

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA  
GREENSBORO DIVISION**

<b>IN RE:</b>  <b>THE EDUCATION CENTER, INC.,</b>  <b>DEBTOR</b>	<b>CASE NO. 12-10095</b>  <b>CHAPTER 11</b>
<b>Order Establishing A Deadline For Parties To Executory Contracts and Unexpired Leases To Submit A Statement Of Any Existing Defaults, and Providing Notice of Hearing On Debtor's Motion To Assume And Assign, Or In The Alternative To Reject, Executory Contracts And Unexpired Leases Conditional Upon Approval Of A Sale Of The Debtor's Assets</b>	

**URGENT NOTICE OF PENDING DEADLINE**

Pursuant to this Order, the United States Bankruptcy Court for the Middle District of North Carolina has established a deadline of

**5:00 P.M. EASTERN ON JUNE 19, 2012**

for parties to the executory contracts and unexpired leases identified on Exhibit A attached hereto to file a statement of defaults, if any, that exist or must be cured as a condition to the assumption and assignment of any such contract or lease. Please note that the Statement of Defaults must specifically identify the amount owed by the Debtor to cure such defaults, and that the Statement of Defaults must be served on the parties identified in this Order and filed with the Bankruptcy Court before 5:00 p.m. on June 19, 2012.

THIS MATTER came before the Court after due notice and hearing on May 31, 2012 to consider the “Motion To (A) Establish A Deadline For Parties To Executory Contracts and Unexpired Leases To Submit A Statement Of Any Existing Defaults, and (B) Authorize The Debtor To Assume And Assign, Or In The Alternative To Reject, Executory Contracts And Unexpired Leases Conditional Upon Approval Of A Sale Of The Debtor’s Assets” (the “Motion”) filed by The Education Center, Inc. (the “Debtor”) pursuant to §365 of the Bankruptcy Code and Rule 6006 of the Federal Rules of Bankruptcy Procedure. After considering the matters set forth in the Motion, the evidence presented, and the comments of parties in interest, the Court makes the following findings, conclusions and orders:

1. On January 27, 2012 (the “Petition Date”), the Debtor filed a voluntary petition seeking relief under Chapter 11 of the Bankruptcy Code. The Debtor continues in possession of its assets and operates its business as a debtor-in-possession.

2. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§157 and 1334, and this matter is a core proceeding under 28 U.S.C. §157(b)(2). Venue is proper pursuant to 28 U.S.C. §§1408 and 1409.

3. On March 7, 2012, the Debtor filed a “Motion to (A) Approve Sale of Substantially All Assets, (B) Establish Related Sale Procedures, (C) Transfer Any And All Claims, Liens, Encumbrances And Interests In Sale Assets To Proceeds Of Sale, (D) Approve Form And Manner Of Notice Of Sale, (E) Assume And Assign Certain Leases And Executory Contracts, And (F) Schedule Hearings To Establish Sales Procedures And Confirm Sale” (the “Sale Motion”).

4. As set forth in more detail in the Sale Motion, the Debtor seeks approval of (i) the sale of certain assets (the “Sale Assets”) free and clear of all claims, liens, encumbrances and interests, and (ii) authorization for the assumption and assignment of such leases or executory contracts as may be specifically identified by the purchaser in advance of the proposed auction and the sale hearing.

5. In order to evaluate competing bids, the Debtor must receive from each party to an executory contract or unexpired lease a statement of defaults, if any, that exist or must be cured as a condition to the assumption and assignment of any such contract or lease (the “Statement of Defaults”). Such Statement of Defaults must specifically identify the amount owed by the Debtor to cure such defaults. Pursuant to the Sale Motion, the Debtor was to establish a deadline for parties to such leases and contracts to submit a Statement of Defaults.

6. As of the Petition Date, the Debtor is a party to the executory contracts and unexpired leases as set forth on Exhibit A attached hereto. Pursuant to the Consent Order Amending Dates For Bids, Objections And Auction entered in this proceeding on May 24, 2012, the auction currently is scheduling to be held at 9:00 a.m. on June 21, 2012. In order to evaluate competing bids before the auction, the Debtor must receive the Statement of Defaults from each contracting party on or before the auction.

7. With respect to the Employment Agreements identified in Paragraph 2 of Exhibit A, the Debtor is aware of the accrued vacation of each employee pursuant to the Employment Agreements, and does not believe that such employees need to file a Statement of Defaults with respect to accrued vacation. The Debtor is not aware of any other defaults pursuant to the Employment Agreements, and to the extent an employee contends otherwise, the Debtor believes that such employee should be required to file a Statement of Defaults.

Based upon the foregoing, the Court concludes that an Order establishing a deadline for parties to executory contracts and unexpired leases to submit a Statement of Defaults is necessary in order to finalize any sale pursuant to the Sale Motion, and for good and sufficient reasons appearing, it is hereby ORDERED as follows:

1. Except as provided herein with respect to Employment Agreements, a party to any executory contract or unexpired lease identified on Exhibit A shall file and serve on the parties identified below a Statement of Defaults on or before **5:00 p.m. Eastern on June 19, 2012.** Further such Statement of Defaults must specifically identify the amount owed by the Debtor to cure any such defaults.

