



International Swaps and Derivatives Association, Inc.

# **2013 CENGAGE LEARNING ACQUISITIONS, INC. FIRST LIEN LOANS LCDS AND BULLET LCDS AUCTION SETTLEMENT TERMS**

published on August 1, 2013

by the International Swaps and Derivatives Association, Inc.

Any capitalized term used but not defined in these 2013 Cengage Learning Acquisitions, Inc. First Lien Loans LCDS and Bullet LCDS Auction Settlement Terms (these “**LCDS Auction Settlement Terms**”) shall have the meaning given to the relevant capitalized term in (a) the 2003 ISDA Credit Derivatives Definitions as supplemented by the 2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring Supplement to the 2003 ISDA Credit Derivatives Definitions published on July 14, 2009 (the “**July 2009 Supplement**”) (each as published by the International Swaps and Derivatives Association, Inc. (“**ISDA**”)) (together, the “**Definitions**”), (b) the Bullet Syndicated Secured Loan Credit Default Swap Standard Terms Supplement published by ISDA on April 5, 2010 (the “**Bullet LCDS Standard Terms**”) or (c) the Bullet LCDS Auction Rules published by ISDA on April 5, 2010 (the “**Bullet Auction Rules**”), as applicable. In the event of any inconsistency between the Definitions, the Bullet LCDS Standard Terms, the Bullet Auction Rules and these LCDS Auction Settlement Terms, the document first to appear in the following list shall govern: (i) these LCDS Auction Settlement Terms, (ii) the Bullet LCDS Standard Terms, (iii) the Bullet Auction Rules and (iv) the Definitions.

For purposes of Article XII (Terms Relating to Auction Settlement) of the Definitions (as modified by the Bullet LCDS Standard Terms) in the case of Auction Covered Bullet Transactions and for purposes of Auction Covered Legacy Transactions, ISDA has published these LCDS Auction Settlement Terms to enable parties to Auction Covered Transactions to settle such Auction Covered Transactions based upon an Auction Final Price determined according to an auction procedure on the terms set out below (the “**Auction**”).

## **1 List of Participating Bidders**

On or before the later of the date of publication of these LCDS Auction Settlement Terms and the Business Day prior to the Originally Scheduled Auction Currency Fixing Date, the Administrators will publish a list of the institutions that will act as participating bidders (each such institution, a “**Participating Bidder**”), which list will consist of (a) each Specified Dealer (unless the Administrators are otherwise notified by any such Specified Dealer that such Specified Dealer does not intend to participate in the Auction, in which case such Specified Dealer will not be included on the list of Participating Bidders published by the Administrators), subject to Sections 1.2(c)(ii), 1.2(g) and 2.3(b)(iii) of the Bullet Auction Rules and (b) any other institution that submits to ISDA and the Administrators a Participating Bidder Letter that (i) is effectively received by each such recipient no later than 5:00 p.m. New York City time on the date that is five Business Days prior to the Originally

Scheduled Auction Currency Fixing Date, or such later date and time as may be established by the Participating Dealers pursuant to Section 2.3(b)(ii) of the Bullet Auction Rules and (ii) is approved by the Participating Dealers pursuant to Section 2.3(b)(ii) of the Bullet Auction Rules. Following the initial date of publication of the list of Participating Bidders but prior to the Auction Date, the Administrators may publish revisions to such list to add Participating Bidders or remove previously included Participating Bidders.

## 2 **Determining the Auction Currency Rate**

On the relevant Auction Currency Fixing Date, the Administrators will determine the rate of conversion (each, an “**Auction Currency Rate**”) as between the Relevant Currency and the currency of denomination of each Deliverable Obligation, which in the case of a Multi-Currency Funding Commitment will be the Master Currency (each, a “**Relevant Pairing**”) as follows:

- (a) **Currency Rate Source.** Where it is possible for the Administrators to determine the rate of conversion for a Relevant Pairing by reference to the Currency Rate Source on the relevant Auction Currency Fixing Date, the relevant rate of conversion shall be the Auction Currency Rate for such Relevant Pairing.
- (b) **Currency Rate Source Unavailable.** On each Business Day from, and including, the relevant Auction Currency Fixing Date to, and including, the earlier of (i) the Auction Final Price Determination Date and (ii) the Auction Cancellation Date, the Administrators will determine whether an Auction Currency Rate can be determined for any Relevant Pairing in accordance with Section 2(a) of these LCDS Auction Settlement Terms. If the Administrators are not able to determine an Auction Currency Rate for any Relevant Pairing in accordance with Section 2(a) of these LCDS Auction Settlement Terms on any such Business Day, the Administrators will determine the Auction Currency Rate for each such Relevant Pairing as follows:
  - (A) Between 1:45 p.m. and 2:00 p.m. New York City time on any such Business Day, the Administrators will seek to obtain from each Participating Bidder, and each Participating Bidder may submit, the mid-market rate of conversion, determined by each such Participating Bidder in a commercially reasonable manner, for each such Relevant Pairing.
  - (B) If more than three such rates are obtained by the Administrators, the Auction Currency Rate will be the arithmetic mean of such rates, without regard to the rates having the highest and lowest values. If exactly three rates are obtained, the Auction Currency Rate will be the rate remaining after disregarding the rates having the highest and lowest values. For this purpose, if more than one rate has the same highest or lowest value, then one of such rates shall be disregarded. If fewer than three rates are obtained, it will be deemed that the Auction Currency Rate cannot be determined for such Relevant Pairing.
- (c) **Publication of Auction Currency Rate.** If the Administrators determine an Auction Currency Rate for each Relevant Pairing in accordance with either Section 2(a) or 2(b) of these LCDS Auction Settlement Terms, the Administrators will publish on their respective websites such Auction Currency Rates as soon as is reasonably practicable following determination thereof, but in no event later than 3:00 p.m. New York City time on the Business Day prior to the Auction Date (or as soon as possible thereafter in the case where Section 13 of these LCDS Auction Settlement Terms applies).

- (d) **Inability to Determine Auction Currency Rate.** If the Administrators are unable to determine an Auction Currency Rate for each Relevant Pairing in accordance with Sections 2(a) and 2(b) of these LCDS Auction Settlement Terms, Section 13(b) of these LCDS Auction Settlement Terms shall apply.

### 3 **Customer Physical Settlement Requests**

Any customer that wishes to submit a Customer Physical Settlement Request to a Participating Bidder must submit a Customer Physical Settlement Request Letter to the relevant Participating Bidder no later than 5:00 p.m. New York City time on the Business Day prior to the Auction Final Price Determination Date (provided that a Participating Bidder may elect, in its sole discretion, to accept a Customer Physical Settlement Request Letter at any later time prior to the commencement of the Initial Bidding Period). Each Customer Physical Settlement Request submitted to a Participating Bidder must be, to the best of the relevant customer's knowledge and belief, on the same side of the market as, and (when aggregated with all other Customer Physical Settlement Requests, if any, submitted by such customer and/or the Affiliates of such customer to one or more other Participating Bidders) not in excess of, such customer's Market Position. Each Participating Bidder must accept Customer Physical Settlement Requests from any customer with whom it or its Affiliates has a trading relationship under a Governing Master Agreement, provided that such Customer Physical Settlement Request (a) would not, in the discretion of the applicable Participating Bidder, cause any credit limits established by such Participating Bidder with respect to such customer that are in effect at the time of the receipt of such Customer Physical Settlement Request to be exceeded, and (b) is no larger than, and is on the same side of the market as, such customer's Dealer-Specific Market Position with respect to the relevant Participating Bidder and/or the Affiliates of such Participating Bidder (in aggregate). A Participating Bidder may elect, in its sole discretion, to accept a Customer Physical Settlement Request that is larger than (or on the opposite side of the market as) the relevant customer's Dealer-Specific Market Position with respect to such Participating Bidder and/or the Affiliates of such Participating Bidder.

### 4 **Initial Market Submissions and Dealer Physical Settlement Requests**

During the Initial Bidding Period, each Participating Bidder shall submit to the Administrators an Initial Market Submission and may submit to the Administrators a Physical Settlement Request (which Physical Settlement Request will equal the aggregate of the relevant Participating Bidder's Dealer Physical Settlement Request and all valid Customer Physical Settlement Requests, if any, that the relevant Participating Bidder receives and accepts from its customers pursuant to Section 3 of these LCDS Auction Settlement Terms). Each Dealer Physical Settlement Request must be, to the best of the relevant Participating Bidder's knowledge and belief, on the same side of the market as, and not in excess of, the Market Position of such Participating Bidder and/or the Affiliates of such Participating Bidder.

### 5 **Determining the Initial Market Midpoint**

If the Administrators receive no fewer than the Minimum Number of Valid Initial Market Submissions, the Administrators will determine the "**Initial Market Midpoint**" as follows:

- (a) **Matched Markets.** The Administrators will sort the Initial Market Bids and Initial Market Offers that comprise the Valid Initial Market Submissions separately, with the Initial Market Bids sorted in descending order and the Initial Market Offers sorted in ascending order. Each Initial Market Bid will then be matched with the corresponding Initial Market Offer (i.e., the highest Initial Market Bid will be matched with the lowest Initial Market Offer, the second highest Initial Market Bid will be matched with the second lowest Initial Market Offer, etc.) (each such matching of an Initial Market Bid with the corresponding Initial Market Offer, a

“**Matched Market**”). For purposes of sorting the Initial Market Bids and Initial Market Offers, where two Initial Market Bids are equal, the one received first in time by the Administrators will be considered to be the lower of the two, and where two Initial Market Offers are equal, the one received first in time by the Administrators will be considered to be the higher of the two.

- (b) **Tradeable and Non-Tradeable Markets.** After sorting the Initial Market Bids and Initial Market Offers pursuant to Section 5(a) of these LCDS Auction Settlement Terms, the Administrators will determine which Matched Markets are Tradeable Markets by reference to whether the relevant Initial Market Bid is (i) equal to the corresponding Initial Market Offer, in which case such Matched Market constitutes a Tradeable Market that is a Touching Market, or (ii) higher than the corresponding Initial Market Offer, in which case such Matched Market constitutes a Tradeable Market that is a Crossing Market. Any Matched Market that is not a Tradeable Market is a Non-Tradeable Market.
- (c) **Best Half.** The Administrators will then calculate the mean of the Initial Market Bids and Initial Market Offers included in the Best Half of Non-Tradeable Markets. To identify the Best Half, the Administrators will list all Non-Tradeable Markets in an order based on the spread between the Initial Market Bid and the Initial Market Offer within each Non-Tradeable Market, from the smallest spread to the largest spread (i.e., the Non-Tradeable Market with the smallest spread between its Initial Market Bid and its Initial Market Offer will be at the top of the list, the Non-Tradeable Market with the second smallest spread between its Initial Market Bid and its Initial Market Offer will be next on the list, etc.). The Best Half of the Non-Tradeable Markets are those in the top half of the list of Non-Tradeable Markets. In the event that the number of Non-Tradeable Markets is an odd number, the Administrators will round up the number of Non-Tradeable Markets to include in the Best Half to the nearest whole number. The Administrators will then calculate the Initial Market Midpoint by finding the mean of all the Initial Market Bids and Initial Market Offers that form Non-Tradeable Markets included in the Best Half (with the results rounded to the nearest fraction of a percentage point that is the Relevant Pricing Increment; provided that where such results fall equidistant between two Relevant Pricing Increments, such results will be rounded up).
- (d) **Example Calculation of Initial Market Midpoint.** The steps described in (a), (b) and (c) above are illustrated in the following example (which is not intended to reflect indicative prices for the Deliverable Obligations):

Step 1 – Sort Bids from highest to lowest and Offers from lowest to highest.

Contributed		Sorted		
IM Bids	IM Offers	IM Bids	IM Offers	
39.500%	41.000%	45.000%	34.000%	Tradeable Markets
40.000%	42.000%	41.000%	39.500%	
41.000%	43.000%	41.000%	40.000%	Best Half
45.000%	47.000%	<b>40.000%</b>	<b>41.000%</b>	
32.000%	34.000%	<b>39.500%</b>	<b>42.000%</b>	
38.750%	40.000%	<b>38.750%</b>	<b>42.750%</b>	
38.000%	39.500%	38.000%	43.000%	
41.000%	42.750%	32.000%	47.000%	Non-Tradeable Markets

Step 2 – Ignore all Tradeable Markets.

Step 3 – The Initial Market Midpoint is the mean of the Best Half of the Non-Tradeable Markets. If there is an odd number of Non-Tradeable Markets, round up the number of Non-Tradeable Markets to include in the Best Half to the nearest whole number. In this example, the Relevant Pricing Increment is assumed to be one-eighth of one percentage point.

Best Half	
IM Bids	IM Offers
40.000%	41.000%
39.500%	42.000%
38.750%	42.750%

**Initial Market Midpoint** = Average (40, 41, 39.5, 42, 38.75, 42.75) = 40.667%, rounded to the nearest one-eighth of one percentage point = 40.625%

## 6 Market Position Trades and determining the Open Interest

If an Initial Market Midpoint has been determined pursuant to Section 5 of these LCDS Auction Settlement Terms, the Administrators will match all Valid Physical Settlement Requests with one another in order to determine the Open Interest. If the sum of all Quotation Amounts stated in each Physical Settlement Sell Request is less than the sum of all Quotation Amounts stated in each Physical Settlement Buy Request, all Physical Settlement Sell Requests will be matched with Physical Settlement Buy Requests, subject to the Rounding Convention, or if the sum of all Quotation Amounts stated in each Physical Settlement Buy Request is less than the sum of all Quotation Amounts stated in each Physical Settlement Sell Request, all Physical Settlement Buy Requests will be matched with Physical Settlement Sell Requests, subject to the Rounding Convention (each such match, a “**Market Position Trade**”), and each such pair will form a trade at the Auction Final Price as described in Section 12 below.

