Houghton Mifflin Harcourt Co
Form DEF 14A
March 29, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party Other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to § 240.14a-12

HOUGHTON MIFFLIN HARCOURT COMPANY

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which
the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or
Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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March 29, 2017

Dear Stockholders:

I would like to invite you to attend the 2017 Annual Meeting of Stockholders (the **Annual Meeting**) of Houghton Mifflin Harcourt Company, to be held at our global headquarters, located at 125 High Street, Boston, Massachusetts 02110, on Friday, May 19, 2017, at 8:00 a.m., Eastern Time. The accompanying formal notice of the Annual Meeting and proxy statement set forth the details regarding admission to the Annual Meeting and the business to be conducted.

At the Annual Meeting, we will ask you to elect the nine director nominees listed in the proxy statement, consider a non-binding, advisory vote to approve the compensation of our named executive officers and ratify the appointment of our independent registered public accounting firm for 2017. We will also discuss any other business matters properly brought before the Annual Meeting. The attached proxy statement explains our voting procedures, describes the business we will conduct and provides information about Houghton Mifflin Harcourt Company that you should consider when you vote your shares at the Annual Meeting.

The formal notice of the Annual Meeting, the proxy statement and the proxy card follow. It is important that your shares be represented and voted, regardless of the size of your holdings. Accordingly, whether or not you plan to attend the Annual Meeting, we encourage you to complete, sign, date and return the enclosed proxy card promptly so that your shares will be represented at the Annual Meeting or to access the proxy materials and vote via the Internet or telephone in accordance with the notice and access letter you will receive. Your proxy is revocable at any time before it is voted and will not affect your right to vote in person if you attend the Annual Meeting.

I hope to see you at the Annual Meeting. Thank you for your ongoing support of HMH.

Very truly yours,

L. Gordon Crovitz

Interim President & Chief Executive Officer

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PROXY VOTING METHODS

If, at the close of business on March 22, 2017, you were a stockholder of record, you may vote your shares by proxy on the Internet, by telephone or by mail, or you may also vote in person at the Annual Meeting. For shares held through a broker or nominee, you may vote by submitting voting instructions to your broker or nominee. To reduce our administrative and postage costs, we ask that you vote on the Internet or by telephone, both of which are available 24 hours a day, seven days a week. You may revoke your proxies or change your vote at the times and as described in the General Information section of this proxy statement.

If you are a stockholder of record and are voting by proxy, your vote must be received by 11:59 p.m. (Eastern Time) on May 18, 2017 to be counted.

To vote by proxy:

BY INTERNET

Go to the website indicated on the Notice of Internet Availability of Proxy Materials (the **Notice**) and follow the instructions, 24 hours a day, seven days a week.

You will need the control number included on your Notice or on your proxy card.

BY TELEPHONE

From a touch-tone telephone, dial the toll-free number on your proxy card and follow the recorded instructions, 24 hours a day, seven days a week.

You will need the control number included on your Notice or on your proxy card.

BY MAIL

If you have not already received a proxy card, you may request a proxy card from us by following the instructions on your Notice.

When you receive the proxy card, mark your selections on the proxy card.

Date and sign your name exactly as it appears on your proxy card.

Mail the proxy card in the postage-paid envelope that will be provided to you.

If your Houghton Mifflin Harcourt Company shares are held by your broker as your nominee (that is, in street name), you will need to obtain a proxy card from the institution that holds your shares and follow the instructions included on that proxy card regarding how to instruct your broker to vote your shares. If you do not give instructions to your broker, your broker can vote your shares with respect to discretionary items but not with respect to non-discretionary items. Proposals 1 and 2 (Election of Directors and Advisory Vote on Executive Compensation) are non-discretionary items. Proposal 3 (Ratification of the Appointment of the Company s Independent Registered Public Accounting Firm) is a discretionary item. On non-discretionary items for which you do not give your broker instructions, the shares will be treated as broker non-votes.

YOUR VOTE IS IMPORTANT. THANK YOU FOR VOTING.

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125 High Street

Boston, Massachusetts 02110

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

FRIDAY, MAY 19, 2017, 8:00 A.M. (EASTERN TIME)

The 2017 Annual Meeting of Stockholders (the **Annual Meeting**) of Houghton Mifflin Harcourt Company (the **Company**) will be held at the Company s global headquarters, located at 125 High Street, Boston, Massachusetts 02110, on Friday, May 19, 2017, at 8:00 a.m., Eastern Time, or at any subsequent time that may be necessary by any adjournment or postponement of the Annual Meeting. The purposes of the Annual Meeting are for the stockholders to:

(1) elect nine (9) directors to the board of directors (the **Board**), each to serve until the Company s next annual meeting of stockholders or until their successors are elected and qualified, or until such director s earlier death, resignation, retirement, disqualification or removal;

(2) approve, on a non-binding, advisory basis, the compensation of the Company s named executive officers;

(3) ratify the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2017; and

(4) transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The Board has fixed the close of business on March 22, 2017 as the record date for determining the stockholders of the Company entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement thereof. Representation of at least a majority of the voting power represented by all outstanding shares of the Company s common stock entitled to vote at the Annual Meeting is required to constitute a quorum to transact business at the Annual Meeting. Accordingly, it is important that your shares be represented at the Annual Meeting.

We will be using the Securities and Exchange Commission s Notice and Access model (**Notice and Access**), which allows us to deliver proxy materials via the Internet, as the primary means of furnishing proxy materials. We believe Notice and Access provides stockholders with a convenient method to access the proxy materials and vote, while allowing us to conserve natural resources and reduce the costs of printing and distributing the proxy materials. On or about March 29, 2017, we will mail to stockholders holding shares in street name a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy statement and our Annual Report to Stockholders for the fiscal year ended December 31, 2016 (our **2016 Annual Report**) online and how to vote via the Internet. The Notice of Internet Availability of Proxy Materials also contains instructions on how to receive a paper copy of the proxy materials and our 2016 Annual Report.

March 29, 2017:

By Order of the Board of Directors,

William F. Bayers

Executive Vice President, Secretary and General Counsel

Boston, Massachusetts

YOUR VOTE IS IMPORTANT

We urge you to vote using telephone or Internet voting, if available to you, or if you received these proxy materials by mail, by completing, signing, dating and returning the enclosed proxy card promptly. Please note that if your shares are held by a bank, broker or other recordholder and you wish to vote them at the Annual Meeting, you must obtain a legal proxy from that recordholder.

Important Notice Regarding the Availability of

Proxy Materials for the 2017 Annual Meeting of Stockholders

To Be Held on May 19, 2017.

The Notice of Annual Meeting, proxy statement and the 2016 Annual Report

are available at *www.hmhco.com*.

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HOUGHTON MIFFLIN HARCOURT COMPANY

PROXY STATEMENT

GENERAL INFORMATION

As used in this proxy statement, the terms **we**, **us**, **our**, **HMH** and the **Company** refer to Houghton Mifflin Harc Company and its consolidated subsidiaries, unless otherwise expressly stated or the context otherwise requires.

1. When and where is the Annual Meeting?

Our 2017 Annual Meeting of Stockholders (the **Annual Meeting**) will be held at the Company s global headquarters, located at 125 High Street, Boston, Massachusetts 02110, on Friday, May 19, 2017, at 8:00 a.m. Eastern Time, or at any subsequent time that may be necessary by any adjournment or postponement of the Annual Meeting.

2. What is Notice and Access and why did the Company elect to use it?

We are making the proxy solicitation materials available to stockholders who hold shares in street name electronically, via the Internet, under the Notice and Access rules and regulations of the U.S. Securities and Exchange Commission (the **SEC**). On or about March 29, 2017, we will mail to such stockholders a Notice of Internet Availability of Proxy Materials (the **Notice**) in lieu of mailing a full set of proxy materials. Accordingly, our proxy materials are first being made available to our stockholders on or about March 29, 2017. The Notice includes information on how to access and review the proxy materials and how to vote via the Internet. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice.

Stockholders may request to receive proxy materials in printed form by mail or electronically by e-mail on an ongoing basis. We believe this method of delivery will decrease costs, expedite distribution of proxy materials to you and reduce our environmental impact. We encourage stockholders to take advantage of the availability of the proxy materials on the Internet to help reduce the environmental impact of our Annual Meeting. Stockholders who received the Notice but would like to receive a printed copy of the proxy materials in the mail should follow the instructions in the Notice for requesting such materials.

3. Why am I receiving these proxy materials?

We are furnishing you these proxy materials in connection with the solicitation of proxies on behalf of our Board of Directors (the **Board**) for use at the Annual Meeting, including any postponements or adjournments thereof. This proxy statement includes information that we are required to provide under SEC rules and is designed to assist you in voting your shares.

Proxies in proper form and timely received by us at or before the time of the Annual Meeting will be voted as specified. Stockholders may specify their choices by marking the appropriate boxes on the proxy card. If a proxy card is dated, signed and returned without specifying choices, the proxies will be voted in accordance with the recommendations of the Board set forth in this proxy statement, and, in the discretion of the persons named in your proxy, upon such other business as may properly come before the Annual Meeting. Business transacted at the Annual Meeting will be confined to the purposes stated in the Notice of Annual Meeting. Shares of our common stock cannot be voted at the Annual Meeting unless the holder is present in person or represented by proxy.

4. How can I get electronic access to the proxy materials?

The Notice will provide you with instructions regarding how to: (1) view our proxy materials for the Annual Meeting on the Internet; and (2) instruct us to send proxy materials to you by e-mail. The proxy materials are

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also available in the Investor Relations section of our website at *www.hmhco.com* under the heading Financial Information. Choosing to receive proxy materials by e-mail will save us the cost of printing and mailing documents to you and will reduce the impact of our annual meetings on the environment.

5. What is included in the proxy materials?

The proxy materials include:

- our Notice of Annual Meeting of Stockholders;
- this proxy statement; and
- our Annual Report to Stockholders for the year ended December 31, 2016 (the **2016 Annual Report**).

If you receive a paper copy of these materials by mail, the proxy materials also include a proxy card.

6. What does it mean if I receive more than one Notice or proxy card on or about the same time?

It generally means you hold shares registered in more than one account. To ensure that all of your shares are voted, please sign and return each proxy card or, if you vote by Internet or telephone, vote once for each Notice or proxy card you receive.

