) days after receipt of all information reasonably necessary to evaluate the proposed Assignment.

(d) The consent by Landlord to any Assignment shall not relieve Tenant or any successor of Tenant from the obligation to obtain Landlord's express written consent to any other Assignment. No Assignment shall be valid or effective unless the assignee or Tenant shall deliver to Landlord a fully executed counterpart of the Assignment and an instrument that contains a covenant of assumption by the assignee, reasonably satisfactory in substance and form to Landlord.

(e) Tenant shall pay to Landlord the reasonable amount of Landlord's cost of processing every proposed Assignment, including without limitation reasonable legal review fees and expenses, together with the reasonable amount of all direct and indirect expenses incurred by Landlord arising from any assignee, occupant or transferee taking occupancy (including, without limitation, security service, janitorial and cleaning service, and rubbish removal service) up to an amount not to exceed \$1,000 in any one instance.

(f) Notwithstanding the foregoing, provided that: (i) Tenant is not in default under this Lease; and (ii) no such transaction is undertaken with the intent of circumventing Tenant's liability under this Lease, Tenant may assign this Lease to any affiliate or subsidiary of Tenant or in connection with a merger or other consolidation of Tenant, provided that: (A) Tenant shall remain liable hereunder; (B) Tenant provides reasonable prior written notice to Landlord of such Assignment; (C) after such transaction is effected, the tangible net worth (excluding goodwill) of the assignee under this Lease is equal to or greater than the tangible net worth of Tenant as of the date of this Lease; and (D) Landlord shall have received an executed copy of all documentation effecting such transfer before its effective date.

15. Tenant's Default. Each of the following events shall be an "**Event of Default**" hereunder

(a) Tenant's failure to pay when due any installment of Rent and such failure continues for a period of fifteen (15) days after the due date without any notice or demand being required.

(b) Tenant's failure to perform or observe any other covenant, condition or other obligation of Tenant and such failure continues for a period of fifteen (15) days after Landlord gives Tenant written notice thereof. Notwithstanding the foregoing, if a cure cannot be effected within the fifteen (15) day period and Tenant begins the cure and is pursuing such cure in good faith and with diligence and continuity during the fifteen (15) day period, then Tenant shall have such additional time as is reasonably necessary to effect such cure, provided that such cure period shall not extend beyond a total of ninety (90) days.

(c) The Premises become vacant and abandoned for greater than two (2) months.

(d) At Landlord's option, the occurrence of any of the following:

(i) the appointment of a receiver to take possession of all or substantially all of the assets of Tenant at the Premises;

(ii) an assignment by Tenant for the benefit of creditors;

(iii) the filing of any voluntary petition in bankruptcy by Tenant, or the filing of any involuntary petition by Tenant's creditors, which involuntary petition remains undischarged for a period of sixty (60) days;

(iv) the attachment, execution or other judicial seizure of all or substantially all of Tenant's assets at the Premises, if such attachment or other seizure remains undismitted or undischarged for a period of sixty (60) days after the levy thereof;

(v) the admission of Tenant in writing of its inability to pay its debts as they become due;

(vi) the filing by Tenant of any answer admitting or failing timely to contest a material allegation of a petition filed against Tenant in any proceeding seeking reorganization, arrangement, composition, readjustment, liquidation or dissolution of Tenant or similar relief;

(vii) if within sixty (60) days after the commencement of any proceeding against Tenant seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such proceeding shall not have been dismissed; or

(viii) the occurrence of any of the foregoing with respect to Lincoln Educational Services Corporation, a New Jersey corporation, the guarantor of Tenant's obligations under this Lease pursuant to the Lease Guaranty attached hereto as Exhibit B.

16. Landlord's Remedies. Upon the occurrence of an Event of Default by Tenant that is not cured by Tenant within the applicable grace periods specified in Section 15 above, Landlord shall have all of the following rights and remedies in addition to all other rights and remedies available to Landlord at law or in equity:

(a) The right to terminate Tenant's right to possession of the Premises and to recover: (i) all Rent which shall have accrued and remains unpaid through the date of termination; plus (ii) the amount by which the unpaid Rent for the balance of the Term, discounted to present value at the Prime Rate then in effect, exceeds the then fair rental value of the Premises for the balance of the Term (assuming reasonable allowance for downtime and free rent prior to the commencement of such fair market rent), similarly discounted; plus (iii) any other amount necessary to compensate Landlord for all the damages caused by Tenant's failure to perform its obligations under this Lease (including, without limitation, reasonable attorneys' and accountants' fees, costs of alterations of the Premises, interest costs and brokers' fees incurred upon any reletting of the Premises).