## 7 Determining Adjustment Amounts

For each Tradeable Market, the Participating Bidder whose Initial Market Bid or Initial Market Offer forms part of such Tradeable Market will make a payment to ISDA (the “**Adjustment Amount**”) on the third Business Day after the Auction Final Price Determination Date as follows:

- (a) **Procedure for Calculating Adjustment Amounts.** The Adjustment Amount with respect to a Tradeable Market will be an amount calculated by the Administrators equal to (i) the Initial Market Quotation Amount multiplied by (ii) either (A) if the Open Interest is an offer to sell Deliverable Obligations, the greater of (I) zero and (II) an amount equal to  $(\alpha)$  the Initial Market Bid forming part of such Tradeable Market minus  $(\beta)$  the Initial Market Midpoint or (B) if the Open Interest is a bid to purchase Deliverable Obligations, the greater of (I) zero and (II) an amount equal to  $(\alpha)$  the Initial Market Midpoint minus  $(\beta)$  the Initial Market Offer forming part of such Tradeable Market. Each Participating Bidder agrees that (1) if the Open Interest is an offer to sell Deliverable Obligations, the Participating Bidder whose Initial Market Bid formed part of such Tradeable Market will pay the Adjustment Amount to ISDA and (2) if the Open Interest is a bid to purchase Deliverable Obligations, the Participating Bidder whose Initial Market Offer formed part of such Tradeable Market will pay the Adjustment Amount to ISDA. Any payments of Adjustment Amounts shall be used by ISDA to defray any costs related to any auction that ISDA has coordinated (including the Auction), or that ISDA will in the future coordinate, for purposes of settlement of Auction Covered Transactions (as defined in the related LCDS and/or Bullet LCDS Auction Settlement Terms). To the extent that ISDA determines at any time that the aggregate of all such payments received by ISDA (and not previously applied by ISDA to defray auction-related costs) up to and including such time exceeds the costs (including future costs as determined by ISDA) of such auctions, ISDA may in its sole discretion distribute any such excess among all entities that have previously acted as participating bidders in any prior auction proportionately, based upon participation as a participating bidder in such prior auctions. Payments of Adjustment Amounts will not be conducted or effected by, or through, any Administrator.
- (b) **Example Calculation of Adjustment Amount.** The steps described in Section 7(a) of these LCDS Auction Settlement Terms are illustrated in the following example (which is not intended to reflect indicative prices for the Deliverable Obligations):

Step 1 – Consider only Tradeable Markets.

Tradeable Markets	
IM Bids	IM Offers
45.000%	34.000%
41.000%	39.500%
41.000%	40.000 %

Step 2 – Calculate the Adjustment Amount for each Tradeable Market by (i) if the Open Interest is (A) an offer to sell Deliverable Obligations, determining the greater of (I) zero and (II) an amount equal to  $(\alpha)$  the Initial Market Bid forming part of such Tradeable Market minus  $(\beta)$  the Initial Market Midpoint or (B) a bid to purchase Deliverable Obligations, determining the greater of (I) zero and (II) an amount equal to  $(\alpha)$  the Initial Market Midpoint minus  $(\beta)$  the Initial Market Offer forming part of such Tradeable Market and (ii) multiplying the resulting amount by the Initial Market Quotation Amount.

Example calculation of Adjustment Amount if the Open Interest is an offer to sell Deliverable Obligations:

IM Bids	IMM	Adjustment Amount (as a percentage of the Initial Market Quotation Amount)
45.000%	<b>40.625%</b>	4.375%
41.000%	<b>40.625%</b>	0.375%
41.000%	<b>40.625%</b>	0.375%

Example calculation of Adjustment Amount if the Open Interest is a bid to purchase Deliverable Obligations:

IMM	IM Offers	Adjustment Amount (as a percentage of the Initial Market Quotation Amount)
<b>40.625%</b>	34.000%	6.625%
<b>40.625%</b>	39.500%	1.125%
<b>40.625%</b>	40.000%	0.625%

## 8 Publication of Initial Bidding Information

At or prior to the Initial Bidding Information Publication Time, on any day on which the Initial Bidding Period has successfully concluded, each Administrator will publish on its website the following information:

- (a) the size and direction of the Open Interest;
- (b) the Initial Market Midpoint; and
- (c) the details of any Adjustment Amounts,

(such information with respect to such successfully concluded Initial Bidding Period, the “**Initial Bidding Information**”). In addition, if any Other Initial Bidding Period has successfully concluded on such day, each Administrator will, at the same time that it publishes the Initial Bidding Information, also publish on its website equivalent information with respect to such Other Initial Bidding Period(s).

If (i) for any reason, (A) the Initial Bidding Period lasts longer, or occurs later, than the Originally Scheduled Initial Bidding Period or (B) a relevant Other Initial Bidding Period lasts longer, or occurs later, than the related Other Originally Scheduled Initial Bidding Period, or (ii) as of the time on the relevant day at which the Administrators would otherwise publish the Initial Bidding Information, (A) a Materiality Event has been declared pursuant to Section 13(a) of these LCDS Auction Settlement Terms or (B) an event has occurred or exists that is considered by any two or more Participating Bidders to be a

Potential Materiality Event and it remains to be determined whether such Potential Materiality Event will result in the declaration of a Materiality Event, the Administrators may delay the Subsequent Bidding Period until, and publish the Initial Bidding Information on their respective websites at, such time as they determine (in their sole and absolute discretion) in order to preserve the integrity of the Auction (except that in the case of the declaration of a Materiality Event under Section 8(ii)(A) of these LCDS Auction Settlement Terms, the Administrators shall refrain from publishing the Initial Bidding Information with respect to such Initial Bidding Period).

9 **If the Open Interest is Zero**

In the event that the Open Interest is zero, no Subsequent Bidding Period will be conducted by the Administrators, and the Initial Market Midpoint, published in accordance with Section 8 of these LCDS Auction Settlement Terms, will be the Auction Final Price.

10 **Customer Limit Order Submissions**

In the event that the Open Interest does not equal zero, a Subsequent Bidding Period will be conducted by the Administrators. Any Customer Limit Order Submission must be submitted to, and received by, the relevant Participating Bidder during the period from and including the time at which the Initial Bidding Information is published to and including the time at which the Subsequent Bidding Period concludes; provided that in the case where the Subsequent Bidding Period is extended by the Administrators (whether such Subsequent Bidding Period is the Originally Scheduled Subsequent Bidding Period or a postponed Subsequent Bidding Period), no Customer Limit Order Submission may be submitted to the relevant Participating Bidder after the time at which such Subsequent Bidding Period was originally scheduled to conclude. Each Customer Limit Order Submission submitted to a Participating Bidder must be on the opposite side of the market from the Open Interest and, to the best of the customer's knowledge and belief, (when aggregated with all other Customer Limit Order Submissions, if any, submitted by such customer to one or more Participating Bidders) not in excess of the size of the Open Interest. The Participating Bidder may, but is not obliged to, take into account in one or more of its Limit Order Submissions any Customer Limit Order Submission submitted to it in accordance with this Section 10 of these LCDS Auction Settlement Terms, provided that if a Participating Bidder, for any reason, decides not to accept a Customer Limit Order Submission from a customer, such Participating Bidder shall promptly notify such customer of such decision.

11 **Participating Bidder Limit Order Submissions and Unmatched Limit Orders**

During the Subsequent Bidding Period, each Participating Bidder may submit Limit Order Submissions that are on the opposite side of the market from the Open Interest. Any Initial Market Bid (if the Open Interest is an offer to sell Deliverable Obligations) or Initial Market Offer (if the Open Interest is a bid to purchase Deliverable Obligations), as applicable, submitted during the Initial Bidding Period (regardless of whether such Initial Market Bid or Initial Market Offer, as applicable, forms part of a Tradeable Market) will, together with any Limit Bid (if the Open Interest is an offer to sell Deliverable Obligations) or Limit Offer (if the Open Interest is a bid to purchase Deliverable Obligations), as applicable, be considered an "**Unmatched Limit Order**", however any Initial Market Bid that forms part of a Tradeable Market and is higher than the Initial Market Midpoint and any Initial Market Offer that forms part of a Tradeable Market and is lower than the Initial Market Midpoint will, in each case, be deemed to be equal to the Initial Market Midpoint for purposes of serving as an Unmatched Limit Order. The sum of (a) the excess, if any, of (i) the aggregate Quotation Amount of a Participating Bidder's Valid Limit Order Submissions over (ii) the portion of such aggregate Quotation Amount attributable to any Customer Limit Order Submissions received by such Participating Bidder that are taken into account in such Participating Bidder's Valid Limit Order Submissions and (b) such Participating Bidder's Initial Market Bid or Initial Market Offer, as applicable, that is on the same side of the market

as its Valid Limit Order Submissions must be, to the best of such Participating Bidder's knowledge and belief, not in excess of the size of the Open Interest. If the Open Interest is an offer to sell Deliverable Obligations, then any Limit Bid that would otherwise be at a price above the Initial Market Midpoint plus the Cap Amount shall be deemed to be at a price equal to the Initial Market Midpoint plus the Cap Amount. If the Open Interest is a bid to purchase Deliverable Obligations, then any Limit Offer that would otherwise be at a price below the Initial Market Midpoint minus the Cap Amount shall be deemed to be at a price equal to the Initial Market Midpoint minus the Cap Amount.

## 12 **Matching the Open Interest Against Unmatched Limit Orders and determining the Auction Final Price**

After the conclusion of the Subsequent Bidding Period, the Administrators will match the Open Interest against the corresponding Unmatched Limit Orders.

- (a) **Matching Offers or Bids.** If the Open Interest is a bid to purchase Deliverable Obligations, the Open Interest will be matched against the Unmatched Limit Orders that are Offers. If the Open Interest is an offer to sell Deliverable Obligations, the Open Interest will be matched against the Unmatched Limit Orders that are Bids.
- (b) **Filling or Not Filling the Open Interest.** The Open Interest will be matched against each applicable Unmatched Limit Order, beginning with the Unmatched Limit Order that is the lowest Offer or the highest Bid, as applicable, and moving to the next remaining lowest (in the case of Offers) or next remaining highest (in the case of Bids) until:
  - (i) the full amount of the Open Interest has been matched against Unmatched Limit Orders totaling the same size as the Open Interest; or
  - (ii) all of the Unmatched Limit Orders of the relevant direction (i.e. Offers, if the Open Interest is a bid to purchase Deliverable Obligations or Bids, if the Open Interest is an offer to sell Deliverable Obligations) have been matched to the Open Interest.
- (c) **Matched Limit Orders and Matched Limit Order Trades.** Each Unmatched Limit Order that is matched to the Open Interest under Section 12(b)(i) or 12(b)(ii) of these LCDS Auction Settlement Terms is a "**Matched Limit Order**", and each such match between a Matched Limit Order and a Valid Physical Settlement Request is a "**Matched Limit Order Trade**". If (i) the final matching of the Open Interest against the applicable Unmatched Limit Orders occurs pursuant to Section 12(b)(i) of these LCDS Auction Settlement Terms, (ii) there are multiple Unmatched Limit Orders stating the same price and (iii) each such Unmatched Limit Order stating the same price could be the final Unmatched Limit Order to be matched to the Open Interest, then each such potentially final Unmatched Limit Order stating the same price will be filled Pro Rata against the remaining Open Interest, subject to the Rounding Convention.
- (d) **Auction Final Price when the Open Interest is Filled.** If the final matching of the Open Interest against the applicable Unmatched Limit Orders occurs pursuant to Section 12(b)(i) of these LCDS Auction Settlement Terms, the Auction Final Price will be the price associated with the Matched Limit Order that is the highest Offer or the lowest Bid, as applicable, provided that (i) if the Open Interest is a bid to purchase Deliverable Obligations and the Initial Market Midpoint exceeds the price associated with the highest Matched Limit Order by more than the Cap Amount, then the Auction Final Price will be the Initial Market Midpoint minus the Cap Amount and (ii) if the Open Interest is an offer to sell Deliverable Obligations and the price associated with the lowest Matched Limit Order exceeds the Initial Market Midpoint by more than the Cap Amount, then the Auction Final Price will be the Initial Market Midpoint plus the



Cap Amount. If the Open Interest is zero, the Auction Final Price will be the Initial Market Midpoint.

