

**ASSET PURCHASE AGREEMENT
BY AND AMONG
WRC MEDIA INC.,
COMPASSLEARNING, INC.,
COMPASSLEARNING ACQUISITION CORPORATION
AND
MARLIN EQUITY II, L.P.
NOVEMBER 30, 2009**

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ASSET PURCHASE AGREEMENT

This **ASSET PURCHASE AGREEMENT** (this “Agreement”) is entered into as of November 30, 2009, by and among WRC Media Inc., a corporation formed under the laws of the State of Delaware (“Parent”), CompassLearning, Inc., a corporation formed under the laws of the State of Delaware (“Compass,” and together with Parent, “Sellers,” and each individually, a “Seller”), CompassLearning Acquisition Corporation, a corporation formed under the laws of the State of Delaware (“Buyer”), and Marlin Equity II, L.P., a limited partnership formed under the laws of the State of Delaware (“Guarantor”). Sellers, Buyer and Guarantor are referred to herein individually as a “Party” and collectively as the “Parties.” Capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in Section 1.

WHEREAS, Sellers engage in the business of publishing digital supplemental education materials, and producing comprehensive digital educational assessment, curriculum, reporting and management tools for pre-K through grade 12 students under the brand name “CompassLearning” (the “Business”);

WHEREAS, Sellers and certain of their Affiliates filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) on August 24, 2009 (the “Commencement Date”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”), which cases are jointly administered under the lead case of The Reader’s Digest Association, Inc., *et. al.*, Case No. 09-23529 (RDD) (the “Chapter 11 Cases”);

WHEREAS, Sellers wish to sell to Buyer, and Buyer wishes to purchase from Sellers, the Business as a going concern as of the Closing on the terms and subject to the conditions set forth herein, and, in furtherance of the foregoing, (i) Sellers wish to sell to Buyer, and Buyer wishes to purchase from Sellers, the Acquired Assets as of the Closing, and (ii) Buyer wishes to assume from Sellers the Assumed Liabilities as of the Closing, in the case of clause (i) and (ii) above, on the terms and subject to the conditions set forth herein; and

WHEREAS, Buyer is an indirect wholly owned Subsidiary of Guarantor, and Guarantor wishes to irrevocably and unconditionally guarantee to Sellers the due and punctual payment and performance of all obligations of Buyer under this Agreement on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, the Parties agree as follows:

1. Definitions.

“Accountants” has the meaning set forth in Section 2(g)(ii).

“Accounting Practices and Procedures” means the accounting methods, policies, practices, procedures, and classifications historically used by the Business.

“Acquired Assets” means all of Sellers’ right, title and interest in and to all of Sellers’ properties, assets and rights of every nature, kind and description, tangible and intangible (including goodwill), whether real, personal or mixed, whether accrued, contingent or otherwise, existing as of the Closing Date, in each case that are used primarily in the Business. Notwithstanding the generality of the foregoing sentence, each of the following shall be Acquired Assets for purposes of this Agreement: (a) all Inventory; (b) all Furnishings and Equipment; (c) all Records used primarily in the Business, including all Records relating to Property Taxes (and, for avoidance of doubt, excluding any income or similar Taxes) imposed on the Acquired Assets or primarily with respect to the Business; provided that Sellers shall have the right to make copies of any such Records; (d) all Intellectual Property used in the Business other than the Excluded Intellectual Property (collectively, “Acquired Intellectual Property”); (e) all Leases (and the related Leased Real Property) and other Contracts used primarily in the Business, in each case, listed on Annex A (as may be revised, amended and supplemented from time to time by Buyer pursuant to Section 9(o) prior to the Closing) and that will be assigned to Buyer pursuant to section 365 of the Bankruptcy Code in connection with the transactions contemplated in this Agreement (all Contracts contemplated by this clause (e), collectively, the “Assumed Contracts”); (f) all Current Assets including all accounts receivable related to the Business; (g) all marketable securities, prepaid expenses, advance payments, refunds, surety accounts, deposits and other similar prepaid items, checks in transit and undeposited checks related to the Business; (h) all bank accounts and lock-boxes primarily relating to the Business to the extent such accounts and lock-boxes are transferable; (i) all claims of Sellers against third parties primarily relating to the Acquired Assets, whether choate or inchoate, known or unknown, contingent or noncontingent, including all such claims listed on Schedule 1.1 of the Disclosure Schedule; and (j) all Permits relating to any asset set forth in this definition, in each case, that are transferable in accordance with their terms, but excluding all Permits related exclusively to any Excluded Asset (all Permits contemplated by this clause (j), collectively, the “Assumed Permits”); provided, however, that, notwithstanding anything contained herein to the contrary, the Acquired Assets shall not include any Excluded Asset.

“Acquired Intellectual Property” has the meaning set forth in the definition of Acquired Assets.

“Affiliate” when used with reference to another Person means any Person, directly or indirectly, through one or more intermediaries, Controlling, Controlled by, or under common Control with, such other Person.

“Agreement” has the meaning set forth in the preamble.

“Allocation” has the meaning set forth in Section 2(i).

“Asset Sale Guidelines” means the Guidelines for the Conduct of Asset Sales, as adopted by the Bankruptcy Court pursuant to General Order M-331.

“Assignment and Assumption Agreement” has the meaning set forth in Section 2(f)(i)(B).

“Assisting Party” has the meaning set forth in Section 6(b).

“Assumed Contracts” has the meaning set forth in the definition of Acquired Assets.

“Assumed Liabilities” means, with respect to the Business, only the following Liabilities: (a) Liabilities relating exclusively to Buyer’s ownership or operation of the Business or Acquired Assets that arise exclusively from events, facts or circumstances that occur after the Closing, but excluding any Liabilities arising from Sellers’ ownership or operation of the Business or the Acquired Assets prior to the Closing or relating to any Products or services that were sold or provided prior to the Closing; (b) all Current Liabilities; (c) all Liabilities to the extent exclusively incurred after the Closing under the Assumed Contracts and the Assumed Permits; (d) all Liabilities exclusively relating to or arising out of the use and occupation of the Leased Real Property and the Lease, but only to the extent such Liabilities arise from Buyer’s ownership or operation of the Business after the Closing Date; (e) all Liabilities of the Business for Taxes to the extent such Liabilities arise from Buyer’s ownership or operation of the Business after the Closing Date; (f) all Liabilities of the Business for Transfer Taxes; (g) all Liabilities of the Business for payroll, vacation and sick leave, accrued in respect of the Covered Employees, in each case, incurred in the Ordinary Course of Business and only to the extent reflected on the Final Balance Sheet (the Liabilities described in this clause (g), the “Accrued Employee Obligations”); (h) all Liabilities relating to or arising out of any claim or threatened claim against either Seller relating exclusively to the Business or the Acquired Assets, including any such claim or threatened claims that the conduct of the Business infringes or misappropriates any Intellectual Property of any Person or that relates to the Intellectual Property included in the Acquired Assets (including any challenge to the validity, enforceability, ownership or use of any such Intellectual Property), but only to the extent such Liabilities arise from any action or omission of the Business under the ownership or operation of the Business by the Buyer or its Affiliates after the Closing Date; (i) Property Taxes to the extent specifically allocated to Buyer pursuant to Section 6(i); (j) all Liabilities associated with suppliers and customers of the Business, but only to the extent such Liabilities arise from Buyer’s ownership or operation of the Business after the Closing Date; (k) all Liabilities relating to long term deferred revenue of the Business as of the Closing Date; and (l) all Liabilities of the Business relating to amounts required to be paid by Buyer hereunder; provided, however, that, notwithstanding the above, the Assumed Liabilities shall not include any Excluded Liabilities.

“Assumed Permits” has the meaning set forth in the definition of Acquired Assets.

“Bankruptcy Code” has the meaning set forth in the recitals.

“Bankruptcy Court” has the meaning set forth in the recitals.

“Bankruptcy Rules” means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, 28 U.S.C. § 2075, as applicable to the Chapter 11 Cases, and the general, local and chambers rules of the Bankruptcy Court.

“Bidding Incentives” means, collectively, the Break Up Fee and the Reimbursable Expenses.

“Bidding Procedures” means the bidding procedures approved by the Bankruptcy Court pursuant to the Bidding Procedures Order.

“Bidding Procedures Order” means an order or orders of the Bankruptcy Court, in form and substance reasonably acceptable to Buyer and Sellers and substantially in the form attached hereto as Exhibit A, approving, among other things, the Bidding Procedures and the Bidding Incentives.

“Bill of Sale” has the meaning set forth in Section 2(f)(i)(A).

“Break Up Fee” has the meaning set forth in Section 8(c)(v).

“Business” has the meaning set forth in the recitals.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banks located in New York, New York shall be authorized or required by law to close.

“Buyer” has the meaning set forth in the preamble.

“Buyer Plan” means each “employee benefit plan” (within the meaning of Section 3(3) of ERISA) of Buyer or an Affiliate of Buyer in which any Transferred Employee becomes eligible to participate.

“Cash” means cash, cash equivalents and marketable securities.

“Cause” means (i) the willful commission by the Executive of any act that the Executive knows or should know will cause (A) material harm to the Business, or (B) Compass to violate any Law in any material respect, (ii) gross negligence or willful misconduct by the Executive in the management of the Business or the Acquired Assets, (iii) the Executive's failure to comply with the reasonable and lawful directives of the board of directors of either Seller or RDA after written notice of such failure to the Executive and reasonable opportunity to comply, or (iv) a material breach of the Executive's fiduciary duty to the Business or either Seller that would reasonably be expected to result in a material harm to the Business.

“Chapter 11 Cases” has the meaning set forth in the recitals.

“Closing” has the meaning set forth in Section 2(e).

“Closing Adjustment” means the amount by which the Net Working Capital on the Closing Balance Sheet is less than the Target Net Working Capital. If the Net Working Capital on the Closing Balance Sheet exceeds the Target Net Working Capital, the Closing Adjustment shall equal zero.

“Closing Balance Sheet” means the balance sheet delivered pursuant to Section 2(g)(i).

“Closing Date” has the meaning set forth in Section 2(e).

“COBRA” means Part 6 of Subtitle B of Title I of ERISA, Section 4980B of the IRC, and any similar state law.

“Commencement Date” has the meaning set forth in the recitals.

“COBRA Liability” means all Liabilities arising on or prior to the Closing Date under COBRA with respect to any current or former employee of either Seller (including without limitation, the Covered Employees) and/or any beneficiaries or dependents thereof.

“Compass” has the meaning set forth in the preamble.

“Competing Transaction” means any (i) acquisition, purchase or option to purchase the Business or the Acquired Assets, or (ii) any merger, consolidation, recapitalization or other business combination of any kind affecting the Acquired Assets or the Business such that the Acquired Assets or the Business are no longer owned and controlled by The Reader’s Digest Association, Inc. (“RDA”) or a wholly-owned Subsidiary thereof.

“Confidentiality Agreement” means the letter agreement, dated as of September 29, 2009, by and between RDA and Marlin Management Company, LLC regarding the terms and conditions on which RDA would make available certain information.

“Contract” means any written or oral agreement, contract, lease, sublease, indenture, mortgage, instrument, guaranty, loan or credit agreement, note, bond, customer order, purchase order, franchise, dealer and distributorship agreement, supply agreement, software license agreement, software maintenance agreement, development agreement, joint venture agreement, promotion agreement, customer contract or purchase order, partnership agreement or other arrangement, understanding, permission or commitment.

“Control” means, when used with reference to any Person, the power to direct the management or policies of such Person, directly or indirectly, by or through stock or other equity ownership, agency or otherwise, or pursuant to, or in connection with, any Contract; and the terms **“Controlling”** and **“Controlled”** shall have meanings correlative to the foregoing.

“Covered Employee” means any officer or employee of either Seller or any of their respective Affiliates whose duties relate, or in connection with the transactions contemplated in this Agreement are expected to relate, primarily or exclusively to the operation of the Business.

“Cure Amounts” has the meaning set forth in **Section Error! Reference source not found.**

“Current Assets” means the aggregate of current assets of Sellers that are related to the Business, as determined in accordance with the Accounting Practices and Procedures.

“Current Liabilities” means the post-Commencement Date current liabilities of the Sellers that are exclusively related to the Business and listed on **Schedule 1.2 of the Disclosure Schedule.**

“Decree” means any judgment, decree, ruling, injunction, assessment, attachment, undertaking, award, charge, writ, executive order, administrative order or any other order of any Governmental Entity.

“Deposit” has the meaning set forth in **Section 2(d)(ii).**

“DIP Agent” means JPMorgan Chase Bank, N.A. in its capacity as lead arranger, administrative agent and collateral agent pursuant to the DIP Credit Agreement.

“DIP Credit Agreement” means that certain \$150 million Super-Priority Priming Debtor in Possession Credit Agreement, dated as of August 26, 2009, among The Reader’s Digest Association, Inc., as borrower, and RDA Holding Co. and each direct and indirect, existing and future domestic subsidiary of The Reader’s Digest Association, Inc. as guarantors, the DIP Agent and the DIP Lenders, as may be amended, modified, ratified, extended, renewed, restated or replaced from time to time in accordance with its terms.

“DIP Lenders” means the DIP Agent and the banks, financial institutions and other lender parties to the DIP Credit Agreement from time to time.

“Drop Dead Date” means March 1, 2010, or such later date as Buyer and Parent may mutually agree in writing.

“Employee Benefit Plan” means each “employee benefit plan” as defined in Section 3(3) of ERISA and each other plan, policy, program, agreement, understanding and arrangement (whether written or oral) providing compensation or other benefits to any current or former director, officer, employee or consultant (or to any dependent or beneficiary thereof) of any Seller or their Affiliates which is now or has been maintained, sponsored or contributed to by Sellers or their Affiliates or under the terms of which Sellers or their Affiliates have or are reasonably likely to have any obligation or liability, whether actual or contingent, including, without limitation, all employment, consulting, severance, termination, incentive, bonus, deferred compensation, retirement, pension, savings, profit sharing, retention, change in control, vacation, holiday, cafeteria, medical, disability, life, accident, fringe benefit, health, welfare, stock-based and other compensation and benefit plans, policies, programs, agreements, understandings or arrangements.

“Environmental Law” means any federal, state or local Law that relates to, or otherwise imposes liability or standards of conduct concerning, pollution, protection of the environment, or protection of human or occupational health from environmental hazards, including those concerning discharges, releases or threatened releases of, petroleum or Hazardous Substances.

“ERISA” means the United States Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means any entity (whether or not incorporated) that is required to be treated as a single employer with either Seller under Section 414(b), (c), (m) or (o) of the Code.

“Escrow Agent” has the meaning set forth in Section 2(d)(ii).

“Escrow Agreement” has the meaning set forth in Section 2(d)(ii).

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended.

“Executive Termination” means (i) the termination for Cause of any or all of the Executives by either Seller or any of their Affiliates or (ii) the resignation by any or all of the Executives whether for any reason or no reason.

“Executives” means the individuals listed on Schedule 1.1(a) of the Disclosure Schedule.

“Excluded Assets” means any and all assets of Sellers that are not Acquired Assets. Without limiting the generality of the foregoing sentence, each of the following shall be Excluded Assets for purposes of this Agreement: (a) any amounts due and owing to Sellers or any of their Affiliates pursuant to the Transition Services Agreement; (b) all of Sellers’ or any of their respective Affiliates’ certificate of incorporation and other organizational documents, qualifications to conduct business as a foreign entity, arrangements with registered agents relating to foreign qualifications, taxpayer and other identification numbers, seals, minute books, stock transfer books, stock certificates and other documents relating to the organization, maintenance and existence of either Seller or any of its Affiliates as a corporation, limited liability company or other entity; (c) all Records related to Taxes paid or payable by either Seller or any of its Affiliates (other than Records specifically included in item (c) of the definition of Acquired Assets); (d) all Records related to any Subsidiary of either Seller other than Compass; provided that Buyer shall have the right to make copies of any such Records to the extent such Records are primarily or exclusively related to the Business; (e) all assets with respect to any income Taxes of either Seller or any of its Affiliates including but not limited to any rights to income Tax refunds, overpayments or income Tax credits; (f) all equity securities of either Seller or any of its Subsidiaries that are not Current Assets; (g) all Cash (including, for the avoidance of doubt, the Purchase Price); (h) all rights under Contracts that are not an Assumed Contract; (i) all insurance policies and binders and all claims, refunds and credits from insurance policies or binders due or to become due with respect to such policies or binders to the extent such claims, refunds or credits relate to an incident or occurrence relating to the Acquired Assets or the Business prior to Closing; (j) all of Sellers’ or any of their respective Affiliates’ (other than Compass’) current assets not related to the Business; except to the extent primarily relating to any Acquired Assets, all rights (including rights of set-off and rights of recoupment (including any such item relating to the payment of Taxes)), refunds, claims, counterclaims, demands, causes of action and rights to collect damages of either Seller or any of its Affiliates against third parties, including all avoidance claims or causes of action arising under the Bankruptcy Code or applicable state law, including all rights and avoidance claims of Sellers arising under Chapter 5 of the Bankruptcy Code; (k) any Records and agreement related to the Chapter 11 Cases other than Records and agreements contained in subsection (c) of the definition of Acquired Assets; (l) any (i) confidential personnel and medical records pertaining to any Covered Employee and (ii) other Records that Sellers are required by law to retain; provided that Buyer shall have the right to make copies of any portions of such retained Records to the extent that such portions relate either to Compass or to the Business or any Acquired Asset and are necessary or desirable for the Buyer to comply with applicable law or to conduct the Business or using, selling, transferring or otherwise utilizing the Acquired Assets; (m) Excluded Intellectual Property; and (n) all assets maintained pursuant to, or in connection with, any Employee Benefit Plan.

“Excluded Intellectual Property” means the Intellectual Property listed on Schedule 1.3 of the Disclosure Schedule.

