LINCOLN EDUCATIONAL SERVICES CORP
Form 10-Q
May 11, 2015

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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2015

or

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

For the transition period from _____ to _____

Commission File Number 000-51371

LINCOLN EDUCATIONAL SERVICES CORPORATION
(Exact name of registrant as specified in its charter)

New Jersey	57-1150621
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

200 Executive Drive, Suite 340	07052
West Orange, NJ	(Zip Code)
(Address of principal executive offices)	

(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 ý 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 ý 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 filerý
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 ý

As of May 6, 2015, there were 24,076,823 shares of the registrant's common stock outstanding.

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES

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FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2015

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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)

	March 31, 2015 (Unaudited)	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,180	$ 12,299
Restricted cash	-	30,000
Accounts receivable, less allowance of $11,684 and $12,193 at March 31, 2015 and December 31, 2014, respectively	15,725	13,533
Inventories	1,593	1,486
Prepaid income taxes and income taxes receivable	827	879
Assets held for sale	51,696	50,930
Prepaid expenses and other current assets	4,386	3,937
Total current assets	79,407	113,064
PROPERTY, EQUIPMENT AND FACILITIES - At cost, net of accumulated depreciation and amortization of $156,967 and $136,910 at March 31, 2015 and December 31, 2014, respectively	66,806	69,740
OTHER ASSETS:		
Noncurrent receivables, less allowance of $987 and $1,016 at March 31, 2015 and December 31, 2014, respectively	5,857	6,235
Deferred finance charges	140	158
Goodwill	22,207	22,207
Other assets, net	2,479	2,303
Total other assets	30,683	30,903
TOTAL	$ 176,896	$ 213,707

See notes to unaudited condensed consolidated financial statements.

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

	March 31, 2015 (Unaudited)	December 31, 2014
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of credit agreement	$ -	$ 30,000
Current portion of capital lease obligations	480	471
Unearned tuition	26,779	26,469
Accounts payable	11,538	11,894
Accrued expenses	13,849	13,865
Other short-term liabilities	675	780
Total current liabilities	53,321	83,479
NONCURRENT LIABILITIES:		
Long-term capital lease obligations	24,914	25,038
Long-term finance obligation	9,672	9,672
Pension plan liabilities	5,130	5,299
Accrued rent	6,822	6,852
Other long-term liabilities	368	357
Total liabilities	100,227	130,697
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value - 10,000,000 shares authorized, no shares issued and outstanding at March 31, 2015 and December 31, 2014	-	-
Common stock, no par value - authorized: 100,000,000 shares at March 31, 2015 and December 31, 2014; issued and outstanding: 29,755,446 shares at March 31, 2015 and 29,933,086 shares at December 31, 2014	141,377	141,377
Additional paid-in capital	26,661	26,350
Treasury stock at cost - 5,910,541 shares at March 31, 2015 and December 31, 2014	(82,860)	(82,860)
(Accumulated deficit) retained earnings	(1,273)	5,610
Accumulated other comprehensive loss	(7,236)	(7,467)
Total stockholders' equity	76,669	83,010
TOTAL	$ 176,896	$ 213,707

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2015	2014
REVENUE	$76,720	$79,202
COSTS AND EXPENSES:		
Educational services and facilities	38,196	41,751
Selling, general and administrative	44,009	46,118
Gain on sale of assets	(47)	(55)
Total costs & expenses	82,158	87,814
OPERATING LOSS	(5,438)	(8,612)
OTHER:		
Interest income	9	56
Interest expense	(1,627)	(1,316)
Other income	223	-
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(6,833)	(9,872)
PROVISION FOR INCOME TAXES	50	419
LOSS FROM CONTINUING OPERATIONS	(6,883)	(10,291)
LOSS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES	-	(803)
NET LOSS	$(6,883)	$(11,094)
Basic		
Loss per share from continuing operations	$(0.30)	$(0.45)
Loss per share from discontinued operations	-	(0.04)
Net loss per share	$(0.30)	$(0.49)
Diluted		
Loss per share from continuing operations	$(0.30)	$(0.45)
Loss per share from discontinued operations	-	(0.04)
Net loss per share	$(0.30)	$(0.49)
Weighted average number of common shares outstanding:		
Basic	23,056	22,723
Diluted	23,056	22,723

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2015	2014
Net loss	$(6,883)	$(11,094)
Other comprehensive income		
Employee pension plan adjustments, net of taxes	231	112
Comprehensive loss	$(6,652)	$(10,982)

See notes to unaudited condensed consolidated financial statements.