2. A party to any Employment Agreement identified in Paragraph 2 of Exhibit A is not required to file a Statement of Defaults only with respect to any accrued vacation of such party pursuant to the Employment Agreement. A Statement of Defaults shall be filed by a party to an Employment Agreement to the extent such party contends that other defaults exist or must be cured by the Debtor as a condition to the assumption and assignment of the Employment Agreement, and such Statement of Defaults must specifically identify the amount owed by the Debtor to cure any such defaults.

3. The Statement of Defaults shall be served upon the following parties and filed with the Bankruptcy Court in a manner such that the Statement of Defaults is actually received by said counsel and the Bankruptcy Court by not later than 5:00 p.m. Eastern on June 19, 2012:

- a. Michael D. West, Bankruptcy Administrator, 101 S. Edgeworth St., P.O. Box 1828, Greensboro, NC 27402
  - b. John A. Northen, counsel for the Debtor, Northen Blue, LLP, P.O. Box 2208, Chapel Hill, NC 27515-2208.
  - c. J. William Porter, counsel for Wells Fargo Bank, N.A., Parker Poe Adams & Bernstein, LLP, P.O. Box 389, Raleigh, NC 27602.
  - d. John H. Small, counsel for the Stephen Knight Pond Revocable Trust, Brooks Pierce McLendon Humphrey & Leonard, PO Box 26000, Greensboro, NC 27420-6000.
4. A final hearing on the Motion will be held at 9:30 o'clock a.m. on June 26, 2012, in Courtroom # 2, U.S. Bankruptcy Court, 101 S. Edgeworth St., Greensboro, N.C., in conjunction with the final hearing on the Sale Motion.
5. Debtor's counsel shall serve a copy of this Order on the Bankruptcy Administrator, the creditors asserting a lien on any property of the estate, the creditors holding the 20 largest unsecured claims, and any party to an executory contract or unexpired lease by regular mail, and except as provided below, by either electronic mail, facsimile, or overnight courier not later than June 1, 2012.
6. With respect to any party to an Employment Agreement set forth in Paragraph 2 of Exhibit A, counsel for the Debtor shall serve a copy of this Order on Katherine S. Brower by electronic email, and Mrs. Brower shall email or hand deliver a copy of the Order to each employee not later than June 1, 2012.
7. After confirming that Ms. Brower has served a copy of the Order on each party to an Employment Agreement as provided above, counsel for the Debtor shall file a certificate of such service with the Clerk.

## EXHIBIT A

### THE EDUCATION CENTER, INC. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

#### 1. **Unexpired Real Property Leases**

- a. Lease Agreement with Highwoods Realty Limited Partnership dated February 18, 2009 (as amended) for warehouse located at 4224 Tudor Lane, Greensboro, North Carolina (warehouse & shipping)
- b. Lease Agreement with Koury Corporation dated February 20, 1996 (as amended) for office space located at 3515 West Market Street, Greensboro, North Carolina (main offices)
- c. Sublease with Springfield Service Corporation dated November 30, 2011 whereby the Debtor subleases to Springfield third floor office space at 3515 West Market Street, Greensboro, North Carolina

#### 2. **Employment Agreements**

- a. Employment Agreement and Non-Competition Agreement with Amy Corkhill
- b. Employment Agreement and Non-Competition Agreement with Anne Credi Sumpter
- c. Employment Agreement and Non-Competition Agreement with Ashley L. Purdy
- d. Employment Agreement and Non-Competition Agreement with Brenda Fay
- e. Employment Agreement and Non-Competition Agreement with Changqing Zhang
- f. Employment Agreement and Non-Competition Agreement with David Matthews
- g. Employment Agreement and Non-Competition Agreement with David S. Kutas
- h. Employment Agreement and Non-Competition Agreement with Debra Ashworth
- i. Employment Agreement and Non-Competition Agreement with Diane D. Badden
- j. Employment Agreement and Non-Competition Agreement with G. Gregory Caulfield
- k. Employment Agreement and Non-Competition Agreement with Gary Gibbons
- l. Employment Agreement and Non-Competition Agreement with Harold Phillip Moore
- m. Employment Agreement and Non-Competition Agreement with Jackie S. Freeman
- n. Employment Agreement and Non-Competition Agreement with Jennifer R. Bragg
- o. Employment Agreement and Non-Competition Agreement with Karen A. Brudnak-Slate
- p. Employment Agreement and Non-Competition Agreement with Katherine S. Brower
- q. Employment Agreement and Non-Competition Agreement with Kelly A. Robertson
- r. Employment Agreement and Non-Competition Agreement with Kimberley S. Bruck
- s. Employment Agreement and Non-Competition Agreement with Kimberly A. Murphy
- t. Employment Agreement and Non-Competition Agreement with Linda M. Solomon
- u. Employment Agreement and Non-Competition Agreement with Lori Z. Henry
- v. Employment Agreement and Non-Competition Agreement with Lynn Drolet
- w. Employment Agreement and Non-Competition Agreement with Michelle P. Kirkman