“Excluded Liabilities” means any and all Liabilities of Sellers that are not specifically, exclusively and entirely Assumed Liabilities. In furtherance, and not in limitation of the foregoing, the Excluded Liabilities include the following Liabilities of Sellers: (a) indebtedness for borrowed money (which, for the avoidance of doubt, includes all net finance leases, capital leases and obligations of Sellers under the DIP Credit Agreement); (b) all Liabilities, other than Accrued Employee Obligations, at any time relating to or arising under or in connection with any Employee Benefit Plan or any other severance, retention, employment, change-of-control, pension, incentive, retirement, equity or other compensation or benefit plan, program, policy or agreement of or with either Seller or their respective Affiliates or any ERISA Affiliate, including, without limitation, any such Liabilities relating or arising due to any Executive Termination, any COBRA Liability or Liabilities arising under the Reader’s Digest Association, Inc. Severance Plan; (c) all Liabilities relating to wages, remuneration, compensation, benefits, severance, vacation or other paid-time-off that are not Accrued Employee Obligations including without limitation any Liabilities relating to or arising due to any Executive Termination; (d) all Liabilities arising out of the Excluded Assets, including Contracts that are not Assumed Contracts; (e) all Liabilities of Parent arising out of the Transition Services Agreement; (f) except for Property Taxes specifically allocated to Buyer pursuant to Section 6(i), any Liability of Sellers, or otherwise imposed on the Acquired Assets or with respect to the Business for any Pre-Closing Tax Period, in respect of any Tax, including any Liability of Sellers for the Taxes of any other Person under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise; (g) Liabilities existing prior to the filing of the Chapter 11 Cases that are subject to compromise under the Bankruptcy Code; (h) all Cure Amounts; (i) all Liabilities relating to amounts required to be paid by Sellers hereunder or the Related Agreements; (j) all Liabilities associated with brokers, finders or other consultants or advisors to Sellers entitled to a fee or reimbursement of expenses with respect to this transaction; (k) all Liabilities arising under or relating to any theory of successor liability, alter ego liability or any similar legal or equitable theory; (l) any Liability arising out of or relating to the Products but only to the extent such Products were manufactured or sold prior to the Closing Date; (m) any Liability under any Assumed Contract that arises after the Closing Date but arises out of or relates to any breach that occurred prior to the Closing Date; (n) any Liability relating to any Litigation arising out of or related to any occurrence or event that happened prior to the Closing, including, without limitation, the matters set forth on Schedule 3(g) to the Disclosure Schedule; (o) any Liability for breach of an Environmental Law arising out of or relating to the operation of Sellers’ business or Sellers’ leasing, owning or operation of the Leased Real Property but only to the extent that such Liability arose prior to the Closing Date; (p) any Liability arising out of or resulting from Sellers’ compliance or non-compliance with any Decree; (q) any Liability of Sellers’ to any shareholder of Seller; (r) any Liability to indemnify, reimburse or advance amounts to any officer, director, employee or agent of Sellers; (s) all Liabilities arising from any claim relating exclusively to Sellers’ conduct of the Business or ownership of the Acquired Assets prior to the Closing Date, including without limitation (i) claims for infringing, misappropriating, diluting or otherwise violating the Intellectual Property of any Person and (ii) claims for violating the privacy rights or breaching any privacy policies, end user license agreements, or terms of service posted prior to the Closing Date; and (t) all other Liabilities, accrued expenses, accounts payable of Sellers arising from or associated with the Business, the Acquired Assets or the Permits arising from events, facts or

circumstances occurring before the Closing, except to the extent expressly identified as an Assumed Liability.

“Final Adjustment” means the amount of the difference between the Net Working Capital on the Final Balance Sheet and the Net Working Capital on the Closing Balance Sheet, which difference may be positive or negative.

“Final Allocation” has the meaning set forth in Section 2(i).

“Final Order” means any order of a Governmental Entity or other court of competent jurisdiction after all opportunities for rehearing, reargument, petition for certiorari and appeal are exhausted or expired and any requests for rehearing have been denied, and that has not been revised, stayed, enjoined, set aside, annulled, reversed, remanded, modified or superseded, with respect to which any required waiting period has expired, and to which all conditions to effectiveness prescribed therein or otherwise by law or order have been satisfied.

“Financial Statements” has the meaning set forth in Section 3(d).

“Furnishings and Equipment” means all tangible personal property (other than Inventory and Intellectual Property), including machinery, equipment, computers, furniture, automobiles, trucks, railcars, tractors and trailers, in each case that is primarily used in the Business.

“GAAP” means United States generally accepted accounting principles as in effect from time to time, consistently applied.

“Governmental Entity” means any United States federal, state or local or non-United States governmental or regulatory authority, agency, commission, court, body or other governmental entity, including the Bankruptcy Court.

“Guaranteed Obligations” has the meaning set forth in Section 9(u)(i).

“Guarantor” has the meaning set forth in the preamble.

“Initial Purchase Price” means an amount equal to Twenty Million and Two Hundred and Fifty Thousand Dollars (\$20,250,000).

“Intellectual Property” means all domestic and foreign intellectual property and proprietary rights including, but not limited to: (i) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents, patent applications, and patent disclosures, together with all provisionals, reissuances, continuations, continuations-in-part, divisions, revisions, extensions and reexaminations thereof; (ii) all trademarks, service marks, trade dress, logos, slogans, brand names, trade names, internet domain names and corporate names (whether or not registered), together with all translations, adaptations, derivations and combinations thereof, and including all goodwill of the business connected with the use thereof and symbolized thereby, and all applications, registrations, and renewals in connection therewith; (iii) all copyrights and rights under copyright, and all applications, registrations and renewals in connection therewith; (iv) all mask works and industrial designs and all applications, registrations and renewals in connection therewith; (v) all

trade secrets and confidential information (including ideas, research and development information, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, research records, records of inventions, test information, financial, marketing and business data, customer and supplier lists and information, pricing and cost information, business and marketing plans and proposals) in each case to the extent protectible by applicable Law; (vi) all software, and all electronic data, databases and data collections; and (vii) any past, present or future claims or causes of actions arising out of or related to any infringement, dilution, misappropriation or other violation of any of the foregoing.

“Intellectual Property Assignments” has the meaning set forth in Section 2(f)(i)(C).

“Intercompany” means, with respect to accounts receivable and accounts payable of Sellers, any accounts receivable or accounts payable, as applicable, reflecting the result of transactions between either Seller and any of their respective Affiliates.

“Interim Financial Statements” has the meaning set forth in Section 3(d).

“Inventory” means inventories of raw materials and supplies, manufactured, spare and purchased parts, stores, goods in process and finished goods, in each case that are primarily used in the Business; provided that “Inventory” shall not include Intellectual Property that is not embodied or expressed in a physical or other tangible medium or form.

“IRC” means the United States Internal Revenue Code of 1986, as amended.

“Knowledge” of a Person (and other words of similar import) means the actual knowledge of (a) with respect to Sellers, Eric Loeffel, Ann Henson, Rick Perez, Frank Ginac, Julie Liming, Allison Taylor and Chip Pate and (b) with respect to Buyer, Nick Kaiser and Jonah Sulak.

“Law” means all laws, statutes, rules, regulations, ordinances and other pronouncements having the effect of law of any Governmental Entity.

“Lease” means that certain Lease Agreement dated March 13, 2006 by and between CF IV Industrial, L.P. and Compass, including all amendments, extensions, renewals, guaranties and other agreements with respect thereto.

“Leased Real Property” means all of Sellers’ right, title and interest in and to the real property located at 203 Colorado Street, Austin, Texas 78701 pursuant to the Lease.

“Liability” means any debt, liability or obligation of whatever kind or nature (whether direct or indirect, known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated and whether due or to become due), including any liability for Taxes and any claim (as such term is defined in Section 101 of the Bankruptcy Code).

“Lien” means any mortgage, pledge, lien, encumbrance, charge, security interest, option, right of first refusal, easement, mortgage, security agreement or other encumbrance or restriction

on the use or transfer of any property. For the avoidance of doubt, “Lien” shall not be deemed to include any license of Intellectual Property.

“Litigation” means any action, cause of action, suit, claim, investigation, audit, demand, hearing or proceeding, whether civil, criminal, administrative or arbitral, whether at law or in equity and whether before any Governmental Entity.

“Local Bankruptcy Rules” means the Local Bankruptcy Rules for the Southern District of New York applicable to all cases in such district governed by the Bankruptcy Code.

“Material Adverse Effect” means, when used with respect to the Business, any effect or change that (a) is or would reasonably be expected to be materially adverse to the business, assets, financial condition, operating results or operations of the Person and its Subsidiaries (taken as a whole) or the Business, as appropriate or (b) would materially adversely affect the ability of such Person to consummate the transactions contemplated by this Agreement or the other Related Agreements on a timely basis; provided, however, that no effects or changes arising or related to any of the following shall be deemed to constitute, and none of the following shall be taken into account in determining whether there has been, a Material Adverse Effect: (i) general business or economic conditions either in the United States of America or otherwise so long as the Business is not disproportionately affected relative to other similarly situated businesses in the industry or market in which the Business operates; (ii) national or international political or social conditions, including the engagement by the United States of America in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon the United States of America or any of its territories, possessions or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States of America, so long as the Business is not disproportionately affected relative to other similarly situated businesses in the industry or market in which the Business operates; (iii) financial, banking or securities markets (including any disruption thereof or any decline in the price of securities generally or any market or index); (iv) changes in Law or in GAAP, so long as the Business is not disproportionately affected relative to other similarly situated businesses in the industry or market in which the Business operates; (v) the taking of any action contemplated by this Agreement or any other Related Agreement; (vi) the announcement or pendency of this Agreement or the transactions contemplated hereby; (vii) exigencies arising as a result of or in connection with Sellers’ financial condition or status as a filer under Chapter 11 of the Bankruptcy Code; or (viii) any Executive Termination.

“Material Contracts” has the meaning set forth in Section 3(h)(i).

“Necessary Consent” has the meaning set forth in Section 2(k).

“Net Working Capital” means the result of (a) all Current Assets minus (b) all Assumed Liabilities (other than Liabilities for accrued vacation and sick leave for Covered Employees as of the Closing Date), in each case determined in accordance with GAAP applied on a basis consistent with the Sellers’ Accounting Practices and Procedures and as reflected on the Closing Balance Sheet or the Final Balance Sheet, as the case may be. For the avoidance of doubt, to the extent that the Sellers’ Accounting Practices and Procedures are not in accordance with GAAP,

GAAP shall apply. For illustrative purposes only, a sample calculation of Net Working Capital as of the close of business on September 30, 2009 is set forth on Annex B attached hereto.

“Ordinary Course of Business” means the ordinary course of business consistent with past custom and practice, subject, in the case of Sellers or the Business, to changes in the business or operations of either Seller resulting from business exigencies arising as a result of, or in connection with, Sellers’ financial condition or status as a filer under Chapter 11 of the Bankruptcy Code.

“Parent” has the meaning set forth in the preamble.

“Party” or “Parties” has the meaning set forth in the preamble.

“Permit” means any franchise, approval, permit, license, order, registration, certificate, variance or similar right obtained from any Governmental Entity (other than with respect to Intellectual Property).

“Permitted Liens” means: (i) Liens relating to Taxes which are not due and payable as of the Closing Date or the amount or validity of which is being contested in good faith by appropriate proceedings, provided an appropriate reserve for such Taxes is established in accordance with GAAP; (ii) mechanics’, carriers’, workers’, repairers’, materialmen’s and similar Liens arising or incurred in the Ordinary Course of Business, for amounts which are not due and payable as of the Closing Date or the amount or validity of which is being contested in good faith by appropriate proceedings; (iii) any Liens disclosed on Schedule 1.4 of the Disclosure Schedule; and (iv) any other Liens which will be discharged on or before the Closing Date in connection with the Sale Order or any other actions of the Bankruptcy Court.

“Person” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or any other entity, including any Governmental Entity or any group of any of the foregoing.

“Post-Closing Tax Period” means any Tax period beginning after the Closing Date and that portion of a Straddle Period beginning after the Closing Date.

“Pre-Closing Tax Period” means any Tax period ending on or before the Closing Date and that portion of any Straddle Period ending on the Closing Date.

“Products” means any and all products developed, manufactured, marketed or sold in connection with the Business.

“Property Taxes” means all real property Taxes, personal property Taxes and similar ad valorem Taxes.

“Purchase Price” has the meaning set forth in Section 2(d)(i).

“RDA” has the meaning set forth in the definition of “Confidentiality Agreement.”

“Records” means the books, records, ledgers, files, invoices, documents, work papers, correspondence, lists (including customer lists and supplier lists), plans, drawings, designs, specifications, creative materials, advertising and promotional materials, marketing plans, studies, reports, data, training materials, printed manuals, programmers’ notes and other printed materials.

“Reimbursable Expenses” means the reasonable, documented out-of-pocket fees and expenses incurred by Buyer and its Affiliates prior to termination of this Agreement in connection with this Agreement, the Related Agreements, the Bidding Procedures, the Sale Order and the transactions contemplated hereby and thereby, including the reasonable fees and expenses of legal counsel, financial advisors, consultants and any other advisors that Buyer engages in its reasonable discretion; provided that the Reimbursable Expenses shall not exceed Three Hundred Thousand Dollars (\$300,000) in the aggregate.

“Related Agreements” means this Agreement, the Bill of Sale, the Assignment and Assumption Agreement, the Transition Services Agreement, and all other Contracts, schedules, certificates or other documents being delivered pursuant to or in connection with this Agreement.

“Representative” of a Person means the Person’s Controlled Affiliates and the officers, directors, managers, employees, advisors (including its financial advisors), representatives (including its legal counsel and its accountants) and agents of the Person and/or its Controlled Affiliates.

“Sale Motion” means the motion of Sellers, in form and substance reasonably acceptable to Buyer and Sellers, seeking entry of the Bidding Procedures Order and Sale Order.

“Sale Order” means an order or orders of the Bankruptcy Court, in form and substance reasonably acceptable to Buyer and Sellers and substantially in the form attached hereto as Exhibit B, which approves, without limitation, this Agreement and all of the terms and conditions hereof and authorizing Sellers to consummate the transactions contemplated hereby pursuant to sections 363, 365 and 1146(c) of the Bankruptcy Code. Without limiting the generality of the foregoing, such order shall find and provide, among other things, that: (a) the Acquired Assets sold to Buyer pursuant to this Agreement shall be transferred to Buyer free and clear of all Liens (other than Liens created by Buyer and the Permitted Liens) and Liabilities (except Assumed Liabilities), such Liens and Liabilities (except Assumed Liabilities) to attach to the Purchase Price; (b) Buyer has acted in “good faith” within the meaning of section 363(m) of the Bankruptcy Code; (c) this Agreement was negotiated, proposed and entered into by the parties without collusion, in good faith and from arm’s length bargaining positions; (d) the Bankruptcy Court shall retain jurisdiction to resolve any controversy or claim arising out of or relating to this Agreement or the breach hereof as provided herein; (e) this Agreement and the transactions contemplated hereby may be specifically enforced against and binding upon, and not subject to rejection or avoidance by, Sellers or any chapter 7 or chapter 11 trustee of Sellers; (f) not selling the Acquired Assets free and clear of liens and claims would impact adversely on Sellers’ efforts to reorganize; and (g) a sale of the Acquired Assets other than one free and clear of liens and claims would be of substantially less benefit to the estates of Sellers.

“Seller” or **“Sellers”** has the meaning set forth in the preamble.

“Sellers’ Accounts” has the meaning set forth in Section 2(f)(ii)(G).

“Straddle Period” means any Tax period beginning before or on and ending after the Closing Date.

“Subsidiary” means, with respect to any Person, any corporation, limited liability company, partnership, association or other business entity of which (a) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (b) if a limited liability company, partnership, association or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or Controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof and for this purpose, a Person or Persons owns a majority ownership interest in such a business entity (other than a corporation) if such Person or Persons shall be allocated a majority of such business entity’s gains or losses or shall be or Control any managing director or general partner of such business entity (other than a corporation). The term “Subsidiary” shall include all Subsidiaries of such Subsidiary.

“Target Net Working Capital” means an amount equal to (\$10,025,000).

“Tax” or “Taxes” means any United States federal, state or local or non-United States income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Section 59A of the IRC), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, asset, transfer, registration, value added, alternative or add-on minimum, estimated or other tax of any kind whatsoever, or other governmental taxes imposed by and payable to the United States, or any state, county, local or foreign government or subdivision or agency thereof, whether computed on a separate or consolidated, unitary or combined basis or in any other manner, including any interest, penalty or addition thereto, whether disputed or not.

“Tax Return” means any return, declaration, report, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Transfer Tax” has the meaning set forth in Section 6(h).

“Transferred Employee” has the meaning set forth in Section 6(f)(i).

“Transition Services Agreement” has the meaning set forth in Section 2(f)(i)(D).

“WARN Act” has the meaning set forth in Section 3(m).

“Year End Financial Statements” has the meaning set forth in Section 3(d).

2. Purchase and Sale.

(a) Purchase and Sale of Acquired Assets; Retention of Excluded Assets. On the terms and subject to the conditions of this Agreement, to acquire the Business on a going concern basis, at the Closing, Buyer agrees to purchase, acquire and accept from Sellers, and Sellers agree to sell, transfer, assign, convey and deliver to Buyer, all of the Acquired Assets free and clear of any and all Liens (other than Liens created by Buyer and the Permitted Liens) as of the Closing for the consideration specified in Section 2(d)(i). Nothing contained herein shall be deemed to sell, transfer, assign or convey the Excluded Assets to Buyer, and Sellers shall retain all right, title and interest to, in, and under the Excluded Assets.

(b) Assumption of Assumed Liabilities; Retention of Excluded Liabilities. On the terms, and subject to the conditions, of this Agreement, to acquire the Business on a going concern basis, at the Closing, Buyer agrees to assume and become responsible for the Assumed Liabilities and to timely pay, honor and discharge, or cause to be timely paid, honored and discharged, all of the Assumed Liabilities in accordance with the terms thereof. Notwithstanding anything in this Agreement to the contrary, Buyer will not assume, and shall be deemed not to have assumed, any of the Excluded Liabilities.

(c) Treatment of Intercompany Accounts Receivable and Accounts Payable. All Intercompany accounts receivable, Intercompany accounts payable and other obligations due and owing between either Seller and any of its Affiliates shall (i) be disregarded for purposes of the transactions contemplated in this Agreement and in calculating Net Working Capital, (ii) not be treated as Acquired Assets or Assumed Liabilities; and (iii) shall be treated as Excluded Assets or Excluded Liabilities, as applicable.

(d) Consideration.