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

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total
BALANCE - January 1, 2015	29,933,086	$141,377	$26,350	$(82,860)	$5,610	$(7,467)	$83,010
Net loss	-	-	-	-	(6,883)	-	(6,883)
Employee pension plan adjustments, net of taxes	-	-	-	-	-	231	231
Stock-based compensation expense							
Restricted stock	(168,432)	-	299	-	-	-	299
Stock options	-	-	33	-	-	-	33
Net share settlement for equity-based compensation	(9,208)	-	(21)	-	-	-	(21)
BALANCE - March 31, 2015	29,755,446	$141,377	$26,661	$(82,860)	$(1,273)	$(7,236)	$76,669

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(6,883)	$(11,094)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,667	5,064
Amortization of deferred finance charges	204	210
Deferred income taxes	-	381
Gain on disposition of assets	(47)	(55)
Fixed asset donation	(9)	(39)
Provision for doubtful accounts	3,278	3,118
Stock-based compensation expense	332	997
Deferred rent	(187)	(137)
(Increase) decrease in assets:		
Accounts receivable	(5,861)	(4,291)
Inventories	(168)	149
Prepaid income taxes and income taxes receivable	52	482
Prepaid expenses and current assets	(464)	(264)
Other assets and charges	(418)	95
Increase (decrease) in liabilities:		
Accounts payable	(302)	(5,082)
Accrued expenses	(50)	1,213
Pension plan liabilities	-	112
Unearned tuition	583	813
Other liabilities	(32)	(52)
Total adjustments	578	2,714
Net cash used in operating activities	(6,305)	(8,380)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(759)	(637)
Proceeds from sale of property and equipment	80	61
Net cash used in investing activities	(679)	(576)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on borrowings	(32,500)	(54,500)
Reclassifications of payments of borrowings from restricted cash	30,000	54,500
Proceeds from borrowings	2,500	5,000
Net share settlement for equity-based compensation	(21)	(65)
Dividends paid	-	(1,672)
Principal payments under capital lease obligations	(114)	(107)
Net cash (used in) provided by financing activities	(135)	3,156
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,119)	(5,800)
CASH AND CASH EQUIVALENTS—Beginning of period	12,299	12,886
CASH AND CASH EQUIVALENTS—End of period	$5,180	$7,086

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2015	2014
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$1,483	$1,083
Income taxes	$-	$1
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Liabilities accrued for or noncash purchases of fixed assets	$48	$855

See notes to unaudited condensed consolidated financial statements.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2015 AND 2014
(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") is a provider of diversified career-oriented post-secondary education. The Company reorganized its operations in the first quarter of 2015 into three reportable segments: a) Transportation and Skilled Trades, b) Healthcare and Other Professions, and c) Transitional. The Company offers recent high school graduates and working adults career-oriented programs in these segments. The Company currently has 31 campuses in 15 states across the United States.

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 hindered potential students from enrolling in its post-secondary schools. In light of these factors, the Company has incurred significant operating losses as a result of lower student population. The Company also recorded a pre-tax goodwill impairment charge of $39.0 million for the year ended December 31, 2014 as a result of a significant decline in market capitalization. Despite these events, the Company believes that its likely sources of cash should be sufficient to fund operations for the next twelve months. The Company's available sources of cash primarily include cash from operations, cash and cash equivalents on hand of $5.2 million at March 31, 2015 and the ability to draw up to $20 million (less letters of credit) under its revolving line of credit that was extended through April 5, 2016. To fund the Company's business plans, including any anticipated future losses, purchase commitments, capital expenditures, principal and interest payments on borrowings and to satisfy the Department of Education (the "DOE") financial responsibility standards, the Company has the ability to leverage its owned real estate that is not classified as held for sale. 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 discussed above that will provide short term liquidity, the Company plans to sell approximately $51.7 million in assets which are currently classified as held for sale and are expected to be sold within one year from the date of classification. The Company also is currently exploring various other alternatives including debt financing vehicles and strategic partnerships. However, at this time the Company has no commitments to obtain any additional funds, and there can be no assurance such funds will be available on acceptable terms or at all.

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 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, 2014 consolidated financial statements and related disclosures of the Company included in the Annual Report on Form 10-K filed with the SEC on March 16, 2015, 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 months ended March 31, 2015 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2015.

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, fixed assets, goodwill and other intangible assets, stock-based compensation, income taxes, benefit plans and certain accruals and contingencies. Actual results could differ from those estimates.

New Accounting Pronouncements – In May 2014, the Financial Accounting Standards Board ("FASB") issued 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 when it becomes effective on January 1, 2017. Early adoption is not permitted. 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.