- (e) **Auction Final Price when the Open Interest is Not Filled.** If the final matching of the Open Interest against the applicable Unmatched Limit Orders occurs pursuant to Section 12(b)(ii) of these LCDS Auction Settlement Terms, the Auction Final Price will be (i) if the Open Interest is a bid to purchase Deliverable Obligations, the greater of (A) 100 percent and (B) the highest Offer received or (ii) if the Open Interest is an offer to sell Deliverable Obligations, zero. In such case, notwithstanding Sections 6 or 12(b) of these LCDS Auction Settlement Terms, all Valid Physical Settlement Requests on the same side of the market as the Open Interest (e.g., bids to purchase or offers to sell) will be matched Pro Rata, subject to the Rounding Convention, against the Valid Limit Order Submissions and Valid Physical Settlement Requests on the opposite side of the market to form Market Position Trades or Matched Limit Order Trades, as applicable.
- (f) **100 Percent Cap to Auction Final Price.** In all cases, if the Auction Final Price determined pursuant to these LCDS Auction Settlement Terms is greater than 100 percent, then, for purposes of settling the Auction Covered Transactions only, the Auction Final Price will be deemed to be 100 percent.
- (g) **Deemed Bilateral Agreement between Participating Bidders.** Each Participating Bidder whose Valid Physical Settlement Request or Matched Limit Order, as applicable, forms part of either a Market Position Trade or a Matched Limit Order Trade will be deemed to have entered into a bilateral agreement on terms equivalent to the Representative Auction-Settled Transaction for which (i) the Floating Rate Payer Calculation Amount is equal to the Quotation Amount with respect to the relevant Market Position Trade or Matched Limit Order Trade, as applicable, and (ii) (A) Seller is the Participating Bidder whose Physical Settlement Buy Request forms part of such Market Position Trade or whose Physical Settlement Buy Request, Limit Bid or Initial Market Bid, as applicable, forms part of such Matched Limit Order Trade and (B) Buyer is the Participating Bidder whose Physical Settlement Sell Request forms part of such Market Position Trade or whose Physical Settlement Sell Request, Limit Offer or Initial Market Offer, as applicable, forms part of such Matched Limit Order Trade; provided that, (I) in the case of the Matched Limit Order Trades containing the highest Offer or the lowest Bid, as applicable, the Quotation Amount will, if necessary, be reduced to reflect the size of the remaining Open Interest, and (II) in the event that there are multiple Matched Limit Orders stating the highest Offer or lowest Bid, as applicable, then such Matched Limit Orders will be filled Pro Rata against the remaining Open Interest, subject to the Rounding Convention. Participating Bidders whose Valid Physical Settlement Request or Matched Limit Order, as applicable, forms part of a Market Position Trade or Matched Limit Order Trade will be matched with one another by the Administrators in their sole and absolute discretion so as to minimize, to the extent reasonably practicable, first, the number of Representative Auction-Settled Transactions for which the Floating Rate Payer Calculation Amount will be either smaller than the Initial Market Quotation Amount or not an integral multiple of the RAST Notional Amount Increment and second, the number of Representative Auction-Settled Transactions to be entered into; provided that, prior to such matching, the Quotation Amounts with respect to Matched Limit Orders or Valid Physical Settlement Requests, as applicable, submitted by the same Participating Bidder will be matched with each other, to the extent possible. Transactions entered into by and between Participating Bidders pursuant to Market Position Trades or Matched Limit Order Trades will not be conducted or effected by, or through, any Administrator.

The Auction timing may be adjusted under the relevant following circumstances:

- (a) **Materiality Event Delayed Auction Date.** If at any time on or after the Business Day prior to the Auction Date but before the conclusion of the Subsequent Bidding Period on the Auction Final Price Determination Date, an event occurs or exists that is determined by any two or more Participating Bidders to be a Potential Materiality Event, then such Participating Bidders shall have a right to require ISDA to call a vote of the Participating Bidders to determine whether such Potential Materiality Event is a Materiality Event, which vote will take place, if such Potential Materiality Event is identified prior to the commencement of the Initial Bidding Period, before the conclusion of such Initial Bidding Period, and otherwise before the conclusion of such Subsequent Bidding Period. If a simple majority of all the Participating Bidders votes that such Potential Materiality Event is a Materiality Event, then such Initial Bidding Period and, if applicable, such Subsequent Bidding Period will be deemed to have been cancelled, annulled or postponed, as applicable, and the auction procedure contemplated by these LCDS Auction Settlement Terms shall recommence as if the Auction had originally been scheduled to take place on the next Business Day, unless, prior to the commencement of the Initial Bidding Period on such next Business Day, ISDA holds a vote of the Participating Bidders, and a simple majority of all the Participating Bidders votes that the news of the Materiality Event has not yet been sufficiently widely disseminated or another Materiality Event has occurred or exists, in which case the auction procedure contemplated by these LCDS Auction Settlement Terms shall recommence as if the Auction had originally been scheduled to take place on the following Business Day (i.e., the second Business Day after the later of the original vote establishing the occurrence of a Materiality Event and the Auction Date), or, if necessary, on each following Business Day thereafter, but in no event later than the fifth Business Day after the Auction Date (any such delayed date on which a new Initial Bidding Period actually occurs following a particular Materiality Event, a “**Materiality Event Delayed Auction Date**”). The Administrators will publish the results of any vote of the Participating Bidders with respect to the declaration of a Materiality Event (including the vote cast by each Participating Bidder participating in such vote) on their respective websites.

In the event of the occurrence of a Materiality Event Delayed Auction Date, (i) each previously submitted Customer Physical Settlement Request and Dealer Physical Settlement Request shall be deemed to be revoked and must be re-submitted pursuant to Section 3 or 4, as applicable, of these LCDS Auction Settlement Terms as if the Auction had originally been scheduled to take place on the relevant Materiality Event Delayed Auction Date and (ii) the Auction Currency Fixing Date shall mean the Business Day prior to the Materiality Event Delayed Auction Date, and the steps set forth in Section 2 of these LCDS Auction Settlement Terms will be repeated with respect to each Relevant Pairing (regardless of whether an Auction Currency Rate was previously determined with respect to any Relevant Pairing) as of such newly designated Auction Currency Fixing Date.

- (b) **Currency Rate Delayed Auction Date.** If the Administrators are unable to determine an Auction Currency Rate on an Auction Currency Fixing Date (the “**Relevant Auction Currency Fixing Date**”) with respect to each Relevant Pairing, the steps set forth in Section 2 of these LCDS Auction Settlement Terms will be repeated with respect to each Relevant Pairing (regardless of whether an Auction Currency Rate was previously determined with respect to any Relevant Pairing) on the Business Day following such Relevant Auction Currency Fixing Date, and (if necessary) the second Business Day following such Relevant Auction Currency Fixing Date, but in no event later than the second Business Day following the Relevant Auction Currency Fixing Date, and the date on which the Auction is held will be the date that is one Business Day following the newly designated Auction Currency Fixing Date (any such delayed date on which an Initial Bidding Period actually occurs following a particular newly designated

Auction Currency Fixing Date, a “**Currency Rate Delayed Auction Date**”). In the event of the occurrence of a Currency Rate Delayed Auction Date, each previously submitted Customer Physical Settlement Request and Dealer Physical Settlement Request shall be deemed to be revoked and must be re-submitted pursuant to Section 3 or 4, as applicable, of these LCDS Auction Settlement Terms as if the Auction had originally been scheduled to take place on the relevant Currency Rate Delayed Auction Date.

- (c) **Administratively Delayed Auction Date.** If the auction procedure described in these LCDS Auction Settlement Terms does not result in an Auction Final Price for any reason (including, but not limited to, the failure to receive the Minimum Number of Valid Initial Market Submissions) other than the reasons described in Sections 13(a) and 13(b) of these LCDS Auction Settlement Terms, the relevant steps will be repeated on the Auction Date with the auction procedure described in these LCDS Auction Settlement Terms recommencing at such time(s) specified by the Administrators. If an Auction Final Price cannot be determined on any such subsequent attempt(s) on the Auction Date itself for any reason other than the reasons described in Sections 13(a) and 13(b) of these LCDS Auction Settlement Terms, the relevant steps will be repeated according to a schedule to be determined by the Administrators on the Business Day following the Auction Date, and if necessary, the second Business Day following the Auction Date, but in no event later than the second Business Day following the Auction Date (any such delayed date on which a new Initial Bidding Period actually occurs, an “**Administratively Delayed Auction Date**”).

In the event of the occurrence of an Administratively Delayed Auction Date, (i) each previously submitted Customer Physical Settlement Request and Dealer Physical Settlement Request shall be deemed to be revoked and must be re-submitted pursuant to Section 3 or 4, as applicable, of these LCDS Auction Settlement Terms as if the Auction had originally been scheduled to take place on the relevant Administratively Delayed Auction Date and (ii) the Auction Currency Fixing Date shall mean the Business Day prior to the Administratively Delayed Auction Date, and the steps set forth in Section 2 of these LCDS Auction Settlement Terms will be repeated with respect to each Relevant Pairing (regardless of whether an Auction Currency Rate was previously determined with respect to any Relevant Pairing) as of such newly designated Auction Currency Fixing Date.

- (d) **Combination of Materiality Event Delayed Auction Date, Currency Rate Delayed Auction Date and/or Administratively Delayed Auction Date.** In the event that the Auction must be held on a later date as a result of any combination of the events described in Sections 13(a), 13(b) and/or 13(c) of these LCDS Auction Settlement Terms, (i) the Administrators shall (A) adjust the Auction Currency Fixing Date and (B) reschedule the date on which the Auction will be held in their sole and absolute discretion in order to preserve the integrity of the Auction, provided that such rescheduled Auction shall be held no later than five Business Days after the Auction Date and (ii) each previously submitted Customer Physical Settlement Request and Dealer Physical Settlement Request shall be deemed to be revoked and must be re-submitted pursuant to Section 3 or 4, as applicable, of these LCDS Auction Settlement Terms as if the Auction had originally been scheduled to take place on the relevant date determined by the Administrators to be the date on which the rescheduled Auction is to be held.
- (e) **Auction Cancellation Date.** If an Auction Final Price has not been determined on or prior to (i) the fifth Business Day following the Auction Date, if Section 13(a) or 13(d) of these LCDS Auction Settlement Terms is applicable or (ii) the second Business Day following the Auction Date, if Section 13(b) or 13(c) of these LCDS Auction Settlement Terms is applicable, then the Auction will be deemed to have been cancelled (the date of such cancellation, an “**Auction**

**Cancellation Date**”). The Administrators and ISDA will announce the occurrence of an Auction Cancellation Date on their respective websites.

14 **Publication of Subsequent Bidding Information**

At or prior to the Subsequent Bidding Information Publication Time on any day on which the Subsequent Bidding Period has successfully concluded, each Administrator will publish on its website the following information:

- (a) the Auction Final Price;
- (b) the names of the Participating Bidders who submitted Bids, Offers and Valid Physical Settlement Requests, together with the details of all such Bids, Offers and Valid Physical Settlement Requests submitted by each (e.g., the identity of the Participating Bidders and the size of the Quotation Amounts); and
- (c) the details and size of all Market Position Trades or Matched Limit Order Trades,

(such information with respect to such successfully concluded Subsequent Bidding Period, the “**Subsequent Bidding Information**”). In addition, if any Other Subsequent Bidding Period has successfully concluded on such day, each Administrator will, at the same time that it publishes the Subsequent Bidding Information, also publish on its website equivalent information with respect to such Other Subsequent Bidding Period(s).

If, for any reason, (i) the Subsequent Bidding Period lasts longer, or occurs later, than the Originally Scheduled Subsequent Bidding Period or (ii) a relevant Other Subsequent Bidding Period lasts longer, or occurs later than, the related Other Originally Scheduled Subsequent Bidding Period, the Administrators will publish the Subsequent Bidding Information on their respective websites at such time as they determine (in their sole and absolute discretion) in order to preserve the integrity of the Auction. If, as of the conclusion of the Subsequent Bidding Period, it has been determined that the auction procedures contemplated by these LCDS Auction Settlement Terms must be repeated pursuant to Section 13 of these LCDS Auction Settlement Terms, the Administrators will not publish on their respective websites the Subsequent Bidding Information with respect to such Subsequent Bidding Period.

15 **Rules Concerning Amendments and Corrections to Valid Initial Market Submissions, Valid Physical Settlement Requests and Valid Limit Order Submissions**

The following rules will apply to Valid Initial Market Submissions, Valid Physical Settlement Requests and Valid Limit Order Submissions submitted by any Participating Bidder:

- (a) **No Post-Bidding Period Amendments to Valid Initial Market Submissions or Valid Limit Order Submissions.** No Valid Initial Market Submission or Valid Limit Order Submission may be amended either by the Participating Bidder or the Administrators after the conclusion of the Initial Bidding Period or Subsequent Bidding Period, as applicable, even if the relevant Valid Initial Market Submission or Valid Limit Order Submission, as applicable, is a mistake, and all Participating Bidders will be required to comply with the terms of the Matched Limit Order Trade, if any, of which the relevant Initial Market Bid, Initial Market Offer, Limit Bid or Limit Offer, as applicable, forms a part.
- (b) **Amendments to Valid Physical Settlement Requests.** If a Participating Bidder’s Valid Physical Settlement Request (without regard to the Customer Physical Settlement Requests that formed a part of such Participating Bidder’s Valid Physical Settlement Request) is on the same

side of the market as, but less than or equal to, such Participating Bidder's Market Position, such Valid Physical Settlement Request may not be amended by either the Participating Bidder or the Administrators after the conclusion of the Initial Bidding Period, even if such Valid Physical Settlement Request is a mistake, and all Participating Bidders will be required to comply with the terms of the Market Position Trade or Matched Limit Order Trade, as applicable, if any, of which such Valid Physical Settlement Request forms a part.

If a Participating Bidder becomes aware that its Valid Physical Settlement Request (without regard to the Customer Physical Settlement Requests that formed a part of such Participating Bidder's Valid Physical Settlement Request) is on the opposite side of the market from, or is greater than, such Participating Bidder's Market Position, such Participating Bidder will immediately notify the Administrators and will submit a corrected Physical Settlement Request.