7. Who pays the cost of soliciting proxies for the Annual Meeting?

Proxies will be solicited on behalf of the Board by mail, telephone, e-mail or other electronic means or in person, and we will pay the solicitation costs. We will supply our proxy materials, including our 2016 Annual Report, to brokers, dealers, banks and voting trustees, or their nominees for the purpose of soliciting proxies from beneficial owners, and we will reimburse such record holders for their reasonable expenses. As of the date of the mailing of this proxy statement, the Company has not retained any proxy solicitation firm for the purpose of soliciting proxies in connection with proposals to be considered at the Annual Meeting. However, the Company may choose to do so at a later date. Any such arrangement (including the identities of the parties thereto and the material terms thereof) requiring disclosure under applicable law will be disclosed in accordance therewith.

8. Who is entitled to vote at the Annual Meeting?

In accordance with our Amended and Restated By-Laws (the **By-Laws**), the Board has fixed the close of business on March 22, 2017 as the record date (the **Record Date**) for determining the stockholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement thereof. At the close of business on the Record Date, the outstanding number of our voting securities was 123,164,245 shares of common stock. Each stockholder is entitled to one vote for each share of common stock he or she held as of the Record Date. Shares cannot be voted at the Annual Meeting unless the holder is present in person or represented by proxy.

9. What matters will be voted on at the Annual Meeting?

The following matters will be voted on at the Annual Meeting:

Proposal 1: To elect the nine (9) director nominees who are named in this proxy statement to the Board;

Proposal 2: To approve, on a non-binding, advisory basis, the compensation of the Company s named executive officers;

Proposal 3: To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017; and

Such other business as may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

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10. What is the vote required for each proposal and what are my voting choices?

	Proposal	Vote Required	What Are My Voting Choices?	Broker Discretionary Voting Allowed?
Proposal 1:	**Election of nine (9) directors**	**Plurality of the shares represented in person or by proxy and entitled to vote**	**FOR or WITHHOLD**	**No**
Proposal 2:	**Advisory vote on executive compensation**	**Majority of the shares represented in person or by proxy and entitled to vote**	**FOR, AGAINST or ABSTAIN**	**No**
Proposal 3:	**Ratification of auditors for fiscal year 2017**	**Majority of the shares represented in person or by proxy and entitled to vote**	**FOR, AGAINST or ABSTAIN**	**Yes**

With respect to Proposal 1, the election of directors, you may vote FOR or WITHHOLD with respect to each nominee for director. A plurality means that the nine director nominees that receive the highest number of votes cast FOR will be elected. Stockholders have the option to express dissatisfaction with a nominee by indicating that they wish to WITHHOLD authority to vote their shares in favor of the nominee. A substantial number of WITHHOLD votes will not prevent a nominee from getting elected, but it can influence future decisions by the Nominating, Ethics and Governance Committee and the Board concerning nominees.

With respect to Proposals 2 and 3 (or any other matter to be voted on at the Annual Meeting), you may vote FOR, AGAINST or ABSTAIN. If you ABSTAIN from voting on such proposals, the abstention will have the same effect as an AGAINST vote.

11. Could other matters be decided at the Annual Meeting?

At the date this proxy statement went to press, we did not know of any matters to properly come before the Annual Meeting other than those described in this proxy statement. If other matters are properly presented at the Annual Meeting for consideration and you are a stockholder of record and have submitted a proxy card, the persons named in your proxy card will have the discretion to vote on those matters for you.

12. How does the Board recommend that I vote?

The Board recommends that you vote:

- ***FOR*** the election of the nine (9) director nominees who are named in this proxy statement to the Board;
- ***FOR*** the approval, on a non-binding, advisory basis, of the compensation of the Company s named executive officers; and
- ***FOR*** the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017.

13. How do I vote my shares?

How to vote your shares depends on whether you hold your shares as a stockholder of record or as a beneficial owner. We explain these terms in the answer provided to Question 14, below. If you are a stockholder of record, you can vote in the following ways:

- ***By Internet*****:** By following the Internet voting instructions included in the proxy package sent to you (or by going to *www.investorvote.com/HMHC* and following the instructions) at any time up until 11:59 p.m., Eastern Time, on May 18, 2017.

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By Telephone**:** By following the telephone voting instructions included in the proxy package sent to you (*i.e.*, by calling 1-800-652-VOTE (8683) and following the instructions) at any time up until 11:59 p.m., Eastern Time, on May 18, 2017.

By Mail**:** If you have received a printed copy of the proxy materials from us by mail, you may vote by mail by marking, dating, and signing your proxy card in accordance with the instructions on it and returning it by mail in the pre-addressed reply envelope provided with the proxy materials. The proxy card must be received prior to 11:59 p.m., Eastern Time, on May 18, 2017.

In Person**:** First, you must satisfy the requirements for admission to the Annual Meeting (see below). Then, if you are a stockholder of record and prefer to vote your shares at the Annual Meeting, you must bring proof of identification along with your Notice, proxy card or proof of ownership. You may then vote your shares in person at the meeting. Even if you plan to attend the Annual Meeting, we encourage you to vote in advance by Internet, telephone or mail so that your vote will be counted if you later decide not to attend the Annual Meeting.

If you are a beneficial owner, you should follow the instructions in the Notice or your broker should give you instructions for voting your shares. In these cases, you may vote by Internet, telephone or mail, as applicable. You may vote your shares beneficially held through your broker in person if you attend the Annual Meeting and you obtain a valid proxy from your broker giving you the legal right to vote the shares at the Annual Meeting.

14. What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Stockholder of Record: You are a stockholder of record if, at the close of business on the Record Date, your shares were registered directly in your name with Computershare Trust Company, N.A., our transfer agent and registrar.

Beneficial Owner: You are a beneficial owner if, at the close of business on the Record Date, your shares were held by a brokerage firm or other nominee and not in your name. To be a beneficial owner means that, like most of our stockholders, your shares are held in street name. As the beneficial owner, you have the right to direct your broker or nominee how to vote your shares by following the voting instructions your broker or other nominee provides. If you do not provide your broker or nominee with instructions on how to vote your shares, your broker or nominee will be able to vote your shares as described in Questions 17 and 18, below.

15. What do I need to be admitted to the Annual Meeting?

You will need a form of personal identification (such as a driver s license or passport) along with either your Notice, proxy card or proof of stock ownership to enter the Annual Meeting. If your shares are held beneficially in the name of a bank, broker or other holder of record and you wish to be admitted to the Annual Meeting, you must present proof of your ownership of Houghton Mifflin Harcourt Company stock, such as a bank or brokerage account statement.

16. Are there other things I should know if I intend to attend the Annual Meeting?

Please note that no cell phones, PDAs, computers, pagers, cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Annual Meeting.

17. What will happen if I do not vote my shares?

Stockholders of Record: If you are the stockholder of record and you do not vote by proxy card, by telephone, via the Internet or in person at the Annual Meeting, your shares will not be voted at the Annual Meeting.

Beneficial Owners: If you are the beneficial owner and you do not direct your broker or nominee regarding how to vote your shares, your broker or nominee may vote your shares only on those

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proposals for which it has discretion to vote. Under the rules of The NASDAQ Stock Market LLC (**NASDAQ**), your broker or nominee generally does not have discretion to vote your shares on the election of directors, executive compensation proposals and other significant matters and, as such, does not have discretion to vote your shares with regard to Proposals 1 or 2. We believe that Proposal 3 ratification of our independent auditor is a routine matter on which brokers and nominees can vote on behalf of their clients, if clients do not furnish voting instructions.

18. What is the effect of a broker non-vote?

Subject to applicable NASDAQ and SEC rules, brokers or other nominees who hold shares for a beneficial owner have the discretion to vote on routine proposals when they have not received voting instructions. A broker non-vote occurs when a broker or other nominee does not receive voting instructions from the beneficial owner and does not have the discretion to direct the voting of the shares. Broker non-votes will be counted for purposes of calculating whether a quorum is present at the Annual Meeting, but will not be counted for purposes of determining the number of votes present in person or represented by proxy and entitled to vote with respect to certain proposals. Accordingly, a broker non-vote will not impact our ability to obtain a quorum, nor will it impact the outcome of voting on Proposals 1 or 2. Because brokers are entitled on vote on Proposal 3, we do not anticipate any broker non-votes with regard to this proposal.

19. May I revoke my proxy or change my vote?

Yes, our By-Laws provide that you may revoke a proxy you have given at any time before it is voted at the Annual Meeting by:

- delivering to our Secretary a letter revoking the proxy, which our Secretary must receive prior to the Annual Meeting;
- delivering to our Secretary a new proxy, bearing a later date than the previous proxy, which our Secretary must receive prior to the Annual Meeting; or
- attending the Annual Meeting and voting in person.

Attendance at the Annual Meeting does not, standing alone, constitute your revocation of a proxy. You may change your vote at any time prior to the voting of your shares at the Annual Meeting by:

- casting a new vote by telephone or over the Internet by the time and date set forth in Question 13 above; or
- sending a new proxy card with a later date that is received prior to the Annual Meeting.

20. Where do I send a stockholder proposal for consideration at the Company s 2018 Annual Meeting of Stockholders?

If you wish to propose a matter for consideration at our 2018 Annual Meeting of Stockholders, the proposal should be mailed by certified mail, return receipt requested, to our Secretary at the Company s principal executive office, 125 High Street, Boston, Massachusetts 02110.

To be eligible under the SEC stockholder proposal rule (Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended (the **Exchange Act**)) for inclusion in our proxy statement for our 2018 Annual Meeting of Stockholders and form of proxy, each expected to be made available in March 2018, a proposal must be received by our Secretary at our principal executive office on or before November 29, 2017 by 5:00 p.m., Eastern Time. Failure to deliver a proposal in accordance with this procedure may result in it not being deemed timely received.

Even if a stockholder proposal is not eligible for inclusion in our proxy statement pursuant to Rule 14a-8, the proposal may still be offered for consideration at an annual meeting according to the procedures set forth in our By-Laws. A stockholder who wishes to offer a proposal for consideration at our 2018 Annual Meeting of Stockholders (where such proposal does not otherwise qualify for inclusion in our 2018 proxy statement under

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Rule 14a-8) may do so by delivering written notice of the proposal to our Secretary, not before January 19, 2018 and not later than February 18, 2018. If a stockholder proposal complies with these advance notice provisions, management will be permitted to vote proxies in its discretion if it advises stockholders in the 2018 proxy statement about the nature of the matter and how management intends to vote on such matter. See Stockholder Proposals for the 2018 Annual Meeting below in this proxy statement.

