

Cengage Learning

Summary of Post-Emergence Compensation

| | Key MIP Terms |
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| % of Equity Reserved | <ul style="list-style-type: none"> ■ 5.6% |
| Allocation | <ul style="list-style-type: none"> ■ 80% allocated at emergence, 50% of which is allocated to CEO (i.e., 40% of the total 100% pool) ■ 20% reserved for future awards to current execs, new hires and Board members |
| LTI Vehicles Used | <ul style="list-style-type: none"> ■ 70% incentive stock options (ISOs), exercise price equal to Plan Equity Value as determined by the Bankruptcy Court ■ 30% RSUs |
| Vesting Schedule | <ul style="list-style-type: none"> ■ ISOs – 4 year ratable vesting (7 year exercise term) ■ RSUs – 5 year ratable time vesting |
| Vesting – Change-Of-Control (CoC) | <ul style="list-style-type: none"> ■ ISOs and RSUs will vest unless awards are assumed in full |
| Vesting – Termination without Cause or For Good Reason | <ul style="list-style-type: none"> ■ ISOs and RSUs vest in full ■ Exercise period reduced to lesser of 1 year or the remaining term |
| Vesting – Death / Disability | <ul style="list-style-type: none"> ■ ISOs and RSUs vest in full ■ Exercise period reduced to lesser of 1 year or the remaining term |
| Vesting – Voluntary Resignation | <ul style="list-style-type: none"> ■ Unvested equity is forfeited ■ Exercise period reduced to 30 days |
| Vesting – Termination for Cause | <ul style="list-style-type: none"> ■ Unvested equity and unexercised options are forfeited |
| Dividends | <ul style="list-style-type: none"> ■ Unvested RSUs accrue dividends ■ Vested RSUs and exercised options receive a proportionate share of dividends paid with respect to common shares ■ Unexercised options do not accrue nor receive dividends <ul style="list-style-type: none"> • Customary anti-dilutive clause to be negotiated with regards to special dividends |
| Monetization | <ul style="list-style-type: none"> ■ Termination Without Cause or For Good Reason or due to death or disability: cashless exercise & ability to pay taxes through share withholding ■ Otherwise: no cashless exercise |
| Stockholders' Agreement | <ul style="list-style-type: none"> ■ Equity participants required to enter into a Stockholders' Agreement (containing transfer restrictions, call rights, tag along rights, registration rights, drag-along rights, etc.) as a condition to receiving any equity award or stock thereunder |
| Restrictive Covenants | <ul style="list-style-type: none"> ■ Equity participants will continue to be bound by current restrictive covenants in existing employment agreements |
| Other | <ul style="list-style-type: none"> ■ MIP terms subject to RSA being effective |

| Key Annual Incentive Plan (AIP) Terms | |
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| Terms | <ul style="list-style-type: none"> ■ The AIP will be structured to focus on the achievement of annual performance objectives, especially revenue and EBITDA growth and expense control ■ Annual performance measures, goals and funding formulas will be set by the Board of Directors (including FY 2014 performance measures) reasonably and in good faith in consultation with management <ul style="list-style-type: none"> • Actual bonuses may range from 0% to 200% of target bonus levels depending on performance achievement • While funding formulas will be set each year, it is anticipated that the threshold at which bonuses will begin to be funded will be set at least at 85% of goal(s), at which level 50% of the target bonus amounts would be earned |
| Performance Award Type | <ul style="list-style-type: none"> ■ Cash |

| Key Employee Contract Terms | |
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| CEO | <ul style="list-style-type: none"> ■ Term: 4 years with annual 1 year extensions beginning on 4th anniversary ■ Base Salary: unchanged ■ Target Bonus: 100% of Base Salary (per terms in AIP) ■ Incentive Equity: 40% of MIP ■ Severance: If terminated without Cause, for Good Reason or failure of Cengage to extend Employee Agreement, CEO to receive: <ul style="list-style-type: none"> • Pro-rata Target Bonus • Cash payment equal to 3x (Base Salary + Target Bonus) paid in 12 monthly installments with remaining balance paid in lump sum thereafter ■ Current restrictive covenants ■ Definition of Cause (as defined below) will not include cure for breach of non-compete / non-solicitation ■ No 280G Gross up |
| All Other Key Employees | <ul style="list-style-type: none"> ■ Cash compensation levels, severance and restrictive covenants unchanged from current agreements ■ Any executive not currently subject to restrictive covenant agreement will enter into one on substantially same terms as other non-CEO executives ■ Definition of Cause (as defined below) – those employees who currently have agreements would adopt the Cause definition in this term sheet; definition will not include cure for breach of non-compete / non-solicitation ■ No 280G Gross up ■ Definition of Good Reason (as defined below) – only those employees who currently have Good Reason in their employment agreement will retain Good Reason in their employment agreement |

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| Definitions | <ul style="list-style-type: none">■ “Cause” – Defined as (i) willful failure to perform substantial job functions that continues after written notice from Cengage, (ii) material fraud or material dishonesty in performance of duties, (iii) conviction or plea or guilty or <i>nolo contendere</i> to a felony, (iv) willful malfeasance or willful misconduct in performance of duties or any willful act or omission (other than in the good faith performance of duties) that is materially injurious to the financial condition or business reputation of Cengage, (v) a material breach of confidentiality that is not cured within 15 days following notice, (vi) a material breach of non-disparagement that is not cured within 15 days following notice, or (vii) a material breach of non-compete, non-solicitation■ “Good Reason” – Defined as (i) material reduction in base pay or target bonus, (ii) material reduction in title, duties or responsibilities, (iii) an adverse change in reporting requirements, (iv) with respect to the CEO and CSMO only, relocation of more than 50 miles or (v) material breach of a material agreement, that, in any case, is not cured within 30 days of written notice from the executive<ul style="list-style-type: none">• Only those employees who currently have Good Reason in their employment agreements will retain Good Reason in their employment agreement |
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