

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

In re:

WORDSWORTH ACADEMY, *et al.*¹,

Debtor.

Chapter 11

Case No. 17-14463 (AMC)

Objection Deadline: July 25, 2017

(Extended by Consent)

**RESPONSE AND RESERVATION OF RIGHTS OF THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS WITH RESPECT TO ENTRY OF A FINAL ORDER
PURSUANT TO 11 U.S.C. SECTIONS 105, 361, 362, 363 AND 364 AND RULES 2002,
4001 AND 9014 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE (I)
AUTHORIZING DEBTORS TO OBTAIN POST-PETITION FINANCING, (II)
AUTHORIZING THEM TO ENTER INTO THE DIP CREDIT AGREEMENT, (III)
GRANTING LIENS AND ADMINISTRATIVE PRIORITY CLAIMS TO DIP LENDER,
AND (IV) MODIFYING THE AUTOMATIC STAY**

The Official Committee of Unsecured Creditors (the “Committee”) appointed in the cases (the “Chapter 11 Cases”) of the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”), by and through its undersigned proposed counsel, submits this Response and Reservation of Rights (the “Response”) with respect to the entry of a Final Order Pursuant to 11 U.S.C. §§ 105, 361, 362, 363 and 364 and Rules 2002, 4001 and 9014 of the Federal Rules Of Bankruptcy Procedure (I) Authorizing Debtors to Obtain Post-Petition Financing, (II) Authorizing Them to Enter into the DIP Credit Agreement, (III) Granting Liens and Administrative Priority Claims to DIP Lender, and (IV) Modifying the Automatic Stay. In support of this Response, the Committee respectfully represents as follows:

¹ The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor’s federal tax identification number, are: Wordsworth Academy (9031); Wordsworth CUA 5, LLC (0983); and Wordsworth CUA 10, LLC (5980). Wordsworth Academy has an address at 3300 Henry Ave., Philadelphia, PA 19129.

BACKGROUND

1. On June 30, 2017 (the “**Petition Date**”), each Debtor filed a voluntary petition for relief pursuant to chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the “**Bankruptcy Code**”) in the United States Bankruptcy Court for the Eastern District of Pennsylvania.

2. The Chapter 11 Cases are being jointly administered for procedural purposes only.

3. Since the Petition Date, the Debtors have continued to operate their businesses and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in the Chapter 11 Cases.

4. On the Petition Date, the Debtors filed several “first day” motions, including a *Motion for Entry of Interim and Final Orders: (I) Authorizing Them to Obtain Post-Petition Financing from Play And Learn Pursuant to Sections 363 and 364 of the Bankruptcy Code, (II) Authorizing Them to enter into the Debtor-In-Possession Credit Agreement, and (III) Granting Liens and Administrative Priority Claims to DIP Lender Pursuant to Section 364 of the Bankruptcy Code, and Modifying the Automatic Stay to Implement the Terms of the DIP Order* (Docket No. 20) (the “**DIP Financing Motion**”).

5. Following a hearing on July 6, 2017, the Bankruptcy Court entered an order (the “**Interim Order**”) preliminarily approving the DIP Financing Motion and allowing the Debtors to, on an interim basis, enter into the DIP Credit Agreement and the other Post-Petition Financing Documents, and borrow up to \$1 million of the DIP Loans. The Interim Order also scheduled a final hearing (the “**Final Hearing**”) with respect to the DIP Financing Motion.

6. On July 14, 2017, the United States Trustee for Region 3 appointed the Committee pursuant to section 1102(a)(1) of the Bankruptcy Code. *See* Docket No. 105.

RESPONSE

7. The Committee initially had significant concerns with, and objections to, the DIP Financing Motion, the terms of proposed DIP Loan and DIP Credit Agreement, and the Budget. Additionally, the Committee was concerned with issues related to the DIP Loan, such as the Debtors' assumption of a real property lease with the DIP Lender.

8. The Committee advised the Debtors and DIP Lender, through counsel, of its concerns and objections to the DIP Financing Motion. The Debtors agreed to extend the Committee's objection deadline with respect to the Final Hearing, so the parties could meet and confer in a good faith attempt to resolve the Committee's objections. Over the course of several days, the Debtors, DIP Lender and Committee negotiated the terms of the DIP Loan, Budget and the form of proposed order approving the DIP Financing Motion on a final basis.

9. These discussions resulted in a full resolution of the Committee's objections, subject only to the Committee's review and approval of the final form of the proposed order and Budget. Provided the final proposed order and Budget incorporate the revisions and other provisions agreed to in principle by the parties, the Committee respectfully submits that the Court should approve the DIP Financing Motion on a final basis.

10. However, the Committee reserves the right to raise and argue any objections to the DIP Financing Motion, Budget and related matter to the extent the final proposed order contains language or provisions that differ from, or contradict, the language and provisions agreed to in principle by the parties.

Dated: July 25, 2017

Respectfully submitted,

WEIR & PARTNERS LLP

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- and -

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