

SCIENTIFIC LEARNING CORP. AMENDS SUBORDINATED DEBT

Section 1.01

ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

On July 13, 2017 Scientific Learning Corp. (the "Company") entered into the First Omnibus Amendment (the "Amendment") between the Company and purchasers ("Purchasers") of the Subordinated Note and Warrant Purchase Agreement dated April 6, 2015, and related Transaction Documents as referenced below. The Company and the Purchasers also entered into the Amendment Number One to Amended and Restated Subordination Agreement (the "Subordination Amendment") with Bridge Bank N.A (the "Lender," and collectively with the Company and the Purchasers, the "Parties"). The amendment allowed the Company to issue a total of \$1,000,000 in Promissory Notes ("New Notes") to Nantahala Capital Partners, Limited Partnership and Blackwell Partners LLC – Series A. The Promissory Notes are subject to the same terms and conditions as the Notes under the Transaction Documents, except as otherwise set forth in the First Omnibus Amendment as follows: (1) no additional Warrants were issued in respect of the New Notes; (2) the New Notes were issued at 98%, with original issue discount of 2%; and (3) as long as the Company is not in default of the Transaction Documents, the amendment enables the Company to pay the New Notes early without making pro rata payments on the subordinated debt notes issued in 2015. The loan proceeds will be used for working capital and general corporate purposes. The notes bear a simple interest of a rate of 12% per annum with full maturity due on April 6, 2018, with the option of two one-year extensions. The Company intends to pay the New Notes' interest and principal at maturity, or early if possible.

The following definition set forth in the Subordination Amendment was amended in its entirety to now read as follows: "Maximum Subordinate Debt Amount" means at any time of calculation (A) the aggregate amount of \$6,000,000 owing to all Creditors reduced by any principal payments made on the Subordinated Debt owing to all Creditors, plus (B) interest paid in kind and added to the principal balance of the subordinated notes, plus (C) without duplication of interest included in the foregoing clause (B), the aggregate of any accrued and unpaid interest, fees, attorney's fees, costs, charges, and expenses, payable under the agreements, instruments and documents evidencing the Subordinated Debt owing to all Creditors or in respect thereof."

“Transaction Documents”

1. Subordinated Note and Warrant Purchase Agreement dated April 6, 2015, between the Company and the Purchasers.
2. Security Agreement dated April 6, 2015, between the Company and the Purchasers.
3. Amended and Restated Subordination Agreement dated April 6, 2015, by and between the Parties.
4. Warrant to Purchase Common Stock having an issuance date of April 6, 2015 and issue by the Company to the Purchasers pursuant to the Note Purchase Agreement (the “**Warrants**”).

SECTION 2.0

CREATION OF A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION UNDER AN OFF-BALANCE SHEET ARRANGEMENT OF A REGISTRANT.

The information set forth under Item 1.01 of this Disclosure Report with respect to the Subordinated Debt is incorporated herein by reference.