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**UNITED STATES BANKRUPTCY COURT**
**EASTERN DISTRICT OF NEW YORK**

| | | |
|---|---|---|
| In re: | ) | Chapter 11 |
| CENGAGE LEARNING, INC., *et al.*, | ) | Case No. 13-_____ (___) |
| | ) | Case No. 13-_____ (___) |
| | ) | Case No. 13-_____ (___) |
| | ) | Case No. 13-_____ (___) |
| Debtors. | ) | (Joint Administration Requested) |

**DECLARATION OF DEAN D. DURBIN, CHIEF FINANCIAL OFFICER, IN SUPPORT OF CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS**

I, Dean D. Durbin, hereby declare under penalty of perjury:

1. I am Chief Financial Officer of Cengage Learning GP I LLC, a limited liability company organized under the laws of the State of Delaware and parent company of the above-captioned debtors and debtors in possession (collectively, the "***Debtors***," and together with their non-Debtor affiliates, the "***Company***"). I have served in this role since July 2009, and

I am generally familiar with the Debtors' day-to-day operations, businesses, financial affairs, and books and records.

2. I started my career at the McGraw-Hill Companies in 1974. Over the next 20 years, I advanced through a variety of senior financial management positions in that company's publishing and information services divisions. After leaving McGraw-Hill, from 1995–1997, I served as Vice President and Chief Financial Officer for Thomson Professional Publishing, a division of Thomson Reuters Corporation. I subsequently spent 10 years at Vertis Communications, Inc., a marketing services company, where I served at various times as Chief Financial Officer, Chief Operating Officer, President, and Chief Executive Officer. Afterward, I was the Chief Financial Officer and Chief Operating Officer of American Media, Inc., a publisher and distributor of newspapers and magazines, until I joined the Company in 2009.

3. To minimize the adverse effects of filing for chapter 11 on their businesses, on the date hereof (the "***Petition Date***"), the Debtors have filed motions and pleadings seeking various types of "first day" relief (collectively, the "***First Day Motions***"). The First Day Motions seek relief intended to allow the Debtors to perform and meet those obligations necessary to fulfill their duties as debtors in possession. I am familiar with the contents of each First Day Motion and believe that the relief sought in each First Day Motion is necessary to enable the Debtors to operate in chapter 11 with minimum disruption or loss of productivity or value, constitutes a critical element in achieving a successful reorganization of the Debtors, and best serves the interests of the Debtors' estates and creditors.

4. I submit this declaration to provide an overview of the Company, its businesses, and these chapter 11 cases, as well as to support the Debtors' chapter 11 petitions and the First Day Motions. Except as otherwise indicated herein, all facts set forth in this declaration are

based upon my personal knowledge of the Company's operations and finances, information learned from my review of relevant documents, information supplied to me by other members of the Company's management and the Company's advisors, or my opinion based on my experience, knowledge, and information concerning the Company's operations and financial condition. I am authorized to submit this declaration on behalf of the Debtors, and, if called upon to testify, I could and would testify competently to the facts set forth herein.

5. This declaration is divided into three sections. ***Section I*** provides a brief background on the Company, describes the events leading to the filing of these chapter 11 cases, and explains the Company's restructuring efforts before and objectives during these chapter 11 cases. ***Section II*** discusses the Company's businesses, including the various educational publishing and reference markets in which the Company competes, and the Company's organizational and capital structure. ***Section III*** summarizes the relief requested in, and the facts supporting, each of the First Day Motions.

## I. Background

6. The Company is a leading global provider of high-quality content, innovative print and digital teaching and learning solutions, software, and associated educational services for the higher-education, research, school, career, professional, and international markets. The Company is the second largest publisher of course materials in U.S. higher education, with strong positions across all major disciplines, and is a leading global provider of library reference materials with a vast collection of primary source content.

7. The Company manages its operations from various locations throughout the United States and internationally, with its headquarters office located in Stamford, Connecticut. As of the Petition Date, the Company employs approximately 5,200 employees. For the fiscal

year ended June 30, 2012, the Company's revenues from continuing operations were approximately $2.0 billion. In the nine months ended March 31, 2013, the Company's revenues were approximately $1.3 billion. Section II, below, provides a detailed description of the Company's businesses.

8. Prior to 2007, the Company's businesses were known as Thomson Learning and Thomson Nelson Learning, divisions of Thomson Corporation, and as The Gale Group Inc. On July 5, 2007, investment funds associated with or designated by Apax Partners, L.P. (collectively, "***Apax***") acquired 97 percent of the Company's equity (the balance of the equity was purchased by Funds associated with or designated by OMERS Private Equity (collectively, "***OMERS***," and together with Apax, the "***Sponsors***")) from Thomson Corporation and certain of its affiliates for $7.75 billion. Shortly thereafter, the Company was rebranded as "Cengage Learning," a name chosen to reflect the Company's focus on being the "center of engagement" for students, researchers, instructors, and institutions across the globe. The July 2007 purchase was funded in part with the proceeds of approximately $5.6 billion in new debt financing, with the remainder of the purchase price funded by equity contributions from the Sponsors.[1]

**A. A Company and Industry in Transition**

9. In the past, the Company and its peers in the educational materials market produced only traditional print products. From kindergarten to higher education to career training, students, instructors, and institutions depended on printed goods, typically as an accompaniment to live classroom teaching. The publishers in this market provided textbooks, workbooks, and other instructional materials and relied heavily on their profits from selling new print products.

[1] The Company's current capital structure is described in further detail below in section II.F.

10. Now, the educational publishing market has entered the early stages of a major transition from print business models to a greater focus on digital products, with digital market share growing as quickly as 20 percent annually over recent years. The move to digital began with the simple substitution of electronic versions of textbooks for the printed forms. Over time, digital products such as homework programs and interactive learning software have increasingly been paired and integrated with print materials. And in some cases, digital products are becoming a favored medium for learning materials in the classroom. As much as 15 percent of learning materials sold today are sold in digital format, including course materials, homework programs, and interactive and online learning platforms. All indications are that digital will continue to grow in importance in this market.

11. In addition to this digital transition, recent market trends have considerably altered the landscape of the educational materials business. One such trend is a consistent decline over the last decade in demand for new printed materials, which traditionally was the primary driver of profitability in the Company's industry. Consumers are increasingly opting to rent new materials, purchase electronic books, and, most significantly, purchase or rent used books. Approximately 40 percent of all consumer transactions in the learning materials market in 2012 were used book sales or rentals. Of course, each of these transactions is less profitable—or not at all profitable—to the publisher.

12. Additionally, since the recent recession began in 2007, the dramatic decrease and persistent volatility in the availability of government funding have weakened demand significantly in several of the Company's businesses, particularly in the research and K–12 markets. These markets are driven by the spending of state and local governments, which were especially hard-hit by the recession.

13. Finally, publishers have also come under pressure from unconventional or even illegal activities that allow consumers to purchase products outside the normal distribution chain. Piracy, despite being illegal, has become easier as the technology for copying content has improved. Additionally, a recent Supreme Court decision permitting the practice of importing textbooks from foreign markets (where they are often discounted to reflect lower demand and relative standards of living) into the U.S. for resale is likely to increase the incentives for doing so and may put further pressure on domestic pricing.[2]

14. The combined force of these trends has hindered the Company's financial performance. For the nine months ended March 31, 2013, the Company's revenues were $1,298.6 million, compared to $1,458.3 million for the same period ended March 31, 2012, representing a revenue decline of approximately 11 percent. Unlevered free cash flow over the same periods fell from $568.6 million to $360.2 million. Simultaneously, the burden of the Company's funded debt has grown, with debt service payments increasing from $353.0 million for the nine months ended March 31, 2012, to $376.3 million for the same period ended March 31, 2013.

**B. A Clear Path Forward**

15. In late 2012 and early 2013, the Company overhauled its senior management team by hiring a world-class team, led by a new chief executive officer, Michael Hansen, and a new chief product officer, chief technology officer, and chief sales and marketing officer. Mr. Hansen previously served as chief executive for Harcourt Assessment, the educational materials division of Reed Elsevier (a publisher and information provider operating in the science, medical, legal, risk, and business sectors), where he led a successful turnaround and sale

[2] *See Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013).

of that business. With a new management team in place, the Company has developed and started to implement a comprehensive new business plan.

16. In light of the industry's transition to digital, this comprehensive new business plan centers on combining the best of innovative and complementary digital and print products with expert product support to provide whole-course packaged products covering individual courses from every angle. Currently, the Company is developing its MindTap platform, a full suite of digital learning solutions designed to engage students and offer instructors choice and flexibility. MindTap is just the first step in enhancing product innovation in digital formats, and it continues the Company's efforts to set the standard for excellence in the learning materials market. Indeed, in fiscal year 2012, the proportion of the Company's revenues from digital product sales versus stand-alone print product sales increased 17.5 percent from 31.9 to 37.5 percent.

17. In addition to the revamped focus on positioning itself to capitalize on the digital transition and implementing the new product offerings described above, the Company is using new sales strategies to target particular markets that present greater growth opportunities. Furthermore, the Company intends to pursue growth in its research and English language teaching ("***ELT***") businesses across the globe—two areas with high growth potential. The synergies of new management, new products, and new sales strategies set a strong foundation for achieving the Company's envisioned transformation.

18. Importantly, this transformation is not solely operational: the Company has also carefully considered and developed clear views on its capital structure. As described further below, the Company currently has approximately $5.8 billion in principal amount of funded indebtedness, which is simply too large given the Company's current financial condition and the

results predicted by the new business plan. By right-sizing its balance sheet in these chapter 11 cases, the Company will attain the liquidity and flexibility it needs to implement management's strategic vision.

**C. Overview of Company Projections**

19. The Company's financial projections based on its revised business plan show revenues generally stabilizing through 2016 and then returning to modest growth, totaling $1,780.0 million in fiscal 2018. Earnings before interest, taxes, depreciation, and amortization ("***EBITDA***") will also stabilize and bottom by 2015, with the Company's cost-saving strategies enhancing bottom line earnings and leading to positive EBITDA growth by 2016 and projected EBITDA of $662.0 million in fiscal 2018. Further, the Company's digital footprint will grow significantly, with the number of active digital users nearly doubling. The growth in digital will contribute to expanded margins and EBITDA growth in fiscal years 2016–2018. Based on these projections and certain other assumptions, the Company has determined that its current capital structure is not sustainable and that the Company must substantially reduce its debt burden to be able to implement management's new business plan.

**D. Overview of Capital Structure and Importance of Deleveraging**

20. As detailed further below in Section II.F, the Company's capital structure includes approximately $5.8 billion in funded debt, including approximately $4.6 billion in first lien debt. Based on management's new business plan, the Company and its advisors believe the enterprise value of the Company is substantially less than the amount of the first lien debt. As the Company's financial performance has deteriorated, its capital structure has become increasingly unsustainable, and debt-service obligations have consumed an increasing percentage of the Company's free cash flow. Just between 2012 and 2013, the Company's debt service obligations increased from roughly 62 percent to 104 percent of its unlevered free cash flows.

21. Thus, given recent performance, business plan projections, and the lack of free cash flow needed to make critical investments in its businesses, the Company has determined that deleveraging its capital structure is an absolute necessity. Accordingly, the Company commenced these chapter 11 cases primarily to implement a balance sheet restructuring and put itself in a position to execute on its new business plan and capitalize on the industry's digital transformation.

**E. Potential Sources of Recovery for Unsecured Creditors**

22. Notwithstanding the fact that the value of the Company falls well inside the Company's first lien debt based on any reasonable valuation exercise, the Company nonetheless expects that unsecured creditors may be entitled to some recovery under any plan of reorganization. Specifically, following review and analysis by the Company and its advisors, the Company believes there are three primary sources of potential recoveries for unsecured creditors.

**1. Disputed Cash**

23. As of the Petition Date, the Company held approximately $265.0 million of cash (the "***Disputed Cash***") in an investment account that the Company asserts is not part of the secured lenders, swap counterparties, and secured noteholders' (collectively, the "***Prepetition Secured Parties***") respective collateral packages under the First Lien Credit Facility Agreement, First Lien Notes Indenture, Swaps, and Second Lien Notes Indenture (each as defined below). On March 20, 2013, the Company drew down substantially all of the remaining availability under its first lien revolving credit facilities, and invested $300.0 million in a Federated money market fund that invests in treasury securities (the "***Federated Fund***").[3] The Federated Fund is

[3] The Company's total draw on March 20, 2013 was approximately $430.0 million. The remaining $130.0 million was swept that day from the Company's primary cash concentration account and invested in

publicly traded on the NASDAQ exchange (ticker: TOIXX). Technically, the Company's investment involved the purchase of uncertificated securities in the Federated Fund. Under the security agreements or provisions for each of the First Lien Credit Facility Agreement, First Lien Notes Indenture, Swaps, and Second Lien Notes Indenture, equity investments in entities other than wholly-owned subsidiaries of the Company are explicitly excluded from the Prepetition Secured Parties' collateral package. The Company believes that the Federated Fund is not a wholly-owned subsidiary of the Company; the Company's investment in the Federated Fund is not part of the Secured Lenders' collateral package; and the Disputed Cash is therefore unencumbered.

**2. Equity Interests in Non-Wholly Owned Subsidiaries**

24. Although the Company generally pledged all of the equity interests in their subsidiaries as collateral to the Prepetition Secured Parties, only 65 percent of the equity of their first-tier foreign subsidiary, Cengage Learning Acquisitions C.V. ("***CLA C.V.***"), was pledged, leaving 35 percent of the equity interests in their foreign affiliates unencumbered.[4] Further, the Debtors did not pledge any of their equity interests in their non-wholly owned subsidiaries, whether foreign or domestic. This category includes two non-wholly owned subsidiaries—The Hampton Brown Company LLC ("***Hampton Brown***") and CourseSmart LLC ("***CourseSmart***"). Accordingly, 35 percent of the equity value of CLA C.V. and 100 percent of the value attributable to the Company's equity interests in Hampton Brown and CourseSmart is outside of the Prepetition Secured Parties' collateral package and available for distribution to unsecured

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shares of a different Federated money market fund, the Government Obligations Fund Institutional Shares (money market fund #5, ticker: GOIXX), in accordance with the Company's ordinary course cash management procedures.

[4] There are three intercompany loans from Debtor Cengage Learning Acquisitions, Inc. to CLA C.V. in the aggregate amount of approximately $776 million that potentially could significantly reduce, or eliminate, CLA C.V.'s equity value.

creditors. The Hampton Brown and CourseSmart joint ventures are discussed in further detail in Section II.C.

**3. Copyright Assets**

25. In the course of conducting a collateral and perfection review, the Company's advisors recently discovered that the Prepetition Secured Parties had not perfected their interests in a pool of copyrights the Company registered during roughly the last year. To perfect a security interest in a registered copyright, a creditor must file with the U.S. Copyright Office. The Company discovered that The Bank of New York Mellon last perfected liens for the benefit of holders of the First Lien Notes (as defined below) on May 7, 2012, and for the benefit of the holders of the Second Lien Notes (as defined below) on July 5, 2012. The Company further discovered that Royal Bank of Scotland, as former agent for the lenders under the First Lien Credit Facility Agreement, last perfected on March 23, 2012. Since the time of these previous perfection filings, the Company has registered approximately 1,500 additional copyrights.[5] Within the 90 days before the Petition Date, the Company understands that the agent for the lenders under the First Lien Credit Facility Agreement and the indenture trustees under the First Lien Notes Indenture and the Second Lien Notes Indenture perfected against a pool of the Debtors' registered copyrights that previously had not been perfected against (the "***Recently Perfected Copyrights***").

26. The Prepetition Secured Parties, however, have perfected security interests in all existing inventory created by the Company from the Recently Perfected Copyrights, and have the

[5] There also are approximately 14,000 copyrights that were perfected by the indenture trustees for the First Lien Notes and Second Lien Notes in 2012, but were not perfected by the agent under the First Lien Credit Facility Agreement until on or about May 22, 2013. Under the governing intercreditor agreements, the Company does not believe that the timing of the perfection by the agent under the First Lien Credit Facility Agreement (*i.e.*, within the 90-day preference period under section 547 of the Bankruptcy Code) will have any impact on recoveries for any creditor in these chapter 11 cases, and does not believe that any value from these copyrights will flow to second lien or unsecured creditors.

right to all proceeds from sales of inventory that already had been printed as of the Petition Date. Given where the Company is in its sales cycle, it has a large volume of inventory on hand in preparation for the fall semester sales season.

27. The Company has had extensive conversations with the advisors to the Prepetition Secured Parties and senior unsecured noteholders regarding perfection issues related to the Recently Perfected Copyrights. The Debtors intend to continue to negotiate with their creditor constituents and with the creditors' committee, when one is appointed, with the goal of reaching a consensus agreement on value in the near future. Importantly, the Prepetition Secured Parties with first lien claims will have a very substantial unsecured deficiency claim, allowing them to recover a significant portion of whatever value is ultimately awarded to unsecured creditors.

**F. Negotiations with Creditors**

28. After the Company drew down the Unextended Revolver Facility and the Extended Revolver Facility in March 2013, certain of the holders (the "***First Lien Holders***") of the Company's first lien debt organized an ad hoc group (collectively, the "***First Lien Group***") to engage with the Company. The First Lien Group is advised by Houlihan Lokey, as financial advisor, and Milbank, Tweed, Hadley & McCloy, as counsel (collectively, the "***First Lien Advisors***"). In addition, JPM, the first lien agent, engaged Davis Polk & Wardwell and Blackstone and commenced discussions with the Company. Other non-first lien creditors also commenced discussions with the Debtors and their advisors. To permit frank and transparent discussions to the greatest extent possible, the members of the First Lien Group and certain other non-first lien creditors entered into non-disclosure agreements with the Company. In the period leading up to the Petition Date, the parties and their advisors held multiple meetings to exchange information, facilitate diligence, answer questions, and discuss various restructuring issues. In addition to information on the Company's revised business plan and financial information, the

Company began the process of providing creditors and their advisors with information regarding unencumbered and unperfected assets so that each group could perform diligence and assess valuations.

29. After considerable arm's-length negotiations, the Debtors and holders of over $2 billion of First Lien Claims (the "***Consenting Holders***") reached a restructuring support agreement outlining a restructuring process and post-reorganization capital structure that is designed to de-lever the Company's balance sheet and provide for an expedient emergence from chapter 11. At the same time, it provides unsecured creditors with appropriate time to conduct diligence on, and discuss their conclusions regarding, among other things, the value of the three primary sources of potential recoveries for unsecured creditors. The Debtors and the Consenting Holders memorialized their agreement by entering into a Restructuring Support Agreement (attached hereto as **Exhibit C**, the "***RSA***"), dated as of July 2, 2013. Attached to the RSA are three term sheets (the "***Term Sheets***"): one principally regarding the terms of the restructuring plan, one regarding the terms of the potential exit financing, and one regarding the terms of certain post-reorganization governance and shareholders' rights.

30. The RSA contemplates, among other things, that unless and until the RSA is terminated in accordance with its terms, the Debtors and the Consenting Holders agree to support the restructuring envisioned in the Term Sheets, including the solicitation, confirmation, and consummation of the plan of reorganization contemplated therein and pursuant to the terms set forth in the RSA. Subject to the terms of the RSA, the Consenting Holders have agreed that they will not directly or indirectly support any plan of reorganization or other transaction for any

Debtor other than the restructuring transaction contemplated by the RSA or take any action that is inconsistent with the RSA.[6] The Debtors' support obligations are subject to a fiduciary out.

31. The Term Sheets provide, among other things:[7]

- a de-leveraged post-reorganization capital structure consisting of (i) a new first-out revolving credit facility of no less than $250 million and up to $400 million to be raised from third-parties on market terms and (ii) $1.5 billion of last-out first lien debt (subject to increase in certain circumstances discussed below);

- holders of First Lien Secured Claims would receive their pro rata share of (1) 100% of the equity in the reorganized Debtors (subject to certain dilution), (2) excess cash (as defined in the Term Sheets), and (3) the new $1.5 billion term loan financing, which recovery can be replaced (subject to the terms of the RSA) with the cash proceeds of alternative debt financing, the principal amount of which is limited by the lesser of $1.75 billion or the amount of debt that can support interest expense of $150 million per year (excluding interest expense on the new revolving credit facility);

- unsecured creditors (including the holders of first lien deficiency claims) would receive a recovery under the Plan on account of the Disputed Cash, 35 percent of equity interests in the Debtors' first-tier non-Debtor foreign subsidiary, the Recently Perfected Copyrights, and the equity interests owned by the Debtors in Hampton-Brown and CourseSmart, which distribution will vary based on which Debtor the unsecured claims are against and will be made in accordance with a priority waterfall that shall take into account all applicable priority principles of the Bankruptcy Code and other applicable law, including but not limited to subordination provisions and provisions in intercreditor agreements;

- the terms of certain post-reorganization governance rights applicable to the holders of new equity (including rights to nominate directors);

- the cancellation of existing equity interests other than intercompany equity interests; and

- certain other customary terms and provisions.

[6] This summary is qualified in all respects by the terms of the RSA.

[7] This summary is qualified in all respects by the terms of the Term Sheet.

32. The RSA contemplates the Debtors' complying with two major milestones. First, the Debtors must file a plan, disclosure statement, and solicitation materials on or before 45 days following the Petition Date. Second, the effective date of the plan must occur within 135 days of the Petition Date.

33. Importantly, the RSA and Term Sheet do not address the value of the potential sources of recoveries for unsecured creditors. The Debtors insisted on the ability to continue to discuss these issues with their key creditor constituents in the hopes of reaching a consensual agreement. The Company will continue to work with representatives of the Secured Parties, representatives of unsecured creditors, the creditors' committee (when appointed), and other stakeholders with the hope of reaching an expedient, consensual agreement on the reasonable value for these three primary sources of potential recoveries for unsecured creditors.

34. Accordingly, to implement the process contemplated by the Term Sheet, the Debtors commenced these chapter 11 cases on the Petition Date.

## II. The Company's Businesses

35. The Company divides its operations into two main segments: domestic and international. For the nine months ended March 31, 2013, the domestic segment accounted for approximately 85 percent of the Company's revenues, and the international segment accounted for the remaining approximately 15 percent of the Company's revenues. The Company's customers include, among others, students, bookstores, academic libraries, major public libraries, and high schools across the country and around the world.

36. As discussed further below, the Company also has two non-wholly owned joint ventures—Hampton Brown and CourseSmart.

**A. Domestic**

37. In the U.S., the Company operates in five principal markets: two- and four-year college, research, K–12 school, career, and professional.

**1. Two- and Four- Year College**

38. The Company offers an array of print and digital materials and associated services to the two- and four-year college market, which is comprised of students, professors, and institutions of higher education (primarily colleges and universities). The higher education system in the U.S. is the largest in the world with over 20 million students and 4,500 institutions, figures which have expanded over the last decade. Many of the most well-known publishers compete with the Debtors in this space, including, for example, Pearson Education, Inc., McGraw-Hill Education, Inc., John Wiley & Sons, Inc., and Macmillan Publishers Ltd.

39. In print, the Company publishes textbooks for all major academic disciplines and maintains leading positions in many major disciplines. For example, the Company has leading market positions in the United States in many of the largest academic disciplines, including the number one position in each of anthropology, business, computer training, criminal justice, health, history, paralegal studies, philosophy, and social work, and the number two position in each of accounting, chemistry, education, foreign language, linguistics, mathematics, and psychology.

40. In digital format, the Company provides homework solutions with high quality content and interactive learning solutions and fully customized online course programs. The Company is also developing a full suite of digital learning solutions called MindTap, designed to engage students and offer instructors choice and flexibility.

41. The Company employs two sales teams to target the college market. The first sales team focuses on securing adoptions—that is, selections by course instructors to use a

particular publisher's materials. The second sales team seeks out institutional sales opportunities, which are more complicated and time consuming, but often offer greater volume and value to the Company.

42. Particularly with respect to the college market, the educational publishing market is highly seasonal. As with most publishers of educational materials, the Company receives an out-sized proportion of its earnings during the academic year. This seasonality affects the Company's working capital requirements and overall financing needs such that it earns a cash surplus during the academic year but typically incurs a net cash deficit from operating activities outside the academic year.

**2. Research**

43. Over time, the Company has aggregated the world's largest online collection of magazines, journals, and newspapers, and now maintains one of the largest archives of unique primary-source special collections in the world. In North America, substantially all of the reference collections of academic and public libraries contain one or more of the Company's research products, which include the world's largest collection of periodicals and one of the largest archives of primary source materials.

44. Generally, research providers like the Company aim to sell specialized reference materials such as encyclopedias, directories, periodical databases, and primary-source collections. The Company, however, also integrates this reference content in its academic products, making it the only producer of learning materials with access to proprietary content of this kind. The Company sells directly to academic, corporate, and government libraries and indirectly via distributers, bookstores, wholesalers, and retailers worldwide, with most relationships managed via local or regional offices.

### 3. K–12 School

45. The domestic K–12 school market consists of approximately 55 million students. Publishers in this market, including Pearson Education, Inc., McGraw-Hill Education, Inc., and Houghton Mifflin Harcourt Publishing Company, aim primarily for state and local school district to adopt their materials. In the U.S. K–12 school market, the Company focuses on disciplines with the most attractive growth fundamentals, in particular advanced placement and ELT, where the Company occupies strong market positions. Consistent with that focus, in August 2011, the Company acquired Hampton Brown, the National Geographic Society's digital and print school publishing unit, including its ELT products, elementary school level science curriculum, literacy and content publishing brand, National Geographic Explorer! Magazines, and the National Geographic Science series.[8]

### 4. Career

46. The career market is comprised primarily of students and colleges in the career-oriented education system. Career institutions typically purchase course materials directly and distribute them to all students, unlike the college market where individual professors choose and students purchase their own materials. In the career market, the Company offers some of the most comprehensive collections of print, digital, and hybrid learning solutions for career studies across major disciplines. In connection with these various products, the Company employs designated sales teams to focus on sales to the for-profit career colleges that make up the bulk of the market.

47. Over the last twenty years, growth in the career market generally has outpaced that in the two- and four-year college market. As with the college market, the Company's main

[8] The Hampton Brown acquisition is discussed further below.

competitors in the career market are Pearson Education, Inc., McGraw-Hill Education, Inc., and John Wiley & Sons, Inc.

**5. Professional**

48. Providers in the professional market typically seek to sell learning materials to students seeking job training, certification, or continuing professional education in schools or other programs. This market encompasses a wide range of vocations, and the key players generally vary across different study areas. The Company competes in a wide range of professional study disciplines, offering products like customized materials for employers to train their employees. To assist in these efforts, the Company employs a direct sales force focused on employers, training programs, and professionals seeking additional training.

**B. International**

49. The second main segment of the Company's operations is the international segment. The needs and demands of various international markets can differ dramatically, but the general trend across the globe is expanding demand for learning products driven by population growth and rising living standards. The Company, through certain non-Debtor international affiliates, serves higher education, vocational, K–12, reference, and ELT markets in select geographic areas throughout the world, with operations generally divided between the regions of Asia, Australia, Latin America, and Europe, Middle East, and Africa (EMEA). For example, the Company, through a licensee, is the leading foreign educational publisher in China with a strong position in the Chinese ELT market. To best tap these markets, the Company's international businesses differ in their strategic focus based on prevailing local market demand for the Company's products, and it employs a sales force located in 25 regional offices around the globe to take advantage of international growth dynamics.

**C. Joint Ventures**

50. The Company owns equity interests in two domestic joint ventures: Hampton Brown and CourseSmart. *First*, on August 1, 2011, the Company acquired 100-percent of the controlling economic equity interests (*i.e.*, 90 Class B units) in Hampton Brown from The National Geographic Society ("***NGS***"). As part of the sale transaction, NGS negotiated to retain 10 Class A units, which units do not entitle NGS to any control over the affairs of Hampton Brown and entitle NGS to distributions only upon dissolution of Hampton Brown (which distribution is capped at $8 million). The 10 Class A units owned by NGS are subject to a call right exercisable by the Company and a put right exercisable by NGS, the terms of which are set forth in the purchase agreement. Pursuant to the purchase agreement, (a) the Company may exercise its call right to purchase the remaining interest for $8 million plus 10-percent annual compounding interest accruing from August 1, 2012 and (b) the seller may exercise its put right to sell the remaining interest at $6.5 million, with such right becoming exercisable August 1, 2013. For the Company's fiscal 2012, Hampton Brown contributed $74.4 million in revenue, or approximately 4 percent of the Company's total revenues.

51. *Second*, since February 28, 2007, the Company has been an equity holder in CourseSmart, a joint venture supported by the leading publishers in North American higher education for distribution of digital course materials. The Company owns a 33.4-percent equity interest in CourseSmart, with equivalent voting control. CourseSmart historically has relied on contributions from its members to fund its operations and does not represent a material portion of the Company's revenues or earnings.

**D. Authors and Copyrights**

52. The Company's leading market positions across disciplines and around the globe are, in part, a result of its long-term, successful relationships with recognized experts across

many fields to provide exclusive and authoritative content for the Company's products. Most of these collaborative relationships are direct, with the Company obtaining copyright ownership over materials produced by a given author. Others consist primarily of long-term agreements with third party licensors for leading research materials and content. The product of these relationships is further enhanced by the Company's own workforce and their ability to develop pedagogically-sound content.

53. Accordingly, substantially all of the Company's proprietary publications and products are covered by tens of thousands of copyrights in the U.S., which copyrights are protected by virtue of treaties or conventions in most developed countries throughout the world. With respect to the underlying content in almost all cases, copyright ownership has been assigned to the Company by the original authors. The Company also obtains significant content, materials, and technology through license arrangements with third party licensors.

**E. Organizational Structure**

54. An organizational chart illustrating the corporate structure of the Company is annexed to this declaration as **Exhibit A**.

55. The Company is majority-owned by Apax, which owns approximately 97 percent of the equity of Cengage Learning Holdings I, L.P.,[9] which in turn owns 99.99 percent of the equity of Debtor Cengage Learning Holdings II, L.P ("***CL Holdings II***"). Each of the other Debtors is a wholly-owned direct or indirect subsidiary of CL Holdings II. The Company is managed by the directors and officers of Cengage Learning GP I LLC, the general partner and .01-percent equity holder of CL Holdings II.

[9] The balance of equity interests in Cengage Learning Holdings I, L.P. is owned by funds associated with OMERS Private Equity and members of the Company's management.

56. Prior to February 28, 2013, the Company operated a division known as The Gale Group through distinct corporate entities: (a) Gale Holdings I Inc., a wholly-owned direct subsidiary of CL Holdings II, and (b) The Gale Group Inc., a wholly-owned direct subsidiary of Gale Holdings I Inc. On February 28, 2013, the Debtors merged these entities with Debtors Cengage Learning Acquisitions, Inc. ("***CLA***") and Cengage Learning, Inc. ("***CLI***"), respectively, in a tax-free reorganization.

57. As discussed above, the Company also owns equity interests in joint ventures Hampton Brown and CourseSmart.

58. The Debtors' international affiliates consist of direct or indirect, wholly-owned subsidiaries of CLA C.V. Debtor CLA owns a 99.9-percent interest in CLA C.V., with the remaining 0.1-percent interest held by Cengage Learning Dutch-Co LLC, a wholly-owned subsidiary of CLA.

**F. The Debtors' Prepetition Capital Structure.**

59. As of March 31, 2013, the Company reported approximately $4,679.0 million book value in total assets and approximately $6,469.0 million book value in total liabilities. As of June 30, 2013, the Debtors have outstanding funded debt obligations in the aggregate principal amount of approximately $5,803.9 million, including the following:

- approximately $3,867.9 million aggregate in principal amounts outstanding of first lien loans (the "***First Lien Loans***") in five tranches, discussed below, with varying interest rates;[10]
- approximately $725.0 million in principal amount outstanding of 11.5% first lien notes (the "***First Lien Notes***");[11]

[10] The terms of the First Lien Loans are set forth that certain Credit Agreement, dated as of July 5, 2007, as amended by the Incremental Amendment, dated as of May 30, 2008, and the Amendment Agreement, dated as of April 10, 2012, among certain of the Debtors, JPMorgan Chase Bank, N.A. as administrative agent, and the other lenders party thereto (the "***First Lien Credit Facility Agreement***").

- approximately $13.3 million owed under certain of the Company's swap agreements (the "***Swaps***"), discussed below, which amount is secured by a first lien security interest;

- approximately $710.0 million in principal amount outstanding of 12% second lien notes (the "***Second Lien Notes***");[12]

- approximately $292.1 million in principal amount outstanding of 10.5% senior unsecured notes (the "***Senior Unsecured Notes***");[13]

- approximately $63.6 million in principal amount outstanding of 13.75% senior payment-in-kind notes (the "***Senior PIK Notes***");[14] and

- approximately $132.0 million in principal amount outstanding of 13.25% senior subordinated discount notes (the "***Senior Subordinated Discount Notes***").[15]

**1. Secured Facilities**

60. The Debtors' first lien secured facilities consist of the First Lien Loans and the First Lien Notes, which rank *pari passu*.

61. The Debtors' approximately $3,867.9 million outstanding indebtedness under the First Lien Loans consists of the following five tranches:

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[11] The terms of the First Lien Notes are set forth in that certain Indenture, dated as of April 10, 2012, among Cengage Learning Acquisitions, Inc., the guarantors party thereto, and The Bank of New York Mellon, as trustee and collateral agent, providing for the issuance of 11.50% Senior Secured Notes due 2020 (the "***First Lien Notes Indenture***").

[12] The terms of the Second Lien Notes are set forth in that certain Indenture, dated as of July 5, 2012, among Cengage Learning Acquisitions, Inc., the guarantors party thereto, and The Bank of New York Mellon, as trustee and collateral agent, providing for the issuance of 12.00% Senior Secured Second Lien Notes due 2019 (the "***Second Lien Notes Indenture***").

[13] The terms of the Senior Unsecured Notes are set forth in that certain Indenture, dated as of July 5, 2007, among TL Acquisitions, Inc. (predecessor of Cengage Learning Acquisitions, Inc.), the guarantors party thereto, and The Bank of New York Mellon, as trustee, providing for the issuance of 10.50% Senior Notes due 2015 (the "***Senior Unsecured Notes Indenture***").

[14] The terms of the Senior PIK Notes are set forth in that certain Indenture, dated as of October 31, 2008, among Cengage Learning Holdco, Inc., Cengage Learning Holdings II L.P., as guarantor, and Wells Fargo Bank National Association, as trustee, providing for the issuance of 13.75% Senior PIK Notes due 2015 (the "***Senior PIK Notes Indenture***").

[15] The terms of the Senior Subordinated Discount Notes are set forth in that certain Indenture, dated as of July 5, 2007, among TL Acquisitions, Inc. (predecessor of Cengage Learning Acquisitions, Inc.), the guarantors party thereto, and The Bank of New York Mellon, as trustee, providing for the issuance of 13.25% Senior Subordinated Discount Notes due 2015 (the "***Senior Subordinated Discount Notes Indenture***").

- approximately $220.3 million outstanding under a revolving credit facility (the "***Unextended Revolver Facility***") with an interest rate of LIBOR plus 2.75%, maturing July 5, 2013;

- approximately $293.7 million outstanding under a revolving credit facility (the "***Extended Revolver Facility***") with an interest rate of LIBOR plus 4.5%, maturing April 10, 2017;

- approximately $1,519.1 million outstanding under a term loan facility (the "***Unextended Term Loan Facility***") with an interest rate of LIBOR plus 2.25%, maturing July 5, 2014;

- approximately $548.3 million outstanding under a term loan facility (the "***Incremental Term Loan Facility***") with an interest rate of LIBOR plus 3.75% subject to a 3.75% LIBOR floor, also maturing July 5, 2014; and

- approximately $1,286.5 million outstanding under a term loan facility (the "***Extended Term Loan Facility***" and, collectively with the Unextended Term Loan Facility and the Incremental Term Loan Facility, the "***Term Loan Facilities***") with an interest rate of LIBOR plus 5.50%, maturing July 5, 2017.

