

**UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF NEW YORK**

	<b>X</b>	
<b>In re:</b>	:	<b>Chapter 11</b>
	:	
	:	
<b>CENGAGE LEARNING, INC. et al.,</b>	:	<b>Case No. 13-44106 (ESS)</b>
	:	<b>Case No. 13-44105 (ESS)</b>
	:	<b>Case No. 13-44107 (ESS)</b>
	:	<b>Case No. 13-44108 (ESS)</b>
<b>Debtors</b> <sup>[1]</sup>	:	<i>Jointly Administered</i>
	<b>X</b>	

**Monthly Operating Report  
For the Period From November 1, 2013 to November 30, 2013**

**DEBTORS' ADDRESS:** 200 First Stamford Place  
Suite 400  
Stamford, CT 06902  
Telephone: (203) 965-8600

**DEBTORS' ATTORNEYS:** Kirkland & Ellis LLP  
601 Lexington Avenue  
New York, NY 10022  
Telephone: (212) 446-4800  
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Jonathan S. Henes  
Christopher Marcus  
James H.M. Sprayregen  
Ross M. Kwasteniet

This Monthly Operating Report ("MOR") has been prepared solely for the purposes of complying with the monthly reporting requirements applicable in these Chapter 11 cases and is in a format that the Debtors believe is acceptable to the United States Trustee. The financial information contained herein is limited in scope and covers a limited time period. Moreover, such information is preliminary and unaudited, and is not prepared in accordance with accounting principles generally accepted in the United States ("GAAP").

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

/s/ Dean D. Durbin  
Dean D. Durbin  
Chief Financial Officer

December 27, 2013  
Date

**Notes:**

<sup>[1]</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer identification number, include: Cengage Learning, Inc. (4491), Cengage Learning Acquisitions, Inc. (0935); Cengage Learning Holdings II, L.P. (5675); and Cengage Learning Holdco, Inc. (0831).

**UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF NEW YORK**

**In re CENGAGE LEARNING, INC. et al.,  
Debtors**

**Case No.** 13-44106 (ESS)

**Reporting Period:** 11/1/13 to 11/30/13

**Federal Tax I.D. #** 59-2124491

**CORPORATE MONTHLY OPERATING REPORT**

<b>REQUIRED DOCUMENTS</b>	<b>FORM NO.</b>	<b>DOCUMENT ATTACHED</b>	<b>EXPLANATION ATTACHED</b>
Schedule of Cash Receipts and Disbursements	MOR-1	Yes	No
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1 (CONT)	Yes	No
Copies of bank statements			
Cash disbursements journals			
Statement of Operations	MOR-2	Yes	No
Balance Sheet	MOR-3	Yes	No
Status of Post-petition Taxes	MOR-4	Yes	No
Copies of IRS Form 6123 or payment receipt			
Copies of tax returns filed during reporting period			
Summary of Unpaid Post-petition Debts	MOR-4	Yes	No
Listing of Aged Accounts Payable			
Accounts Receivable Reconciliation and Aging	MOR-5	Yes	No
Taxes Reconciliation and Aging	MOR-5	Yes	No
Payments to Insiders and Professional	MOR-6	Yes	No
Post Petition Status of Secured Notes, Leases Payable	MOR-6	Yes	No
Debtor Questionnaire	MOR-7	Yes	No

In re CENGAGE LEARNING, INC. et al.,

Case No. 13-44106 (ESS)

Debtors

Reporting Period: 11/1/13 to 11/30/13

**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**

CASE NO.	CASE NAME	CASH RECEIPTS <sup>[1]</sup>	CASH DISBURSEMENTS <sup>[2]</sup>
13-44106	CENGAGE LEARNING, INC.	\$ 164,909,774	\$ 86,856,464
13-44105	CENGAGE LEARNING HOLDINGS II, L.P.	-	-
13-44107	CENGAGE LEARNING ACQUISITIONS, INC.	835,396	2,859,192
13-44108	CENGAGE LEARNING HOLDCO, INC.	-	-
	Total Debtors <sup>[3]</sup>	\$ 165,745,169	\$ 89,715,656

**Notes:**

<sup>[1]</sup> Represents receipts, net of merchant fees (excluding intercompany funding activity by and among Debtors and/or non-debtor affiliate accounts).

<sup>[2]</sup> Represents operating disbursements and restructuring disbursements (excluding intercompany funding activity by and among Debtors and/or non-debtor affiliate accounts).

<sup>[3]</sup> Cash receipts and disbursements of Hampton Brown LLC, a non-debtor affiliate, are included due to the manner in which its transactions have been integrated in the Debtors' accounting system.

In re CENGAGE LEARNING, INC. et al.