(i) The aggregate consideration for the sale and transfer of the Acquired Assets shall be (i) the Initial Purchase Price (as adjusted by the payments contemplated by Section 2(h), if any, the “Purchase Price”), which price is payable and deliverable free and clear of, and without reduction for, any Tax due in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated in this Agreement (other than as contemplated in Section 2(j)) to Sellers at the Closing in accordance with Section 2(f)(ii)(H); and (ii) the assumption by Buyer of the Assumed Liabilities.

(ii) Buyer shall have deposited with J.P. Morgan Chase Bank, National Association, in its capacity as escrow agent (the “Escrow Agent”), pursuant to the terms of an escrow agreement, dated as of the date hereof, in the form of Exhibit C attached hereto (the “Escrow Agreement”), on the Business Day immediately following the date on which Parent files the Bidding Procedure Order with the Bankruptcy Court, an amount in cash equal to One Million Five Hundred Thousand Dollars (\$1,500,000) (the “Deposit”) by wire transfer of immediately available funds, which Deposit (together with all accrued investment income or interest thereon) shall be held by the Escrow Agent in trust and distributed to either Buyer or Sellers as follows:

(A) if the Closing shall occur, then the Deposit, together with all accrued investment income or interest thereon, shall be applied towards the Initial Purchase Price payable by Buyer to Sellers under Section 2(f)(ii)(G);

(B) if Sellers terminate this Agreement pursuant to Section 8(a)(v), or Section 8(a)(xi) (but in such termination only if the Closing has not occurred on or before the Drop Dead Date solely because of Buyer's failure to fulfill any of its obligations under this Agreement), then the Deposit, together with all accrued investment income or interest thereon, shall be delivered to the Sellers as liquidated damages (and not as a penalty) as Sellers' sole and exclusive remedy as a result of such termination;

(C) if this Agreement is terminated (1) by Buyer pursuant to Sections 8(a)(ii), 8(a)(iv), 8(a)(vi), 8(a)(vii), 8(a)(viii), 8(a)(ix), 8(a)(x) or 8(a)(xi) (unless the Closing has not occurred on or before the Drop Dead Date solely because of Buyer's failure to fulfill any of its obligations under this Agreement) or (2) by either Party or both Parties pursuant to Section 8(a)(i), then the Deposit, together with all accrued investment income or interest thereon, shall be delivered to Buyer.

(e) Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at offices of Kirkland & Ellis LLP, located at 601 Lexington Avenue, New York, New York 10022 (or such other location as shall be mutually agreed upon by Sellers and Buyer), commencing at 11:00 a.m. local time on the date (the "Closing Date") that is the third (3rd) Business Day after the date on which all conditions to the obligations of Sellers and Buyer to consummate the transactions contemplated in this Agreement, as set forth in Section 7 (other than conditions with respect to actions Sellers and/or Buyer will take at the Closing itself, but subject to the satisfaction or waiver of those conditions), have been satisfied or waived, but in any event no later than the Drop Dead Date. The Closing shall be deemed to have occurred at 11:59 p.m. (Eastern Time) on the Business Day prior to the Closing Date.

(f) Deliveries at Closing.

(i) At the Closing, Sellers will deliver to Buyer the following duly executed documents and other items:

(A) Bill of Sale substantially in the form of Exhibit D attached hereto (the "Bill of Sale");

(B) an Assignment and Assumption Agreement substantially in the form of Exhibit E attached hereto (the "Assignment and Assumption Agreement");

(C) instruments of assignment substantially in the forms of Exhibit F, Exhibit G and Exhibit H attached hereto for each patent (or pending application therefor), registered trademark (or pending application therefor) and registered copyright (or pending application therefor), respectively, transferred or assigned hereby (collectively, the "Intellectual Property Assignments");

(D) a Transition Services Agreement substantially in the form of Exhibit I attached hereto (the “Transition Services Agreement”);

(E) a certified copy of all orders of the Bankruptcy Court pertaining to the transactions contemplated by this Agreement, including the Bidding Procedures Order and the Sale Order;

(F) a certificate to the effect that each of the conditions specified in Section 7(a)(iii) and Section 7(a)(iv) is satisfied in all respects;

(G) a non-foreign affidavit dated as of the Closing Date, sworn under penalty of perjury and in form and substance required under Treasury Regulations issued pursuant to Section 1445 of the IRC stating that no Seller is a “foreign person” as defined in Section 1445 of the IRC;

(H) a copy of each Seller’s certificate of incorporation or other organizational document certified as of a date on or after the date that is ten (10) days prior to the Closing Date by the Secretary of State of Delaware;

(I) a copy of a certificate of good standing of each Seller issued as of a date on or after the date that is ten (10) days prior to the Closing Date by the Secretary of State of Delaware;

(J) a copy of Sellers’ certificate signed by a duly authorized officer of both Sellers stating that Sellers have not received any notice of appeal, motion to reconsider or set aside and do not have Knowledge that any Person that intends to file any such appeal, motion or other application; and

(K) all other instruments of conveyance and transfer, in form and substance reasonably acceptable to Buyer, as may be necessary to convey the Acquired Assets to Buyer.

(ii) At the Closing, Buyer will deliver, and in the case of Section 2(f)(ii)(G) will cause the Escrow Agent to deliver, to Sellers the following duly executed documents, cash amounts and other items:

(A) the Bill of Sale;

(B) the Assignment and Assumption Agreement;

(C) the Intellectual Property Assignments;

(D) a certificate to the effect that each of the conditions specified in Section 7(b)(i) and Section 7(b)(ii) is satisfied in all respects;

(E) a copy of Buyer’s and Guarantor’s certificate of incorporation or other organizational document certified as of a date on or after the date that is ten (10) days prior to the Closing Date by the Secretary of State (or comparable

officer) of the respective jurisdictions of Buyer's and Guarantor's incorporation or organization;

(F) a copy of a certificate of good standing of each of Buyer and Guarantor issued as of a date on or after the date that is ten (10) days prior to the Closing Date by the Secretary of State (or comparable officer) of the respective jurisdictions of Buyer's and Guarantor's incorporation or organization;

(G) the Deposit, in accordance with the terms of the Escrow Agreement, by wire transfer of immediately available funds to one or more bank accounts designated in writing by Sellers to Buyer and the Escrow Agent prior to the Closing Date (the "Sellers' Accounts");

(H) the Initial Purchase Price reduced by the amount of (i) the Deposit paid pursuant to Section 2(f)(ii)(G), and (ii) the Closing Adjustment pursuant to Section 2(g)(i), if any, by wire transfer of immediately available funds to Sellers' Accounts; and

(I) such other documents, instruments and certificates as Sellers may reasonably request.

(g) Net Working Capital Adjustment.

(i) No later than three (3) Business Days prior to the Closing Date, Sellers shall deliver to Buyer a good faith estimate of the balance sheet of the Business as of the Closing Date, substantially in the form of Annex B, which shall be reasonably acceptable to Buyer (the "Closing Balance Sheet") and prepared in accordance with the Accounting Principles applied consistently with the Financial Statements furnished pursuant to Section 3(d) (provided that, to the extent that the Financial Statements were not in accordance with GAAP, GAAP shall apply), together with the detailed work papers which support the Closing Balance Sheet. The cash to be paid at Closing shall be decreased by the amount of the Closing Adjustment based on the Closing Balance Sheet. For avoidance of doubt, it is understood that if Net Working Capital on the Closing Balance Sheet exceeds the Target Net Working Capital, there will be no upward adjustment in the Purchase Price payable hereunder.

(ii) Upon reasonable request, Buyer shall have the right to review the books and records of Sellers relating to the Business and of the Business for a period of thirty (30) days after the Closing Date in connection with the calculation of the Closing Balance Sheet to verify and confirm the accuracy thereof. If, after such review, Buyer agrees with the Closing Balance Sheet, Buyer shall promptly (and in any event within thirty (30) days after the Closing Date) notify Sellers of its agreement. If, after such review, Buyer objects to the Closing Balance Sheet, Buyer shall promptly (and in any event within thirty (30) days after the Closing Date) provide Sellers with a statement indicating the basis for its objections, and Buyer and Sellers shall meet and confer in an effort to resolve such disagreement in good faith. If, after such review, Buyer fails to promptly (and in any event within thirty (30) days after the Closing Date) notify Sellers of its agreement

with or objection to the Closing Balance Sheet, Buyer shall be deemed to have agreed to the Closing Balance Sheet. Any balance sheet that is agreed upon or deemed to have been agreed upon shall be deemed a “Final Balance Sheet.”

(iii) In the event Buyer and Sellers are unable to resolve a disagreement with respect to the Closing Balance Sheet within thirty (30) days following the date of Buyer’s objection (or such longer period as Buyer and Sellers may agree), the Net Working Capital as of the Closing Date shall be determined by an independent firm of certified public accountants mutually agreeable to Buyer and Sellers (the “Accountants”). If issues in dispute are submitted to the Accountants for resolution, (i) each party shall furnish to the Accountants such work papers and other documents and information relating to the disputed issues as the Accountants may request and are available to that party, and shall be afforded the opportunity to present to the Accountants any material relating to the determination and to discuss the determination with the Accountants; (ii) the determination by the Accountants of the net assets and liabilities of the Business, as set forth in a notice delivered to both parties by the Accountants as promptly as practicable and in any event within thirty (30) days (also a “Final Balance Sheet”), will be binding and conclusive on the parties; and (iii) the fees and expenses of the Accountants for such determination shall be paid by the Parties based upon the outcome of the Final Adjustment: if the Final Adjustment is positive or if there is no Final Adjustment, then Buyer shall bear such costs and expenses; if the Final Adjustment is negative then Sellers shall bear such costs and expenses.

(iv) Upon the determination of the Final Balance Sheet, the Parties will make a reconciling payment as set forth in Section 2(h).

(h) Purchase Price Adjustment. Within two (2) Business Days following the determination of the Final Balance Sheet: (i) if the Final Adjustment is positive (i.e., the Net Working Capital on the Final Balance Sheet is higher than the Net Working Capital on the Closing Balance Sheet), Buyer shall deliver to Sellers an additional amount of Cash equal to the Final Adjustment (provided, however, in no event shall such amount exceed the Closing Adjustment); and (ii) if the Final Adjustment is negative (i.e., the Net Working Capital on the Final Balance Sheet is less than the Net Working Capital on the Closing Balance Sheet), Sellers shall pay to Buyer the amount of the Final Adjustment. All payments made pursuant to this Section 2(h) shall be treated as adjustments to the Initial Purchase Price for tax purposes, and such agreed treatment shall govern for purposes of this Agreement.

(i) Allocation. Within twenty (20) days after the determination of the Final Balance Sheet, and if applicable, adjustment to the Initial Purchase Price according to Section 2(h), Sellers and Buyer shall jointly and in good faith prepare an allocation of the Purchase Price (and all other capitalized costs) among the Acquired Assets in accordance with Section 1060 of the IRC and the Treasury regulations thereunder (and any similar provision of United States state or local or non-United States law, as appropriate) (the “Allocation” and as finally resolved pursuant to this Section 2(i), the “Final Allocation”). Sellers and Buyer shall work in good faith to resolve any disputes relating to the Allocation. If Sellers and Buyer are unable to resolve any such dispute within thirty (30) days after determination of the Final Balance Sheet such dispute shall be resolved promptly by a nationally recognized accounting firm acceptable to Buyer and

Sellers, the costs of which shall be borne equally by Buyer and Sellers and the determination of which shall be binding and conclusive on the Parties. Buyer and Sellers shall report, act and file Tax Returns (including to Internal Revenue Service Form 8594) in all respects and for all purposes consistent with the Final Allocation. Neither Buyer nor Sellers shall take any position (whether in audits, tax returns or otherwise), which is inconsistent with the Final Allocation unless required to do so by applicable Law; provided, however, that nothing contained herein shall prevent Buyer or Sellers from settling any proposed deficiency or adjustment by any taxing authority based upon or arising out of the Final Allocation, and neither Buyer nor Sellers shall be required to litigate before any court any proposed deficiency or adjustment by any taxing authority challenging such Final Allocation.

(j) Withholding. Each of Buyer and the Escrow Agent shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to Sellers such amounts as each of Buyer and the Escrow Agent is required to deduct and withhold under the IRC, or any Tax law, with respect to the making of such payment. To the extent that amounts are so withheld and paid to the proper Governmental Entity, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to Seller in respect of which such deduction and withholding was made.

(k) Non-Assignment of Assumed Contracts. Notwithstanding any other provision of this Agreement to the contrary, this Agreement shall not constitute an agreement to assign or transfer and shall not affect the assignment or transfer of any Acquired Asset if (a) an attempted assignment thereof, without the approval, authorization or consent of, or granting or issuance of any license or permit by, any third party thereto (each such action, a “Necessary Consent”), would constitute a breach thereof or in any way adversely affect the rights of Buyer thereunder and (b) the Bankruptcy Court shall not have entered an order providing that such Necessary Consent is not required. In such event, Sellers and Buyer will use their commercially reasonable efforts to obtain the Necessary Consents with respect to any such Acquired Asset or any claim or right or any benefit arising thereunder for the assignment thereof to Buyer as Buyer may reasonably request; provided, however, that, notwithstanding anything to the contrary contained herein, Sellers shall not be obligated to pay any consideration therefor to any third party from whom consent or approval is requested or to initiate any Litigation or legal proceedings to obtain any such consent or approval. If such Necessary Consent is not obtained, or if an attempted assignment thereof would be ineffective or would adversely affect the rights of either Seller thereunder so that Buyer would not in fact receive all such rights, such Seller and Buyer will cooperate in a mutually agreeable arrangement, to the extent feasible and at no expense to such Seller, under which Buyer would obtain the benefits and assume the obligations thereunder in accordance with this Agreement, including subcontracting, sub-licensing, or sub-leasing to Buyer, or under which such Seller would enforce for the benefit of Buyer with Buyer assuming such Seller’s obligations and any and all rights of such Seller against a third party thereto.

3. Sellers’ Representations and Warranties. Subject to Bankruptcy Court approval of this Agreement, entry of the Sale Order, obtaining any of the consents required by this Agreement or the Sale Order, Sellers, represent and warrant, jointly and severally, to Buyer that the statements contained in this Section 3 are true and correct as of the date of this Agreement, and shall be true and correct as of the Closing Date.

(a) Organization of Sellers; Good Standing. Each of Parent and Compass is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and, pursuant to sections 1107 and 1008 of the Bankruptcy Code and the orders of the Bankruptcy Court, has all requisite corporate or similar power and authority to own, lease and operate its assets and to carry on the Business as a debtor in possession. Compass is a wholly-owned indirect subsidiary of Parent.

(b) Authorization of Transaction. Subject to the Sale Order having been entered and still being in effect and not subject to any stay pending appeal at the time of Closing:

(i) each Seller has full corporate power and authority to execute and deliver this Agreement, the Related Agreements and all other agreements contemplated in this Agreement to which it is a party and to perform its obligations hereunder and thereunder;

(ii) the execution, delivery and performance of this Agreement, the Related Agreements and all other agreements contemplated in this Agreement to which a Seller is a party have been duly authorized by such Seller; and

(iii) this Agreement, the Related Agreements and all other agreements contemplated in this Agreement constitute the valid and legally binding obligation of each Seller, enforceable against such Seller in accordance with its terms and conditions, subject to applicable bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights and general principles of equity.

(c) Noncontravention. Subject to the Sale Order having been entered and still being in effect and not subject to any stay pending appeal at the time of Closing, neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated in this Agreement (including the assignments and assumptions referred to in Section 2), will (i) conflict with or result in a breach of the certificate of incorporation or bylaws or other organization documents of either Seller, (ii) violate any material Law or material Decree to which either Seller is, or its respective assets or properties are, subject, or (iii) materially conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel, or require any notice under any Material Contract to which either Seller is a party or by which it is bound or to which any of the Acquired Assets or Assumed Liabilities is subject. Subject to the Sale Order having been entered and still being in effect and not subject to any stay pending appeal at the time of Closing, no Seller is required to give any notice to, make any filing with, or obtain any authorization, consent or approval of any Governmental Entity in order for the Parties to consummate the transactions contemplated by this Agreement.

(d) Financial Statements. Schedule 3(d) of the Disclosure Schedule contains true and correct copies of (i) the unaudited consolidated statements of income and statements of cash flow for the Business for the fiscal years ended June 30, 2007, 2008 and 2009, and the unaudited consolidated balance sheets of the Business at such dates (the "Year End Financial Statements") and (ii) the unaudited balance sheet of the Business as at September 30, 2009 and the related unaudited statement of income and statement of cash flow for the Business for the three months then ended (the "Interim Financial Statements" and collectively, with the Year End Financial

Statements, the “Financial Statements”), which Financial Statements: (a) were prepared in accordance with the books of account and other financial records of Sellers, (b) fairly and accurately present the assets, liabilities and financial condition of Sellers as at the respective dates thereof, and the results of operation and cash flows for the periods then ended, (c) have been prepared in accordance with GAAP applied on a consistent basis, and (d) include all adjustments (consisting only of normally recurring accruals) that are necessary for a fair presentation of the financial condition and results of operation of the business of Sellers as of the dates thereof and for the periods covered thereby.

(e) Absence of Certain Changes. Except as set forth on Schedule 3(e) of the Disclosure Schedule, since September 30, 2009:

- (i) there has not been any event, occurrence or development which has had or would be reasonably likely to result in, a Material Adverse Effect;
- (ii) neither Seller has paid, discharged or satisfied any material claim, liability or obligation related to the Business (whether absolute, accrued, contingent or otherwise) outside the Ordinary Course of Business;
- (iii) except as may be caused by an Executive Termination or the effects on or changes to the Business, Acquired Assets, Excluded Assets, Assumed Liabilities or Excluded Liabilities resulting therefrom after the date hereof, there has not been any material damage, destruction or other casualty loss (whether or not covered by insurance) affecting the Business or any Acquired Assets;
- (iv) neither Seller has permitted or allowed any of the Acquired Assets (real, personal or mixed, tangible or intangible) to be subject to any Liens other than Permitted Liens;
- (v) neither Seller has sold, transferred, or otherwise disposed of any material properties or assets (real, personal or mixed, tangible or intangible) used in the Business outside the Ordinary Course of Business;
- (vi) neither Seller has waived or otherwise released any material causes of actions, lawsuits, judgments, claims and demands except in the Ordinary Course of Business;
- (vii) neither Seller has disposed of, abandoned or permitted to lapse any material rights to the use or registration of any Intellectual Property, or entered into any exclusive license with respect to any of the Intellectual Property outside the Ordinary Course of Business, or disposed of or disclosed to any Person, other than representatives of Buyer and the other participants, and their respective representatives, in the auction to acquire the Business and the Acquired Assets or otherwise pursuant to non-disclosure agreements, any material trade secret, formula, process or know-how not theretofore a matter of public knowledge;
- (viii) there has not been any material transaction or material commitment made, or any Contract entered into, by either Seller material to the Business, other than

transactions, Contracts and commitments in the Ordinary Course of Business consistent with past practices and those contemplated herein;

(ix) except as may be caused by or in connection with an Executive Termination after the date hereof, there has not been any (A) employment, retention, bonus, deferred compensation, severance, retirement or other similar agreement entered into with any employee, consultant or director (or any amendment to any such existing agreement), (B) grant of any severance or termination pay to any employee, consultant or director or (C) material change in compensation or other benefits payable to any Covered Employee, consultant or director pursuant to any severance or retirement plans or policies thereof, in each case other than in the Ordinary Course of Business; or

(x) neither Seller has agreed, whether in writing or otherwise, to take any action described in this Section 3(e).