62. The maturity dates for both the Extended Revolver Facility and the Extended Term Loan Facility are subject to springing conditions. In general, these conditions provide that: (a) if specified principal amounts of certain of the Debtors' other debt remain outstanding as of a specified date, the Extended Revolver Facility and the Extended Term Loan Facility mature on the specified date; or (b) if any of the Debtors' other debt is refinanced and matures before July 9, 2017 (for the Extended Revolver Facility) or October 3, 2017 (for the Extended Term Loan), either or both (as applicable) of the Extended Revolver Facility and the Extended Term Loan will mature 91 days before the maturity of the refinanced debt. Under these springing maturity provisions, the Extended Revolver Facility and the Extended Term Loan Facility could mature as early as April 5, 2014.

63. All of the First Lien Loans are secured by a first priority security interest in substantially all of the Debtors' assets, subject to certain exceptions discussed above (*i.e.*, in the equity interests of the Debtors' non-wholly owned domestic subsidiaries and 35 percent of the

equity interests of the Debtors' top-tier foreign subsidiary, in the Disputed Cash, and in certain copyrights). The First Lien Loans are guaranteed by each of the Debtors other than CLA, which is the borrower under the First Lien Loans. The First Lien Credit Facility Agreement also provides for certain customary covenants, including with respect to financial reporting and the Debtors' leverage ratio.

**2. First Lien Notes**

64. The First Lien Notes mature April 15, 2020, and the First Lien Notes Indenture provides for certain customary covenants, including with respect to financial reporting. The First Lien Notes are secured with a *pari passu* first priority security interest in the same collateral package as the First Lien Loans, *i.e.*, substantially all of the Debtors' assets, subject to certain exceptions discussed above (*i.e.*, in the equity interests of the Debtors' non-wholly owned domestic subsidiaries and 35 percent of the equity interests of the Debtors' top-tier foreign subsidiary, in the Disputed Cash, and in certain copyrights). The First Lien Notes are guaranteed by each of the Debtors other than CLA, which is the issuer under the First Lien Notes Indenture.

**3. Swap Agreements**

65. The Company is party to six Swaps, all of which are interest rate swaps that help the Company manage interest rate exposure by achieving a desirable proportion of variable and fixed rate debt. The counterparties to the Swaps have the same collateral package as and rank *pari passu* with the holders of the First Lien Loans and First Lien Notes. The notional amounts, counterparty, and other information regarding the Swaps are as follows:

- $250 million subject to a Swap between CLA and Citibank N.A., dated as of April 21, 2010;
- $250 million subject to a Swap between CLA and Goldman Sachs Bank USA, guaranteed by The Goldman Sachs Group, Inc., dated as of April 16, 2010;

- $300 million subject to a Swap between CLA and UBS AG, London Branch, dated as of March 5, 2010;
- $300 million subject to a Swap between CLA and The Royal Bank of Scotland plc, dated as of March 1, 2010;
- $500 million subject to a Swap between CLA and UBS AG, London Branch, dated as of February 17, 2010; and
- $500 million subject to a Swap between CLA and Morgan Stanley Capital Services Inc., dated as of March 19, 2010.

The final payments under the Swaps in the aggregate amount of approximately $13.3 million were due on June 28, 2013. The Company did not make these payments.

**4. Second Lien Notes**

66. The Second Lien Notes mature June 30, 2019, and the Second Lien Notes Indenture provides for certain customary covenants, including with respect to financial reporting. The Second Lien Notes are secured with a second priority security interest in the same collateral package as the First Lien Facilities and are guaranteed by each of the Debtors except for CLA, which is the issuer under the Second Lien Notes Indenture.

**5. Intercreditor Agreements**

67. Certain of the Debtors, the collateral agent under the First Lien Credit Facility Agreement, and representatives of the First Lien Holders are parties to that certain First Lien Intercreditor Agreement, dated as of April 10, 2012 (the "***First Lien Intercreditor Agreement***"). The First Lien Intercreditor Agreement governs certain of the respective rights and interests of the First Lien Holders relating to, among other things, their rights and the exercise of remedies in connection with an Event of Default (as defined in the First Lien Intercreditor Agreement) and in the event of a bankruptcy filing, including related enforcement and turnover provisions. In particular, section 2.02 of the First Lien Intercreditor Agreement prohibits the First Lien Holders from contesting the perfection of any security interests asserted by any other First Lien Holders,

including with respect to the Company's copyrights.[16] This provision is relevant to these chapter 11 cases due to the fact that until on or about May 22, 2013, security interests in approximately 14,000 of the Company's copyrights were perfected only by the indenture trustee for the First Lien Notes and Second Lien Notes.[17]

68. In addition, certain of the Debtors, representatives of the First Lien Holders, and the representative of the holders of the Second Lien Notes are parties to that certain Second Lien Intercreditor Agreement, dated as of July 5, 2012 (the "***Second Lien Intercreditor Agreement***"). The Second Lien Intercreditor Agreement governs certain of the respective rights and interests of the First Lien Holders and the holders of the Second Lien Notes relating to, among other things, their rights and the exercise of remedies in connection with an Event of Default (as defined in the Second Lien Intercreditor Agreement) and in the event of a bankruptcy filing, including related enforcement and turnover provisions.

**6. Unsecured Notes**

69. The Debtors also have outstanding indebtedness in the form of three series of unsecured notes: the Senior Unsecured Notes, the Senior PIK Notes, and the Senior Subordinated Discount Notes (collectively, the "***Unsecured Notes***"). The Senior Unsecured Notes mature January 15, 2015; the Senior PIK Notes mature July 15, 2015; and the Senior Subordinated Discount Notes mature July 15, 2015.

[16] A substantially similar provision exists in section 2.03 of the Second Lien Intercreditor Agreement (as defined below), which prohibits the holders of the Second Lien Notes from challenging the perfection of any security interests asserted by First Lien Holders.

[17] These 14,000 copyrights were registered by the Company prior to July 2007.

70. The Senior Subordinated Discount Notes are contractually subordinated to the Debtors' secured and senior indebtedness, including the First Lien Loan, the First Lien Notes, the Second Lien Notes, the Senior Unsecured Notes, and the Senior PIK Notes.

71. The Senior Unsecured Notes and the Senior PIK Notes contractually rank *pari passu*; however, the Senior PIK Notes are structurally subordinate to the Senior Unsecured Notes. The Senior PIK Notes were issued by Cengage Learning Holdco, Inc. ("***CL Holdco***") and guaranteed by its parent company, CL Holdings II. The Senior Unsecured Notes were issued by CL Holdco's subsidiary, CLA, making the Senior PIK Notes structurally subordinate to the Senior Unsecured Notes.

**7. Intercompany Obligations**

72. In addition to their debt obligations as described above, the Debtors have extended credit to certain of their international non-Debtor affiliates. Specifically, there are three term loans from CLA to CLA C.V. with an aggregate balance of approximately $777.0 million as of March 31, 2013.[18] In addition, CLA has extended a revolving credit line to Cengage Learning Holdings B.V. that has a balance of $1.9 million as of March 31, 2013. Finally, Cengage Learning, Inc. ("***CLI***") has issued approximately $10.4 million in aggregate trade credit to various international affiliates.[19]

73. Domestically, the Debtors also are parties to various intercompany obligations with each other: (a) CLA owes CLI approximately $55.1 million as of June 21, 2013 under an interest-bearing revolving credit line; (b) CLI owes CLA approximately $3,590.0 million as of

[18] Of these three loans, one is interest-bearing and has a balance of approximately $245.6 million as of March 31, 2013.

[19] CLA also owes Cengage Learning Cooperatief, a foreign subsidiary, approximately $1,000.00 on account of an intercompany balance.

March 31, 2013 under four interest-bearing term loans; and CL Holdco owes CLA approximately $378.4 million as of March 31, 2013 under 26 non-interest-bearing term loans.

**G. Liquidity Hurdles**

74. As detailed above, the Company's capital structure includes approximately $5.8 billion in outstanding funded indebtedness. The cost of this debt burden—including over $400 million in interest expense in 2012—severely limited the Company's profitability and liquidity available to fund operations. Given the seasonality of the Company's cash flows, these effects are strongest during the spring and summer months. Moreover, the maturity of $222.0 million outstanding under the Unextended Revolver Facility on July 5, 2013 created a significant and immediate liquidity demand, particularly with over $2 billion under the Unextended Term Loan Facility and Incremental Term Loan Facility maturing just one year later on July 5, 2014.

**H. Jurisdiction**

75. The Debtors commenced these chapter 11 cases in the Eastern District of New York, which is the location of the principal assets of the Debtors' top-tier holding company, CL Holdings II. CL Holdings II's primary asset is its equity interest in Debtor CL Holdco. This equity interest is a certificated equity interest, which upon the Debtors' information and belief has been physically located in the Eastern District of New York since at least January 1, 2013 pursuant to the equity pledge under the First Lien Credit Facility Agreement.

## III. First Day Motions

76. The Debtors have filed a number of First Day Motions seeking targeted relief intended to allow the Debtors to minimize the adverse effects of the commencement of the chapter 11 cases on their ongoing business operations. The First Day Motions seek authority to, among other things, continue to pay employee compensation and benefits in order to maintain

morale and retention during this critical juncture, and ensure the continuation of the Company's cash management systems and other business operations without interruption. Court approval of the relief requested in the First Day Motions is essential to providing the Debtors with an opportunity to successfully meet their creditor obligations in a manner that benefits all of the Debtors' constituents.

77. I have reviewed each of the First Day Motions. The facts and descriptions of the relief requested therein are detailed below and are true and correct to the best of my information and belief. I believe that the relief sought in each of the First Day Motions is necessary: it will allow the Company to maintain baseline operations following the commencement of these chapter 11 cases; it will enable the Company to operate in chapter 11 with minimal disruption to its business operations; and it will minimize any loss of the Company's value. I believe that if the Court grants the relief requested in the First Day Motions, the prospect of achieving these objectives—to the maximum benefit of the Debtors' estates, creditors, and other parties in interest—will be substantially enhanced. Accordingly, I believe that the Court should grant each of the First Day Motions.

## ADMINISTRATIVE MOTIONS

### A. Debtors' Motion for Entry of an Order Directing Joint Administration of Their Related Chapter 11 Cases (the "*Joint Administration Motion*")

78. The Debtors request entry of an order directing joint administration of these chapter 11 cases for procedural purposes only. The Debtors request that this Court maintain one file and one docket for all of the jointly administered cases under the case number assigned to Cengage Learning, Inc..

79. The Debtors operate as an integrated business with common ownership and control. Debtor Cengage Learning, Inc. is the direct or indirect subsidiary of each of the other

three Debtors. Additionally, each of the four affiliated Debtor entities is directly liable for, or a guarantor of, roughly $5.3 billion in secured funded debt obligations that the Debtors seek to restructure as part of these chapter 11 cases. As a result, many of the motions, hearings, and orders that will arise in these cases will affect each and every Debtor.

80. The four Debtors in these chapter 11 cases are "affiliates" as that term is defined in section 101(2) of the Bankruptcy Code. Joint administration of these chapter 11 cases will reduce fees and costs by avoiding duplicative filings, objections, and hearings, and will also allow the Office of the United States Trustee (the "***U.S. Trustee***") and all parties in interest to monitor these chapter 11 cases with greater ease and efficiency. Furthermore, joint administration will not adversely affect the Debtors' respective constituencies because the motion requests only administrative, not substantive, consolidation of the Debtors' estates. Therefore, I believe parties in interest will not be harmed by the relief requested, but, instead, will benefit from the cost savings associated with the joint administration of these chapter 11 cases.

81. Accordingly, on behalf of the Debtors, I respectfully submit that the Joint Administration Motion should be approved.

**B. Debtors' Application for the Entry of an Order Authorizing the Employment and Retention of Donlin, Recano & Company, Inc. as Notice and Claims Agent *Nunc Pro Tunc* to the Petition Date (the "*Donlin Recano Application*")**

82. The Debtors believe that they may have more than 50,000 potential creditors. To alleviate the heavy administrative burden of the clerk of the Court, the Debtors seek to retain Donlin, Recano & Company, Inc. ("***Donlin Recano***") as notice and claims agent in these chapter 11 cases. It is my understanding the Donlin Recano has substantial experience in matters of this size and complexity and has acted as the official notice and claims agent in many large bankruptcy cases. I believe that Donlin Recano is fully equipped to manage claims issues and

provide notice to creditors and other interested parties in these chapter 11 cases. Therefore, on behalf of the Debtors, I respectfully submit that the Donlin Recano Application should be approved.

**C. Debtors' Motion for Entry of an Order (I) Granting Additional Time Within Which to File Schedules and Statements and (II) Authorizing Debtors to Mail Initial Notices and File Consolidated List of Creditors (Without Claim Amounts) in Lieu of a Matrix (the "*Schedules & Statements Extension Motion*")**

83. The Debtors request entry of an order (a) extending the deadline to file their schedules of assets and liabilities (the "***Schedules***") and statements of financial affairs (the "***Statements***") for an additional 31 days to a total of 45 days from the Petition Date, without prejudice to the Debtors' ability to request additional time should it become necessary, and (b) authorizing the Debtors to mail initial notices through a notice and claims agent and file a consolidated list of creditors (without claim amounts) in lieu of a matrix.

84. The complexity of the Debtors' businesses, the relatively limited staff available to perform the required internal review of their financial records and affairs, the numerous critical operational matters that their accounting and legal personnel must address in the early days of these chapter 11 cases, the pressure incident to the commencement of these chapter 11 cases, and the fact that certain prepetition invoices have not yet been received or entered into their accounting systems provide ample cause justifying, if not necessitating, a 31-day extension of the deadline to file Schedules and Statements. In addition, permitting the Debtors to focus their attention of their key accounting and legal personnel on critical operational and chapter 11 compliance issues during the early days of these chapter 11 cases will help the Debtors make a smoother transition into chapter 11 and, therefore, ultimately will maximize the value of the Debtors' estates for the benefit of creditors and all parties in interest.

85. As explained above, the Debtors are seeking to retain Donlin Recano as their notice and claims agent for these chapter 11 cases. If such retention is approved, Donlin Recano will, among other things, (a) assist with the consolidation of the Debtors' computer records into a creditor database and (b) complete the mailing of notices to the parties in such database.

86. Specifically, the Debtors propose that Donlin Recano undertake all mailings directed by the Court, the U.S. Trustee, or as required by the Bankruptcy Code,[20] including, without limitation, the notice of commencement of these chapter 11 cases. The Debtors believe that using Donlin Recano for this purpose will maximize efficiency in administering these cases and will ease administrative burdens that otherwise fall upon the Court and the U.S. Trustee. Additionally, Donlin Recano will assist the Debtors in preparing creditor lists and mailing initial notices.

87. Additionally, pursuant to the Schedules & Statements Extension Motion, the Debtors seek the authority to file a consolidated list of the Debtors' creditors holding the 30 largest unsecured claims. After consultation with Donlin Recano, the Debtors believe that preparing the consolidated list will be sufficient to permit Donlin Recano to provide notice promptly to all applicable parties. I believe that this process will maximize efficiency and accuracy and reduce costs. Accordingly, on behalf of the Debtors, I submit that the Schedules & Statements Extension Motion should be approved.

[20] 11 U.S.C. §§ 101–1532.

## FINANCING MOTIONS

### D. Debtors' Motion for Interim and Final Orders (I) Authorizing the Use of Cash Collateral; (II) Granting Adequate Protection to Prepetition Secured Parties; and (III) Scheduling a Final Hearing (the "*Cash Collateral Motion*")

88. The Debtors request entry of interim and final orders (i) authorizing the Debtors to use cash collateral on an interim basis, as described in more detail below; (ii) granting certain adequate protection to the Prepetition Secured Parties in connection with the use of cash collateral and any diminution in the value of the Prepetition Secured Parties' interests in the prepetition collateral; and (iii) scheduling a final hearing on the motion. Certain of the relief requested in the Cash Collateral Motion constitutes "Extraordinary Relief" within the meaning of the Court's Administrative Order No. 565.

89. The Debtors have set forth the material terms of the interim cash collateral order in compliance with the E.D.N.Y. Local Bankruptcy Rules in the Cash Collateral Motion. As further described in the Cash Collateral Motion, the Debtors require the immediate use of cash collateral to, among other things, fund payroll, working capital, capital expenditures, pre-publication investment, and other general corporate expenses. The Debtors seek to use cash collateral for these purposes, all in accordance with the thirteen-week budget, annexed to the interim order attached to the Cash Collateral Motion. Additionally, pursuant to the proposed final order granting the Cash Collateral Motion, the Debtors seek to satisfy any costs and expenses of administering these chapter 11 cases first from unencumbered cash, second from the Disputed Cash, and third from cash collateral.

90. Despite any unencumbered cash and the Disputed Cash, the Debtors will require the use of the revenue generated from the sale of inventory, which revenue will constitute cash collateral. Absent the Debtors' use of the cash collateral, the Debtors will not have sufficient working capital to carry on the operation of their businesses as a going concern throughout the

course of these chapter 11 cases, in accordance with prepetition practices. In the absence of the use of cash collateral, the continued operation of the Debtors' businesses would not be possible and I believe that immediate and irreparable harm to the Debtors and their estates would occur.

91. Moreover, while the Disputed Cash likely would be sufficient to operate the Debtors' businesses for the first few months of the cases, the Debtors believe that it is important for equitable reasons to preserve the value of the Disputed Cash for potential recovery to unsecured parties. Consequently, the use of cash collateral is critical to preserve and maintain the going concern value of the Debtors. Indeed, the use of cash collateral will result in increased revenue and cash flow and administrative cost-savings for the Debtors and will enhance the prospects for a successful reorganization.

92. For the reasons noted above, the Debtors have determined, in the exercise of their sound business judgment, that they require the use of cash collateral for the maintenance, preservation, and operation of their businesses; the expenses relating thereto; and the expenses of administering these estates. Accordingly, on behalf of the Debtors, I respectfully submit that the Cash Collateral Motion should be granted.

## OPERATIONAL MOTIONS

**E. Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing (A) Continued Use of Existing Cash Management System, (B) Maintenance of Existing Bank Accounts, (C) Continued Use of Existing Business Forms, and (D) Continued Use of Existing Investment Practices; and (II)(A) Granting Superpriority Administrative Expense Status to Postpetition Intercompany Claims and (B) Authorizing Continued Performance Under Certain Intercompany Arrangements and Historical Practices (the "*Cash Management Motion*")**

93. The Debtors request entry of interim and final orders (i) authorizing the Debtors (a) to continue to utilize their cash management system (the "***Cash Management System***"), (b) to maintain their bank accounts (the "***Bank Accounts***"), (c) to continue to use their existing

stock of business forms, and (d) to continue their investment practices and to continue to maintain their investments; and (ii) authorizing the Debtors (a) to grant superpriority administrative expense status for intercompany claims junior to the claims of the First Lien Secured Parties and (b) to continue to perform certain intercompany arrangements and historical practices. The Cash Management Motion also requests that the Court authorize the Debtors' and their non-Debtor affiliates' banks (the "***Banks***") to continue to maintain, service, and administer the Bank Accounts and to rely on the Debtors' instructions with respect to clearing checks and otherwise administering the Bank Accounts. Certain of the relief requested in the Cash Management Motion constitutes "Extraordinary Relief" within the meaning of the Court's Administrative Order No. 565.

94. In the ordinary course of business, the Debtors and their non-Debtor affiliates maintain an integrated Cash Management System, which provides well-established mechanisms for the collection, concentration, management, disbursement, and investment of funds from their operations. I believe the Debtors' continued use of the Cash Management System is critical to the success of these chapter 11 cases.

95. The Cash Management System consists of 24 Bank Accounts and is used to receive incoming electronic payments, deposit checks, and make disbursements by check, automatic clearing house payment, or wire transfer in the ordinary course of business. As part of this Cash Management System, the Debtors maintain certain investments (the "***Investments***") with Federated Investors, Inc., including of the Disputed Cash, in accordance with their prepetition investment practices (the "***Investment Practices***").

96. I believe the Cash Management System is similar to those commonly employed by corporate enterprises comparable to the Debtors in size and complexity. Indeed, it is my

understanding that large, multiple-entity businesses use such systems because of the benefits they provide, including the abilities to (a) quickly create status reports on the location and amount of funds, thereby allowing management to track and control corporate funds, (b) ensure cash availability, (c) redeploy funds within the system to where they are needed, and (d) reduce administrative expenses by facilitating the movement of funds. I believe these controls are particularly important to the Debtors in light of the aggregate cash flows encompassed in the Cash Management System, including approximately $1.6 billion in receipts and $2.0 billion in disbursements (approximately $700 million of which represents debt-related payments) in the twelve month period ending May 31, 2013.

97. In the ordinary course of business, the Debtors use a number of checks and other business forms. To minimize expenses for their estates, the Debtors would like to continue to use all correspondence and business forms (including, but not limited to, letterhead, purchase orders, and invoices) as such forms were in existence immediately before the Petition Date—without reference to the Debtors' status as debtors in possession—rather than requiring the Debtors to incur the expense and delay of ordering entirely new business forms. The Debtors will use their reasonable best efforts to cause their business forms to reflect their status as debtors in possession after the Petition Date. I believe this process will minimize expense to the Debtors' estates in connection with their business forms.

98. Also in the ordinary course of business, the Debtors pay, honor, or allow the deduction from the applicable account of certain service charges and other fees, costs, and expenses required by the Banks (collectively, the "***Banking Fees***"). The Debtors request that the Court authorize the Banks to continue to charge the Banking Fees to the Debtors. I believe that

payment of the Banking Fees is necessary to ensure uninterrupted use of the Cash Management System and is therefore critical for the Debtors and their estates.

99. Finally, various of the Debtors and their non-Debtor affiliates maintain business relationships with each other, resulting in intercompany receivables and payables (the "***Intercompany Claims***") in the ordinary course of business. Indeed, in connection with the daily operation of the Cash Management System (including transactions by subsidiaries without their own bank accounts), at any given time there may be Intercompany Claims owing between Debtors or between a Debtor and a non-Debtor affiliate in connection with the receipt and disbursement of funds and there may be recognitions of offsets between Debtors or between a Debtor and a non-Debtor affiliate (collectively, the "***Intercompany Transactions***"). I believe the Intercompany Transactions are critical to ensuring that liquidity is available where and when needed by the Debtors and their non-Debtor affiliates.

100. I believe that absent the requested relief, the Debtors would be unable to effectively maintain their financial operations, which would cause immediate and irreparable harm to the Debtors, their estates, creditors, and all parties in interest. Accordingly, on behalf of the Debtors, I respectfully submit that the Cash Management Motion should be approved.

**F. Debtors' Motion for Entry of Interim and Final Orders Authorizing, but not Directing, Payments of Prepetition (I) Wages, Salaries, and Other Compensation; (II) Reimbursable Employee Expenses, and (III) Employee Medical and Similar Benefits (the "*Wages Motion*")**

101. The Debtors request entry of interim and final orders authorizing the Debtors to pay prepetition wages, salaries, other compensation, reimbursable employee expenses, severance obligations (to the extent requested), and unpaid deductions and payroll taxes and to continue various employee benefits programs. The Wages Motion also requests that the Court authorize and direct financial institutions to receive, process, honor, and pay checks presented for payment

and electronic payment requests relating to prepetition employee obligations. Certain of the relief requested in the Wages Motion constitutes "Extraordinary Relief" within the meaning of the Court's Administrative Order No. 565.

102. As of the Petition Date, the Debtors employ approximately 4,200 employees in the United States (collectively, the "***U.S. Employees***") and approximately 1,000 employees in other countries around the world (the "***International Employees***," and together with the U.S. Employees, the "***Employees***").[21] Approximately 5,100 of the Employees are full-time employees and approximately 100 of the Employees are part-time employees.

103. In addition to their Employees, the Debtors supplement their workforce by utilizing approximately 4,800 independent contractors (the "***Independent Contractors***") annually that are vital to the creative content of the Debtors' businesses.[22]

104. The Employees, Independent Contractors, and Temporary Employees (collectively, the "***Debtors' Workforce***") perform a variety of critical functions, including: purchasing and sales, software and product development, distribution and shipping, marketing, customer service and support, accounting, management, legal, technical services, and other related tasks. The Debtors' Workforce provides valuable skill sets, institutional knowledge, and an understanding of the Debtors' operations and customer relations.

105. Further, it is my understanding that the vast majority of the Debtors' Workforce relies exclusively on compensation and benefits to pay daily living expenses and will be exposed to significant financial difficulties if the Debtors are not permitted to continue paying

[21] Because all of the Debtors are organized under the laws of the various states in the United States, and because none of the foreign affiliates are parties to these chapter 11 cases, unless otherwise noted herein, the Debtors have limited the description of their work force and benefits programs to their domestic operations.

[22] The Debtors also utilize temporary employees (the "***Temporary Employees***") on an ad hoc basis to fulfill administrative, legal, and other functions outside of the creative content context. The Temporary Employees, for the most part, are included within the Independent Contractors group.

compensation, providing benefits, and maintaining certain programs benefiting the Debtors' Workforce. Moreover, if the Debtors are unable to satisfy such obligations, I believe that Employee morale and loyalty will be jeopardized at a time when Employee support is most critical.

106. I also believe that the Independent Contractors and Temporary Employees provide services, knowledge, and skills that are vital to the success of the Debtors' businesses and that it is essential for the Debtors to honor all obligations owing to the Independent Contracts and Temporary Employees.

107. If this authority is not granted and the Debtors are unable to pay their obligations to the Debtors' Workforce, I believe the Debtors' Workforce may be exposed to financial difficulty, experience weakened morale, and may even seek alternative employment opportunities, perhaps with the Debtors' competitors. I further believe that the Debtors' Workforce is absolutely essential to the success of these chapter 11 cases and that ensuring their morale and loyalty will benefit all parties in interest. Failure to do so could cause immediate and irreparable harm to the Debtors and their estates. Accordingly, I respectfully submit that the Wages Motion should be approved.

**G. Debtors' Motion for Entry of Interim and Final Orders Authorizing the Debtors to Continue to Honor Obligations to Customers in the Ordinary Course of Business and Honor Certain Prepetition Obligations Arising from Customer Programs and Practices (the "*Customer Programs Motion*")**

108. The Debtors request entry of interim and final orders authorizing the Debtors to maintain and administer customer programs (the "***Customer Programs***") and honor prepetition obligations to customers related thereto in the ordinary course of business and in a manner consistent with past practice. Certain of the relief requested in the Customer Programs Motion

constitutes "Extraordinary Relief" within the meaning of the Court's Administrative Order No. 565.

109. To maintain the loyalty and goodwill of their customers, in the ordinary course of business the Debtors use various Customer Programs to encourage new purchases, enhance customer satisfaction, sustain goodwill, and ensure the Debtors' competitiveness. The Debtors' ability to honor their obligations under the Customer Programs in the ordinary course of business is necessary to retain their customer base and reputation for quality. I believe that the relief requested in the Customer Programs Motion will pay dividends with respect to the long-term reorganization of the Debtors' businesses—both because it will increase profits and because it will engender goodwill, which is especially critical following the filing of these chapter 11 cases.

110. I therefore believe that the relief requested in the Customer Programs Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate in the ordinary course without disruption. I understand that the Debtors operate in a highly competitive market, and I am informed that their failure to maintain their Customer Programs would risk losing customers to their competitors. Thus, discontinuing or not honoring their obligations under the Customer Programs could cause immediate and irreparable harm to the Debtors and their estates. Accordingly, on behalf of the Debtors, I respectfully submit that the Customer Programs Motion should be approved.

**H. Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing, But Not Directing, the Debtors to Pay Certain Prepetition Claims of Shippers, Warehousemen, and Lien Claimants and (II) Granting Administrative Expense Priority to All Undisputed Obligations for Goods Ordered Prepetition and Delivered Postpetition and Authorizing the Debtors to Satisfy Such Obligations in the Ordinary Course of Business (the "*Shippers, Warehousemen, and Lien Claimants Motion*")**

111. The Debtors seek entry of interim and final orders authorizing the Debtors to pay, in their sole discretion, certain prepetition claims held by shippers, the warehouseman, and materialman's lien claimants. Certain of the relief requested in the Shippers, Warehousemen, and Lien Claimants Motion constitutes "Extraordinary Relief" within the meaning of the Court's Administrative Order No. 565.

112. I believe and have been advised that certain of the shippers and the warehouseman engaged by the Debtors have goods in their possession. It is my understanding that the shippers and warehouseman, as bailees, may be entitled to adequate protection as holders of possessory liens on the goods in their possession. I also believe that the Debtors routinely contract with third parties to maintain and fix equipment owned by the Debtors and renovate certain of the Debtors' facilities. I believe and have been advised that such providers could potentially assert state law statutory liens against the estates, including mechanic's liens and materialman's liens. I further believe that in the days leading up to the Petition Date, the Debtors placed orders for goods in the ordinary course of business. I believe and have been advised the vendors that sold those goods to the Debtors may have claims against the Debtors' estates that are entitled to administrative expense priority under section 503(b)(9) of the Bankruptcy Code. I further believe that, as of the Petition Date, the outstanding prepetition claims of the shippers, warehouseman, mechanics, contractors, and suppliers total approximately $2,845,000.

113. I believe that the relief requested in the Shippers, Warehousemen, and Lien Claimants Motion is in the best interest of the Debtors' estates, their creditors, and all other

parties in interest. Indeed, because of the control and influence these parties have over certain of the Debtors' assets and operations, failure to pay their claims would threaten immediate and irreparable harm to the Debtors and their estates. I further believe that the relief sought in the Shippers, Warehousemen, and Lien Claimants Motion will not prejudice unsecured creditors, considering that the Debtors will only pay those claims that it believes, in its business judgment, are secured by valid liens or capable of being secured by perfecting liens in the Debtors' property. Accordingly, on behalf of the Debtors, I respectfully submit that the Shippers, Warehousemen, and Lien Claimants Motion should be approved.

**I. Debtors' Motion for Entry of Interim and Final Orders Establishing Notification and Hearing Procedures for Transfers of, or Claims of Worthlessness With Respect to, Certain Equity Securities and for Related Relief (the "*Equity Trading Motion*")**

114. The Debtors request entry of interim and final orders (i) establishing notification and hearing procedures regarding the trading of, or declarations of worthlessness for federal or state tax purposes with respect to, equity securities of Debtor Cengage Learning Holdings II, L.P. (the "***Equity Securities***") that must be complied with before trades or transfers of such securities or declarations of worthlessness become effective, and (ii) ordering that any purchase, sale, or other transfer of, or declaration of worthlessness with respect to the Equity Securities in violation of the procedures set forth below shall be void *ab initio*. Certain of the relief requested in the Equity Trading Motion constitutes "Extraordinary Relief" within the meaning of the Court's Administrative Order No. 565.

115. I am informed that the Debtors have incurred, and are currently incurring, significant net operating losses ("***NOLs***"), amounting to approximately $965 million as of the Petition Date (including estimated NOLs of $735 million for the Debtors' tax year ending June 30, 2013) and translating to potential tax savings of approximately $294 million.

116. I believe that the Debtors' NOLs are substantial and that any loss of the Debtors' ability to utilize the NOLs could cause significant and irreparable damage to the estates and stakeholders in these chapter 11 cases. If no restrictions on trading or worthlessness deductions are imposed by the Court, I am informed that such trading or deductions could severely limit or even eliminate the Debtors' ability to use their NOLs, which are otherwise a highly valuable asset of the Debtors' estates. I further believe that granting the relief sought in the Equity Trading Motion on an interim basis is necessary to avoid an irrevocable loss of the NOLs and the immediate and irreparable harm that would be caused through the Debtors' loss of their ability to offset taxable income in the future with the NOLs. Accordingly, on behalf of the Debtors, I respectfully submit that the Equity Trading Motion should be approved.

**J. Debtors' Motion for Entry of Interim and Final Orders Authorizing the Payments of Certain Prepetition Taxes and Fees (the "*Taxes Motion*")**

117. The Debtors request entry of interim and final orders authorizing, but not directing, the Debtors to pay certain prepetition taxes (the "***Taxes***") and fees (the "***Fees***") owed to certain taxing and governmental authorities (the "***Authorities***") as they arise after the Petition Date. The Taxes Motion also requests that the Court authorize and direct financial institutions to receive, process, honor, and pay checks presented for payment and electronic payment requests relating to prepetition Taxes and Fees, provided that there are sufficient good funds standing to the Debtors' credit in the applicable accounts to make the payments. Certain of the relief requested in the Taxes Motion constitutes "Extraordinary Relief" within the meaning of the Court's Administrative Order No. 565.

118. The Company incurs sales and use taxes, franchise, business, and similar taxes, real and personal property taxes, income taxes, foreign withholding taxes, and intellectual property fees payable to the Authorities in connection with its businesses. As of the Petition

Date, I understand the Debtors estimate they owe approximately $4.5 million on account of prepetition Taxes and Fees. Of this amount, I am informed that approximately $1.5 million will come due during the first 21 days after the Petition Date.

119. I believe the relief requested in the Taxes Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest. It is my understanding that the Debtors must continue to pay the Taxes and Fees to continue operating in certain jurisdictions and to avoid costly distractions during these chapter 11 cases. I am informed by the Debtors' advisors that if the Debtors fail to pay the Taxes and Fees, the Authorities could suspend the Debtors' operations, file liens, or seek to lift the automatic stay. It is also my understanding that certain Authorities may take precipitous action against the Debtors' directors and officers for unpaid Taxes and Fees, which would undoubtedly distract those key employees from their duties. Thus, failure to pay the Taxes and Fees would lead to immediate and irreparable harm to the Debtors and their estates. Accordingly, on behalf of the Debtors, I respectfully submit that the Taxes Motion should be approved.

## MOTIONS REQUESTING RELIEF AT A LATER HEARING

### K. Debtors' Motion for Entry of an Order Authorizing Debtors to Pay Certain Prepetition Claims of Authors and Content Sources and Procedures Related Thereto (the "*Authors & Content Motion*")

120. The Debtors request entry of an order (i) authorizing, but not directing, the Debtors to pay certain prepetition claims of the authors (the "***Authors***") and other sources of content (the "***Content Sources***"), whom the Debtors rely on for content for their publications, and (ii) approving related procedures. The Authors & Content Motion also requests that the Court authorize financial institutions to receive, process, honor, and pay checks presented for payment and electronic payment requests relating to prepetition obligations to the Authors and

Content Sources, provided that there are sufficient good funds standing to the Debtors' credit in the applicable accounts to make the payments.

121. It is my understanding and belief that content is the lifeblood of the Debtors' business. The Debtors rely on third parties to create a collection of content that is attractive to the Debtors' various customers. First, the Debtors rely on over 16,000 Authors with whom they have cultivated strong relationships to create the titles that comprise the Debtors' catalogue of textbook products. Second, the Debtors rely on the Content Sources to provide materials or services that: (a) are integral to the development and use of the Authors' content; (b) serve as the primary features of certain products; or (c) otherwise allow the Debtors to timely and cost-effectively obtain vital content needed to produce products. The Content Sources provide unique materials such as periodicals, artifacts, print and digital archives, software, and other licensed content, as well as services that are necessary to create and deliver the Debtors' content to their target audiences.