If the Administrators become aware of a corrected Valid Physical Settlement Request, if any, at least thirty minutes prior to the beginning of the Subsequent Bidding Period, the Administrators will determine the Open Interest based on the corrected Valid Physical Settlement Request and publish the corrected Initial Bidding Information no later than fifteen minutes prior to the beginning of the Subsequent Bidding Period. Otherwise, the Administrators will not recalculate the Open Interest or the Auction Final Price, all Auction Covered Transactions will settle according to the Auction Final Price published by the Administrators, and all Participating Bidders will be required to comply with the terms of the Market Position Trade or Matched Limit Order Trade, as applicable, if any, of which the relevant Valid Physical Settlement Request forms a part.

#### **16 Limitations on Liability of Administrators**

Each Auction Party that is not a Participating Bidder agrees that neither Administrator will be liable to any party for any form of damages, whether direct, indirect, special or consequential, arising in connection with the performance of the relevant Administrator's duties under the auction procedures contemplated by these LCDS Auction Settlement Terms, and agrees to waive any claim that may arise against either Administrator in connection with the performance of the relevant Administrator's duties under these auction procedures, except in the case of fraud or wilful misconduct on the part of the relevant Administrator.

#### **17 Limitations on Liability of LCDS Parties, ISDA and its Advisors**

Each Auction Party agrees that (a) no LCDS Party will be liable to any party for any form of damages, whether direct, indirect, special or consequential, arising as a result of the publication of an Auction Final Price (or any other result of the procedures contemplated by these LCDS Auction Settlement Terms), and agrees to waive any claim that may arise against any LCDS Party, in each case except in the case of fraud or wilful misconduct on the part of such LCDS Party and (b) none of ISDA, its advisors, or any LCDS Party will be liable to any party for any form of damages, whether direct, indirect, special or consequential, arising in connection with the inclusion or exclusion of any obligation in or from the list of Deliverable Obligations, and, without limiting any otherwise applicable waivers, each Auction Party agrees to waive any claim that may arise against any such party in connection with the development of such list of Deliverable Obligations, except in the case of fraud or wilful misconduct on the part of such party. For purposes of these LCDS Auction Settlement Terms, LCDS Party shall include persons or entities acting pursuant to the auction rules applicable to Auction Covered Legacy Transactions.

#### **18 Deemed Bilateral Agreement between Participating Bidders and Customers**

Each Participating Bidder and each customer that submits either (a) a Customer Physical Settlement Request or (b) a Customer Limit Order Submission that is, in each case, accepted by such Participating Bidder agrees that any such Customer Physical Settlement Request and any such Customer Limit Order Submission will be treated by such customer and Participating Bidder as if such customer and such Participating Bidder had, on the Auction Final Price Determination Date, entered into a bilateral agreement on terms equivalent to the Representative Auction-Settled Transaction (i) which, notwithstanding the definition of Representative Auction-Settled Transaction, shall be deemed to be governed by a Governing Master Agreement and any credit support arrangements executed or otherwise in place between the customer and the Participating Bidder or, if no such Governing Master Agreement has been executed or is otherwise in place, by a deemed Governing Master Agreement (including any credit support arrangements) between the Participating Bidder and the customer on substantially the same terms as the master agreement and credit support arrangements in place between the customer and the Affiliate of the Participating Bidder that is such customer's normal trading counterparty, (ii) for which the Floating Rate Payer Calculation Amount is equal to the Quotation Amount with respect to the relevant Customer Physical Settlement Request or Customer Limit Order Submission, as applicable, (iii) for which (A) the customer will be the Seller if the relevant Customer Physical Settlement Request is a Physical Settlement Buy Request or if the relevant Customer Limit Order Submission is a Limit Bid and (B) the customer will be the Buyer if the relevant Customer Physical Settlement Request is a Physical Settlement Sell Request or if the relevant Customer Limit Order Submission is a Limit Offer; provided that (I) in the case of a Customer Limit Order Submission, one or more related Limit Order Submissions of the Participating Bidder are matched in order to form a Matched Limit Order Trade and (II) in the event that the Valid Physical Settlement Request or one or more Valid Limit Order Submissions, as applicable, of the Participating Bidder are matched in order to form a Matched Limit Order Trade that contains the highest Offer or the lowest Bid, as applicable, the Quotation Amount of the Customer Physical Settlement Request or Customer Limit Order Submission, as applicable, will, if necessary, be reduced to reflect the size of the remaining Open Interest or (III) if the final matching of the Open Interest against the applicable Unmatched Limit Orders occurs pursuant to Section 12(b)(ii) of these LCDS Auction Settlement Terms, all Valid Physical Settlement Requests on the same side of the market as the Open Interest (e.g., bids to purchase or offers to sell) will be matched Pro Rata, subject to the Rounding Convention, against the Valid Limit Order Submissions and Valid Physical Settlement Requests on the opposite side of the market to form Market Position Trades or Matched Limit Order Trades, as applicable, (iv) pursuant to which, in the case of a Customer Limit Order Submission and notwithstanding the definition of Representative Auction-Settled Transaction, such customer shall be deemed to represent and agree, to the best of such customer's knowledge and belief, that such Customer Limit Order Submission (when aggregated with all other Customer Limit Order Submissions, if any, submitted by such customer to one or more Participating Bidders) is not in excess of the size of the Open Interest, and (v) pursuant to which, in the case of a Customer Limit Order Submission and notwithstanding the definition of Representative Auction-Settled Transaction, such customer shall be deemed to represent and agree that such customer is not, as of the date of such Customer Limit Order Submission, subject to any requirement that would make it impossible or illegal for such customer to Deliver or accept Delivery of any of the Deliverable Obligations. Transactions entered into by and between customers and Participating Bidders with respect to Market Position Trades or Matched Limit Order Trades will not be conducted or effected by, or through, any Administrator.

## 19 **Fixed Rate Accrual and Other Amendments**

The provisions of the relevant documentation that govern the accrual of Fixed Rates and the payment of Fixed Amounts under each Auction Covered Transaction and other terms of Auction Covered Legacy Transactions shall be amended in accordance with the terms of Schedule 2 to these LCDS Auction Settlement Terms.

## 20 **Governing Law**

These LCDS Auction Settlement Terms and any non-contractual obligations arising out of them will be governed by and construed in accordance with New York law.

21 **Definitions**

Each of the following terms, when used in these LCDS Auction Settlement Terms, including in any of the amendments to the Definitions provided for by these LCDS Auction Settlement Terms, shall have the meaning given to the relevant term below:

“**Adjustment Amount**” has the meaning set forth in Section 7 of these LCDS Auction Settlement Terms.

“**Administratively Delayed Auction Date**” has the meaning set forth in Section 13(c) of these LCDS Auction Settlement Terms.

“**Administrators**” means both Markit Group Limited and Creditex Securities Corporation, acting together, or such other entities as may be appointed to perform the role of the Administrators by ISDA from time to time.

“**Affected Portion**” means, in respect of an Auction Covered Transaction, the portion of such Auction Covered Transaction attributable to the Affected Reference Entity and Designated Priority.

“**Affected Reference Entity**” has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

“**Auction**” has the meaning set forth in the introduction to these LCDS Auction Settlement Terms.

“**Auction Cancellation Date**” has the meaning set forth in Section 13(e) of these LCDS Auction Settlement Terms.

“**Auction Covered Bullet Transaction**” means a Bullet LCDS Covered Transaction, a Bullet LCDX Covered Untranching Transaction or a Bullet LCDS Covered Tranche Transaction, as applicable.

“**Auction Covered Legacy Transaction**” means a Legacy LCDS Covered Transaction, a Legacy LCDX Covered Untranching Transaction or a Legacy LCDS Covered Tranche Transaction, as applicable.

“**Auction Covered Transaction**” means an Auction Covered Bullet Transaction or an Auction Covered Legacy Transaction, as applicable.

“**Auction Currency Fixing Date**” means the Business Day prior to the Auction Date, as set forth as being the Originally Scheduled Auction Currency Fixing Date, unless (and, in which case, as) adjusted by operation of Section 13 of these LCDS Auction Settlement Terms.

“**Auction Currency Rate**” has the meaning set forth in Section 2 of these LCDS Auction Settlement Terms.

“**Auction Date**” has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

“**Auction Final Price**” means the price, if any, determined to be the Auction Final Price pursuant to Section 12 of these LCDS Auction Settlement Terms (expressed as a percentage, in increments equal to the Relevant Pricing Increment, of the outstanding principal balance, or, in the case of a lending

commitment, the total lending commitment, rather than the face amount or funded commitment amount, of Deliverable Obligations).

**“Auction Final Price Determination Date”** means the date, if any, on which the Auction Final Price is determined.

**“Auction-Linked Cash Settled Transaction”** means, with respect to a Participating Bidder or a customer, any Loan Only Transaction (other than an Auction Covered Transaction) (A) all or any portion of which is linked to the Affected Reference Entity and Designated Priority, (B) to which such Participating Bidder, or any Affiliate of such Participating Bidder, as applicable, or such customer, or any Affiliate of such customer, as applicable, is a party and (C) for which the parties thereto have agreed that settlement will occur by payment of an amount calculated by reference to the Auction Final Price.

**“Auction Party”** means any party to an Auction Covered Transaction, any party to an Auction-Linked Cash Settled Transaction or any customer whose Customer Physical Settlement Request or Customer Limit Order Submission is taken into account in a Participating Bidder’s Valid Physical Settlement Request or Valid Limit Order Submission.

**“Auction Settlement Date”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Best Half”** means the group of Matched Markets that are Non-Tradeable Markets determined pursuant to Section 5(c) of these LCDS Auction Settlement Terms.

**“Bid”** means an Initial Market Bid or a Limit Bid, as applicable.

**“Bullet Auction Rules”** has the meaning set forth in the introduction to these LCDS Auction Settlement Terms.

**“Bullet LCDS Covered Tranche Transaction”** means a Loan Only Transaction for which:

- (a) the documentation is based on a Bullet LCDX Tranche Standard Terms;
- (b) the Affected Reference Entity is a Reference Entity and the designated priority of loans of such Reference Entity is the Designated Priority;
- (c) “Auction Settlement” is the applicable Settlement Method; and
- (d) an Event Determination Date has occurred with respect to the Affected Reference Entity and Designated Priority on or prior to the Business Day immediately preceding the Auction Final Price Determination Date.

**“Bullet LCDS Covered Transaction”** means a Loan Only Transaction (other than a Bullet LCDX Covered Untranching Transaction) for which:

- (a) the documentation is based on the Bullet LCDS Standard Terms, any predecessor to such Bullet LCDS Standard Terms that references the Bullet Auction Rules or a Bullet LCDX Untranching Standard Terms;
- (b) the Affected Reference Entity is a Reference Entity and the designated priority of loans of such Reference Entity is the Designated Priority;



- (c) “Auction Settlement” is the applicable Settlement Method; and
- (d) an Event Determination Date has occurred with respect to the Affected Reference Entity and Designated Priority on or prior to the Business Day immediately preceding the Auction Final Price Determination Date.

“**Bullet LCDS Standard Terms**” has the meaning set forth in the introduction to these LCDS Auction Settlement Terms.

“**Bullet LCDX Covered Untranching Transaction**” means a Loan Only Transaction for which:

- (a) the documentation is based on a Bullet LCDX Untranching Standard Terms;
- (b) a Markit LCDX index published by the Index Sponsor is referenced for which the Affected Reference Entity is a Reference Entity and the designated priority of loans of such Reference Entity is the Designated Priority;
- (c) “Auction Settlement” is the applicable Settlement Method; and
- (d) an Event Determination Date has occurred with respect to the Affected Reference Entity and Designated Priority on or prior to the Business Day immediately preceding the Auction Final Price Determination Date.

“**Bullet LCDX Tranche Standard Terms**” means a Bullet Markit LCDX Tranche Transactions Standard Terms Supplement published by ISDA that references the Bullet Auction Rules.

“**Bullet LCDX Untranching Standard Terms**” means a Bullet Markit LCDX Untranching Transactions Standard Terms Supplement published by ISDA that references the Bullet Auction Rules.

“**Business Day**” means a day on which commercial banks and foreign exchange markets are generally open to settle payments in New York and London.

“**Cap Amount**” has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

“**Credit Event Resolution Request Date**” has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms, which shall be the common Event Determination Date for Auction Covered Legacy Transactions.

“**Crossing Market**” means any Matched Market for which the Initial Market Bid is higher than the Initial Market Offer.

“**Currency Rate Delayed Auction Date**” has the meaning set forth in Section 13(b) of these LCDS Auction Settlement Terms.

“**Currency Rate Source**” means the mid-point rate of conversion published by WM/Reuters at 4:00 p.m. London time, or any successor rate source approved by the Specified Dealers pursuant to the Bullet Auction Rules.

“**Customer Limit Order Submission**” means a submission from a customer of a Participating Bidder to such Participating Bidder consisting of either a Limit Bid or a Limit Offer (expressed as a percentage, in increments equal to the Relevant Pricing Increment, of the outstanding principal balance, or, in the case of a lending commitment, the total lending commitment, rather than the face amount or funded

commitment amount, of Deliverable Obligations (but not less than 0.00%)) and stating a Quotation Amount.