(b) The right to continue the Lease in effect after Tenant's breach and recover Rent as it becomes due. Acts of maintenance or preservation, efforts to relet the Premises or the appointment of a receiver upon Landlord's initiative to protect its interest under this Lease shall not of themselves constitute a termination of Tenant's right to possession.

(c) The right and power to enter the Premises and remove therefrom all persons and property, to store such property in a public warehouse or elsewhere at the cost of and for the account of Tenant, and to sell such property and apply the proceeds therefrom pursuant to applicable law.

(d) The right to have a receiver appointed for Tenant, upon application by Landlord, to take possession of the Premises, to apply any rental collected from the Premises and to exercise all other rights and remedies granted to Landlord pursuant to this Section. The terms and provisions of this Section 16 shall survive the expiration or other termination of this Lease.

17. Subordination; Estoppel Certificates.

(a) This Lease shall be subject and subordinate at all times to: (i) all ground leases or underlying leases that may now exist or hereafter be executed affecting the Property or any portion thereof; (ii) the lien of any mortgage, deed of trust or other security instrument that may now exist or hereafter be executed in any amount for which the Property or any portion thereof, any ground leases or underlying leases, or Landlord's interest or estate therein is specified as security; and (iii) all modifications, renewals, supplements, consolidations and replacements thereof. The provisions of this Section shall be self-operative and no further instrument shall be required to effect the provisions of this Section. Notwithstanding anything to the contrary contained herein, Landlord will, as a condition to the subordination of this Lease, take commercially reasonable steps to obtain for Tenant an executed subordination, non-disturbance and attornment agreement with Landlord's lender, on customary terms.

(b) If any ground lease or underlying lease terminates for any reason or any mortgage, deed of trust or other security instrument is foreclosed or a conveyance in lieu of foreclosure is made for any reason, Tenant, notwithstanding any subordination, shall attorn to and become the tenant of the successor in interest to Landlord at the option of such successor in interest. If any mortgage, deed of trust or other security agreement is foreclosed, or Landlord's interest under this Lease is conveyed or transferred in lieu of foreclosure, neither the mortgagee, beneficiary nor any person or entity acquiring title to the Property as a result of foreclosure or trustee's sale, nor any successor or assign of either of the foregoing, shall be: (i) liable for any default by Landlord; (ii) bound by or liable for any payment of Rent which may have been made more than ten (10) days before the due date of such installment; (iii) subject to any defense or offset which Tenant may have to the payment of Rent or other performance under this Lease arising from any default by Landlord; or (iv) bound by any amendment or modification to this Lease made without the consent of such mortgagee if the consent of such mortgagee or beneficiary thereto is required.

(c) Within ten (10) days following a request by Landlord, Tenant agrees to execute any documents reasonably required to effectuate the foregoing subordination or such other reasonable and customary subordination, non-disturbance and attornment agreement submitted by Landlord to Tenant, which documents may contain such other terms as any mortgagee or prospective mortgagee may reasonably require, or to make this Lease prior to the lien of any mortgage, deed of trust or underlying lease, as the case may be.

(d) Tenant agrees to simultaneously give to any party holding a mortgage, deed of trust or other security agreement encumbering the Property, by registered or certified mail, a copy of any notice of default served upon Landlord, provided Tenant has been notified in writing of the names and addresses of such mortgagee(s) and such parties shall have the same cure rights as Landlord has under this Lease.

18. End of Term; Holding Over.

No later than the Lease Expiration Date, Tenant shall remove its Tenant Owned Property (except as otherwise provided herein) and will peaceably yield up the Premises in broom clean condition. Notwithstanding the foregoing, Tenant shall not be responsible: (i) to repair the effects of normal wear and tear; (ii) for damage which is Landlord's responsibility to repair pursuant to this Lease; (iii) for damage by fire, the elements or casualty; and (iv) for damage which is the result of the misconduct or negligence of Landlord, its contractors, agents, employees or invitees.

