

	Facility Description	Covenant Weak
Company Description:	Cengage Learning is a leading global provider of textbooks, reference materials and other educational resources for the higher education, professional training and library reference markets. The Company delivers customized learning solutions for colleges, universities, professors and students, reference centers, government agencies, corporations and professionals. Cengage commands a top two ranking in each of the products segment it competes, providing primarily print but digital and alternative content as well. Approximately 67% of its sells are garnered from the academic and professional education market, 18% from its Thomson Gale segments (library reference materials) and 15% of its revenue from its overseas markets. Academic & Professional segment provides post-secondary textbooks and tailored learning solutions, Gale segment provides reference and educational content for libraries, schools, businesses and individuals and the International segment sells and or adapts U.S. textbooks into international markets, publishes and sells textbooks by non-U.S. authors and provides learning solutions.	
Industry:	Printing and Publishing	
Sponsor / Equity:	Apax Partners and Ontario Municipal Employees	

\$ Out.	Issue	Spread ⁽¹⁾	Maturity	Corp. Rating*	Facility Rating*	Outlook	Current Price (offer)	YTM	YTC-4
\$ -	\$300MM Revolver	L+2.25%	7/5/13	B3 / nr	B1 / B+	St / St	NA		
3,388.4	Term Loan B	L+2.50%	7/5/14	B3 / nr	B1 / B+	St / St	84.0	L + 6.20%	L + 7.13%
620.3	Incremental T/L B	L+3.75%	6/5/15	B3 / nr	B1 / B+	St / St	92.0	L + 5.32%	L + 6.02%
									Loans priced as: 6/8/09

⁽¹⁾ Pricing on the revolver and T/L subject to pricing grid; Incremental T/L carries a Libor floor of 375 bps

Transaction Description

In July 2007, Apax Partners and the Ontario Municipal Employees acquired the Thomson Learning subsidiary from Thomson Reuters for roughly \$7.4 billion or a 12.9x purchase multiple based on LTM Adjusted EBITDA of \$571.1MM. The acquisition was funded through \$3.740MM senior secured credit facilities (\$300MM Revolving Credit Facility unfunded at close and \$3,397MM term facility), \$1,350MM senior PIK loan facility, \$250MM senior sub notes, \$540MM senior PIK loan facility issued by the Holding Company and \$1,756MM equity contribution by the sponsors. In July 2008 the \$1,350MM senior loan facility terminated out and was converted to 10.5% senior notes and in October 2008, the senior PIK bridge loan facility terminated out and converted to 13.75% senior holdco notes. The loan facilities were underwritten by a syndicate led by RBS Securities and JP Morgan, which included partners Citigroup and UBS. The Company's profile at closing, which included an equity contribution that represented 24% of the capital structure, was levered 6.1x through the senior secured debt, 8.9x through total operating company debt and 9.8x through total holdco debt.

Financial Summary: Historical and Projected

(\$ in millions)	Fiscal Year Ending (2)			Quarter Ended		LTM
	Dec-06	Dec-07 (E)	Jun-08	Mar-08	Mar-09	Mar-09
Revenue	\$ 1,586.7	\$ 1,612.9	\$ 1,723.4	\$ 286.2	\$ 310.5	\$ 1,872.3
YOY Growth	5.1%	1.7%	NA	NA	8.5%	NA
Adjusted EBITDA (1)	538.9	595.9	657.2	21.8	59.5	733.5
EBITDA Margin	34.0%	36.9%	38.1%	7.6%	19.2%	39.2%
Cash Interest Expense	NA	406.6	457.8	115.4	111.7	480.5
Capex - Corporate	NA	NA	40.7	8.7	10.4	36.5
Capex - Prepublication	NA	NA	123.9	32.8	37.6	124.0
Change in Working Capital (source)	NA	NA	(58.6)	28.6	(9.9)	(57.9)
Inc./(Dec) in Free Cash Flow	NA	NA	93.4	(163.8)	(90.3)	150.4
Adj. EBITDA / Cash Interest Expense	NA	1.5x	1.4x	0.2x	0.5x	1.5x
Senior Secured Debt / Adj. EBITDA	NA	5.8x	6.1x			5.5x
Opco Debt / Adj. EBITDA	NA	8.7x	8.8x			7.7x
Net Sr Secured Debt / Adj. EBITDA	NA	5.5x	6.1x			5.4x

⁽¹⁾ LTM EBITDA adjusted for \$45.9MM of add-backs per company filing

⁽²⁾ Company changed its Fiscal Year End to June, the Dec-07 numbers have been estimated for comparison purposes

Capital Structure: As of Mar-09

(\$ in millions)	\$	Leverage	Net Leverage	Price
Cash	62.2			
Revolver	-	0.0x		
Term Loan B	3,388.4	4.6x		84.0
Incremental Term Loan	620.3	0.8x		92.0
Senior Debt	4,008.7	5.5x	5.4x	
10.50% Senior Notes due 2015	1,215.6			81.5
13.25% Senior Sub. Discount Notes due 2015	407.7	0.6x		68.0
Total Opco Debt	5,632.0	7.7x	7.6x	
13.75% Senior PIK HoldCo Notes due 2015	429.8	0.6x		45.0
Total HoldCo Debt	6,061.8	8.3x	8.2x	

Note: 13.25% and 13.75% Notes highlighted prices are quotes. Not widely trades issues.

Source: Company filings