(f) Legal Compliance. Neither Seller is in material violation of any applicable Law or Decree (including, without limitation, Environmental Law or Laws applicable to immigration controls, wages and hours, civil rights and occupational health and safety) and neither of Sellers has received any notice of alleged noncompliance related to the Business. Neither Seller is conducting nor has conducted business, including the Business, in any country other than the United States of America. Each Seller possesses or has applied for all material Permits, required to own or hold under lease and operate its Acquired Assets and to carry on the Business as currently conducted. Neither Seller has received any written notice of proceedings relating to the revocation or modification of any such Permits. The Assumed Permits are identified on Schedule 3(f) of the Disclosure Schedule and collectively constitute all of the Permits necessary to permit Buyer to lawfully conduct and operate the Business after the Closing Date in substantially the same manner as currently conducted.

(g) Litigation. Except as may be related to an Executive Termination after the date hereof, there is no instance in which either Seller, with respect to the Business, the Acquired Assets, the Assumed Liabilities or any of the officers or directors of the Business, (i) is subject to any outstanding Decree or (ii) is a party or, to Sellers' Knowledge, is threatened to be made a party to any Litigation and there is no basis known to any of Sellers for any such action.

(h) Assumed Contracts.

(i) Schedule 3(h)(i) of the Disclosure Schedule lists all Assumed Contracts that individually provide for annual payments after the date hereof of greater than Fifty Thousand Dollars (\$50,000) or which are otherwise material to the Business, the Acquired Assets or the Assumed Liabilities (collectively, the "Material Contracts"). Seller has delivered or made available to the Buyer true, correct and complete copies of all of the Material Contracts listed or required to be listed on Schedule 3(h)(i) of the Disclosure Schedule including all amendments and supplements thereto.

(ii) Except as set forth on Schedule 3(h)(ii) of the Disclosure Schedule and other than violations that are unenforceable pursuant to the Bankruptcy Code or will be cured by the payment of the Cure Amounts by Sellers, each Assumed Contract is a valid

and binding agreement of Sellers and is in full force and effect, neither Sellers or, to the Knowledge of Sellers, any other party thereto is in default or material breach, and to the Knowledge of Sellers, no event or condition has occurred which after notice or with the lapse of time or both would constitute a default or material breach, in any respect under the terms of any Assumed Contract. No Seller has received any written notice of the intention of any party to terminate any Assumed Contract or that any party considers Sellers to be in material breach or material default thereunder or in potential breach in a material respect or default thereunder.

(i) Intellectual Property.

(i) Schedule 3(i)(i) of the Disclosure Schedule sets forth all material Intellectual Property used or held for use in connection with the Business, and all such material Intellectual Property is included in the Acquired Intellectual Property. Except as set forth on Schedule 3(i)(i) of the Disclosure Schedule, Sellers own or have the right to use pursuant to license, sublicense or other agreement free and clear of any Liens other than Permitted Liens, all Intellectual Property used or held for use in connection with the Business which is material to the operation of the Business. Sellers have taken all commercially reasonable action which is material to maintain and protect the Acquired Intellectual Property owned by Sellers that is material to the operation of the Business. To Sellers' Knowledge, all Acquired Intellectual Property owned by Sellers, as well as the products and services offered by Sellers primarily or exclusively in the conduct of the Business, do not infringe, misappropriate, dilute or otherwise violate in any material respect the Intellectual Property rights of any other Person.

(ii) Schedule 3(i)(ii) of the Disclosure Schedule identifies (A) each patent or registration that has been issued to either Seller with respect to any Acquired Intellectual Property, identifies each pending patent or other application for registration that each Seller has made with respect to any Acquired Intellectual Property, (B) with respect to the Acquired Intellectual Property, each license granted to either Seller which is material to the operation of the Business, and (C) each exclusive license, and each non-exclusive license outside the Ordinary Course of Business, that either Seller has granted to any Person with respect to any Acquired Intellectual Property. Sellers have delivered to Buyer correct and complete copies of all such licenses identified under (B) and (C) (in each case as amended to date) which are material to the Business.

(iii) To the Sellers' Knowledge, no Person has materially infringed, misappropriated, diluted or otherwise violated any of the Acquired Intellectual Property owned or exclusively licensed by either Seller.

(j) Covered Employees. Schedule 3(j) of the Disclosure Schedule contains: (i) a list of all Covered Employees as of the date hereof, (ii) their position, hire date, and current annual compensation, and (iii) a list of the material Employee Benefit Plans in which Covered Employees are eligible to participate immediately prior to the Closing (the "Existing Benefits").

(k) Title to and Condition of Assets. Sellers are the owners of, and have good and marketable title to, or have a valid leasehold interest in or license or other right to use, all of the

Acquired Assets, including those assets and properties reflected in the most recent balance sheet included in the Interim Financial Statements in the amounts and categories reflected therein, and to all assets and properties acquired by Sellers after the date thereof, and all Acquired Assets shall be transferred to Buyer free and clear of all Liens, to the extent permitted by Section 363 or 365(n) of the Bankruptcy Code, except for Permitted Liens. Except as disclosed in Schedule 3(i)(i)(k) of the Disclosure Schedule, the Acquired Assets are in reasonably good operating condition and repair, ordinary wear and tear excepted and are usable in the Ordinary Course of Business.

Except as set forth on Schedule 3(i)(i) of the Disclosure Schedule, (i) the Acquired Assets include all assets, properties and rights necessary to conduct the Business in the manner conducted since September 30, 2009, and (ii) neither Seller nor any of their respective Affiliates has retained or failed to deliver any asset or right of any kind or nature, which is owned by such party or to which it has rights which are necessary to or used in the conduct of the Business as conducted immediately prior to Closing.

(l) Brokers' Fees. Sellers have not entered into any Contract to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement for which Buyer or Guarantor could become liable or obligated to pay.

(m) Employee Benefits.

(i) Each Employee Benefit Plan that is intended to meet the requirements of a "qualified" plan within the meaning of Section 401(a) of the IRC is so qualified and has received a favorable determination letter from the IRS as to its qualification under the Code.

(ii) None of the property or other assets of any Seller, Seller Affiliate or any ERISA Affiliate is, or could reasonably be expected to become, the subject of any Lien arising under ERISA or the Code. There are no Liens arising under ERISA or the Code with respect to the operation, termination, restoration or funding of any Employee Benefit Plan or arising in connection with any excise tax or penalty tax with respect to any Employee Benefit Plan. With respect to the Employee Benefit Plans, no event has occurred and, to the Knowledge of Sellers, there exists no condition or set of circumstances in connection with which Buyer could be subject to any liability under the terms of, or with respect to, such Employee Benefit Plans, or under ERISA, the Code or any other applicable Law with respect to such Employee Benefit Plans.

(iii) Except as set forth on Schedule 3(m)(iii) of the Disclosure Schedule, neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, either alone or in combination with another event (whether contingent or otherwise), including without limitation any termination of employment, will: (i) entitle any current or former employee, consultant or director of either Seller or Seller Affiliate to any payment; (ii) increase the amount of compensation or benefits due to any such employee, consultant or director; (iii) accelerate the vesting, funding or time of payment of any compensation, equity award or other benefit; or (iv) result in any "excess parachute payment" under Section 280G of the Code.

(iv) Neither Sellers nor their Affiliates are or have been a party to any collective bargaining or similar agreement and there are no labor unions or other organizations representing, purporting to represent or, to Sellers' Knowledge, attempting to represent, any employee of either Seller or either Seller Affiliate. There are no unfair labor practice complaints pending against either Seller or either Seller Affiliate before the National Labor Relations Board or any other governmental authority nor, to Sellers' Knowledge, are any such complaints threatened. No Seller or Seller Affiliate has experienced any strike, slowdown or work stoppage nor, to Sellers' Knowledge, are any such strikes, slowdowns, work stoppages or lockouts threatened.

(v) In the three years prior to the date hereof, no Seller has effectuated: (i) a "plant closing" (as defined in the Worker Adjustment and Retraining Notification Act (the "WARN Act") or any similar state, local or foreign Law) affecting any site of employment or one or more facilities or operating units within any site of employment or facility of Seller; or (ii) a "mass layoff" (as defined in the WARN Act, or any similar state, local or foreign Law) affecting any site of employment or facility of Seller or Seller Affiliate.

(vi) Each Seller and each Seller Affiliate is in compliance in all material respects with all Laws relating to employment of employees, including Laws relating to wages, hours, collective bargaining, discrimination, civil rights, safety and health, worker notification requirements, immigration and workers' compensation.

(n) Tax Matters. Except as set forth on Schedule 3(n) of the Disclosure Schedule, (i) Sellers have, in respect of the Business and the Acquired Assets, filed all Tax Returns which are required to be filed and have paid all U.S. federal income and all other material Taxes which have become due pursuant to such Tax Returns or pursuant to any assessment which has become payable and that Sellers are required to pay (taking into account any relief afforded pursuant to the Chapter 11 Cases); (ii) all such Tax Returns are complete and accurate in all material respects and disclose all Taxes required to be paid in respect of the Business and the Acquired Assets; and (iii) all monies required to be withheld by Sellers, in respect of the Business and the Acquired Assets (including from employees, independent contractors or creditors of the Business, stockholders of Sellers or any other Person), have been collected and withheld, and either paid to the respective taxing authorities, set aside in accounts for such purpose or accrued, reserved against and entered upon the books of the Business. To the Knowledge of Sellers, there are no pending or threatened audits, investigations, disputes, notices of deficiency, claims or other actions for or relating to any Liability for Taxes of Sellers with respect to the Business or the Acquired Assets. Sellers have not waived any statute of limitations in respect of Taxes of the Business or the Acquired Assets or agreed to any extension of time with respect to a Tax assessment or deficiency with respect to the Business or the Acquired Assets.

(o) Disclosure. Except for the representations and warranties contained in this Section 3, neither Sellers nor any other Person makes (and Buyer is not relying upon) any other express or implied representation or warranty with respect to Sellers, the Business, the Acquired Assets (including the value, condition or use of any Acquired Asset), the Assumed Liabilities or the transactions contemplated by this Agreement, in the Related Agreements or in any other agreement, document or instrument to be delivered in connection herewith or therewith, and

Sellers disclaim any other representations or warranties, whether made by Sellers, any Affiliate of either Seller or any of their respective officers, directors, employees, agents or Representatives. Except for the representations and warranties contained in this Section 3, each Seller (i) expressly disclaims and negates any representation or warranty, express or implied, at common law, by statute or otherwise, relating to the condition of the Acquired Assets (including any implied or expressed warranty of title, merchantability or fitness for a particular purpose, or of the probable success or profitability of the ownership, use or operation of the Business and the Acquired Assets by Buyer after the Closing), and (ii) expressly disclaims all liability and responsibility for any projection, forecast, statement or information made, communicated or furnished (orally or in writing) to Buyer or its Affiliates or Representatives (including any opinion, information, projection or advice that may have been or may be provided to Buyer by any director, officer, employee, agent, consultant or Representative of either Seller or any of their Affiliates).

4. Buyer's and Guarantor's Representations and Warranties.

Each of Buyer and Guarantor represents and warrants jointly and severally to Sellers that the statements contained in this Section 4 are true and correct as of the date of this Agreement and will be true and correct on the Closing Date:

(a) Organization of Buyer and Guarantor.

(i) Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate or similar power and authority to own, lease and operate its assets and to carry on its business as now being conducted.

(ii) Guarantor is a limited partnership duly formed, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate or similar power and authority to own, lease and operate its assets and to carry on its business as now being conducted.

(b) Authorization of Transaction.

(i) Each of Buyer and Guarantor has full power and authority (including full corporate or other entity power and authority) to execute and deliver this Agreement, the Related Agreements and all other agreements contemplated in this Agreement to which it is a party and to perform its obligations hereunder and thereunder;

(ii) the execution, delivery and performance of this Agreement, the Related Agreements and all other agreements contemplated in this Agreement to which Buyer or Guarantor, as applicable, is a party have been duly authorized by such Person and

(iii) this Agreement, the Related Agreements and all other agreements contemplated in this Agreement constitute the valid and legally binding obligation of each of Buyer and Guarantor, enforceable against each of Buyer and Guarantor in accordance with its terms and conditions, subject to applicable bankruptcy, insolvency,

moratorium or other similar laws relating to creditors' rights and general principles of equity.

(c) Noncontravention. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated in this Agreement (including the assignments and assumptions referred to in Section 2) will (i) conflict with or result in a breach of the certificate of incorporation or bylaws, or other organizational documents, of Buyer or Guarantor, (ii) violate any Law or Decree to which Buyer or Guarantor is, or its respective assets or properties are, or (iii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel, or require any notice under any Contract to which Buyer or Guarantor is a party or by which it is bound, except, in the case of either clause (ii) or (iii), for such conflicts, breaches, defaults, accelerations, rights or failures to give notice as would not, individually or in the aggregate, have a Material Adverse Effect on Buyer or Guarantor. Neither Buyer nor Guarantor is required to give any notice to, make any filing with, or obtain any authorization, consent or approval of any Governmental Entity in order for the Parties to consummate the transactions contemplated by this Agreement or any of the other Related Agreement, except where the failure to give notice, file or obtain such authorization, consent or approval would not, individually or in the aggregate, have a Material Adverse Effect on Buyer or Guarantor and except for reports to be filed under the Exchange Act.

(d) Litigation. There is no instance in which Buyer or Guarantor (i) is subject to any outstanding Decree or (ii) is a party or, to Buyer's Knowledge, is threatened to be made a party to any Litigation, in either case, which would be reasonably likely to (A) result in any material Liability to Buyer or Guarantor with respect to the Business, or (B) materially prevent, restrict or delay the consummation of the transactions contemplated in this Agreement or any other Related Agreement.

(e) Brokers' Fees. Neither Buyer nor Guarantor has entered into any Contract to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement for which either Seller could become liable or obligated to pay.

(f) Financial Capacity. Buyer and Guarantor (i) at the Closing will have, sufficient funds (without giving effect to any unfunded financing regardless of whether any such financing is committed) available to pay the Purchase Price and any expenses incurred by Buyer and Guarantor in connection with the transactions contemplated by the Related Agreements, (ii) at the Closing will have, the resources and capabilities (financial or otherwise) to perform their respective obligations hereunder, and (iii) have not, and at the Closing will not have, incurred any obligation, commitment, restriction or Liability of any kind, that would impair or adversely affect such resources and capabilities.

(g) Interested Stockholders. None of Buyer, Guarantor or any of their respective "affiliates" or "associates" has been an "interested stockholder" of either Seller at any time within three (3) years of the date of this Agreement, as those terms are used in Section 203 of the Delaware General Corporation Law.

(h) Adequate Assurances Regarding Executory Contracts. Each of Buyer and Guarantor is and will be capable of satisfying the conditions contained in sections 365(b)(1)(C) and 365(f) of the Bankruptcy Code with respect to the Assumed Contracts.

5. Pre-Closing Covenants. The Parties agree as follows with respect to the period between the execution of this Agreement and the Closing (except as otherwise expressly stated to apply to a different period):

(a) Reasonable Best Efforts; Cooperation. Subject to Sellers' right to solicit and consummate a Competing Transaction to the extent permitted by Section 5(h) and except as otherwise set forth herein, each of the Parties will use its commercially reasonable efforts to take all action and to do all things necessary in order to consummate and make effective the transactions contemplated by this Agreement on or prior to the Drop Dead Date (including satisfaction, but not waiver, of the conditions to the obligations of the Parties to consummate the transactions contemplated in this Agreement set forth in Section 7).

(b) Notices and Consents.

(i) Sellers shall use their commercially reasonable efforts to obtain all authorizations, consents, orders and approvals of all Governmental Entities and officials that may be or become necessary for its execution and delivery of, and the performance of its obligations pursuant to, this Agreement and will cooperate with Buyer in promptly seeking to obtain all such authorizations, consents, orders and approvals.

(ii) Sellers shall promptly give such notices to third parties and use their commercially reasonable efforts to obtain such third party consents and estoppels certificates, if any, to consummate the transactions contemplated by this Agreement.

(iii) Buyer shall cooperate and use all commercially reasonable efforts to assist Sellers in giving such notices and obtaining such consents and estoppel certificates; provided, however, that Buyer shall have no obligation to give any guarantee or other consideration of any nature in connection with any such notice, consent or estoppel certificate or to consent to any change in the terms of any agreement or arrangement which Buyer in its sole discretion may deem adverse to its interests, the Acquired Assets or the Business.

(iv) Sellers shall have obtained the authorizations, consents, orders and approvals listed on Schedule 5(b)(iv) of the Disclosure Schedule prior to the Closing.

(c) Conduct of the Business Pending the Closing.