Case No. 13-44106 (ESS)

Debtors

Reporting Period: 11/1/13 to 11/30/13

**BANK ACCOUNT RECONCILIATIONS**

Account Holder <sup>[1]</sup>	Bank Name	Account Description	Account Number <sup>[2]</sup>	Ending Bank Balance <sup>[3]</sup>
Cengage Learning Acquisitions, Inc.	BMO Harris Bank, N.A.	Acquisitions Top Concentration Account	x0735	\$ 19,887,896
Cengage Learning Acquisitions, Inc.	Federated Investors, Inc.	Sweep Investment Account	Government Obligations Fund <sup>[4]</sup>	409,763,405
Cengage Learning Acquisitions, Inc.	Federated Investors, Inc.	Investment Account	Treasury Obligations Fund <sup>[5]</sup>	268,452,842
Cengage Learning, Inc.	BMO Harris Bank, N.A.	Cengage Operating Concentration Account	x5528	-
Cengage Learning, Inc.	BMO Harris Bank, N.A.	Cengage Depository Account	x9010	-
Cengage Learning, Inc.	BMO Harris Bank, N.A.	Cengage Disbursement Account	x8919	-
Cengage Learning, Inc.	BMO Harris Bank, N.A.	Cengage Payroll Account	x8927	-
Cengage Learning, Inc.	BMO Harris Bank, N.A.	Cengage Taxes & Benefits Account	x9988	-
The Gale Group Inc.	BMO Harris Bank, N.A.	Gale Operating Concentration Account	x0000	-
The Gale Group Inc.	BMO Harris Bank, N.A.	Gale Depository Account	x8870	-
The Gale Group Inc.	BMO Harris Bank, N.A.	Gale Depository Account	x9209	-
The Gale Group Inc.	BMO Harris Bank, N.A.	Gale Depository Account	x5303	-
The Gale Group Inc.	BMO Harris Bank, N.A.	Gale Disbursement Account	x8442	-
The Gale Group Inc.	BMO Harris Bank, N.A.	Gale Payroll Account	x8699	-
The Gale Group Inc.	BMO Harris Bank, N.A.	Gale Taxes & Benefits Account	x9556	-
Cengage Learning, Inc.	JP Morgan Chase, N.A.	Cengage Medical Benefits Account	x8454	446,156
Gale Holdings I Inc.	JP Morgan Chase, N.A.	Gale Credit Card Depository Account	x9152	120,560
Cengage Learning, Inc.	Fifth Third Bancorp	Cengage Local Account	x0557	5,000
Cengage Learning, Inc.	Fifth Third Bancorp	Cengage Local Account	x8152	42,426
Cengage Learning, Inc.	Bank of America, N.A.	Cengage Local Account	x5797	3,371
The Hampton Brown Company LLC	Bank of America, N.A.	Hampton Brown Depository Account	x6046	2,625,511
The Hampton Brown Company LLC	Bank of America, N.A.	Hampton Brown Disbursement Account	x5995	-
The Hampton Brown Company LLC	Bank of America, N.A.	Hampton Brown Credit Card Depository Account	x1304	-
The Gale Group Inc.	Royal Bank of Canada	Gale Canadian Dollar Disbursement Account	x1566	63,138
The Gale Group Inc.	National Westminster Bank plc	Gale Pound Disbursement Account	x0141	80,817
JPMorgan (as escrow agent)	JP Morgan Chase Bank, N.A.	CompuTaught Sale Escrow Account <sup>[6]</sup>	x1992	-
JPMorgan (as escrow agent)	JP Morgan Chase Bank, N.A.	Net Learning Sale Escrow Account <sup>[6]</sup>	x7718	3,601,373
Cengage Learning, Inc.	Bank of America, N.A.	Adequate Assurance/Utilities <sup>[7]</sup>	x6029	410,302
Cengage Learning, Inc.	BMO Harris Bank, N.A.	BMO Harris Collateral Account <sup>[8]</sup>	x5992	1,000,000

**Notes:**

<sup>[1]</sup> The Gale Group Inc. and Gale Holdings I Inc. were merged into Cengage Learning, Inc. and Cengage Learning Acquisitions, Inc., respectively, on February 28, 2013. As reflected above, some of the Debtors' bank accounts are still maintained in the name of these entities.

<sup>[2]</sup> Last four digits of account number.

<sup>[3]</sup> As part of the Debtors monthly close process, all bank accounts are reconciled to the applicable bank statements. The Debtors were authorized to use these accounts on a postpetition basis pursuant to the Final Order signed on August 20, 2013 approving: (I) (A) Continued use of existing Cash Management System (B) Maintenance of existing bank accounts (C) Continued use of existing business forms and (D) Continued use of existing investment practices; and (II) (A) Granting superpriority administrative expense status to postpetition intercompany claims and (B) Authorizing continued performance under certain intercompany arrangements and historical practices [Docket No. 304].

<sup>[4]</sup> The Debtors currently maintain an investment portfolio consisting of shares in a fund operated by Federated Investors, Inc. Excess funds in the Acquisitions Top Concentration Account are used to purchase shares of Federated's Government Obligations Fund Institutional Shares (money market fund #5, ticker: GOIXX).