19. Signs. Tenant may maintain its existing signage on the Property and Building, which signage, as hereafter altered or replaced, shall be removed no later than the Lease Expiration Date. Tenant will not place or suffer to be placed or maintained on the exterior of the Premises any new or altered sign without first obtaining Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Tenant shall maintain all such signs, as may be approved, in good condition and repair at all times Tenant warrants and represents that, at all times during the Lease Term, such signage shall comply with all applicable laws, ordinances, permits and regulations affecting the Property.

20. Notices. All notices or other communications required hereunder shall be in writing and shall be deemed duly given: (a) when delivered in person (with receipt therefor); (b) on the next business day after deposit with a recognized overnight delivery service; (c) on the third (3rd) business day after being sent by certified or registered mail, return receipt requested, postage prepaid, to addresses of Landlord and Tenant set forth in Section 1; or (d) when delivered via electronic transmission, including email, to the addresses of Landlord and Tenant set forth in Section 1. Either party may change its address for the giving of notices by notice given in accordance with this Section. A party's refusal to accept delivery of any notice or communication sent by the other party shall not render such notice ineffective. Notwithstanding the foregoing, all bills, statements, invoices or other communications from Landlord to Tenant with respect to Rent may be sent to Tenant by regular United States mail.

21. Miscellaneous Provisions.

(a) Landlord and Tenant each represents and warrants to the other that neither of them has employed or dealt with any broker, agent or finder, in connection with this Lease. Tenant and Landlord shall each indemnify and hold harmless the other from and against any claim or claims for any broker's fee or commission asserted by any broker, agent or finder employed by Tenant. The provisions of this Section shall survive the expiration or other termination of this Lease.

(b) Landlord, its agents, employees and independent contractors shall have the right to enter the Premises upon not less than twenty-four hours' (24) notice to: (i) inspect the Premises; (ii) supply any service or repair to be provided or performed by Landlord to Tenant; (iii) show the Premises to prospective purchasers, mortgagees, beneficiaries or tenants; (iv) post notices of nonresponsibility; (v) determine whether Tenant is complying with its obligations under this Lease; and (vi) alter, improve or repair the Premises or any other portion of the Building. Notwithstanding the foregoing, Landlord shall not be required to provide prior notice to Tenant in the event of an emergency. Except to the extent caused by Landlord's gross negligence or willful misconduct, Tenant waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, any right to abatement of Rent, or any other loss occasioned by Landlord's exercise of any of its rights under this Section 21(b). To the extent reasonably practicable, any entry shall occur during normal business hours.

(c) The terms, covenants and conditions contained in this Lease shall bind and inure to the benefit of Landlord and Tenant and, except as otherwise expressly provided herein, their respective personal representatives and successors and assigns; provided, however, that upon the sale, assignment or transfer by Landlord (or by any subsequent Landlord) of its interest in the Building or Property as owner or lessee, including, without limitation, any transfer upon or in lieu of foreclosure or by operation of law, Landlord (or subsequent Landlord) shall be relieved from all subsequent obligations or liabilities under this Lease, and all obligations subsequent to such sale, assignment or transfer (but not any obligations or liabilities that have accrued prior to the date of such sale, assignment or transfer) shall be binding upon the grantee, assignee or other transferee of such interest. Any such grantee, assignee or transferee, by accepting such interest, shall be deemed to have assumed such subsequent obligations and liabilities.

(d) If any provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall remain in effect and shall be enforceable to the full extent permitted by law.

(e) The terms of this Lease (including, without limitation, the Exhibits) are intended by the Parties as a final expression of their agreement with respect to such terms as are included in this Lease and may not be contradicted by evidence of any prior or contemporaneous agreement, arrangement, understanding or negotiation (whether oral or written). The parties further intend that this Lease constitutes the complete and exclusive statement of its terms, and no extrinsic evidence whatsoever may be introduced in any judicial proceeding involving this Lease. Neither Landlord nor Landlord's agents have made any representations or warranties with respect to the Premises, the Building, the Property or this Lease except as expressly set forth herein. The language in all parts of this Lease shall in all cases be construed as a whole and in accordance with its fair meaning and not construed for or against any party by reason of such party having drafted such language.