(i) From the date hereof until the Closing Date, except as otherwise expressly provided for in this Agreement, arising as a result of an Executive Termination after the date hereof, or with the prior written consent of Buyer (which consent shall not be unreasonably withheld, delayed or conditioned), and subject to any applicable orders of the Bankruptcy Court, Sellers shall:

- (A) use commercially reasonable efforts to maintain the Acquired Assets in the Ordinary Course of Business, pay expenses and payables, bill customers, collect receivables, purchase Inventory, repair and continue normal maintenance (normal wear and tear excepted) and otherwise conduct the Business in the Ordinary Course of Business in all material respects; provided, that (i) Sellers may grant licenses of Intellectual Property in the Ordinary Course of Business, and abandon or otherwise dispose of Intellectual Property that is no longer material to the conduct of the Business and (ii) any Executive Termination after the date hereof shall not be deemed to be outside of the Ordinary Course of Business;
- (B) (1) comply in all material respects with all Laws and Assumed Contracts, (2) maintain all Assumed Permits and (3) pay all applicable Taxes that Sellers are required to pay (taking into account any relief afforded pursuant to the Chapter 11 Cases);
- (C) use commercially reasonable efforts to maintain working capital and Current Asset and Current Liability levels consistent with those reflected in the Financial Statements previously provided to Buyer;
- (D) use commercially reasonable efforts to maintain in full force and effect all material Intellectual Property owned by Sellers and licenses granting Sellers any rights to any material Intellectual Property, except for licenses that expire in accordance with their terms prior to Closing;
- (E) use commercially reasonable efforts to pursue Section 363 of the Bankruptcy Code sales processes and to comply at all times with the Sale Motion and Bidding Procedures Order;
- (F) use commercially reasonable efforts to (1) preserve the Business and maintain its goodwill and (2) maintain the present relationships with customers and suppliers of the Business;
- (G) not (i) grant any increase in compensation to any Covered Employee nor increase any salary, commission, bonus or management fee to any Covered Employee (except with respect to (a) non-officer Covered Employees only in the Ordinary Course of Business and (b) as listed on Schedule 5.3(c) of the Disclosure Schedule), (ii) adopt, amend or terminate any Employee Benefit Plan, other than as required under applicable Law;
- (H) not enter into any contract or transaction relating to the purchase of assets primarily for use in the Business in excess of fifty thousand dollars (\$50,000) that will constitute Acquired Assets or Assumed Liabilities;
- (I) sell, lease, transfer, mortgage, encumber, alienate or dispose of Acquired Assets for an aggregate purchase price in excess of fifty thousand dollars (\$50,000) except for (A) sales of Inventory in the Ordinary Course of

Business or (B) licenses of Intellectual Property granted in the Ordinary Course of Business; and

(J) use commercially reasonable efforts to transfer, assign, record or perfect in its name good title to any Acquired Assets (other than as noted on Schedule 3(k) to the Disclosure Schedule) that is not presently held or recorded in its name, including, without limitation, filing any necessary notices of assignment in the United States Patent and Trademark Office or United States Copyright Office, as applicable, with respect to the Intellectual Property; and

(K) not agree to do anything prohibited by this Section 5(c)(i).

(d) Notice of Developments. From the date hereof until the Closing, each of Sellers and Buyer will give prompt written notice to the other Party of (i) the existence of any fact or circumstance, or the occurrence of any event, which would be reasonably likely to cause a condition to a Party's obligations to consummate the transactions contemplated in this Agreement as set forth in Section 7, not to be satisfied as of February 1, 2010, or (ii) the receipt of any notice or other communication from any Governmental Entity or any securities market or securities regulator in connection with the transactions contemplated by this Agreement; provided, however, that the delivery of any such notice pursuant to this Section 5(d) shall not be deemed to amend or supplement this Agreement, and the failure to deliver any such notice shall not constitute a waiver by any Party of any right or condition to the consummation of the transactions contemplated in this Agreement.

(e) Access.

(i) Upon reasonable advance written request by Buyer, Sellers will permit Buyer and its Representatives to have reasonable access during normal business hours, and in a manner so as not to interfere unreasonably with the normal business operations of Sellers, to all premises, properties, personnel, Records and Contracts of or related to the Business for the purpose of evaluating and reviewing the Business, the Acquired Assets and Assumed Liabilities; provided, however, that, for avoidance of doubt, the foregoing shall not require any Party to waive, or take any action with the affect of waiving, its attorney-client privilege or any confidentiality obligation to which it is bound with respect thereto or take any action in violation of applicable law. Except in response to a request contemplated by the first sentence of this Section 5(e)(i), during the period from the date hereof and ending on the Closing Date, Buyer shall not, and shall cause its Representatives not to, contact any customers, suppliers or licensors of the Business in connection with, or pertaining to, the Business or any subject matter of this Agreement, except with the prior written consent of Sellers, which consent shall not be unreasonably withheld.

(ii) All information obtained pursuant to this Section 5(e) shall be subject to the terms and conditions of the Confidentiality Agreement.

(f) Press Releases and Public Announcements. Prior to the Closing, no Party shall issue any press release or make any public announcement relating to the existence or subject

matter of this Agreement without the prior written approval of the other Parties; provided, however, that any Party may make any public disclosure it believes in good faith is required by (i) applicable law (including the Bankruptcy Code) or (ii) any listing or trading agreement concerning the publicly traded securities of either Party or its Affiliates (provided, that the disclosing Party shall use all reasonable best efforts to advise the non-disclosing Party prior to making the disclosure).

(g) Bankruptcy Court Matters.

(i) Sellers shall pursue diligently the entry of the Bidding Procedures Order and the Sale Order. Sellers shall use commercially reasonable efforts to comply (or obtain an order from the Bankruptcy Court waiving compliance) with all requirements under the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules and the Asset Sale Guidelines in connection with obtaining approval of the Bidding Procedures Order and the Sale Order. Sellers shall consult with Buyer and its Representatives concerning the Bidding Procedures Order, the Sale Order, any other orders of the Bankruptcy Court relating to the transactions contemplated herein, and the bankruptcy proceedings in connection therewith, and provide Buyer with copies of applications, pleadings, notices, proposed orders and other documents relating to such proceedings as soon as reasonably practicable prior to any submission thereof to the Bankruptcy Court.

(ii) Buyer agrees that it will promptly take such actions as are reasonably requested by Sellers to assist in obtaining entry of the Bidding Procedures Order and the Sale Order and a finding of adequate assurance of future performance by Buyer, including furnishing affidavits or other documents or information for filing with the Bankruptcy Court for the purposes, among others, of providing necessary assurances of performance by Buyer under this Agreement and demonstrating that Buyer is a “good faith” purchaser under section 363(m) of the Bankruptcy Code; provided, however, in no event shall Buyer or either Seller be required to agree to any amendment of this Agreement.

(iii) No later than five (5) Business Days following the execution of this Agreement, Sellers shall file a motion seeking entry by the Bankruptcy Court of the Bidding Procedures Order and the Sale Order (the “Sale Motion”), including all supporting pages, and shall use their reasonable best efforts to have the Bankruptcy Court enter the Bidding Procedures Order within fifteen (15) days from the filing date of the Sale Motion, subject to availability of the Bankruptcy Court (and only to the extent permitted by the Asset Sale Guidelines and the relevant provisions of the Bankruptcy Rules and Local Bankruptcy Rules).

(iv) Approval of Break Up Fee and Reimbursable Expenses. Sellers acknowledge and agree that Buyer has expended considerable time and expense in connection with this Agreement, and the negotiation thereof, and the identification and quantification of assets to be included in the Acquired Assets. In consideration therefor, the Sale Motion shall include a request from Sellers that the Bankruptcy Court approve the Break Up Fee and Reimbursable Expenses as administrative priority expenses under

sections 503(b) and 507(a)(1) of the Bankruptcy Code pursuant to the Bidding Procedures Order.

(v) Sellers shall use their reasonable best efforts to obtain entry by the Bankruptcy Court of the Sale Order no later than February 1, 2010. The Sale Order will provide, among other things, that pursuant to sections 105, 363 and 365 of the Bankruptcy Code: (A) the Acquired Assets shall be sold to Buyer free and clear of all Liens of any type whatsoever (whether known or unknown, secured or unsecured or in the nature of setoff or recoupment, choate or inchoate, filed or unfiled, scheduled or unscheduled, noticed or unnoticed, recorded or unrecorded, perfected or unperfected, allowed or disallowed, contingent or non-contingent, liquidated or unliquidated, matured or unmatured, material or nonmaterial, disputed or undisputed, whether arising prior to or subsequent to the commencement of the Chapter 11 Cases, and whether imposed by agreement, understanding, law, equity, or otherwise, including claims otherwise arising under doctrines of successor liability), other than Liens created by Buyer or the Permitted Liens and the Assumed Liabilities shall be assumed by Buyer, in each case, pursuant to the Related Agreements; (B) Sellers shall assign to Buyer all of the Assumed Contracts as of the Closing Date pursuant to such order; (C) Sellers shall, on or before the Closing Date, pay the Cure Amounts to the appropriate parties as ordered by the Bankruptcy Court so as to permit the assumption and assignment of the applicable Assumed Contract; (D) Buyer shall be found to have demonstrated and established any adequate assurance of future performance before the Bankruptcy Court with respect to the Assumed Contracts; (E) Buyer shall be found to be a "good faith" purchaser within the meaning of section 363(m) of the Bankruptcy Code; (F) Buyer shall have no liability or responsibility for any Liability or other obligation of Sellers arising under or related to the Acquired Assets, the Business or the transactions contemplated hereby other than as expressly set forth in this Agreement, including successor or vicarious liabilities of any kind or character, including, but not limited to, any theory of antitrust, environmental, successor or transferee liability, labor Law, de facto merger or substantial continuity; (G) Sellers shall not be required to comply with any bulk sales laws and none of Sellers, Buyer or Guarantor shall have any Liability whatsoever under any bulk sales or similar laws, including as a result of its failure to comply with same; (H) Buyer shall have no liability for any Excluded Liability; and (I) Buyer and Sellers are authorized to close immediately and any ten (10) day waiting period arising under Bankruptcy Rules 6004(g) or 6004(d) are waived. In the event the Sale Order is appealed, Sellers and Buyer shall use their respective reasonable efforts to defend such appeal. Sellers shall provide timely written notice of this Agreement, the proposed sale of the Acquired Assets, the Sale Motion and the Sale and Bidding Procedures Orders to: (1) the Office of the United States Trustee for the Southern District of New York; (2) counsel to the official committee of unsecured creditors appointed in the Chapter 11 Cases; (3) counsel to the DIP Agent and agent for Sellers' prepetition lenders; (4) counsel to the indenture trustee for Sellers' senior subordinated notes; (5) the parties to the Assumed Contracts; (6) all Persons known or reasonably believed to Sellers to have asserted any Liens (other than Liens created by Buyer or the Permitted Liens) in or upon or claims against the interests of Sellers and any of the assets offered for sale, particularly, in the Acquired Assets, including all applicable Tax authorities; (7) the Internal Revenue Service; (8) the Federal Trade Commission; (9) all other parties that have filed a notice of appearance and demand for service of

papers in the Chapter 11 Cases under Bankruptcy Rule 2002; and (10) any other parties required by the Bankruptcy Court or reasonably required by Buyer.

(vi) Sellers further covenant and agree that, after the entry of the Sale Order, the terms of any reorganization or liquidation plan it submits to the Bankruptcy Court, or any other court for confirmation or sanction, shall not conflict with, supersede, abrogate, nullify or restrict the terms of this Agreement, or in any way prevent or interfere with the consummation or performance of the transactions contemplated by this Agreement.

(h) Competing Transaction.

(i) From and after December 10, 2009 and until the end of the auction (as defined in the Bidding Procedures), Sellers are permitted, and are permitted to cause their Representatives, to initiate contact with, solicit or encourage submission of any inquiries, proposals or offers by, and enter into any negotiations regarding any of the foregoing with, any Person (in addition to Buyer and its Affiliates, agents and Representatives) in connection with any Competing Transaction; provided, however, that any such solicitation may occur only in accordance with the Bidding Procedures Order. Sellers may supply information relating to the Business and the Acquired Assets to prospective purchasers pursuant to this Section 5(h)(i); provided, however, that no non-public information may be furnished to any Person until Sellers receive an executed confidentiality agreement from such Person that (A) contains terms and provisions that are no less favorable to RDA in any material respect (other than with respect to the effective periods and the non-disclosure and non-solicitation provisions contained therein, all of which terms shall be commercially reasonable) than those contained in the Confidentiality Agreement and (B) does not contain provisions that prohibit Sellers from complying with the provisions of this Agreement. Sellers shall notify Buyer within 72 hours after receipt of any proposal with respect to any Competing Transaction and shall deliver to Buyer by email transmission or same day courier service true and complete copies of all documents related to any such offer. Sellers shall (1) keep Buyer informed on a reasonably prompt basis of the status of any such proposal or offer and (2) promptly (and in any event within 72 hours) provide Buyer with copies of all material correspondence and other written material sent or received in connection with any such offer or proposal.

(ii) Prior to December 10, 2009, Sellers are permitted, and are permitted to cause their Representatives, to respond to unsolicited inquiries, proposals or offers from any Person (in addition to Buyer and its Affiliates, agents and Representatives) (any such party, a "Pre-BPO Inquiring Party") that may be interested in a Competing Transaction; provided, however, that such response is solely limited to informing the Pre-BPO Inquiring Party regarding the timing and upcoming filing of the Bidding Procedures Order and informing the Pre-BPO Inquiring Party about their ability to participate in a Competing Transaction pursuant to the Bidding Procedures Order.

(i) Bulk Transfer Laws. Buyer acknowledges that Sellers will not comply with the provisions of any bulk transfer laws of any jurisdiction in connection with the transactions

contemplated by this Agreement, and hereby waives all claims related to the non-compliance therewith.

(j) Cure Amounts. As promptly as practicable following the date hereof, Buyer and Sellers shall use commercially reasonable efforts to cooperate and determine the amounts required to cure all defaults under each Assumed Contract so as to permit the assumption and assignment of each such Assumed Contract pursuant to section 365 of the Bankruptcy Code in connection with the transactions contemplated in this Agreement (as ultimately determined by the Bankruptcy Court, the “Cure Amounts”). In connection with the assignment and assumption of the Assumed Contracts, Sellers shall cure any defaults under the Assumed Contracts by payment of any Cure Amounts as ordered by the Bankruptcy Court and shall be responsible for demonstrating and establishing adequate assurance of future performance before the Bankruptcy Court with respect to the Assumed Contracts. Sellers will, pursuant to a motion, move to assume and assign to Buyer the Assumed Contracts and will provide notices thereof to the Assumed Contract counterparties and all other parties in accordance with all applicable Bankruptcy Rules as modified by orders of the Bankruptcy Court. Buyer shall have the ability to add or delete Assumed Contracts to Annex A of this Agreement in accordance with Section 9(o) so long as the appropriate notice is provided to the Assumed Contract counterparty and any delay in approval of the assignability of and Cure Amount for such additional Assumed Contracts shall not affect the Closing.

6. Other Covenants. The Parties agree as follows with respect to the period from and after the Closing:

(a) Cooperation; Further Assurances. The Parties shall cooperate with each other, and shall use their reasonable best efforts to cause their respective Controlled Affiliates and Representatives to cooperate with each other, to provide an orderly transition of the Business from Sellers to Buyer and to minimize the disruption to the Business resulting from the transactions contemplated in this Agreement. For a period of one (1) year following the Closing, if any further action is necessary or desirable to carry out the purposes of this Agreement, subject to the terms and conditions of this Agreement and the terms and conditions of the Sale Order, at any Party’s request and sole cost and expense, each Party shall take such further action (including the execution and delivery to any other Party of such other reasonable instruments of sale, transfer, conveyance, assignment, assumption and confirmation and providing materials and information) as another Party may reasonably request as shall be necessary to transfer, convey and assign to Buyer all of the Acquired Assets and to confirm Buyer’s assumption of the Assumed Liabilities. Without limiting the provisions of this Section 6(a), to the extent that either Buyer or Sellers discovers any additional assets or properties which should have been transferred or assigned to Buyer as Acquired Assets but were not so transferred or assigned at Closing, Buyer and Sellers shall cooperate and execute and deliver any instruments of transfer or assignment necessary to transfer and assign such asset or property to Buyer without any adjustment to the Purchase Price. Without limiting the provisions of this Section 6(a), to the extent that either Buyer or Sellers discovers any assets or properties which is an Excluded Asset which was inadvertently or otherwise mistakenly transferred or assigned to Buyer, Buyer and Sellers shall cooperate and execute and deliver any instruments of transfer or assignment necessary to transfer and assign such asset or property back to Sellers.

(b) Litigation Support. In the event and for so long as any Party actively is contesting or defending against any Litigation commenced by any third party with respect to (i) any transaction contemplated by this Agreement or any other Related Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act or transaction on or prior to the Closing Date involving the Business, the other Party will cooperate with the contesting or defending Party and its counsel in the contest or defense, make available its personnel and provide such testimony and access to its books and records as shall be reasonably necessary in connection with the contest or defense, all at the sole cost and expense of the contesting or defending Party; provided, however, that, for avoidance of doubt, the foregoing shall not require any Party to waive, or take any action with the affect of waiving, its attorney-client privilege with respect thereto. As a condition to the cooperation required pursuant to this Section 6(b), the Party to provide such cooperation or assistance (the “Assisting Party”) may require the Party receiving such cooperation or assistance to enter into a non-disclosure agreement reasonably satisfactory in form and substance to the Assisting Party.

(c) Run-Off. From and after the Closing until one (1) year following the date thereof:

(i) if Sellers receive any payment relating to any account receivable outstanding on or after the Closing Date related to the Business, such payment shall be the property of Buyer, and Sellers shall promptly forward and remit such payment to Buyer. Sellers shall promptly endorse and deliver to Buyer any cash, checks or other documents received by Sellers on account of any such accounts receivable; and

(ii) Sellers will use commercially reasonable efforts to refer all customer or supplier inquiries received by Sellers relating to the Business to Buyer.

(d) Availability of Business Records. After the Closing Date, Buyer shall provide to Sellers and their respective Representatives (after reasonable notice and during normal business hours and without charge to Sellers) access to all Records included in the Acquired Assets for periods prior to the Closing and shall preserve such Records until the later of (i) six (6) years after the Closing Date, (ii) the required retention period required by any United States Law, (iii) the conclusion of all bankruptcy proceedings relating to the Chapter 11 Cases or (iv) in the case of Records relating to Taxes, the expiration of the statute of limitations applicable to such Taxes. Such access shall include access to any information in electronic form to the extent reasonably available. Buyer acknowledges that Sellers have the right to retain originals or copies of all of Records included in the Acquired Assets for periods prior to the Closing. Prior to destroying any Records included in the Acquired Assets for periods prior to the Closing, Buyer shall notify Sellers 30 days in advance of any such proposed destruction of its intent to destroy such Records, and Buyer will permit Sellers to retain such Records. With respect to any Litigation and claims that are Excluded Liabilities, Buyer shall render all reasonable assistance that Sellers may request in defending such Litigation or claim and shall make available to Sellers’ personnel most knowledgeable about the matter in question.