- x. Employment Agreement and Non-Competition Agreement with Misty Jones
- y. Employment Agreement and Non-Competition Agreement with Natalie A. Prudente
- z. Employment Agreement and Non-Competition Agreement with Nishant Saxena
- aa. Employment Agreement and Non-Competition Agreement with Preston Steele
- bb. Employment Agreement and Non-Competition Agreement with Randy D. Wheeler, Jr.
- cc. Employment Agreement and Non-Competition Agreement with Rebecca L. Hieter
- dd. Employment Agreement and Non-Competition Agreement with Rebecca S. Andrews
- ee. Employment Agreement and Non-Competition Agreement with Robert W. Sutton, Jr.
- ff. Non-Solicitation Agreement with Sarah Hamblet
- gg. Employment Agreement and Non-Competition Agreement with Sharon M. Tresino
- hh. Employment Agreement and Non-Competition Agreement with Sherry L. McGregor
- ii. Employment Agreement and Non-Competition Agreement with Steve Seagle
- jj. Employment Agreement and Non-Competition Agreement with Susan Pequigney
- kk. Employment Agreement and Non-Competition Agreement with Tina H. Petersen
- ll. Employment Agreement and Non-Competition Agreement with Todd E. Savelle
- mm. Employment Agreement and Non-Competition Agreement with Xiaoyun Wu
- nn. Employment Agreement and Non-Competition Agreement with Zachary G. Stein
- oo. Employment Agreement and Non-Competition Agreement with Eric Westerman

**3. Advertising Agreements**

- a. Advertising Agreement with Elmer's Products, Inc.
- b. Affiliate Advertising Agreement with Google Affiliate Network, Inc.
- c. Advertising Agreement with IFIC
- d. Advertising Agreement with National Watermelon Promotion Board
- e. Advertising Agreement with PEZ
- f. Advertising Agreement with Special Olympics

**4. Other Executory Contracts/Licenses**

- a. IOS Developer Program License with Apple, Inc.
- b. Lucent telephone, equipment & software agreement with Avaya Financial Services
- c. Master Software License and Services Agreement with BroadVision, Inc.
- d. Print Management Agreement with Business Machine Products, Inc.
- e. Subscription Fulfillment Agreement with Communications Data Services, Inc. dated November 1, 2003 (as amended)
- f. Master Agreement for IT support with Convergent Technologies, Inc. dated March 20, 2009
- g. Internet Commerce Services Agreement with CyberSource Corporation
- h. Payment Solutions Agreement with CyberSource Corporation
- i. Service and Storage Agreement with Data Chambers Records Management

- j. VisNetic MailFlow agreement and VisNetic MailFlow Priority Support with Deerfield Communications, Inc.
- k. Windows License Agreement with DM Systems, Inc.
- l. Order Fulfillment Agreement with Educators Resource, Inc. dated May 21, 2010
- m. Amended and Restated Printing Agreement with The Press of Ohio, Inc. (Hess Print Solutions) dated January 1, 2007
- n. Services Agreement with Hillbrook Management Company (Hillbrook Limited) dated November 1, 1993 (as amended)
- o. Managed Hosting Services Agreement for server and network with Hosted Solutions
- p. ValuePlan Lease Agreement with IBM Credit, LLC dated January 6, 2012 (which replaced ValuePlan Lease Agreement with IBM Credit, LLC dated October 13, 2011, which in turn replaced ValuePlan Lease Agreement with IBM Credit, LLC dated September 22, 2008 (Mainframe Computer equipment))
- q. Software License, Services and Maintenance Support Agreement with InsightSoftware.Com, Inc. dated January 20, 2011
- r. Electronic Data Interchange Agreement with Kleinschmidt, Inc.
- s. Production and Warranty Contract with Message On Hold Plus, Inc. dated May 9, 2009, as extended
- t. Software Agreement with Omniture
- u. Software Updated License and Support Agreement with Oracle USA, Inc.
- v. Service Agreement with Paetec (telephones)
- w. Postage meter print head agreement with Pitney Bowes
- x. Network Email List Management Agreement with Platform
- y. Promethean Content Supply Agreement with Promethean, Inc. effective August 10, 2010
- z. Database List Management Agreement with R & R Direct Mail, Inc.
- aa. Relevant Automation Support Agreement with Relevant Automation
- bb. Maintenance Agreement with Sirius Computer Solutions, Inc.
- cc. Ebookdestination.com distributor agreement with TecKnoQuest, Inc.
- dd. Reseller Agreement with TecKnoQuest, Inc.
- ee. Agreement regarding the creation of digital and mobile magazines with Texterity
- ff. Internet Service Agreement with TW Telecom Holdings, Inc.
- gg. The XactMail Network E-Mail List Management Agreement with XactMail
- hh. Lease Agreement and Maintenance Agreement with Xerox Corporation
- ii. Annual Maintenance Agreement for MasterMine Software