In re CENGAGE LEARNING, INC. et al.Case No. 13-44106 (ESS)

Debtors

Reporting Period: 11/1/13 to 11/30/13**BANK ACCOUNT RECONCILIATIONS**

<sup>[5]</sup> As of November 30, 2013, the Company holds approximately \$268.5 million of cash in an investment account that the Company asserts is not part of the secured lenders, swap counterparties, and secured noteholders' respective collateral packages under the First Lien Credit Agreement, First Lien Notes Indenture, Swaps, and Second Lien Notes Indenture. On March 20, 2013, the Company drew down substantially all of the remaining availability under its first lien revolving credit facilities, and invested \$300.0 million in a Federated money market fund that invests in treasury repurchase agreements and treasury securities. The Federated fund is publicly traded on the NASDAQ exchange (ticker: TOIXX). Technically, the Company's investment involved the purchase of uncertificated shares in the Federated fund. Under the security agreements or provisions for each of the First Lien Credit Agreement, First Lien Notes Indenture, Swaps, and Second Lien Notes Indenture, equity investments in entities other than wholly-owned subsidiaries of the Company are explicitly excluded from the Prepetition Secured Parties' collateral package. The Company believes that the Federated Fund is not a wholly-owned subsidiary of the Company; the Company's investment in the Federated Fund is not part of the Secured Lenders' collateral package; and the Disputed Cash is therefore unencumbered.

<sup>[6]</sup> The Debtors also are party to an escrow agreement with JPMorgan. The Escrow Account was created in connection with the sale of Net Learning, a non-core business of the Debtors, to cover any breaches of representations and warranties in the applicable agreements. The amounts in the Escrow Account for the Net Learning sale are anticipated to be released on or about May 30, 2014, if all terms of the respective agreement are met. A separate escrow account for the CompuTaught sale was released on September 9, 2013 in the amount of \$500,208.60.

<sup>[7]</sup> Pursuant to the Final Order signed on August 1, 2013 (I) Determining that utility companies have been provided with adequate assurance of payment, (II) Prohibiting utility companies from altering, refusing or discontinuing service on account of prepetition invoices, (III) Approving adequate assurance procedures, (IV) Establishing procedures for utility companies to seek to opt out of adequate assurance procedures, and (V) Determining that Debtors are not required to provide any additional adequate assurance [Docket No. 218], the Debtors have deposited \$410,000 into a segregated, interest-bearing account for the benefit of utility providers (the "Adequate Assurance Deposit"). As of September 30, 2013, the balance related to the Adequate Assurance Deposit was below \$410,000 due to bank fees. On October 8, 2013, the Debtors replenished this account to cover actual and projected bank fees.

<sup>[8]</sup> Pursuant to the Final Cash Management Order signed on August 20, 2013 [Docket No. 304], in order to provide security of payment to BMO for ACH entries that are subsequently reversed, checks credited and subsequently reversed due to insufficient funds or otherwise not paid, fraudulent checks, processing errors, the Debtors shall place in an existing Bank Account at BMO (the "Collateral Account") the amount of \$1,000,000 (the "Original Amount"), shall maintain the Collateral Account in the Original Amount at all times, and shall enter into a mutually acceptable deposit account control agreement to reflect that the Collateral Account shall serve as collateral for the BMO cash management obligations and that BMO shall have complete control of the Collateral Account under the contractually agreed upon terms until the date that is 60 days after the termination of the bankruptcy proceedings of the Debtors, or earlier as mutually agreed. The Debtors funded the Collateral Account on October 4, 2013.

In re CENGAGE LEARNING, INC. et al.  
Debtors

Case No. 13-44106 (ESS)

Reporting Period: 11/1/13 to 11/30/13

**STATEMENT OF OPERATIONS**

See attached Exhibit A

In re CENGAGE LEARNING, INC. et al.  
Debtors

Case No. 13-44106 (ESS)

Reporting Period: 11/1/13 to 11/30/13

**BALANCE SHEET**

See attached Exhibit A

In re CENGAGE LEARNING, INC. et al.  
Debtors

Case No. 13-44106 (ESS)