**“Customer Physical Settlement Request”** means the Physical Settlement Buy Request or Physical Settlement Sell Request, as applicable, specified by a customer of a Participating Bidder in the Customer Physical Settlement Request Letter submitted by such customer to such Participating Bidder and accepted by such Participating Bidder.

**“Customer Physical Settlement Request Letter”** means a letter agreement, substantially in the form of Exhibit 2 to these LCDS Auction Settlement Terms, executed and delivered to the relevant Participating Bidder no later than 5:00 p.m. New York City time on the Business Day prior to the Auction Final Price Determination Date (or such later time prior to the commencement of the Initial Bidding Period as the relevant Participating Bidder may agree in its sole discretion).

**“Dealer Physical Settlement Request”** means, with respect to a Participating Bidder, a Physical Settlement Buy Request or Physical Settlement Sell Request, which is, to the best of such Participating Bidder’s knowledge and belief, on the same side of the market as, and not in excess of, the Market Position of it and its Affiliates.

**“Dealer-Specific Market Position”** means, with respect to a customer and a Participating Bidder, such customer’s Market Position with respect to all Auction Covered Transactions (excluding those Auction Covered Transactions for which the Trade Date is the Auction Final Price Determination Date) and Auction-Linked Cash Settled Transactions to which such customer, or any Affiliate of such customer, as applicable, and such Participating Bidder, or any Affiliate of such Participating Bidder, as applicable, is a party (in aggregate), calculated by such customer in good faith.

**“Default Date”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Definitions”** has the meaning set forth in the introduction to these LCDS Auction Settlement Terms.

**“Deliverable Obligation(s)”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Designated Priority”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Governing Master Agreement”** means, with respect to an Auction Covered Transaction or an Auction-Linked Cash Settled Transaction, the ISDA Master Agreement or other form of similar master agreement, if any, governing such Auction Covered Transaction or Auction-Linked Cash Settled Transaction, as applicable, and of which such Auction Covered Transaction or Auction-Linked Cash Settled Transaction, as applicable, forms part, whether executed by the parties thereto or incorporated by reference in the confirmation relating to such Auction Covered Transaction or Auction-Linked Cash Settled Transaction, as applicable; provided, however, that if no ISDA Master Agreement or other form of similar agreement exists with respect to an Auction Covered Transaction or an Auction-Linked Cash Settled Transaction, as applicable, the term “Governing Master Agreement” shall mean the ISDA Master Agreement or other form of similar agreement, if any, governing any Credit Derivative Transaction between the parties, whether executed by the parties thereto or incorporated by reference in the confirmation relating to such Credit Derivative Transaction.

**“Index Sponsor”** means Markit North America, Inc., the successor to CDS IndexCo LLC.

**“Initial Bidding Information”** has the meaning set forth in Section 8 of these LCDS Auction Settlement Terms.

**“Initial Bidding Information Publication Time”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Initial Bidding Period”** means (a) the Originally Scheduled Initial Bidding Period, (b) such period that lasts longer, or occurs later, than such Originally Scheduled Initial Bidding Period, as the Administrators may prescribe if they determine (in their sole and absolute discretion) that such modified period is required to preserve the integrity of the Auction or (c), if the auction procedure described in Sections 4 and 5(a) and 5(c) of these LCDS Auction Settlement Terms must be repeated pursuant to Section 13 of these LCDS Auction Settlement Terms, the time period (whether less than, equal to or longer than the Originally Scheduled Initial Bidding Period, as the Administrators may prescribe, in their sole and absolute discretion, to preserve the integrity of the Auction) occurring (i) at such time(s) specified by the Administrators after such Originally Scheduled Initial Bidding Period on the Auction Date or (ii) at such time(s) specified by the Administrators on a subsequent Business Day, as applicable, pursuant to Section 13 of these LCDS Auction Settlement Terms, until the earlier of the Auction Final Price Determination Date or the occurrence of an Auction Cancellation Date.

**“Initial Market Bid”** means a firm commitment by a Participating Bidder, submitted as part of a Valid Initial Market Submission, to enter as Seller (i.e., the party that has an obligation to accept delivery of Deliverable Obligations) into an agreement on terms equivalent to the Representative Auction-Settled Transaction for which the Floating Rate Payer Calculation Amount is the Initial Market Quotation Amount and, subject to Section 11 of these LCDS Auction Settlement Terms, at the Reference Price stated in the Valid Initial Market Submission.

**“Initial Market Midpoint”** means the price determined to be the Initial Market Midpoint pursuant to Section 5 of these LCDS Auction Settlement Terms.

**“Initial Market Offer”** means a firm commitment by a Participating Bidder, submitted as part of a Valid Initial Market Submission, to enter as Buyer (i.e., the party that would deliver Deliverable Obligations) into an agreement on terms equivalent to the Representative Auction-Settled Transaction for which the Floating Rate Payer Calculation Amount is the Initial Market Quotation Amount and, subject to Section 11 of these LCDS Auction Settlement Terms, at the Reference Price stated in the Valid Initial Market Submission.

**“Initial Market Quotation Amount”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Initial Market Submission”** means a submission from a Participating Bidder consisting of both an Initial Market Bid and an Initial Market Offer (each expressed as a percentage, in increments equal to the Relevant Pricing Increment, of the outstanding principal balance, or, in the case of a lending commitment, the total lending commitment, rather than the face amount or funded commitment amount, of Deliverable Obligations (but not less than 0.00%)) which do not differ from one another by more than the Maximum Initial Market Bid-Offer Spread, and for which the Initial Market Bid is not greater than or equal to the Initial Market Offer.

**“ISDA”** has the meaning set forth in the introduction to these LCDS Auction Settlement Terms.

**“ISDA Master Agreement”** means any of the following: (a) the ISDA 2002 Master Agreement; (b) the 1992 ISDA Master Agreement (Multicurrency – Cross Border); and (c) the 1992 ISDA Master Agreement (Local Currency – Single Jurisdiction).

**“July 2009 Supplement”** has the meaning set forth in the introduction to these LCDS Auction Settlement Terms.

**“LCDS Auction Settlement Terms”** has the meaning set forth in the introduction to these LCDS Auction Settlement Terms.

**“LCDS Covered Tranche Transaction”** means a Bullet LCDS Covered Tranche Transaction or a Legacy LCDS Covered Tranche Transaction, as applicable.

**“LCDS Covered Transaction”** means a Bullet LCDS Covered Transaction or a Legacy LCDS Covered Transaction, as applicable.

**“LCDS Physical Settlement Terms”** means the Syndicated Secured Loan Credit Default Swap Physical Settlement Rider, as published by The Loan Syndications and Trading Association, Inc. (the **“LSTA”**) most recently prior to the Auction Date.

**“LCDX Covered Untranching Transaction”** means a Bullet LCDX Covered Untranching Transaction or a Legacy LCDX Covered Untranching Transaction, as applicable.

**“Legacy LCDS Covered Tranche Transaction”** means a Loan Only Transaction for which:

- (a) the documentation is based on the Legacy LCDX Tranche Standard Terms;
- (b) the Affected Reference Entity is a Reference Entity and the designated priority of loans of such Reference Entity is the Designated Priority;
- (c) an Event Determination Date has occurred under the documentation governing the relevant Loan Only Transaction with respect to the Affected Reference Entity and Designated Priority on or prior to the Business Day immediately preceding the Auction Final Price Determination Date;
- (d) the Scheduled Termination Date is on or after, and the Effective Date is on or prior to, the Default Date; and
- (e) the portion attributable to the Reference Entity and Designated Priority is still outstanding as of the Auction Final Price Determination Date.

**“Legacy LCDS Covered Transaction”** means a Loan Only Transaction (other than a Legacy LCDX Covered Untranching Transaction) for which:

- (a) the documentation is based on the Legacy LCDS Standard Terms or the Legacy LCDX Untranching Standard Terms;
- (b) the Affected Reference Entity is a Reference Entity and the designated priority of loans of such Reference Entity is the Designated Priority;
- (c) an Event Determination Date has occurred under the documentation governing the relevant Loan Only Transaction with respect to the Affected Reference Entity and Designated Priority on or prior to the Business Day immediately preceding the Auction Final Price Determination Date;

- (d) the Scheduled Termination Date is on or after, and the Effective Date is on or prior to, the Default Date; and
- (e) the portion attributable to the Reference Entity and Designated Priority is still outstanding as of the Auction Final Price Determination Date.

“**Legacy LCDS Standard Terms**” means the Syndicated Secured Loan Credit Default Swap Standard Terms Supplement published by ISDA on May 22, 2007.

“**Legacy LCDX Covered Untranching Transaction**” means a Loan Only Transaction for which:

- (a) the documentation is based on the Legacy LCDX Untranching Standard Terms;
- (b) a Markit LCDX index published by the Index Sponsor is referenced for which the Affected Reference Entity is a Reference Entity and the designated priority of loans of such Reference Entity is the Designated Priority;
- (c) an Event Determination Date has occurred under the documentation governing the relevant Loan Only Transaction with respect to the Affected Reference Entity and Designated Priority on or prior to the Business Day immediately preceding the Auction Final Price Determination Date;
- (d) the Scheduled Termination Date is on or after, and the Effective Date is on or prior to, the Default Date; and
- (e) the portion attributable to the Reference Entity and Designated Priority is still outstanding as of the Auction Final Price Determination Date.

“**Legacy LCDX Tranche Standard Terms**” means the LCDX Tranche Transactions Standard Terms Supplement published by ISDA and the Index Sponsor on September 25, 2007 or any predecessor draft thereof.

“**Legacy LCDX Untranching Standard Terms**” means the LCDX Untranching Transactions Standard Terms Supplement published by ISDA and the Index Sponsor on May 22, 2007.

“**Limit Bid**” means a firm commitment by a Participating Bidder or a customer, as applicable, submitted as part of a Limit Order Submission or a Customer Limit Order Submission, as applicable, to enter as Seller (i.e., the party that has an obligation to accept delivery of Deliverable Obligations) into an agreement on terms equivalent to a Representative Auction-Settled Transaction for which the Floating Rate Payer Calculation Amount is the Quotation Amount stated in such Limit Order Submission or Customer Limit Order Submission, as applicable, and at the Reference Price stated in such Limit Order Submission or Customer Limit Order Submission, as applicable.

“**Limit Offer**” means a firm commitment by a Participating Bidder or a customer, as applicable, submitted as part of a Limit Order Submission or a Customer Limit Order Submission, as applicable, to enter as Buyer (i.e., the party that would deliver Deliverable Obligations) into an agreement on terms equivalent to a Representative Auction-Settled Transaction for which the Floating Rate Payer Calculation Amount is the Quotation Amount stated in such Limit Order Submission or Customer Limit Order Submission, as applicable, and at the Reference Price stated in such Limit Order Submission or Customer Limit Order Submission, as applicable.

**“Limit Order Submission”** means a submission from a Participating Bidder consisting of either a Limit Bid or a Limit Offer (expressed as a percentage, in increments equal to the Relevant Pricing Increment, of the outstanding principal balance, or, in the case of a lending commitment, the total lending commitment, rather than the face amount or funded commitment amount, of Deliverable Obligations (but not less than 0.00%)) and stating a Quotation Amount.

**“Loan Only Transaction”** means a Credit Derivative Transaction in respect of which “Loan” is specified as the only Deliverable Obligation Category or a Credit Derivative Transaction pursuant to which any Reference Obligations (which are required to be Loans) and certain other Loans are the only Deliverable Obligations.

**“Market Position”** means, with respect to a Participating Bidder or customer, as applicable, the aggregate amount of Deliverable Obligations that the relevant Participating Bidder or customer, as applicable, would have to buy or sell in order to obtain an identical risk profile after the Auction Settlement Date compared to its risk profile prior to the Auction Settlement Date with respect to all Auction Covered Transactions (excluding those Auction Covered Transactions for which the Trade Date is the Auction Final Price Determination Date) and all Auction-Linked Cash Settled Transactions, in each case to which such Participating Bidder, or any Affiliate of such Participating Bidder, as applicable, or such customer, or any Affiliate of such customer, as applicable, is a party, such risk profile to be determined without regard to whether the original transactions were documented as cash settled or physically settled transactions.

**“Market Position Trade”** has the meaning set forth in Section 6 of these LCDS Auction Settlement Terms.

**“Matched Limit Order”** has the meaning set forth in Section 12(c) of these LCDS Auction Settlement Terms.

**“Matched Limit Order Trade”** has the meaning set forth in Section 12(c) of these LCDS Auction Settlement Terms.

**“Matched Market”** has the meaning set forth in Section 5(a) of these LCDS Auction Settlement Terms.

**“Materiality Event”** means a Potential Materiality Event that has been determined to be a Materiality Event pursuant to Section 13(a) of these LCDS Auction Settlement Terms.

**“Materiality Event Delayed Auction Date”** has the meaning set forth in Section 13(a) of these LCDS Auction Settlement Terms.

**“Maximum Initial Market Bid-Offer Spread”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Minimum Number of Valid Initial Market Submissions”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Minimum Quotation Amount”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Non-Tradeable Market”** means any Matched Market that is not a Tradeable Market.

**“Offer”** means any Limit Offer or any Initial Market Offer, as applicable.

**“Open Interest”** means the difference between (a) the sum of all Quotation Amounts stated in each Physical Settlement Buy Request that is a Valid Physical Settlement Request and (b) the sum of all Quotation Amounts stated in each Physical Settlement Sell Request that is a Valid Physical Settlement Request.