(e) Satisfaction of Excluded and Assumed Liabilities. Buyer agrees to pay, perform and discharge the Assumed Liabilities as they become due and shall indemnify and hold Sellers harmless with respect to the Assumed Liabilities. Sellers agree to pay, perform and discharge the

Excluded Liabilities as they become due and shall indemnify and hold Buyer harmless with respect to the Excluded Liabilities.

(f) Employee Matters.

(i) Transferred Employees. Prior to the Closing, but effective as of the Closing, Buyer shall make offers of employment to each of the Covered Employees (I) at substantially the same base salaries or, as applicable, base wage rates as are set forth on Schedule 3(j) of the Disclosure Schedule, and (II) that provide for eligibility to participate in Buyer Plans that are substantially comparable or more favorable to the Covered Employee in the aggregate to the Existing Benefits (excluding any severance policies, defined benefit pension, equity compensation programs and annual incentive opportunity), *provided, however*, that such eligibility to participate shall begin on the first day of the calendar month immediately following the Closing Date. Each Covered Employee shall be deemed to have accepted such offer of employment as of the Closing Date by reporting for work at such Covered Employee's normal work location on the Closing Date or, with respect to Covered Employees who, as of the Closing Date, are on Seller-approved leave (including, but not limited to, vacation, sick leave, maternity leave or military leave) (the "Leave Employees"), by reporting for work at such Leave Employee's normal work location (x) with respect to Leave Employees absent due to leave that is not protected under applicable Law, within 90 days after the Closing Date, or (y) with respect to Leave Employees absent due to protected leave under applicable Law, no later than the first business day following the end of the protected leave period (any such Covered Employee or Leave Employee, upon so accepting an offer of employment from Buyer, a "Transferred Employee"). Any Covered Employee, including without limitation, any Leave Employee, who does not report for work at such Covered Employee's normal work location within the applicable timeframes specified above in this Section 6(f)(i) shall be deemed to have rejected Buyer's offer of employment and shall not become or be considered a Transferred Employee for any purposes. Sellers and their Affiliates shall cooperate with and use their best efforts to make the Covered Employees reasonably accessible to Buyer prior to Closing. Sellers and their Affiliates shall terminate for all purposes (including under all Employee Benefit Plans) the employment of all Covered Employees who agree to become Transferred Employees, effective immediately prior to the Closing.

(ii) Service. Buyer shall grant all Transferred Employees credit after the Closing for continuous service with Sellers or any of their respective Affiliates and their respective predecessors prior to the Closing (to the extent such service was recognized by Sellers and their respective Affiliates) for purposes of participation and vesting and, in the case of any Buyer severance plan or program (if any), benefit accruals under any Buyer Plan. Buyer will cause to be waived any waiting period and preexisting condition limitations applicable to Transferred Employees under any group health plan maintained by Buyer or any of its Affiliates in which such Transferred Employees are otherwise permitted to participate. Buyer will take all action necessary to ensure that, to the extent permitted under applicable Buyer Plans, such Transferred Employees are given full credit for all expenses and deductibles incurred under any group health plan sponsored by Sellers or any of their respective Affiliates for the plan year that includes the Closing

Date for the purposes of satisfying the maximum out-of-pocket expense limitations and deductibles under any group health plan sponsored by Buyer or any of its Affiliates in which Transferred Employees participate after the Closing Date.

(iii) **COBRA Liabilities.** Sellers agree and acknowledge that Sellers will retain and will be solely liable for, and that Buyer will not assume, all COBRA Liabilities. Without limiting the foregoing, Sellers agree that Sellers will provide any benefits required under COBRA to any employees of either Seller who do not become Transferred Employees for any reason, and that Sellers will continue after Closing to maintain a “group health plan” (within the meaning of Treasury Regulation 54.5980B-2) under which to provide such benefits.

(iv) **Limitations.** Except as expressly provided in Section 6(f)(i) above, Buyer shall have no obligation to extend offers of employment to any employee or other service provider of either Seller or any Seller Affiliate or to enter or continue any employment or other service relationship with any such employee or service provider. Any employment opportunity offered by Buyer hereunder shall be “at will” and may be terminated by Buyer or any of its affiliates at any time for any reason. Nothing in this Agreement shall: (i) be deemed to prevent or restrict in any way the right of Buyer to terminate, reassign, promote or demote any of the Transferred Employees after the Closing or to change the title, powers, duties, responsibilities, functions, locations, salaries, other compensation or terms or conditions of employment of such Transferred Employees; (ii) create any third-party rights in any Transferred Employees or any current or former employees or other service providers of either Seller or Seller Affiliate (or any beneficiaries or dependents of the foregoing); or (iii) obligate Buyer or its affiliates to adopt or maintain any Buyer Plan or other Employee Benefit Plan or other compensatory arrangement at any time.

(v) **Seller Obligations.**

(A) Sellers shall be and remain solely liable for all wages, remuneration and other obligations and Liabilities, whether actual or contingent: (1) associated with any employee or other service provider of either Seller or any Seller Affiliate (or any dependent thereof) who does not become a Transferred Employee, including in connection with any termination of any such service relationship; (2) that arise in connection with any Transferred Employee (or any dependent thereof) on or prior to the Closing Date and which do not constitute Accrued Employee Obligations; and (3) that arise under or in connection with any Employee Benefit Plan at any time. Without limiting the generality of the foregoing, except with respect to the Accrued Employee Obligations, which Buyer hereby expressly assumes, Buyer shall not, at any time, have any obligation or liability with regard to any severance, retention, employment, change-of-control, pension, retirement, equity or other plan, program, policy or agreement of or with either Seller or any Seller Affiliate.

(B) Sellers shall retain responsibility for and continue to pay all medical, life insurance, disability and other welfare plan expenses and benefits for each Covered Employee with respect to claims incurred by such Covered

Employees or their covered dependents through the end of the month in which the Closing Date occurs. Expenses and benefits with respect to claims incurred by Covered Employees or their covered dependents on or after the end of the month in which the Closing Date occurs, shall be the responsibility of Buyer. For purposes of this paragraph, a claim is deemed incurred: in the case of medical or dental benefits, when the services that are the subject of the claim are performed; in the case of life insurance, when the death occurs; in the case of long-term disability benefits, when the disability occurs; in the case of workers compensation benefits, when the event giving rise to the benefits occurs; and otherwise, at the time the Covered Employee or covered dependent becomes entitled to payment of a benefit (assuming that all procedural requirements are satisfied and claims applications properly and timely completed and submitted).

(vi) Non-Solicitation. For the period from the Closing Date until the second anniversary thereof, neither Seller shall, directly or indirectly, encourage, induce, solicit or attempt to encourage, induce or solicit any Transferred Employee to leave the employ of Buyer. Notwithstanding the foregoing, this Section 6(f)(vi) shall not apply to (i) general solicitations of employment through media advertisements not directly targeting Transferred Employees or (ii) Transferred Employees who were referred by search firms or other similar entities (provided that those entities were not specifically instructed to target Transferred Employees).

(g) Recording of Intellectual Property Assignments. Buyer shall file and record all of the Intellectual Property Assignments with the appropriate Governmental Entities as promptly as practicable following the Closing.

(h) Transfer Taxes. Buyer shall pay (and shall indemnify and hold harmless Sellers and their directors, officers, employees, Affiliates, agents, successors and permitted assigns against) any stamp, documentary, registration, transfer, added-value or similar tax (each a “Transfer Tax”) imposed under applicable Law in connection with the transactions contemplated by Section 2 of this Agreement that are not eliminated through the application of Section 1146(a) of the Bankruptcy Code. Sellers and Buyer shall cooperate to prepare and timely file any Tax Returns required to be filed in connection with Transfer Taxes described in the immediately preceding sentence. Buyer shall be responsible for filing such Tax Returns and remitting the Tax to the applicable taxing authority, including bearing any costs associated with preparing said returns.

(i) Property Taxes. Sellers shall be responsible for and shall promptly pay when due all Property Taxes levied with respect to the Acquired Assets attributable to any Pre-Closing Tax Period. Buyer shall be responsible for and shall promptly pay when due all Property Taxes levied with respect to the Acquired Assets attributable to any Post-Closing Tax Period. All Property Taxes levied with respect to the Acquired Assets for the Straddle Period shall be apportioned between Buyer and Sellers based on the number of days of such Straddle Period included in the Pre-Closing Tax Period and the number of days of such Straddle Period included in the Post-Closing Tax Period. Sellers shall be liable for the proportionate amount of such Property Taxes that is attributable to the Pre-Closing Tax Period, and Buyer shall be liable for the proportionate amount of such Property Taxes that is attributable to the Post-Closing Tax

Period. Upon receipt of any bill for such Property Taxes, Buyer or Sellers, as applicable, shall present a statement to the other Party setting forth the amount of reimbursement to which each is entitled under this Section 6(i) together with such supporting evidence as is reasonably necessary to calculate the proration amount. The proration amount shall be paid by the Party owing it to the other Party within ten (10) days after delivery of such statement. In the event that Buyer or Sellers make any payment for which it is entitled to reimbursement under this Section 6(i), the applicable Party shall make such reimbursement promptly but in no event later than ten (10) days after the presentation of a statement setting forth the amount of reimbursement to which the presenting Party is entitled along with such supporting evidence as is reasonably necessary to calculate the amount of reimbursement.

(j) Wage Reporting. Buyer and Sellers agree to utilize, or cause their respective Affiliates to utilize, the alternate procedure set forth in Internal Revenue Service Revenue Procedure 2004-53 with respect to Covered Employee wage reporting for the year in which the Closing Date occurs.

(k) Use of Name. Sellers agree that, as of Closing, Sellers and Sellers respective Affiliates shall cease any and all use, including in connection with the publication, copying, production, sale, distribution or other exploitation of any assets, of the "CompassLearning" name and any similar names which may give rise to a likelihood of confusion with "CompassLearning," together with the logo used by Sellers in connection therewith prior to Closing. Sellers further agree that Compass will, within ten (10) Business Days of Closing, legally change its name with the Secretary of State of the State of Delaware and cease to be named "CompassLearning, Inc." For the avoidance of doubt, nothing in this Section 6(k) shall be deemed to limit Sellers' and their respective Affiliates' right to use the name "CompassLearning" in connection with filing Tax returns or to describe the historical relationship between Sellers and Compass without suggesting a continuing affiliation with Compass.

7. Conditions to Obligation to Close.

(a) Conditions to Buyer's and Guarantor's Obligations. Buyer's and Guarantor's obligation to consummate the transactions contemplated in this Agreement in connection with the Closing is subject to satisfaction or waiver of the following conditions:

(i) the Bankruptcy Court shall have entered the Bidding Procedures Order and such order shall be a Final Order and reasonably satisfactory to Buyer and Sellers and no order staying, reversing, modifying or amending the Bidding Procedures Order shall be in effect on the Closing Date; and

(ii) the Bankruptcy Court shall have entered the Sale Order and such order shall be a Final Order and reasonably satisfactory to Buyer and Sellers and no order staying, reversing, modifying or amending the Sale Order shall be in effect on the Closing Date;

(iii) the representations and warranties set forth in Section 3 shall be true and correct in all material respects (except where such representation or warranty is already

qualified by materiality or similar standard in which case such representation and warranty shall be true and correct in all respects) when made and at and as of the Closing Date as if made at and as of such time (in either case, except to the extent expressly made as of an earlier date, in which case as of such date as if made at, and as of, such date);

(iv) except for any failure to perform or comply with the covenants and agreements contained in Section 5(c) resulting from an Executive Termination, Sellers shall have performed and complied with their covenants and agreements hereunder through the Closing in all material respects;

(v) Sellers and Buyer shall have received all authorizations, consents and approvals contemplated by Section 5(b) to have been received on or prior to the Closing, and Buyer shall have received evidence of each of the foregoing reasonably satisfactory to it;

(vi) no Governmental Entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Decree that is in effect and that has the effect of making the Closing illegal or otherwise prohibiting the consummation of the Closing;

(vii) there shall not have occurred an event or failure to act that constitutes a Material Adverse Effect;

(viii) Sellers shall have successfully cured any defaults under the Assumed Contracts that are being assumed and assigned at Closing by payment of any Cure Amounts as ordered by the Bankruptcy Court, and Sellers shall have provided Buyer evidence thereof; and

(ix) each delivery contemplated by Section 2(f)(i) to be delivered to Buyer shall have been delivered.

(b) Conditions to Sellers' Obligations. Sellers' obligation to consummate the transactions contemplated in this Agreement in connection with the Closing is subject to satisfaction or waiver of the following conditions:

(i) the representations and warranties set forth in Section 4 shall be true and correct in all material respects (except where such representation or warranty is already qualified by materiality or similar standard in which case such representation and warranty shall be true and correct in all respects) when made and at and as of the Closing Date as if made at and as of such time (in either case, except to the extent expressly made as of an earlier date, in which case as of such date as if made at and as of such date);

(ii) Buyer and Guarantor shall have performed and complied with its covenants and agreements hereunder through the Closing in all material respects;

(iii) Sellers and Buyer shall have received all authorizations, consents and approvals of Governmental Entities contemplated by Section 5(b)(i) to have been

received on or prior to the Closing, and Sellers shall have received evidence of each of the foregoing reasonably satisfactory to them;

(iv) no Governmental Entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Decree that is in effect and that has the effect of making the Closing illegal or otherwise prohibiting the consummation of the Closing; and

(v) each delivery contemplated by Section 2(f)(ii) to be delivered to Sellers shall have been delivered.

(c) No Frustration of Closing Conditions. Neither Buyer nor Sellers may rely on the failure of any condition to its obligation to consummate the transactions contemplated in this Agreement set forth in Section 7(a) or Section 7(b), as the case may be, to be satisfied if such failure was caused by such Party's failure to use its reasonable best efforts (or, where applicable, commercially reasonable efforts) to satisfy the conditions to the consummation of the transactions contemplated in this Agreement or other breach of a representation, warranty or covenant hereunder.

8. Termination.

(a) Termination of Agreement. This Agreement may be terminated and the transactions contemplated in this Agreement abandoned at any time prior to the Closing:

(i) by mutual written consent of Sellers and Buyer;

(ii) by Buyer, if any of the conditions to the obligations of Buyer set forth in Section 7(b) shall have become incapable of fulfillment other than as a result of a breach by Buyer of any covenant or agreement contained in this Agreement and such condition is not waived by Buyer;

(iii) by Sellers, if any condition to the obligations of Sellers set forth in Section 7(b) shall have become incapable of fulfillment other than as a result of a breach by either Seller of any covenant or agreement contained in this Agreement, and such condition is not waived by Sellers;

(iv) by Buyer, if there shall be a breach by either Seller of any representation, warranty, covenant or agreement of such Seller contained in this Agreement which would result in a failure of a condition set forth in Section 7(a), and which breach cannot be cured or has not been cured within seven (7) Business Days after the giving of written notice by Buyer to Sellers of such breach;

(v) by Sellers, if there shall be a breach by Buyer or Guarantor of any representation, warranty, covenant or agreement of Buyer or Guarantor, as applicable, contained in this Agreement which would result in a failure of a condition set forth in Section 7(b), and which breach cannot be cured or has not been cured within seven (7) Business Days after the giving of written notice by Sellers to Buyer of such breach;

(vi) by Buyer or Sellers, upon the Bankruptcy Court's entry of an order approving a Competing Transaction, or by Buyer, upon Sellers' entry into a Competing Transaction (which will be deemed to include the failure of Sellers to identify Buyer as the successful bidder at the conclusion of the Auction (as defined in the Bidding Procedures)) or upon election by either Seller's board of directors to pursue a Competing Transaction;

(vii) by Buyer or Sellers, if there shall be in effect a nonappealable Decree of a Governmental Entity of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby, or the Bankruptcy Court or another court of competent jurisdiction shall stay the Sale Order;

(viii) by Buyer, if any of the Chapter 11 Cases is converted to a case under Chapter 7 of the Bankruptcy Code, a trustee, administrator or examiner with expanded powers is appointed in any of the Chapter 11 Cases, any of the Chapter 11 Cases or any of Sellers files a plan of reorganization or liquidation in its Chapter 11 Case that is inconsistent with any of the terms of this Agreement;

(ix) by Buyer, if a plan of reorganization becomes effective as to either Seller prior to the Closing;

(x) by Buyer, if (a) the Bidding Procedures Order is not entered by December 31, 2009 or (b) the Sale Order is not entered by February 1, 2010; or

(xi) by Buyer or Sellers, as applicable, on any date that is after the Drop Dead Date if the Closing shall not have occurred on or before such date; provided, however, that Buyer or Sellers, as applicable, shall not have the right to terminate this Agreement under this Section 8(a)(xi) if the Closing has not occurred on or before such date solely because of such Party's material failure to fulfill any of its obligations under this Agreement.

(b) Procedure Upon Termination. In the event of termination by Buyer or Sellers, or both, pursuant to Section 8(a), written notice thereof shall forthwith be given to the other Party, and this Agreement shall terminate and the purchase of the Acquired Assets hereunder shall be abandoned, without further action by Buyer or Sellers. If this Agreement is terminated as provided herein, then each Party shall redeliver all documents, work papers and other material of any other Party relating to the transactions contemplated in this Agreement, whether so obtained before or after the execution hereof, to the Party furnishing the same.

(c) Effect of Termination; Break Up Fee.

(i) If any Party terminates this Agreement pursuant to Section 8(a), then all rights and obligations of the Parties hereunder shall terminate upon such termination and shall become null and void (except that Section 1 (Definitions), Section 9 (Miscellaneous), and this Section 8 (Termination) shall survive any such termination in accordance with their terms) and no Party shall have any liability to any other Party hereunder except as expressly set forth in this Section 8 or Section 2(d)(ii).

(ii) If Sellers terminate this Agreement pursuant to Section 8(a)(v), or Section 8(a)(xi), then the Deposit, together with all accrued investment income or interest thereon, shall be delivered to Sellers.