122. The Debtors estimate that as of the Petition Date, there are approximately 16,000 Authors who are owed approximately $80.4 million in prepetition amounts. The Debtors estimate that the Content Sources are owed approximately $3 million in prepetition amounts.

123. I believe the Debtors must maintain harmonious relationships with the Authors and the Content Sources to thrive in their lines of business. I believe that failure to timely meet the Debtors' payment obligations to the Authors and Content Sources will significantly disrupt the productive relationships the Debtors have with these parties, producing short-term and long-term issues and causing harm to the Debtors and their estates. Accordingly, on behalf of the Debtors, I respectfully submit that the Authors & Content Motion should be approved.

### L. Debtors' Motion for Entry of an Order Authorizing the Debtors to Continue Their Insurance Programs, Surety Bonds, and Related Practices (the "*Insurance Motion*")

124. The Debtors request entry of an order authorizing, but not directing, the Debtors (i) to continue their prepetition insurance policies (the "***Insurance Policies***") and surety bonds (the "***Surety Bonds***") and honor obligations thereunder with their insurance carriers, insurance brokers (the "***Insurance Brokers***"), and Surety Bond counterparties, and (ii) to revise, extend, supplement, or change their insurance coverage by, among other things, entering into new insurance policies, renewing the current Insurance Policies or Surety Bonds, or purchasing new postpetition policies or bonds. The Insurance Motion also requests that the Court authorize and direct financial institutions to receive, process, honor, and pay checks presented for payment and electronic payment requests relating to prepetition obligations related to the Insurance Policies, Insurance Brokers, or Surety Bonds, provided that there are sufficient good funds standing to the Debtors' credit in the applicable accounts to make the payments.

125. In the ordinary course of business, the Debtors utilize 18 Insurance Policies that are maintained and administered by several third-party insurance carriers. These policies provide coverage for, among other things, (a) commercial general liability, (b) commercial automobile liability, (c) property liability, (d) commercial crime liability, (e) employment practices liability, (f) fiduciary liability, (g) errors and omissions liability, (h) directors and officers liability, (i) directors and officers excess liability, (j) commercial excess liability (umbrella), (k) workers' compensation liability,[23] and (l) business travel accident liability.

126. I am informed that the Debtors owe a fee to one of their Insurance Brokers for the period from July 1, 2013 to the Petition Date. I am further informed that the Debtors do not owe

[23] The Debtors seek authority to continue to administer their prepetition insurance coverage policies and practices related to workers' compensation pursuant to the Wages Motion.

any other amounts for prepetition obligations under the Insurance Policies or Surety Bonds or to the Insurance Brokers.

127. I believe that failure to pay expenses related to the Insurance Policies, Insurance Brokers, or Surety Bonds may harm the Debtors' estates and, therefore, all parties in interest. Specifically, it is my understanding that failure to pay such expenses may affect the Debtors' ability to maintain its insurance coverage. I believe that any lapse in insurance coverage would expose the Debtors' estates and creditors to significant risk. Accordingly, on behalf of the Debtors, I respectfully submit that the Insurance Motion should be approved.

**M. Debtors' Motion for Entry of an Order Determining Adequate Assurance of Payment for Future Utility Services (the "*Utilities Motion*")**

128. The Debtors request entry of an order (a) determining that the Debtors' utility providers (the "***Utility Providers***") have been provided with adequate assurance of payment within the meaning of section 366 of the Bankruptcy Code, (b) approving the Debtors' proposed adequate assurance, (c) prohibiting the Utility Providers from altering, refusing, or discontinuing services on account of prepetition amounts outstanding or on account of any perceived inadequacy of the Debtors' proposed adequate assurance, and (d) determining that the Debtors are not required to provide any additional adequate assurance beyond what is proposed by this motion and the proposed adequate assurance procedures.

129. In operating their businesses, I understand the Debtors use gas, electricity, water, waste disposal, telephone, internet, cable, and other services (collectively, the "***Utility Services***") provided by over 40 utility providers. In the twelve-month period prior to the Petition Date, the Debtors paid an average of approximately $820,000 per month on account of Utility Services. The Debtors intend to pay all postpetition undisputed obligations owed to the Utility Providers in

a timely manner and anticipate that there will be sufficient funds available from cash on hand and cash from operations to permit them to do so.

130. Furthermore, the Debtors propose to deposit $410,000 (the "***Adequate Assurance Deposit***") into a newly-created, segregated, interest-bearing bank account within five business days of entry of the proposed order approving the Utilities Motion. The Adequate Assurance Deposit represents an amount equal to the estimated aggregate cost paid to the Utility Providers for approximately two weeks of Utility Services. I believe that the Adequate Assurance Deposit, in conjunction with the Debtors' ability to pay for utilities services out of operational cash flow and liquidity provided by their cash on hand demonstrate the Debtors ability to pay for future utility services in the ordinary course of business and constitute sufficient adequate assurance to the Utility Providers.

131. If any Utility Provider believes adequate assurance is required beyond the Proposed Adequate Assurance, the Debtors request that it be required to request such assurance pursuant to the procedures detailed in the Utilities Motion.

132. I believe that uninterrupted Utility Services are essential to the Debtors' ongoing business operations, and hence the overall success of these chapter 11 cases. Should any Utility Provider refuse or discontinue service, even for a brief period, I believe the Debtors' business operations could be severely disrupted, and such disruption would jeopardize the Debtors' ability to manage their reorganization efforts. Accordingly, on behalf of the Debtors, I respectfully submit that the Utilities Motion should be approved.

*[Remainder of page intentionally left blank.]*

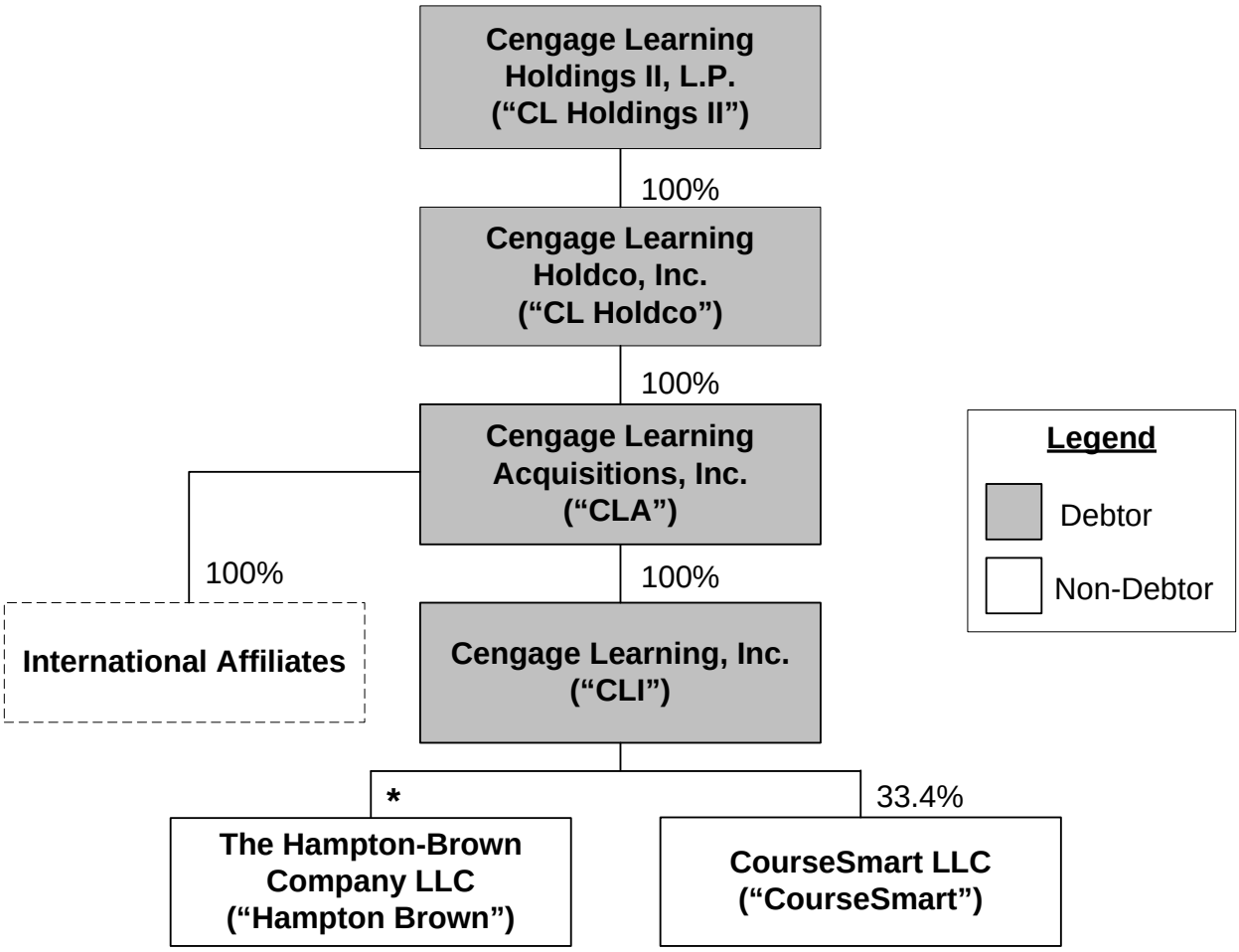
Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Brooklyn, New York
Dated: July 2, 2013

*/s/ Dean D. Durbin*
Dean D. Durbin
Chief Financial Officer
Cengage Learning GP I LLC

# Exhibit A

## Organizational Structure Chart




* National Geographic Society holds 10 Class A units, which give it a 10 percent interest in dissolution payments but do not entitle it to any distributions of profits or voting control. All other equity interests are held by Cengage Learning, Inc.

**Exhibit B**

**Schedules to Durbin Declaration**

# Schedule 1

## List of Committees Formed Before the Petition Date

Before the Petition Date, the following entities formed an *ad hoc* committee of First Lien Holders (the "***First Lien Committee***"):

| First Lien Committee Member | Advisors |
|---|---|
| Certain lenders under the First Lien Credit Facility Agreement and certain holders of notes issued under the First Lien Notes Indenture | **Legal Counsel**:<br>Milbank, Tweed, Hadley & McCloy LLP<br>1 Chase Manhattan Plaza<br>New York, NY 10005<br>Attn: Dennis F. Dunne<br><br>**Financial Advisor**:<br>Houlihan Lokey Capital, Inc.<br>10250 Constellation Blvd.<br>Los Angeles, CA 90067<br>Attn: Irwin Gold |

Before the Petition Date, the following entities formed an *ad hoc* committee of Second Lien Holders (the "***Second Lien Committee***"):

| Second Lien Committee Member | Advisors |
|---|---|
| Certain holders of notes issued under the Second Lien Notes Indenture | **Legal Counsel**:<br>Akin Gump Strauss Hauer & Feld LLP<br>399 Park Ave.<br>New York, NY 10022<br>Attn: Ira S. Dizengoff<br><br>**Financial Advisor**:<br>Perella Weinberg Partners LP<br>767 Fifth Avenue<br>New York, NY 10153<br>Attn: Mike Kramer, Josh Scherer |

## Schedule 2

### 30 Largest Unsecured Claims

Pursuant to Local Rule 1007-4(a)(v), the following provides information with respect to the holders of the 30 largest unsecured claims against the Debtors on a consolidated basis. The information contained herein shall not constitute an admission of liability by, nor is it binding on, the Debtors. The Debtors reserve all rights to assert that any debt or claim listed herein is a disputed claim or debt, and to challenge the priority, nature, amount or status of any such claim or debt. In the event of any inconsistencies between the summaries set forth below and the respective corporate and legal documents relating to such obligations, the descriptions in the corporate and legal documents shall control. The schedule estimates outstanding claim amounts as of June 29, 2013.

| | Name of Creditor | Complete mailing address, and employee, agents, or department familiar with claim | Nature of claim (trade debt, bank loan, government contracts, etc.) | Indicate if claim is contingent, unliquidated, disputed, or subject to set off | Amount of claim (if secured, also state value of security) |
|---|---|---|---|---|---|
| 1 | Wilimington Trust, National Association | Wilimington Trust, National Association<br>Attn: Julie Becker<br>As Admin Agent : Senior Unsecured Notes<br>50 South Sexth Street<br>Minneapolis, MN 55402<br>United States<br><br>Phone: (612) 217-5628 | Senior Unsecured Notes | | $ 292,104,000 |
| 2 | Bank of Oklahoma | Bank of Oklahoma<br>Attn: Mary P. Campbell<br>As Admin Agent : Senior Subordinated Discount Notes<br>One Williams Center<br>Tulsa, OK 74172<br>United States<br><br>Phone: (918) 588-6111 | Senior Subordinated Discounted Notes | | $ 131,963,000 |
| 3 | Wells Fargo Bank, National Association | Wells Fargo Bank, National Association<br>Attn: Raymond Delli Colli - Vice President<br>As Admin Agent : Senior PIK Notes<br>150 East 42Nd Street, 40Th Floor<br>New York, NY 10017<br>United States<br><br>Phone: (917) 260-1534<br>Fax: (917) 260-1593<br>Email: Raymond.dellicolli@wellsfargo.com | Senior PIK Notes | | $ 63,607,025 |

| | Name of Creditor | Complete mailing address, and employee, agents, or department familiar with claim | Nature of claim (trade debt, bank loan, government contracts, etc.) | Indicate if claim is contingent, unliquidated, disputed, or subject to set off | Amount of claim (if secured, also state value of security) |
|---|---|---|---|---|---|
| 4 | RR Donnelley | RR Donnelley<br>Attn: Thomas J. Quinlan III - President and Chief Executive Officer<br>111 S Wacker Dr #3600<br>Chicago, IL 60606<br>United States<br><br>Phone: (312) 326-8000<br>Fax: (312) 326-8001 | Trade Payable | Unliquidated | $ 4,435,150 |
| 5 | The Booksource | The Booksource<br>Attn: Neil Jaffe - President<br>1230 Macklind Ave.<br>St. Louis, MO 63110<br>United States<br><br>Phone: (314) 647-0600<br>Fax: (314) 647-6850 | Trade Payable | Unliquidated | $ 2,342,858 |
| 6 | N. Gregory Mankiw | Personal Information (Actual Information Provided to U.S. Trustee) | Royalties | | $ 1,618,249 |
| 7 | The Thomson Corporation | The Thomson Corporation<br>Attn: Deirdre Stanley - General Counsel & EVP<br>Metro Center, One Station Place<br>Stamford, CT 06902<br>United States<br><br>Phone: (203) 539-8000<br>Fax: (203) 539-7779 | Tax Indemnification | Unliquidated, Contingent | $ 1,460,000 |
| 8 | QA Info Tech Pvt Ltd | QA Info Tech Pvt Ltd<br>Attn: Mukesh Sharma - Chief Executive Officer<br>B-8, Sector 59<br>Noida, U.P. 201301<br>India<br><br>Phone: 91 12 0429 4329<br>Fax: 91 12 0258 1692 | Trade Payable | | $ 1,027,303 |
| 9 | National Geographic Society | National Geographic Society<br>Attn: John M. Fahey, Jr. - President and Chief Executive Officer<br>1145 17th Street N.W<br>Washington, DC 20036-4688<br>United States<br><br>Phone: (202) 857-7000<br>Fax: (202) 857-7741 | Trade Payable, Royalties | | $ 697,231 |

| | Name of Creditor | Complete mailing address, and employee, agents, or department familiar with claim | Nature of claim (trade debt, bank loan, government contracts, etc.) | Indicate if claim is contingent, unliquidated, disputed, or subject to set off | Amount of claim (if secured, also state value of security) |
|---|---|---|---|---|---|
| 10 | Arvato Digital Services LLC | Arvato Digital Services LLC<br>Attn: Frank Schirrmeister - Chief Executive Officer, North America<br>29011 Commerce Center Dr<br>Valencia, CA 91355<br>United States<br><br>Phone: (661) 702-2789<br>Fax: (661) 702-2841 | Trade Payable | Unliquidated | $ 669,042 |
| 11 | Jackson J. Spielvogel | Personal Information (Actual Information Provided to U.S. Trustee) | Royalties | | $ 626,676 |
| 12 | Compro Technologies Private Limited | Compro Technologies Private Limited<br>Attn: Kanwarjit Singh Chadha - Managing Director<br>LSC Uday Park, Khel Gaon Marg<br>New Delhi , 110049<br>India<br><br>Phone: 91 11 4201 1900<br>Fax: 91 11 2652 7016 | Trade Payable | | $ 624,000 |
| 13 | Teaching Strategies | Teaching Strategies<br>Attn: Grant Davies - Chief Executive Officer<br>7101 Wisconsin Ave<br>Bethesda, MD 20814<br>United States<br><br>Phone: (301) 634-0818<br>Fax: (301) 634-0825 | Royalties | | $ 580,505 |
| 14 | West Group | West Group<br>Attn: Peter Warwick - President and Chief Executive Officer<br>610 Opperman Drive<br>Eagan, MN 55123<br>United States<br><br>Phone: (651) 687-7000<br>Fax: (651) 687-5642 | Trade Payable | Unliquidated | $ 570,181 |
| 15 | Lindenmeyr | Lindenmeyr<br>Attn: Robert G. McBride - Executive Vice President<br>Three Manhattanville Road<br>Purchase, NY 10577<br>United States<br><br>Phone: (914) 696-9300<br>Fax: (914) 696-1066 | Trade Payable | | $ 565,568 |

| | Name of Creditor | Complete mailing address, and employee, agents, or department familiar with claim | Nature of claim (trade debt, bank loan, government contracts, etc.) | Indicate if claim is contingent, unliquidated, disputed, or subject to set off | Amount of claim (if secured, also state value of security) |
|---|---|---|---|---|---|
| 16 | Hollister Associates | Hollister Associates<br>Attn: Kip Hollister - Chief Executive Officer<br>75 State Street Floor 9<br>Boston, MA 02109-1822<br>United States<br><br>Phone: (617) 654-0200<br>Fax: (617) 695-3807 | Trade Payable | | $ 534,536 |
| 17 | Carl S. Warren | Personal Information (Actual Information Provided to U.S. Trustee) | Royalties | | $ 489,509 |
| 18 | Eugene F. Brigham Trustee | Eugene F. Brigham Trustee<br>585 Country Club Dr<br>Highlands, NC 27587<br>United States<br><br>Phone: (828) 526-4883 | Royalties | | $ 473,918 |
| 19 | David Nunan | Personal Information (Actual Information Provided to U.S. Trustee) | Royalties | | $ 472,856 |
| 20 | IXL Learning | IXL Learning<br>Attn: Paul Mishkin - Chief Executive Officer<br>777 Mariners Island Blvd, Suite 600<br>San Mateo, CA 94404<br>United States<br><br>Phone: (650) 372-4040<br>Fax: (650) 372-4301 | Royalties | | $ 447,808 |
| 21 | Von Hoffmann Corporation | Von Hoffmann Corporation<br>Attn: Michael L. Bailey - Chief Executive Officer<br>1714 Deer Tracks Trails<br>St. Louis, MO 63131<br>United States<br><br>Phone: (314) 966-0909<br>Fax: (314) 966-0910 | Trade Payable | Unliquidated | $ 445,624 |
| 22 | Cincinnati Bell Tech Solutions | Cincinnati Bell Tech Solutions<br>Attn: John Burns - President and General Manager<br>4600 Montgomery Road Suite 400<br>Cincinnati, OH 45212<br>United States<br><br>Phone: (513) 841-2287<br>Fax: (513) 841-5072 | Trade Payable | | $ 436,663 |

| | Name of Creditor | Complete mailing address, and employee, agents, or department familiar with claim | Nature of claim (trade debt, bank loan, government contracts, etc.) | Indicate if claim is contingent, unliquidated, disputed, or subject to set off | Amount of claim (if secured, also state value of security) |
|---|---|---|---|---|---|
| 23 | John C. Kotz | Personal Information (Actual Information Provided to U.S. Trustee) | Royalties | | $ 428,352 |
| 24 | China Translation & Printing SVC | China Translation & Printing SVC<br>Attn: Peter Po-Tak Tse - Chief Executive Officer<br>6/F Reliance, Manufactory Building 24<br>Wong Chuk Hang Road<br>Aberdeen, 523771<br>Hong Kong<br><br>Phone: (852) 2873-1823<br>Fax: (852) 2873-6510 | Trade Payable | Unliquidated | $ 419,200 |
| 25 | First Advantage Talent Management | First Advantage Talent Management<br>Attn: Mark Parise - Chief Executive Officer<br>1100 Alderman Drive<br>Alpharetta, GA 30005<br>United States<br><br>Phone: (866) 400-3238 | Trade Payable | | $ 419,050 |
| 26 | Pearson Education Australia | Pearson Education Australia<br>Attn: David Barnett - Chief Executive Officer<br>Level 3/ 14 Aquatic Drive<br>French Forest, NSW, 2086<br>Australia<br><br>Phone: (02) 9454-2200<br>Fax: (02) 9453-0089 | Trade Payable | Unliquidated | $ 416,076 |
| 27 | Globus Printing Company Inc | Globus Printing Company Inc<br>Attn: Dennis Schmiesing - President<br>One Executive Pkwy<br>Minster, OH 45865<br>United States<br><br>Phone: (419) 628-2381<br>Fax: (419) 628-3105 | Trade Payable | Unliquidated | $ 392,748 |
| 28 | Silverbull Software | Silverbull Software<br>Attn: Chief Executive Office<br>406 Farmington Ave<br>Farmington, CT 06032<br>United States<br><br>Phone: (860) 292-0874<br>Fax: (866) 234-6525 | Trade Payable | | $ 389,951 |

| | Name of Creditor | Complete mailing address, and employee, agents, or department familiar with claim | Nature of claim (trade debt, bank loan, government contracts, etc.) | Indicate if claim is contingent, unliquidated, disputed, or subject to set off | Amount of claim (if secured, also state value of security) |
|---|---|---|---|---|---|
| 29 | Larson Texts Inc. | Larson Texts Inc.<br>Attn: Robert S. O'Neil - President and Chief Executive Officer<br>1762 Norcross Rd<br>Erie, PA 16510<br>United States<br><br>Phone: (814) 824-6365<br>Fax: (814) 824-6377 | Contractual Agreement | Unliquidated | Undetermined |
| 30 | Gary B. Shelly | Personal Information (Actual Information Provided to U.S. Trustee) | Contractual Agreement | Contingent Unliquidated | Undetermined |

## Schedule 3

### 5 Largest Secured Claims

Pursuant to Local Rule 1007-4(a)(vi), the following table lists the creditors holding, as of the Petition Date, the only non-contingent secured claims against the Debtors, on a consolidated basis. In addition to the parties listed below, the Debtors may have unliquidated and/or contingent claims against them as a result of parties asserting a security interest against the Debtors' assets, such as through UCC filings. Such parties are not included below.

The information contained herein shall not constitute an admission of liability by, nor is it binding on, the Debtors. The Debtors reserve all rights to assert that any debt or claim listed herein is a disputed claim or debt, and to challenge the priority, nature, amount or status of any such claim or debt. The descriptions of the collateral securing the underlying obligations are intended only as brief summaries. In the event of any inconsistencies between the summaries set forth below and the respective corporate and legal documents relating to such obligations, the descriptions in the corporate and legal documents shall control.

| Creditor | Contact Information | Amount of Claim as of July 1, 2013 | Description and Estimated Value of Collateral |
|---|---|---|---|
| JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent | 383 Madison Ave.<br>New York, NY 10179<br>Attn: Spencer Y. Liu | $ 3,880.6 million | Most of the Debtors' assets, with certain exceptions—value unknown. |
| The Bank of New York Mellon, as Trustee and Collateral Agent | 101 Barclay St., Fl. 8W<br>New York, NY 10286<br>Attn: Mary Miselis | $ 742.6 million | Most of the Debtors' assets, with certain exceptions—value unknown. |
| CSC Trust Company of Delaware | 2711 Centerville Rd., Ste. 220<br>Wilmington, DE 19808<br>Attn: Sandra E. Horwitz | $ 752.7 million | Most of the Debtors' assets, with certain exceptions—value unknown. |

## Schedule 4

### Summary of Debtors' Assets and Liabilities

The following financial data (unaudited) is the latest available information and reflects the Debtors' financial condition, as consolidated with their domestic and international affiliates, as of March 31, 2013. The following financial data shall not constitute an admission of liability by the Debtors. The Debtors reserve all rights to assert that any debt or claim listed herein as liquidated or fixed is in fact a disputed claim or debt. The Debtors reserve all rights to challenge the priority, nature, amount, or status of any claim or debt.

**Total Assets (Book Value):** $ 4,678.9 million
**Total Liabilities:** $ 6,468.9 million[1]

[1] In addition to the Debtors' obligations arising under the First Lien Credit Facility, First Lien Notes Indenture, Second Lien Notes Indenture, Senior Unsecured Notes Indenture, Senior PIK Notes Indenture, Senior Subordinated Discount Notes Indenture, and outstanding trade debt, the total liabilities listed herein include amounts owed on account of certain non-trade items, such as intercompany balances and tax liabilities.

## Schedule 5

### Debtors' Publicly Held Securities

As of the Petition Date, the record holders of the Debtors' publicly held securities are as follows:

- the record holder of the First Lien Notes is The Bank of New York Mellon, as trustee;
- the record holder of the Second Lien Notes is CSC Trust Company of Delaware, as trustee;
- the record holder of the Senior Unsecured Notes is Wilmington Trust Company, as trustee;
- the record holder of the Senior Subordinated Discount Notes is BOKF, NA, d/b/a Bank of Oklahoma, as trustee; and
- the record holder of the Senior PIK Notes is Wells Fargo Bank, National Association, as trustee.

## Schedule 6

### Property Not in the Debtors' Custody

In the ordinary course of business, property of the Debtors is likely to be in the possession of various third parties, including, suppliers, maintenance providers, shippers, common carriers, custodians, public officers, or escrow or other agents. Through these arrangements, the Debtors' ownership interest is not affected. In light of the movement of this property, providing a comprehensive list of the persons or entities in possession of the property, their addresses and telephone numbers, and the location of any court proceeding affecting such property would generally be impractical. Below, the Debtors have provided information for the entity holding for the most significant portions of the Debtors' assets not in the Debtors' custody.

| Entity | Contact Information | Relationship to Debtors |
|---|---|---|
| Verst Group Logistics, Inc. | 300 Shorland Dr.<br>Walton, KY 41094<br>Tel: (859) 485-1212 | Owner and manager of a facility leased by the Debtors to store excess inventory. |

# Schedule 7

## Debtors' Owned or Leased Real Property

| Debtor | Property Address | Owned / Leased |
|---|---|---|
| Cengage Learning, Inc. | 1 North State Street<br>Chicago, IL 60602 | Leased |
| Cengage Learning, Inc. and Cengage Learning Acquisitions, Inc. | 10 & 20 Channel Center Street<br>Boston, MA 02210 | Leased |
| Cengage Learning, Inc. | 10 Water Street<br>Waterville, ME 04901 | Leased |
| Cengage Learning, Inc. and Cengage Learning Acquisitions, Inc., guaranteed by Cengage Learning Holdings II, L.P. | 10650 Toebben Drive<br>Independence, KY 41051 | Leased |
| Cengage Learning, Inc. | 1115 Broadway<br>New York, NY 10010 | Leased (license agreement) |
| Cengage Learning, Inc. | 20 Davis Drive<br>Belmont, CA 94002 | Leased |
| Cengage Learning, Inc. | 321 Research Parkway<br>Meriden, CT 06450 | Leased |
| Cengage Learning, Inc. | 40880-B County Center Drive<br>Temecula, CA 92591 | Leased |
| Cengage Learning, Inc. | 500 Office Center Drive<br>Fort Washington, PA 19034 | Leased (executive office suite) |
| Cengage Learning, Inc., guaranteed by Cengage Learning Holdings II, L.P. | 5191 Natorp Blvd., Suite 600<br>Mason, OH 45040 | Leased |
| Cengage Learning, Inc. | 75 Greene Street<br>New York, NY 10012 | Leased |
| Cengage Learning, Inc. | 1125 17th Street NW<br>Washington, DC 20036 | Leased (sublease) |
| Cengage Learning, Inc. | 25-35 Thomson Place<br>Boston, MA 02210 | Leased |
| Cengage Learning, Inc. | 2640 Eagan Woods Drive<br>Eagan, MN 55121 | Leased |
| Cengage Learning, Inc. | 3100 Cumberland Boulevard, SE<br>Atlanta, GA 30339 | Leased |
| Cengage Learning, Inc. and Cengage Learning Holdings II L.P. | 3701 Kirby Drive<br>Houston, TX 77098 | Leased |
| Cengage Learning, Inc., guaranteed by Cengage Learning Holdings II, L.P. | 5 Maxwell Drive<br>Clifton Park, NY 12065 | Leased |
| Cengage Learning, Inc. and Cengage Learning Holdings II L.P. | 500 W. 7th Street<br>Fort Worth, TX 76102 | Leased (sublease) |

| Debtor | Property Address | Owned / Leased |
|---|---|---|
| Cengage Learning, Inc. | 200 First Stamford Place<br>Stamford, CT 06902 | Leased |
| Cengage Learning, Inc. | 104 Willowbrook Lane,<br>West Chester, PA 19382 | Leased |
| Cengage Learning, Inc. | 12 Lunar Drive<br>Woodbridge, CT 06525 | Owned |
| Cengage Learning, Inc. | 27500 Drake Road<br>Farmington Hills, MI 48331 | Owned |
| Cengage Learning, Inc. | 6 & 8 Davis Drive<br>Belmont, CA 94002 | Owned |
| Cengage Learning, Inc. | 10 Davis Drive<br>Belmont, CA 94002 | Owned |

# Schedule 8

## Location of Debtors' Substantial Assets and Books and Records

Pursuant to E.D.N.Y. LBR 1007-4(a)(xi), the following lists the locations of the Debtors' substantial assets, the location of their books and records, and the nature, location, and value of any assets held by the Debtors outside the territorial limits of the United States.

### Location of Debtors' Substantial Assets

The Debtors believe that their substantial assets are located at the following locations:

| Location of Debtors' Substantial Assets |
|---|
| 20 Davis Drive<br>Belmont, CA 94002 |
| 6 & 8 Davis Drive<br>Belmont, CA 94002 |
| 10 Davis Drive<br>Belmont, CA 94002 |
| 10 & 20 Channel Center Street<br>Boston, MA 02210 |
| 25-35 Thomson Place<br>Boston, MA 02210 |
| 1 North State Street<br>Chicago, IL 60602 |
| 5 Maxwell Drive<br>Clifton Park, NY 12065 |
| 27500 Drake Road<br>Farmington Hills, MI 48331 |
| 500 W. 7th Street<br>Fort Worth, TX 76102 |
| 10650 Toebben Drive<br>Independence, KY 41051 |
| 5191 Natorp Blvd., Suite 600<br>Mason, OH 45040 |
| 200 First Stamford Place<br>Stamford, CT 06902 |
| 40880-B County Center Drive<br>Temecula, CA 92591 |
| 12 Lunar Drive<br>Woodbridge, CT 06525 |

**Books and Records**

The Debtors' books and records are located at their corporate headquarters at 200 First Stamford Place, 4th Floor, Stamford, Connecticut 06902.

**Debtors' Assets Outside the United States**

Debtor Cengage Learning Acquisitions, Inc. owns equity interests in two foreign subsidiaries and is the indirect parent of the Company's various, non-Debtor international affiliates. The Debtors do not directly own any assets outside the U.S. of material value to the Debtors' estates.

# Schedule 9

## Pending Litigation

| Case Name/Dispute Counterparty | Nature of Dispute | Status |
|---|---|---|
| *Book Dog Books v. Cengage Learning, Inc. & Pearson Education, Inc.* | Breach of Contract Claim | Pending |
| *Nord Deutsche Verlags GmbH v. Cengage Learning, Inc. & The Gale Group Inc.* | Trademark Cancellation | Pending |
| *In re Literary Works in Electronic Databases Copyright Litigation* | Copyright Infringement | Pending |
| *Robert Bagg, et al. v. Cengage Learning, Inc., et al.* | Violation of Advertising/Consumer Laws | Pending |
| ePAC Technologies, Inc. | Breach of Contract Claim | Pending (Mediation) |
| Berkshire Publishing | Copyright Infringement | Threatened |
| Photographers & Photo Agencies | Breach of License | Threatened |
| Annette M. Abbott | Patent Infringement | Threatened |

## Schedule 10

### Summary of the Debtors' Officers & Senior Management

**Michael Hansen** has served as the Chief Executive Officer of the Company since September 17, 2012. Since 2008, Mr. Hansen had served as CEO of Elsevier Health Sciences, a unit of Reed Elsevier. From 2006-2008, he was President and CEO of Harcourt Assessment, the education arm of Reed Elsevier, where he led a successful turnaround and sale of the business. Before Reed Elsevier, Mr. Hansen was Executive Vice President, Operational Excellence at Bertelsmann, where he led a group-wide performance improvement initiative. He began his career with Boston Consulting Group where he was a partner and co-chairman of their e-Business and Media practice.

**Dean D. Durbin** has served as Chief Financial Officer of the Company since July 27, 2009. Prior to joining Cengage Learning, Mr. Durbin served as Chief Financial and Chief Operating Officer of American Media, Inc., a publisher and distributor of newspapers and magazines. Prior to joining American Media, Inc. in 2008, over a 10-year period, he served as Chief Financial Officer, President, and Chief Operating Officer and, in his last year, as President and Chief Executive Officer of Vertis Communications, Inc., a marketing services company. Earlier, Mr. Durbin served as Vice President and Chief Financial Officer for Thomson Professional Publishing, a division of Thomson Reuters Corporation from 1995-1997. Mr. Durbin started his career at the McGraw-Hill Companies where in his 20 years of service he advanced through a variety of senior financial management positions in the company's publishing and information services divisions. Mr. Durbin graduated from St. Francis University in 1974 with a B.S. in Accounting.

**Kenneth Carson** served as General Counsel of Thomson Learning beginning in 2001 and has served as General Counsel of Cengage Learning since consummation of the acquisition by the Sponsors in July 2007. At the industry level, Mr. Carson is the Chairman of the Association of American Publishers' Copyright Committee. From 1998 to 2001, Mr. Carson served as Assistant General Counsel for Thomson Reuters Corporation. From 1994 to 1998, Mr. Carson worked as Associate General Counsel for Thomson Reuters Corporation. From 1989 to 1994, Mr. Carson was Assistant General Counsel at Macmillan Publishing Co., Inc. He received his law degree from the University of Maryland.

**James Donohue** has served as Executive Vice President, Chief Product Officer of the Company since January 2013. Prior to joining Cengage Learning, Mr. Donohue served as Managing Director of the Global Clinical Reference group at Elsevier Health Sciences. Mr. Donohue began working at Elsevier in 2006 as Managing Director for Science and Technology Books and then as the Senior Vice President and General Manager of MD Consult. Mr. Donohue holds a B.A. Honors in Political Science and Rhetoric from the University of Arizona, and an M.A. in Rhetoric and Public Address from the University of Iowa.

**David Faiman** has served as the Senior Vice President, Chief Accounting Officer for Cengage Learning since 2009. Mr. Faiman had been the Senior Vice President of Finance and Accounting of Cengage Learning since the consummation of the acquisition by the Sponsors in

July 2007 and of Thomson Learning since January 2007. He became Senior Vice President of Finance and Accounting after acting in such capacity during 2006. Prior to that, he held the position of Vice President, Finance and Assistant Controller of Thomson Learning. From 2004 to 2006, Mr. Faiman served as Assistant Controller. From 2003 to 2004, Mr. Faiman worked as Director of Financial Reporting for CIGNA Corporation. From 1995 to 2003, Mr. Faiman worked at PricewaterhouseCoopers LLP in the assurance and business advisory practice. He received his B.S. in Business Administration from the University of Connecticut.