**“Originally Scheduled Auction Currency Fixing Date”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Originally Scheduled Initial Bidding Period”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Originally Scheduled Subsequent Bidding Period”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Other Initial Bidding Period(s)”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Other Originally Scheduled Initial Bidding Period(s)”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Other Originally Scheduled Subsequent Bidding Period(s)”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Other Subsequent Bidding Period(s)”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Participating Bidder”** has the meaning set forth in Section 1 of these LCDS Auction Settlement Terms.

**“Participating Bidder Letter”** means a letter substantially in the form of Exhibit 1 to these LCDS Auction Settlement Terms.

**“Physical Settlement Buy Request”** means (a) in respect of a customer, a firm commitment by such customer to enter, as Seller (i.e., the party that has an obligation to accept delivery of Deliverable Obligations), into an agreement on terms equivalent to the Representative Auction-Settled Transaction for which the Floating Rate Payer Calculation Amount (expressed as an outstanding principal balance, or, in the case of a lending commitment, the total lending commitment, rather than face amount or funded commitment amount of Deliverable Obligations) is the Quotation Amount stated in the request and (b) in respect of a Participating Bidder, a firm commitment by a Participating Bidder (which may take into account any Customer Physical Settlement Requests) to enter, as Seller (i.e., the party that has an obligation to accept delivery of Deliverable Obligations), into an agreement on terms equivalent to the Representative Auction-Settled Transaction for which the Floating Rate Payer Calculation Amount (expressed as an outstanding principal balance, or, in the case of a lending commitment, the total lending commitment, rather than face amount or funded commitment amount of Deliverable Obligations) is the Quotation Amount stated in the request.

**“Physical Settlement Request”** means a request from a Participating Bidder consisting of a Physical Settlement Buy Request or a Physical Settlement Sell Request, as applicable, and which will equal the aggregate of the relevant Participating Bidder’s Dealer Physical Settlement Request and all Customer Physical Settlement Requests, if any, that the relevant Participating Bidder receives and accepts from its customers pursuant to Section 3 of these LCDS Auction Settlement Terms.

**“Physical Settlement Sell Request”** means (a) in respect of a customer, a firm commitment by such customer to enter, as Buyer (i.e., the party that would deliver Deliverable Obligations), into an agreement on terms equivalent to the Representative Auction-Settled Transaction for which the Floating Rate Payer Calculation Amount (expressed as an outstanding principal balance, or, in the case of a lending commitment, the total lending commitment, rather than face amount or funded commitment amount of Deliverable Obligations) is the Quotation Amount stated in the request and (b) in respect of a Participating Bidder, a firm commitment by a Participating Bidder (which may take into account any Customer Physical Settlement Requests) to enter, as Buyer (i.e., the party that would deliver Deliverable Obligations), into an agreement on terms equivalent to the Representative Auction-Settled Transaction for which the Floating Rate Payer Calculation Amount (expressed as an outstanding principal balance, or, in the case of a lending commitment, the total lending commitment, rather than face amount or funded commitment amount of Deliverable Obligations) is the Quotation Amount stated in the request.

**“Potential Materiality Event”** means an event or news the occurrence of which has or could have a material effect on the Auction Final Price.

**“Pro Rata”** means that Participating Bidders’ orders are matched proportionally with respect to the Quotation Amount of each such order and the total amount of orders that can be matched in the relevant part of the Auction.

**“Quotation Amount”** means the amount in the Relevant Currency stated as the notional amount with respect to a particular Limit Bid, Limit Offer, Initial Market Bid, Initial Market Offer, Physical Settlement Buy Request or Physical Settlement Sell Request in a Participating Bidder’s Initial Market Submission, a Physical Settlement Request or a Limit Order Submission, as applicable, which amount will be (a) for any Limit Bid, Limit Offer, Physical Settlement Buy Request or Physical Settlement Sell Request, the Minimum Quotation Amount or an integral multiple of an amount equal to the Quotation Amount Increment above the Minimum Quotation Amount and (ii) for any Initial Market Bid or Initial Market Offer, the Initial Market Quotation Amount.

**“Quotation Amount Increment”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“RAST Notional Amount Increment”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Relevant Auction Currency Fixing Date”** has the meaning set forth in Section 13(b) of these LCDS Auction Settlement Terms.

**“Relevant Currency”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Relevant Pairing”** has the meaning set forth in Section 2 of these LCDS Auction Settlement Terms.

**“Relevant Pricing Increment”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Representative Auction-Settled Transaction”** means a Credit Derivative Transaction incorporating the Definitions and the Bullet LCDS Standard Terms, which Credit Derivative Transaction shall supplement, form a part of, and be subject to, the Governing Master Agreement (including any credit support arrangements) executed or otherwise in place between the parties to such Credit Derivative Transaction (or if no such Governing Master Agreement has been executed or is otherwise in place between such parties, a deemed master agreement in the form of the ISDA 2002 Master Agreement as if



the parties had executed such agreement in such form (but without any Schedule except for the election of the Relevant Governing Law as the governing law and the Relevant Currency as the Termination Currency) on the Auction Final Price Determination Date and for which:

- (a) the Reference Entity is the Affected Reference Entity;
- (b) the designated priority of loans to which the Credit Derivative Transaction relates is the Designated Priority;
- (c) Physical Settlement, as modified by the Bullet LCDS Standard Terms and using the LCDS Physical Settlement Terms, is the applicable Settlement Method;
- (d) the Settlement Currency is the Relevant Currency;
- (e) the Event Determination Date is the Credit Event Resolution Request Date specified in Schedule 1 to these LCDS Auction Settlement Terms;
- (f) a Credit Event Notice and Notice of Publicly Available Information are deemed to have been effectively delivered on a timely basis;
- (g) all Fixed Amounts are deemed to have been paid when due;
- (h) the only Deliverable Obligations (as defined in the Definitions) applicable are the obligations specified as Deliverable Obligations in these LCDS Auction Settlement Terms;
- (i) the Reference Price is the Auction Final Price;
- (j) the Calculation Agent is (i) if both parties to the Representative Auction-Settled Transaction are Participating Bidders, Seller under such Representative Auction-Settled Transaction and (ii) if only one party to the Representative Auction-Settled Transaction is a Participating Bidder, such Participating Bidder;
- (k) notwithstanding anything to the contrary in the Bullet LCDS Standard Terms or the LCDS Physical Settlement Terms (i) the outstanding principal balance (construed as defined in the Bullet LCDS Standard Terms) of any Deliverable Obligation shall be determined as of the Auction Final Price Determination Date and any subsequent reductions in such outstanding principal balance attributable to Permanent Reductions (as defined in the LSTA Confirmation (as defined in the LCDS Physical Settlement Terms)) will not allow Buyer to Deliver additional Deliverable Obligations and (ii) the "Loan Trade Date" (as defined in the LCDS Physical Settlement Terms) with respect to a Representative Auction-Settled Transaction shall be deemed to be the Auction Final Price Determination Date; and
- (l) the following amendments are hereby made to the Definitions for purposes of the Representative Auction-Settled Transaction:
  - (i) Section 2.1 of the Definitions is hereby amended by deleting the second sentence thereof.
  - (ii) Section 2.2 of the Definitions is hereby deleted.
  - (iii) Section 3.2(c) of the Definitions is hereby replaced in its entirety with the following:

“(c) Notice of Physical Settlement. The Notice to Physical Settlement Condition to Settlement is satisfied by the delivery of a Notice of Physical Settlement (whether actual or deemed) that is effective in accordance with Section 3.4.”

- (iv) Section 3.4 of the Definitions is hereby replaced in its entirety with the following:

**“Section 3.4. Notice of Physical Settlement.** “Notice of Physical Settlement” means a notice from Buyer to Seller (which may be in writing (including by facsimile and/or email) and/or by telephone and which shall be subject to the requirements regarding notices set forth in Section 1.10) that (a) irrevocably confirms that Buyer will settle the Credit Derivative Transaction and require performance in accordance with Physical Settlement as the Settlement Method and (b) contains a detailed description of each Deliverable Obligation that Buyer will, subject to Section 9.2(c)(ii), Deliver to Seller, including the outstanding principal balance (the **“Outstanding Amount”**) of each such Deliverable Obligation and the information described in the Form of Notice of Physical Settlement attached as Exhibit 3 to the relevant LCDS and Bullet LCDS Auction Settlement Terms, or such other information as is customarily used in the loan or loan credit default swap market to identify particular loans. Buyer may, from time to time, notify Seller in the manner specified above (each such notification, a **“NOPS Amendment Notice”**) that Buyer is replacing, in whole or in part, one or more Deliverable Obligations specified in the Notice of Physical Settlement or a prior NOPS Amendment Notice, as applicable, (to the extent the relevant Deliverable Obligation has not been Delivered as of the date such NOPS Amendment Notice is effective) or the detailed description(s) thereof. A NOPS Amendment Notice shall contain a revised detailed description of each replacement Deliverable Obligation that Buyer will, subject to Section 9.2(c)(ii), Deliver to Seller (each, a **“Replacement Deliverable Obligation”**) and shall also specify the Outstanding Amount of each Deliverable Obligation identified in the Notice of Physical Settlement or prior NOPS Amendment Notice, as applicable, that is being replaced (with respect to each such Deliverable Obligation, the **“Replaced Deliverable Obligation Outstanding Amount”**). The Outstanding Amount of each Replacement Deliverable Obligation identified in a NOPS Amendment Notice shall be determined by applying the Revised Currency Rate to the relevant Replaced Deliverable Obligation Outstanding Amount. Each such NOPS Amendment Notice must be effective at or prior to 11:00 a.m. New York City time on the third Business Day after the satisfaction of all of the Conditions to Settlement with respect to such Credit Derivative Transaction (determined without reference to any change resulting from such NOPS Amendment Notice) (such day, the **“NOPS Fixing Date”**). Notwithstanding the foregoing, Buyer may correct any errors or inconsistencies in the detailed description of each Deliverable Obligation contained in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, by notice to Seller (given in the manner specified above) prior to the relevant Delivery Date; it being understood that such notice of correction shall not constitute a NOPS Amendment Notice.

If Buyer fails to deliver an effective Notice of Physical Settlement on or before the first date following the Auction Final Price Determination Date on which commercial banks and foreign exchange markets are generally open to settle payments in New York City (the **“Notice of Physical Settlement Date”**), Buyer will have no right thereafter to deliver a Notice of Physical Settlement. If Buyer has not delivered an effective Notice of Physical Settlement, Seller will have the right, from, but excluding, the Notice of Physical Settlement Date to, and including, the fifteenth calendar day after the Notice of Physical Settlement Date, to deliver a notice to Buyer containing a detailed description of the Deliverable Obligations that Buyer will be required to Deliver to Seller, including

the Outstanding Amount of each such Deliverable Obligation (provided that the aggregate of such Outstanding Amounts (or the equivalent Currency Amount, as applicable) shall be equal to or less than the Floating Rate Payer Calculation Amount).

If Buyer delivers an effective Notice of Physical Settlement on or before the Notice of Physical Settlement Date but such Notice of Physical Settlement (as amended or supplemented by any NOPS Amendment Notices delivered on or prior to the Notice of Physical Settlement Date) specifies Deliverable Obligations with an Outstanding Amount (or the equivalent Currency Amount, as applicable) that is less than the Floating Rate Payer Calculation Amount, Seller will have the right, from, but excluding, the Notice of Physical Settlement Date to, and including, the fifteenth calendar day after the Notice of Physical Settlement Date (subject to adjustment in accordance with the Following Business Day Convention), to deliver a notice to Buyer containing a detailed description of the additional Deliverable Obligations that Buyer will be required to Deliver to Seller, including the Outstanding Amount of each such Deliverable Obligation; provided that the aggregate specified Outstanding Amount (or the equivalent Currency Amount, as applicable) shall be equal to or less than the amount by which the Floating Rate Payer Calculation Amount exceeds the aggregate Outstanding Amount (or the equivalent Currency Amount, as applicable) of Deliverable Obligations specified in the Notice of Physical Settlement (as amended or supplemented by any NOPS Amendment Notices) delivered by Buyer.

Any notice delivered by Seller pursuant to this Section 3.4 will include the information described in the Form of Notice of Physical Settlement attached as Exhibit 3 to the relevant LCDS and Bullet LCDS Auction Settlement Terms, or such other information as is customarily used in the loan or loan credit default swap market to identify particular loans. The Outstanding Amount of each Deliverable Obligation identified in any such notice delivered by Seller shall be determined by applying the Revised Currency Rate to the relevant Outstanding Amount. Delivery of any such notice shall be deemed to constitute delivery of an effective Notice of Physical Settlement. Buyer may not change any such notice from Seller, other than to correct any errors or inconsistencies in the detailed description of each Deliverable Obligation in such notice.

If Buyer fails to deliver an effective Notice of Physical Settlement on or prior to the Notice of Physical Settlement Date, and Seller fails to deliver a notice described in this Section 3.4 to Buyer on or prior to the fifteenth calendar day after the Notice of Physical Settlement Date (subject to adjustment in accordance with the Following Business Day Convention), then such fifteenth calendar day will be the Termination Date.”