(iii) If this Agreement is terminated (1) by Buyer pursuant to Sections 8(a)(ii), 8(a)(iv), 8(a)(vi), 8(a)(vii), 8(a)(viii), 8(a)(ix), 8(a)(x) or 8(a)(xi) or (2) by either Party or both Parties pursuant to Section 8(a)(i), then the Deposit, together with all accrued investment income or interest thereon, shall be delivered to Buyer.

(iv) If any Party terminates this Agreement pursuant to Section 8(a) (other than a termination pursuant to 8(a)(v) or 8(a)(xi) (but only to the extent the Closing has not occurred on or before the Drop Dead Date solely because of Buyer's material failure to fulfill any of its obligations under this Agreement)), Sellers shall pay to Buyer in immediately available funds the Reimbursable Expenses within five (5) Business Days after the delivery by Buyer to Sellers of notice of demand for payment setting forth a reasonable description of the Reimbursable Expenses.

(v) In addition, in the event that:

(A) Either Buyer or Sellers terminate this Agreement pursuant to (1) Section 8(a)(ii) (unless Buyer's termination is due solely to Sellers' failing to obtain each of the consents listed on Schedule 5(b)(iv) of the Disclosure Schedule) or (2) Section 8(a)(iv) (unless (a) the Buyer is then in material breach of any representation, warranty, covenant or agreement contained in this Agreement or (b) Buyer's termination is due solely to Sellers' failing to obtain each of the consents listed on Schedule 5(b)(iv) of the Disclosure Schedule), Section 8(a)(vi), Section 8(a)(ix), Section 8(a)(x) or Section 8(a)(xi); or

(B) This Agreement is (1) terminated pursuant to Section 8(a) (other than Section 8(a)(v) or Section 8(a)(xi) (and with respect to a termination pursuant to Section 8(a)(xi), the Closing has not occurred on or before the Drop Dead Date solely because of Buyer's material failure to fulfill any of its obligations under this Agreement) and (2) Seller enters into a definitive agreement with respect to a Competing Transaction prior to the six-month anniversary of the date of the Bid Procedures Order,

then, in addition to the Reimbursable Expenses, Buyer shall also be entitled to a cash fee equal to three percent (3%) of the Initial Purchase Price (the "Break Up Fee"), such fee to be paid promptly and in any event within five (5) Business Days of such termination in the event of Section 8(c)(v)(A) or of entering into such agreement in the event of Section 8(c)(v)(B).

(vi) The Break Up Fee payable under the circumstances provided in Section 8(c)(v), together with Reimbursable Expenses to the extent available under Section 8(c)(iv), shall be the exclusive remedy of Buyer and its Affiliates for any termination of this Agreement under Section 8(c)(v). In no event shall Sellers or any of their respective Affiliates have any liability with respect to Buyer or any other Person

hereunder in excess of the applicable Break Up Fee and Reimbursable Expenses in the event that this Agreement terminates under Section 8(c)(v), and any claim, right or cause of action by Buyer or any other Person against Sellers or their respective Affiliates in excess of the Break Up Fee and Reimbursable Expenses is hereby fully waived, released and forever discharged.

(vii) Any obligation to pay the Break Up Fee and Reimbursable Expenses hereunder shall be absolute and unconditional; such payment shall constitute an administrative expense of Sellers' estates under sections 503(b)(1)(A) and 507(a)(2) of the Bankruptcy Code and shall be payable as specified herein, and not subject to any defense, claim, counterclaim, offset, recoupment, or reduction of any kind whatsoever. Sellers and Buyer agree that the Bidding Incentives were a material inducement to Buyer to enter into this Agreement and to consummate the transactions contemplated in this Agreement and shall be payable as specified herein and not subject to any defense, claim, counterclaim, offset, recoupment, or reduction of any kind whatsoever.

(viii) If this Agreement is terminated in accordance with Section 8(a), (x) the Confidentiality Agreement shall survive such termination, and nothing in Section 8(b) or in this Section 8(c) shall relieve Buyer or Sellers of their respective obligations under the Confidentiality Agreement, and (y) Buyer agrees that all prohibitions in the Confidentiality Agreement shall be extended to a period of one (1) year from the date of such termination.

9. Miscellaneous.

(a) Expenses. Except as otherwise provided in this Agreement, Sellers and Buyer shall bear their own expenses, including attorney's fees, incurred in connection with the negotiation and execution of this Agreement and each other agreement, document and instrument contemplated by this Agreement and the consummation of the transactions contemplated hereby and thereby. Notwithstanding the foregoing, in the event of any action or proceeding to interpret or enforce this Agreement, the prevailing Party in such action or proceeding (*i.e.*, the Party who, in light of the issues contested or determined in the action or proceeding, was more successful) shall be entitled to have and recover from the non-prevailing Party such costs and expenses (including all court costs and reasonable attorneys' fees) as the prevailing Party may incur in the pursuit or defense thereof.

(b) Entire Agreement. This Agreement, the other Related Agreements and the Confidentiality Agreement constitute the entire agreement between the Parties and supersede any prior understandings, agreements or representations by or between the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.

(c) Incorporation of Schedules and Exhibits. The Schedules and Exhibits to this Agreement are incorporated herein by reference and made a part hereof.

(d) Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each Party except as expressly provided herein. No waiver of any breach of this Agreement shall be construed as an implied

amendment or agreement to amend or modify any provision of this Agreement. No waiver by any Party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be valid unless the same shall be in writing and signed by the Party making such waiver, nor shall such waiver be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent default, misrepresentation or breach of warranty or covenant. No conditions, course of dealing or performance, understanding or agreement purporting to modify, vary, explain or supplement the terms or conditions of this Agreement shall be binding unless this Agreement is amended or modified in writing pursuant to the first sentence of this Section 9(d). Except where a specific period for action or inaction is provided herein, no delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

(e) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other Parties.

(f) Notices. All notices, requests, demands, claims and other communications hereunder will be in writing except as expressly provided herein. Any notice, request, demand, claim or other communication hereunder shall be deemed duly given (i) when delivered personally to the recipient; (ii) one (1) Business Day after being sent to the recipient by reputable overnight courier service (charges prepaid); or (iii) three (3) Business Days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid, and addressed to the intended recipient as set forth below:

If to Sellers:

c/o WRC Media Inc.
Reader's Digest Road
Pleasantville, New York 10570 7000
Attention: Tom Williams, Senior Vice President and Chief
Financial Officer

with a copy (which shall not constitute notice) to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, New York 10022-4675
Attention: Kirk A. Radke

If to Buyer or Guarantor:

c/o Marlin Equity Partners, LLC
2121 Rosecrans Ave., Suite 4325
El Segundo, CA 90245
Attention: Nick Kaiser and Jonah Sulak

with a copy (which shall not constitute notice) to:

Latham & Watkins LLP
355 South Grand Avenue
Los Angeles, California 90071-1560
Attention: James P. Beaubien

Any Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Party notice in the manner set forth in this Section 9.

(g) Governing Law; Jurisdiction. This Agreement shall in all aspects be governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York (other than Section 5-1401 of the New York general obligations law), except to the extent that the laws are superseded by the Bankruptcy Code, and the obligations, rights and remedies of the Parties shall be determined in accordance with such laws. For so long as Sellers are subject to the jurisdiction of the Bankruptcy Court, the Parties irrevocably elect as the sole judicial forum for the adjudication of any matters arising under or in connection with this Agreement, the other Related Agreements or the transactions contemplated hereby or thereby, and consent to the exclusive jurisdiction of, the Bankruptcy Court. After Sellers are no longer subject to the jurisdiction of the Bankruptcy Court or if the Bankruptcy Court is unwilling or unable to hear any matter arising under or in connection with this Agreement, the other Related Agreements or the transactions contemplated hereby or thereby, such matter shall be brought in the courts of the State of New York sitting in the County of New York or of the United States for the Southern District of New York, and by execution and delivery of this Agreement, each of the Parties consents to the exclusive jurisdiction of those courts. Each of the Parties irrevocably waives any objection, including any objection to the laying of venue or based on the grounds of *forum non conveniens*, which it may now or hereafter have to the bringing of any action or proceeding in such jurisdiction in respect of this Agreement or the transactions contemplated in this Agreement.

(h) Consent to Service of Process. Each of the Parties hereby consents to process being served by any Party in any suit, action or proceeding by delivery of a copy thereof in accordance with the provisions of Section 9(f).

(i) WAIVERS OF JURY TRIAL. EACH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED IN THIS AGREEMENT.

(j) Specific Performance. Each Party acknowledges that damages at law may be an inadequate remedy for the breach of any of the covenants, promises and agreements contained in this Agreement, and, accordingly, any Party hereto shall be entitled to injunctive relief with

respect to any such breach, including, without limitation, specific performance of such covenants, promises or agreements or an order enjoining a party from any threatened, or from the continuation of any actual, breach of the covenants, promises or agreements contained in this Agreement. The rights set forth in this Section 9(j) shall be in addition to any other rights which a Party may have at law or in equity pursuant to this Agreement.

(k) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement. In the event that any of the provisions of this Agreement shall be held by a court or other tribunal of competent jurisdiction to be illegal, invalid or unenforceable, such provisions shall be limited or eliminated only to the minimum extent necessary so that this Agreement shall otherwise remain in full force and effect.

(l) No Survival of Sellers' Representations and Warranties. None of Sellers' representations or warranties in this Agreement shall survive the Closing.

(m) Survival of Covenants and Agreements. All covenants and agreements contained in this Agreement shall survive the Closing in accordance with their respective terms; provided, that any covenant or agreement contained herein whose survival is not limited by its terms shall survive until fully performed in accordance with its terms.

(n) No Third Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns. For avoidance of doubt, and without limitation, the Parties acknowledge and agree that all provisions contained in Section 3(j) and Section 6(f) of this Agreement with respect to employees are included for the sole benefit of the respective Parties and shall not create any right (i) in any other Person, including, without limitation, any employees, former employees, any participant in any Employee Benefit Plan or any beneficiary thereof or (ii) to continued employment with Sellers or Buyer.

(o) Construction.

(i) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of names and pronouns shall include the plural and vice versa. The word “including” and “include” and other words of similar import will be deemed to be followed by the phrase “without limitation.” The words “herein,” “hereto” and “hereby,” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision of this Agreement. References to Articles, Sections, clauses, subclauses, subparagraphs, Annexes and Exhibits herein are references to Articles, Sections, clauses, subclauses, subparagraphs, Annexes and Exhibits of this Agreement. The word “if” and other words of similar import will be deemed to be followed by the phrase “and only if.” Any reference herein to law or to a law, statute, rule or regulation of any Governmental Entity (or any provision thereof) shall include all laws and such law, statute, rule or regulation promulgated thereunder (or

provision thereof), including any successor thereto, as it may be amended from time to time. Any reference herein to “dollars” or “\$” shall mean United States dollars.

(ii) The Disclosure Schedules are hereby incorporated by reference into the sections in which they are directly referenced and nothing in the Disclosure Schedules shall be deemed adequate to disclose an exception to a representation or warranty made herein unless the Disclosure Schedules identify the exception with reasonable particularity and describes the relevant facts in reasonable detail. Without limiting the generality of the foregoing, the mere listing (or inclusion of a copy) of a document or other item shall not be deemed adequate to disclose an exception to a representation or warranty made herein unless the representation or warranty has to do with the existence of the document or other item itself and the provision of monetary or other quantitative thresholds for disclosure on the Disclosure Schedules does not and shall not be deemed to create or imply a standard of materiality hereunder.

(iii) After the execution of this Agreement, Buyer may add or delete Assumed Contracts from Annex A of this Agreement upon written notice to Sellers, which shall be delivered up until 12:00 PM New York time on the 10th day prior to Closing; provided that unless Buyer consents no disclosure pursuant to any such amendment by Buyer shall be deemed to amend or supplement any of the Disclosure Schedules, to prevent or cure any misrepresentation, breach of warranty or breach of covenant. For avoidance of doubt, any written notice delivered according to the terms of Section 9(f) of additions or deletions of Assumed Contracts from Annex A of this Agreement received by Sellers after 12:00 PM New York time on the 10th day prior to Closing shall be null and void in all respects.

(p) Computation of Time. In computing any period of time prescribed by or allowed with respect to any provision of this Agreement that relates to Sellers or the Chapter 11 Cases, the provisions of rule 9006(a) of the Federal Rules of Bankruptcy Procedure shall apply.

(q) Mutual Drafting. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

(r) Headings; Table of Contents. The Section headings and the table of contents contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(s) Counterparts; Facsimile or Email Signatures. This Agreement may be executed in one (1) or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. This Agreement or any counterpart may be executed and delivered by facsimile or email with scan attachment copies or pdf, each of which shall be deemed an original.

(t) Time of Essence. Time is of the essence of this Agreement.

(u) **Guaranty.**

(i) Subject to the conditions and limitations as set forth below, Guarantor hereby absolutely, irrevocably and unconditionally guarantees, as principal and not as surety, to Sellers the due and punctual payment and performance of all obligations of Buyer under this Agreement (the guaranty obligations under this Section 9(u)(i), collectively, the “Guarantied Obligations”).

(ii) Guarantor guarantees that the Guarantied Obligations will be duly and punctually paid and fully and completely performed (in the case of performance, as if Guarantor were the primary obligor) in accordance with the terms of this Agreement. If for any reason Buyer shall fail or be unable duly and punctually to pay or fully and completely to perform any Guarantied Obligation as and when the same shall become due or otherwise required, then Guarantor shall, subject to the terms and conditions of this Agreement, forthwith duly and punctually pay or fully and completely perform such Guarantied Obligation (in the case of performance, as if Guarantor was the primary obligor). Guarantor further agrees that this Agreement, to the extent it requires the payment of money, constitutes a guaranty of payment when due and not of collection and is in no way conditioned or contingent upon any attempt to collect from Buyer.

(iii) Guarantor hereby unconditionally waives (A) any and all notices, including promptness, diligence, notice of acceptance of this Agreement and any other notice with respect to any of the Guarantied Obligations and this Agreement, (B) any presentment, demand, performance, protest, notice of nonpayment as the same pertains to Buyer, suit or the taking of other action by either Seller against, and any other notice to, Buyer, Guarantor or others with respect to any of the Guarantied Obligations, (C) any right to require either Seller to proceed against Buyer or to exhaust any security held by either Seller or to pursue any other remedy with respect to any of the Guarantied Obligations, (D) any defense based upon an election of remedies by Sellers, unless the same would excuse performance by Buyer under this Agreement with respect to any of the Guarantied Obligations and (E) any duty of Sellers to advise Guarantor of any information known to Sellers regarding Buyer or its ability to perform under this Agreement with respect to any of the Guarantied Obligations. Each Seller may at any time, and from time to time, without notice to, or consent of, Guarantor and without impairing or releasing the obligations of Guarantor hereunder, with respect to any of the Guarantied Obligations, (1) agree with Buyer or Guarantor to make any change in the terms of the Guarantied Obligations, (2) take or fail to take any action of any kind in respect of any security for the Guarantied Obligations, (3) exercise or refrain from exercising any rights against Buyer or Guarantor, or (4) compromise or subordinate the Guarantied Obligations, including any security therefor. Any other suretyship defenses are hereby waived by Guarantor with respect to any of the Guarantied Obligations.

(iv) The provisions of this Section 9(u) shall continue to be effective or be reinstated, as the case may be, if (A) at any time and to the extent that any payment of any of the Guarantied Obligations is rescinded or must otherwise be returned by the payee thereof upon the insolvency, bankruptcy, reorganization or similar event of Buyer or Guarantor, all as though such payment had not been made, or (B) the obligations of

Guarantor under this Section 9(u), with respect to any of the Guarantied Obligations, are released in consideration of a payment of money or transfer of property by Buyer or any other Person and to the extent that such payment, transfer or grant is rescinded or must otherwise be returned by the recipient thereof upon the insolvency, bankruptcy, reorganization or similar event of Buyer, Guarantor or such other Person, all as though such payment, transfer or grant had not been made. Notwithstanding anything to the contrary contained herein, nothing in this Section 9(u) shall be deemed to constitute a waiver of, or prevent Guarantor from asserting, any valid defense that may be assertable by Buyer.

[END OF PAGE]
[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

SELLERS:

WRC MEDIA INC.

By: Tom Williams
Name: Thomas A. Williams
Title: Vice President

COMPASSLEARNING, INC.

By: Tom Williams
Name: Thomas A. Williams
Title: Vice President

Signature page to Asset Purchase Agreement

BUYER:

**COMPASSLEARNING ACQUISITION
CORPORATION**

By: 
Name: Nick Kaiser
Title:

GUARANTOR:

MARLIN EQUITY II, L.P.

By: Marlin Equity Partners II, L.P.

Its: General Partner

By: Marlin Ultimate GP, LLC

Its: General Partner

By: 
Name: Nick Kaiser
Title: Partner

Exhibit A
Form of Bidding Procedures

[see attached]

FORM OF BIDDING PROCEDURES

These Bidding Procedures (these “Bidding Procedures”) set forth the process by which WRC Media, Inc. and CompassLearning, Inc. (“Compass,” and together with WRC Media, Inc., collectively, the “Sale Debtors”) are authorized to conduct the sale (the “Sale”) by auction (the “Auction”) of substantially all of Compass’ assets, defined as the “Acquired Assets” in the Asset Purchase Agreement dated as of November 30, 2009 by and among the Sale Debtors, CompassLearning Acquisition Corporation (the “Stalking Horse Bidder”) and Marlin Equity II, L.P., as guarantor (the “Stalking Horse APA”), pursuant to the terms and conditions substantially in the form of the Stalking Horse APA. Capitalized terms used herein but not otherwise defined shall have the meanings set forth in the Stalking Horse APA.

These Bidding Procedures have been approved by an order dated [____], 2009 (the “Bidding Procedures Order”), entered by the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”), in which the jointly administered chapter 11 bankruptcy cases, Case No. 09-23529 (RDD) of the Sale Debtors and certain of their affiliates (collectively, “RDA”) are pending. Any party seeking to obtain a copy of the Stalking Horse APA or these Bidding Procedures Order may do so by contacting Kurtzman Carson Consultants LLC, Compass’ notice and claims agent, at (888) 733-1416 or by accessing the case website at <http://www.kccllc.net/readers>.

1. Assets to be Sold.

These Bidding Procedures set forth the terms by which prospective bidders, if any, may qualify for and participate in the Auction, thereby competing to make the highest or otherwise best offer for all of the Acquired Assets and all of the Assumed Liabilities, as identified in further detail and defined in the Stalking Horse APA.