**Mark Howe** was appointed Executive Vice President of Human Resources for Cengage Learning in August 2012. Prior to his current role, Mr. Howe served as Senior Vice President of Human Resources at Cengage Learning for five years. From 1998 to 2007, Mr. Howe served as Vice President and then Senior Vice President of Thomson Learning. Earlier in his career, Mr. Howe was Director, Human Resources with Matthew Bender & Co. (a subsidiary of Reed Elsevier) from 1989 to 1998, and Human Resources Systems Supervisor with Avon Products, Inc. from 1986 to 1988. Mr. Howe holds an M.B.A. in Human Resources Information Systems from the State University of New York at Albany and a B.S. in Business Administration from Cornell University.

**George Moore** has served as the Chief Technology Officer for the Company since December 2012. Prior to joining Cengage Learning, Mr. Moore served as Chief Technology Officer of Elsevier Health Science, and also was Senior Vice President of Product Development for Thomson Reuter's Healthcare organization. In addition, Mr. Moore served as Vice President of Product Development at Liquent, the industry leader in Pharmaceutical Publishing and Enterprise Resource Planning (ERP) software.

**William D. Rieders** has been a part of Cengage Learning management since January 2008 and was named Executive Vice President for Global Strategy & Business Development on September 15, 2011. From July 2010 until September 2011, Mr. Rieders served as Executive Vice President, New Media prior to which he was Executive Vice President of Global New Media and Chief of Strategy, beginning in October 2008. Between January and September 2008, he served as interim president of Nelson Education, Ltd., in Toronto, and currently serves on its Board of Directors. Mr. Rieders also serves as a member of the board of managers of CourseSmart, LLC and is a past board member of the IMS Global Learning Consortium, as well as a member of the Board of the Charles River Watershed Association. He is a graduate of Connecticut College and holds an M.B.A./M.S.I.A. from Carnegie Mellon University. On April 23, 2013, the Company announced Mr. Rieders's decision to leave the Company, effective July 12, 2013.

**Kevin Stone** has served as the Chief Sales and Marketing Officer for the Company since December 2012. Mr. Stone has more than 22 years of experience in the publishing industry, most recently serving as Chief Sales Officer of the Higher Education unit at Pearson. Mr. Stone also worked at various subsidiaries of Pearson and held positions in editorial, marketing, technology and sales. He holds an MBA from Boston University's Graduate School of Management and a BS in Marketing from Oswego State University of New York.

## Schedule 11

### Debtors' Gross Weekly Payroll Within 30 Days After the Petition Date

Pursuant to E.D.N.Y. LBR 1007-4(a)(xiv)–(xv), the following provides the estimated amount of weekly payroll to the Debtors' employees and the estimated amount to be paid to officers, stockholders, directors and financial and business consultants retained by Debtors, for the 30 day period following the Petition Date.

| | | | |
|---|---|---|---|
| Payments to Employees (Not including Officers, Directors and Stockholders) | $ | 23.1 | million |
| Payments to Officers, Directors and Stockholders | $ | 0.5 | million |
| Officers | $ | 0.4 | million |
| Directors | $ | 0.1 | million |
| Stockholders | $ | 0.0 | million |
| Payments to Financial and Business Consultants | $ | 0.0 | million |

## Schedule 12

### Cash Receipts and Disbursements, Net Cash Gain or Loss, and Unpaid Obligations and Receivables

Pursuant to E.D.N.Y. LBR 1007-4(a)(xvi), the following provides, for the 30 day period following the Petition Date, the estimated cash receipts and disbursements, net cash gain or loss, and obligations and receivables expected to accrue that remain unpaid, other than professional fees.

| | |
|---|---|
| Cash Receipts | $ 90.5 million |
| Cash Disbursements | $ 80.2 million |
| Net Cash Gain (Loss) | $ 10.3 million |
| Unpaid Obligations | $ 30.9 million |
| Unpaid Receivables | $ 283.9 million |

**Exhibit C**

**Restructuring Support Agreement**

# RESTRUCTURING SUPPORT AGREEMENT

This RESTRUCTURING SUPPORT AGREEMENT (this "Agreement") is made and entered into as of July 2, 2013, by and among: (i) Cengage Learning Acquisitions, Inc. (the "Company"), Cengage Learning Holdco, Inc., Cengage Learning Holdings II, L.P., and Cengage Learning, Inc. (together with the Company, the "Debtors"), (ii) the undersigned Credit Agreement Lenders (as defined below) (together with their permitted successors and assigns, each, a "Consenting Credit Agreement Lender"), and (iii) the undersigned First Lien Noteholders (as defined below) (together with their permitted successors and assigns, each, a "Consenting First Lien Noteholder," and together with the Consenting Credit Agreement Lender, the "Consenting Lenders" or "Restructuring Support Parties"). Each of the Debtors, the Consenting Credit Agreement Lenders and the Consenting First Lien Noteholders shall be referred to as a "Party" and, collectively, as the "Parties."

Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms in the restructuring term sheet attached hereto as Exhibit A, which term sheet and all annexes thereto are expressly incorporated by reference herein and made a part of this Agreement as if fully set forth herein (as such term sheet, including all exhibits and annexes thereto, may be amended or modified in accordance with Section 6 hereof, the "Restructuring Term Sheet").

## RECITALS

**WHEREAS**, the Parties have engaged in arm's length good faith discussions regarding a restructuring of the Debtors' capital structure by any means (the "Restructuring"), including the Debtors' indebtedness and obligations under (i) that certain Credit Agreement, dated as of July 5, 2007, as subsequently amended by the Incremental Amendment, dated as of May 30, 2008 and the Amendment Agreement, dated as of April 10, 2012, and as further amended, modified, waived, or supplemented through the date hereof (as amended, the "First Lien Credit Facility"), by and among certain of the Debtors, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent for the First Lien Credit Facility (in such capacity, the "Credit Agreement Agent"), and the various lenders from time to time party thereto (collectively with the holders of economic interests or economic rights relating to the loans issued under the First Lien Credit Facility, the "Credit Agreement Lenders"), and (ii) that certain Indenture, dated as of April 10, 2012, providing for the issuance of 11.5% Senior Secured Notes due 2020 (as further amended, modified, waived, or supplemented through the date hereof, the "First Lien Indenture," such notes issued under such First Lien Indenture, the "First Lien Notes," and such holders of such First Lien Notes, the "First Lien Noteholders"), by and among certain of the Debtors and The Bank of New York Mellon, as trustee and collateral agent for the First Lien Indenture (the "First Lien Notes Agent" and together with the Credit Agreement Agent, the "First Lien Agents");

**WHEREAS**, each Party desires that the Restructuring be implemented through a joint chapter 11 plan of reorganization for the Debtors on the terms and conditions set forth in the Restructuring Term Sheet, consistent with this Agreement (the "Agreed Restructuring Plan"), and in form and substance acceptable to the Required Consenting Lenders (as defined below) hereto;

**WHEREAS**, to effectuate the Restructuring, the Debtors propose to commence voluntary reorganization cases (collectively, the "Chapter 11 Cases") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Eastern District of New York (the "Bankruptcy Court"). In connection with the Chapter 11 Cases, the Debtors intend to file a disclosure statement (as may be amended from time to time, the "Disclosure Statement") and related Agreed Restructuring Plan;

**WHEREAS,** as set forth herein and consistent with the terms and conditions set forth in the Restructuring Term Sheet, the Debtors have agreed to use commercially reasonable efforts to obtain a new first out revolving credit facility in connection with the Agreed Restructuring Plan and emergence of the Debtors from Chapter 11 Cases (the "New Revolving Credit Facility"), in form and substance reasonably satisfactory to the Debtors and the Required Consenting Lenders;

**WHEREAS**, as set forth herein and in the Restructuring Term Sheet, the Consenting Lenders have agreed, to the extent that replacement financing has not been obtained on the terms set forth in this Agreement, that the holders of the First Lien Claims shall receive their pro rata share of a new first lien term loan (the "Rollover Facility"), on the terms and conditions set forth on Exhibit B hereto (the "Rollover Facility Term Sheet"); provided that, to the extent that replacement financing on a new first lien term loan facility is available to the Debtors on commercially reasonable terms (the "New Term Loan Facility"), the Debtors have agreed to seek a New Term Loan Facility, subject to the limitations and consent rights set forth herein;

**WHEREAS**, the Debtors, the Consenting Lenders and the Credit Agreement Agent have agreed to the terms of a consensual form of interim and final order (the "Cash Collateral Order"), in form and substance acceptable to the Consenting Lenders and the Credit Agreement Agent, regarding the Debtors' postpetition use of the cash collateral (as such term is defined in section 363 of the Bankruptcy Code) of the holders of First Lien Claims (the "Cash Collateral"), pursuant to that certain form of cash collateral order attached hereto as Exhibit C (the "Form Cash Collateral Order");

**WHEREAS**, each Party has agreed to the terms of certain governance documentation, including a shareholders' agreement and a registration rights agreement, on substantially the terms set forth in the equity term sheet attached hereto as Exhibit D (the "Equity Term Sheet" and together with the Agreed Restructuring Plan, Disclosure Statement, Restructuring Term Sheet, the Form Cash Collateral Order, the Equity Term Sheet and Rollover Facility Term Sheet, the "Restructuring Documents and Term Sheets");

**WHEREAS**, subject to the execution of definitive documentation and appropriate approvals by the Bankruptcy Court, the following sets forth the agreement among the Parties concerning their respective obligations; and

**WHEREAS**, each Party has reviewed or has had the opportunity to review the Restructuring Documents and Term Sheets and each Party has agreed to the terms of the Restructuring on the terms set forth in the Restructuring Documents and Term Sheets.

**NOW, THEREFORE**, in consideration of the covenants and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Party, intending to be legally bound hereby, agrees as follows:

## AGREEMENT

### Section 1. Agreement Effective Date; Conditions to Effectiveness.

This Agreement shall become effective and binding upon each of the Parties immediately following the occurrence of the following conditions (the "Effective Date"):

a. Counsel to the Restructuring Support Parties shall have received duly executed signature pages for this Agreement signed by each of the Debtors;

b. The Debtors shall have received duly executed signature pages for this Agreement from the Restructuring Support Parties; and

c. The Debtors, the Consenting Lenders and the Credit Agreement Agent shall have agreed on the Form Cash Collateral Order, which shall be in form and substance acceptable to the Consenting Lenders and the Credit Agreement Agent.

Upon the Effective Date, the Restructuring Documents and Term Sheets shall be deemed effective for the purposes of this Agreement, and thereafter the terms and conditions therein may only be amended, modified, waived, or otherwise supplemented as set forth in Section 6 herein.

### Section 2. Restructuring Documents and Term Sheets.

The Restructuring Documents and Term Sheets are expressly incorporated herein and are made part of this Agreement. The general terms and conditions of the Restructuring are set forth in the Restructuring Documents and Term Sheets; however, the Restructuring Documents and Term Sheets are supplemented by the terms and conditions of this Agreement. In the event of any inconsistencies between the terms of this Agreement and the Restructuring Documents and Term Sheets, the conflicting term of this Agreement shall control and govern.

### Section 3. Commitments Regarding the Restructuring Transactions.

3.01. Agreement to Support. Subject to the terms and conditions hereof and for so long as this Agreement has not been terminated in accordance with the terms hereof, each of the Parties, as applicable, agrees to comply with the following covenants:

(a) Consummation of the Transaction.

(i) Each of the Parties hereby covenants and agrees to support consummation of the Restructuring, including the solicitation, confirmation, and consummation of the Agreed Restructuring Plan, as may be applicable, pursuant to the terms set forth in this Agreement and the Restructuring Documents and Term Sheets;

(ii) The Debtors hereby covenant and agree to use commercially reasonable efforts to obtain the New Revolving Credit Facility in connection with the emergence of the Debtors from the Chapter 11 Cases, in form and substance reasonably satisfactory to the Required Consenting Lenders;

(iii) To the extent that a New Term Loan Facility is available on commercially reasonable terms in connection with the emergence of the Debtors from the Chapter 11 Cases, the Debtors hereby covenant and agree to obtain the New Term Loan Facility, in form and substance satisfactory to the Required Consenting Lenders (which approval will not be unreasonably withheld), in the amount of approximately $1,500,000,000; provided that, so long as the pro forma annual interest expense of such New Term Loan Facility is no more than $150,000,000, the reorganized Debtors shall be permitted to increase the principal amount of the New Term Loan Facility to up to $1,750,000,000; and in each case, shall distribute cash in the amount of all of the initial principal amount of the New Term Loan Facility pro rata to holders of allowed First Lien Claims as partial satisfaction of their respective allowed First Lien Claims;

(iv) To the extent that a New Term Loan Facility is not available or approved pursuant to Section 3.01(a)(iii) above, the Consenting Lenders agree that the holders of the First Lien Claims shall receive their respective portion of the Rollover Facility (proportionately) in accordance with the terms set forth in the Rollover Facility Term Sheet, and otherwise on such terms and conditions and in form and substance acceptable to the Required Consenting Lenders and the Debtors;

(v) Each of the Parties hereby covenants and agrees not to, in its capacity as a Party, or in any other capacity, in any material respect, (A) object to, delay, impede, or take any other action to interfere with the Restructuring, or (B) propose, file, support, or vote (or to cause any of the foregoing to occur) for any restructuring, workout, or chapter 11 plan for the Debtors other than the Agreed Restructuring Plan;

(vi) So long as its vote has been properly solicited pursuant to sections 1125 and 1126 of the Bankruptcy Code, including receipt of a Bankruptcy Court approved Disclosure Statement, each Consenting Lender hereby covenants and agrees to (i) vote or cause to be voted all principal amount of the outstanding obligations under the First Lien Credit Facility (the "Credit Agreement Lender Claims") and all principal amount of the outstanding obligations under the First Lien Indenture (the "First Lien Noteholder Claims" and together with the Credit Agreement Lender Claims, including such claims in respect of any L/C Obligations (as defined in the First Lien Credit Agreement) and obligations under the Secured Hedge Agreement(s) (as defined in the First Lien Credit Facility), the "First Lien Claims") that it holds, controls or has the ability to control to accept the Agreed Restructuring Plan by delivering its duly executed and timely completed ballot or ballots accepting the Agreed Restructuring Plan following commencement of the solicitation of acceptances of the Agreed Restructuring

Plan in accordance with sections 1125 and 1126 of the Bankruptcy Code and (ii) not change or withdraw such vote (or cause or direct such vote to be changed or withdrawn); provided, however, that such vote shall be immediately revoked and deemed *void ab initio* upon termination of this Agreement pursuant to the terms hereof;

(vii) Each of the Consenting Lenders hereby covenants and agrees not to object to, vote or cause to be voted any of its First Lien Claims or other claims under its control to reject, the Agreed Restructuring Plan, or otherwise commence any proceeding to oppose the Agreed Restructuring Plan, the Disclosure Statement, or any other pleadings or reorganization documents filed by any of the Debtors in connection with the Agreed Restructuring Plan;

(viii) Each of the Parties hereby covenants and agrees to not object, on any grounds, to the terms, conditions, nature or amount set forth in the Cash Collateral Order, except to the extent that such terms are not in form and substance acceptable to the Consenting Lenders;

(ix) Each of the Parties hereby covenants and agrees to not object, on any grounds, to the terms, conditions, nature or amount of the Rollover Facility or the New Term Loan Facility, as the case may be, except to the extent that such terms are not set forth herein or in an exhibit hereto and are not otherwise in form and substance acceptable to the Required Consenting Lenders; and

(x) Each of the Restructuring Support Parties hereby covenants and agrees to not directly or indirectly (i) seek, solicit, support, encourage, or vote its First Lien Claims for, consent to, or encourage any plan of reorganization, proposal, offer, dissolution, winding up, liquidation, reorganization, merger, consolidation, business combination, joint venture, partnership, sale of assets, or restructuring for any of the Debtors other than the Agreed Restructuring Plan and the New Term Loan Facility, or the Rollover Facility, as the case may be, (ii) seek, solicit, support or encourage post-petition financing, or (iii) take any other action that is inconsistent with, or that would delay or obstruct the proposal, solicitation, confirmation, or consummation of the Agreed Restructuring Plan.

provided, however, that, except as otherwise expressly set forth in this Agreement, the foregoing provisions of this Section 3.01(a) will not (a) prohibit instruction to the Credit Agreement Agent to take or not to take any action relating to the maintenance, protection and preservation of the collateral under the First Lien Credit Facility; (b) prohibit the Credit Agreement Agent from taking any action relating to the maintenance, protection and preservation of the collateral under the First Lien Credit Facility; (c) prohibit the Credit Agreement Agent or the Consenting Lenders from objecting to any motion or pleading filed with the Bankruptcy Court seeking approval to use Cash Collateral (other than any motion or pleading filed in respect of the consensual Cash Collateral use arrangement described in the Cash Collateral Order); (d) limit the rights of the Parties under the applicable credit agreement or loan document, including the First Lien Credit Facility, First Lien Indenture, and/or applicable law to appear and participate as a party in

interest in any matter to be adjudicated in any case under the Bankruptcy Code (or otherwise) concerning the Debtors, so long as such appearance and the positions advocated in connection therewith are not inconsistent with this Agreement or the terms of the proposed Restructuring and do not hinder, delay or prevent consummation of the proposed Restructuring or (e) prohibit the Credit Agreement Agent or any Consenting Lender from appearing in proceedings for the purpose of contesting whether any matter or fact is or results in a breach of, or is inconsistent with, this Agreement (so long as such appearance is not for the purpose of hindering or intending to hinder, the Restructuring) or bringing any motion for the appointment of an examiner for limited purposes; provided, further that the Debtors hereby reserve their rights to oppose such relief; provided, further that except as expressly provided herein, this Agreement and all communications and negotiations among the Parties with respect hereto or any of the transactions contemplated hereunder are without waiver or prejudice to the Parties' rights and remedies and the Parties hereby reserve all claims, defenses and positions that they may have with respect to each other; provided, further, that nothing in this Agreement shall be deemed to limit or restrict any action by any Party to enforce any right, remedy, condition, consent, or approval requirement under the Definitive Documents (as defined below).

Notwithstanding the foregoing, nothing in this Agreement shall prevent any of the Debtors from taking or failing to take any action that it is obligated to take (or fail to take) in the performance of any fiduciary duty or as otherwise required by applicable law which such Debtor owes to any other person or entity under applicable law, provided, that it is agreed that any such action that results in a Termination Event hereunder shall be subject to the provisions set forth in Section 5 hereto. Each of the Debtors represent to the Restructuring Support Parties that as of the Effective Date, based on the facts and circumstances actually known by the Debtors as of the Effective Date, the Debtors' entry into this Agreement is consistent with each of the Debtors' fiduciary duties.

(b) Definitive Documents. Each Party hereby covenants and agrees to (x) negotiate in good faith each of the documents implementing, achieving and relating to the Restructuring, including without limitation, all definitive documents necessary for the Agreed Restructuring Plan, including without limitation, (A) all first-day motions, including those relating to, and applications, payment of general unsecured claims in the ordinary course, payment of utilities, payment of critical vendors, payments under customer programs, payment of wages to employees, payment to maintain insurance obligations, and of maintenance of the existing cash management system (collectively, the "First Day Motions"), (B) the Agreed Restructuring Plan, (C) the Disclosure Statement, ballots, and other solicitation materials in respect of the Agreed Restructuring Plan (collectively, the "Plan Solicitation Materials"), (D) the motion to approve the Disclosure Statement and seeking confirmation of the Agreed Restructuring Plan, (E) the proposed order approving the Plan Solicitation Materials and confirming the Agreed Restructuring Plan (the "Confirmation Order"), and (F) the plan supplement (the "Plan Supplement"), which may include the shareholders' agreement, the registration rights agreement, the credit agreements for the New Revolving Credit Facility, the Rollover Facility or the New Term Loan Facility, and all other post-effective date financing documents (including commitment letters), new or amended charter and by-laws, identity of new

board members and officers, and terms of the post-reorganization corporate structure and any annexes, exhibits, schedules, amendments, supplements or modifications and related documents with respect to any of the foregoing ((A) through (F), collectively, the "Definitive Documents"), which documents shall contain terms and conditions consistent in all respects with the Restructuring Documents and Term Sheets and be on terms acceptable to the Consenting Lenders holding, controlling or having the ability to control more than 66-⅔% of the aggregate amount of First Lien Claims directly or indirectly held, controlled or having the ability to be controlled by the Consenting Lenders (the "Required Consenting Lenders"), and (y) execute (to the extent such Party is a party thereto) and otherwise support the Definitive Documents.

(c) Fees. The Debtors shall pay, when due and payable, all outstanding prepetition and all postpetition (a) reasonable and documented fees and expenses incurred by that certain ad hoc group of Credit Agreement Lenders and First Lien Noteholders (the "First Lien Group"), including, without limitation, the reasonable and documented fees and expenses incurred by Milbank Tweed, Hadley & McCloy LLP, as counsel to the First Lien Group, and Houlihan Lokey Capital, Inc., as financial advisors to the First Lien Group, (b) reasonable and documented fees and expenses incurred by counsel to the Credit Agreement Agent, Davis Polk & Wardwell LLP, and the financial advisor to the Credit Agreement Agent, Blackstone Advisory Partners, L.P., and (c) reasonable and documented fees and expenses incurred by Katten Muchin Rosenman LLP, counsel to the First Lien Notes Agent.

(d) Investment Manager Limitation. The obligations of any Consenting Lender in this Agreement are limited to, in the case of investment advisors, the First Lien Claims controlled by such investment manager in the funds or accounts it manages.

3.02. Obligations of the Debtors. Each Debtor hereby covenants and agrees to:

(a) subject to entry into appropriate confidentiality agreements with the Debtors, permit and facilitate any and all due diligence necessary to consummate the Restructuring, including, but not limited to, (i) cooperating fully with the Restructuring Support Parties, and causing its officers, directors, employees, and advisors to cooperate fully, in furnishing information as and when reasonably requested by any Restructuring Support Party, including with respect to the Debtors' financial affairs, finances, financial condition, business and operations, (ii) authorizing the Restructuring Support Parties to meet and/or have discussions with any of its officers, directors, employees and advisors from time to time as reasonably requested by any Restructuring Support Party to discuss any matters regarding the Debtors' financial affairs, finances, financial condition, business and operations, and (iii) directing and authorizing all such persons and entities to fully disclose to the Restructuring Support Party, all information requested by such Restructuring Support Party regarding the foregoing;

(b) file the Agreed Restructuring Plan, the Disclosure Statement, the Plan Solicitation Materials, and the motion to approve the Disclosure Statement, on or before 45 days following the date the Debtors commence the Chapter 11 Cases (the "Petition Date");

(c) (i) obtain entry of the Confirmation Order, in form and substance acceptable to the Required Consenting Lenders, with all exhibits, appendices, plan supplement documents, and related documents; provided that such order has not been vacated, stayed or

reversed ("Stayed") and as to which the time to appeal, or seek certiorari or move for a new trial, reargument, or rehearing has expired and no appeal or petition for certiorari or other proceedings for a new trial, reargument, or rehearing has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been or may be timely filed has been withdrawn or resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought or the new trial, reargument, or rehearing shall have been denied, resulted in no modification of the Confirmation Order, or has otherwise been dismissed with prejudice, and (ii) cause the effective date of the Agreed Restructuring Plan (the "Plan Effective Date") to occur within 135 days of the Petition Date;

(d) to the extent practicable, endeavor to distribute draft copies of all motions, applications, proposed orders, pleadings and other related documents the Debtors intend to file with the Bankruptcy Court to counsel to the Consenting Lenders and the First Lien Agents at least three days prior to the date when the Debtors intend to file such document, provided that with respect to any such document relating to a Definitive Document, such document shall be provided on no less than five days' notice, and prior to any such filing shall, to the extent practicable, endeavor to consult in good faith with such counsel regarding the form and substance of any such proposed filing;;

(e) operate its business in the ordinary course, including, but not limited to, maintaining its accounting methods, using its commercially reasonable efforts to preserve the assets and its business relationships, continuing to operate its billing and collection procedures, using its commercially reasonable efforts to retain key employees, and maintaining its business records in accordance with its past practices;

(f) timely file a formal objection to any motion filed with the Bankruptcy Court by a third party seeking the entry of an order (i) directing the appointment of an examiner with expanded powers to operate the Debtors' businesses pursuant to section 1104 of the Bankruptcy Code or a trustee, (ii) converting the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code, or (iii) dismissing the Chapter 11 Cases; provided that, for the avoidance of doubt, nothing in this Agreement shall prohibit or restrict the rights of the Consenting Lenders to seek an order for the appointment of an examiner for limited purposes; provided further, that the Debtors hereby reserve their rights to oppose such relief;

(g) timely file a formal objection to any motion filed with the Bankruptcy Court by a third party seeking the entry of an order modifying or terminating the Debtors' exclusive right to file and/or solicit acceptances of a plan of reorganization;

(h) if the Debtors know or should know of a breach by such Debtor in any respect of any of the obligations, representations, warranties, or covenants of the Debtors set forth in this Agreement, furnish prompt written notice (and in any event within **[**3**]** business days of such actual knowledge) to the Restructuring Support Parties; and

(i) that the Debtors shall not amend or restate the employment agreements for any member of its management prior to the consummation of the Restructuring without the prior written consent of the Required Consenting Lenders.

3.03. Voting; Forbearance. Subject to Section 3.01(d) hereof, as long as this Agreement has not been terminated in accordance with the terms hereof, each of the Restructuring Support Parties covenants and agrees, subject to the receipt by such Restructuring Support Party of the Plan Solicitation Materials, to (i) vote or cause to be voted its First Lien Claims (inclusive of any Claim acquired pursuant to Section 3.04 hereof; provided, however, that as used herein, "Claims" shall not include any claim held in a fiduciary capacity or held by any other distinct business unit of such Party (other than the business unit or division expressly identified on the signature pages hereto), unless such business unit is or becomes a party to this Agreement) to accept the Agreed Restructuring Plan by delivering or causing to be delivered the duly executed and completed ballots accepting the Agreed Restructuring Plan on a timely basis following the commencement of the solicitation and its actual receipt of the Plan Solicitation Materials and ballot, and (ii) not change or withdraw (or cause to be changed or withdrawn) such votes.

3.04. Transfer of Interests and Securities.

(a) Except as expressly provided herein, this Agreement shall not in any way restrict the right or ability of any Restructuring Support Party to sell, use, assign, transfer, or otherwise dispose of ("Transfer") any of the First Lien Claims; provided, however, that for the period commencing as of the date such Restructuring Support Party executes this Agreement until termination of this Agreement pursuant to the terms hereof, no Restructuring Support Party shall Transfer any rights with respect to the First Lien Claims and any purported Transfer of any rights with respect to the First Lien Claims shall be void and without effect, unless (a) the transferee is a Restructuring Support Party or (b) if the transferee is not a Restructuring Support Party, at or prior to closing of the Transfer, such transferee delivers to the Company, at or prior to the time of the proposed Transfer, an executed copy of a transfer agreement in the form of Exhibit E attached hereto pursuant to which such transferee shall assume all obligations of the Restructuring Support Party transferor hereunder in respect of the rights with respect to the First Lien Claims being transferred (such transferee, if any, to also be a Restructuring Support Party hereunder). For the avoidance of doubt, all First Lien Claims held or controlled by any Restructuring Support Party, regardless of whether acquired before or after the date of this Agreement shall be subject to, and shall be treated in accordance with, the terms of this Agreement. Any Transfer that does not comply with the foregoing shall be deemed void *ab initio*. This Agreement shall in no way be construed to preclude the Restructuring Support Parties from acquiring additional First Lien Claims or rights with respect to any additional First Lien Claims so long as such additional First Lien Claims are treated in accordance with the terms of this Agreement.

(b) Notwithstanding the foregoing Section 3.04(a), (i) any Restructuring Support Party may transfer (by purchase, sale, assignment, participation or otherwise) any right, title or interest in such First Lien Claims against the Debtors to an entity that is acting in its capacity as a Qualified Marketmaker (as defined below) without the requirement that the Qualified Marketmaker be or become an RSA Party (as defined below), provided that the Qualified Marketmaker subsequently transfers (by purchase, sale, assignment, participation or otherwise) the right, title or interest in such First Lien Claims against the Debtors to a transferee that is or becomes an RSA Party, and (ii) to the extent that a Restructuring Support Party is acting in its capacity as a Qualified Marketmaker, it may transfer (by purchase, sale, assignment, participation or otherwise) any right, title or interest in such First Lien Claims against the

Debtors that the Qualified Marketmaker acquires from a holder of the First Lien Claims who is not an RSA Party without the requirement that the transferee be or become an RSA Party.

(c) For these purposes, a "Qualified Marketmaker" means an entity that (x) holds itself out to the market as standing ready in the ordinary course of its business to purchase from customers and sell to customers claims against the Debtors (including debt securities or other debt) or enter with customers into long and short positions in claims against the Debtors (including debt securities or other debt), in its capacity as a dealer or market maker in such claims against the Debtors, and (y) is in fact regularly in the business of making a market in claims against issuers or borrowers (including debt securities or other debt); and an "RSA Party" means an entity that is a party to this Agreement or executes a transfer agreement in the form of Exhibit E attached hereto with respect to the transferred right, title or interest in such First Lien Claims.

**Section 4. Representations and Warranties.**

4.01. Representations of the Debtors. Notwithstanding any other provision herein or any subsequent termination of this Agreement, the Debtors hereby irrevocably acknowledge, confirm and agree that as of the date hereof:

(a) that entering into this Agreement and the consummation of the transactions contemplated hereby (including the receipt by the Credit Agreement Lenders and the First Lien Noteholders of all or substantially all of the equity in the reorganized Company), will not (i) conflict with or result in a violation or breach of, (ii) constitute (with or without notice or lapse of time or both) a default under, (iii) require any Debtor or any of its subsidiaries to obtain any consent, approval or action of, make any filing with or give any notice to any person as a result or under the terms of, (iv) result in or give to any person any right of termination, cancellation, acceleration or modification in or with respect to, (v) result in or give to any person any additional rights or entitlement to increased, additional, accelerated or guaranteed payments under, or (vi) result in the creation or imposition of any lien upon the Debtors or any of its subsidiaries or any of their respective assets and properties under, any material contract or license to which any Debtor or any subsidiary is a party or by which any of their respective assets and properties is bound.

4.02. Mutual Representations and Warranties. Subject to Section 3.01(d) hereof, each of the Parties, severally and not jointly, represents, warrants, and covenants to each other Party, as of the date of this Agreement, as follows (each of which is a continuing representation, warranty, and covenant):

(a) It is validly existing and in good standing under the laws of the state of its organization, and this Agreement is a legal, valid, and binding obligation of such Party, enforceable against it in accordance with its terms, except as enforcement may be limited by applicable laws;

(b) Except as expressly provided in this Agreement, it has all requisite direct or indirect power and authority to enter into this Agreement and to carry out the Restructuring contemplated by, and perform its respective obligations under, this Agreement;

(c) The execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary action on its part and no consent, approval or action of, filing with or notice to any governmental or regulatory authority is required in connection with the execution, delivery and performance of this Agreement; and

(d) It has been represented by legal counsel of its choosing in connection with this Agreement and the transactions contemplated by this Agreement, has had the opportunity to review this Agreement with its legal counsel and has not relied on any statements made by any other Party or its legal counsel as to the meaning of any term or condition contained herein or in deciding whether to enter into this Agreement or the transactions contemplated hereof.

4.03. Representations of Consenting Lenders. Subject to Section 3.01(d) hereof, each of the Consenting Lenders, severally and not jointly, represents and warrants that, as of the date such Consenting Lender executes and delivers this Agreement:

(a) it is the sole beneficial owner of the face amount of the First Lien Claims, or is the nominee, investment manager, advisor for the beneficial holders or otherwise has the ability to vote or cause to be voted the First Lien Claims, as reflected in such Consenting Lender's signature block to this Agreement, which amount the Debtors and each Consenting Lender understands and acknowledges is proprietary and confidential to such Consenting Lender; and

(b) has the direct or indirect authority to act on behalf of, cause to be voted or vote and consent to matters concerning the First Lien Claims and to dispose of, exchange, assign and transfer such rights with respect to the First Lien Claims.

**Section 5. Termination Events.**

5.01. Lender Termination Events. This Agreement shall be automatically terminated as to all Parties upon the occurrence and continuation of any of the following events (each, a "Lender Termination Event"), unless the Required Consenting Lenders waive such Lender Termination Event in writing within three days of the occurrence of such Lender Termination Event:

(a) Lender Termination Events:

(i) The failure of the Debtors to comply with Section 3.02(b) or Section 3.02(c) hereof; or

(ii) the termination of the use of Cash Collateral as described in the Cash Collateral Order;

(iii) the breach in any respect by the Debtors of (or failure to satisfy) any of the obligations, representations, warranties, or covenants of such Party set forth in this Agreement (including, without limitation, in Section 3.02 hereof);

(iv) the Debtors file any motion, pleading, or related document with the Bankruptcy Court, with each of the foregoing in a manner that is inconsistent in

any respect with this Agreement or the Restructuring Documents and Term Sheets, and such motion, pleading, or related document has not been withdrawn after three days of the Debtors receiving written notice in accordance with Section 8.10 hereof from the Required Consenting Lenders that such motion or pleading violates this Section 5.01(a)(iv);

(v) subject to Section 5.01(d) below, the Bankruptcy Court enters an order approving debtor-in-possession financing or exit financing (unless described herein or otherwise agreed to by the Credit Agreement Agent and the Required Consenting Lenders);

(vi) any of the Definitive Documents or any order entered by the Bankruptcy Court related thereto shall have been modified, abrogated, terminated, or otherwise are not in full force and effect, in each case without the consent of the Required Consenting Lenders;

(vii) the issuance by any governmental authority, including any regulatory authority or court of competent jurisdiction, of any ruling or order enjoining the consummation of the Restructuring in a way that cannot be reasonably remedied by the Debtors in a manner that is satisfactory to the Credit Agreement Agent and the Required Consenting Lenders;

(viii) the Bankruptcy Court enters an order (i) directing the appointment of an examiner with expanded powers to operate the Debtors' businesses pursuant to section 1104 of the Bankruptcy Code or a trustee in any of the Chapter 11 Cases, (ii) converting any of the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code, or (iii) dismissing any of the Chapter 11 Cases;

(ix) the Bankruptcy Court enters an order terminating the Debtors' exclusive right to file a plan of reorganization pursuant to section 1121 of the Bankruptcy Code;

(x) if the Debtors exercise their "fiduciary out" as a debtor-in-possession as provided for in Section 3.01 of this Agreement;

(xi) a condition precedent to funding under the New Revolving Credit Facility shall not have been satisfied;

(xii) to the extent that the New Term Loan Facility is obtained consistent herewith, a condition precedent to funding under the New Term Loan Facility shall not have been satisfied; and

(xiii) to the extent that the New Term Loan Facility is not obtained consistent herewith, the Rollover Facility shall not have been made available to the reorganized Debtors on the terms described herein;

(b) Lender Termination Event Resulting in Automatic Termination: Notwithstanding anything to the contrary herein, if the Restructuring, as contemplated pursuant

to this Agreement does not occur on or prior to 135 days after the Petition Date, any Consenting Lender may terminate its obligations under this Agreement after providing written notice to the Parties in accordance with Section 8.10 hereof.

(c) No Violation of Automatic Stay. The Required Consenting Lenders and the First Lien Agents on behalf of the Consenting Lenders are authorized to take any steps necessary to effectuate the termination of this Agreement, as applicable, including the sending of any applicable notices to the Company, notwithstanding section 362 of the Bankruptcy Code or any other applicable law and provide that no cure period contained in this Agreement or the Cash Collateral Order shall be extended pursuant to sections 108 or 365 of the Bankruptcy Code or any other applicable law without the prior written consent of the Credit Agreement Agent and the Required Consenting Lenders.

(d) A Lender Termination Event shall not occur if the Debtors pursue or the Bankruptcy Court approves exit financing on terms materially better than the New Revolving Credit Facility or the New Term Loan Facility (or the Rollover Facility, as the case may be), as determined by the Required Consenting Lenders.

5.02. Debtors Termination Events. The Debtors may terminate their obligations and liabilities under this Agreement upon three (3) business days prior written notice delivered in accordance with Section 8.10 hereof, upon the occurrence of any of the following events (each, a "Company Termination Event" and together with the Lender Termination Events, the "Termination Events") (a) the material breach by any of the Restructuring Support Parties (other than the Debtors) of any of the representations, warranties, or covenants of such Parties set forth in this Agreement that would have a material adverse impact on the consummation of the Restructuring (taken as a whole) that remains uncured for a period of five business days after the receipt by the breaching Parties of written notice of such breach from the Debtors, (b) the issuance by any governmental authority, including any regulatory authority or court of competent jurisdiction, of any final, non-appealable ruling or order that would have a material adverse impact on the consummation of the Restructuring (taken as a whole), or (c) following the Debtors determining that proceeding with the transactions contemplated by this Agreement would be inconsistent with the continued exercise of its fiduciary duties.

Notwithstanding any provision in this Agreement to the contrary, no party shall terminate this Agreement if such party (in any capacity that is Party to this Agreement) is in breach of any provision hereof; provided that the Debtors may terminate under section 5.02(c) notwithstanding any existing breach by the Debtors.

5.03. Mutual Termination. This Agreement, and the obligations of all Parties hereunder, may be terminated by mutual written agreement among (a) the Debtors, (b) the Consenting Credit Agreement Lenders and (c) the Consenting First Lien Noteholders.

5.04. Individual Lender Termination. In the event of a material breach or material violation of Section 6 hereof, a Consenting Lender adversely impacted by such material breach or material violation may terminate its rights and obligations under this Agreement without effecting the obligations of the other Parties hereto by providing notice of the same in accordance with Section 8.10 hereof.

5.05. Effect of Termination. Upon termination of this Agreement with respect to an individual Consenting Lender pursuant to Section 5.01(b) or 5.04, this Agreement shall terminate solely with respect to the applicable and remain valid and binding on all non-terminating Parties. Upon termination of this Agreement under Section 5.01(a) or 5.02, (i) this Agreement shall be of no further force and effect and each Party hereto shall be released from its commitments, undertakings, and agreements under or related to this Agreement and shall have the rights and remedies that it would have had it not entered into this Agreement, and shall be entitled to take all actions, whether with respect to the Restructuring or otherwise, that it would have been entitled to take had it not entered into this Agreement, and (ii) any and all consents tendered by the Restructuring Support Parties prior to such termination shall be deemed, for all purposes, to be null and void *ab initio*, shall not be considered or otherwise used in any manner by the Parties in connection with the Restructuring and this Agreement or otherwise and such consents may be changed or resubmitted regardless of whether the applicable voting deadline has passed (without the need to seek a court order or consent from the Debtors allowing such change or resubmission). Upon termination of this Agreement under Section 5.04, this Agreement shall be of no further force and effect as to the individual Consenting Lender terminating its obligations hereunder and such Consenting Lender shall be released from its commitments, undertakings, and agreements under or related to this Agreement and shall have the rights and remedies that it would have had it not entered into this Agreement, and shall be entitled to take all actions, whether with respect to the Restructuring or otherwise, that it would have been entitled to take had it not entered into this Agreement. Notwithstanding the foregoing, other than in the case of mutual termination under Section 5.03, any claim for breach of this Agreement that accrued prior to the date of a Party's termination or termination of this Agreement (as the case may be) and all rights and remedies of the Parties hereto shall not be prejudiced as a result of termination.

5.06. Termination Upon Consummation of the Restructuring. This Agreement shall terminate automatically without any further required action or notice on, as applicable, the Plan Effective Date of the Agreed Restructuring Plan.

**Section 6. Amendments**.

Except as otherwise provided herein, this Agreement, the Restructuring Documents and Term Sheets or any annexes thereto may not be modified, amended, or supplemented without prior written agreement signed by (a) each of the Debtors, and (b) the Required Consenting Lenders; provided, however, that notwithstanding anything to the contrary herein, any modification, amendment or supplement to this Agreement, the Restructuring Documents and Term Sheets, any Definitive Documents, or any other agreement contemplated as part of this Restructuring that alters any of the economic terms set forth herein or in the Restructuring Documents and Term Sheets, or any of the annexes thereto in any manner adverse to a Restructuring Support Party (in such party's reasonable discretion), shall require the consent of such Restructuring Support Party.

**Section 7. No Solicitation**.

Notwithstanding anything to the contrary, this Agreement is not and shall not be deemed to be (a) a solicitation of consents to the Agreed Restructuring Plan or any chapter 11 plan or (b) an offer for the issuance, purchase, sale, exchange, hypothecation, or other transfer of

securities or a solicitation of an offer to purchase or otherwise acquire securities for purposes of the Securities Act and the Securities Exchange Act of 1934, as amended. The acceptance of the Credit Agreement Lenders and the First Lien Noteholders will not be solicited until the Credit Agreement Lenders and the First Lien Noteholders, as applicable, have received the Disclosure Statement and related ballot, as approved by the Bankruptcy Court.

**Section 8. Miscellaneous**.

8.01. Further Assurances. Subject to the other terms of this Agreement, the Parties agree to execute and deliver such other instruments and perform such acts, in addition to the matters herein specified, as may be reasonably appropriate or necessary, from time to time, to effectuate the Restructuring in a manner materially consistent with the terms set forth in the Restructuring Documents and Term Sheets, as applicable.

8.02. Complete Agreement. This Agreement, exhibits and the annexes hereto represent the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior agreements, oral or written, between the Parties with respect thereto. No claim of waiver, modification, consent, or acquiescence with respect to any provision of this Agreement shall be made against any Party, except on the basis of a written instrument executed by or on behalf of such Party.

8.03. Parties. This Agreement shall be binding upon, and inure to the benefit of, the Parties. No rights or obligations of any Party under this Agreement may be assigned or transferred to any other person or entity except as provided in Section 3.04 hereof. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the Parties, any benefit or any legal or equitable right, remedy, or claim under this Agreement.

8.04. Headings. The headings of all Sections of this Agreement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision hereof.

8.05. GOVERNING LAW; SUBMISSION TO JURISDICTION; SELECTION OF FORUM; WAIVER OF TRIAL BY JURY. THIS AGREEMENT IS TO BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN SUCH STATE, WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF (EXCEPT FOR SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW). Each Party hereto agrees that it shall bring any action or proceeding in respect of any claim arising out of or related to this Agreement, to the extent possible, in either the United States District Court for the Eastern District of New York or any New York State court sitting in New York City or following the Petition Date, the Bankruptcy Court (the "Chosen Courts"), and solely in connection with claims arising under this Agreement (a) irrevocably submits to the exclusive jurisdiction of the Chosen Courts, (b) waives any objection to laying venue in any such action or proceeding in the Chosen Courts, and (c) waives any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any Party hereto. Each Party hereto irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

Notwithstanding the foregoing, upon the commencement of the Chapter 11 Cases, each of the parties hereto hereby agrees that, if the petitions have been filed and the Chapter 11 Cases are pending, the Bankruptcy Court shall be the Chosen Court.

8.06. Execution of Agreement. This Agreement may be executed and delivered (by facsimile, electronic mail, or otherwise) in any number of counterparts, each of which, when executed and delivered, shall be deemed an original, and all of which together shall constitute the same agreement.

8.07. Interpretation. This Agreement is the product of negotiations between the Parties, and in the enforcement or interpretation hereof, is to be interpreted in a neutral manner, and any presumption with regard to interpretation for or against any Party by reason of that Party having drafted or caused to be drafted this Agreement, or any portion hereof, shall not be effective in regard to the interpretation hereof.

8.08. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors, assigns, heirs, executors, administrators, and representatives, other than a trustee or similar representative appointed in a bankruptcy case.

8.09. Acknowledgements. Notwithstanding anything herein to the contrary, (a) this Agreement shall not be construed to limit the Debtors or any member of the Debtors' boards of director's exercise (in its sole discretion) of its fiduciary duties to any person, including but not limited to those arising from the Company's status as a debtor or debtor in possession under the Bankruptcy Code or under other applicable law, and any such exercise of such fiduciary duties shall not be deemed to constitute a breach of the terms of this Agreement; **[**and (b) if any Consenting Lender is appointed to and serves on an official committee in the Chapter 11 Cases, the terms of this Agreement shall not be construed so as to limit such Party's exercise (in its sole discretion) of its fiduciary duties to any person arising from its service on such committee, and any such exercise of such fiduciary duties shall not be deemed to constitute a breach of the terms of this Agreement**]**; provided, however, that nothing in this Agreement shall be construed as requiring any Consenting Lender to serve on any official committee in the Chapter 11 Cases. Nothing in this Agreement shall limit in any way the right of a Consenting Lender to participate in the Chapter 11 Cases; provided that such participation does not violate and is not inconsistent with the terms of this Agreement and the Restructuring Documents and Term Sheets.

8.10. Notices. All notices hereunder shall be deemed given if in writing and delivered, if sent by electronic mail, courier, or registered or certified mail (return receipt requested) to the following addresses (or at such other addresses as shall be specified by like notice):

(a) if to the Debtors, to:

Cengage Learning
200 First Stamford Place, 4th Floor
Stamford, Connecticut 06902
New York, New York 10005
Attention: Kenneth A. Carson, General Counsel

with copies (which shall not constitute notice) to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, New York 10022
Attention: Jonathan S. Henes and Christopher J. Marcus
E-mail addresses: jonathan.henes@kirkland.com,
christopher.marcus@kirkland.com
-and-

Kirkland & Ellis LLP
300 North LaSalle
Chicago, Illinois 60654
Attention: Ross. M. Kwasteniet
E-mail addresses: ross.kwasteniet@kirkland.com

(b) if to a Consenting Lender or a transferee thereof, to the address set forth below following the Consenting Lender's signature (or as directed by any transferee thereof), as the case may be.

with copies (which shall not constitute notice) to:

Milbank, Tweed, Hadley & McCloy LLP
One Chase Manhattan Plaza
New York, New York 10005
Attention: Dennis Dunne
Lauren Cohen
E-mail address: ddunne@milbank.com
ldoyle@milbank.com

and in the case of JPMorgan Chase Bank, N.A., with additional copies (which shall not constitute notice) to:

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10024
Attn: Damian S. Schaible
Darren S. Klein
E-mail address: damian.schaible@davispolk.com
darren.klein@davispolk.com

All Consenting Lenders shall be provided reasonable notice of any actions or documents requiring the consent of some or all Consenting Lenders.

Any notice given by hand delivery, electronic mail, mail, or courier shall be effective when received.

8.11. Access. The Debtors will afford the First Lien Agents, the Credit Agreement Lenders, the First Lien Noteholders and each of their respective attorneys, consultants, accountants, and other authorized representatives reasonable access, upon reasonable notice during normal business hours, to all properties, books, contracts, commitments, records, management personnel, lenders, and advisors of the Debtors; provided, however, that the Debtors' obligation hereunder shall be conditioned upon such Party being party to an executed confidentiality agreement approved by and with the Company, unless such Party is otherwise subject to confidentiality obligations in connection with the First Lien Credit Facility, the First Lien Indenture or the Restructuring.

8.12. Waiver. Except as expressly provided in this Agreement, nothing herein is intended to, or does, in any manner waive, limit, impair, or restrict any right of any Restructuring Support Party or the ability of each of the Restructuring Support Parties to protect and preserve its rights, remedies, and interests, including, without limitation, its claims against or interests in the Debtors including under the First Lien Credit Agreement, the First Lien Indenture and applicable law. If the Restructuring is not consummated, or if this Agreement is terminated for any reason (other than Section 5.03 hereof), the Parties fully reserve any and all of their rights. Pursuant to Rule 408 of the Federal Rules of Evidence and any other applicable rules of evidence, this Agreement and all negotiations relating hereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce its terms.

8.13. Several, Not Joint, Obligations. The agreements, representations, and obligations of the Parties under this Agreement are, in all respects, several and not joint. It is understood and agreed that any Consenting Lender may trade in the First Lien Claims or other debt or equity securities of the Debtors without the consent of the Debtors or any other Consenting Lender, subject to applicable laws, if any, Section 3.04 herein and the First Lien Credit Facility or First Lien Indenture (as each may be applicable). No Consenting Lender shall have any responsibility for any such trading by any other entity by virtue of this Agreement.

8.14. Remedies Cumulative. All rights, powers, and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise of any right, power, or remedy thereof by any Party shall not preclude the simultaneous or later exercise of any other such right, power, or remedy by such Party.

8.15. No Third-Party Beneficiaries. Unless expressly stated herein, this Agreement shall be solely for the benefit of the Parties, and no other person or entity shall be a third-party beneficiary hereof.

8.16. Automatic Stay. The Parties acknowledge that the giving of notice or termination by any Party pursuant to this Agreement shall not be violation of the automatic stay of section 362 of the Bankruptcy Code.

8.17. Survival of Agreement. Each of the Parties acknowledges and agrees that this Agreement is being executed in connection with negotiations concerning a possible financial restructuring of the Debtors and in contemplation of possible chapter 11 filings by the Debtors, and (a) the rights granted in this Agreement are enforceable by each signatory hereto without

approval of the Bankruptcy Court, and (b) the Debtors waive any rights to assert that the exercise of such rights violate the automatic stay, or any other provisions of the Bankruptcy Code.

8.18. Settlement Discussions. This Agreement and the Restructuring Documents and Term Sheets are part of a proposed settlement of matters that could otherwise be the subject of litigation among the Parties hereto. Nothing herein shall be deemed an admission of any kind. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, this Agreement and all negotiations relating thereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce the terms of this Agreement.

8.19. Consideration. The Parties hereby acknowledge that no consideration, other than that specifically described herein, the Restructuring Documents and Term Sheet shall be due or paid to any Party for its agreement to vote to accept the Agreed Restructuring Plan in accordance with the terms and conditions of this Agreement.

**Section 9. Disclosure**. Prior to any disclosure, the Debtors shall submit to counsel for the Restructuring Support Parties all press releases and public documents that constitute the initial disclosure of the existence or terms of this Agreement or any amendment to the terms of this Agreement. Except as required by law (as determined by outside counsel to the Debtors, and with reasonable prior notice to the Restructuring Support Parties), the Debtors shall not (x) use the name of any Restructuring Support Party in any public manner without such Party's prior written consent, or (y) disclose to any person other than legal and financial advisors to the Debtors the principal amount or percentage of any First Lien Claims or any other securities of the Debtors or any of their respective subsidiaries held by any Consenting Lenders; provided, however, that the Debtors shall be permitted to disclose at any time the aggregate principal amount of and aggregate percentage of the First Lien Claims held by the Consenting Lenders; provided further, however, that when the Debtors file this Agreement with the Bankruptcy Court, the Debtors shall redact the names of any Restructuring Support Party from the recitals of this Agreement and any signature pages hereto. The Debtors shall not request or demand that any entity or committee representing more than one of the Credit Agreement Lenders, including, solely for the purposes hereof, the Credit Agreement Agent, any Consenting Lender, and any professional representing any or all of the foregoing, file a verified statement pursuant to rule 2019 of the Federal Rules of Bankruptcy Procedure.

*[Signatures on Following Page]*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and delivered by their respective duly authorized officers or other agents, solely in their respective capacity as officers or other agents of the undersigned and not in any other capacity, as of the date first set forth above.

**CENGAGE LEARNING HOLDINGS II, L.P.**

By: Cengage Learning GP I LLC

By: _____
Name:
Title:

**CENGAGE LEARNING ACQUISITIONS, INC.**

By: _____
Name:
Title:

**CENGAGE LEARNING HOLDCO, INC.**

By: _____
Name:
Title:

**CENGAGE LEARNING, INC.**

By: _____
Name:
Title:

BlackRock Financial Management, Inc., on behalf
of the funds and accounts listed on Schedule B hereto

By: _____
Name: AnnMarie Smith
Title: Authorized Signatory

Address:

c/o BlackRock Financial Management, Inc.
Leveraged Finance Group
55 East 52nd Street
New York, NY 10055
Attn: David Trucano, Andy Taylor
Email: david.trucano@blackrock.com, andy.taylor@blackrock.com

With a copy (which shall not constitute notice) to:

c/o BlackRock, Inc.
Office of the General Counsel
40 East 52nd Street
New York, NY 10022
Attn: David Maryles and Vincent Taurassi
Email: groupl&custransactions@blackrock.com

SCHEDULE B
BlackRock Funds

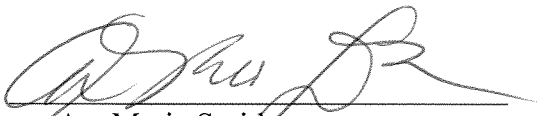
Allied World Assurance, Ltd.
JPMBI re BlackRock BankLoan Fund
BlackRock Credit Investors Master Fund, L.P.
BlackRock Funds II, BlackRock Floating Rate Income Portfolio
BGF Global Multi-Asset Income Fund Global High Yield
BlackRock Secured Credit Portfolio of BlackRock Funds II
BlackRock High Yield V.I. Fund of BlackRock Variable Series Funds, Inc.
Den Professionelle Forening Danske Invest Institutional High Yield Portfolio
Den Professionelle Forening Danske Invest Institutional High Yield Bond Portfolio
Global High Yield Bond Fund, a series of DSBI - Global Investment Trust
BlackRock Global Investment Series: Income Strategies Portfolio
Adfam Investment Company LLC
Ironshore Inc.
MET Investors Series Trust - BlackRock High Yield Portfolio
Fixed Income Portable Alpha Master Series Trust
Navy Exchange Service Command Retirement Trust
The Obsidian Master Fund
The PNC Financial Services Group, Inc. Pension Plan
PPL Services Corporation Master Trust
Advanced Series Trust - AST BlackRock Global Strategies Portfolio
Universal-Investment-Gesellschaft mbh re RB-UI-FONDS
Value Credit Partners (Offshore) Master L.P.
Value Credit Partners. L.P.
BlackRock Funds II, BlackRock High Yield Bond Portfolio
BlackRock High Yield Trust
BlackRock Senior High Income Fund, Inc.
BlackRock Credit Investors Master Fund SPV, L.P.
BlackRock Floating Rate Income Trust
BlackRock Strategic Bond Trust
BlackRock Defined Opportunity Credit Trust
BlackRock Limited Duration Income Trust
BMI CLO I
BlackRock Senior Income Series II
BlackRock Senior Income Series IV
BlackRock Senior Income Series V Limited
BlackRock High Yield Portfolio of BlackRock Series Fund, Inc
California State Teachers' Retirement System
BlackRock Corporate High Yield Fund, Inc.
BlackRock Corporate High Yield Fund III, Inc.
BlackRock Debt Strategies Fund, Inc.

[Signature Page to Restructuring Support Agreement]

BGF Global High Yield Bond Fund
Employees' Retirement Fund of the City of Dallas
Fonditalia Bond Global High Yield Fund
BlackRock Fixed Income Value Opportunities
BlackRock Floating Rate Income Strategies Fund, Inc.
BlackRock High Income Shares
BlackRock Corporate High Yield Fund VI, Inc.
BlackRock Corporate High Yield Fund V, Inc.
Magnetite V CLO, Limited
Magnetite VI, Limited
BlackRock Senior Floating Rate Portfolio
BGF US Dollar High Yield Bond Fund
BAV RBI Renten US HY I

R3 Capital Partners Master, L.P.

By: Blackrock Investment Management, LLC, its Investment Manager

By: 
Name: AnnMarie Smith
Title: Authorized Signatory

Address:

c/o BlackRock Financial Management, Inc.
Leveraged Finance Group
55 East 52nd Street
New York, NY 10055
Attn: David Trucano, Andy Taylor
Email: david.trucano@blackrock.com, andy.taylor@blackrock.com

With a copy (which shall not constitute notice) to:

c/o BlackRock, Inc.
Office of the General Counsel
40 East 52nd Street
New York, NY 10022
Attn: David Maryles and Vincent Taurassi
Email: groupl&custransactions@blackrock.com

[Signature Page to Restructuring Support Agreement]

Midtown Acquisitions L.P.

By: Midtown Acquisitions GP LLC, its general partner

By: _____
Name: CONOR BASTABLE
Title: Manager

Address:

c/o Davidson Kempner Capital Management LLC
65 east 55th Street , 20th Floor
New York, NY 10022

DEUTSCHE BANK TRUST COMPANY AMERICAS, solely as it pertains to Class B Extended Revolver Commitments managed By the Deutsche Bank Trust Company Americas Workout Group

By: _____
Name: Mark B. Cohen
Title: Managing Director

By: _____
Name: Kelvin Ji
Title: Vice President

Address:

c/o Deutsche Bank Trust Company Americas
60 Wall St, 43rd Floor
New York, NY 10005

Franklin Mutual Advisers, LLC, on behalf of the
funds and accounts listed on Schedule C hereto

By: _____
Name: _____
Title: _____

Address:

c/o Franklin Mutual Advisers, LLC
101 John F. Kennedy Parkway
Short Hills, NJ 07078

SCHEDULE C
Franklin Mutual Advisers Funds

EQ/Mutual Large Cap Equity Portfolio
AZL/Mutual Shares Strategy
Mutual Beacon Fund (Canada)
Mutual Discovery Fund (Canada)
ING Franklin Mutual Shares Portfolio
John Hancock Variable Insurance Trust – Mutual Shares Trust
John Hancock Funds II – John Hancock Mutual Shares Fund
JNL/Franklin Templeton Mutual Shares Fund
Mutual Beacon Fund
Mutual Global Discovery Fund
Mutual Quest Fund
Franklin Mutual Recovery Fund
Mutual Shares Fund
Advanced Series Trust – AST Franklin Templeton Founding Funds Allocation Portfolio – Mutual Shares
Mutual Global Discovery Securities Fund
Mutual Shares Securities Fund

JPMorgan Chase Bank, N.A.
as Consenting Lender

By: _____
Name: Charles O. Freedgood
Title: Managing Director

Joinder to Restructuring Support Agreement

JPMorgan Chase Bank, N.A. hereby executes this Joinder to the Restructuring Support Agreement in its capacity as Credit Agreement Agent for the purpose of evidencing its support for the Restructuring on the terms set forth in the Restructuring Documents and Term Sheets; provided that in the event that (i) the Required Lenders (as defined in the First Lien Credit Facility) direct the Credit Agreement Agent in accordance with section 10.04(a) of the First Lien Credit Facility to withdraw its support for the Restructuring or (ii) any terms or conditions of any proposed Definitive Documents or any determinations made in connection with the Restructuring are not acceptable to the Credit Agreement Agent in its sole discretion, the Credit Agreement Agent may withdraw its support for the Restructuring. For the avoidance of doubt, neither this Joinder nor any provision of the Restructuring Support Agreement or the Restructuring Term Sheet shall be deemed to modify or amend any provision of the First Lien Credit Facility, including without limitation section 10.04 thereof or any of the Credit Agreement Agent's rights and obligations thereunder.

JPMORGAN CHASE BANK, N.A.
as Credit Agreement Agent

By: _____
Name: Charles O. Freedgood
Title: Managing Director

KKR Asset Management LLC., on behalf of
the funds and accounts listed on Schedule A hereto

By: 
Name: Nicole J. Macarchuk
Title: Authorized Signatory

Address:

c/o KKR Asset Management LLC
555 California Street, 50th Floor
San Francisco, CA 94104
Attn: Jamie Ely and Harlan Cherniak
Email: Jamison.Ely@kkr.com; Harlan.Cherniak@kkr.com; KAMlegal@kkr.com

SCHEDULE A
KKR Asset Management LLC Funds

8 Capital Partners L.P.
CCT Funding LLC
KKR Alternative Corp Opportunities Fund
KKR Financial CLO 2005-2, Ltd.
KKR Financial CLO 2006-1, Ltd.
KKR Financial CLO 2007-1, Ltd.
KKR Financial CLO 2007-A, Ltd.
KKR Financial CLO 2011-1, Ltd
KKR Corporate Credit Partners L.P.
KKR Debt Investors II (2006) (Ireland) L.P.
KKR Financial Holdings III, LLC
KKR-Keats Capital Partners L.P.
KKR-PBPR Capital Partners L.P.
Maryland State Retirement and Pension System
Oregon Public Employees Retirement Fund
Spruce Investors Limited
ACE Tempest Reinsurance Ltd.
KKR Credit Relative Value Master Fund L.P.
Montpelier Capital Limited
KKR Alternative High Yield Fund
KKR Floating Rate Fund L.P.
KKR-Milton Capital Partners L.P.

OAK HILL ADVISORS, L.P., on behalf of certain private funds and separate accounts that it manages

By: Oak Hill Advisors GenPar, L.P.,
Its: General Partner

By: Oak Hill Advisors MGP, L.P.,
Its: Managing General Partner

By: _____
Name: _____
Title: _____

Address:

c/o Oak Hill Advisors, L.P.
1114 Avenue of the Americas, 27th Floor
New York City, NY 10036

Oaktree Opportunities Fund VIIIb, L.P.
Oaktree Opportunities Fund VIIIb (Parallel), L.P.

By: Oaktree Opportunities Fund VIIIb GP, L.P.
Its: General Partner

By: Oaktree Opportunities Fund VIIIb GP Ltd.
Its: General Partner

By: Oaktree Capital Management, L.P.
Its: Director

By: _____
Name: Brian Laibow
Title: Managing Director

By: _____
Name: Brook Hinchman
Title: Vice President

Address:

c/o Oaktree Capital Management, L.P.
333 S. Grand Avenue, 28th Floor
Los Angeles, CA 90071

Oaktree Value Opportunities Fund, L.P.

By: Oaktree Value Opportunities Fund GP, L.P.
Its: General Partner

By: Oaktree Value Opportunities Fund GP Ltd.
Its: General Partner

By: Oaktree Capital Management, L.P.
Its: Director

By: _____
Name: Brian Laibow
Title: Managing Director

By: _____
Name: Brook Hinchman
Title: Vice President

Address:

c/o Oaktree Capital Management, L.P.
333 S. Grand Avenue, 28th Floor
Los Angeles, CA 90071

Oaktree FF Investment Fund, L.P. – Class F

By: Oaktree FF Investment Fund GP, L.P.
Its: General Partner

By: Oaktree FF Investment Fund GP Ltd.
Its: General Partner

By: Oaktree Capital Management, L.P.
Its: Director

By: _____
Name: Brian Laibow
Title: Managing Director

By: _____
Name: Brook Hinchman
Title: Vice President

Address:

c/o Oaktree Capital Management, L.P.
333 S. Grand Avenue, 28th Floor
Los Angeles, CA 90071

Searchlight (DDI) I, L.P.
By: Searchlight (DDI) I GP, LLC, its general partner

By: _____
Name: Eric Zinterhofer
Title: Authorized Person

Address:

c/o Searchlight Capital Partners
745 Fifth Avenue , 32nd Floor
New York, NY 10151

Western Asset Management Company, as investment manager and agent on behalf of certain of its clients

By: _____
Name: W. Stephen Venable, Jr.
Title: Manager, U.S. Legal and Corporate Affairs

Address:

c/o Western Asset Management Company
385 E. Colorado Boulevard
Pasadena, CA 91101

**Exhibit A**

**Restructuring Term Sheet**

**CENGAGE LEARNING HOLDINGS II L.P., ET AL.**

**RESTRUCTURING TERM SHEET**

**July 2, 2013**

**THIS TERM SHEET (THIS "TERM SHEET") DESCRIBES THE MATERIAL TERMS OF A PROPOSED RESTRUCTURING (THE "RESTRUCTURING") PURSUANT TO WHICH CENGAGE LEARNING HOLDINGS II L.P. (THE "COMPANY") AND CERTAIN OF THE COMPANY'S DOMESTIC SUBSIDIARIES (TOGETHER WITH THE COMPANY, THE "DEBTORS")[1] WILL RESTRUCTURE THEIR CAPITAL STRUCTURE THROUGH A JOINT PLAN OF REORGANIZATION FILED IN CONNECTION WITH VOLUNTARY CASES (THE "CHAPTER 11 CASES") COMMENCED UNDER CHAPTER 11 OF TITLE 11 OF THE UNITED STATES CODE (THE "BANKRUPTCY CODE") IN THE UNITED STATES BANKRUPTCY COURT FOR THE EASTERN DISTRICT OF NEW YORK (THE "BANKRUPTCY COURT").**

**THIS TERM SHEET DOES NOT CONSTITUTE AN OFFER OF SECURITIES OR A SOLICITATION OF THE ACCEPTANCE OR REJECTION OF A CHAPTER 11 PLAN FOR PURPOSES OF SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE. ANY SUCH OFFER OR SOLICITATION WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE.**

**THIS TERM SHEET IS A SETTLEMENT PROPOSAL IN FURTHERANCE OF SETTLEMENT DISCUSSIONS. THIS TERM SHEET IS NOT A COMMITMENT TO LEND OR TO AGREE TO THE TERMS OF ANY RESTRUCTURING. ACCORDINGLY, THIS TERM SHEET IS PROTECTED BY RULE 408 OF THE FEDERAL RULES OF EVIDENCE AND ANY OTHER APPLICABLE STATUTES OR DOCTRINES PROTECTING THE USE OR DISCLOSURE OF CONFIDENTIAL SETTLEMENT DISCUSSIONS. THIS TERM SHEET IS SUBJECT TO ALL EXISTING CONFIDENTIALITY AGREEMENTS.**

**THIS TERM SHEET IS SUBJECT TO ONGOING REVIEW AND APPROVAL BY ALL PARTIES AND IS NOT BINDING, IS SUBJECT TO MATERIAL CHANGE, AND IS BEING DISTRIBUTED FOR DISCUSSION PURPOSES ONLY.**

| **OVERVIEW** | |
|---|---|
| **Restructuring Summary** | Prior to the date of commencement of the Chapter 11 Cases (the "**Petition Date**"), those holders of First Lien Claims (as defined herein) who are signatories hereto shall have executed the restructuring support agreement to which this Term Sheet is attached |

[1] The Debtors are Cengage Learning Holdings II, L.P. ("**CL Holdings**"); Cengage Learning Holdco, Inc. (**CL Holdco**"); Cengage Learning Acquisitions, Inc. ("**CLAI**"); and Cengage Learning, Inc. ("**CLI**").

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| | (the "**RSA**") pursuant to which the Debtors will agree to pursue and implement a restructuring process consistent with this Term Sheet in order to consummate a plan of reorganization (the "**Plan**").<br><br>This Term Sheet outlines the terms of a balance-sheet restructuring of the Debtors and is premised on the Company's estimated total enterprise value at emergence of $2.8 billion. The Plan, as outlined in this Term Sheet and subject to the terms of the RSA, shall provide for the holders of the First Lien Claims (as defined below) to receive in satisfaction of their secured claims their pro rata share of 100% of the equity in the Debtors as reorganized under the Plan (the "**Reorganized Debtors**"), Excess Cash (as defined herein), and, subject to the RSA and the Rollover Facility Term Sheet attached to the RSA, new debt or cash on account of new debt. The Unsecured Creditor Assets (as defined herein), or the value thereof, shall be reserved for the benefit of the holders of Unsecured Claims (as defined below), including the First Lien Deficiency Claims (as defined below).<br><br>This Term Sheet does not include a description of all of the terms, conditions, and other provisions that are to be contained in the Plan and the related definitive documentation governing the Restructuring identified in the RSA (which shall be in form and substance acceptable to the Debtors and the Required Consenting Lenders, the "**Definitive Documents**"). The Definitive Documents, all motions, and related orders and the plan solicitation documents shall satisfy the requirements of the Bankruptcy Code and be consistent with the RSA and this Term Sheet. |
| **Debt to be Restructured** | Indebtedness that will be treated under the Plan includes, among other things, the following indebtedness and obligations (which amounts are not binding):[2]<br><br>(1) approximately $3,880.7 million of obligations outstanding under that certain Credit Agreement, dated as of July 5, 2007, as amended by the Incremental Amendment, dated as of May 30, 2008, and the Amendment Agreement, dated as of April 10, 2012, by and among certain of the Debtors, JPMorgan Chase Bank, N.A. as administrative agent, and the other lenders party thereto (the "**First Lien Credit Facility Agreement**" and, together with all related agreements and documents executed by any of the Debtors in connection with the |

[2] Amounts include accrued non-default interest through July 1, 2013, and is exclusive of other interest, fees and expenses.

| | |
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| | Credit Agreement, the "**First Lien Credit Agreement Documents**"), consisting of (a) approximately $222.5 million of obligations under the Class A Revolving Credit Facility (as defined in the First Lien Credit Facility Agreement) (the "**Unextended Revolver Claims**"); (b) approximately $293.2 million of obligations under the Class B Revolving Credit Facility (as defined in the First Lien Credit Facility Agreement) (the "**Extended Revolver Claims**"); (c) approximately $1,522.7 million of obligations under the Original Term Loans (as defined in the First Lien Credit Facility Agreement) (the "**Unextended Term Loan Claims**"); (d) approximately $549.5 million of obligations under the Tranche 1 Incremental Term Loans (as defined in the First Lien Credit Facility Agreement) (the "**Incremental Term Loan Claims**"); and (e) approximately $1,292.8 million of obligations under the Tranche B Term Loans (as defined in the First Lien Credit Facility Agreement) (the "**Extended Term Loan Claims**," and together with the Unextended Revolver Claims, the Extended Revolver Claims, the Unextended Term Loan Claims, the Incremental Term Loan Claims, and all accrued and unpaid interest, fees, costs, expenses, indemnities and other charges thereunder, the "**First Lien Credit Facility Claims**");<br><br>(2) approximately $742.6 million of obligations outstanding under that certain Indenture, dated as of April 10, 2012, by and among Cengage Learning Acquisitions, Inc., the guarantors party thereto, and The Bank of New York Mellon, as trustee and collateral agent, providing for the issuance of 11.50% Senior Secured Notes due 2020 (such indenture, the "**First Lien Indenture**," and together with all related agreements and documents executed by any of the Debtors in connection with the First Lien Indenture, the "**First Lien Indenture Documents**"), and such obligations thereunder, the "**First Lien Notes Claims**");<br><br>(3) approximately $13.3 million of obligations outstanding under certain secured interest rate swap agreements (together with all related agreements and documents executed by any of the Debtors in connection with the First Lien Indenture, the "**First Lien Swap Documents**," and together with the First Lien Credit Agreement Documents and the First Lien Indenture Documents, the "**First Lien Documents**"), and such obligations thereunder, the "**First Lien Swap Claims**," and together with the First Lien Credit Facility Claims and the First Lien Notes Claims, the "**First Lien Claims**," a holder of the |

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|---|---|
| | First Lien Claims, a "**First Lien Claimant**," such amounts of First Lien Claims that are Secured,[3] the "**First Lien Secured Claims**," and such amounts of First Lien Claims that are not Secured, the "**First Lien Deficiency Claims**")<br><br>(4) approximately $752.7 million of obligations outstanding under that certain Indenture, dated as of July 5, 2012, among Cengage Learning Acquisitions, Inc., the guarantors party thereto, and The Bank of New York Mellon, as trustee and collateral agent, providing for the issuance of 12.00% Senior Secured Second Lien Notes due 2019 (together with all related agreements and documents executed by any of the Debtors in connection with the Second Lien Indenture, the "**Second Lien Indenture Documents**," and such obligations thereunder, the "**Second Lien Claims**")<br><br>(5) approximately $305.4 million of obligations outstanding under that certain Indenture, dated as of July 5, 2007, among TL Acquisitions, Inc., the guarantors party thereto, and The Bank of New York Mellon, as trustee, providing for the issuance of 10.50% Senior Notes due 2015 (and obligations arising under such indenture and all related agreements and documents executed by any of the Debtors in connection with such indenture, the "**Senior Notes Claims**");<br><br>(6) approximately $67.6 million of obligations outstanding under that certain Indenture, dated as of October 31, 2008, among Cengage Learning Holdco, Inc., Cengage Learning Holdings II L.P., as guarantor, and Wells Fargo Banks National Association, as trustee, providing for the issuance of 13.75% Senior PIK Notes due 2015 (and obligations arising under such indenture and all related agreements and documents executed by any of the Debtors in connection with such indenture, the "**PIK Notes Claims**");<br><br>(7) approximately $140.0 million of obligations outstanding under that certain Indenture, dated as of July 5, 2007, by and among TL Acquisitions, Inc., the guarantors party thereto, and The Bank of New York Mellon, as trustee, providing for the issuance of 13.25% Senior Subordinated Discount Notes due 2015 (and obligations arising under such indenture and all related agreements and documents executed by |

[3] "**Secured**" shall mean when referring to a claim any claim that is secured by a lien on or security interest in property, which lien is valid, perfected, and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, or that is subject to setoff pursuant to section 553 of the Bankruptcy Code, to the extent of the value of the creditor's interest in such estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code.

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| | any of the Debtors in connection with such indenture, the "**Subordinated Notes Claims**"); and<br><br>(8) all other non-priority general unsecured claims against the Debtors (including allowed intercompany claims) that are not First Lien Deficiency Claims, Second Lien Claims, Senior Notes Claims, PIK Notes Claims, or Subordinated Notes Claims (the "**General Unsecured Claims**," and together with the First Lien Deficiency Claims, the Second Lien Claims, the Senior Notes Claims, the PIK Notes Claims, and the Subordinated Notes Claims, the "**Unsecured Claims**").<br><br>For the avoidance of doubt, all allowed intercompany claims shall participate in any distribution to the holders of Unsecured Claims. To the extent such intercompany claim is pledged as collateral under the First Lien Documents, such distribution shall be paid over to the holders of the First Lien Claims on account of their First Lien Secured Claims.<br><br>Notwithstanding anything to the contrary herein, for purposes of the Plan, allowed amounts of claims shall reflect the impact (if any) of any final order of the Bankruptcy Court as of the Effective Date allowing, disallowing, recharacterizing, or subordinating any such claim. All distributions in respect of any indebtedness described above shall be made to the applicable administrative agent, indenture trustee, or other paying agent so designated under the applicable debt agreements to be applied and distributed to lenders and/or holders thereunder in accordance with the provisions of those agreements (including, but not limited to, any applicable waterfall provisions, subordination provisions, and provisions in intercreditor agreements). |
| **Exit Financing** | On the effective date of the Plan (the "**Effective Date**"), the Reorganized Debtors will use commercially reasonable efforts to enter into a new first-out revolving credit agreement of no less than $250 million and up to $400 million to be raised on market terms (the "**New Revolver**"), which new credit agreement shall be subject to the consent of the Consenting Lenders (such consent not to be unreasonably withheld); provided that without limiting the foregoing the Consenting Lenders agree that the New Revolver should be in an amount as large as possible but not to exceed $400 million provided it is raised on market terms.<br><br>Other terms of the New Revolver will be set forth in the Definitive Documents, which shall be in form and substance acceptable to the Debtors, the Required Consenting Lenders, and the Credit Agreement |

| | |
|---|---|
| | Agent. |
| **Plan Consideration** | The primary forms of consideration for distributions under the Plan will be the New Debt Facility, the New Equity, and the Excess Cash (each as defined herein) (collectively, the "**Plan Consideration**").<br><br>"**New Debt Facility Consideration**" shall mean, subject to the terms of the RSA and the Rollover Facility Term Sheet, either, (1) the Rollover Facility or (2) cash received from the Reorganized Debtors' entry, on the Effective Date, into the New Term Loan Facility in accordance with the provisions of section 3.01(a)(iii) of the RSA.<br><br>"**New Equity**" shall mean 100% (subject to dilution for the Management Incentive Plan (as defined herein) and as otherwise provided in the Plan) of the new equity interests issued by the Reorganized Debtors pursuant to the Plan (the "**New Equity**") following the cancellation of the existing equity interests on the Effective Date, and subject to the terms and conditions of the RSA and the Equity Term Sheet attached to the RSA.<br><br>"**Excess Cash**" shall mean any cash other than the Disputed Cash (as defined herein) remaining on the Company's balance sheet as of the Effective Date after funding all payments and reserves required under the Plan, less $50 million (subject to working capital adjustments to be negotiated). |
| **Unsecured Creditor Distribution** | "**Unsecured Creditor Distribution**" shall mean a recovery under the Plan on account of the following assets (the "**Unsecured Creditor Assets**") to the holders of Unsecured Claims, including the First Lien Deficiency Claims:<br><br>(1) cash, if any, that (A) the Required Consenting Lenders and the Debtors agree is not subject to any perfected unavoidable liens under the First Lien Documents or the Second Lien Documents or (B) is determined by a final order of the Bankruptcy Court to not be subject to any perfected unavoidable liens under the First Lien Documents or the Second Lien Documents (in either case, the "**Disputed Cash**")<br><br>(2) 35% of the equity interests in Cengage Learning Acquisitions C.V. ("**CLA C.V.**"), the Debtors' first-tier non-Debtor foreign subsidiary, or the value thereof (if any), after taking into account any valid intercompany claims owing by CLA C.V. or its subsidiaries to the Debtors (the "**CLA C.V. 35% Equity Value**");<br><br>(3) all copyrights that were registered by the Debtors with the United States Copyright Office after July 5, 2012 but prior to the Petition |

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| | Date and (A) with respect to which copyrights no perfection recording was made with the United States Copyright Office for the benefit of either the First Lien Claimants or the Second Lien Claimants or (B) if they were perfected with the United States Copyright Office for the benefit of either the First Lien Claimants or the Second Lien Claimants, they were perfected with the United States Copyright Office within the 90 days prior to the Petition Date and such perfection has been avoided pursuant to a final order of the Bankruptcy Code (the "**Disputed Copyrights**"); provided, however, the Debtors shall, to the extent requested by the Reorganized Debtors, grant the Reorganized Debtors a license with respect to the Disputed Copyrights for fair value;<br><br>(4) all equity interests owned by the Debtors in The Hampton Brown Company LLC and CourseSmart LLC (the "**Non-Wholly Owned Subsidiaries Interests**"); and<br><br>(5) the $8,883,986.42 of cash invested in a money market fund operated by Federated Investors, Inc. and traded under the ticker "TOIXX" (the "**Federated Fund**") to replace funds used from the Federated Fund to make an amortization payment on June 28, 2013, but solely to the extent the other funds in the Federated Fund are determined to constitute Disputed Cash (the "**Additional Disputed Cash**"). |
| **Convenience Class and Reporting Company Status** | The Reorganized Debtors intend to emerge from the Chapter 11 Cases as a company that is not subject to the reporting requirements of the Securities Exchange Act of 1934 (the "**Reporting Requirements**"). Accordingly, the Reorganized Debtors intend to set a dollar amount threshold (the "**Reporting Company Threshold**") applicable to General Unsecured Claims that in the Reorganized Debtors' estimate will result in fewer than 2,000 holders of New Equity and fewer than 500 holders of New Equity that are not "accredited investors." General Unsecured Claims in an amount less than the Reporting Company Threshold will be classified as "convenience class" general unsecured claims and will receive cash in a dollar amount equal to the value of the Plan Consideration that such holder would otherwise have received if such General Unsecured Claim were not less than the Reporting Company Threshold. Subject to the terms and conditions of the Equity Term Sheet and the RSA, the Reorganized Debtors' organizational documents, in form and substance acceptable to the Required Consenting Lenders, will contain appropriate and customary restrictions on transfers of the New Equity for the purpose of maintaining the Reorganized Debtors' status as a company that is not |

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| | subject to the Reporting Requirements. |
| **TREATMENT OF CLAIMS** | |
| **Administrative Claims**<br><br>**Priority Tax Claims**<br><br>**Other Priority Claims**<br><br>**Other Secured Claims**<br><br>**(Against All Debtors)** | Customary treatment provisions for each of these classes in order to render the holders of such claims unimpaired. |
| **First Lien Secured Claims** | Each holder of an Allowed First Lien Secured Claim shall receive its pro rata share of (1) 100% of the New Equity, (2) the New Debt Facility Consideration, and (3) the Excess Cash. |
| **Unsecured Claims Against CLI** | Each Holder of an Allowed Unsecured Claim against CLI (including First Lien Deficiency Claims against CLI) shall receive its pro rata share of the Unsecured Creditor Distribution that is attributable to the assets of CLI consisting of Non-Wholly Owned Subsidiaries Interests, and the Disputed Copyrights , which shall be allocated ratably to holders of claims in accordance with a priority waterfall that shall take into account all applicable priority principles of the Bankruptcy Code and other applicable law, including but not limited to subordination provisions and provisions in intercreditor agreements.<br><br>Notwithstanding anything herein to the contrary, the Second Lien Claims shall be separately classified in order to give effect to the intercreditor agreement between the holders of the First Lien Claims and the Second Lien Claims. The holders of Second Lien Claims shall be required to turnover their recoveries on account of the Disputed Copyrights and any other proceeds of the collateral securing the Second Lien Claims and the First Lien Claims to the holders of First Lien Deficiency Claims.<br><br>For the avoidance of doubt, the Subordinated Notes Claims shall not be entitled to any recovery under the Plan. |
| **Unsecured Claims Against CLAI** | Each Holder of an Allowed Unsecured Claim against CLAI (including First Lien Deficiency Claims against CLAI) shall receive its pro rata share of the Unsecured Creditor Distribution that is attributable to the assets of CLAI consisting of the Disputed Cash, the Additional Disputed Cash, and the CLA C.V. 35% Equity Value , which shall be allocated ratably to holders of claims in accordance with a priority |

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| | waterfall that shall take into account all applicable priority principles of the Bankruptcy Code and other applicable law, including but not limited to subordination provisions and provisions in intercreditor agreements.<br><br>Notwithstanding anything herein to the contrary, the Second Lien Claims shall be separately classified in order to give effect to the intercreditor agreement between the holders of the First Lien Claims and the Second Lien Claims. The holders of Second Lien Claims shall be required to turnover their recoveries on account any proceeds of the collateral securing the Second Lien Claims and the First Lien Claims to the holders of First Lien Deficiency Claims.<br><br>For the avoidance of doubt, the Subordinated Notes Claims shall not be entitled to any recovery under the Plan. |
| **Unsecured Claims against CL Holdings and CL Holdco** | Holders of Unsecured Claims against CL Holdings and CL Holdco (including First Lien Deficiency Claims against CL Holdings and CL Holdco) will receive a pro rata distribution of any unencumbered assets, if any, of CL Holdings or CL Holdco, as applicable, on account of such claims, which shall be allocated to holders of Allowed Unsecured Claims against CL Holdings and CL Holdco, as applicable, in accordance with a priority waterfall that shall take into account all applicable priority principles of the Bankruptcy Code and all other applicable law, including but not limited to subordination provisions and provisions in intercreditor agreements.<br><br>For the avoidance of doubt, the Subordinated Notes Claims shall not be entitled to any recovery under the Plan. |
| **Section 510(b) Claim Against All Debtors** | "**Section 510(b) Claims**" means any claim against any of the Debtors that is described in section 510(b) of the Bankruptcy Code.<br><br>Holders of Section 510(b) Claims will not receive any distribution on account of such claims, and Section 510(b) Claims shall be discharged, cancelled, released, and extinguished as of the Effective Date. |
| **Existing Equity Interests** | "**Equity Interests in the Company**" means any share of common stock, preferred stock or other instrument evidencing an ownership interest in the Company, whether or not transferable, and any option, warrant, restricted stock unit, or right, contractual or otherwise, to acquire any such interest in the Company that existed immediately prior to the Effective Date.<br><br>**Treatment.** Holders of Equity Interests in the Company will not receive any distribution on account of such interests, and Equity Interests in the Company shall be discharged, cancelled, released, and |

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| | extinguished as of the Effective Date.<br><br>"**Intercompany Interests**" shall include any share of common stock or other instrument evidencing an ownership interest in any of the Debtors other than the Company, whether or not transferable, and any option, warrant, or right, contractual or otherwise, to acquire any such interest in a Debtor other than the Company, which is held by another Debtor or an affiliate of a Debtor.<br><br>Although Intercompany Interests shall not receive any distribution on account of such Intercompany Interests, solely to implement the Plan, Intercompany Interests shall be retained and not cancelled, and the legal, equitable, and contractual rights to which holders of Intercompany Interests are entitled shall remain unaltered to the extent necessary to implement the Plan. |
| **GENERAL PROVISIONS** | |
| **Issuance of New Equity** | On the Effective Date, the New Equity distributed under the Plan shall be deemed fully paid and non-assessable. |
| **Corporate Governance** | Shall be subject to the terms and conditions set forth in the RSA and the Equity Term Sheet. |
| **Management Incentive Plan** | The Plan shall provide for a percentage of New Equity equal to $75 million as determined based on an assumed equity value of $1.3 billion to be allocated for the implementation of a market-level management and director equity incentive program to be developed in consultation with Towers Watson and the Required Consenting Lenders and/or their advisors (the "**Management Incentive Plan**"). The terms and conditions of the Management Incentive Plan will be agreed to by no later than the date set forth in the milestone set forth in section 3.02(b) of the RSA (including provisions as to granting, vesting, allocation, and amount and form of incentive awards (e.g., warrants, options, LTIP, RSUs, profit interests, etc.)). Awards so granted shall be dilutive of the New Equity interests. The terms and conditions of the Management Incentive Plan, when agreed, shall be deemed incorporated into the RSA and this Term Sheet by reference, and the Management Incentive Plan will be approved in connection with confirmation of the Plan. |
| **Management Employment Agreements** | The Plan shall provide for the assumption of the employment agreements of members of senior management, subject to a market analysis by Towers Watson and consultation with the Required Consenting Lenders and/or their advisors, and subject to any appropriate adjustments in response to such review and to otherwise |

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| | conform with the Management Incentive Plan, which adjustments (if any) and such other terms of the employment agreement shall be satisfactory to the Company, the applicable member of management, and the Required Consenting Lenders and/or their advisors, and be determined no later than the milestone date set forth in section 3.02(b) of the RSA. The terms of the employment agreements of members of senior management shall be deemed incorporated into the RSA and the Term Sheet by reference, and shall be assumed in connection with the Plan. |
| **Definitive Documents** | Any final agreement shall be subject to the Definitive Documents, which Definitive Documents shall be consistent with the terms of this Term Sheet and the RSA in all respect unless otherwise agreed to pursuant to the terms of the RSA. The Definitive Documents shall contain terms, conditions, representations, warranties, and covenants, each customary for the transactions described herein consistent with the terms of this Term Sheet. |
| **Tax Issues** | The Restructuring shall be structured to preserve favorable tax attributes to the extent practicable. |

**Exhibit B**

**Rollover Facility Term Sheet**

**SENIOR SECURED ROLLOVER EXIT TERM LOAN FACILITY**
**SUMMARY OF PROPOSED TERMS AND CONDITIONS**

**CONFIDENTIAL; FOR DISCUSSION PURPOSES ONLY**
**NOT A COMMITMENT TO LEND**

**THIS TERM SHEET IS PROVIDED IN CONFIDENCE AND MAY BE DISTRIBUTED ONLY WITH THE EXPRESS WRITTEN CONSENT OF THE CONSENTING LENDERS (AS DEFINED IN THAT CERTAIN RESTRUCTURING SUPPORT AGREEMENT, DATED AS OF [_____], 2013 AMONG THE LOAN PARTIES (AS DEFINED BELOW), THE LENDERS AND NOTEHOLDERS SIGNATORY THERETO, [JPMORGAN CHASE BANK, N.A., AS ADMINISTRATIVE AGENT AND COLLATERAL AGENT AND THE BANK OF NEW YORK MELLON, AS TRUSTEE AND COLLATERAL AGENT] (AS IT MAY BE AMENDED, THE "RESTRUCTURING SUPPORT AGREEMENT")).**

**THIS TERM SHEET IS SUBJECT TO ONGOING REVIEW BY THE CONSENTING LENDERS AND THEIR PROFESSIONALS, IS SUBJECT TO MATERIAL CHANGE AND IS BEING DISTRIBUTED FOR DISCUSSION PURPOSES ONLY. THIS IS NOT A COMMITMENT TO LEND. THIS TERM SHEET IS NON-BINDING AND THE PROPOSALS CONTAINED HEREIN ARE SUBJECT TO, AMONG OTHER THINGS, DUE DILIGENCE, CREDIT APPROVAL AND THE NEGOTIATION, DOCUMENTATION AND EXECUTION OF DEFINITIVE DOCUMENTATION. ONLY EXECUTION AND DELIVERY OF DEFINITIVE DOCUMENTATION RELATING TO THE TRANSACTIONS SHALL RESULT IN ANY BINDING OR ENFORCEABLE OBLIGATIONS OF ANY PARTY RELATING TO THE TRANSACTIONS.**

**UNLESS OTHERWISE SPECIFICALLY DEFINED HEREIN, EACH CAPITALIZED TERM USED IN THIS TERM SHEET THAT IS DEFINED IN THE RESTRUCTURING SUPPORT AGREEMENT SHALL HAVE THE MEANING ASSIGNED TO SUCH TERM IN THE RESTRUCTURING SUPPORT AGREEMENT.**

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| Borrower: | Cengage Learning Acquisitions, Inc., a Delaware corporation (the "Borrower"). |
| Holdings: | Cengage Learning Holdco, Inc., a Delaware corporation ("Holdings").[1] |
| Lenders: | Initially, holders of First Lien Claims (the "Lenders"). |
| Agents: | An administrative agent (in such capacity, the "Administrative Agent") and collateral agent (in such capacity, the "Collateral Agent" and together with the Administrative Agent, collectively, the "Agents") to be selected by the Borrower and approved by the Consenting Lenders. |
| Term Loan Facility: | A senior secured term loan facility (the "Term Loan Facility"; the loans thereunder, the "Term Loans") in an aggregate principal amount of $1.5 billion. The Term |

[1] Ownership structure to be collapsed to dissolve Cengage Learning Holdings II, L.P. if no material adverse tax consequences of doing so (as determined by the Consenting Lenders).

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| | Loans will be distributed to the Lenders as partial satisfaction of their respective First Lien Claims. |
| Closing Date: | The Term Loan Facility shall close and become effective on the date (the "Closing Date") of (i) the execution and delivery of the Financing Documentation (as defined below) by the Borrower, the Guarantors (as defined below), the Agents and the respective Lenders party thereto, (ii) the satisfaction of the conditions precedent to effectiveness of the Term Loan Facility specified in the credit agreement, including those described herein and (iii) the effectiveness of the Agreed Restructuring Plan (pursuant to the Confirmation Order). |
| Ratings: | At the sole cost and expense of the Borrower, the Borrower shall use commercially reasonable efforts to obtain, and use commercially reasonable efforts to maintain, a public corporate level rating, a public family level rating, a public facility level rating and a public recovery rating from each of Standard & Poor's and Moody's. |
| Amortization: | 1.0% of the initial principal amount of the Term Loans on an annualized basis payable in quarterly installments, beginning on the last business day of the first full fiscal quarter following the Closing Date. Any remaining principal shall be due on the Maturity Date unless earlier payment is required from mandatory prepayments or following an event of default. |
| Documentation: | Usual and customary for facilities and transactions of this type, to include, among others, a credit agreement, guarantees and appropriate pledge agreements, security agreements, mortgages, control agreements, intercreditor agreements and other collateral documents (collectively, the "Financing Documentation"). |
| Guarantors: | The obligations of the Borrower under the Term Loan Facility will be unconditionally guaranteed, on a joint and several basis, by, Holdings and each existing and subsequently acquired or formed direct and indirect domestic subsidiary other than any domestic subsidiaries of foreign subsidiaries (each a "Guarantor"; and such guarantee being referred to herein as a "Guarantee"). All Guarantees shall be guarantees of payment and not of collection. The Borrower and the Guarantors are herein referred to as the "Loan Parties" and, individually, as a "Loan Party." |
| Security: | The Term Loan Facility shall be secured by a perfected first priority (subject to certain exceptions (including |

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| | liens securing the New Revolving Credit Facility, which New Revolving Credit Facility shall be on terms reasonably acceptable to the Consenting Lenders) to be set forth in the Financing Documentation) security interest in all of the present and future tangible and intangible assets of the Loan Parties (including, without limitation, cash, deposit and securities accounts, accounts receivable, inventory, intellectual property, material owned real property, 100% of the capital stock of the Borrower and the Guarantors and 100% of the non-voting capital stock, and 65% of the voting stock, of each first-tier foreign subsidiary of the Borrower) (the "Collateral"). |
| Maturity Date: | The final maturity of the Term Loan Facility will occur on the sixth anniversary of the Closing Date (the "Maturity Date"). |
| Interest Rate: | The Consenting Lenders will consult with the Borrower to determine a mutually acceptable interest rate for the Term Loan based on each party's good faith judgment of the rate that would allow the initial secondary market price to be equal to par.<br><br>After the occurrence and during the continuance of an Event of Default, interest on all amounts then outstanding will accrue at a rate equal to 2.00% per annum above the interest rate then in effect and will be payable on demand. |
| Interest Payments: | Except as set forth below, on the last day of selected interest periods (which may be one, two, three or six months) for Term Loans (except, in the case of interest periods of longer than three months, at the end of every three months); and upon prepayment, in each case payable in arrears and computed on the basis of a 360-day year. |
| Mandatory Prepayments: | Mandatory prepayments will be required with respect to excess cash flow, asset sales (subject to customary reinvestment provisions), insurance proceeds and incurrence of non-permitted indebtedness (subject to certain exceptions and basket amounts to be negotiated in the definitive Financing Documentation). |
| Optional Prepayments: | Term Loans may be prepaid at any time, in whole or in part, at the option of the Borrower, upon notice and in minimum principal amounts and in multiples to be agreed upon. |

Prepayment Premium:

If the Term Loans are prepaid or accelerated at any time (excluding certain mandatory prepayments agreed to by the Lenders), the Borrower shall, in addition to such prepayment of the principal of, and interest on, the Term Loans, pay to the Lenders the Prepayment Premium.

"Prepayment Premium" means a percentage of the principal prepaid or accelerated in the following months after the Closing Date:

| Months | Prepayment Premium |
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| 1-6 | 0% |
| 7-18 | 1.0% |
| 19 and thereafter | 0% |

Conditions to Closing:

The availability of the Term Loan Facility shall be conditioned upon the satisfaction of the conditions precedent set forth in the Conditions Annex attached hereto as Annex A hereto.

Representations and Warranties:

The Loan Parties will make representations and warranties usual and customary for transactions of this type and other terms deemed appropriate by the Lenders, including, without limitation: (i) material accuracy of disclosure and absence of undisclosed liabilities as of the Closing Date, (ii) corporate existence, (iii) compliance with law, (iv) corporate power and authority, (v) enforceability of Financing Documentation, (vi) no conflict with law or contractual obligations, (vii) no material litigation, (viii) no default, (ix) ownership of property, (x) liens, (xi) intellectual property, (xii) no burdensome restrictions, (xiii) taxes, (xiv) Federal Reserve margin regulations, (xv) ERISA, (xvi) Investment Company Act, (xvii) subsidiaries, (xviii) collateral, (xix) environmental matters, (xx) labor matters, (xxi) significant authors and the status of contracts therewith, and (xxii) compliance with all applicable "know your customer" and anti-money laundering rules and regulations (including, without limitation, the Patriot Act).

Affirmative Covenants:

The Loan Parties will comply with affirmative covenants customary for transactions of this type and other terms deemed appropriate by the Lenders, including, without limitation: (i) compliance with laws and material contractual obligations, (ii) payment of taxes and other material obligations, (iii) maintenance of insurance, (iv) conduct of business, (v) preservation of corporate existence, (vi) keeping of books and records, (vii) maintenance of properties, (viii) transactions with affiliates, (ix) reporting requirements (including, without

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| | limitation, as detailed below under the heading "Information Rights"), (x) additional guarantors, (xi) right of Lenders to inspect property and books and records, (xii) notices of defaults, litigation and other material events, (xiii) compliance with environmental laws and (xiv) further assurances. |
| Negative Covenants: | The Loan Parties will comply with negative covenants customary for transactions of this type and other terms deemed appropriate by the Lenders, including, without limitation, but subject to baskets, limits and incurrence tests to be agreed upon on: (i) indebtedness (including guarantee obligations), (ii) liens, (iii) payment restrictions affecting subsidiaries, (iv) restricted payments, (v) material changes in business, (vi) negative pledge, (vii) transactions with affiliates, (vii) changes in fiscal year, (ix) sale of all or substantially all assets, (x) investments and (xi) prepayment of junior debt classes. |
| Financial Covenants: | Customary for a covenant lite loan transaction of this type. Notwithstanding the foregoing, the Financing Documentation may include a maximum leverage or minimum Consolidated EBITDA covenant. |
| Information Rights: | The Loan Parties shall provide to the Lenders, and any prospective lender (who is not a direct competitor of the Loan Parties) that has entered into a confidentiality agreement on customary terms and for purposes of evaluating the investment ("Qualified Prospective Investor") on a reputable password-protected online data system, such as Intralinks, annual reports, quarterly reports, proxy statements and other periodic reports that would be required to be filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), prepared as if the Loan Parties were reporting companies under the Exchange Act. The Loan Parties shall hold live quarterly conference calls (with a question and answer period) for the Lenders and Qualified Prospective Investors, with dates and dial-in information announced on the password-protected online data system utilized by the Loan Parties at least three (3) days prior to such quarterly calls. |
| Events of Default: | The following will constitute Events of Default, subject to customary exceptions, materiality qualifications and notice periods to be agreed upon and, where applicable (other than clause (i) below), cure and grace periods to be determined: (i) nonpayment of principal when due and nonpayment of interest, fees or other amounts after a grace period to be determined, (ii) material inaccuracy of |

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| | representations or warranties, (iii) failure to perform or observe negative and certain affirmative covenants set forth in the Financing Documentation, (iv) bankruptcy and insolvency defaults of any Loan Party or any of their material subsidiaries, (v) change of control (the definition of which is to be agreed upon), (vi) customary ERISA defaults, (vii) any Guarantee ceases to be in full force and effect, (viii) material judgments, and (ix) other Events of Default to be determined. |
| Defaulting Lender Provisions, Yield Protection and Increased Costs: | Customary for transactions of this type, including, without limitation, in respect of breakage or redeployment costs incurred in connection with prepayments, illegality, unavailability, increased costs or loss of yield resulting from changes in reserve, tax, capital adequacy and other requirements of law and payments free and clear of withholding or other taxes. |
| Assignments and Participations: | Lenders will be permitted to make assignments in a minimum amount to be agreed (unless such assignment is of a Lender's entire interest in the Term Loan Facility) to any person or entity (other than a natural person and other entities to be agreed), acceptable to Agents and, so long as no default or event of default has occurred and is continuing, Borrower, which acceptances shall not be unreasonably withheld or delayed; provided, however, that the approval of the Borrower shall not be required in connection with assignments to other Lenders (or to affiliates or approved funds of Lenders).<br><br>Without the consent of the Borrower or the Agents, each Lender may sell participations in all or a portion of its loans and commitments, subject to customary restrictions on the participants' voting rights. |
| Amendments and Waivers: | Amendments and waivers of the provisions of the Financing Documentation will require the approval of Lenders holding Term Loans representing more than 50% of the aggregate amount of the Term Loans (the "***Required Lenders***"), except that in certain customary circumstances the consent of a greater percentage (or of all) the Lenders may be required. |
| Indemnification: | Customary indemnification provisions for the benefit of the Lenders and their related parties shall apply. |
| Governing Law and Forum: | New York. The Borrower will waive any right to trial by jury. |

*Exhibit C*

**SUMMARY OF CONDITIONS PRECEDENT TO EFFECTIVENESS OF THE TERM LOAN FACILITY**

Closing and the availability of the Term Loan Facility will be subject to the satisfaction of the following conditions precedent:

(a) Financing Documentation and Customary Closing Documentation. (i) Financing Documentation reflecting and consistent with the terms and conditions set forth herein and otherwise reasonably satisfactory to the Consenting Lenders, will have been executed and delivered, (ii) the Agents will have received such customary legal opinions (including, without limitation, opinions of special counsel and local counsel as may be reasonably requested by the Consenting Lenders), documents and other instruments as are customary for transactions of this type, (iii) all documents, instruments, reports and policies required to perfect or evidence the Collateral Agent's security interest (with the relevant priority) in, and liens on, the Collateral (including, without limitation, all certificates evidencing pledged capital stock or membership or partnership interests, as applicable, with accompanying executed stock powers, all UCC financing statements to be filed in the applicable government UCC filing offices, all intellectual property security agreements to be filed with the United States Copyright Office or the United States Patent and Trademark Office, as applicable, and all deposit account control agreements) will have been executed and/or delivered and, to the extent applicable, be in proper form for filing (including UCC and other lien searches, intellectual property searches, insurance policies, access letters (if material) and environmental reports on owned real property), (iv) all governmental and third party consents and all equityholder and board of directors (or comparable entity management body) authorizations shall have been obtained and shall be in full force and effect, (v) other than the Chapter 11 Cases, there shall not be any material pending or threatened litigation, bankruptcy or other proceeding, and (vi) all fees and expenses then due.

(b) Confirmation of Plan of Reorganization. The Agreed Restructuring Plan shall have been consummated in accordance with the terms of the Support Agreement.

(c) Information Required by Regulatory Authorities. The Loan Parties will have provided the documentation and other information to the Lenders that is required by regulatory authorities under applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the Patriot Act.

(d) Representations and Warranties. All representations and warranties made by the Loan Parties shall be true and correct in all material respects (unless already qualified by materiality or material adverse effect in which case they shall be true and correct in all respects).

(e) New Revolving Credit Facility . The definitive documentation for the New Revolving Credit Facility shall be in form and substance satisfactory to the Consenting Lenders.

(f) Minimum EBITDA. Holdings and its subsidiaries shall have minimum Consolidated EBITDA on a twelve trailing month basis of $540,000,000.

As used herein, the term "Consolidated EBITDA" shall be defined as the Consolidated Net Income (to be defined in the Financing Documentation) of Holdings and its

subsidiaries increased (without duplication) by the following, in each case to the extent deducted in determining Consolidated Net Income for such period:

(i) provision for taxes based on income or profits or capital, including, without limitation, state, franchise and similar taxes and foreign withholding taxes paid or accrued during such period; plus

(ii) Consolidated Interest Expense (to be defined in the Financing Documentation) for such period (including (x) net losses or any obligations under any Swap Contracts (to be defined in the Financing Documentation) or other derivative instruments entered into for the purpose of hedging interest rate risk, (y) bank fees and (z) costs of surety bonds in connection with financing activities, plus certain agreed amounts excluded from Consolidated Interest Expense); plus

(iii) Consolidated Depreciation and Amortization Expense (to be defined in the Financing Documentation) for such period and all original issue discount relating to any loan agreements or credit facilities of the Loan Parties deducted in such period; plus

(iv) (a) fees, costs, charges, commissions, operating losses, write-downs and expenses paid or reimbursed to any legal counsel or professional advisor to the Loan Parties and the other Debtors in connection with the negotiation, execution and ongoing performance of the Financing Documentation (and the transactions contemplated thereby and of the New Revolving Credit Facility and the transactions contemplated thereby) incurred during such period in connection with the Financing Documentation, the financing documentation under the New Revolving Credit Facility, the Chapter 11 Cases, the chapter 11 plan of reorganization and the transactions contemplated by any of the foregoing, and (b) costs and expenses incurred in connection with the Debtors' operational restructuring as contemplated in the management business plan; provided that such amounts set forth in this subclause (iv) shall not exceed $107,000,000 in the aggregate when added to all amounts added back to the calculation of Consolidated EBITDA under subclause (v) below; plus

(v) the amount of management, monitoring, consulting and advisory fees and related indemnities and expenses paid in such period to the Sponsor to the extent such payment was permitted in the Borrower's existing credit agreement; provided that such amounts set forth in this subclause (v) shall not exceed $107,000,000 in the aggregate when added to all amounts added back to the calculation of Consolidated EBITDA under subclause (iv) above; plus

(vi) non-cash charges (other than (1) amortization of a prepaid cash item that was paid and not expensed in a prior period and (2) write down of current assets), including (a) write-downs of property, plant and equipment and other assets, (b) impairment of intangible assets, (c) losses resulting from cumulative effect of change in accounting principles, and (d) unrealized losses from foreign currency transaction costs; provided that if such non-cash charges represent an accrual or reserve for potential cash items in any future period, the cash payment in respect thereof in such future period shall be subtracted from Consolidated EBITDA to such extent; minus

(vii) without duplication and to the extent included in Consolidated Net Income for such period, the sum of (i) interest income (except to the extent deducted in determining Consolidated Interest Expense), (ii) other non-cash gains increasing

Consolidated Net Income for such period (excluding any such non-cash gain to the extent it represents a reversal of an accrual or reserve for potential cash gain in any prior period) (*provided*, that any cash received with respect to any non-cash items of income (other than extraordinary gains) for any prior period shall be added to the computation of Consolidated EBITDA, and (iii) any other non-cash income arising from the cumulative effect of changes in accounting principles.

**Exhibit C**

**Form Cash Collateral Order**

**UNITED STATES BANKRUPTCY COURT**
**EASTERN DISTRICT OF NEW YORK**

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| In re: | ) | Chapter 11 |
| CENGAGE LEARNING INC., *et al.*,[1] | ) | Case No. 13-_____ (___) |
| | ) | Case No. 13-_____ (___) |
| | ) | Case No. 13-_____ (___) |
| | ) | Case No. 13-_____ (___) |
| Debtors. | ) | (Joint Administration Requested) |

**INTERIM ORDER (I) AUTHORIZING THE USE OF CASH COLLATERAL, (II) GRANTING ADEQUATE PROTECTION TO PREPETITION SECURED PARTIES, AND (III) SCHEDULING A FINAL HEARING**

Upon the motion of Cengage Learning, Inc. and its debtor affiliates, as debtors and debtors-in-possession (collectively, the "Debtors") in the above-captioned chapter 11 cases (collectively, the "Chapter 11 Cases"), dated July 2, 2013 (the "Motion"),[2] for entry of the Interim Order (this "Interim Order") and a final order (a "Final Order") under sections 105, 361, 362, 363, 503, and 507 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (as amended, the "Bankruptcy Code"), Rules 2002, 4001, 6004, and 9014 of the Federal Rules of Bankruptcy Procedure (as amended, the "Bankruptcy Rules"), Rules 4001-5 and 9013-1 of the Local Rules of the United States Bankruptcy Court for the Eastern District of New York (the "E.D.N.Y. Local Bankruptcy Rules"), and the *Guidelines for Financing Motions* set forth in Administrative Order No. 558 of the United States Bankruptcy Court for the Eastern District of New York (the "Financing Guidelines"), *inter alia*:

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1 The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, include: Cengage Learning, Inc. (4491); Cengage Learning Holdings II, L.P. (5675); Cengage Learning Acquisitions, Inc. (0935); Cengage Learning Holdco, Inc. (0831). The Debtors' service address at their corporate headquarters is 200 First Stamford Place, 4th Floor, Stamford, Connecticut 06902.