(f) Upon Tenant paying the Rent and performing all of Tenant's obligations under this Lease, Tenant may peacefully and quietly enjoy the Premises during the Term as against all persons or entities claiming by, through or under Landlord subject, however, to the provisions of this Lease and to the priority of any mortgages or deeds of trust or ground or underlying leases referred to in Section 17.

(g) All of Tenant's and Landlord's covenants and obligations contained in this Lease which by their nature might not be fully performed or capable of performance before the expiration or earlier termination of this Lease shall survive such expiration or earlier termination. No provision of this Lease providing for termination in certain events shall be construed as a limitation or restriction of Landlord's or Tenant's rights and remedies at law or in equity available upon a breach by the other party of this Lease.

(h) The Laws of the State of Florida shall govern the validity, performance, and enforcement of this Lease. Tenant consents to personal jurisdiction and venue in the state and judicial district in which the Building is located. The courts of the state where the Building is located will have exclusive jurisdiction and Tenant hereby agrees to such exclusive jurisdiction.

(i) This Lease may only be amended, modified or supplemented by an agreement in writing duly executed by both Landlord and Tenant.

(j) LANDLORD AND TENANT KNOWINGLY, INTENTIONALLY AND VOLUNTARILY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING BROUGHT BY EITHER PARTY AGAINST THE OTHER IN ANY MATTER ARISING OUT OF THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES OR ANY CLAIM OF INJURY OR DAMAGE.

(k) DELIVERY OF THE LEASE TO EITHER PARTY SHALL NOT BIND ANY PARTY IN ANY MANNER, AND NO LEASE OR OBLIGATIONS OF LANDLORD OR TENANT SHALL ARISE UNTIL THIS INSTRUMENT IS SIGNED BY BOTH LANDLORD AND TENANT AND DELIVERY IS MADE TO EACH PARTY.

(l) Radon gas is a naturally occurring radioactive gas that, when accumulated in a building in sufficient quantities may present health risks to persons who are exposed to it over a period of time. Levels of Radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding Radon and Radon testing may be obtained from the Palm Beach County Health Department.

(m) This Lease may be executed in multiple original counterparts, each of which is deemed an original and all of which when taken together constitute one and the same instrument. The delivery of this Lease by facsimile or electronic transmission will be considered the delivery of an original signed Lease.

(n) In the event either Party institutes any action or proceeding in court to enforce any provision in this Lease or for damages by reason of any alleged breach of any provision hereof or for any other judicial remedy, then the prevailing party in any such action or proceeding will be entitled to recover from the other party all of its reasonable expenses, including reasonable attorneys' fees and court costs, in addition to all other remedies or damages.

(o) Time is of the essence of this Lease; provided, however, that notwithstanding anything to the contrary in this Lease, if the time period for the performance of any covenant or obligation shall expire on a day other than a business day, such time period shall be extended automatically to the next business day.

(p) Tenant hereby agrees that its parent corporation, Lincoln Educational Services Corporation, a New Jersey corporation, shall guaranty the terms and conditions of this Lease, including but not limited to all of Tenant's obligations as set forth hereunder. Such guaranty shall be in the form of the Lease Guaranty attached hereto as Exhibit B.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the date first above written.

WITNESSES:

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

**TENANT**  
**NEW ENGLAND INSTITUTE OF TECHNOLOGY AT PALM BEACH, INC.**  
a Florida corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

STATE OF FLORIDA            )  
  ) SS  
COUNTY OF MIAMI-DADE    )

The foregoing instrument was acknowledged before me this \_\_\_\_day of \_\_\_\_\_, 2016, by \_\_\_\_\_, the \_\_\_\_\_ of **NEW ENGLAND INSTITUTE OF TECHNOLOGY AT PALM BEACH, INC.**, a Florida corporation on behalf of the corporation; who is personally known to me or who has produced \_\_\_\_\_ as identification.

Printed Name: \_\_\_\_\_  
Notary Public    \_\_\_\_\_

My Commission Expires:

WITNESSES:

\_\_\_\_\_  
Print Name: \_\_\_\_\_

\_\_\_\_\_  
Print Name: \_\_\_\_\_

**LANDLORD**

**SCHOOL PROPERTY DEVELOPMENT METROCENTRE, LLC,**  
a Florida limited liability company.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

STATE OF FLORIDA            )  
  ) SS  
COUNTY OF PALM BEACH    )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2016, by \_\_\_\_\_, the \_\_\_\_\_ of **SCHOOL PROPERTY DEVELOPMENT METROCENTRE, LLC**, a Florida limited liability company on behalf of the company; who is personally known to me or who has produced \_\_\_\_\_ as identification.