- (v) Section 8.1 of the Definitions is hereby amended by deleting the words “either (i)” and the following words from the last sentence of the second paragraph thereof “or (ii) less than the Floating Rate Payer Calculation Amount, in which case Seller shall not be required to pay more than the proportion of the Physical Settlement Amount that corresponds to the Deliverable Obligations Delivered,”.
- (vi) Section 8.10 of the Definitions is hereby replaced in its entirety with the following:

**“Section 8.10. Currency Rate.** “Currency Rate” means with respect to (a) a Deliverable Obligation specified in a Notice of Physical Settlement delivered by (i) Buyer, the Auction Currency Rate or (ii) Seller, the Revised Currency Rate and (b) a Replacement Deliverable Obligation specified in a NOPS Amendment Notice, the Revised Currency Rate.”

(vii) Section 8.12 of the Definitions is hereby replaced in its entirety with the following:

**“Section 8.12. Revised Currency Rate.** “Revised Currency Rate” means, with respect to either (a) a Replacement Deliverable Obligation specified in a NOPS Amendment Notice or (b) a Deliverable Obligation specified in a Notice of Physical Settlement delivered by Seller, the rate of conversion between the currency in which the Replaced Deliverable Obligation Outstanding Amount, in the case of a NOPS Amendment Notice, or the Outstanding Amount of the relevant Deliverable Obligation, in the case of a Notice of Physical Settlement delivered by Seller, as applicable, is denominated and the currency in which the Outstanding Amount of such Replacement Deliverable Obligation is denominated, in the case of a NOPS Amendment Notice, or the Settlement Currency, in the case of a Notice of Physical Settlement delivered by Seller, as applicable, that is determined either (i) by reference to the Currency Rate Source as at the Next Currency Fixing Time or (ii) if such rate is not available at such time, by the Calculation Agent in a commercially reasonable manner after consultation with the parties.”

**“Rounding Amount”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Rounding Convention”** means that, if a Participating Bidder’s order is matched in an amount that is not an integral multiple of the Rounding Amount, then the amount to be so matched will be rounded down to the nearest Rounding Amount. The difference between the total amounts of all orders having been filled Pro Rata and the total of all rounded down amounts will be allocated in amounts equal to the Rounding Amount one at a time to Participating Bidders in order, beginning with the Participating Bidder with the order stating the largest Quotation Amount at the same price. In the event that there are Participating Bidders with identical orders of such type, Rounding Amounts will be allocated first to the Participating Bidder whose orders were received first by the Administrators. Any residual amounts which are in aggregate less than the Rounding Amount shall be disregarded.

**“Subsequent Bidding Information”** has the meaning set forth in Section 14 of these LCDS Auction Settlement Terms.

**“Subsequent Bidding Information Publication Time”** has the meaning set forth in Schedule 1 to these LCDS Auction Settlement Terms.

**“Subsequent Bidding Period”** means (a) the Originally Scheduled Subsequent Bidding Period, (b) such period that lasts longer than or occurs later than such Originally Scheduled Subsequent Bidding Period, as the Administrators may prescribe if they determine (in their sole and absolute discretion) that such modified period is required to preserve the integrity of the Auction or (c), if the auction procedure described in Sections 4 and 5(a) and 5(c) of these LCDS Auction Settlement Terms must be repeated pursuant to Section 13 of these LCDS Auction Settlement Terms, the time period (whether less than, equal to or longer than the Originally Scheduled Subsequent Bidding Period, as the Administrators may prescribe, in their sole and absolute discretion, to preserve the integrity of the Auction) occurring (i) at such time(s) specified by the Administrators after such Originally Scheduled Subsequent Bidding Period on the Auction Date or (ii) at such time(s) specified by the Administrators on a subsequent Business Day, as applicable, pursuant to Section 13 of these LCDS Auction Settlement Terms, until the earlier of the Auction Final Price Determination Date or the occurrence of an Auction Cancellation Date.

**“Touching Market”** means any Matched Market for which the Initial Market Bid and Initial Market Offer are equal.

“**Tradeable Market**” means any Matched Market that is a Crossing Market or a Touching Market.

“**Unmatched Limit Order**” has the meaning set forth in Section 11 of these LCDS Auction Settlement Terms.

“**USD**” means the lawful currency of the United States of America.

“**Valid Initial Market Submission**” means, with respect to a Participating Bidder, an Initial Market Submission submitted by such Participating Bidder and received by the Administrators during the Initial Bidding Period.

“**Valid Limit Order Submission**” means, with respect to a Participating Bidder, a Limit Order Submission submitted by such Participating Bidder and received by the Administrators during the Subsequent Bidding Period.

“**Valid Physical Settlement Request**” means, with respect to a Participating Bidder, a Physical Settlement Request submitted by such Participating Bidder and received by the Administrators during the Initial Bidding Period.

## Schedule 1

### 2013 Cengage Learning Acquisitions, Inc. First Lien Loans Auction-Specific Terms

This Schedule 1 sets out the following auction-specific terms applicable to these LCDS Auction Settlement Terms:

“**Affected Reference Entity**” means Cengage Learning Acquisitions, Inc.

“**Auction Date**” means August 6, 2013.

“**Auction Settlement Date**” means the later of (a) the date that is five Business Days following the Auction Final Price Determination Date and (b) August 13, 2013.

“**Cap Amount**” means 1.00 percent.

“**Credit Event Resolution Request Date**” means July 9, 2013.

“**Default Date**” means July 2, 2013.

“**Deliverable Obligation**” means any of the following Loans that is an obligation of the Affected Reference Entity if the Loan being delivered is not subject to the Cengage Restructuring Support Agreement (as defined below):

<b>Description</b>	<b>Approximate Outstanding Amount</b>	<b>Maturity</b>	<b>MLID</b>
Class A Revolving Credit Facility	USD 220.3 mm	July 5, 2013	ML1002704
Class B Revolving Credit Facility	USD 293.7 mm	April 10, 2017	ML1002705
Original Term Loan	USD 1,519.1 mm	July 5, 2014	ML1002706
Tranche 1 Incremental Term Loan	USD 548.3 mm	July 5, 2014	ML1002707
Tranche B Term Loan	USD 1,286.5 mm	July 5, 2017	ML1002708

For purposes of the above, the “Cengage Restructuring Support Agreement” means the Restructuring Support Agreement, entered into as of July 2, 2013, by and among the Cengage Learning Acquisitions, Inc., Cengage Learning Holdco, Inc., Cengage Learning Holdings II, L.P., and Cengage Learning Inc. and the “Credit Agreement Lenders” and the “First Lien Noteholders” party thereto (a copy of which is available at <http://www.cengagecaseinfo.com/CL/DocketClick?dataDir=cl&caseNumber=13-44106&docketN=15&viewName=Dockets>).

“**Designated Priority**” means First Lien Loans.

**“Initial Bidding Information Publication Time”** means 10:30 a.m. New York City time.

**“Initial Market Quotation Amount”** means USD 2,000,000.

**“Maximum Initial Market Bid-Offer Spread”** means 2.00 percent.

**“Minimum Number of Valid Initial Market Submissions”** means 6 Valid Initial Market Submissions.

**“Minimum Quotation Amount”** means USD 5,000,000.

**“Originally Scheduled Auction Currency Fixing Date”** means August 5, 2013.

**“Originally Scheduled Initial Bidding Period”** means the period between 9:45 a.m. and 10:00 a.m. New York City time.

**“Originally Scheduled Subsequent Bidding Period”** means the period between 12:45 p.m. and 1:00 p.m. New York City time.

**“Other Initial Bidding Period(s)”** is not applicable.

**“Other Originally Scheduled Initial Bidding Period(s)”** is not applicable.

**“Other Originally Scheduled Subsequent Bidding Period(s)”** is not applicable.

**“Other Subsequent Bidding Period(s)”** is not applicable.

**“Quotation Amount Increment”** means USD 1,000,000.

**“RAST Notional Amount Increment”** means USD 1,000,000.

**“Relevant Currency”** means USD.

**“Relevant Pricing Increment”** means one-eighth of one percent.

**“Rounding Amount”** means USD 100,000.

**“Subsequent Bidding Information Publication Time”** means 2:00 p.m. New York City time.

## Schedule 2

### 2013 Cengage Learning Acquisitions, Inc. First Lien Loans Fixed Rate Accrual and Other Amendments

The provisions of the relevant documentation that govern the accrual of Fixed Rates and the payment of Fixed Amounts under each specified category of Auction Covered Transaction following an Event Determination Date with respect to the Affected Reference Entity shall be amended as follows:

- (a) **Single name LCDS transactions and untranching Markit LCDX transactions.** The documentation relating to each Auction Covered Transaction that is an LCDS Covered Transaction or LCDX Covered Untranching Transaction is amended as follows:

Notwithstanding anything to the contrary in the documentation governing the Auction Covered Transaction, (A) if the first Fixed Rate Payer Payment Date after the Credit Event Resolution Request Date occurs (or would have occurred but for the Credit Event) before the Auction Settlement Date or the date that is 5 Business Days following the Auction Cancellation Date, as applicable (such date, the “**Accrual Reference Date**”), (1) the Fixed Rate on the Auction Covered Transaction or the Affected Portion, as applicable, shall accrue to but excluding such Fixed Rate Payer Payment Date (or, if such Fixed Rate Payer Payment Date is the Scheduled Termination Date, to and including such Scheduled Termination Date) for purposes of the payment due on that date and (2) a rebate of such Fixed Rate accrual on the Auction Covered Transaction or the Affected Portion, as applicable, for the period from but excluding the Credit Event Resolution Request Date to but excluding such Fixed Rate Payer Payment Date (or, if such Fixed Rate Payer Payment Date is the Scheduled Termination Date, to and including such Scheduled Termination Date) will be paid by Seller to Buyer on the Accrual Reference Date; or (B) if the first Fixed Rate Payer Payment Date after the Credit Event Resolution Request Date occurs (or would have occurred but for the Credit Event) on or after the Accrual Reference Date, (1) the Fixed Rate on the Auction Covered Transaction or the Affected Portion, as applicable, shall accrue to and including the Credit Event Resolution Request Date, and (2) the resulting Fixed Amount in respect of the Affected Reference Entity and Designated Priority shall be paid on the Accrual Reference Date, with no rebate.

- (b) **Tranche transactions.** The documentation relating to each Auction Covered Transaction that is an LCDS Covered Tranche Transaction is amended as follows:

Notwithstanding anything to the contrary in the documentation governing the Auction Covered Transaction, (A) if a Fixed Rate Payer Payment Date occurs (or would have occurred but for the Credit Event) in the period from but excluding the Credit Event Resolution Request Date to but excluding the Accrual Reference Date, (1) the Fixed Rate shall accrue as if no Credit Event had occurred with respect to the Affected Reference Entity to but excluding such Fixed Rate Payer Payment Date (or, if such Fixed Rate Payer Payment Date is the Scheduled Termination Date, to and including such Scheduled Termination Date) for purposes of the payment due on that date and (2) without duplication of any rebate payable under the documentation governing such Auction Covered Transaction, a rebate of such Fixed Rate accrual on the Affected Portion equal to the reduction in the Outstanding Swap Notional Amount for the Incurred Loss Amount, if any, and/or Incurred Recovery Amount, if any, with respect to the Affected Portion for the period (if any) from and including the calendar day immediately following the Credit Event Resolution Request Date to but excluding such Fixed Rate Payer Payment Date (or, if such Fixed Rate Payer Payment Date is the Scheduled Termination Date, to and including such Scheduled Termination Date) will be paid by Seller to Buyer on the Accrual Reference Date; or (B) if no



Fixed Rate Payer Payment Date occurs (or would have occurred but for the Credit Event) in the period from but excluding the Credit Event Resolution Request Date to but excluding the Accrual Reference Date, and the first Fixed Rate Payer Payment Date after the Credit Event Resolution Request Date occurs (or would have occurred but for the Credit Event) on or after the Accrual Reference Date, (1) the Fixed Rate shall accrue as if an Event Determination Date with respect to the Affected Reference Entity had occurred on the Credit Event Resolution Request Date, (2) a Fixed Amount accrual in respect of the reduction in the Outstanding Swap Notional Amount for the Incurred Loss Amount, if any, and/or Incurred Recovery Amount, if any, with respect to the Affected Portion for the relevant Fixed Rate Payer Calculation Period through and including the Credit Event Resolution Request Date shall be paid on the Accrual Reference Date and (3) the Fixed Amount accrual payable on such Fixed Rate Payer Payment Date shall be calculated as if the Outstanding Swap Notional Amount were reduced by the Incurred Loss Amount, if any, and/or the Incurred Recovery Amount, if any, with respect to the Affected Portion on the first day of the relevant Fixed Rate Payer Calculation Period, with no rebate.

For the purposes of this Schedule 2, “Outstanding Swap Notional Amount”, “Incurred Loss Amount” and “Incurred Recovery Amount” have the meanings specified in the relevant Bullet LCDX Tranche Standard Terms or Legacy LCDX Tranche Standard Terms, as applicable (or, if the relevant tranching transaction is documented under another form of documentation, meanings analogous thereto, to the extent applicable).