Reporting Period: 11/1/13 to 11/30/13

**STATUS OF POST-PETITION TAXES**

<b>Federal</b>	<b>Beginning Tax</b>	<b>Amount Withheld and/or Accrued</b>	<b>Amount Paid</b>	<b>Date Paid</b>	<b>Check # or EFT</b>	<b>Ending Tax</b>
Withholding	\$ -	\$ 3,282,055	\$ 3,282,055	Various	Various	\$ -
FICA-Employee & Employer	-	3,071,460	3,071,460	Various	Various	-
Unemployment	-	2,626	2,626	Various	Various	-
Excise	-					-
Income	-					-
Other:	-					-
Total Federal Taxes	-	6,356,142	6,356,142			-
<b>State and Local</b>						
Withholding	-	1,026,986	1,026,986	Various	Various	-
Sales	2,244,524	642,405	516,196	Various	Various	2,370,733
Excise	-					-
Unemployment	-	29,245	29,245	Various	Various	-
Real & Personal Property	(295,467)	227,081	4,978	Various	Various	(73,364)
Income/Franchise	-					-
Other: Annual Reports	-	710	710	Various	Various	-
Other: B&O	-	7,026	2,026	Various	Various	5,000
Other: OH CAT	93,098	9,427	81,320	Various	Various	21,205
Other: For W/H	384	165,535	175,433	Various	Various	(9,514)
Other: Income tax	(305,172)	-	-			(305,172)
Other: Non-Income	177,801	-	-			177,801
Total State and Local	1,915,168	2,108,415	1,836,894			2,186,689
<b>Total Taxes</b>	<b>\$ 1,915,168</b>	<b>\$ 8,464,557</b>	<b>\$ 8,193,036</b>			<b>\$ 2,186,689</b>

**SUMMARY OF UNPAID POST-PETITION DEBTS**

	<b>Number of Days Past Due</b>					
	<b>Current</b>	<b>0-30</b>	<b>31-60</b>	<b>61-90</b>	<b>Over 91</b>	<b>Total</b>
Accounts Payable <sup>[1],[2]</sup>	\$ 15,910,798	\$ 3,036,082	\$ 1,417,257	\$ 1,346,138	\$ 342,952	\$ 22,053,228
Wages Payable	-	-	-	-	-	-
Secured Debt/Adequate Protection Payments	-	-	-	-	-	-
Amounts Due to Insiders	-	-	-	-	-	-
Other:	-	-	-	-	-	-
<b>Total Post-petition Debts</b>	<b>\$ 15,910,798</b>	<b>\$ 3,036,082</b>	<b>\$ 1,417,257</b>	<b>\$ 1,346,138</b>	<b>\$ 342,952</b>	<b>\$ 22,053,228</b>

**Notes:**

<sup>[1]</sup> Reflects only trade related payables. Aging schedule excludes accruals and unbilled inventory.

<sup>[2]</sup> As of November 30, 2013, the Company has not fully completed the bifurcation of pre and post-petition invoices. Therefore, the amount illustrated may be inclusive of prepetition obligations and post-petition advances.



In re CENGAGE LEARNING, INC. et al.  
**Debtors**

Case No. 13-44106 (ESS)

Reporting Period: 11/1/13 to 11/30/13

**ACCOUNTS RECEIVABLE RECONCILIATION AND AGING**

See attached Exhibit A

**TAXES RECONCILIATION AND AGING<sup>[1]</sup>**

<b>Taxes Payable</b>	<b>0-30 Days</b>	<b>31-60 Days</b>	<b>61-90 Days</b>	<b>91+ Days</b>	<b>Total</b>
Federal	\$ -	\$ -	\$ -	\$ -	\$ -
State and Local	2,186,689	-	-	-	2,186,689
Other	-	-	-	-	-
<b>Total Taxes Payable</b>	<b>\$ 2,186,689</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,186,689</b>

**Notes:**

<sup>[1]</sup> The Debtors are current on all post-petition tax amounts.

In re CENGAGE LEARNING, INC. et al.  
Debtors

Case No. 13-44106 (ESS)

Reporting Period: 11/1/13 to 11/30/13

PAYMENTS TO INSIDERS				
Name	Title / Capacity	Type of Payment	Amount Paid	Total Paid to Date
Broich, Alexander	EVP, International	Bi-weekly Payroll & Expense Reimbursement	\$75,548	\$ 274,831
Brussel, Luke	AGC, Chief Compliance Officer	Bi-weekly Payroll & Expense Reimbursement	15,741	88,252
Carson, Kenneth	EVP, General Counsel	Bi-weekly Payroll & Expense Reimbursement	34,305	174,368
Donohue, James	EVP, Chief Product Officer	Bi-weekly Payroll & Expense Reimbursement	59,459	226,271
Dunn, Ronald	Chairman of the Board	Bi-weekly Payroll & Expense Reimbursement	64,458	358,691
Durbin, Dean	Chief Financial Officer	Bi-weekly Payroll and Expense Reimbursement	131,962	377,862
Faiman, David	SVP, Chief Accounting Officer	Bi-weekly Payroll and Expense Reimbursement	28,821	144,905
Feintuch, Richard <sup>(1)</sup>	Independent Director	Quarterly Director Fees & Expense Reimbursement	-	38,906
Hansen, Michael	Chief Executive Officer	Bi-weekly Payroll & Expense Reimbursement	93,649	430,183
Howe, Mark	EVP, Chief People Officer	Bi-weekly Payroll & Expense Reimbursement	32,828	172,367
Kirshner, Sandra D.	EVP, Chief Marketing Officer	Bi-weekly Payroll & Expense Reimbursement	35,876	189,388
Moore, George	EVP, Chief Technology Officer	Bi-weekly Payroll & Expense Reimbursement	38,408	192,024
Rieders, William	EVP, Global Strategy & Business Development	Bi-weekly Payroll & Expense Reimbursement	33,923	193,447
Stone, Kevin	EVP, Chief Sales and Marketing Officer	Bi-weekly Payroll & Expense Reimbursement	50,131	240,725
<b>Total Payments To Insiders</b>			<b>\$ 695,108</b>	<b>\$ 3,102,219</b>