\_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Notary Public \_\_\_\_\_



**EXHIBIT A**

**LEGAL DESCRIPTION OF PROPERTY AND PREMISES**

**EXHIBIT B**

**LEASE GUARANTY**

THIS LEASE GUARANTY ("**Guaranty**") is given by the undersigned Guarantor to **SCHOOL PROPERTY DEVELOPMENT METROCENTRE LLC**, a Florida limited liability company ("**Landlord**"), with respect to that certain Lease Agreement dated \_\_\_\_\_, 2016 ("**Lease**") by and between Landlord and **NEW ENGLAND INSTITUTE OF TECHNOLOGY AT PALM BEACH, INC.**, a Florida Corporation ("**Tenant**").

In order to induce Landlord to execute the Lease and for other good and valuable consideration, the receipt and sufficiency of which Guarantor acknowledges, Guarantor promises and agrees as follows:

1. Guarantor absolutely, unconditionally and irrevocably guarantees the payment and performance of, and agrees to pay and perform as a primary obligor, all of Tenant's covenants, obligations, liabilities and duties (including, without limitation, payment of rent and all other amounts required to be paid by Tenant) under the Lease (as if Guarantor had executed the Lease as Tenant) ("**Guaranteed Obligations**");

2. Guarantor's obligations under this Guaranty are primary and independent of Tenant's obligations. Guarantor agrees that Landlord will not be required first to enforce against Tenant or any other person any Guaranteed Obligations before seeking enforcement against Guarantor. Landlord may bring and maintain an action against Guarantor (or, if Guarantor is more than one party, against any or all of the parties who constitute Guarantor) to enforce any Guaranteed Obligations without joining Tenant or any other person (including, without limitation, any other Guarantor) in such action. Landlord may, however, join Guarantor in any action commenced by Landlord against Tenant to enforce any Guaranteed Obligations and Guarantor waives any demand by Landlord or any prior action by Landlord against Tenant.

3. Anything herein or in the Lease to the contrary notwithstanding, Guarantor hereby acknowledges and agrees that any security deposit, letter of credit or other credit in favor of Tenant may be applied to cure any Tenant default or offset any damages incurred by Landlord under the Lease, as Landlord determines in its sole and absolute discretion, and Landlord shall not be obligated to apply any such deposit or credit to any such default or damages before bringing any action or pursuing any remedy available to Landlord against Guarantor. Guarantor further acknowledges that its liability under this Guaranty will not be affected in any manner by such deposit, letter of credit or credit or Landlord's application thereof.

4. Guarantor's obligations under this Guaranty will remain in full force and effect and will not be affected in any way by: (a) any forbearance, indulgence, compromise, settlement or variation of terms which may be extended to Tenant by Landlord; (b) any alteration of the Lease by the parties, whether prior or subsequent to Lease execution; (c) any renewal, extension, modification or amendment of the lease; (d) any subletting of the premises demised under the Lease or any assignment of Tenant's interest in the Lease; (e) any termination of the Lease to the extent that Tenant remains liable under the Lease after such termination; or (f) the release by Landlord of any party (other than Guarantor) obligated for the Guaranteed Obligations or Landlord's acquisition, release, return or misapplication of any other collateral (including, without limitation any other guarantees) given now or later as additional security for the Guaranteed Obligations. Guarantor waives notice of any of the above and agrees that Guarantor will remain liable for the Guaranteed Obligations, as they may be so altered, renewed, extended, modified, amended or assigned. Guarantor also waives notice of acceptance of this Guaranty and all other notices in connection with this Guaranty or the Guaranteed Obligations, including notices of default by Tenant under the Lease, and waives diligence, presentment and suit by Landlord in the enforcement of any Guaranteed Obligations.

5. Guarantor's obligations under this Guaranty will remain in full force and effect and will not be affected in any way by: (a) the release or discharge of Tenant in any creditors receivership, bankruptcy or other proceedings; (b) the impairment, limitation or modification of the liability of Tenant or the estate of Tenant in bankruptcy, or of any remedy for the enforcement of Tenant's liability under the Lease, resulting from the operation of any present or future provision of the Federal Bankruptcy Code; (c) the rejection or disaffirmance of the Lease in any such proceeding; or (d) Tenant's death or any disability.