21. How can I find the results of the Annual Meeting?

We expect to announce preliminary results at the Annual Meeting. We will publish final results in a current report on Form 8-K that we will file with the SEC within four business days after the Annual Meeting. If the official results are not available at that time, we will provide preliminary voting results in the Form 8-K and will provide the final results in an amendment to the Form 8-K as soon as they become available.

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CORPORATE GOVERNANCE

Corporate Governance Guidelines

We maintain corporate governance guidelines (the **Corporate Governance Guidelines**), that set forth a flexible framework within which the Board, assisted by its committees, oversees the affairs of the Company. The Corporate Governance Guidelines address, among other things, the composition and functions of the Board, director independence, compensation of directors, management succession and review, Board committees and selection of new directors. The Company s Corporate Governance Guidelines are available in the Investor Relations section of our website at *www.hmhco.com* under the heading Corporate Governance and are also available in print to any person who requests them by writing to: Houghton Mifflin Harcourt Company, Investor Relations, 125 High Street, Boston, Massachusetts 02110.

Code of Conduct

We maintain a code of conduct (the **Code of Conduct**), which applies to all directors, officers and employees of the Company, that serves as the foundation of our ethics and compliance program. Included within the Code of Conduct is our Finance Department Code of Ethics, which (in addition to the other provisions of our Code of Conduct) is applicable to our CEO, Chief Financial Officer and all other members of our Finance Department. The Code of Conduct is available in the Investor Relations section of our website at *www.hmhco.com* under the heading Corporate Governance and is also available in print to any person who requests it by writing to: Houghton Mifflin Harcourt Company, Investor Relations, 125 High Street, Boston, Massachusetts 02110. Any substantive amendments to or waivers from a provision of the Code of Conduct requiring disclosure under applicable SEC rules will be disclosed on our website. Under our Code of Conduct, all employees have a duty to report any violation or suspected violation of the policy or law to the appropriate personnel as identified in the policy.

Director Independence

Under applicable federal securities laws, rules promulgated thereunder and NASDAQ rules, a majority of our directors must be independent, as such term is defined thereby. Our Board has determined that Daniel M. Allen, Lawrence K. Fish, Jill A. Greenthal, John F. Killian, John R. McKernan, Jr., Brian A. Napack, E. Rogers Novak, Jr., and Tracey D. Weber are independent. Our Board also determined that Mr. Crovitz was independent prior to his appointment as our interim President and Chief Executive Officer and that he would be eligible to be determined independent again after ceasing to serve in such role.

We must also comply with the independence requirements of the federal securities laws, the rules promulgated thereunder and NASDAQ rules relating to the composition of our committees. Our Board has also determined that the members of our Audit Committee, Compensation Committee and Nominating, Ethics and Governance Committee are all independent as defined by the SEC and NASDAQ rules applicable to such committees. In connection with Mr. Crovitz s appointment as interim President and CEO in September 2016, Mr. Crovitz stepped down from the Compensation Committee and the Nominating, Ethics and Governance Committee.

In making such independence determinations for directors (and for members of committees, as applicable), our Board considered the criteria required by applicable federal securities laws, rules promulgated thereunder and NASDAQ rules, including, but not limited to, our relationships with the family members of such directors and companies with which such directors are affiliated and the relationships between our directors (including companies with which they are affiliated) and our independent auditors.

Board Leadership Structure

We currently separate the roles of the Chairman of the Board and the CEO. Our interim President and CEO is responsible for setting our strategic direction and our day-to-day leadership and performance, while the Chairman of the Board provides guidance to our CEO and presides over meetings of the Board. The Board

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believes that the separation of the two roles appropriately balances the need for our CEO to run our day-to-day operations, with significant involvement and authority vested in an outside independent director. The Board periodically reviews its leadership structure to determine whether it continues to best serve the Company and our stockholders.

Committees of the Board

Our Board has standing Audit, Compensation and Nominating, Ethics and Governance Committees. The standing Board committees are chaired by independent directors, each of whom reports regularly to the Board at Board meetings on the activities and decisions made by their respective committees. The Board makes committee assignments and designates committee chairs based on a director s independence, knowledge and areas of expertise. We believe this structure helps facilitate efficient decision-making and communication among our directors and fosters efficient Board functioning at Board meetings. The Board conducts an annual self-evaluation to determine whether it and its committees are functioning effectively. We describe the current functions and members of each committee below. More detailed descriptions of the functions, duties and responsibilities of the Audit Committee, the Compensation Committee and the Nominating, Ethics and Governance Committee are included in the committees respective charters, each of which are available in the Investor Relations section of our website at *www.hmhco.com* under the heading Corporate Governance.

Following the cessation of Ms. Linda Zecher s employment as our President and Chief Executive Officer, the Board established a temporary CEO Search Committee tasked with seeking and evaluating potential candidates to serve as our President and Chief Executive Officer. On February 15, 2017, the Company announced that it would be appointing John J. Lynch, Jr. as President and Chief Executive Officer of the Company, with such appointment to be effective on a mutually agreed date. The CEO Search Committee will be dissolved upon the effectiveness of Mr. Lynch s appointment as President and Chief Executive Officer. Following the effectiveness of Mr. Lynch s appointment as President and Chief Executive Officer, the Board intends to appoint Mr. Lynch to the Board immediately following the Annual Meeting.

The table below provides current standing committee memberships and 2016 committee meeting information:

Director	Audit(1)	Compensation(2)	Nominating, Ethics and Governance(3)
Daniel M. Allen			Member
L. Gordon Crovitz(4)			
Lawrence K. Fish	Member	Member	Member
Jill A. Greenthal	Member		Chair
John F. Killian(5)	Chair	Member	
John R. McKernan, Jr.		Chair	Member
Brian A. Napack	Member	Member	
E. Rogers Novak, Jr.	Member		Member
Tracey D. Weber		Member	Member
Actions by Written Consent	0	1	7
Total Committee Meetings	6	4	3

(1) The Board has determined that all Audit Committee members: (i) are financially literate; and (ii) are independent under the applicable rules of NASDAQ and the SEC for Audit Committee membership.

(2) The Board has determined that all Compensation Committee members are independent under the applicable rules of NASDAQ and the SEC for Compensation Committee membership.

(3) The Board has determined that all members of the Nominating, Ethics and Governance Committee are independent under the applicable rules of NASDAQ.

(4) In connection with Mr. Crovitz s appointment as our interim President and CEO in September 2016, Mr. Crovitz stepped down from the Compensation Committee and the Nominating, Ethics and Governance Committee.

(5) The Board has determined that Mr. Killian qualifies as an audit committee financial expert as defined under the applicable SEC rules.

Audit Committee

Our Audit Committee Charter, amended as of November 2015, sets forth the duties of the Audit Committee. The Audit Committee oversees and meets with management, the internal auditors and the independent auditors to review internal accounting controls and accounting, auditing, and financial reporting matters. Our Audit Committee approves the appointment of our independent auditors, reviews and approves the scope of the annual audits of our financial statements, reviews our internal controls over financial reporting, reviews and approves any non-audit services performed by the independent auditors, reviews the findings and recommendations of the internal and independent auditors, periodically reviews major accounting policies and oversees and administers our related person transactions policy. Mr. Killian is the chair of the Audit Committee and is an audit committee financial expert under the rules of the SEC implementing Section 407 of the Sarbanes-Oxley Act of 2002.

Compensation Committee

Our Compensation Committee Charter, amended as of November 2015, sets forth the duties of the Compensation Committee. The Compensation Committee makes recommendations to the Board regarding the compensation of our CEO and approves the compensation of our other executive officers, including executive bonus allocations, equity awards and other compensation matters. Our Compensation Committee reviews our compensation philosophy and strategy, considers the material risks that face us in evaluating compensation, administers incentive compensation and equity incentive plans, reviews the CEO s performance and compensation and reviews other special compensation matters, such as executive employment agreements and severance arrangements. Mr. McKernan is the chair of the Compensation Committee.

Independent Compensation Consultants

Since January 2011, the Compensation Committee has retained Frederic W. Cook & Co., Inc. (**F.W. Cook**) as its compensation consultant to assist it in fulfilling its responsibilities. F.W. Cook advises the Compensation Committee on a variety of topics, including, among others, our equity compensation program, the evaluation of the alignment of our compensation program with our stockholders interests, the risks presented by our executive compensation program structure, the assessment of the program compared to our peers and director and executive compensation trends. In retaining and utilizing F.W. Cook, the Compensation Committee considered, among other factors, the independence of F.W. Cook according to the factors that it is required to consider under Exchange Act Rule 10C-1 and NASDAQ Rule 5605. F.W. Cook does not have any other relationship with or provide any other services to us, and the Compensation Committee has determined that it is independent and has no conflicts of interest with us.

Compensation Committee Interlocks and Insider Participation

None of the current members of the Compensation Committee have served as an officer or employee of the Company. During 2016, none of the members of the Compensation Committee had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K. None of our executive officers served as a member of the Board or compensation committee, or similar committee, of any other company whose executive officer(s) served as a member of our Board or our Compensation Committee.

Nominating, Ethics and Governance Committee

Our Nominating, Ethics and Governance Committee Charter, amended as of November 2015, sets forth the duties of the Nominating, Ethics and Governance Committee. The Nominating, Ethics and Governance Committee identifies individuals qualified to become members of the Board, develops and recommends corporate governance guidelines and other policies that relate to our corporate governance and oversees the evaluation of the Board and its committees. Ms. Greenthal is the chair of the Nominating, Ethics and Governance Committee.

Director Nomination Process

The Nominating, Ethics and Governance Committee utilizes a broad approach for identification of director nominees and may seek recommendations from our directors, officers or stockholders and/or engage a search

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firm. In evaluating and determining whether to ultimately recommend a person as a candidate for election as a director, the Nominating, Ethics and Governance Committee considers the qualifications set forth in our Corporate Governance Guidelines, including the highest personal and professional ethics, integrity and values, demonstrated business acumen, experience and ability to use sound judgment to contribute to effective oversight of the business or financial affairs of the Company, strategic planning, diversity and independence from management. It also takes into account specific characteristics and expertise that it believes will enhance the diversity of knowledge, expertise, background and personal characteristics of the Board. The Nominating, Ethics and Governance Committee may engage a third party to conduct or assist with this evaluation. Ultimately, the Nominating, Ethics and Governance Committee seeks to recommend to the Board those nominees whose specific qualities, experience and expertise will augment the current Board s composition and whose past experience evidences that they will: (1) dedicate sufficient time, energy and attention to ensure the diligent performance of Board duties; (2) comply with the duties and responsibilities set forth in our Corporate Governance Guidelines and in our By-Laws; (3) comply with all duties of care, loyalty and confidentiality applicable to them as directors of publicly traded corporations organized in Delaware; and (4) adhere to our Code of Conduct.

The Nominating, Ethics and Governance Committee considers stockholder recommendations of qualified nominees when such recommendations are submitted in accordance with the procedures described in our By-Laws. To have a nominee considered by the Nominating, Ethics and Governance Committee for election at the 2018 Annual Meeting of Stockholders, a stockholder must submit the recommendation in writing to the attention of our Secretary at our corporate headquarters no later than February 18, 2018 and no sooner than January 19, 2018. Any such recommendation must include the information required under our By-Laws. Once we receive the recommendation, we will deliver to the stockholder nominee a questionnaire that requests additional information about his or her independence, qualifications and other matters that would assist the Nominating, Ethics and Governance Committee in evaluating the stockholder nominee, as well as certain information that must be disclosed about him or her in our proxy statement or other regulatory filings, if nominated. Stockholder nominees must complete and return the questionnaire within the timeframe provided to be considered for nomination by the Nominating, Ethics and Governance Committee. Following the effectiveness of Mr. Lynch s appointment as President and Chief Executive Officer of the Company, the Board intends to appoint Mr. Lynch to the Board immediately following the Annual Meeting.

In December 2016, the Company entered into the Anchorage Nomination Agreement, pursuant to which Mr. Allen was appointed to the Board and has been nominated for re-election at the Annual Meeting, as described below under Related Person Transactions Anchorage Nomination Agreement.

Board Role in Risk Oversight

The Board is responsible for reviewing and approving the Company s risk management strategy and framework consistent with its duty to direct the management of the business and affairs of the Company.

The Audit Committee, under powers delegated to it by the Board, is responsible for discussing with the Company s management the major financial, operational, legal, compliance and other significant risks, as well as the Company s risk assessment and risk management policies and practices in place. The Audit Committee works directly with members of senior management and the Company s internal audit team to review and assess our risk management initiatives, including the Company s compliance programs, and reports these matters to the Board, as appropriate. In addition, the Audit Committee meets as appropriate: (i) as a committee to discuss the Company s risk management policies and exposures; and (ii) with the Company s independent auditors to review our internal control environment and potential significant risk exposures.

The Compensation Committee oversees the management of risks relating to our compensation programs and policies. In fulfillment of its duties, the Compensation Committee has direct responsibility for reviewing and approving the compensation of our executive officers and other compensation matters. The Compensation Committee meets regularly with senior management to understand the financial, human resources and stockholder implications of compensation decisions and reports these matters to the Board, as appropriate.

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The Nominating, Ethics and Governance Committee oversees the management of risks related to the Company s corporate governance structure and director nomination process.

The Board engages in the oversight of risk management in various ways. The Board sets goals and standards for the Company s employees, officers and directors. Implicit in this philosophy is the importance of sound corporate governance. It is the duty of the Board to serve as a prudent fiduciary for stockholders and to oversee the management of the Company. During the course of each year, the Board reviews the structure and operation of various departments and functions of the Company. In these reviews, the Board discusses with management, material risks affecting those departments and functions and management s approach to mitigating those risks. The Board reviews and approves management s operating plans and any risks that could affect the results of those operating plans. In its review and approval of annual reports on Form 10-K, the Board reviews the Company s business and related risks, including as described in the Business, Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations sections of the reports. The Audit Committee reviews these risks in connection with the preparation of quarterly reports on Form 10-Q. When the Board reviews particular transactions and initiatives that require Board approval, or that otherwise merit Board involvement, the Board generally includes related analysis and risk mitigation plans among the matters addressed with senior management. The day-to-day identification and management of risk is the responsibility of the Company s management. As the market environment, industry practices, regulatory requirements and the Company s business evolve, it is expected that senior management and the Board will respond with appropriate risk mitigation strategies and oversight.

Board Meetings and Annual Meeting Attendance by Board Members

We expect each of our Board members to attend each meeting of the Board and of the committees on which he or she serves. We expect our directors to attend our annual meeting of stockholders. During 2016, the Board met 9 times and took 8 actions by unanimous written consent. In 2016, no member of the Board attended fewer than 75% of the aggregate of: (i) the total number of meetings of the Board (held during the period for which he or she served as a director); and (ii) the number of meetings held by all committees of the Board (during the periods that he or she served on any such committee). Seven of our current director nominees (seven out of the seven serving as directors at the time) attended our 2016 Annual Meeting of Stockholders.

Executive Sessions

The Board generally meets in executive sessions, consisting only of independent directors (unless the Board specifically requests the presence of certain members of management or non-independent directors), as part of every regularly scheduled Board meeting (but generally no less frequently than twice annually, to be consistent with the requirements set forth in the NASDAQ rules and our Corporate Governance Guidelines).

Communications with the Board of Directors

The Board has established the following procedure for stockholders to communicate with members of the Board and for all interested parties to communicate with the presiding director or the non-management directors as a group. All such communications should be addressed to the attention of our Secretary at our corporate headquarters, located at

125 High Street, Boston, Massachusetts 02110. The Secretary collects and maintains a log of each such communication and forwards any that the Secretary believes requires immediate attention to the appropriate member or group of members of the Board, who then determines how such communication should be addressed.

Related Person Transactions

We maintain a related person transactions policy applicable to our directors, executive officers and other categories of related persons (as defined below). Pursuant to such policy, we do not, without approval of the Audit Committee, permit a director or executive officer, or his or her immediate family member (*i.e.*, spouse, parent, step-parent, child, step-child, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law or anyone (other than a tenant or employee) who shares that person s home) or any other

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person meeting the definition of related person under Item 404 of Regulation S-K (each, a **related person**), to enter into a transaction in which we are a participant if: (i) the amount involved exceeds $120,000; and (ii) the related person has or will have a direct or indirect material interest. We annually solicit information from directors and executive officers to monitor potential conflicts of interest and comply with applicable SEC requirements regarding approval and disclosure of related person transactions.

Investor Rights Agreement

In connection with our restructuring, on June 22, 2012, we entered into an investor rights agreement (the **Investor Rights Agreement**) with our new stockholders. The Investor Rights Agreement contains, among others, provisions granting our stockholders party thereto from time to time certain registration rights as described in further detail below and provisions related to confidentiality, holdback agreements and our public reporting obligations.

The Investor Rights Agreement provides our stockholders party thereto from time to time with certain registration rights. Under the Investor Rights Agreement, we are required to use commercially reasonable efforts to file and cause to become effective, a shelf registration statement (on Form S-3 if permitted) for the benefit of all stockholders party to the Investor Rights Agreement, and any individual holder or holders of 15% or more of our outstanding common stock can demand an unlimited number of shelf takedowns, so long as the total offering size is reasonably expected to exceed $100 million.

Each holder or group of holders who owns at least 15% of our outstanding common stock has: (i) one Form S-1 demand registration right per annum, which may be conducted in an underwritten offering, as long as the total offering size is reasonably expected to exceed $100 million; and (ii) unlimited Form S-3 demand registration rights, which may be conducted in underwritten offerings, as long as the total offering size is reasonably expected to exceed $100 million, each subject to customary cutback provisions.

Each stockholder party to the Investor Rights Agreement has unlimited piggyback registration rights with respect to underwritten offerings, subject to certain exceptions and limitations.

The foregoing registration rights are subject to certain cutback provisions and customary suspension/blackout provisions. We have agreed to pay all registration expenses under the Investor Rights Agreement, except that the selling stockholders may be responsible for their pro rata shares of underwriters fees, commissions and discounts (subject to the exception described below), stock transfer and certain legal expenses. We are required to pay certain expenses of the selling stockholders, including one firm of legal counsel for the selling stockholders, for any shelf takedown under the shelf registration statement.

In connection with the registration rights described above, we have agreed to indemnify the stockholders against certain liabilities. The Investor Rights Agreement also contains certain holdback agreements that apply to each stockholder party to the Investor Rights Agreement. Generally, without our prior consent and subject to limited exceptions, the stockholders party to the Investor Rights Agreement have agreed that, if participating in a future shelf takedown or other underwritten public offering, they shall not publicly sell or distribute our equity securities during: (i) the seven-day period prior to the pricing of such offering; and (ii) the 90-day period beginning on such pricing date.

We filed a shelf registration statement on Form S-3ASR on May 1, 2015 to register sales of our common stock by certain of our stockholders with registration rights under the Investor Rights Agreement, and such shelf registration statement was effective immediately upon filing. Shares of common stock were registered under such registration statement according to the elections provided to the Company by stockholders in accordance with the terms of the Investor Rights Agreement.

Under the Investor Rights Agreement, we had agreed to pay all underwriting discounts and commissions applicable to the sale of the common stock in connection with the first underwritten demand registration or shelf takedown by stockholders under the shelf registration statement. Pursuant to the terms of the Investor Rights Agreement, we paid approximately $10.5 million in underwriting discounts and commissions and other offering expenses on behalf of Paulson & Co. Inc. (**Paulson**) for a secondary public offering of 12,161,595 shares of our common stock sold by affiliates of Paulson on May 20, 2015. Prior to giving effect to the sale of the common stock in such offering, Paulson was the beneficial owner of more than 15% of our outstanding common stock.

Anchorage Nomination Agreement

On December 21, 2016, the Company appointed Daniel M. Allen, President, Senior Portfolio Manager and partner of Anchorage Capital Group, L.L.C. (**Anchorage**), to the Board and the Nominating, Ethics and Governance Committee. The appointment was made pursuant to a nomination agreement (the **Anchorage Nomination Agreement**) the Company entered into with certain affiliates of Anchorage who are stockholders of the Company (the **Anchorage Holders**) dated as of December 21, 2016.

Pursuant to the Anchorage Nomination Agreement, the Company also agreed, among other things (and subject to certain terms and conditions), to include Mr. Allen on the Company s slate of director candidates for re-election at our 2017 Annual Meeting.

The Anchorage Nomination Agreement contains restrictions on certain actions by the Anchorage Holders that will apply during Mr. Allen s (or a replacement designee s) tenure on the Board and at least until 30 days prior to the expiration of the Company s advance notice period for the nomination of directors at the Company s 2018 annual meeting of stockholders (the **Restricted Period**), which restrictions include, among other things and with certain carve-outs, restrictions on: (i) soliciting proxies or initiating a stockholder proposal with respect to the Company; (ii) forming or influencing any group (as defined pursuant to Section 13(d) of the Exchange Act with respect to securities of the Company; (iii) acquiring additional shares where it would result in Anchorage beneficially owning more than 20% of the Company s outstanding common stock; (iv) other than in an underwritten widely dispersed public offering, knowingly transferring common stock to any person or group that would beneficially own more than 10% of the Company s outstanding common stock as a result of such transfer; (v) making disparaging public statements regarding the Company or its affiliates (with the Company agreeing to a reciprocal restriction) or making public proposals regarding changes in the Company s business or financial condition; and (vi) initiating legal proceedings against the Company or requesting inspection of the Company s corporate books and records. Additionally, for the duration of the Restricted Period, the Anchorage Holders have agreed to cause all voting securities owned by the Anchorage Holders to, at each Company stockholder meeting, be present for quorum purposes and vote (i) for all directors nominated by the Board for election and (ii) in accordance with the recommendation of the Board on any precatory or non-binding proposals.

The Anchorage Holders further agreed that, upon Anchorage and its affiliates ceasing to beneficially own at least 10% of the Company s outstanding common stock: (i) the Anchorage Holders would be required to cause Mr. Allen to promptly offer to tender his resignation from the Board and any committee of the Board on which he may be a member and, if requested by the Company, deliver his written resignation, to be effective immediately, to the Board, which shall have sole discretion over whether to accept or reject such resignation; and (ii) the Company s obligations under the Anchorage Nomination Agreement would terminate. Accordingly, on December 21, 2016, Mr. Allen executed and delivered to the Company an irrevocable letter of resignation, effective only upon, and subject to, such time as the Anchorage Holders fall below the foregoing ownership threshold and the Board accepts such resignation.

Indebtedness

Affiliates of certain of our stockholders, including the stockholders holding 5% or more of our common stock, also currently own a portion of our indebtedness, including indebtedness outstanding under our term loan facility.

Indemnification Arrangements

We have entered into agreements with our executive officers and directors to provide contractual indemnification in addition to the indemnification provided for in our charter documents. We believe that these provisions and agreements are necessary to attract qualified executive officers and directors. We have purchased a policy of directors and officers liability insurance that insures our officers and directors against the cost of defense, settlement or payment of a judgment in some circumstances and insures us against our obligations to indemnify our officers and directors.

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Other

Nicole Bianca-Ramsayer, an immediate family member of Lee R. Ramsayer, one of our executive officers, ceased serving as a full-time employee of the Company as of November 2016, at which time she received severance pay equal to one year s salary ($135,000) payable in installments and, in lieu of any payment under the short-term incentive plan in which she was a participant, a lump sum payment of $115,000.

Tracey L. Cannon, an immediate family member of Timothy L. Cannon, one of our former executive officers, was a full-time employee of the Company during 2016, with an annual salary of $121,800 and she was eligible to participate in our employee benefit programs.

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DIRECTOR COMPENSATION

The Nominating, Ethics and Governance Committee is responsible for reviewing and recommending non-employee director compensation to the Board for its approval. We pay our non-employee directors a mix of cash and equity-based compensation. We do not provide any compensation to our employee directors for their Board service. The compensation paid to our non-employee directors consists of an annual retainer for service as a member or the Chairman of the Board, of which a portion is paid in cash and a portion in equity, plus an annual cash retainer for service as a member or chair of Board committees, as set forth in the tables below. Cash compensation is payable quarterly. The Company also reimburses directors for expenses they incur in connection with attending Board and committee meetings.

In November 2015, the Nominating, Ethics and Governance Committee, with the assistance of F.W. Cook, undertook an in depth review of the Company s non-employee director compensation program, including its individual components, as compared to that of the Company s peer group for compensation purposes. In light of the Company s performance in 2015, the committee recommended that the Board forego any increase in compensation for the 2016 term of office and requested that the Company with the assistance of F.W. Cook, propose a non-employee director deferred compensation program that would allow directors to defer receipt of cash and equity-based compensation. In February 2016, the Board approved (as recommended by the Nominating, Ethics and Governance Committee) a deferred compensation program (**Deferred Compensation Program**) allowing non-employee directors to make the first of such deferral elections for the cash and equity portions of the 2016 compensation not yet earned, with such deferred amounts to be paid out either at a specified date or upon the individual s separation from service in accordance with the individual s election. Under the Deferred Compensation Program, deferred cash compensation is deemed to be notionally invested in Company common stock and credited with earnings or losses with respect thereto. All of our directors (other than Mr. Fish and Ms. Weber) elected to defer 100% of the portion of their compensation delivered in the form of restricted stock units (**RSUs**). Following the initial year of eligibility to participate in the Deferred Compensation Program, deferral elections will be made no later than the end of the year prior to the fiscal year in which the compensation is earned.

Following Ms. Zecher s ceasing to serve as our President and Chief Executive Officer, the Board formed the CEO Search Committee, tasked with seeking and evaluating potential candidates to be her successor. The committee consisted of Mr. Fish, Ms. Greenthal and Mr. Killian. Committee members each received a one-time retainer fee of $50,000.

The retainers paid to our non-employee directors for service as a member or the Chairman of the Board, a portion of which is paid in cash and a portion of which is paid in equity, in effect as of December 31, 2016 is as follows:

Position	**Aggregate Annual Retainer for Chairman/Membership ($)**	**Amount Payable in Cash ($)**	**Amount Payable in RSUs ($)**
Board Chairman	250,000	120,000	130,000
Other Board Members	165,000	80,000	85,000

The retainers paid to our non-employee directors for service as a member or chair of standing Board committees, all of which are paid in cash, in effect as of December 31, 2016 are as follows:

Position	**Annual Retainer for Membership ($)**	**Aggregate Annual Retainer for Chair/Membership Role ($)**
Audit Committee	10,000	15,000
Compensation Committee	10,000	15,000
Nominating, Ethics and Governance Committee	5,000	7,500
CEO Search Committee	50,000[(1)]	

(1) Payable as a one-time retainer and not on an annual basis.

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The Board determined that annual director grants would occur on May 31 of each year. The annual grants of RSUs for (i) Messrs. Fish, Crovitz, Killian, McKernan and Novak and Ms. Greenthal in 2016 were valued based on a per-share value of $17.20 on May 31, 2016 and (ii) for Mr. Napack and Ms. Weber in 2016 were valued based on a per-share value of $14.98 on August 9, 2016, which represented the fair value of the common stock on the respective dates of grant. The RSUs vest on May 31, 2017, subject to continued service as a member of the Board.

Director Compensation Table: 2016

Name	Fees Earned or Paid in Cash(1) ($)	Fees Earned or Paid in Stock(2) ($)	Other(3) ($)	Total ($)
Lawrence K. Fish	195,000	129,998	45,677	370,675
L. Gordon Crovitz(4)				
Daniel Allen(5)				
Jill A. Greenthal	152,500	85,002		237,502
John F. Killian	165,000	85,002		250,002
John R. McKernan Jr.	110,000	85,002		195,002
Brian Napack(6)	48,756	78,480		127,236
E. Rogers Novak Jr.	95,000	85,002		180,002
Tracey D. Weber(7)	42,541	74,061		116,602

(1) Represents the aggregate cash retainers for Board and committee service. For Mr. Fish, Ms. Greenthal and Mr. Killian, the amount also includes a one-time retainer fee of $50,000 for service on the CEO Search

Committee.

(2) Represents the aggregate grant date fair value of RSUs granted during 2016 in accordance with the Financial Accounting Standards Board Accounting Standards Codification (**FASB ASC**) Topic 718, Stock Compensation (disregarding any forfeiture assumptions). For the assumptions made in determining these values, see Note 10 to the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2016. These awards will vest on May 31, 2017, subject to continued service on the Board. As of December 31, 2016, Mr. Fish held 7,558 RSUs, each of Messrs. Killian, Crovitz, McKernan and Novak and Ms. Greenthal held 4,942 RSUs, Ms. Weber held 4,944 RSUs and Mr. Napack held 5,239 RSUs.

(3) Represents portion of salary and benefits paid to Mr. Fish s executive assistant not attributed to services rendered to the Company.

(4) Mr. Crovitz was appointed to serve as our President and Chief Executive Officer on an interim basis effective September 22, 2016. He did not receive any compensation for his service on the Board during the period in 2016 in which he served as our interim President and CEO. Mr. Crovitz received fees for his service on the Board ($95,000 in cash and $85,002 in the form of RSUs, the vesting of which will be prorated for the period of such service) for the period in 2016 prior to such appointment, and such amounts are disclosed in the Summary Compensation Tables .

(5) Mr. Allen was appointed to the Board, effective December 21, 2016. Mr. Allen did not receive any director compensation for his service on the Board in 2016.

(6) Mr. Napack was appointed to the Board effective June 29, 2016 and to the Audit Committee and Compensation Committee effective August 2, 2016. Accordingly, his annual retainer fees for 2016 were prorated to reflect the commencement of Board and committee service on such dates.

(7) Ms. Weber was appointed to the Board effective July 18, 2016 and to the Compensation Committee and the Nominating, Ethics and Governance Committee effective August 2, 2016. Accordingly, her annual retainer fees for 2016 were prorated to reflect the commencement of Board and committee service on such dates.

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PROPOSAL 1: ELECTION OF DIRECTORS

The Board is elected by the stockholders to oversee the stockholders interest in the overall success of our business and our financial strength. The Board serves as our ultimate decision-making body to the extent set forth in our Amended and Restated Certificate of Incorporation and By-Laws. The Board also selects and oversees members of our senior management, who, in turn, oversee our day-to-day business and affairs. Nine (9) directors are to be elected at the Annual Meeting to serve until the Company s next annual meeting of stockholders or until their successors are elected and qualified, subject to a director s earlier death, resignation, retirement, disqualification or removal. Your proxy will be voted in accordance with the directions stated on the card, or, if no directions are stated, for election of each of the nine nominees listed below. Upon the recommendation of the Nominating, Ethics and Governance Committee, the members of the Board have nominated our current directors for election. The nominees are willing to be elected and to serve. If any nominee is not a candidate for election at the Annual Meeting (an event that the Board does not anticipate), the proxies may be voted for a substitute nominee. In December 2016, the Company entered into the Anchorage Nomination Agreement, pursuant to which Mr. Allen was appointed to the Board and has been nominated for re-election at the Annual Meeting, as described above under Related Person Transactions Anchorage Nomination Agreement. The business experience, qualifications and affiliations of each nominee are set forth below.

Daniel Allen

Director Since December 2016 **Age: 48** **Committees:** Nominating, Ethics and Governance Committee

Mr. Allen is a Partner at Anchorage Capital Group, L.L.C. and serves as President and Senior Portfolio Manager for the firm. In this capacity, he has responsibility for overseeing the firm s portfolio management, risk management, and investment decisions. Prior to joining Anchorage, Mr. Allen spent the previous six years with Morgan Stanley, and in his most recent role, was responsible for North American Credit Trading with a primary focus on bank debt, high yield bonds and distressed securities. Prior to joining Morgan Stanley, Mr. Allen was a Loan Trader at Goldman Sachs. He is also on the Board of Trustees of Skidmore College. Mr. Allen s extensive experience in financial services as a trader and portfolio manager and his extensive knowledge of the capital markets and the financial services industry enables him to provide the Company with valuable guidance.

L. Gordon Crovitz

Director Since 2012 **Age: 58** **Committees:** None

L. Gordon Crovitz has served as a member of the Board since August 2012 and has served as the Company s interim President and Chief Executive Officer since September 2016. From 1980-2007, Mr. Crovitz held a number of positions with Dow Jones and The Wall Street Journal, culminating in his role as Executive Vice President for Dow Jones and Publisher of The Wall Street Journal. He co-founded e-commerce software company Press+ in 2009 and is currently a partner at NextNews Ventures, a partnership investing in early-stage news companies. Mr. Crovitz serves on the Board of Directors at Business Insider, Blurb, Dun & Bradstreet, Inc. and Marin Software Incorporated. He is also on the board of the American Association of Rhodes Scholars. Mr. Crovitz s management roles in the publishing industry and extensive experience as a director enable him to provide the Company with valuable guidance.

Lawrence K. Fish (Chairman of the Board)

Director Since August 2011 **Age: 72** **Committees:** Audit Committee; Compensation Committee; and Nominating, Ethics and Governance Committee

Lawrence K. Fish has served as a member of the Board since August 2010 and as Chairman of the Board since January 2011. Mr. Fish served as Chairman and Chief Executive Officer of Citizens Financial Group, Inc. (**Citizens**) from 2005 to 2008 and as Chairman, President and Chief Executive Officer of Citizens from 1992 to 2005. Mr. Fish is a member of the Massachusetts Institute of Technology Corporation (the institute s board of trustees) and serves on the boards of directors of Textron Inc. and Tiffany & Co. He is also an Honorary Trustee of the Brookings Institution in Washington D.C., Chairman of the Board of Management Sciences for Health and

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Trustee of Woods Hole Oceanographic Institution. Mr. Fish s extensive experience in the areas of finance, marketing, general management and corporate governance enables him to provide the Company with effective leadership on the Board.

Jill A. Greenthal

Director Since June 2012 **Age: 60** **Committees:** Audit Committee; and Nominating, Ethics and Governance Committee (Chair)

Jill A. Greenthal has served as a member of the Board since June 2012. Ms. Greenthal has been a Senior Advisor in Private Equity at the Blackstone Group since 2007, working closely with Blackstone s global media and technology teams to assist in investments in those sectors. She also serves as a director of Akamai Technologies, Inc., TEGNA Inc. and The Weather Channel and previously served as a director of Orbitz Worldwide from 2007 to 2013 and Michaels Stores from 2011 to 2015. Prior to 2007, Ms. Greenthal was an investment banker and partner at Blackstone and Credit Suisse First Boston. Ms. Greenthal is also a trustee of the Dana-Farber Cancer Institute, The James Beard Foundation and Simmons College and is an Overseer of the Museum of Fine Arts in Boston, Massachusetts. Ms. Greenthal has extensive experience in the media and Internet industry and in advising and financing Internet and media companies, which enables her to provide valuable guidance to the Company.

John F. Killian

Director Since January 2011 **Age: 62** **Committees:** Audit Committee (Chair); and Compensation Committee

John F. Killian has served as a member of the Board since January 2011. Mr. Killian was Executive Vice President and Chief Financial Officer for Verizon Communications Inc. (**Verizon**) from March 2009 through October 2010. Prior to becoming Chief Financial Officer, Mr. Killian was President of Verizon Business from October 2005 until March 2009, the Senior Vice President and Chief Financial Officer of Verizon Telecom from June 2003 until October 2005, and the Senior Vice President and Controller of Verizon Telecom from April 2002 until June 2003. Mr. Killian serves on the board of directors at ConEdison Inc. and is Chairman of the board of Providence College. He is also a Trustee of Goldman Sachs Trust II, an open-end management investment company. Mr. Killian brings extensive financial expertise to the Board, as well as significant management and leadership experience.

John R. McKernan, Jr.

Director Since September 2012 **Age: 68** **Committees:** Compensation Committee (Chair); and Nominating, Ethics and Governance Committee

John R. McKernan, Jr. served as a member of the Board from August 2010 through June 2012 and rejoined the Board in September 2012. Mr. McKernan is currently Chairman and Chief Executive Officer of McKernan Enterprises, Inc., in Portland, Maine and a Senior Advisor at the U.S. Chamber of Commerce, where he also served as its Foundation President from October 2013 to February 2015. He is also currently a director of BorgWarner Inc. and Management and Training Corporation. Mr. McKernan also serves as the Chair of the BorgWarner Foundation. Mr. McKernan is the former Chairman of Education Management Corporation, a provider of post-secondary education in North America, where he served as Chief Executive Officer from September 2003 until February 2007 and as a director until 2015. Mr. McKernan is currently Chairman of the Board of Directors of The Foundation for Maine s Community Colleges, a director of The American Action Forum and Achieve and served as Governor of the State of Maine from 1987 to 1995. Mr. McKernan brings to the Board superior leadership capabilities, knowledge of the legal and legislative processes and significant prior experience as a director.

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Brian A. Napack

Director Since June 2016 **Age: 55** **Committees:** Audit Committee; and Compensation Committee

Brian A. Napack has served as a member of the Board since June 2016. Mr. Napack is Senior Advisor at Providence Equity (**Providence**), a private equity firm specializing in media, education, information and communications. Prior to joining Providence in 2012, he was President of global publisher Macmillan. Previously, Mr. Napack was a partner at L.E.K. Consulting where he served clients in the media, entertainment, publishing, and education sectors. Mr. Napack was the founder and Chief Executive Officer of ThinkBox Inc., an education company, and prior to that he was a co-founder of Disney Interactive and founded Disney Educational Publishing at The Walt Disney Company. Mr. Napack has also held senior roles at Simon & Schuster and at A.T. Kearney, Inc. He currently serves on the boards of Blackboard, Ascend Learning, Burning Glass Technologies, Recorded Books, Ingram Industries, Synergis and Zero to Three, and also served on the board of Education Management Group from 2012 to 2015. Mr. Napack also served as a director at HotChalk from 2012 to 2014. Mr. Napack brings to the board a robust career in the education and media industries, as well as extensive operational experience.

E. Rogers Novak, Jr.

Director Since November 2012 **Age: 68** **Committees:** Audit Committee; and Nominating, Ethics and Governance Committee

E. Rogers Novak, Jr. has served as a member of the Board since November 2012. He is a founder and managing member of Novak Biddle Venture Partners, an early-stage venture fund focused on investment opportunities in education, security, big data analytics and business-to-business-to-consumer businesses. Mr. Novak formerly served as Lead Director of Blackboard Inc., which was acquired by Providence Equity Partners. Mr. Novak currently serves on several private company boards and was a member of the External Relations Council for the Department of Homeland Security s Predict Project. He also serves on the Board of Trustees for Kenyon College where he sits on the Budget, Financial and Audit Committee and the Student Affairs Committee. From 2008 to 2011, Mr. Novak held a seat on the Board of the National Venture Capital Association and was their Treasurer and a member of their Executive Committee from 2009 to 2011. Mr. Novak s significant prior experience as a director, especially in the education technology sector, renders him a valuable member of the Board.

Tracey D. Weber

Director Since July 2016 **Age: 50** **Committees:** Compensation Committee; and Nominating, Ethics and Governance Committee

Tracey D. Weber has served as a member of the Board since July 2016. She is the Chief Client Officer and Vice President of Transformation for IBM s Watson Customer Engagement business unit. Until April of 2016, Ms. Weber was a Strategic Advisor for innovative online shopping destination Gilt Groupe, where she formerly served as President from February 2015 to February 2016 and Chief Operating Officer from September 2013 to February 2015. She served as Managing Director, North America Internet and Mobile and Global Product at Citibank, NA, a multinational financial services corporation, from 2010 to 2013. Ms. Weber has also previously served as Executive Vice President of Barnes & Noble, Inc. s textbooks and digital education division and has held several leadership positions at Travelocity.com. From July 2013 to March 2016, she served on the board of International Game Technology. Ms. Weber s leadership roles across a variety of consumer industries and extensive digital operations experience enables her to provide the Company with valuable guidance.

THE BOARD RECOMMENDS A VOTE FOR THE ELECTION OF EACH OF THE DIRECTOR NOMINEES NAMED ABOVE.

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EXECUTIVE OFFICERS

The executive officers for the Company as of March 29, 2017 are set forth below:

Name	Age	Position
L. Gordon Crovitz	58	Interim President, Chief Executive Officer and Director
Joseph P. Abbott, Jr.	40	Chief Financial Officer
William F. Bayers	62	Executive Vice President, Secretary and General Counsel
Mary J. Cullinane	49	Chief Content Officer and Executive Vice President, Product Planning, Development and Marketing
Lee R. Ramsayer	52	Executive Vice President, Global Sales
Brook M. Colangelo	39	Executive Vice President and Chief Technology Officer
Ellen Archer	54	President, Houghton Mifflin Harcourt Trade Publishing

Set forth below is certain additional information concerning the Company s executive officers, including their respective positions with the Company and prior business experience (other than Mr. Crovitz, for whom such information is provided above under the caption Proposal 1: Election of Directors).

Joseph P. Abbott, Jr.