Notwithstanding any provision to the contrary governing any Auction Covered Legacy Transaction, the following shall apply to all Auction Covered Legacy Transactions:

- (a) **Effect of Actual Notices.** Except for purposes of determining whether a transaction is an Auction Covered Transaction, any Credit Event Notice, Notice of Publicly Available Information or Notice of Physical Settlement delivered with respect to the Affected Reference Entity and Designated Priority shall be deemed revoked, and neither party shall have any obligations with respect to any such notice.
- (b) **No Additional Notice Deliveries.** Except for the deemed notices provided in clause (c) below, each party agrees not to deliver any Credit Event Notice, Notice of Publicly Available Information or Notice of Physical Settlement with respect to the Affected Reference Entity and Designated Priority, and any such notice delivered shall be void and have no effect. Further, notwithstanding the provisions of the 2003 ISDA Credit Derivatives Definitions as supplemented by the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions, each as published by ISDA (collectively, the “**2003 Definitions**”), or the documentation governing an Auction Covered Legacy Transaction, the Calculation Agent will not be obligated to provide any notice with respect to Quotations or the calculation of the Final Price, the Cash Settlement Amount, losses (including aggregate losses) or recoveries (including aggregate recoveries) (or any analogous concepts in the relevant documentation).
- (c) **Satisfaction of Conditions to Settlement.**
  - (i) A Notifying Party shall be deemed to have delivered a Credit Event Notice with respect to the Affected Reference Entity and Designated Priority and a Notice of Publicly Available Information, which notice in each case is effective on the Credit Event Resolution Request Date and satisfies the requirements of the documentation governing the relevant Auction Covered Legacy Transaction.
  - (ii) The Conditions to Settlement in each Auction Covered Legacy Transaction are amended by eliminating any requirement that Buyer deliver a Notice of Physical Settlement with respect to the Affected Reference Entity and Designated Priority. Accordingly, such

Conditions to Settlement are deemed satisfied on the Credit Event Resolution Request Date.

(d) **Settlement Terms.**

(i) With respect to any Legacy LCDS Covered Transaction or Legacy LCDX Covered Untranching Transaction, such Auction Covered Legacy Transaction or the Affected Portion, as applicable, shall settle as if the Settlement Method specified in the documentation governing such Auction Covered Legacy Transaction or Affected Portion were Cash Settlement, subject to the following:

(A) The Final Price will be the Auction Final Price determined as described in these LCDS Auction Settlement Terms, with the Auction Final Price Determination Date as the Single Valuation Date.

(B) The Cash Settlement Amount will be determined as provided in Section 7.3 of the 2003 Definitions.

(C) The Cash Settlement Date shall be the Auction Settlement Date.

(ii) With respect to any Legacy LCDS Covered Tranche Transaction, the Affected Portion shall settle according to terms related to Auction Settlement specified in the documentation governing such Legacy LCDS Covered Tranche Transaction using the Auction Final Price determined pursuant to these LCDS Auction Settlement Terms as the Auction Price, except that the Cash Settlement Date shall be the Auction Settlement Date.

(e) **Auction Cancellation.** If an Auction Cancellation Date occurs, subsections (b), (c)(ii) and (d) above shall be rescinded and have no further effect. For the avoidance of doubt, if an Auction Cancellation Date occurs, a party may deliver a Notice of Physical Settlement or any other relevant notice with respect to any Auction Covered Legacy Transaction in accordance with the relevant documentation and settle any Auction Covered Legacy Transaction in accordance with the relevant documentation.

(f) **Bespoke LCDS Tranche Transactions.** To the extent the documentation governing any Legacy LCDS Covered Tranche Transaction differs from the Legacy LCDX Tranche Standard Terms, including by specifying that Cash Settlement shall be the exclusive Settlement Method, the terms of this Schedule 2 shall be construed in respect of such Legacy LCDS Covered Tranche Transaction taking into account any such differences to effectuate the parties' intent that, other than in the case of the occurrence of an Auction Cancellation Date, the Auction Final Price determined pursuant to these LCDS Auction Settlement Terms be used to determine the amounts payable and/or other rights and obligations of the parties with respect to the Affected Portion of such Legacy LCDS Covered Tranche Transaction.

**Form of Participating Bidder Letter**

---

**[Letterhead of Participating Bidder]**

**[Date]**

**Markit Group Limited**

**Send to: cea@markit.com**

**Creditex Securities Corporation**

**Send to: CEA@creditex.com**

**International Swaps and Derivatives Association, Inc.**

**Send to: ceba@isda.org**

Dear Sirs,

We write to inform you that we wish to be a “Participating Bidder” with respect to the Auction occurring pursuant to (and as defined in) the 2013 Cengage Learning Acquisitions, Inc. First Lien Loans LCDS and Bullet LCDS Auction Settlement Terms, as published by the International Swaps and Derivatives Association, Inc. (the “**LCDS Auction Settlement Terms**”). Capitalized terms used in this Participating Bidder Letter but not defined herein shall have the meanings specified in the LCDS Auction Settlement Terms.

We hereby notify you that it is our intention that, pursuant to the LCDS Auction Settlement Terms, any Dealer Physical Settlement Request we submit will, at the time of submission, be, to the best of our knowledge and belief, on the same side of the market as, and will not exceed, our Market Position.

By signing and returning this Participating Bidder Letter to you, we represent, as of the date of this Participating Bidder Letter, that:

- (a) from time to time we regularly trade, or one of our Affiliates regularly trades, in one or more obligations of the types of obligations listed as Deliverable Obligations in the secondary loan market and/or we regularly trade, or one of our Affiliates regularly trades, loan credit default swaps with respect to entities like Cengage Learning Acquisitions, Inc.;
- (b) none of our Affiliates has previously submitted a Participating Bidder Letter to you or is otherwise a Participating Bidder; and
- (c) we are not subject to any requirement that would make it impossible or illegal for us to deliver or accept delivery of any of the Deliverable Obligations.

In addition, we agree that neither Administrator shall be liable to us for any indirect, special or consequential damages resulting from our participation in the Auction (including any Adjustment Amounts involving our Bid or Offer), and that each Administrator’s maximum cumulative liability for direct and any other damages arising out of our participation in the Auction (including any Adjustment Amounts) is limited to USD10,000 in the aggregate per Administrator, other than damages resulting from gross negligence or wilful misconduct on the

part of the relevant Administrator or breach of the representations made to the Participating Bidders in the letter from Creditex Securities Corporation to the Participating Bidders in respect of the LCDS Auction Settlement Terms.

We agree to abide by the LCDS Auction Settlement Terms, including, for the avoidance of doubt, Section 15 thereof.

We also agree to pay to ISDA (i) to the extent not already paid in advance to ISDA, our share of any fees payable by ISDA to the Administrators or to ISDA's legal advisors in connection with the administration of the Auction or the development of the relevant lists of Deliverable Obligations and (ii) any Adjustment Amounts payable by us pursuant to the LCDS Auction Settlement Terms (any such fees together with any such Adjustment Amounts, "**Auction Costs**"). We agree to pay any Auction Costs to ISDA within twenty-one (21) days of receipt of a written invoice submitted by ISDA for such Auction Costs.

Our contact details for purposes of this Participating Bidder Letter are:

Name: [●]

Address: [●]

Telephone: [●]

Fax: [●]

E-mail: [●]

Our contact details for purposes of receiving any invoices relating to Auction Costs are:

Name: [●]

Address: [●]

Telephone: [●]

Fax: [●]

E-mail: [●]

We acknowledge that our participating in the Auction as a Participating Bidder is subject to a Quorum Majority of Participating Dealers approving such participation in accordance with Section 2.3(b)(ii) of the Bullet Auction Rules.

This letter and any non-contractual obligations arising out of it will be governed by and construed in accordance with New York law.

We agree that any dispute arising out of, concerning or relating in any way to, this letter's interpretation, administration or performance, including our rights and liabilities under it, will be resolved before the Civil Branch of the Supreme Court of the State of New York, New York County, or if diversity of citizenship and the then-required amount in dispute be satisfied, the United States District Court for the Southern District of New York. We waive any objections to *in personam* jurisdiction by the aforesaid courts and consent to their respective jurisdiction. Such relevant court shall apply New York law to resolution of such dispute, without regard to New York's conflict-of-laws principles.

We consent to the publication of a conformed copy of this Participating Bidder Letter by ISDA and to the disclosure by ISDA of the contents of this letter.

Yours faithfully,

[PARTICIPATING BIDDER]<sup>1</sup>

By:

Name:
Title:
Signature:

---

<sup>1</sup> Specify legal name of Participating Bidder.

**Form of Customer Physical Settlement Request Letter**

---

[Letterhead of Customer]

[Date]

**Send to: [Participating Bidder]**

Dear Sirs,

We write to inform you that we wish to submit a Customer Physical Settlement Request as defined in the 2013 Cengage Learning Acquisitions, Inc. First Lien Loans LCDS and Bullet LCDS Auction Settlement Terms, as published by the International Swaps and Derivatives Association, Inc. (the “**LCDS Auction Settlement Terms**”). Capitalized terms used in this letter but not defined herein have the meanings specified in the LCDS Auction Settlement Terms.

By signing and returning this Customer Physical Settlement Request Letter to you, we represent and agree that:

- (a) A Governing Master Agreement has been entered into or otherwise put in place between you, or one of your Affiliates, and us;
- (b) the Customer Physical Settlement Request set out below is, to the best of our knowledge and belief,
  - [(i) on the same side of the market as and not in excess of our Dealer-Specific Market Position, and
  - [(ii)]<sup>2</sup> on the same side of the market as and (when aggregated with all Customer Physical Settlement Requests submitted by us or our Affiliates to one or more Participating Bidders) not in excess of our Market Position; and
- (b) we are not, as of the date of this Customer Physical Settlement Request Letter, subject to any requirement that would make it impossible or illegal for us to Deliver or accept Delivery of any of the Deliverable Obligations.

The Customer Physical Settlement Request is a Physical Settlement [Buy][Sell] Request of [*Relevant Currency and amount*].

We agree that you may verify our Dealer-Specific Market Position by requesting information from any of your Affiliates in respect of any Auction Covered Transactions and/or any Auction-Linked Cash Settled Transactions we have entered into with such Affiliate.

We acknowledge and agree that the acceptance of this Customer Physical Settlement Request is contingent on satisfaction of your internal credit approvals.

---

<sup>2</sup> Delete as applicable.

Our contact details for purposes of this Customer Physical Settlement Request Letter are:

Name: [●]

Address: [●]

Telephone: [●]

Fax: [●]

E-mail: [●]

Yours faithfully,

[CUSTOMER]<sup>3</sup>

By:

Name:
Title:
Signature:

---

<sup>3</sup> Specify legal name of customer.

**Form of Notice of Physical Settlement**

---

Attention: [client contact]

By Fax: [facsimile]

By Phone: [telephone]

[Recipient of Notice of Physical Settlement]

Dear Sirs

**NOTICE OF PHYSICAL SETTLEMENT**

Credit Derivative Transaction Details:<sup>4</sup> Representative Auction-Settled Transaction, formed pursuant to the 2013 Cengage Learning Acquisitions, Inc. First Lien Loans LCDS and Bullet LCDS Auction Settlement Terms, published by the International Swaps and Derivatives Association, Inc. (the “**LCDS Auction Settlement Terms**”) entered into between [SELLER], as Seller (i.e., the party identified by the Auction Administrators as having an obligation to accept Delivery of Deliverable Obligations), and [BUYER] as Buyer (i.e., the party identified by the Auction Administrators as having the obligation to Deliver Deliverable Obligations), and for which the Floating Rate Payer Calculation Amount is [*Relevant Currency and amount*]<sup>5</sup>.

Reference is made to the Credit Derivative Transaction described above (the “**Transaction**”).

- (1) Pursuant to the LCDS Auction Settlement Terms, the Credit Event Resolution Request Date for the Transaction is the date specified as such in Schedule 1 to the LCDS Auction Settlement Terms.
- (2) Any capitalized term not otherwise defined in this Notice of Physical Settlement will have the meaning, if any, assigned to such term in the LCDS Auction Settlement Terms or, if no meaning is specified therein, in the Definitions.
- (3) We hereby confirm that we will settle the Transaction and require performance by you in accordance with the terms relating to Physical Settlement in the Definitions, as modified by the Bullet LCDS Standard Terms. Subject to the terms of the Transaction, we will deliver to you according to the terms of the LCDS

---

<sup>4</sup> These Transactions Details will need to be adjusted appropriately where this form is used with respect to a transaction between a customer and a Participating Bidder.

<sup>5</sup> The Quotation Amount of the Transaction identified by Auction Administrators or, in the case of a Representative Auction-Settled Transaction between a Participating Bidder and a customer, the amount specified by such Participating Bidder.



Physical Settlement Terms the following Deliverable Obligation(s) against payment of the amount determined pursuant to the Bullet LCDS Standard Terms and the LCDS Physical Settlement Terms using the Auction Final Price of [●] percent as the Reference Price:

<b>Outstanding Principal Balance</b>	<b>Description</b>	<b>Approximate Outstanding Amount</b>	<b>Maturity</b>	<b>MLID</b>
[[●]]	Class A Revolving Credit Facility	USD 220.3 mm	July 5, 2013	ML1002704]
[[●]]	Class B Revolving Credit Facility	USD 293.7 mm	April 10, 2017	ML1002705]
[[●]]	Original Term Loan	USD 1,519.1 mm	July 5, 2014	ML1002706]
[[●]]	Tranche 1 Incremental Term Loan	USD 548.3 mm	July 5, 2014	ML1002707]
[[●]]	Tranche B Term Loan	USD 1,286.5 mm	July 5, 2017	ML1002708]

(4) This letter and any non-contractual obligations arising out of, or in connection with, it shall be governed by and interpreted in accordance with the law that governs, or is deemed to govern, the master agreement that the Transaction supplements, forms a part of, and is subject to.

Very truly yours,

[ ]

By: \_\_\_\_\_

Name:

Title: