

# CENGAGE LEARNING HOLDINGS II L.P.

## CURRENT REPORT

November 5, 2008

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<p>As of the date of this report, Cengage Learning Holdings II L.P. was not subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended. Consequently, this report has not and will not be filed with the Securities and Exchange Commission.</p>
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On October 31, 2008, Cengage Learning Holdco, Inc. (“Holdco”) issued \$598,297,142 aggregate principal amount of 13.75% Senior PIK Notes due 2015 (the “Senior PIK Notes”) in exchange for the unpaid principal amount of \$598,297,142 outstanding under Holdco’s senior unsecured PIK credit facility. The mandatory exchange was completed pursuant to the terms of the Senior Bridge Loan Credit Agreement, dated as of July 5, 2007 (as amended on July 3, 2008), among Holdco, as borrower, Cengage Learning Holdings II L.P. (the “Partnership”), as guarantor, JPMorgan Chase Bank, National Association, as administrative agent and the other lenders party thereto. The Senior PIK Notes were issued pursuant to an indenture, dated as of October 31, 2008 (the “Indenture”), among Holdco, the Partnership and Wells Fargo Bank, National Association, as trustee. The Senior PIK Notes are guaranteed on a junior subordinated unsecured basis by the Partnership and have no registration rights.

### *Ranking*

The Senior PIK Notes are Holdco’s unsecured obligations and rank senior in right of payment to all of Holdco’s existing and future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the Senior PIK Notes, including Holdco’s guarantee of Cengage Learning Acquisitions, Inc. (“CL Acquisitions”) senior subordinated discount notes; rank equal in right of payment to all of Holdco’s existing and future debt and other obligations that are not, by their terms, expressly subordinated in right of payment to the Senior PIK Notes, including Holdco’s guarantee of the CL Acquisitions’ senior notes; are effectively subordinated to all of Holdco’s existing and future secured debt to the extent of the value of the assets securing such debt (including Holdco’s obligations under CL Acquisitions’ senior secured credit facilities); and are structurally subordinated to all obligations of CL Acquisitions and each of the Partnership’s other subsidiaries, including the senior secured credit facilities, the senior subordinated discount notes and the senior notes.

### ***Optional Redemption***

At any time prior to July 15, 2011, Holdco may redeem all or a part of the Senior PIK Notes at a redemption price equal to 100% of the principal amount of the Senior PIK Notes redeemed plus the greater of: (1) 1.0% of the principal amount of Senior PIK Notes; and (2) the excess, if any, of (a) the present value at such redemption date of (i) the redemption price of the Senior PIK Notes at July 15, 2011 (as set forth in the table below), plus (ii) all required interest payments (calculated based on the cash interest rate payable on the Senior PIK Notes) due on such Senior PIK Note through July 15, 2011 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the treasury rate as of such redemption date plus 50 basis points; over (b) the principal amount of the Senior PIK Notes (as of, and accrued and unpaid interest, if any, to the date of redemption), subject to the rights of holders of the Senior PIK Notes on the relevant record date to receive interest due on the relevant interest payment date.

On and after July 15, 2011, Holdco may redeem the Senior PIK Notes, in whole or in part, at the redemption prices (expressed as percentages of principal amount of the Senior PIK Notes to be redeemed) set forth below, plus accrued and unpaid interest thereon to the applicable redemption date, subject to the right of holders of the Senior PIK Notes of record on the relevant record date to receive interest due on the relevant interest payment date, if redeemed during the twelve-month period beginning on July 15 of each of the years indicated below:

<b>Year</b>	<b>Percentage</b>
2011 .....	106.875%
2012 .....	103.438%
2013 and thereafter .....	100.000%

In addition, until July 15, 2010, Holdco may, at its option, on one or more occasions redeem up to 35% of the aggregate principal amount of the Senior PIK Notes at a redemption price equal to 113.750% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, to the applicable redemption date, subject to the right of holders of the Senior PIK Notes of record on the relevant record date to receive interest due on the relevant interest payment date, with the net cash proceeds of one or more equity offerings to the extent such net cash proceeds are received by or contributed to Holdco; provided that at least 50% of the sum of the original aggregate principal amount of the Senior PIK Notes issued under the Indenture and any additional notes issued under the Indenture after October 31, 2008 remains outstanding immediately after the occurrence of each such redemption; provided further that each such redemption occurs within 90 days of the date of closing of each such equity offering.

### ***Change of Control***

Upon the occurrence of a change of control, which is defined in the Indenture, each holder of the Senior PIK Notes has the right to require Holdco to repurchase some or all of such holder's Senior PIK Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date.

### ***Covenants***

The Indenture contains covenants limiting Holdco's ability and the ability of its restricted subsidiaries to, among other things:

- incur additional indebtedness or issue certain preferred shares;
- pay dividends and make certain distributions, investments and other restricted payments;
- create certain liens;
- sell assets;
- enter into transactions with affiliates;
- limit the ability of restricted subsidiaries to make payments to Holdco;
- merge, consolidate, sell or otherwise dispose of all or substantially all of Holdco's assets; and
- designate subsidiaries as unrestricted subsidiaries.

### ***Events of Default***

The Indenture also provides for events of default, which, if any of them occurs, would permit or require the principal of and accrued interest on the Senior PIK Notes to become or to be declared due and payable.