6. Until all Guaranteed Obligations are fully performed and observed, Guarantor: (a) will have no right of subrogation against Tenant by reason of any payments or acts of performance by Guarantor according to this Guaranty; (b) waives any right to enforce any remedy which Guarantor now or later has against Tenant by reason of any one or more payments or acts of performance by Guarantor according to this Guaranty; and (c) subordinates any liability or indebtedness of Tenant now or later held by Guarantor to the obligations of Tenant to Landlord under the Lease.

7. Guarantor agrees to pay the reasonable attorneys' fees and expenses incurred by Landlord in successfully enforcing Guarantor's obligations under this Guaranty in any action or proceeding to which Landlord is a party. In any action brought under this Guaranty, Guarantor submits to the jurisdiction of the courts of the State of Florida, and to venue in the Circuit Court of Palm Beach County, Florida.

8. This Guaranty will be binding on Guarantor and its heirs, executives, legal representatives, successors and assigns and will inure to the benefit of Landlord and its successors and assigns. If Guarantor is more than one party, the obligations of Guarantor under this Guaranty will be joint and several.

9. If Guarantor is other than an individual person, the undersigned hereby represents and warrants that this Guaranty has been duly authorized, executed and delivered and that the party executing this Guaranty has all requisite authority to execute and deliver this Guaranty.

10. Landlord and Guarantor intend and believe that each provision of this Guaranty comports with all applicable law. However, if any provision of this Guaranty is found by a court to be invalid for any reason, the remainder of this Guaranty shall continue in full force and effect and the invalid provision shall be construed as if it were not contained herein.

Executed this \_\_\_\_ day of \_\_\_\_\_, 2016.

GUARANTOR:

**LINCOLN EDUCATIONAL SERVICES CORPORATION,**  
a New Jersey corporation

Address: \_\_\_\_\_

E.I.N.: \_\_\_\_\_

STATE OF FLORIDA                    )  
  ) SS:  
COUNTY OF \_\_\_\_\_ )

The foregoing Lease Guaranty was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2016, by \_\_\_\_\_, ( ) who is personally known to me OR ( ) who produced \_\_\_\_\_ as identification.

\_\_\_\_\_  
Notary Signature

\_\_\_\_\_  
Print Notary Name

NOTARY PUBLIC  
State of Florida at Large

My Commission Expires:

**EXHIBIT "G"**  
**FORM OF BILL OF SALE**

**BILL OF SALE**

KNOW ALL MEN BY THESE PRESENTS, that NEW ENGLAND INSTITUTE OF TECHNOLOGY AT PALM BEACH, INC., a Florida corporation, with an address of \_\_\_\_\_, party of the first part, for and in consideration of the sum of TEN (\$10.00) DOLLARS, in lawful money (and other good and valuable considerations unto it moving) to it paid by SCHOOL PROPERTY DEVELOPMENT METROCENTRE, LLC, a Florida limited liability company, with an address of 4500 PGA Blvd., Suite 303A, Palm Beach Gardens, FL 33410, party of the second part, the receipt and sufficiency of which are hereby acknowledged, has granted, bargained, sold, transferred, set over and delivered, and by these presents does grant, bargain, sell, transfer, set over and deliver unto the party of the second part, its successors and assigns, all those certain goods described as follows:

***[LIST PERSONAL PROPERTY]***

TO HAVE AND TO HOLD the same unto the party of the second part, its successors and assigns forever.

And the party of the first part, for itself, its successors and assigns, hereby covenants to and with the party of the second part, its successors and assigns, that it is the lawful owner of the said goods; that said goods are free from all liens and encumbrances; that it has good right to sell the same as aforesaid; and that it will warrant and defend the same against the lawful claims and demands of all persons whomsoever.