Executive Vice President and Chief Financial Officer

Joseph P. Abbott, Jr. joined the Company in March 2016 as Executive Vice President and Chief Financial Officer. From 2012 to 2016, Mr. Abbott was an Executive Director in the Media and Communications Investment Banking Group at Morgan Stanley, where he held various roles since 2005. At Morgan Stanley, Mr. Abbott led a team that advised educational publishing and information services companies (and their stakeholders) on all aspects relating to mergers and acquisitions, financings and other major strategic transactions. Prior to joining Morgan Stanley, Mr. Abbott served as an officer in the United States Navy.

Ellen Archer

President, Houghton Mifflin Harcourt Trade Publishing

Ellen Archer joined the Company as President of our Trade Publishing Group in December 2015, with responsibility for driving the strategic growth and expansion of the Company s consumer publishing business. Previously, Ms. Archer was a Founding Partner of Path2, LLC, a consulting firm focused on advising for-profit and not-for-profit businesses on business development, strategy and execution. From 2014 to 2015, she also held a role as Managing Director of Golden Seeds, a consulting firm focused on providing strategic business guidance to early-stage women-led digital businesses. From 1999 to 2014, Ms. Archer held various roles within Disney/ABC Media Networks, including Head of East Coast Development for ABC Entertainment from 2013 to 2014 and President and Publisher of Hyperion Books, then a division of the Walt Disney Company, from 2008 to 2013. Ms. Archer currently serves as the Vice President of Development of the Foundation Board of New York Women in Communications and is a member of the Executive Committee of the Media Council of Springboard Enterprises.

William F. Bayers

Executive Vice President, Secretary and General Counsel

William F. Bayers joined the Company in May 2007 as Senior Vice President, Secretary and General Counsel and was made Executive Vice President, Secretary and General Counsel in March 2008. Previously, he served as Vice President and General Counsel of Harcourt Education Group. Mr. Bayers oversees all legal, regulatory and corporate matters for the Company.

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Brook M. Colangelo

Executive Vice President and Chief Technology Officer

Brook M. Colangelo became Executive Vice President and Chief Technology Officer in May 2014. He joined the Company as Senior Vice President and Chief Information Officer in January 2013 from the White House, where he held the role of Chief Information Officer since 2009. Mr. Colangelo joined the White House team in 2008 to spearhead the Obama-Biden transition project. Prior to that, he held several senior IT leadership roles, including within the Democratic National Convention Committee, The American Red Cross Hurricane Recovery Program and QRS Newmedia.

Mary J. Cullinane

Chief Content Officer and Executive Vice President, Product Planning, Development and Marketing

Mary J. Cullinane joined the Company in February 2012. As Chief Content Officer and Executive Vice President, Product Planning, Development and Marketing , Ms. Cullinane oversees the overall product strategy and development of next generation content and applications. Previously, Ms. Cullinane served an 11-year career at Microsoft, most recently serving as their Worldwide Senior Director, Innovation and Education Policy. At Microsoft, she focused on driving innovative programs and initiatives including National Program Manager of the Anytime Anywhere Learning, architect of the Philadelphia School of the Future, and National Manager of Microsoft s K 12 marketing, programs and strategic investments. Prior to that, Ms. Cullinane was an educator for 10 years at a regional high school in the state of New Jersey. Ms. Cullinane currently serves on the board of trustees of the Boston Children s Museum.

Lee R. Ramsayer

Executive Vice President, Global Sales

Before joining the Company in February 2012, Lee R. Ramsayer served as Senior Vice President of Sales for Monster Worldwide, Inc. s Government Solutions sector. Prior to his role at Monster, Mr. Ramsayer served as Manager, Government Sales and Consulting Services for Microsoft from January 2004 to February 2005.

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COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes the Company s 2016 executive compensation program and compensation of our Chief Executive Officer and Chief Financial Officer (and all individuals serving in such roles during the year) as well as our three other most highly compensated executive officers (our our named executive officers), who for 2016 include:

Name	Title
L. Gordon Crovitz*	Interim President and Chief Executive Officer
Joseph P. Abbott, Jr**.	Executive Vice President and Chief Financial Officer
Ellen Archer	President, Houghton Mifflin Harcourt Trade Publishing
Mary J. Cullinane	Chief Content Officer and Executive Vice President, Product Planning, Development and Marketing
Lee R. Ramsayer	Executive Vice President, Global Sales
Linda K. Zecher*	Former President and Chief Executive Officer
Eric L. Shuman**	Former Executive Vice President and Chief Financial Officer

* Mr. Crovitz was appointed to serve as our President and Chief Executive Officer on an interim basis effective September 22, 2016 upon Ms. Zecher s ceasing to serve as our President and Chief Executive Officer.

** Mr. Abbott was appointed to serve as our Executive Vice President and Chief Financial Officer effective March 14, 2016 at which time Mr. Shuman, who had served as our as Executive Vice President and Chief Financial Officer until such date, transitioned to the role of Senior Advisor, serving in such capacity through July 1, 2016.

Executive Summary

Overview

We are a global learning company dedicated to changing people s lives by fostering passionate, curious learners and are organized along two reportable segments: Education and Trade Publishing.

Through our Education segment, HMH is a leading provider of pre-K-12 education content, services and cutting-edge technology solutions across a variety of media. This segment represents approximately 88% of our annual consolidated net sales. The K-12 education market is (i) highly cyclical aligning with pre-determined state schedules for the adoption of new instructional materials in which there are peaks and troughs and (ii) dependent in part on federal, state and local education funding, which in turn is dependent in part on the robustness of federal, state and local finances and funding levels allocated to such materials. Changes in the adoption schedule, educational funding and our share of the K-12 education market, among other things, can have a material adverse effect on our business and our financial and operational performance.

Our Trade Publishing segment, which dates back to 1832, is a provider of award-winning children s books, novels, non-fiction and reference titles across a variety of media enjoyed by readers throughout the world and represents approximately 12% of our annual consolidated net sales. The Trade Publishing market is (i) generally a hits driven business for front-list titles and (ii) dependent in part on movie- and other current event-tie-ins for back-list titles. Changes in public interests, length of time on best seller s and reader s choice lists as well as current tie-ins, among other things, can have a material adverse effect on our Trade Publishing business.

Fiscal Year 2016 Challenges and Transition

Overall, 2016 proved to be a year of challenge and transition for the Company. As a trough year for the K-12 education market cycle, 2016 was an investment year both in terms of content development as well as in infrastructure in advance of large upcoming adoption schedules and leading into what we project to be peak years for the Education segment. It was also a year of uneven execution and leadership change and transition.

Financial and Operating Performance and Business Highlights for 2016

Our 2016 financial performance was adversely impacted by certain challenges and increased costs facing our business compared to 2015, arising from among other things a smaller adoption market for K-12

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instructional materials, along with a lower market share and increased expenses with respect to the educational technology and services business (**EdTech**), which we acquired in May 2015, relating to the full year impact of infrastructure costs of the business and costs associated with its integration.

Our performance in 2016 with respect to important Company financial measures (from which the financial performance metrics used in our 2016 short- and long-term incentive plans are derived) was as follows on a consolidated basis:

Net sales for the full year of $1,373 million were down $43 million, or 3.1%, from $1,416 million in 2015.

Billings, which reflects our net sales taking into account the change in deferred revenue (**Billings**), decreased 8.4% from $1,541 million in 2015 to $1,410 million in 2016.

Net loss increased to $285 million, compared to $134 million in 2015.

Adjusted EBITDA, which is our earnings before interest, taxes, depreciation and amortization as well as certain non-cash and non-recurring charges (**Adjusted EBITDA**[1]), for 2016 was $183 million, down from $235 million in 2015 or 22% lower.

Pre-publication costs (**Plate Spend**) for 2016 was $124 compared to $104 for 2015.

Adjusted cash EBITDA (post plate) for 2016, which is our Adjusted EBITDA adjusted for the change in deferred revenue and additions to pre-publication costs (plate spend) (**Adjusted Cash EBITDA (post plate)**), decreased $159 million, or 62%, to $97 million in 2016 compared to $256 million in 2015.

We repurchased 2.9 million shares under our share repurchase program.

Further, our Education segment net sales for 2016 decreased $44 million, or 3.5%, to $1,207 million from $1,251 million in 2015 and our Trade Publishing segment increased net sales by $1 million from $165 million in 2015 to $166 million in 2016.

Notable operating achievements in 2016 (beyond important Company financial measures) were as follows:

Our share of the education market that we address was 39% for 2016, slightly lower than 40% market share in 2015, or 42% on a pro forma basis including the EdTech business for the full year enabling us to maintain our leadership position with respect thereto.

We integrated the EdTech business from an infrastructure perspective into the Company.

Our Heinemann business delivered its 11th consecutive year of net sales growth.

We launched new core curriculum programs (i) *HMH Science Dimensions*, the first K-12 program created specifically to meet the next generation science standards, and (ii) *HMH Social Studies*, a comprehensive 6-12 program built from the ground up to incorporate learning tools, digital content and cross-functionality across devices.

We launched our new all-in-one digital platform, Ed: your friend in learning, that is critical to the development and launch of our new core curriculum programs as it enables students and teachers to experience our content through a single portal and will be able to leverage adaptive technology and analytics.

1 Adjusted EBITDA and Adjusted Cash EBITDA (post-plate) referred to herein are not prepared in accordance with generally accepted accounting principles in the United States (**GAAP**). For a reconciliation of these financial measures to the most directly comparable GAAP financial measures and insight into how these Non-GAAP measures are considered by management, please see **Annex A**. We urge stockholders to read the Annual Report on Form 10-K for the year ended December 31, 2016, which describes our businesses and 2016 financial and operating performance and drivers thereof in greater detail.

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Leadership and Organizational Design Transition

Commencing in 2015 and continuing through 2016, we had a number of leadership transitions and changes, the most significant of which were as follows:

Chief Executive Officer Transition Mr. Crovitz, who has served as a member of our Board since August 2012, was appointed to serve as our President and Chief Executive Officer on an interim basis on September 22, 2016 upon the cessation of Ms. Zecher s employment as our President and CEO on that date. Shortly thereafter, our Board constituted a CEO search committee to identify and hire a new CEO and on February 15, 2017 the Company announced the selection of John J. Lynch Jr. to assume the role of our new President and Chief Executive Officer.

Chief Financial Officer Transition Mr. Abbott was appointed as our Chief Financial Officer on March 14, 2016, replacing Mr. Shuman, who transitioned to our Senior Advisor on that date and served in that capacity through July 1, 2016 to help ensure a smooth transition.

