

For purposes of the 2012 Houghton Mifflin Harcourt Publishing Company Credit Derivatives Auction Settlement Terms (the **AST**), the timeframe for physically settling Representative Auction-Settled Transactions (**RASTs**) has been shortened as set out below as a consequence of the proposed prepackaged plan of reorganization.¹

- (a) The Physical Settlement Period for RASTs has been shortened so that:
 - (i) the Physical Settlement Period for any Deliverable Obligation that is a Loan will end on, and the Physical Settlement Date will be, the Delivery Cut-off Date; and
 - (ii) the Physical Settlement Period for any Deliverable Obligation that is not a Loan will be as specified in the Relevant Physical Settlement Matrix.

The "**Delivery Cut-off Date**" for purposes of the above is the earlier of (A) the date that is 10 Business Days following the Notice of Physical Settlement Date, and (B) the date on which the Bankruptcy Court announces that it will confirm the Plan of Reorganization.

- (b) In light of the shortened Physical Settlement Period for RASTs:
 - (i) In circumstances where Buyer under the RAST has not delivered an Notice of Physical Settlement on or prior to the Business Day following the Auction Final Price Determination Date (the **Notice of Physical Settlement Date**), or Buyer under the RAST has delivered a Notice of Physical Settlement specifying Deliverable Obligations with an outstanding principal balance that is less than the notional amount of the RAST, the time period during which Seller under the RAST has the right to deliver a notice specifying the Deliverable Obligations that Buyer under the RAST will be required to Deliver has been shortened from 15 days following the Business Day following the Notice of Physical Settlement Date to one Business Day following the Notice of Physical Settlement Date.
 - (ii) The Business Day following the Notice of Physical Settlement Date will be the Termination Date if (A) Buyer under the RAST does not deliver an effective Notice of Physical Settlement on or prior to the Notice of Physical Settlement Date, and (B) Seller under the RAST does not deliver a notice specifying the Deliverable Obligations that Buyer will be required to Deliver to Seller by the Business Day following the Notice of Physical Settlement Date.
 - (iii) If Buyer under the RAST does not Deliver the Loan(s) specified in a Notice of Physical Settlement on or prior to the Delivery Cut-off Date (as defined above), the day on which the parties revert to Cash Settlement pursuant to the Partial Cash Settlement Terms has been brought forward from five Business Days after the Physical Settlement Date to two Business Days after the Delivery Cut-off Date.
 - (iv) Finally, the time periods specified in Section 9.8 (Partial Cash Settlement Terms) have been correspondingly shortened for Loans, with the Valuation Date occurring two Business Days after the Physical Settlement Date and the relevant time periods for soliciting quotations described in Section 9.8(k) shortened from five to two Business Days. Similarly, the time

¹ See the Chapter 11 "Plan of Reorganization" proposed by the Houghton Mifflin Harcourt Publishing Company. In re: Houghton Mifflin Harcourt Pub'g. Co., et al., Case No. 12-12171 (REG) (Bankr. S.D.N.Y.). Capitalized terms used but not defined in this summary have the meanings specified in the AST.

periods for alternative settlement procedures specified in Section 9.10(b) (Alternative Procedures Relating to Loans Not Delivered) have been shortened from fifteen Business Days to two Business Days.

- (c) Please note that obligations of the Houghton Mifflin Harcourt Publishing Company that are "subject to Lock-Up" pursuant to the terms of the "HMH Lock-Up Agreement" (as defined on the Final List of Deliverable Obligations for Houghton Mifflin Harcourt Publishing Company) will not constitute Deliverable Obligations for purposes of the Auction.² It will only be possible to specify obligations of the Houghton Mifflin Harcourt Publishing Company in a Notice of Physical Settlement or Notice of Physical Settlement Amendment Notice in connection with a RAST to the extent that the transfer of such obligations is not restricted by the HMH Lock-Up Agreement.

² For additional detail, please see the Final List of Deliverable Obligations for the 2012 Houghton Mifflin Harcourt Publishing Company Credit Derivatives Auction Settlement Terms, published by ISDA on May 25, 2012 at: <http://www.isda.org/companies/HoughtonMifflinHarcourt/HoughtonMifflinHarcourt.html>.