2 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Motion.

(a) authorizing the Debtors' use of Cash Collateral (as defined below), subject to and pursuant to the terms and conditions set forth in this Interim Order;

(b) granting adequate protection on account of the Debtors' use of Cash Collateral and any diminution in the value of the First Lien Secured Parties' (as defined below) and the Second Lien Secured Parties' (as defined below) respective interests in the Prepetition Collateral (as defined below) to the (i) First Lien Secured Parties (as defined below) under (1) that certain Credit Agreement, dated as of July 5, 2007, which was subsequently amended by the Incremental Amendment, dated as of May 30, 2008, and the Amendment Agreement, dated as of April 10, 2012 (as amended, the "Credit Agreement" and, together with all related agreements and documents executed by any of the Debtors in connection with the Credit Agreement, the "Credit Agreement Documents"), by and among Cengage Learning Acquisitions, Inc., as borrower (the "Borrower"), Cengage Learning Holdings II, L.P., Cengage Learning Holdco, Inc., and Cengage Learning, Inc., as guarantors (the "Guarantors"), JPMorgan Chase Bank, N.A., as successor administrative and collateral agent (in each such capacity, the "Credit Agreement Agent"), and each of the lenders party thereto (together with the Credit Agreement Agent, the "Credit Agreement Secured Parties"); (2) that certain Indenture dated as of April 10, 2012 (as amended, the "Initial Additional First Lien Agreement" and, together with all related agreements and documents executed by any of the Debtors in connection

with the Initial Additional First Lien Agreement, the "Initial Additional First Lien Documents") among the Borrower, the Guarantors party thereto, and The Bank of New York Mellon, as Trustee and as Collateral Agent (in such capacities, the "First Lien Notes Trustee," and, together with each of the holders of those certain 11.5% Senior Secured Notes due 2020, the "Initial Additional First Lien Secured Parties"), and (3) (A) those two certain Rate Swap Transactions dated as of February 12, 2010 and March 4, 2010 among Cengage Learning Acquisitions, Inc. and UBS AG, London Branch ("UBS"), (B) that certain Swap Transaction dated as of April 6 2010 among Cengage Learning Acquisitions, Inc. and Citibank, N.A., New York ("Citi"), (C) that certain Transaction dated as of April 16 2010 among Cengage Learning Acquisitions, Inc. and Goldman Sachs Bank USA ("GS USA"), (D) that certain effective as of February 26, 2010 Transaction and (E) that certain Swap Transaction dated as of March 19, 2010 among Morgan Stanley Capital Services Inc. and Cengage Learning Acquisition, Inc. (the documents described in each of (A), (B), (C), (D) and (E), the "Rate Swap Transaction Documents," and together with the Credit Agreement Documents and the Initial Additional First Lien Documents, the "First Lien Documents") among Cengage Learning Acquisitions, Inc. and The Royal Bank of Scotland plc (together with UBS, Citi and GS USA, the "Secured Rate Swap Parties," and together with the Initial Additional First Lien Secured Parties, the First Lien Notes Trustee, and the Credit Agreement Secured Parties, the "First Lien

Secured Parties"); and (ii) the Second Lien Secured Parties (as defined below) under that certain Indenture dated as of July 5, 2012 (as amended, the "Second Lien Agreement" and, together with all related agreements and documents executed by any of the Debtors in connection with the Second Lien Agreement, the "Second Lien Documents", the Second Lien Documents and the First Lien Documents, collectively, the "Lien Documents**"**) among the Borrower, the Guarantors party thereto, and CSC Trust Company of Delaware, as successor Trustee and as Collateral Agent (in such capacities, the "Second Lien Notes Trustee," and, together with each of the holders of those certain 12% Senior Secured Second Lien Notes due 2019, the "Second Lien Secured Parties", the Second Lien Secured Parties and the First Lien Secured Parties, collectively, the "Secured Parties");

(c) subject to entry of a Final Order and to the extent set forth herein, waiving the Debtors' right to surcharge the Prepetition Collateral pursuant to section 506(c) of the Bankruptcy Code;

(d) modifying the automatic stay imposed under section 362 of the Bankruptcy Code to the extent necessary to permit the Debtors and the Secured Parties to implement the terms of this Interim Order;

(e) waiving any applicable stay (including under Bankruptcy Rule 6004) and provision for immediate effectiveness of this Interim Order; and

(f) scheduling of a final hearing (the "Final Hearing") on the Motion no later than [July 24, 2013] to consider entry of a Final Order granting the relief requested in the Motion on a final basis.

Upon due and sufficient notice of the Motion and the interim hearing on the Motion (the "Interim Hearing") having been provided by the Debtors; and the Interim Hearing having been held on _____, 2013; and after considering all the pleadings filed with this Court; and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and venue being proper in this District pursuant to 28 U.S.C. § 1408; and upon the record made by the Debtors at the Interim Hearing; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors, their estates, creditors and all parties in interest; and after due deliberation and consideration and good and sufficient cause appearing therefor,

**THE COURT FINDS AS FOLLOWS:**

A. Petition Date. On July 2, 2013 (the "Petition Date"), each of the Debtors filed a voluntary petition under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of New York (the "Court"). On _____, 2013, this Court entered an order approving the joint administration of the Chapter 11 Cases.

B. Debtors in Possession. The Debtors are continuing in the management and operation of their business and properties as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in these Chapter 11 Cases.

C. Jurisdiction and Venue. This Court has jurisdiction, pursuant to 28 U.S.C. §§ 157(b) and 1334, over these proceedings and over the persons and property affected hereby. Venue for the Chapter 11 Cases is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b).

D. Debtors' Stipulations. Subject in all respects to all parties' rights and defenses with respect to (i) the Disputed Collateral (as defined herein) and the limitations thereon described below in Paragraph 9 of this Interim Order and (ii) any Affiliated Lender, Affiliated Institutional Lender (each as defined in the Credit Agreement), or any affiliate of the Debtors, or any claims or obligations held by such party as described in paragraph D.g of this Interim Order, the Debtors admit, acknowledge, agree and stipulate to the following (collectively, the "Debtors' Stipulations"):

a. First Lien Obligations. As of the Petition Date, the Debtors were truly and justly indebted to the First Lien Secured Parties pursuant to the First Lien Documents, without defense, counterclaim, or offset of any kind, in the aggregate principal amount of (i) (A) $3,353,842,720.49 outstanding under the Term Loan Facilities (as defined in the Credit Agreement), (B) $513,999,999.99 outstanding under the Revolving Facilities (as defined in the Credit Agreement), (C) $6,226,252.50 outstanding under L/C Borrowings (as defined in the Credit Agreement), (D) $13,300,000 outstanding under the Rate Swap Transaction Documents, and (E) $725,000,000 outstanding under the Initial Additional First Lien Agreement, plus (ii) accrued and unpaid interest with respect thereto and any additional fees, costs and expenses (including any attorneys', financial advisors', and other professionals' fees and expenses that are chargeable or reimbursable under the First Lien Documents) and all other Obligations (as defined in the First Lien Documents) owing under or in connection with the First Lien

Documents (collectively, the "First Lien Obligations"). The Debtors are in default of their debts and obligations under the First Lien Documents.

b. Prepetition Liens and Prepetition Collateral. The First Lien Obligations are secured by first priority security interests in and liens on (the "Prepetition First Priority Liens") substantially all of the Debtors' assets including Cash Collateral as defined in section 363 of the Bankruptcy Code (the "Cash Collateral"), as more particularly described in and on the terms set forth in the First Lien Documents (collectively, the "Prepetition Collateral"), and the Obligations (as defined in the Second Lien Documents) owing under or in connection with the Second Lien Documents (collectively, the "Second Lien Obligations", and together with the First Lien Obligations, the "Secured Obligations") are secured by second priority security interests in and liens on (the "Prepetition Second Priority Liens", and together with the Prepetition First Priority Liens, the "Prepetition Liens") the Prepetition Collateral, including Cash Collateral.

c. Validity and Perfection of Prepetition First Priority Liens. The Prepetition First Priority Liens are (i) valid, binding, perfected and enforceable liens on and security interests in the Prepetition Collateral; (ii) not subject to, pursuant to the Bankruptcy Code or other applicable law, avoidance, disallowance, reduction, recharacterization, recovery, subordination, attachment, offset, counterclaim, defense, "claim" (as defined in the Bankruptcy Code), impairment or any other challenge of any kind; and (iii) subject and subordinate only to (A) the Carve-Out (as defined below) and (B) valid and enforceable liens and encumbrances in the Prepetition Collateral that were perfected prior to the Petition Date, that were made expressly senior to the applicable First Lien Secured Parties' liens under the applicable First Lien Documents, that are valid, perfected, enforceable and non-avoidable as of the Petition Date and

that are not subject to avoidance, reduction, disallowance, disgorgement, counterclaim, surcharge, or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law ("Permitted Liens"),[3] and the Debtors each irrevocably waive, for themselves and their subsidiaries and affiliates, any right to challenge or contest in any way the perfection, validation and enforceability of the Prepetition First Priority Liens or the validity or enforceability of the First Lien Obligations and the First Lien Documents.

d. Validity of First Lien Obligations. The First Lien Obligations constitute legal, valid and binding obligations of each of the Debtors. No offsets, defenses, or counterclaims to the First Lien Obligations exist. No portion of the First Lien Obligations is subject to set-off, avoidance, disallowance, reduction, or subordination (whether equitable, contractual or otherwise) counterclaims, cross-claims, defenses or any other challenges under or pursuant to the Bankruptcy Code or applicable non-bankruptcy law. The First Lien Documents are valid and enforceable by each of the First Lien Secured Parties, the Credit Agreement Agent and the First Lien Notes Trustee, as applicable, for the benefit of the First Lien Secured Parties against each of the applicable Debtors. The First Lien Obligations constitute allowed claims against the applicable Debtors' estates. No claim of or cause of action held by the Debtors or their estates exists against any of the First Lien Secured Parties or their agents, whether arising under applicable state or federal law (including, without limitation, any recharacterization, subordination, avoidance, or other claims arising under or pursuant to sections 105, 510, or 542 through 553 of the Bankruptcy Code), or whether arising under or in connection with any of the First Lien Documents (or the transactions contemplated thereunder), First Lien Obligations, or

[3] Nothing shall prejudice the rights of any party-in-interest including, but not limited to, the Debtors and the First Lien Secured Parties, to challenge the validity, priority, enforceability, seniority, avoidability, perfection or extent of any such liens and/or security interests.

Prepetition First Priority Liens, including without limitation, any right to assert any disgorgement or recovery.

e. Releases by the Debtors: Except with respect to the Disputed Collateral (as defined below), each of the Debtors and the Debtors' estates, on its own behalf and on behalf of its past, present and future predecessors, successors, heirs, subsidiaries, and assigns (collectively, the "Releasors") shall to the maximum extent permitted by applicable law, unconditionally, irrevocably and fully forever release, remise, acquit, relinquish, irrevocably waive and discharge each of the First Lien Secured Parties (other than any Affiliated Lender or Affiliated Institutional Lender (each as defined in the Credit Agreement), or any affiliate of the Debtors) and each of their respective former, current, or future officers, employees, directors, agents, representatives, owners, members, partners, financial advisors, legal advisors, shareholders, managers, consultants, accountants, attorneys, affiliates, and predecessors in interest (collectively, the "Releasees") of and from any and all claims, demands, liabilities, responsibilities, disputes, remedies, causes of action, indebtedness and obligations, rights, assertions, allegations, actions, suits, controversies, proceedings, losses, damages, injuries, attorneys' fees, costs, expenses, or judgments of every type, whether known, unknown, asserted, unasserted, suspected, unsuspected, accrued, unaccrued, fixed, contingent, pending, or threatened including, without limitation, all legal and equitable theories of recovery, arising under common law, statute or regulation or by contract, of every nature and description that exist on the date hereof relating to any of the First Lien Documents, or the transactions contemplated under such documents, including, without limitation, (i) any so-called "lender liability" or equitable subordination claims or defenses, (ii) any and all claims and causes of action arising under title 11 of the United States Code, and (iii) any and all claims and causes of action regarding the

validity, priority, perfection or avoidability of the liens or claims of the First Lien Secured Parties. The Debtors' acknowledgment and stipulations, and releases shall be binding on the Debtors and their respective representatives, successors and assigns and, subject to any action timely commenced by a Committee before the Investigation Termination Date (as defined below), on each of the Debtors' estates, all creditors thereof and each of their respective representatives, successors and assigns, including, without limitation, any trustee or other representative appointed in these Chapter 11 Cases, whether such trustee or representative is appointed in chapter 11 or chapter 7.

f. Disputed Collateral. Notwithstanding anything to the contrary contained herein, the Debtors do not stipulate that the First Lien Secured Parties or the Second Lien Secured Parties have valid, binding, perfected, enforceable, and non-avoidable liens on and security interests in: (i) the Debtors' investment in the Federated Treasury Obligations Fund, TOIXX Fund No. 68 (the "Treasury Fund") as of the Petition Date (until such time as such investment is ultimately determined by final non-appealable Order of the Court (or another court of competent jurisdiction) to be Unencumbered Cash or Cash Collateral, the "Disputed Cash"); and (ii) all copyrights registered by the Debtors with the United States Copyright Office after July 5, 2012 and before the Petition Date, and perfected prepetition within the 90 days prior to the Petition Date (the "Disputed Copyrights," and together with the Disputed Cash, the "Disputed Collateral"). The First Lien Secured Parties and the Debtors each reserve all rights, claims, and defenses with respect to the Disputed Collateral. Unless otherwise ordered by the Court, on subsequent notice and a hearing, the Debtors retain standing to bring any claims relating to Disputed Collateral on behalf of the Debtors' estates.

g. Affiliated Lender. Notwithstanding anything to the contrary contained herein, (i) the Debtors' Stipulations, including any acknowledgements, agreements, stipulations, or releases contained in this paragraph D, shall not apply to any Affiliated Lender, Affiliated Institutional Lender (each as defined in the Credit Agreement), or any affiliate of the Debtors, or any claims or obligations held by such party, (ii) the Debtors and all other parties in interest reserve all rights, claims, and defenses with respect thereto and (iii) unless otherwise ordered by the Court, on subsequent notice and a hearing, the Debtors retain standing to bring any claims against such parties on behalf of the Debtors' estates. Nothing in this Order shall be deemed an admission, finding or determination that there exists any claims or causes of action by the Debtors or any such party against any Affiliated Lender or Affiliated Institutional Lender and nothing in this Order (including, without limitations, any releases granted in this Order) shall be deemed to prejudice, waive or release the rights, claims, privileges and defenses of any Affiliated Lender or Affiliated Institutional Lender against or with respect to the Debtors or any party, including (without limitation) any under the First Lien Documents, the Second Lien Documents or otherwise

E. Approved Budget. Attached hereto as Exhibit A is a 13-week cash flow forecast setting forth all projected cash receipts and cash disbursements on a weekly basis (the "Approved Budget"). The Approved Budget is an integral part of this Interim Order and has been relied upon by the First Lien Secured Parties in consenting to this Interim Order and to permit the use of the Cash Collateral. The Debtors represent and warrant to the First Lien Secured Parties and this Court that the Approved Budget includes and contains the Debtors' best estimate of all operational receipts and all operational disbursements, fees, costs, and other expenses that will be payable, incurred and/or accrued by any of the Debtors during the period covered by the

Approved Budget and that such operational disbursements, fees, costs, and other expenses will be timely paid in the ordinary course of business pursuant to and in accordance with the Approved Budget unless such operational disbursements, fees, costs, and other expenses are not incurred or otherwise payable. The Debtors further represent that the Approved Budget is achievable and will allow the Debtors to operate in the Chapter 11 Cases and pay postpetition administrative expenses as they come due. The Debtors shall be required to provide to the advisors of that certain *ad hoc* group of First Lien Secured Parties (the "First Lien Group") and advisors to the Credit Agreement Agent, a Budget Variance Report (as defined below) in accordance with the provisions of paragraph 6L.c of this Interim Order.

F. Use of Cash Collateral. An immediate and critical need exists for the Debtors to use the Cash Collateral for (i) working capital purposes; (ii) other general corporate purposes of the Debtors; and (iii) subject to the Final Hearing and entry of the Final Order, the satisfaction of the costs and expenses of administering the Chapter 11 Cases, provided that the Debtors shall be required to satisfy (and shall be deemed to have satisfied) any costs and expenses incurred pursuant to sub-clause (iii) *first* from unencumbered cash (which shall include, solely for the waterfall purposes set forth in this Interim Order, any cash encumbered solely by Adequate Protection Liens (as defined below)), including any Disputed Cash that is ultimately determined by final non-appealable order of the Court (or another court of competent jurisdiction) to be unencumbered (collectively, the "Unencumbered Cash"),[4] *second* from Disputed Cash and third from Cash Collateral so as to avoid immediate and irreparable harm to their estates and the value of their assets.

[4] Without affecting the waterfall provisions set forth herein, and to the extent there is no readily identifiable Unencumbered Cash available, the costs of administering the estate may be paid from the Treasury Fund; provided that such costs shall be deemed to have been first satisfied from, in accordance with the waterfall provisions hereof, any Unencumbered Cash that may ultimately be determined to exist by final, non-appealable order of the Bankruptcy Court (or other court of competent jurisdiction).

G. Consent by First Lien Secured Parties. The Collateral Agents (as defined below) and First Lien Group (as defined below) have consented to, conditioned on the entry of this Interim Order, the Debtors' proposed use of Cash Collateral, on the terms and conditions set forth in this Interim Order, and such consent is binding on all First Lien Secured Parties.

H. Adequate Protection. The adequate protection provided to the Secured Parties, as set forth more fully in paragraph 6 of this Interim Order, for any diminution in the value of the Secured Parties' interest in the Prepetition Collateral from and after the Petition Date resulting from the imposition of the automatic stay pursuant to section 362(a) of the Bankruptcy Code, the use, sale, or lease of the Cash Collateral under section 363 of the Bankruptcy Code, or the liens and security interests granted in respect of the Intercompany Loan (as defined below) is consistent with and authorized by the Bankruptcy Code and is offered by the Debtors to protect such parties' interests in the Prepetition Collateral in accordance with sections 361, 362, 363 and 364 of the Bankruptcy Code. The adequate protection provided herein and other benefits and privileges contained herein are necessary in order to (i) protect the Secured Parties from the diminution of their respective interests in the value of their Prepetition Collateral and (ii) obtain the foregoing consents and agreements.

I. Good Cause Shown; Best Interest. The Debtors have requested immediate entry of this Interim Order pursuant to Bankruptcy Rule 4001(b)(2) and E.D.N.Y. Local Bankruptcy Rule 4001-5. Absent entry of this Interim Order, the Debtors' businesses, properties, and estates will be immediately and irreparably harmed. This Court concludes that good cause has been shown and entry of this Interim Order is in the best interests of the Debtors' respective estates and creditors as its implementation will, among other things, allow for the continued operation of

the Debtors' existing businesses and enhance the Debtors' prospects for a successful reorganization.

J. No Liability to Third Parties. The Debtors stipulate and the Court finds that in permitting the Debtors to use the Cash Collateral, or in taking any other actions permitted by this Interim Order, none of the Secured Parties shall (i) have liability to any third party or be deemed to be in control of the operation of any of the Debtors or to be acting as a "controlling person," "responsible person," or "owner or operator" with respect to the operation or management of any of the Debtors (as such term, or any similar terms, are used in the Internal Revenue Code, the United States Comprehensive Environmental Response, Compensation and Liability Act, as amended, or any other Federal or state statute) or (ii) owe any fiduciary duty to any of the Debtors, their creditors or estates, or shall constitute or be deemed to constitute a joint venture or partnership with any of the Debtors.

K. Section 552(b). Each of the First Lien Secured Parties shall be entitled to all of the rights and benefits of section 552(b) of the Bankruptcy Code. Subject to the Final Hearing and entry of the Final Order, the "equities of the case" exception under section 552(b) of the Bankruptcy Code shall not apply to the First Lien Secured Parties with respect to proceeds, product, offspring, or profits with respect to any of the Collateral; provided, however that the Debtors and all parties in interest reserve the right to argue for a carve-out from the First Lien Secured Parties' collateral pursuant to the "equities of the case" exception under section 552(b) of the Bankruptcy Code based on and in an amount equal to the depletion (after giving effect to the Restored Cash Amount (as defined below)) of the Disputed Cash that is ultimately determined by final non-appealable Order of the Court (or another court of competent

jurisdiction) to be Unencumbered Cash, and the First Lien Secured Parties reserve all rights, defenses and counterclaims with respect thereto.

L. Notice. The Interim Hearing is being held pursuant to the authorization of Bankruptcy Rule 4001 and E.D.N.Y. Local Bankruptcy Rule 4001-5. Notice of the Interim Hearing and the emergency relief requested in the Motion has been provided by the Debtors, whether by facsimile, electronic mail, overnight courier, or hand delivery, on July 2, 2013, to certain parties-in-interest, including: (a) the U.S. Trustee, (b) the 30 largest non-insider unsecured creditors of the Debtors on a consolidated basis, (c) the Credit Agreement Agent, (d) Davis Polk & Wardwell LLP, as counsel to the Credit Agreement Agent, (e) the First Lien Notes Trustee, (f) Katten Muchin Rosenman LLP, as counsel to the First Lien Notes Trustee, (g) Milbank, Tweed, Hadley & McCloy LLP, as counsel to the First Lien Group (as defined below), (h) the indenture trustees under the Debtors' prepetition senior unsecured notes, senior PIK notes, and senior subordinated discount notes; (i) the Internal Revenue Service and (j) the United States Attorney for the Eastern District of New York. Under the circumstances, such notice of the Motion, the relief requested therein and the Interim Hearing complies with Bankruptcy Rules 4001(b), (c), and (d), the E.D.N.Y. Local Bankruptcy Rules, and the Financing Guidelines.

Based upon the foregoing, and upon the record made before this Court at the Interim Hearing, and good and sufficient cause appearing therefor,

**IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT**:

1. Approval of Interim Order. The Motion is approved on the terms and conditions set forth in this Interim Order. Any objections that have not previously been withdrawn are hereby overruled. This Interim Order shall become effective immediately upon its entry.

2. Authorization to Use Cash Collateral. Pursuant to this Interim Order, the Debtors are authorized on an interim basis, subject to entry of a Final Order, to use Cash Collateral for (i) working capital purposes; (ii) other general corporate purposes of the Debtors; and (iii) subject to the Final Hearing and entry of the Final Order, the satisfaction of the costs and expenses of administering the Chapter 11 Cases, provided that the Debtors shall be required to satisfy (and shall be deemed to have satisfied) any costs and expenses incurred pursuant to sub-clause (iii) *first* from Unencumbered Cash, *second* from Disputed Cash and third from Cash Collateral, in each case in accordance with the Approved Budget (subject to permitted variances) through and including the Termination Date (as defined below) (the "Cash Collateral Period"). To the extent that Cash Collateral of any Debtor is used by another Debtor, the Debtor funding such use shall have an allowed superpriority claim junior in priority only to the claims of the Secured Parties, including those set forth herein. Moreover, to the extent that Cash Collateral (including, for the avoidance of doubt, any Disputed Collateral that is determined by order of the Court to be Cash Collateral) of any Debtor is used by an affiliate that is not a Debtor to fund operations, such intercompany transfer shall be, in accordance with the Approved Budget and evidenced through the issuance of a first priority senior secured promissory note or by other means sufficient to provide the Debtor with a valid and enforceable secured claim against the recipient of such funds; provided, however, that any such intercompany transfer to The Hampton Brown Company LLC shall be made in the ordinary course of business in accordance with the Approved Budget; *provided*, *further*, *however*, that any such transfers to The Hampton Brown Company LLC shall not exceed two million dollars ($2,000,000). The Debtors shall segregate (or hereby shall be deemed to have segregated) Cash Collateral (including, for the avoidance of doubt, any Disputed Cash that is ultimately determined by order of the Court to be Cash

Collateral) and continuously track (or hereby shall be deemed to have continuously tracked) the deposit and use of all such collateral in a manner that satisfies (and hereby is deemed to satisfy) any requirement that the Secured Parties trace such collateral in accordance with any provisions of the Uniform Commercial Code, the Bankruptcy Code, or other applicable law.

3. Refund of Prepetition Principal Payments. Within five days after the Investigation Termination Date, the Debtors shall refund $8,883,986.42 from Cash Collateral to the Treasury Fund, which amount reflects the Debtors' prepetition principal payments due and payable on June 28, 2013 on account of the Term Loan Facilities (as defined in the Credit Agreement), to the extent that no Claims and Defenses (as defined below) have been brought with respect thereto.

4. Replacement of Disputed Cash Used For Operations Postpetition. To the extent the Debtors are required to transfer Disputed Cash to an account that is subject to the Secured Parties' liens (an "Encumbered Cash Account") on account of projected postpetition operational expenses, any such advance shall be senior to any and all prepetition liens and security interests of the Secured Parties, but junior in priority to the Adequate Protection Liens (as defined herein); provided, however, that no more than $25 million, in the aggregate, shall be transferred on account of such expenses. To the extent that the funds transferred to the Encumbered Cash Account are not needed to fund projected postpetition operational expenses, the Debtors will restore any such amount to the Treasury Fund as soon as practicable (the "Restored Cash Amount"). To the extent the Debtors are required to transfer any cash from the Encumbered Cash Account to Cengage Leaning, Inc. on account of realized postpetition operational expenses, the Debtors will reflect such transfer from the Encumbered Cash Account with a secured loan from Cengage Learning Acquisitions, Inc. to Cengage Learning, Inc. (the

"Intercompany Loan"). The Intercompany Loan shall be senior to any and all prepetition liens and security interests of the Secured Parties, but junior in priority to the Adequate Protection Liens (as defined herein). Upon receipt of sufficient Cash Collateral, the Intercompany Loan will be repaid (the "Loan Repayment") and restored to the Treasury Fund as soon as practicable. The Restored Cash Amount and the Loan Repayment will be deemed "Disputed Cash" under this Interim Order, unless and until, and solely to the extent that such Disputed Cash is ultimately determined by final non-appealable Order of the Court (or another court of competent jurisdiction) to be Unencumbered Cash or Cash Collateral. Notwithstanding anything herein to the contrary, to the extent that the Debtors use Disputed Cash to fund operations postpetition (including for working capital or other general corporate purposes) and do restore such amounts to the Treasury Fund pursuant to this paragraph 4, the Debtors and all parties in interest shall be deemed to have waived any right to assert, under section 552 of the Bankruptcy Code or otherwise, that the proceeds, product, offspring, or profits thereof are not subject to the Secured Parties' liens or proceeds of the Secured Parties' liens (including, in each case, any Adequate Protection Liens (as defined below)).

5. Termination Event. Notwithstanding anything contained herein, the authority for use of Cash Collateral shall terminate (the "Termination Date") upon the earlier to occur of (i) the date that is 135 day after the Petition Date, (ii) three days after notice of the date upon which any Event of Default (as defined below) occurs and is continuing, (iii) the date that any Debtor or any other party in interest with proper standing granted by order of the Court (or another court of competent jurisdiction) asserts, in a pleading filed with the Court (or another court of competent jurisdiction), a claim or challenge against any of the Secured Parties contrary to the Debtors' acknowledgements, stipulations and releases contained herein; and (iv) the date

that any Debtor shall file a motion seeking any modification or extension of this Interim Order without the prior written consent of the Credit Agreement Agent and the holders of a sixty-six and two-thirds of the First Lien Obligations held by the members of First Lien Group (the "Requisite First Lien Lenders"). For the avoidance of doubt, the authority for the use of Cash Collateral shall not terminate if the Debtors assert a claim or challenge against any of the Secured Parties with respect to any liens or security interests in the Disputed Collateral, and the Debtors expressly retain the right to assert such a claim or challenge with respect to such Disputed Collateral, and the Secured Parties expressly reserve their rights, objections and defenses with respect to any such claim or challenge brought by the Debtors or any other party.

6. Secured Parties' Adequate Protection. The Secured Parties are entitled pursuant to sections 361, 363(c) and 364 of the Bankruptcy Code to adequate protection of their interests in the Prepetition Collateral (including Cash Collateral) to the extent of any diminution in the value of the Secured Parties' interest in the Prepetition Collateral from and after the Petition Date in any way resulting from the imposition of the automatic stay pursuant to section 362(a) of the Bankruptcy Code, the use, sale, or lease of the Cash Collateral under section 363 of the Bankruptcy Code or the liens and security interests granted in respect of the Intercompany Loan. The Credit Agreement Agent and the First Lien Notes Trustee (collectively, the "Collateral Agents"), in each case, on behalf of itself and for the benefit of each of the respective First Lien Secured Parties, and the Second Lien Notes Trustee, on behalf of itself and for the benefit of each of the Second Lien Secured Parties, are hereby granted, to the extent of any diminution in value of their interests in the Prepetition Collateral from and after the Petition Date, the following (collectively, the "Prepetition Adequate Protection Obligations"):

a. Adequate Protection Liens. Valid, binding, enforceable and perfected security interests in and liens upon (the "Adequate Protection Liens") all property, whether now owned or hereafter acquired or existing and wherever located, of each Debtor and each Debtor's "estate" (as created pursuant to section 541(a) of the Bankruptcy Code), property of any kind or nature whatsoever, real or personal, tangible or intangible, and now existing or hereafter acquired or created, including, without limitation, all cash, accounts, inventory, goods, contract rights, instruments, documents, chattel paper, patents, trademarks, copyrights, and licenses therefor, accounts receivable, receivables and receivables records, general intangibles, payment intangibles, tax or other refunds, insurance proceeds, letters of credit, contracts, owned real estate, real property leaseholds, fixtures, deposit accounts, commercial tort claims, securities accounts, instruments, investment property, letter-of-credit rights, supporting obligations, machinery and equipment, real property, leases (and proceeds from the disposition thereof), all of the issued and outstanding capital stock of each Debtor, other equity or ownership interests, including equity interests in subsidiaries and non-wholly-owned subsidiaries (including the Debtors' equity interests comprising 35% of the non-Debtor international subsidiaries to the extent there are no material adverse tax consequences as reasonably determined by the Debtors, the Credit Agreement Agent and the Requisite First Lien Lenders), money, investment property, and causes of action (including causes of action arising under section 549 of the Bankruptcy Code and any related action under section 550 of the Bankruptcy Code) and subject to entry of the Final Order, the proceeds of any causes of action under sections 502(d), 544, 545, 547, 548, 550 (except as provided above) or 553 of the Bankruptcy Code (the "Avoidance Actions"), Cash Collateral, and all cash and non-cash proceeds, rents, products, substitutions, accessions, and profits of any of the collateral described above, documents, vehicles, intellectual property,

securities, partnership or membership interests in limited liability companies and capital stock, including, without limitation, the products, proceeds and supporting obligations thereof, whether in existence on the Petition Date or thereafter created, acquired, or arising and wherever located (all such property, other than the Prepetition Collateral in existence immediately prior to the Petition Date, being collectively referred to as, the "Postpetition Collateral" and collectively with the Prepetition Collateral, the "Collateral"), which liens and security interests shall be senior to any and all others liens and security interests, but subject to (A) the Carve Out (as defined below) and (B) Permitted Liens; provided, however, that, other than in respect of any Adequate Protection Lien granted on or Superpriority Claim payable from the proceeds of any Avoidance Action, no particular Secured Party shall be entitled to any recovery (other than in respect of any such Secured Party's unsecured claim) from any proceeds of a successful Avoidance Action against such Secured Party. The Adequate Protection Liens granted to the Credit Agreement Agent and the First Lien Notes Trustee (collectively, the "First Priority Adequate Protection Liens") shall be *pari passu* with one another, and the Adequate Protection Liens granted to the Second Lien Notes Trustee shall be junior and subordinate to the First Priority Adequate Protection Liens as provided in that certain Second Lien Intercreditor Agreement dated as of July 5, 2012 among Cengage Learning Acquisitions, Inc. (f/k/a TL Acquisitions, Inc.), as Borrower, Cengage Learning Holdco, Inc. (f/k/a TL US Holdco, Inc.,), as Holdings, Cengage Learning Holdings II, L.P. (f/k/a TL Holdings II L.P.), as Parent, JPMorgan Chase Bank, N.A, as Senior Representative for the Credit Agreement Secured Parties, The Bank of New York Mellon, as Representative for the Initial Second Priority Debt Parties, The Bank of New York Mellon, as Representative for the Additional Senior Debt Parties under the 11.5% Senior Secured Notes Indenture, and each additional Representative from time to time party thereto. For the avoidance

of doubt, such Adequate Protection Liens shall be deemed to be effective and perfected automatically as of the Petition Date and without the necessity of the execution by the Debtors, or the filing of, as applicable, mortgages, security agreements, pledge agreements, financing statements, state or federal notices, recordings (including, without limitation, any recordings with the United States Copyright Office) or other agreements and without the necessity of taking possession or control of any Collateral. Except as otherwise provided herein, under no circumstances shall the Adequate Protection Liens be made subordinate to the lien of any other party, no matter when arising. Notwithstanding anything to the contrary contained herein, the First Lien Secured Parties reserve all of their rights to assert claims pursuant to section 507(b) of the Bankruptcy Code.

b. Superpriority Claims. An allowed superpriority administrative expense claim pursuant to sections 503(b), 507(a) and 507(b) of the Bankruptcy Code as provided for in section 507(b) of the Bankruptcy Code (the "Superpriority Claim"). The Superpriority Claim shall be subject only to the Carve-Out, and shall be an allowed claim against each of the Debtors (jointly and severally) with priority over any and all administrative expenses and all other claims against the Debtors now existing or hereafter arising, of any kind whatsoever, including, without limitation, all other administrative expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code, and over any and all other administrative expenses or other claims arising under any other provision of the Bankruptcy Code, including, without limitation, sections 105, 326, 327, 328, 330, 331, 503(b), 507(a), 507(b), or 1114 of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment lien or other nonconsensual lien, levy or attachment. The Superpriority Claim, subject to entry of the Final Order to the extent provided therein, shall be payable from and have recourse to the

proceeds of the Avoidance Actions; provided, however, that, other than in respect of any Adequate Protection Lien granted on or Superpriority Claim payable from the proceeds of any Avoidance Action, no particular Secured Party shall be entitled to assert a Superpriority Claim against any proceeds of a successful Avoidance Action against such Secured Party (other than in respect of any such Secured Party's unsecured claim). The Superpriority Claim granted to the Credit Agreement Agent and the First Lien Notes Trustee (collectively, the "First Priority Superpriority Claims") shall be *pari passu* with one another, and the Superpriority Claim granted to the Second Lien Notes Trustee shall be immediately junior to the First Priority Superpriority Claims. The allowed Superpriority Claim also shall be payable from and have recourse to all unencumbered pre- and post-petition property of the Debtors. Other than the Carve-Out, no cost or expense of administration under sections 105, 503 or 507 of the Bankruptcy Code or otherwise, including any such cost or expense resulting from or arising after the conversion of the any of the Chapter 11 Cases under section 1112 of the Bankruptcy Code, shall be senior to, or *pari passu* with, the First Priority Superpriority Claims.

c. Fees and Expenses. Within five (5) days of receipt of invoices therefor, payment, without further order of, or application to, the Bankruptcy Court or notice to any party, of all outstanding prepetition and all postpetition (a) reasonable and documented fees and expenses incurred by the First Lien Group, including, without limitation, the reasonable and documented fees and expenses incurred by Milbank Tweed, Hadley & McCloy LLP, as counsel to the First Lien Group, and Houlihan Lokey Capital, Inc., as financial advisors to the First Lien Group and (b) reasonable and documented fees and expenses incurred by the Credit Agreement Agent, including, without limitation, the reasonable and documented fees and expenses incurred by Davis Polk & Wardwell LLP, as counsel to the Credit Agreement Agent, and Blackstone

Advisory Partners L.P., as financial advisors to the Credit Agreement Agent and (c) reasonable and documented fees and expenses of the First Lien Notes Trustee, including, without limitation, the reasonable and documented fees and expenses incurred by Katten Muchin Rosenman LLP, as counsel to the First Lien Notes Trustee; provided, however, that all such fees and expenses provided for in this paragraph 6c shall be satisfied solely from Cash Collateral; provided; further, that such invoices shall also be provided to the United States Trustee on five (5) days notice.

d. Reporting and Budget Compliance. The Debtors shall comply with the Approved Budget, the initial version of which is attached hereto as Exhibit A (the "Initial Approved Budget"). Every four weeks, the Debtors shall deliver an updated budget for the following 13-week period (each a "Proposed Budget") (with the first Proposed Budget to be delivered during the week of July 22, 2013) to the advisors to the Credit Agreement Agent and the advisors to the First Lien Group on a professional eyes' only basis; *provided*, that the Proposed Budget may be shared with Credit Agreement Agent. Every week (beginning with the first full week after the Petition Date), on the third business day of such week, the Debtors shall deliver to the advisors to the Credit Agreement Agent and the advisors to the First Lien Group, on a professional eyes' only basis, a weekly variance report from the previous week comparing the actual cash receipts and disbursements of the Debtors with the receipts and disbursements in the Approved Budget (the "Budget Variance Report"); *provided*, that the Budget Variance Report may be shared with the Credit Agreement Agent. The Debtors shall ensure that at no time shall any of the following occur: (i) an unfavorable variance by the lesser of (x) $30 million or (y) 20% or more from the "Total Receipts" line item in the Approved Budget, tested every other week on a cumulative rolling four (4) week basis; (to begin on the fifth week); (ii) an unfavorable variance by 15% or more from the "Total Disbursements", tested every other week

on a cumulative rolling four (4) week basis (such cumulative rolling basis to begin on the fifth week), provided, that, "Total Disbursements" shall include any disbursements made by the Debtors (including, but not limited to, any payments, expenditures or advances) other than (a) professional fees and expenses related to adequate protection and (b) professional fees and expenses relating to administration of these Chapter 11 Cases. The Initial Approved Budget will be the first Approved Budget for reporting and permitted variance purposes. Each Proposed Budget provided to the advisors to the Credit Agreement Agent and the advisors to the First Lien Group shall be of no force and effect unless and until it is approved by the such advisors and until such approval is given, the prior Approved Budget shall remain in effect. The advisors to the Credit Agreement Agent and the advisors to the First Lien Group shall approve or reject each Proposed Budget within one week after delivery by the Debtors to such parties (and such parties shall be deemed to have approved the Proposed Budget upon the passage of one week with no objection by either such party). Any such Proposed Budget, upon the approval of the advisors to the Credit Agreement Agent and the advisors to the First Lien Group shall become, as of the date of such approval and for the period of time covered thereby, the Approved Budget, and shall prospectively replace any prior Approved Budget, and the summary of such Approved Budget, substantially in the form of Exhibit A hereto shall be made public.

e. Access to Records. In addition to, and without limiting, whatever rights to access the First Lien Secured Parties have under their respective First Lien Documents, upon reasonable notice, at reasonable times during normal business hours, the Debtors shall permit representatives, agents, and employees of the First Lien Secured Parties (i) to have access to and inspect the Debtors' properties, (ii) to examine the Debtors' books and records, and (iii) to

discuss the Debtors' affairs, finances, and condition with the Debtors' officers and financial advisors.

f. Right to Seek Additional Adequate Protection. This Interim Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, the rights of the First Lien Secured Parties to request additional forms of adequate protection at any time or the rights of the Debtors or any other party to contest such request.