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In April 2014, FASB issued amended guidance on the use and presentation of discontinued operations in an entity's consolidated financial statements. The new guidance restricts the presentation of discontinued operations to business circumstances when the disposal of business operations represents a strategic shift that has or will have a major effect on an entity's operations and financial results. The guidance became effective on January 1, 2015. Adoption is on a prospective basis. The Company adopted the new guidance as of December 31, 2014 and based on the guidance did not present the schools that are held for sale as discontinued operations in the consolidated financial statements. As discussed in Note 4, the Company did include the five training sites from Florida in discontinued operations in the consolidated financial statements for the year ended December 31, 2014 as they qualify under the amended guidance.

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 bases 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 months ended March 31, 2015 and 2014, 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 nine months ended March 31, 2015 and 2014 was as follows:

	Three Months Ended March 31,	
	2015	2014
Basic shares outstanding	23,055,803	22,722,721
Dilutive effect of stock options	-	-
Diluted shares outstanding	23,055,803	22,722,721

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For the three months ended March 31, 2015 and 2014, options to acquire 96,968 and 177,392 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 three months ended March 31, 2015 and 2014, options to acquire 758,338 and 587,543 shares, respectively, 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 2011, 2013 and 2014, the Company issued performance shares that vest when certain performance conditions are satisfied. As of March 31, 2015, these performance conditions were not met. As a result, the Company has determined these shares to be contingently issuable. Accordingly, 226,106 shares of outstanding performance shares have been excluded from the computation of diluted earnings per share for the three months ended March 31, 2015, and 386,063 shares have been excluded for the three months ended March 31, 2014. Refer to Note 6 for more information on performance shares.

3. DISCONTINUED OPERATIONS

On December 3, 2014, the Company's Board of Directors approved a plan to cease operations at five training sites in Florida. The Company performed a cost benefit analysis on several schools and concluded that the training sites contained a high fixed cost component and had difficulty attracting enough students due to high competition to maintain a stable profit margin. Accordingly, the Company ceased operations at these campuses as of December 31, 2014. This was a strategic shift to close all of the Company's training sites and all locations that do not accept Title IV payments. The results of operations of these campuses are reflected as discontinued operations in the condensed consolidated financial statements.

The results of operations at these five training sites for the three months ended March 31, 2014 was as follows (in thousands):

	Three Months Ended March 31, 2014
Revenue	$ 765
Operating expenses	1,556
Operating loss	$ (791)

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 was no long-lived asset impairment during the three months ended March 31, 2015 and 2014.

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 March 31, 2015 and 2014 there was no indicator of potential impairment and, accordingly, the Company did not test goodwill for impairment.

The carrying amount of goodwill at March 31, 2015 is as follows:

	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 March 31, 2015	$115,872	$ (93,665)	$ 22,207

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

	Trade Name	Accreditation	Curriculum	Total
Gross carrying amount at December 31, 2014	$ 310	$ 1,063	$ 550	$ 1,923
Adjustments	-	-	-	-
Gross carrying amount at March 31, 2015	310	1,063	550	1,923
Accumulated amortization at December 31, 2014	264	-	469	733
Amortization	11	-	6	17
Accumulated amortization at March 31, 2015	275	-	475	750
Net carrying amount at March 31, 2015	$ 35	$ 1,063	$ 75	$ 1,173
Weighted average amortization period (years)	7	Indefinite	10	

Amortization of intangible assets was less than $0.1 million for each of the three months ended March 31, 2015 and 2014.

The following table summarizes the estimated future amortization expense:

Year Ending December 31,	
Remainder of 2015	$ 48
2016	21
2017	20
2018	20
2019	1
Thereafter	-
	$ 110

5. LONG-TERM DEBT AND LEASE OBLIGATIONS

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

	March 31, 2015	December 31, 2014
Credit agreement (a)	$ -	$ 30,000
Finance obligation (b)	9,672	9,672
Capital lease-property (rate of 8.0%) (c)	25,394	25,509
	35,066	65,181
Less current maturities	(480)	(30,471)
	$ 34,586	$ 34,710

(a) On April 5, 2012, the Company, as borrower, and certain of its wholly-owned subsidiaries, as guarantors, entered into a secured revolving credit agreement with a syndicate of four lenders led by Bank of America, N.A., as administrative agent and letter of credit issuer (the “Credit Facility”). The April 5, 2012 agreement, along with subsequent amendments dated June 18, 2013, December 20, 2013, December 29, 2014 and March 4, 2015, are collectively referred to as the “Credit Agreement.”