**Notes:**

<sup>(1)</sup> Richard Feintuch is an Independent Director on the Debtors' board of directors. The Independent Director is compensated \$90,000 annually, paid in cash on a quarterly basis in arrears, and is entitled to expense reimbursement for reasonable out-of-pocket expenses in connection with his Independent Director duties and a per diem fee of \$2,500 per day devoted to board-related activities.

**PAYMENTS TO PROFESSIONALS**

PROFESSIONALS						
Name	Role / Capacity	Date of Court Order Authorizing Payment	Amount Approved	Amount Paid	Total Paid To Date	Total Incurred & Unpaid
Kirkland & Ellis LLP	Debtors' Counsel		\$ -	\$ 1,656,585	\$ 4,649,428	\$ 5,242,782
Lazard Freres & Co. LLC	Debtors' Investment Banker		-	331,038	331,038	504,187
Alvarez & Marsal North America, LLC	Debtors' Restructuring Advisor		-	958,333	3,027,686	2,807,690
Donlin, Recano & Company, Inc	Notice & Claims Agent		-	466,980	1,123,447	281,356
Wilkie Farr & Gallagher LLP	Counsel to Independent Director		-	169,864	803,366	220,644
Ocean Tomo	Debtors' IP Valuation Expert		-	-	-	1,367,342
Davis Polk & Wardwell LLP	1st Lien Admin Agent Counsel		-	-	3,786,326	2,729,357
Blackstone Group LP	1st Lien Admin Agent Restructuring Advisor		-	175,846	879,967	-
Milbank, Tweed, Hadley & McCloy LLP	1st Lien Lenders' Counsel		-	1,720,584	5,328,977	3,025,909
Houlihan Lokey	1st Lien Lenders' Restructuring Advisor		-	115,328	566,000	137,073
Houlihan Lokey	1st Lien Lenders' Copyright Advisor		-	25,000	25,000	245,621
Katten Muchin Rosenman LLP	1st Lien Notes Counsel		-	-	796,524	292,628
Arent Fox LLP	UCC's Counsel		-	1,227,965	3,633,834	4,828,685
Moelis & Company	UCC's Investment Banker		-	321,209	321,209	397,055
FTI Consulting, Inc.	UCC's Restructuring Advisor		-	591,384	1,312,870	1,867,833
284 Partners	1st Lien IP Valuation Expert		-	169,679	263,546	64,220
The Bank of NY Mellon	1st Lien Notes Trustee		-	-	21,840	-
KB, APLC	1st Lien Conflicts Counsel		-	-	-	16,450
Charles River	UCC IP Valuation		-	-	-	279,788
PricewaterhouseCoopers	Debtors' Auditors		-	-	-	421,499
Edward H. Stanford	UCC's Textbook and Industry Expert		-	-	-	7,310
James Koch	UCC's Copyright and IP Consultant		-	-	-	31,866
<b>Total Payments To Professionals</b>			<b>\$ -</b>	<b>\$ 7,929,795</b>	<b>\$ 26,871,059</b>	<b>\$ 24,769,293</b>

**Notes:**

<sup>(1)</sup> Total incurred and unpaid includes the monthly fee statements served on the Company on or about September 20, 2013, October 20, 2013, November 20, 2013, and December 20, 2013 related to Debtors' and UCC retained professionals and reflects 100% of fees and expenses for services rendered from July 2, 2013 to November 30, 2013. As outlined in the Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals and Committee Members [Docket No. 285], at the expiration of the thirty-five day period, the Debtors shall promptly pay eighty percent (80%) of the fees and one hundred percent (100%) of the expenses identified in each monthly statement to which no objection has been served. As of November 30, 2013, the monthly fee statement served on or about October 20, 2013 has been paid by the Company.

<sup>(2)</sup> Total incurred and unpaid includes fee and expenses rendered through November 30, 2013 for First Lien professionals. As outlined in the Final Order Authorizing the Use of Cash Collateral and Granting Adequate Protection to Pre-petition Secured parties [Docket No. 303], the Debtors have ten days after receipt of the invoice to pay all fees and expenses incurred by First Lien professionals.