7. Events of Default. The occurrence of any of the following events shall constitute an event of default (collectively, the "Events of Default"):

a. termination of the prepetition restructuring support agreement entered into by the First Lien Group and the Credit Agreement Agent dated as of July 2, 2013 (the "Restructuring Support Agreement");

b. the Debtors shall not have filed with the Court a plan of reorganization in form and substance consistent with the Restructuring Support Agreement and acceptable to the Credit Agreement Agent and the Requisite First Lien Lenders (the "Plan") and a disclosure statement in form and substance acceptable to the Credit Agreement Agent and the Requisite First Lien Lenders with respect thereto (the "Disclosure Statement") on or before 45 days following the Petition Date;

c. the Plan shall not have been confirmed pursuant to an order of the Court in form and substance acceptable to the Credit Agreement Agent and the Requisite First Lien Lenders and consummated within 135 days of the Petition Date;

d. the Court shall have failed to have entered the Final Order in form and substance acceptable to the Credit Agreement Agent and the Requisite First Lien Lenders within 30 days of the Petition Date;

e. the Court shall have entered an order dismissing any of the Chapter 11 Cases;

f. the Court shall have entered an order converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code;

g. the Court shall have entered an order appointing a chapter 11 trustee, responsible officer, or any examiner with enlarged powers relating to the operation of the businesses in the Chapter 11 Cases, unless consented to in writing by the Credit Agreement Agent and the Requisite First Lien Lenders; provided, however, that nothing herein shall preclude any party from seeking to appoint an examiner;

h. the Court shall have entered an order granting relief from the automatic stay to the holder or holders of any security interest to permit foreclosure (or the granting of a deed in lieu of foreclosure or the like) on any of the Debtors' assets which have an aggregate value in excess of $50,000,000;

i. the Court shall have entered an order (i) reversing, amending, supplementing, vacating, or otherwise modifying this Interim Order without the consent of the Credit Agreement Agent and the Requisite First Lien Lenders or (ii) avoiding or requiring repayment of any portion of the payments made pursuant to the terms hereof;

j. five days after notice provided by, as applicable, the Credit Agreement Agent, the First Lien Notes Trustee or the affected First Lien Secured Party that the Debtors have failed to make any payment to any First Lien Secured Party when due under the terms hereof;

k. five days after notice provided by the Credit Agreement Agent or the First Lien Group that the Debtors have failed to comply with the Approved Budget (including any variance) or any other material terms hereof;

l. the Debtors shall have filed a motion seeking to create any postpetition liens or security interests other that those granted or permitted pursuant hereto; and

m. the Debtors lose the exclusive right to file and solicit acceptances of a plan of reorganization; or

n. (i) the Debtors shall withdraw or revoke the Plan, or file, propound or otherwise support any plan of reorganization other than the Plan (as it may be amended in accordance with the Restructuring Support Agreement), or lose the exclusive right to file and solicit acceptances of a plan of reorganization or (ii) other creditors of the Debtors shall file a plan of reorganization other than the Plan (as it may be amended in accordance with the Restructuring Support Agreement).

8. Rights and Remedies Upon Event of Default. Upon occurrence of an Event of Default and following the giving of seven (7) days' notice to the Debtors, the United States Trustee and the Committee (the "Notice Period"), the First Lien Secured Parties may exercise the remedies available to them under this Interim Order and applicable non-bankruptcy law, including but not limited to revoking the Debtors' right, if any, to use Cash Collateral and collecting and applying any proceeds of the Collateral in accordance with the terms of this Interim Order and the Lien Documents. Unless the Court orders otherwise during the Notice Period, the automatic stay pursuant to section 362 of the Bankruptcy Code shall be automatically terminated at the end of the Notice Period, without further notice or order of the Court and the First Lien Secured Parties shall be permitted to exercise all rights and remedies set forth in this

Interim Order, the First Lien Documents, and as otherwise available at law without further order or application or motion to the Court, and without restriction or restraint by any stay under section 362 or 105 of the Bankruptcy Code. Notwithstanding anything herein to the contrary, the automatic stay pursuant to section 362 of the Bankruptcy Code shall be automatically terminated for the purposes of giving any notice contemplated hereunder, under any of the Lien Documents or under the Restructuring Support Agreement by the Credit Collateral Agent or the First Lien Secured Parties.

9. Effect of Stipulations on Third Parties. The stipulations and admissions contained in this Interim Order, including, without limitation, in paragraph D of this Interim Order, shall be binding upon the Debtors and their affiliates and any of their respective successors (including, without limitation, any chapter 7 or chapter 11 trustee appointed or elected for the Debtor) in all circumstances. The stipulations and admissions contained in this Interim Order, including, without limitation, in paragraph D of this Interim Order, shall be binding upon all other parties in interest, including, without limitation, any committee appointed in these Chapter 11 Cases and any other person or entity acting on behalf of the Debtors' estate, unless and except to the extent that, upon three (3) days' prior written notice to the Debtors, the Collateral Agents and the First Lien Group, (i) a party in interest with proper standing granted by order of the Court (or another court of competent jurisdiction) has timely filed an adversary proceeding or contested matter (subject to the limitations contained herein, including, *inter alia*, in paragraph 12) by no later than the date that is the earlier of 75 days from the entry of this Interim Order or 60 days from the date of formation of any official committee of unsecured creditors (the "Committee") or such later date (x) as has been agreed to, in writing, by the Credit Agreement Agent and the Requisite First Lien Lenders in their sole discretion or (y) as has been

ordered by the Court (the "Investigation Termination Date"), (ii) challenging the validity, enforceability, priority or extent of the First Lien Obligations or (iii) otherwise asserting or prosecuting any action for preferences, fraudulent transfers or conveyances, other avoidance power claims or any other claims, counterclaims or causes of action, objections, contests or defenses to the extent released by the Debtors under paragraph D (collectively, "Claims and Defenses") against any of the First Lien Secured Parties or their affiliates, representatives, attorneys or advisors in connection with matters related to the Lien Documents or the Prepetition Collateral, and (iv) there is a final order in favor of the plaintiff sustaining any such challenge or claim in any such timely filed adversary proceeding or contested matter; *provided* that any challenge or claim shall set forth with specificity the basis for such challenge or claim and any challenges or claims not so specified prior to the expiration of the Investigation Termination Date shall be forever deemed waived, released and barred. If no such adversary proceeding or contested matter is timely filed, (x) the First Lien Obligations shall constitute allowed claims, not subject to counterclaim, setoff, recoupment, reduction, subordination, recharacterization, defense or avoidance, for all purposes in the Case and any subsequent chapter 7 case, (y) the liens and security interests securing the First Lien Obligations shall be deemed to have been, as of the Petition Date, legal, valid, binding and perfected, not subject to recharacterization, subordination or avoidance, (z) the First Lien Obligations, the liens and security interests securing the First Lien Obligations, and the First Lien Secured Parties shall not be subject to any other or further challenge by any party in interest seeking to exercise the rights of any Debtor's estate, including, without limitation any successor thereto (including, without limitation, any chapter 7 or 11 trustee appointed or elected for the Debtor). If any such adversary proceeding or contested matter is timely filed, the stipulations and admissions contained in paragraph D of this Interim

Order shall nonetheless remain binding and preclusive (as provided in the second sentence of this paragraph) on any committee appointed in this Case and on any other person or entity, except to the extent that such findings and admissions were expressly challenged in such adversary proceeding or contested matter prior to the Investigation Termination Date. Nothing in this Interim Order vests or confers on any Person (as defined in the Bankruptcy Code), including any committee appointed in this Case, standing or authority to pursue any cause of action belonging to the Debtors or their estates, including, without limitation, Claims and Defenses with respect to the First Lien Documents or the First Lien Obligations, and an order of the Court conferring such standing on the Committee or other party-in-interest shall be a prerequisite for the prosecution of a Challenge by the Committee or such other party-in-interest. Nothing in this paragraph 9 shall or shall be deemed to release or benefit any Affiliated Lender or any Affiliated Institutional Lender or any affiliate of the Debtors.

10. Carve-Out. The liens, security interests, and superpriority claims granted herein, including the Adequate Protection Liens, any Superpriority Claims, the Prepetition Liens, and any other liens, claims, or interest of any person, shall be subject and subordinate to the Carve-Out. "Carve-Out" shall mean, upon the Termination Date, the sum of (i) all fees required to be paid to the clerk of the Bankruptcy Court and to the Office of the United States Trustee under section 1930(a) of title 28 of the United States Code plus interest at the statutory rate (without regard to the notice set forth in (iii) below); (ii) fees and expenses of up to $25,000 incurred by a trustee under section 726(b) of the Bankruptcy Code (without regard to the notice set forth in (iii) below); (iii) to the extent allowed at any time, whether by interim order, procedural order or otherwise, all unpaid fees, costs and expenses (the "Professional Fees") incurred by persons or firms retained by the Debtors pursuant to section 327, 328, or 363 of the

Bankruptcy Code or any statutory committee appointed in these Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code (collectively, the "Professional Persons"), before or on the date of delivery by the Credit Agreement Agent of a Carve-Out Trigger Notice (as defined below), whether allowed by the Bankruptcy Court prior to or after delivery of a Carve-Out Trigger Notice (the "Pre-Trigger Date Fees"); and (iv) after the date of delivery of the Carve-Out Trigger Notice (the "Trigger Date"), to the extent incurred after the Trigger Date allowed at any time thereafter, whether by interim order, procedural order or otherwise, the payment of Professional Fees of Professional Persons in an aggregate amount not to exceed $4,000,000, (the amount set forth in this clause (iv) being the "Post-Carve Out Trigger Notice Cap"); provided, however, that the Post-Carve Out Trigger Notice Cap shall be reduced dollar for dollar by the amount of any Unencumbered Cash in the Carve-Out Reserve (as defined below). For purposes of the foregoing, "Carve-Out Trigger Notice" shall mean notice by the Credit Agreement Agent to the Debtors, its lead counsel, the United States Trustee, and lead counsel for any committee appointed in the Chapter 11 Cases, delivered upon the occurrence of a Termination Date under the Interim Order, stating that the Post-Carve Out Trigger Notice Cap has been invoked. For the avoidance of doubt and notwithstanding anything to the contrary herein or in any prepetition loan or financing documents, the Carve-Out shall be senior to all liens and claims, including the Adequate Protection Liens, any Superpriority Claims, the Prepetition Liens, and any other liens, claims, or interest of any person. On the day on which a Carve-Out Trigger Notice is given to the Debtors, such Carve-Out Trigger Notice also shall constitute a demand to the Debtors to utilize all cash on hand as of such date and any available cash thereafter held by any Debtor to fund a reserve in an aggregate amount equal to the accrued and unpaid Pre-Trigger Date Fees, and the Debtors shall deposit and hold any such amounts in a segregated account in trust for the

Professional Persons (the "Carve-Out Reserve") (it being understood that the Secured Parties shall have a lien and security interest in any residual amount of such segregated account). After the Carve-Out Reserve has been fully funded, the Debtors may escrow additional monies in an amount not to exceed the amount of projected Professional Fees reasonably and in good faith anticipated by the Debtors to be incurred by the Debtors for the immediately succeeding 30-day period ("Additional Reserved Funds"), and such Additional Reserved Funds shall reduce on a dollar for dollar basis the Post-Carve Out Trigger Notice Cap; provided, however, notwithstanding anything herein to the contrary, the Carve-Out, the Pre-Trigger Date Fees, the Post-Carve-Out Trigger Cap, and any amounts used to fund any applicable Carve-Out Reserve, in each case shall be satisfied (and shall be deemed to have been satisfied) *first* from Unencumbered Cash, *second* from Disputed Cash and *third* from Cash Collateral.

11. No proceeds of the Prepetition Collateral, Cash Collateral, the Postpetition Collateral (to the extent it constitutes proceeds of Prepetition Collateral or Cash Collateral or there has been diminution in value of the Prepetition Collateral or Cash Collateral) or the Carve-Out shall be used for the purpose of: (a) investigating, objecting to, challenging or contesting in any manner, or in raising any defenses to, the amount, validity, extent, perfection, priority or enforceability of the Secured Obligations, or any liens or security interests with respect thereto, or any other rights or interests of any of the Secured Parties, whether in their capacity as such or otherwise, including with respect to the Adequate Protection Liens, or in asserting any claims or causes of action against any of the Secured Parties (whether in their capacity as such or otherwise), including, without limitation, for lender liability or pursuant to section 105, 510, 544, 547, 548, 549, 550, or 552 of the Bankruptcy Code, applicable non-bankruptcy law or otherwise; (b) seeking to have confirmed any plan of reorganization, plan of liquidation, or asset sale, that,

is not supported by the Credit Agreement Agent and the Requisite First Lien Lenders or does not comply in all respects with the Restructuring Support Agreement; (c) seeking to modify any of the rights granted to the Secured Parties hereunder; (d) preventing, hindering or otherwise delaying the Secured Parties' assertion, enforcement or realization upon any Collateral in accordance with the Lien Documents and this Interim Order; or (e) paying any amount on account of any claims arising before the Petition Date unless such payments are approved by an order of this Court; provided that up to $50,000 of Cash Collateral shall be made available to the Committee for fees and expenses incurred in connection with any Lien Investigation (the "Committee Investigation Budget"); provided, further, however, that any such fees and expenses incurred in connection with any such Lien Investigation shall be satisfied (and shall be deemed to have been satisfied) *first* from any Unencumbered Cash, *second* from Disputed Cash and *third* from Cash Collateral; provided, further, that any such fees and expenses satisfied (or deemed to have been satisfied), whether by Unencumbered Cash, Disputed Collateral or Cash Collateral, shall reduce dollar for dollar the Committee Investigation Budget. The First Lien Secured Parties reserve the right to object to, contest or otherwise challenge any claim incurred in connection with any activities described above (other than as permitted in connection with the Committee Investigation Budget in an amount not exceeding such Committee Investigation Budget) on the ground that such claim should not be allowed, treated or payable as an administrative expense claim for purposes of section 1129(a)(9)(A) of the Bankruptcy Code.

12. No Waiver of First Lien Secured Parties' Rights; Reservation of Rights. Notwithstanding any provision in this Interim Order to the contrary, this Interim Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, any of the First Lien Secured Parties' rights with respect to any person or entity other than the Debtors or with respect

to any other collateral owned or held by any person or entity other than the Debtors. The rights of the First Lien Secured Parties are expressly reserved and entry of this Interim Order shall be without prejudice to, and does not constitute a waiver, expressly or implicitly, of:

o. the First Lien Secured Parties' rights under any of the First Lien Documents;

p. the First Lien Secured Parties' rights to seek any other or supplemental relief in respect of the Debtors;

q. the First Lien Secured Parties' rights to seek modification of the grant of adequate protection provided under this Interim Order so as to provide different or additional adequate protection at any time;

r. any of the First Lien Secured Parties' rights under the Bankruptcy Code or under non-bankruptcy law including, without limitation, to the right to: (i) request modification of the automatic stay of section 362 of the Bankruptcy Code; (ii) request dismissal of the Chapter 11 Cases, conversion of any of the Chapter 11 Cases to cases under chapter 7, or appointment of a chapter 11 trustee or examiner with extended powers, or (iii) propose, subject to section 1121 of the Bankruptcy Code, a chapter 11 plan or plans;

s. any of the First Lien Secured Parties' unqualified right to credit bid up to the full amount of any remaining First Lien Obligations in the sale of any Prepetition Collateral or pursuant to (i) section 363 of the Bankruptcy Code, (ii) a plan of reorganization or a plan of liquidation under section 1129 of the Bankruptcy Code, or (iii) a sale or disposition by a chapter 7 trustee for any Debtor under section 725 of the Bankruptcy Code; or

t. any other rights, claims, or privileges (whether legal, equitable, or otherwise) of the First Lien Secured Parties.

13. Further Assurances. The Debtors shall execute and deliver to the Collateral Agents and the First Lien Group all such agreements, financing statements, instruments, and other documents as they may reasonably request to evidence, confirm, validate, or evidence the perfection of the Adequate Protection Liens granted pursuant hereto.

14. Compliance With Credit Agreement Covenants. The Debtors shall comply will all reporting requirements contained in the First Lien Loan Documents, including any reporting requirements contained in section 2.04(e) of that certain Intellectual Property Security Agreement dated as of July 5, 2007, which shall be provided during the Chapter 11 Cases on no less than a monthly basis.

15. 506(c) Waiver. Subject to the entry of a Final Order, except solely with respect to any Disputed Collateral that is ultimately determined by final non-appealable Order of the Court (or another court of competent jurisdiction) to be unencumbered and is used for the satisfaction of the costs and expenses of administering the Chapter 11 Cases, no costs or expenses of administration which have been or may be incurred in any of the Chapter 11 Cases at any time shall be charged against any First Lien Secured Party, any of the First Lien Obligations, any of their respective claims, or the Collateral pursuant to sections 506(c) or 105(a) of the Bankruptcy Code, or otherwise, without the prior written consent of the Credit Agreement Agent and the Requisite First Lien Lenders, and no such consent shall be implied from any other action, inaction, or acquiescence by any of the First Lien Secured Parties or their respective representatives.

16. Restrictions on Granting Postpetition Claims and Liens. No claim or lien that is *pari passu* with or senior to the claims and liens of any of the First Lien Secured Parties

shall be offered by any Debtor, or granted, to any other person, except in connection with any financing used to pay in full the claims of the First Lien Secured Parties.

17. Automatic Effectiveness of Liens. The Adequate Protection Liens shall not be subject to challenge and shall attach and become valid, perfected, enforceable, non-avoidable, and effective by operation of law as of the Petition Date, having the priority set forth in Paragraph 4 of this Interim Order, without any further action by the Debtors or the First Lien Secured Parties and without the necessity of execution by the Debtors, or the filing or recordation, of any financing statements, security agreements, vehicle lien applications, mortgages, filings with the U.S. Patent and Trademark Office, the U.S. Copyright Office, or the Library of Congress, or other documents or the taking of any other actions. If either of the Collateral Agents hereafter requests that the Debtors execute and deliver to them financing statements, security agreements, collateral assignments, mortgages, or other instruments and documents considered by such agent to be reasonably necessary or desirable to further evidence the perfection of the Adequate Protection Liens, as applicable, the Debtors are hereby directed to execute and deliver such financing statements, security agreements, mortgages, collateral assignments, instruments, and documents, and the Collateral Agents are hereby authorized to file or record such documents in their discretion without seeking modification of the automatic stay under section 362 of the Bankruptcy Code, in which event all such documents shall be deemed to have been filed or recorded at the time and on the date of entry of this Interim Order.

18. No Marshaling/Application of Proceeds. The Collateral Agents shall be entitled to apply the payments or proceeds of the Prepetition Collateral in accordance with the provisions of the First Lien Documents, including any related intercreditor agreements, and in no event shall any of the First Lien Secured Parties be subject to the equitable doctrine of

"marshaling" or any other similar doctrine with respect to any of the Prepetition Collateral for the benefit of any non-First Lien Secured Party.

19. Binding Effect. Subject to Paragraph 9 of this Interim Order, the provisions of this Interim Order shall be binding upon and inure to the benefit of the Secured Parties to the extent and as set forth herein, the Debtors, the Committee, and their respective successors and assigns (including any chapter 7 or chapter 11 trustee hereafter appointed or elected for the estate of the Debtors, an examiner appointed pursuant to section 1104 of the Bankruptcy Code or any other fiduciary appointed as a legal representative of any of the Debtors or with respect to the property of the estate of any of the Debtors). To the extent permitted by applicable law, this Interim Order shall bind any trustee hereafter appointed for the estate of any of the Debtors, whether in these Chapter 11 Cases or in the event of the conversion of any of the Chapter 11 Cases to a liquidation under chapter 7 of the Bankruptcy Code. Such binding effect is an integral part of this Interim Order.

20. Survival. The provisions of this Interim Order and any actions taken pursuant hereto shall survive the entry of any order: (i) confirming any plan of reorganization in any of the Chapter 11 Cases, (ii) converting any of the Chapter 11 Cases to a chapter 7 case, or (iii) dismissing any of the Chapter 11 Cases, and, with respect to the entry of any order as set forth in clause (ii) or (iii) of this Paragraph 20, the terms and provisions of this Interim Order as well as the Adequate Protection Liens and Superpriority Claim shall continue in full force and effect notwithstanding the entry of any such order.

21. Effect of Dismissal of Chapter 11 Cases. If any of the Chapter 11 Cases is dismissed, converted, or substantively consolidated, such dismissal, conversion, or substantive consolidation of these Chapter 11 Cases shall not affect the rights of the First Lien Secured

Parties under this Interim Order, and all of their rights and remedies thereunder shall remain in full force and effect as if the Chapter 11 Cases had not been dismissed, converted, or substantively consolidated. If an order dismissing any of the Chapter 11 Cases is at any time entered, such order shall provide or be deemed to provide (in accordance with Sections 105 and 349 of the Bankruptcy Code) that: (i) subject to Paragraph 9 of this Interim Order, the Prepetition First Priority Liens, Adequate Protection Liens, and Superpriority Claim granted to and conferred upon the First Lien Secured Parties shall continue in full force and effect and shall maintain their priorities as provided in this Interim Order (and that such Superpriority Claim shall, notwithstanding such dismissal, remain binding on all interested parties) and (ii) to the greatest extent permitted by applicable law, this Court shall retain jurisdiction, notwithstanding such dismissal, for the purpose of enforcing the Prepetition First Priority Liens, Adequate Protection Liens, and Superpriority Claim referred to in this Interim Order.

22. Order Effective. This Interim Order shall be effective as of the date of the signature by the Court.

23. No Requirement to Accept Title to Collateral. The First Lien Secured Parties shall not be obligated to accept title to any portion of the Prepetition Collateral in payment of the indebtedness owed to them by the Debtors, in lieu of payment in cash or cash equivalents, nor shall the First Lien Secured Parties be obligated to accept payment in cash or cash equivalents that is encumbered by any interest of any person or entity.

24. Controlling Effect of Interim Order. To the extent any provision of this Interim Order conflicts or is inconsistent with any provision of the Motion or any prepetition agreement, the provisions of this Interim Order shall control to the extent of such conflict.

25. Final Hearing. A final hearing on the Motion shall be heard before the Honorable Judge Elizabeth S. Stong on _____, 2013 at __:__ a.m./p.m. at the United States Bankruptcy Court, 271 Cadman Plaza East, Courtroom ___, Brooklyn, NY 11201. Any objections shall be filed with the Bankruptcy Court on or before _____, 2013 at 5:00 p.m. (prevailing Eastern Time), and served upon (a) Kirkland & Ellis LLP, 601 Lexington Avenue, New York, NY 10022, Attn: Jonathan S. Henes and Christopher J. Marcus, and Kirkland & Ellis LLP, 300 North LaSalle, Chicago, IL 60654, Attn: Ross M. Kwasteniet, as counsel for the Debtors; (b) Milbank, Tweed, Hadley & McCloy LLP, Attn.: Gregory Bray and Lauren Doyle, as counsel to the First Lien Group; (c) Davis Polk & Wardwell LLP, as counsel to the Credit Agreement Agent, Attn.: Damian S. Schaible and Darren S. Klein, and (d) Katten Muchin Rosenman LLP, Attn.: Karen Dine and David Crichlow, as counsel to the First Lien Notes Trustee.

**Exhibit D**

**Equity Term Sheet**

# Cengage Learning – Equity Term Sheet

THIS TERM SHEET IS NON-BINDING AND DOES NOT CREATE LEGALLY BINDING OBLIGATIONS AMONG THE PARTIES. THE TERMS CONTEMPLATED HEREIN ARE SUBJECT TO, AMONG OTHER THINGS, DEFINITIVE DOCUMENTATION AND ARE FOR DISCUSSION PURPOSES ONLY. CAPITALIZED TERMS NOT OTHERWISE DEFINED HEREIN SHALL HAVE THE MEANINGS ASCRIBED TO THEM IN THE RESTRUCTURING SUPPORT AGREEMENT.

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| **Private Company Status** | The reorganized Debtors (the "Reorganized Debtors") shall not be required to file reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). |
| **Classes of Equity** | Upon consummation of the Agreed Restructuring, there shall be one class of common stock (the "Common Stock") of the reorganized Company, a Delaware corporation (the "Reorganized Company") issued on account of claims under the Agreed Restructuring. The Common Stock shall be uncertificated and shall be issued in electronic format only. |
| **Transferability** | Subject to the requirements of the Securities Act of 1933, as amended, the Common Stock shall not be subject to rights of first refusal, rights of first offer, or any other restrictions on transfer; provided however that the Common Stock may contain reasonable and customary restrictions designed to maintain the Reorganized Company as a private company. |
| **Tag-Along Rights** | The stockholders agreement shall contain tag-along rights that are customary in transactions of this type. |
| **Drag-Along Rights** | The stockholders agreement shall contain drag-along rights that are customary in transactions of this type. |
| **Preemptive Rights** | Each holder of the Reorganized Company's Common Stock who has voted in favor of the Agreed Restructuring Plan shall be entitled to reasonable and customary preemptive rights, subject to customary exceptions. Any proposed elimination of preemptive rights shall require the consent of each affected holder of Common Stock. |
| **Information Rights** | At all times prior to the Reorganized Company completing a Qualified Public Offering (as defined below), the Reorganized Debtors shall provide to the shareholders and any prospective investor (who is not a direct competitor of the Debtors) that has entered into a confidentiality agreement on customary terms and for purposes of evaluating the investment ("Qualified Prospective Investor"), on a reputable password-protected online data system, such as Intralinks, annual reports, quarterly reports, proxy statements and other periodic reports that would |

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| | be required to be filed pursuant to Section 13 or 15(d) of the Exchange Act, prepared as if the Reorganized Debtors were a reporting company under the Exchange Act. The Reorganized Debtors shall hold live quarterly conference calls (with a question and answer period) for shareholders and Qualified Prospective Investors, with dates and dial-in information announced on the password-protected online data system utilized by the Reorganized Debtors at least three (3) days prior to such quarterly calls. |
| **Governance Rights** | Except as otherwise set forth below for the election of directors, each share of Common Stock shall be entitled to one vote and shall be entitled to vote for all such matters that are put to the stockholders for approval under Reorganized Company's governing documents and applicable law. Notwithstanding the foregoing, management and governance of the Reorganized Debtor shall be determined by the Board of Directors (as defined below) for all matters except those that require shareholder approval under applicable law.<br><br>The number of directors on the board of directors of the Reorganized Company (the "Board of Directors") shall be established at seven (7) directors.<br><br>The Board of Directors shall be determined for the first two (2) years following the Plan Effective Date (the "Initial Board Term") as follows:<br><br>(i) One (1) director shall be the Chief Executive Officer of the Reorganized Company (the "CEO");<br><br>(ii) each holder of 15% or more of the outstanding Common Stock of the Reorganized Company, shall be entitled to nominate and have elected one (1) director on the Board of Directors; and<br><br>(iii) the ad hoc committee of Consenting Lenders shall be entitled to elect the remaining directors; provided that no institution shall be entitled to nominate and have elected more than one director on the Board of Directors at any time; provided further, that the Consenting Lenders will consult with the CEO to the extent that any board nominee of the Consenting Lenders is not employed by or otherwise directly affiliated with a Consenting Lender.<br><br>At the end of the Initial Board Term, the Board of Directors shall be redetermined by shareholder vote (which vote shall occur annually) on the same basis set forth for the Initial Board Term above, until such time as the Reorganized Company has completed a Qualified Public Offering. After the Reorganized Company has completed a Qualified Public Offering, the Board of Directors will be elected by holders of its equity securities entitled to vote in the election therefor. |

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| | At all times prior to the Reorganized Company completing a Qualified Public Offering, each holder of 15% or more of the outstanding Common Stock of the Reorganized Company, in addition to the foregoing director rights, shall be entitled to appoint one (1) observer that is a representative or otherwise affiliated with shareholder of the Reorganized Company to the Board of Directors, subject to customary confidentiality obligations; provided that no observer shall be entitled to compensation for their services as an observer to the Board of Directors. |
| **Equity Incentives** | Any equity incentives granted or issued to management or employees of the Reorganized Company or its subsidiaries, or to any providers of services to the Reorganized Company or its subsidiaries, shall dilute each holder of Common Stock equally and ratably, regardless of the time of issue of such incentive or approval of any plan for such issuance. |
| **Termination of Equity Rights** | The shareholder rights set forth herein other than Registration Rights shall terminate upon an underwritten public offering of the Common Stock so long as the Common Stock, in connection with such offering, will be listed on a national securities exchange (a "Qualified Public Offering"). |
| **Registration Rights** | Holders of Common Stock shall have (i) demand registration rights (including the right to demand the Reorganized Company complete an initial public offering of its Common Stock) exercisable at any time after the second (2nd) anniversary (but prior to the third (3rd) anniversary) of the Plan Effective Date, by holders of more than 50% of Common Stock, and at any time on or after the third (3rd) anniversary of the Plan Effective Date, by holders of 33⅓% of Common Stock, subject to the registration rights or similar agreement setting forth the registration rights herein, and (ii) reasonable and customary piggy back registration rights exercisable at any time after the Reorganized Company has consummated a public offering of its Common Stock. |

## Exhibit E

### Form Transfer Agreement

The undersigned ("Transferee") hereby acknowledges that it has read and understands the Restructuring Support Agreement (the "Agreement"), dated as of [_____], by and among the Debtors and the Consenting Lenders, including the transferor to the Transferee of any First Lien Claims (the "Transferor"), and agrees to assume, be bound by and timely perform all of the terms and provisions of the Agreement (as the same may be hereafter amended, restated or otherwise modified from time to time) to the extent Transferor was thereby bound, and shall hereafter be deemed to have all of the rights and obligations of, and to be, a Consenting Credit Agreement Lender or Consenting First Lien Noteholder (as applicable) for all purposes under the Agreement. Capitalized terms not used but not otherwise defined herein shall have the meanings ascribed to such terms in the Agreement, a copy of which, together with the Restructuring Term Sheet (as defined in the Agreement), is attached hereto as Exhibit A.

With respect to all First Lien Claims held by the Transferee, all related rights and causes of action arising out of or in connection with or otherwise relating to such First Lien Claims, the Transferee hereby makes all of the representations and warranties of a Consenting Credit Agreement Lender or Consenting First Lien Noteholder (as applicable) as set forth in the Agreement, including, without limitation, the representations and warranties set forth in Section 4 of the Agreement, as applicable.

The Transferee specifically agrees (i) to be bound by the terms and conditions of the First Lien Credit Facility and/or the First Lien Indenture, as applicable, and the Agreement and (ii) to be bound by the vote of the Transferor if cast prior to the effectiveness of the Transfer of any First Lien Claim.

Date Executed: _____, 201[ ]

_____

**Print name of Transferee**
**Name:**
**Title:**

**Address:** _____

_____

_____

**Attention:** _____
**Telephone:** _____
**Facsimile:** _____

| Principal Amount Held | |
|---|---|
| **First Lien Claim** | **Amount** |
| First Lien Claims (specify type) | |