IN WITNESS WHEREOF, the party of the first part has caused its corporate name to be hereunto subscribed and its corporate seal to be affixed by its officer hereunto duly authorized, this \_\_\_\_\_ day of \_\_\_\_\_, 2016

Signed, sealed and delivered in the presence of: \_\_\_\_\_

WITNESSES:

\_\_\_\_\_  
Print Name: \_\_\_\_\_

**NEW ENGLAND INSTITUTE OF TECHNOLOGY AT PALM BEACH, INC.**  
a Florida corporation

\_\_\_\_\_  
Print Name: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

STATE OF FLORIDA            )  
  ) SS  
COUNTY OF MIAMI-DADE    )

The foregoing instrument was acknowledged before me this \_\_\_\_day of \_\_\_\_\_, 2016, by \_\_\_\_\_, the \_\_\_\_\_ of **NEW ENGLAND INSTITUTE OF TECHNOLOGY AT PALM BEACH, INC.**, a Florida corporation on behalf of the company; who is personally known to me or who has produced \_\_\_\_\_ as identification.

\_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Notary Public \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

**EXHIBIT "H"**  
**FORM OF GENERAL ASSIGNMENT**

**GENERAL ASSIGNMENT**

KNOW ALL MEN BY THESE PRESENTS, that in consideration of the sum of \$10.00 and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, NEW ENGLAND INSTITUTE OF TECHNOLOGY AT PALM BEACH, INC., a Florida corporation ("**Assignor**"), does hereby grant, bargain, assign, set over and transfer unto SCHOOL PROPERTY DEVELOPMENT METROCENTRE, LLC, a Florida limited liability company ("**Assignee**") the following items of personalty with respect to that certain parcel of land described as:

*[Insert Legal Description]*

(the "**Land**"):

All of the Assignor's right, title and/or interest, if any, to the extent assignable and subject to obtaining all necessary third party consents, in and to all licenses, permits, approvals, certificates, agreements and arrangements of every kind and nature with or from all boards, agencies, departments, governmental or otherwise, solely relating, directly or indirectly, to the ownership, development, use and operation of the Land, whether heretofore or hereafter issued or executed, but excluding any of the same which relate to the operation of Assignor's business on the Land.

The foregoing items are collectively referred to as the **Personalty**.

TO HAVE AND TO HOLD the same unto the Assignee, its successors and assigns forever.

AND the Assignor hereby represents that it has full right and lawful authority to execute and deliver this instrument, that it is the lawful owner of the Land and Personalty, that it has good right and lawful authority to transfer the same and that they are free from all liens and adverse claims; and it further covenants that it will warrant and defend the same against the claims and demands of all persons whomsoever.

IN WITNESS WHEREOF, the Assignor has caused this General Assignment to be executed on this \_\_\_\_ day of \_\_\_\_\_, 2016.

WITNESSES:

\_\_\_\_\_  
Print Name: \_\_\_\_\_

**NEW ENGLAND INSTITUTE OF TECHNOLOGY AT PALM BEACH, INC.**  
a Florida corporation

\_\_\_\_\_  
Print Name: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

STATE OF FLORIDA            )  
  ) SS  
COUNTY OF MIAMI-DADE    )

The foregoing instrument was acknowledged before me this \_\_\_\_day of \_\_\_\_\_, 2016, by \_\_\_\_\_, the \_\_\_\_\_ of **NEW ENGLAND INSTITUTE OF TECHNOLOGY AT PALM BEACH, INC.**, a Florida corporation on behalf of the company; who is personally known to me or who has produced \_\_\_\_\_ as identification.

\_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Notary Public \_\_\_\_\_

My Commission Expires:

CERTIFICATION

I, Scott Shaw, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lincoln Educational Services Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2016

/s/ Scott Shaw  
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Scott Shaw  
Chief Executive Officer

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## CERTIFICATION

I, Brian Meyers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lincoln Educational Services Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2016

/s/ Brian Meyers

Brian Meyers  
Chief Financial Officer

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**CERTIFICATION**

**Pursuant to 18 U.S.C. 1350 as adopted by  
Section 906 of the Sarbanes-Oxley Act of 2002**

Each of the undersigned, Scott Shaw, Chief Executive Officer of Lincoln Educational Services Corporation (the "Company"), and Brian Meyers, Chief Financial Officer of the Company, has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2016 (the "Report").

Each of the undersigned hereby certifies that, to his respective knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2016

/s/ Scott Shaw

Scott Shaw  
Chief Executive Officer

/s/ Brian Meyers

Brian Meyers  
Chief Financial Officer

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