In re CENGAGE LEARNING, INC. et al.  
 Debtors

Case No. 13-44106 (ESS)

Reporting Period: 11/1/13 to 11/30/13

**POST-PETITION STATUS OF SECURED NOTES, LEASES PAYABLE  
 AND ADEQUATE PROTECTION PAYMENTS**

Name of Creditor	Description	Scheduled Monthly Payment Due	Amount Paid During Month	Total Unpaid Post-Petition
N/A	N/A	N/A	N/A	N/A
<b>Total Payments</b>			\$ -	\$ -

In re CENGAGE LEARNING, INC. et al.  
Debtors

Case No. 13-44106 (ESS)

Reporting Period: 11/1/13 to 11/30/13

**DEBTOR QUESTIONNAIRE**

<b>Must be completed each month. If the answer to any of the questions is "Yes", provide a detailed explanation of each item. Attach additional sheets if necessary.</b>	<b>Yes</b>	<b>No</b>
Have any assets been sold or transferred outside the normal course of business this reporting period?	X <sup>[3]</sup>	
Have any funds been disbursed from any account other than a debtor in possession account this reporting period?	X <sup>[1]</sup>	
Is the Debtor delinquent in the timely filing of any post-petition tax returns?		X
Are workers compensation, general liability or other necessary insurance coverages expired or cancelled, or has the debtor received notice of expiration or cancellation of such policies?		X
Is the Debtor delinquent in paying any insurance premium payment?		X
Have any payments been made on pre-petition liabilities this reporting period?	X <sup>[2]</sup>	
Are any post petition receivables (accounts, notes or loans) due from related parties?	X <sup>[1]</sup>	
Are any post petition payroll taxes past due?		X
Are any post petition State or Federal income taxes past due?		X
Are any post petition real estate taxes past due?		X
Are any other post petition taxes past due?		X
Have any pre-petition taxes been paid during this reporting period?	X <sup>[2]</sup>	
Are any amounts owed to post petition creditors delinquent?		X
Are any wage payments past due?		X
Have any post petition loans been received by the Debtor from any party?		X
Is the Debtor delinquent in paying any U.S. Trustee fees?		X
Is the Debtor delinquent with any court ordered payments to attorneys or other professionals?		X
Have the owners or shareholders received any compensation outside of the normal course of business?		X

**Notes:**

<sup>[1]</sup> The Debtors were authorized to maintain the cash management system on a postpetition basis pursuant to the final order signed on 8/20/13 authorizing: (I) (A) Continued use of existing Cash Management System (B) Maintenance of existing bank accounts (C) Continued use of existing business forms and (D) Continued use of existing investment practices; and (II) (A) Granting superpriority administrative expense status to postpetition intercompany claims and (B) Authorizing continued performance under certain intercompany arrangements and historical practices [Docket No. 304].

<sup>[2]</sup> Pursuant to the relief requested under "First Day Motions" and their respective interim and final orders, certain payments have been made on pre-petition obligations (e.g. employee related obligations, customer programs, sales & use, franchise and property taxes, shippers, warehousemen & other lienholders and author & content sources).

<sup>[3]</sup> Pursuant to the Order entered on November 12, 2013 authorizing the private sale of certain real property free and clear of liens, claims, interests and encumbrances [Docket No. 717], the Debtors were granted the authority to sell certain real property and improvements located at 6-8 & 10 Davis Drive in the City of Belmont, San Mateo County, California for \$11.0 million (realizing net proceeds of approximately \$9.9 million after deducting broker fees and other standard closing costs).

# Exhibit A



**CENGAGE LEARNING INC. et al.,  
(Debtors-in-Possession)**

**Monthly Operating Report  
For the Period(s) Ended November 30, 2013**

**U.S. BANKRUPTCY COURT  
EASTERN DISTRICT OF NEW YORK  
CENGAGE LEARNING INC. et al.,  
(Debtors-in-Possession)  
Index to Condensed Consolidated Financial Statements and Schedule  
(UNAUDITED)**

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**U.S. BANKRUPTCY COURT  
EASTERN DISTRICT OF NEW YORK  
CENGAGE LEARNING INC. et al.,  
(Debtors-in-Possession)  
Condensed Consolidated Balance Sheet  
(UNAUDITED)**

	<u>November 30, 2013</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 695,646,592
Accounts receivable, net	103,636,603
Inventories	152,423,562
Current deferred tax assets	171,116,456
Prepaid expenses and other current assets	53,907,786
Total current assets	<u>1,176,730,999</u>
Property, equipment and capitalized software for internal use, net	180,272,284
Pre-publication costs, net	279,761,204
Author advances	22,618,224
Identifiable intangible assets, net	2,201,762,567
Goodwill	758,705,335
Other non-current assets	9,599,841
Intercompany receivables from non-Debtors subsidiaries, net	812,049,549
Investments in non-Debtor subsidiaries	6,818,932
Total assets	<u><u>\$ 5,448,318,935</u></u>
<b>Liabilities and Partners' Deficit</b>	
Accounts payable and accrued expenses	\$ 295,101,185
Deferred revenue	142,811,597
Current taxes payable	626,177
Other current liabilities	10,448,505
Total current liabilities	<u>448,987,464</u>
Non-current deferred tax liabilities	172,967,111
Other non-current liabilities	40,380,780
Total liabilities not subject to compromise	<u>662,335,355</u>
Liabilities subject to compromise (Note 3)	5,947,973,356
Total liabilities	<u>6,610,308,711</u>
Total partners' deficit	<u>(1,161,989,776)</u>
Total liabilities and partners' deficit	<u><u>\$ 5,448,318,935</u></u>

