Optional Debt / Equity Swap

The restructuring support agreement will include an option for 1L creditors (the “Swap”) to exchange reorganized Cengage equity that they would receive under the plan of reorganization (“POR”) for debt (“Hard Currency”) that is issued to other 1L creditors under the POR, and vice versa. Key proposed terms of the Swap are as follows:

1. **Participants:** Participation in the Swap would be at the option of each 1L creditor

2. **Timing:**
   a. 1L creditors who wish to exchange Hard Currency for equity (“Equity Buyers”) would be required to commit to the amount of Hard Currency that they are willing to exchange in the Swap by the date on which POR ballots are due (the aggregate amount of Hard Currency commitments from Equity Buyers shall be defined as the “Aggregate Hard Currency”)
   b. 1L creditors who wish to exchange equity (“Equity Sellers”) for Hard Currency would be required to submit the price at which they would be willing to exchange their equity (the “Sale Price”) and the amount of shares that they would be willing to exchange in the Swap (the “Share Amount”) (the product of the Sale Price and Share Amount shall be defined as the “Equity Offer”) by the date on which POR ballots are due
   c. Closing of the exchanges resulting from the Swap would be effectuated upon the Effective Date of the POR

3. **Swap mechanics:**
   a. Equity Offers will be filled in the Swap starting at the lowest Sale Price until either (a) all Equity Offers are filled or (b) all of the Aggregate Hard Currency has been utilized
      i. Sale Prices will be collared within an implied setup total enterprise value range of $2.4 billion to $2.8 billion in increments of $50 million
      ii. For purposes of the Swap, debt consideration will be valued at par
   b. To the extent the Aggregate Hard Currency exceeds the total amount of Equity Offers, the amount of equity transferred to Equity Buyers shall be reduced ratably in accordance with the Equity Buyers’ respective commitments
   c. The amount of equity transferred to each Equity Buyer pursuant to the POR will be subject to a cap such that no Equity Buyer will be permitted to own more than 35.00% of reorganized Cengage’s fully-diluted equity (the “Ownership Cap”) upon the Effective Date

4. **Market debt issuance vs. take-back paper effect**
   a. In the event of a market debt issuance, Hard Currency will be in the form of cash distributed pursuant to the POR instead of debt
   b. Equity values will be adjusted to reflect the new debt level within the TEV collar