

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

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

Limited Monthly Operating Report ^[2]
For the Period From September 1, 2013 to September 30, 2013

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 Jonathan S. Henes
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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

October 30, 2013
Date

Notes:

^[1] 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).

^[2] Pursuant to the Order establishing certain notices, case management, and administrative procedures signed on August 15, 2013 [Docket No. 282], the Debtors are authorized to submit Monthly Operating Reports thirty (30) days after a fiscal month end; provided, however, that the Debtors shall be permitted to file limited monthly operating reports for quarter and annual month-ends (i.e., September, December, March, and June) and supplement such reports within 45 days or 90 days after such quarter or annual close, respectively.

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

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

Case No. 13-44106 (ESS)

Reporting Period: 9/1/13 to 9/30/13

Federal Tax I.D. # 59-2124491

CORPORATE MONTHLY OPERATING REPORT

REQUIRED DOCUMENTS	FORM NO.	DOCUMENT ATTACHED	EXPLANATION ATTACHED
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	No	No
Balance Sheet	MOR-3	No	No
Status of Post-petition Taxes	MOR-4	No	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	No	No
Listing of Aged Accounts Payable			
Accounts Receivable Reconciliation and Aging	MOR-5	No	No
Taxes Reconciliation and Aging	MOR-5	No	No
Payments to Insiders and Professional	MOR-6	No	No
Post Petition Status of Secured Notes, Leases Payable	MOR-6	No	No
Debtor Questionnaire	MOR-7	No	No

In re CENGAGE LEARNING, INC. et al.,

Case No. 13-44106 (ESS)

Debtors

Reporting Period: 9/1/13 to 9/30/13

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

CASE NO.	CASE NAME	CASH RECEIPTS ^[1]	CASH DISBURSEMENTS ^[2]
13-44106	CENGAGE LEARNING, INC.	\$ 214,802,322	\$ 87,278,148
13-44105	CENGAGE LEARNING HOLDINGS II, L.P.	0	0
13-44107	CENGAGE LEARNING ACQUISITIONS, INC.	9,362,554	566,615
13-44108	CENGAGE LEARNING HOLDCO, INC.	0	0
	Total Debtors ^[3]	\$ 224,164,876	\$ 87,844,762

Notes:

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

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

^[3] 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: 9/1/13 to 9/30/13

BANK ACCOUNT RECONCILIATIONS

Account Holder ^[1]	Bank Name	Account Description	Account Number ^[2]	Ending Bank Balance ^[3]
Cengage Learning Acquisitions, Inc.	BMO Harris Bank, N.A.	Acquisitions Top Concentration Account	x0735	\$ 14,241,026
Cengage Learning Acquisitions, Inc.	Federated Investors, Inc.	Sweep Investment Account	Government Obligations Fund ^[4]	272,558,776
Cengage Learning Acquisitions, Inc.	Federated Investors, Inc.	Investment Account	Treasury Obligations Fund ^[5]	273,899,152
Cengage Learning, Inc.	BMO Harris Bank, N.A.	Cengage Operating Concentration Account	x5528	0
Cengage Learning, Inc.	BMO Harris Bank, N.A.	Cengage Depository Account	x9010	0
Cengage Learning, Inc.	BMO Harris Bank, N.A.	Cengage Disbursement Account	x8919	0
Cengage Learning, Inc.	BMO Harris Bank, N.A.	Cengage Payroll Account	x8927	0
Cengage Learning, Inc.	BMO Harris Bank, N.A.	Cengage Taxes & Benefits Account	x9988	0
The Gale Group Inc.	BMO Harris Bank, N.A.	Gale Operating Concentration Account	x0000	0
The Gale Group Inc.	BMO Harris Bank, N.A.	Gale Depository Account	x8870	0
The Gale Group Inc.	BMO Harris Bank, N.A.	Gale Depository Account	x9209	0
The Gale Group Inc.	BMO Harris Bank, N.A.	Gale Depository Account	x5303	0
The Gale Group Inc.	BMO Harris Bank, N.A.	Gale Disbursement Account	x8442	0
The Gale Group Inc.	BMO Harris Bank, N.A.	Gale Payroll Account	x8699	0
The Gale Group Inc.	BMO Harris Bank, N.A.	Gale Taxes & Benefits Account	x9556	0
Cengage Learning, Inc.	JP Morgan Chase, N.A.	Cengage Medical Benefits Account	x8454	941,137
Gale Holdings I Inc.	JP Morgan Chase, N.A.	Gale Credit Card Depository Account	x9152	495,277
Cengage Learning, Inc.	Fifth Third Bancorp	Cengage Local Account	x0557	4,840
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	1,273,060
The Hampton Brown Company LLC	Bank of America, N.A.	Hampton Brown Disbursement Account	x5995	0
The Hampton Brown Company LLC	Bank of America, N.A.	Hampton Brown Credit Card Depository Account	x1304	0
The Gale Group Inc.	Royal Bank of Canada	Gale Canadian Dollar Disbursement Account	x1566	57,351
The Gale Group Inc.	National Westminster Bank plc	Gale Pound Disbursement Account	x0141	24,490
JPMorgan (as escrow agent)	JP Morgan Chase Bank, N.A.	CompuTaught Sale Escrow Account ^[6]	x1992	0
JPMorgan (as escrow agent)	JP Morgan Chase Bank, N.A.	Net Learning Sale Escrow Account ^[6]	x7718	3,601,196
Cengage Learning, Inc.	Bank of America, N.A.	Adequate Assurance/Utilities ^[7]	x6029	409,973
Cengage Learning, Inc.	BMO Harris Bank, N.A.	BMO Harris Collateral Account ^[8]	x5992	0

Notes:

^[1] 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.

^[2] Last four digits of account number.

^[3] 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].

^[4] 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: 9/1/13 to 9/30/13**BANK ACCOUNT RECONCILIATIONS**

^[5] As of September 30, 2013, the Company holds approximately \$273.9 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.

^[6] 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.

^[7] 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.

^[8] 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.