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As of December 31, 2013, the aggregate principal amount available under the Credit Facility was $60 million. Effective January 16, 2014, this amount was reduced to $40 million. Effective January 15, 2015, this amount was further reduced to $20 million. The revolving commitments available for use other than for the issuance of letters of credit under the Credit Facility have been reduced to $12 million. During the period commencing on December 1, 2015 running through January 15, 2016, the Company is required to reduce the outstanding revolving loans, other than letters of credit obligations, to $0. The Credit Facility may be used to finance capital expenditures and permitted acquisitions, to pay transaction expenses, for the issuance of letters of credit and for general corporate purposes. The Credit Agreement includes a $25 million letter of credit sublimit which was reduced to $20 million effective January 15, 2015. Borrowings under the Credit Facility are secured by a first priority lien on substantially all of the tangible and intangible assets of the Company including real estate. All net proceeds of future sales of real property by the Company and its subsidiaries must be used to prepay revolving loans and permanently reduce the principal amount of revolving loans available under the Credit Facility. The term of the Credit Facility was 36 months, maturing on April 5, 2015 but has been extended for an additional 12 months with a new expiration date of April 5, 2016.

Amounts borrowed under the Credit Facility continue to bear interest, at the Company's option, at either (i) an interest rate based on LIBOR (or the rate of 1.00%, if greater) and adjusted for any reserve percentage obligations under Federal Reserve Bank regulations (the "Eurodollar Rate") for specified interest periods or (ii) the Base Rate (as defined under the Credit Facility), in each case, plus an applicable margin rate as determined under the Credit Agreement. The "Base Rate", as defined under the Credit Facility, is the highest of (a) the rate of interest announced from time to time by Bank of America, N.A. as its prime rate, (b) the Federal Funds rate plus 0.5% and (c) a daily rate equal to the one-month LIBOR rate plus 1.0%. The Fourth Amendment re-sets the margin interest rate for (a) Base Rate loans as (i) 11.0% from March 4, 2015 through April 15, 2015, (ii) 14.0% from April 16, 2015 through May 31, 2015 and (iii) 17.0% from June 1, 2015 and thereafter and (b) Eurodollar Rate loans as (i) 12.0% from March 4, 2015 through April 15, 2015, (ii) 15.0% from April 16, 2015 through May 31, 2015 and (iii) 18.0% from June 1, 2015 and thereafter. The Company is required to pay on a quarterly basis a commitment fee equal to the amount of the then unused availability under the Credit Facility multiplied by (i) 5.0%, from March 4, 2015 through April 15, 2015, (ii) 6.0%, from April 16, 2015 through May 31, 2015 and (iii) 7.0% from June 1, 2015 and thereafter. Letters of credit will require a fee equal to the applicable margin rate multiplied by the daily amount available to be drawn under each issued letter of credit plus an agreed upon fronting fee and customary issuance, presentation, amendment and other processing fees associated with letters of credit.

The Company paid an amendment fee of $0.2 million and is required to pay additional amendment fees in the following amounts and on the following dates: (i) 0.5% of the revolving commitments outstanding on April 16, 2015; (ii) 0.5% of the revolving commitments outstanding on June 1, 2015; (iii) 1.0% of the revolving commitments outstanding on September 30, 2015; and (iv) 1.0% of the revolving commitments outstanding on December 31, 2015; provided, however, that no additional amendment fee will be due and owing on any such date in the event that the Credit Facility has been terminated, and all amounts due and owing under the Credit Facility are repaid in full, on or prior to such date.

At March 31, 2015, the Company had outstanding letters of credit aggregating $7.1 million, which were primarily comprised of letters of credit for the DOE matters and real estate leases.

The Credit Agreement contains customary representations, warranties and covenants including consolidated adjusted net worth, consolidated leverage ratio, consolidated fixed charge coverage ratio, minimum financial responsibility composite score, cohort default rate and other financial covenants, certain restrictions on capital expenditures as well as affirmative and negative covenants and events of default customary for facilities of this type. In addition, the Company is paying fees to the lenders that are customary for facilities of this type. As of March 31, 2015, the Company is in compliance with all financial covenants.

During the three months ended March 31, 2015, the Company had net repayments of $30.0 million under the Credit Facility. The Company had no amounts outstanding under the Credit Facility as of March 31, 2015. The interest rates on borrowings ranged from 7.25% to 14.25%. The Company had $30.0 million outstanding under the Credit Agreement as of December 31, 2014 which was repaid on January 3, 2015. The interest rate on this borrowing was 7.25%.

(b) The Company completed a sale and a leaseback of several facilities on December 28, 2001. The Company retains a continuing involvement in the lease and, as a result, it is prohibited from utilizing sale-leaseback accounting. Accordingly, the Company has treated this transaction as a finance lease. The lease expires on December 31, 2016.

(c) In 2009, the Company assumed real estate capital leases in Fern Park, Florida and Hartford, Connecticut. These leases bear interest at 8% and expire in 2032 and 2031, respectively.

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

Year ending December 31,	
2015	$480
2016	10,302
2017	763
2018	826
2019	895