Trade Publishing President Transition Ms. Archer was appointed as our President of Houghton Mifflin Harcourt Trade Publishing on December 5, 2015, replacing Gary Gentel who transitioned to our Senior Advisor on that date and served in that capacity through July 27, 2016 to help ensure a smooth transition.

Further, in late 2016 we started working with a third party consultant to review our operating model and organizational design in order to improve our operational efficiency, better focus on the needs of our customers and right-size our cost structure to further support growth initiatives, enhance competitiveness and create long-term shareholder value.

Executive Compensation Decision Highlights for 2016

Highlights of the Compensation Committee s key executive and other compensation decisions for 2016 include the following:

*2016 Annual Cash Incentive Plan (**2016 Bonus Plan**) Awards*

No bonus award payout based on the financial objectives-based portion of our 2016 Bonus Plan for four of the named executive officers; total bonus award payouts for these executive officers equal to 10% of their target awards based on achievement of their individual objectives.

Annual bonus award payout for Ms. Archer equal to 46% of her target award based on the Company s performance relative to its Trade Publishing Billings objectives and achievement of her individual objectives under our 2016 Bonus Plan.

No bonuses were awarded to our former President and CEO and former Chief Financial Officer under the 2016 Bonus Plan.

As a result of the Company s below threshold performance with respect to our Consumer Billings, consolidated Billings and consolidated Adjusted Cash EBITDA (post-plate) financial metrics in 2016, no payout was made in respect of the Company s consolidated financial metric-based portion of the 2016 Bonus Plan for our executives.

Based on the accomplishments against their respective individual performance goals for the year, each under the 2016 Bonus Plan, the Compensation Committee approved 2016 annual bonuses for Mr. Abbott, Ms. Cullinane and Mr. Ramsayer solely in respect of the individual objectives-based portion of the plan in amounts equal to 10% of their respective target bonus under the plan, pro-rated as applicable; and determined that no payout would be made to Mr. Shuman and Ms. Zecher.

As a result of the Company s solid 2016 performance relative to its Trade Publishing Billings target and our President, Houghton Mifflin Harcourt Trade Publishing s accomplishments of individual performance goals for the year, the Compensation Committee approved a 2016 annual bonus for

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Ms. Archer, our only named executive officer subject to the Trade Publishing Billings metric, in an amount equal to approximately 46% of her target bonus under the plan.

Design Changes for 2016 Long-Term Equity Incentive Plan (***2016 LTIP*** *)*

The 2016 LTIP equity awards were comprised of 60% performance-based RSUs and 40% time-based RSUs.

The 2016 LTIP performance-based equity award design was modified for 2016 to include relative total shareholder return (**TSR**) for 50% of the award s performance metric and maintained three-year consolidated Billings for the other 50% of the award s performance metric.

In order to further align executive and other key employee long-term incentive compensation with the Company s financial performance objectives, value creation and the long-term interests of our stockholders, in approving the 2016 LTIP the Compensation Committee replaced the Adjusted Cash EBITDA (post plate) metric included in our 2015 long-term incentive plan with our three-year cumulative TSR relative to that of the other companies on the Russell 2000 Index. The Compensation Committee maintained our other performance metric of our three-year cumulative consolidated Billings as well as the overall structure of the prior year plan, including the weighting between performance-based equity awards (60%) which vest (if at all) based on achievement of pre-established three year cumulative performance metrics and time-based equity awards (40%).

2016 Executive Transition Multi-Year Retention Bonus

After the CEO leadership transition and a careful evaluation of the retentive value of our executives long-term incentive awards, the Compensation Committee awarded a multi-year cash retention bonus to three of our named executive officers.

In order to help address the immediate retention risk with respect to our executives and other key employees following a series of leadership changes at the Company, in connection with the cessation of Ms. Zecher s employment as our President and CEO on September 22, 2016 and the appointment of Mr. Crovitz, a member of the Board, to serve in such role on an interim basis, our Board (as recommended by the Compensation Committee) approved a special multi-year cash retention bonus of $500,000 for each of Mr. Abbott, Ms. Cullinane and Mr. Ramsayer as part of a broader retention program to provide stability during the transition period. The bonus is payable in two equal installments on each of September 22, 2017 and September 22, 2018, generally subject to continued employment on each such payment date.

Looking Forward to Fiscal 2017

2017 Executive Compensation Program Changes

The Company adopted a robust executive Clawback Policy for incentive compensation.

The annual cash incentive plan for annual short-term incentive plan for 2017 (the **2017 Bonus Plan**) performance-metric design was modified to separately focus on consolidated Adjusted Cash EBITDA and Plate Spend, while maintaining its existing focus on consolidated Billings.

No salary increases for our named executive officers were approved for 2017.

In order to help promote executive leadership and accountability for the long-term success of the Company, in February 2017 our Board (as recommended by the Compensation Committee) approved a Clawback Policy that allows us to recoup certain incentive compensation of certain of our current and former executives if erroneously awarded, earned or vested based on the achievement of financial results that were subsequently the subject of a restatement. While any such recoupment is not limited to individuals engaged in misconduct, any such misconduct may be taken into account by the Compensation Committee under its discretionary powers under the policy.

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In order to better align executive and other key employee annual incentive compensation with the Company s financial performance objectives, value creation and the long-term interests of our stockholders while ensuring appropriate financial metrics and targets against which the Company s performance would be measured, in February 2017 the Compensation Committee approved two notable changes to financial metrics under the 2017 Bonus Plan, generally maintaining the overall structure of the prior year plan. The first change was to split the consolidated Adjusted Cash EBITDA (post plate) metric that had been weighted 45% of the financial metric portion of our 2016 Bonus Plan into two components (i) consolidated Adjusted Cash EBITDA metric and (ii) consolidated Plate Spend metric, with 30% and 15% weightings respectively. The second change was to combine the 12.5% weighted Consumer Billings metric with our 32.5% weighted consolidated Billings metric under the prior year plan into one consolidated Billings metric with 45% weighting.

In light of the Company s performance in 2016 and the Company s overall limited budget for merit salary increases, in February 2017 the Compensation Committee determined not to provide any merit increases for executives and other key employees for 2017.

Summary of Sound Governance Features of Our Compensation Programs

Our compensation programs, practices and policies are reviewed by the Compensation Committee, and as applicable the Board, on an ongoing basis and are subject to change from time to time. Our executive compensation philosophy is focused on pay for performance and is designed to reflect appropriate governance practices aligned with the needs of our business. Listed below are some of the Company s key practices and policies, which were adopted to drive performance and to align the interests of our executives and other key employees with those of our stockholders.

What We Do

Use Mix of Fixed and Variable Compensation, with Emphasis on Variable Compensation: Our variable compensation includes our annual cash bonus and long-term equity incentives, the ultimate value of which reflects, as applicable, contribution to and performance of our short- and long-term operational and financial performance, individual performance as well as the performance of our stock price.

With respect to the five named executive officers serving at the commencement of fiscal year 2016[2], variable compensation comprised 83% of Ms. Zecher s target total direct compensation (**TDC**) for her role as our President and CEO and 72% on average of our other named executive officers target TDC, with fixed compensation in the form of base salary making up the remainder.

Use Mix of Short- and Long-term Incentive Compensation, with an Emphasis on Long-Term Incentive Compensation: Our long-term incentive compensation includes a mix of time- and performance-based restricted stock units (**RSUs**) and, from time to time, stock options that vest over multi-year periods.

With respect to the five named executive officers serving at the commencement of fiscal year 2016, long-term incentive compensation comprised 61% of Ms. Zecher s target variable compensation component of her TDC for her role as our President and CEO and 45% on average of our other named executive officers target variable compensation component of their TDC, with short-term incentive compensation comprising 39% for Ms. Zecher as our President and CEO and 55% on average for such other named executive officers.

Work with an Independent Executive Compensation Consultant: Our Compensation Committee works with F.W. Cook, an independent executive compensation consulting firm that reports directly to the Compensation Committee.

2 In order to more effectively reflect the value of the TDC opportunity for our named executive officers as considered by our Compensation Committee for 2016, we have not included information with respect to Messrs. Crovitz and Abbott due to Mr. Crovitz interim status as an executive with the Company and ineligibility to participate in the Company s 2016 Bonus Plan or 2016 LTIP and Mr. Abbott s ineligibility to participate in the Company s 2016 LTIP due to his March 14, 2016 start date.

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Mitigate Undue Risk: Our compensation plans and programs have provisions to help mitigate undue risk, including use of multiple metrics and performance periods, reasonable payout curves and payout caps.

Clawback Policy: Our Clawback Policy allows us to recoup excess incentive compensation of certain of our current and former executives if erroneously awarded, earned or vested based on or after the effective date of the policy (February 17, 2017) on the achievement of financial results that were subsequently the subject of a restatement. In addition, our incentive compensation awards under our 2012 Management Incentive Plan (**2012 MIP**) and 2015 Omnibus Incentive Plan (**2015 OIP**) are subject to clawback and/or forfeiture in the event that recoupment is required by Company policy and/or applicable law.

Maintain Stock Ownership Policy: Our Stock Ownership Policy for executive officers and other key employees and the Company s non-employee directors, effective as of March 2015, requires each covered person to hold a minimum ownership interest in the Company within a specified period of time equal to a multiple of annual base salary (or annual cash retainer, in the case of non-employee directors), of 5x (for the CEO), 4x (for the CFO) and 3x (for each other covered person).

Maintain Share Repurchase Program: Our share repurchase program offsets some of the dilutive impact of future equity awards and employee stock purchases under the Employee Stock Purchase Plan.

What We Don t Do

O *No Excise Tax Gross-Ups:* We do not provide gross-ups for any taxes imposed on an executive in connection with change in control payments pursuant to Section 4999 (golden parachute taxes) or with respect to nonqualified deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended (the **Code**).

O *No Pensions or Supplemental Executive Retirement Plans:* Our executive officers and other key employees are not provided with pension or supplemental executive retirement plans.

O *No Single Trigger Equity Acceleration:* We do not provide single-trigger equity vesting upon a change of control of the Company where the acquiring or successor company assumes or substitutes our outstanding equity awards, except with respect to one tranche of unvested certain stock options granted in 2013 under the 2012 MIP.

O *No Repricing or Cash Buyouts of Underwater Stock Options without Stockholder Approval:* Our 2015 OIP prohibits lowering the exercise price of any outstanding stock options or the buyout of underwater options without stockholder approval.

O *No Discounted Stock Options:* Our 2015 OIP requires the exercise price of our stock options to be no less than 100% of the fair market value of our common stock on the date of grant.