These condensed consolidated financial statements and accompanying notes do not purport to represent financial statements prepared in accordance with Generally Accepted Accounting Principles in the United States of America, nor are they intended to be fully reconciled to any financial statements otherwise prepared or distributed by the Debtors or any of the Debtors' affiliates. This information is unaudited and is subject to further review and potential adjustments. The accompanying notes are an integral part of these condensed consolidated financial statements.



**U.S. BANKRUPTCY COURT  
EASTERN DISTRICT OF NEW YORK  
CENGAGE LEARNING INC. et al.,  
(Debtors-in-Possession)  
Condensed Consolidated Statement of Operations  
(UNAUDITED)**

	<b>Month Ended November 30, 2013</b>	<b>Period July 1, 2013 to November 30, 2013</b>
Revenues	\$ 100,004,524	\$ 743,569,590
Direct cost of revenues, excluding amortization of pre-publication costs and depreciation stated below	17,924,846	162,932,688
Amortization of pre-publication costs	12,241,286	77,909,572
Total cost of revenues, excluding depreciation stated below	30,166,132	240,842,260
Direct selling, general & administrative expenses, excluding depreciation stated below	47,261,509	236,784,089
Operational restructuring charges	502,583	1,683,900
Depreciation	5,446,729	27,487,508
Amortization of identifiable intangible assets	12,735,997	63,679,983
Other income, net	(1,483,111)	(1,483,111)
Total costs and expenses	94,629,839	568,994,629
Operating income	5,374,685	174,574,961
Interest income	16,129	75,145
Interest expense	-	(1,111,765)
Intercompany interest income	599,340	2,983,361
Reorganization items, net (Note 4)	(12,250,198)	(55,695,995)
(Loss) income before taxes and equity losses of affiliates	(6,260,044)	120,825,707
Benefit from income taxes	-	1,077,138
Equity losses of affiliates, net of taxes	(242,188)	(1,159,567)
Net (loss) income	\$ (6,502,232)	\$ 120,743,278

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**U.S. BANKRUPTCY COURT  
EASTERN DISTRICT OF NEW YORK  
CENGAGE LEARNING INC. et al.,  
(Debtors-in-Possession)  
Notes to Condensed Consolidated Financial Statements  
(UNAUDITED)**

## **1. BASIS OF PRESENTATION**

The accompanying condensed consolidated financial statements of the Debtors have been prepared solely for the purpose of complying with the monthly reporting requirements of the U.S. Bankruptcy Court of the Eastern District of New York (referred to herein as the "Monthly Operating Report"). The Monthly Operating Report is limited in scope, covers a limited time period and the schedules contained herein were not audited or reviewed by independent accountants nor are they intended to reconcile to any financial statements otherwise prepared or distributed by the Debtors or any of the Debtors' affiliates. Furthermore, because the Debtors' accounting systems, policies, and practices were developed with a view to producing consolidated financial reporting, rather than by legal entity, it is possible that not all assets or liabilities have been recorded at the correct legal entity of either the Debtor or a non-Debtor affiliate. Specifically, but not exclusively, the assets and liabilities, as well as the results of operations of Hampton Brown LLC, a non-debtor affiliate, is included in the Debtors' condensed consolidated financial statements due to the manner in which its transactions have been integrated in the Debtors' accounting systems. The Debtors reserve all rights to supplement or amend any schedules contained in this Monthly Operating Report.

The information presented herein is unaudited, subject to further review and potential adjustments, and may not have been subject to all procedures that would typically be applied to financial information presented in accordance with Generally Accepted Accounting Principles in the United States of America ("US GAAP"), including, but not limited to, accruals, tax provision and other recurring adjustments considered necessary by management to fairly state the financial position and results of operations for the interim period(s) presented. Furthermore, the Monthly Operating Report does not contain all disclosures that would be required for presentation in accordance with US GAAP and there can be no assurance that, from the perspective of an investor or potential investor, the Monthly Operating Report is complete. As part of their restructuring efforts, the Debtors are reviewing their assets and liabilities on an ongoing basis, including without limitation with respect to intercompany claims and obligations, and nothing contained in this Monthly Operating Report shall constitute a waiver of any of the Debtors' rights with respect to such assets, liabilities, claims and obligations that may exist.

The Debtors' condensed consolidated financial statements presented herein has been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business. Furthermore, the condensed consolidated financial statements contained herein have been prepared following the guidance in Financial Accounting Standards Board Accounting Standards Codification 852 "Reorganizations". Consequently, certain prepetition liabilities have been reclassified as liabilities subject to compromise. Liabilities subject to compromise currently include debt obligations and amounts due to third parties for goods and services received prior to July 2, 2013, (the date of the voluntary bankruptcy petition) and may include known potential settlement claim amounts. In the future, it may also include estimates for litigation and contingent claims and claims created by the Debtors' rejection of executory contracts and unexpired leases. The Debtors continue to analyze and reconcile these amounts, and, therefore, the amounts reflected herein are current estimates and subject to change as additional analysis and decisions are completed. The Debtors' non-Debtor subsidiaries are treated as non-consolidated subsidiaries in these condensed consolidated financial statements and as such their net assets are included as "Investments in non-Debtor subsidiaries" in the balance sheet. The Condensed Consolidated Statement of Operations for the period from July 1, 2013 to November 30, 2013 includes the one day of pre-petition activities on July 1, 2013 as the Debtors do not believe that the transactions on that day were material.

The Debtors caution readers not to place undue reliance upon the information contained in this Monthly Operating Report. The results herein are not necessarily indicative of results which may be expected from any other period or for the full year and may not necessarily reflect the combined results and financial position of the Debtors in the future.

These condensed consolidated financial statements and accompanying notes do not purport to represent financial statements prepared in accordance with Generally Accepted Accounting Principles in the United States of America, nor are they intended to be fully reconciled to any financial statements otherwise prepared or distributed by the Debtors or any of the Debtors' affiliates. This information is unaudited and is subject to further review and potential adjustments. The accompanying notes are an integral part of these condensed consolidated financial statements.

**U.S. BANKRUPTCY COURT  
EASTERN DISTRICT OF NEW YORK  
CENGAGE LEARNING INC. et al.,  
(Debtors-in-Possession)  
Notes to Condensed Consolidated Financial Statements  
(UNAUDITED)**

**2. CHAPTER 11 FILING**

The Debtors in the Chapter 11 cases are:

<u>Debtor</u>	<u>Case Number</u>
Cengage Learning Holdings II, L.P.	13-44105
Cengage Learning, Inc.	13-44106
Cengage Learning Acquisitions, Inc.	13-44107
Cengage Learning Holdco. Inc.	13-44108

**3. LIABILITIES SUBJECT TO COMPROMISE**

Estimated liabilities subject to compromise as of November 30, 2013 consists of the following:

(a) Liabilities subject to compromise consist of the following:

	<u>November 30, 2013</u>
Accounts payable and accrued expenses	\$ 35,026,936
Accrued interest payable	114,829,587
Deferred consideration and acquisition related obligations	7,598,087
Revolving credit facility	514,000,000
Debt obligations	5,276,518,746
Total liabilities subject to compromise	<u>\$ 5,947,973,356</u>

**4. REORGANIZATION ITEMS, NET**

Reorganization items, net for the period ended November 30, 2013 consists of the following:

	<u>Month Ended November 30, 2013</u>	<u>Period July 1, 2013 to November 30, 2013</u>
Professional fees	\$ (12,235,469)	\$ (55,650,363)
U.S. Trustees fees	(17,150)	(57,150)
Interest earned on accumulated cash	2,421	11,518
Total reorganization items, net	<u>\$ (12,250,198)</u>	<u>\$ (55,695,995)</u>

These condensed consolidated financial statements and accompanying notes do not purport to represent financial statements prepared in accordance with Generally Accepted Accounting Principles in the United States of America, nor are they intended to be fully reconciled to any financial statements otherwise prepared or distributed by the Debtors or any of the Debtors' affiliates. This information is unaudited and is subject to further review and potential adjustments. The accompanying notes are an integral part of these condensed consolidated financial statements.

**U.S. BANKRUPTCY COURT  
EASTERN DISTRICT OF NEW YORK  
CENGAGE LEARNING INC. et al.,  
(Debtors-in-Possession)  
(UNAUDITED)**

**Accounts Receivable Aging Schedule  
November 30, 2013**

	<b>Total Debtors</b>
Current accounts receivable	\$ 184,389,595
Past due:	
31 - 60 Days	28,364,083
61 - 90 Days	5,631,210
91 - 120 Days	3,020,282
Over 121 Days	14,336,331
Gross accounts receivable aging	235,741,501
Reserve for bad debt	(4,743,190)
Reserve for sales returns	(127,361,708)
Total accounts receivable reserves	(132,104,898)
Accounts receivable, net	\$ 103,636,603

<p>This schedule does not purport to represent financial statements prepared in accordance with Generally Accepted Accounting Principles in the United States of America, nor is it intended to be fully reconciled to any schedules otherwise prepared or distributed by the Debtors or any of the Debtors' affiliates. This information is unaudited and is subject to further review and potential adjustments.</p>
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