2. Stalking Horse Bidder

On November 30, 2009, the Sale Debtors and the Stalking Horse Bidder entered into the Stalking Horse APA for the sale of substantially all of the Acquired Assets pursuant to which: (i) the Stalking Horse Bidder agreed to pay \$20,250,000 (the “Stalking Horse Bid”) for the Acquired Assets, subject to the outcome of the Auction and Bankruptcy Court approval; and (ii) the Sale Debtors agreed, in part, in the event that the Bankruptcy Court approves the purchase of substantially all of the Acquired Assets by any Person other than the Stalking Horse Bidder to (a) pay the Stalking Horse Bidder a break up fee in the amount of three percent (3%) of the Stalking Horse Bid (the “Break Up Fee”) and (b) reimburse the Stalking Horse Bidder’s reasonable out-of-pocket expenses up to an aggregate amount equal to Three Hundred Thousand Dollars (\$300,000) (the “Reimbursable Expenses”).

3. Participation Requirements.

To participate in the bidding process or otherwise be considered for any purpose hereunder, a person (other than the Stalking Horse Bidder) interested in the Acquired Assets (a “Potential Bidder”) must, on or before December 31, 2009, deliver (unless previously delivered) to each of (a) counsel to Compass, Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York 10022, Attn: Paul M. Basta, Esq., Nicole Greenblatt, Esq. and Kirk A. Radke, Esq.;

(b) the financial advisor to Compass, Miller Buckfire, Inc., 601 Lexington Avenue, New York, New York 10022, Attn: John Cesarz; (c) counsel to the agent for Compass' postpetition and prepetition secured lenders (the "Lenders"), Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, New York 10017, Attn: Peter V. Pantaleo, Esq. And Morris J. Massel, Esq.; (d) counsel to the official committee of unsecured creditors (the "Creditors' Committee"), Otterbourg, Steindler, Houston & Rosen, P.C., 230 Park Avenue, New York, New York 10169, Attn: Scott L. Hazan, Esq. and David M. Posner, Esq.; (e) and counsel to the Stalking Horse Bidder, Latham & Watkins LLP, 355 South Grand Avenue, Los Angeles, CA 90071, Attn: Gregory O. Lunt, Esq., the following documents (the "Preliminary Bid Documents") to participate in the bidding process:

- (a) an executed confidentiality agreement (each, a "Confidentiality Agreement") reasonably acceptable to RDA and containing terms in the aggregate no less favorable to RDA in any material respect (other than with respect to the effective periods and the non-disclosure and non-solicitation provisions contained therein, all of which terms shall be commercially reasonable) than those contained in the confidentiality agreement by and among the Stalking Horse Bidder, RDA and certain of their respective affiliates;
- (b) a non-binding indication of interest with respect to the purchase of all of the Acquired Assets and the assumption of all of the Assumed Liabilities; and
- (c) preliminary proof by the Potential Bidder of its financial capacity to close a proposed transaction, which may include current unaudited or verified financial statements of, or verified financial commitments obtained by, the Potential Bidder (or, if the Potential Bidder is an entity formed for the purpose of acquiring the property to be sold, the party that will bear liability for a breach), the adequacy of which the Sale Debtors and its advisors will determine.

Within two (2) Business Days after a Potential Bidder delivers the Preliminary Bid Documents, the Sale Debtors shall determine and notify the Potential Bidder whether such Potential Bidder has submitted acceptable Preliminary Bid Documents so that the Potential Bidder may conduct a due diligence review with respect to Compass. Only those Potential Bidders that have submitted acceptable Preliminary Bid Documents (each, an "Acceptable Bidder") may submit bids to purchase all of the Acquired Assets and all of the Assumed Liabilities. The Stalking Horse Bidder shall at all times be deemed an Acceptable Bidder.

4. Obtaining Due Diligence Access.

After receipt of an executed Confidentiality Agreement and notification of Acceptable Bidder status, the Sale Debtors shall provide each Acceptable Bidder reasonable due diligence information, as requested, as soon as reasonably practicable after such request, which information shall be commensurate with that information given to the Stalking Horse Bidder. To the extent the Sale Debtors give any information to any Acceptable Bidder that they had not previously provided to the Stalking Horse Bidder, the Sale Debtors shall promptly provide such information to the Stalking Horse Bidder. The due diligence period will end on the Bid Deadline (as defined herein).

In connection with the provision of due diligence information to Acceptable Bidders, the Sale Debtors shall not furnish any confidential information relating to Compass, the Acquired Assets, or the Sale to any person except an Acceptable Bidder or such Acceptable Bidder's duly-authorized representatives to the extent provided in the applicable Confidentiality Agreement.

Compass along with its advisors shall coordinate all reasonable requests for additional information and due diligence access from Acceptable Bidders; provided, however, the Sale Debtors may decline to provide such information to Acceptable Bidders who, in the Sale Debtors' reasonable business judgment, have not established that such Acceptable Bidders intend in good faith to or have the capacity to consummate the purchase of all of the Acquired Assets. No conditions relating to the completion of due diligence shall be permitted to exist after the Bid Deadline.

The Sale Debtors designate Miller Buckfire & Co., LLC to coordinate all reasonable requests for additional information and due diligence access.

5. **Bid Requirements.**

To participate in the Auction, an Acceptable Bidder (other than the Stalking Horse Bidder) must deliver to Compass and its advisors a written irrevocable offer that must:

- (a) be in writing;
- (b) at a minimum, exceed the aggregate sum of the following: (i) the Stalking Horse Bid; (ii) the Break Up Fee; (iii) the maximum Reimbursable Expenses; and (iv) the minimum bid increment of Five Hundred Thousand Dollars (\$500,000) (such aggregate sum, the "Minimum Initial Bid Increment") (all of which must be in cash, marketable securities that are freely tradable with readily ascertainable value, and/or the assumption of administrative expense liabilities);
- (c) constitute a good faith, bona fide offer to purchase all or substantially all of the Acquired Assets and to assume all or substantially all of the Assumed Liabilities;
- (d) be accompanied by a clean and a duly executed copy of the Stalking Horse APA and the documents set forth as schedules and exhibits thereto, along with copies that are marked to reflect the amendments and modifications from the Stalking Horse APA executed with Stalking Horse Bidder, which may not be materially more burdensome to the Sale Debtors or inconsistent with these Bidding Procedures;
- (e) identify with particularity each and every condition to closing, including the executory contracts and unexpired leases for which assumption and assignment is required;
- (f) not be conditioned on any contingency, including, among others, on obtaining any of the following: (i) financing, (ii) shareholder, board of directors or other approval, and/or (iii) the outcome or completion of a due diligence review by the Potential Bidder; and

- (g) must remain irrevocable until 48 hours after the Auction.

In addition to the above, each Acceptable Bidder shall:

- (h) provide the Sale Debtors, on or before the Bid Deadline, with sufficient and adequate information to demonstrate, to the satisfaction of RDA, that such Potential Bidder has the financial wherewithal and ability to consummate the acquisition of all or substantially all of the Acquired Assets and the assumption of all or substantially all of the Assumed Liabilities;
- (i) fully disclose the identity of each entity that will be bidding for or purchasing of all or substantially all of the Acquired Assets and assuming all or substantially all of the Assumed Liabilities or otherwise participating in connection with such bid, and the complete terms of any such participation, along with sufficient evidence that the Acceptable Bidder is legally empowered, by power of attorney or otherwise, to complete the transactions on the terms contemplated by the parties;
- (j) on or before the Bid Deadline, submit a cash deposit equal to One and One-Half Million Dollars (\$1,500,000) plus the maximum Reimbursable Expenses in the amount of Three Hundred Thousand Dollars (\$300,000) for a total deposit of \$1,800,000, by wire transfer of immediately available funds to an account or accounts designated by the Sale Debtors (the "Good Faith Deposit"); and
- (k) not be entitled to any break-up fee, transaction fee, termination fee, expense reimbursement or any similar type of payment or reimbursement.

Bids fulfilling all of the preceding requirements shall be deemed to be "Qualified Bids," and those parties submitting Qualified Bids shall be deemed to be "Qualified Bidders." Within two (2) Business Days after the Bid Deadline, the Sale Debtors shall determine which Acceptable Bidders are Qualified Bidders after consultation with its advisors and the advisors to the Lenders and the Creditors' Committee and will notify the Acceptable Bidders and the Stalking Horse Bidder whether bids submitted constitute Qualified Bids so as to enable such Qualified Bidders to bid at the Auction (as defined below). Any bid that is not deemed a "Qualified Bid" shall not be considered by the Sale Debtors. The Stalking Horse Bidder shall be deemed to be a Qualified Bidder. The Stalking Horse APA submitted by the Stalking Horse Bidder and any additional bids timely submitted by the Stalking Horse Bidder (to the extent such bids are generally consistent with the terms of the Stalking Horse APA) shall be deemed Qualified Bids, qualifying the Stalking Horse Bidder to participate in the Auction.

6. Bid Deadline.

Binding bids must be received by each of the Sale Debtors, the Stalking Horse Bidder, their respective advisors, the advisors to the Lenders and the Creditors' Committee, in each case so as to be actually received no later than 5:00 p.m. (prevailing Eastern Time) on January 5, 2010 (the "Bid Deadline").

7. Evaluation of Qualified Bids.

Prior to the Auction, the Sale Debtors shall evaluate Qualified Bids and identify the Qualified Bid that is, in the Sale Debtors' judgment, the highest or otherwise best bid (the "Starting Bid"). Within 24 hours of such determination, but in no event later than one (1) Business Day prior to the date of the Auction, the Sale Debtors' shall notify the Stalking Horse Bidder as to which Qualified Bid is the Starting Bid. The Sale Debtors shall distribute copies of the Starting Bid to each Qualified Bidder who has submitted a Qualified Bid.

8. No Qualified Bids.

If no Qualified Bids are received by the Bid Deadline, then the Auction will not occur, the Stalking Horse APA will be deemed the Successful Bid (as defined herein) and, subject to the Sale Debtors' termination rights under the APA, the Sale Debtors will immediately pursue entry of an order by the Bankruptcy Court approving the Stalking Horse APA and authorizing the sale of the Acquired Assets and the transfer of the Assumed Liabilities to the Stalking Horse Bidder.

9. Auction.

If one or more Qualified Bids are received by the Bid Deadline, then the Sale Debtors shall conduct an auction (the "Auction") with respect to the Acquired Assets. The Auction shall commence on January 7, 2010 at the offices of Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York 10022, or such later time or other place as the Sale Debtors shall timely notify the Stalking Horse Bidder and all other Qualified Bidders following consultation with the advisors to the Lenders and the Creditors' Committee.

The Auction will be conducted in accordance with the following procedures (the "Auction Procedures"):

- (a) the Auction will be conducted openly;
- (b) only the Qualified Bidders, including the Stalking Horse Bidder, shall be entitled to bid at the Auction;
- (c) the Qualified Bidders, including the Stalking Horse Bidder, shall appear in person or through duly-authorized representatives at the Auction;
- (d) only such authorized representatives of each of the Qualified Bidders, the Stalking Horse Bidder, the Sale Debtors, their respective advisors, the advisors to the Lenders and the Creditors' Committee shall be permitted to attend the Auction;
- (e) bidding at the Auction shall begin at the Starting Bid;
- (f) subsequent bids at the Auction, including any bids by Stalking Horse Bidder, shall be made in minimum increments of Two Hundred and Fifty Thousand Dollars (\$250,000);

- (g) the Stalking Horse Bidder shall receive a credit equal to the sum of the Break Up Fee and the Reimbursable Expenses when bidding at the Auction.
- (h) each Qualified Bidder will be informed of the terms of the previous bids;
- (i) the bidding will be transcribed to ensure an accurate recording of the bidding at the Auction;
- (j) each Qualified Bidder will be required to confirm on the record of the Auction that it has not engaged in any collusion with respect to the bidding or the Sale;
- (k) absent irregularities in the conduct of the Auction, the Bankruptcy Court will not consider bids made after the Auction is closed; and
- (l) the Auction shall be governed by such other Auction Procedures as may be announced by the Sale Debtors, after consultation with its advisors as well as the advisors to the Lenders and the Creditors' Committee, from time to time on the record at the Auction; provided, that any such other Auction Procedures shall not be inconsistent with any order of the Bankruptcy Court.

10. Acceptance of the Successful Bid.

Upon the conclusion of the Auction (if such Auction is conducted), the Sale Debtors, in the exercise of their reasonable, good-faith business judgment, and after consulting with their advisors, shall identify the highest or otherwise best bid (the "Successful Bid"). The Qualified Bidder having submitted a Successful Bid will be deemed the "Successful Bidder." The Successful Bidder and the Sale Debtors shall, as soon as commercially reasonable and practicable, complete and sign all agreements, contracts, instruments or other documents evidencing and containing the terms upon which such Successful Bid was made.

The Sale Debtors will present the results of the Auction to the Bankruptcy Court at the Sale Hearing (as defined below), at which certain findings will be sought from the Bankruptcy Court regarding the Auction, including, among other things, that (a) the Auction was conducted, and the Successful Bidder was selected, in accordance with these Bidding Procedures, (b) the Auction was fair in substance and procedure, (c) the Successful Bid was a Qualified Bid as defined in these Bidding Procedures, and (d) consummation of the Sale contemplated by the Successful Bid will provide the highest or otherwise best value for all of the Acquired Assets and all of the Assumed Liabilities and is in the best interests of the Sale Debtors.

If an Auction is held, the Sale Debtors shall be deemed to have accepted a Qualified Bid only when (a) such bid is declared the Successful Bid at the Auction and (b) definitive documentation has been executed in respect thereof. Such acceptance is conditioned upon approval by the Bankruptcy Court of the Successful Bid and the entry of an Order approving such Successful Bid.

11. Sale Hearing.

A hearing to consider approval of the Sale of all of the Acquired Assets and the transfer of all of the Assumed Liabilities to the Successful Bidder (or to approve the Stalking Horse APA if no Auction is held) (the “Sale Hearing”) is presently scheduled to take place on [●], 2010 at [11:00 a.m.] (prevailing Eastern Time), or as soon thereafter as counsel may be heard, before the Honorable Robert D. Drain, United States Bankruptcy Judge at the Hon. Charles L. Brieant Jr. Federal Building and Courthouse, Room 116, 300 Quarropas Street, White Plains, New York 10601-4140.

The Sale Hearing may be continued to a later date by the Sale Debtors by sending notice prior to, or making an announcement at, the Sale Hearing. No further notice of any such continuance will be required to be provided to any party.

At the Sale Hearing, the Sale Debtors shall present the Successful Bid to the Bankruptcy Court for approval.

12. Designation of Back-Up Bidder.

If for any reason the Successful Bidder fails to consummate the purchase of the Acquired Assets within the time permitted after the entry of the Sale Order approving the Sale to the Successful Bidder, then the Qualified Bidder with the second highest or otherwise best bid for the Acquired Assets (the “Back-Up Bidder”), as determined by the Sale Debtors after consultation with their advisors at the conclusion of the Auction and announced at that time to all the Qualified Bidders participating therein and to the advisors to the Lenders and the Creditors’ Committee, will automatically be deemed to have submitted the highest or otherwise best bid, and the Sale Debtors and the Back-Up Bidder will be authorized, but not required, to consummate the Sale with the Back-Up Bidder as soon as is commercially reasonable without further order of the Bankruptcy Court upon at least twenty-four (24) hours advance notice, which notice will be filed with the Bankruptcy Court.

13. Break Up Fee and Expense Reimbursement.

The Sale Debtors shall be obligated to pay to the Stalking Horse Bidder, by wire transfer in immediately available funds to an account designated by the Stalking Horse Bidder, all amounts due to the Stalking Horse Bidder, including the Break Up Fee and the Reimbursable Expenses, in each instance in accordance with the applicable provisions of the Stalking Horse APA.

14. Return of Good Faith Deposit.

The Good Faith Deposit of the Successful Bidder shall, upon consummation of the purchase of all of the Acquired Assets and all of the Assumed Liabilities, be credited to the purchase price paid for all of the Acquired Assets and all of the Assumed Liabilities. If the Successful Bidder fails to consummate the purchase of all of the Acquired Assets and all of the Assumed Liabilities, then the Good Faith Deposit shall be forfeited to, and retained irrevocably by, Compass.

The Good Faith Deposit of any unsuccessful Qualified Bidders (except for the Stalking Horse Bidder) will be returned within fifteen (15) days after consummation of the Sale or upon the permanent withdrawal of the proposed Sale of all of the Acquired Assets and all of the Assumed Liabilities. The Good Faith Deposit of the Stalking Horse Bidder shall be returned in accordance with the terms of the Stalking Horse APA.

15. Reservation of Rights.

The Sale Debtors reserve their rights, following consultation with their advisors and the advisors to the Lenders and the Creditors' Committee, and with the consent of the Stalking Horse Bidder (whose consent shall not be unreasonably withheld) to modify these Bidding Procedures in any manner that will best promote the goals of the bidding process or impose, at or prior to the Auction, additional customary terms and conditions on the Sale of all of the Acquired Assets and all of the Assumed Liabilities, including, without limitation, modifying the requirements for a Qualified Bid, extending the deadlines set forth in these Bidding Procedures, adjourning the Auction at the Auction and/or adjourning the Sale Hearing in open court without further notice, canceling the Auction, and rejecting any or all Qualified Bids (excluding, for the avoidance of doubt, the Stalking Horse Bidder's offer pursuant to the Stalking Horse APA) if, in the Sale Debtors' business judgment, following consultation with their advisors, the Sale Debtors determine that such Qualified Bid (a) is inadequate or insufficient, (b) not in conformity with the requirements of the Bankruptcy Code or any related rules or the terms set forth herein, or (c) contrary to the best interests of the Sale Debtors; provided, that if the Sale Debtors cancel the Auction, or reject all Qualified Bids other than Stalking Horse Bidder's, the Sale Debtors shall promptly pursue entry of an order by the Bankruptcy Court authorizing consummation of the Sale of all of the Acquired Assets and the transfer of all of the Assumed Liabilities to the Stalking Horse Bidder.

The Sale Debtors shall provide to the Stalking Horse the information and documents specified in the Stalking Horse APA relating to the Auction and other bids within the time period and on the terms and conditions set forth in the Stalking Horse APA.

Notwithstanding anything contained in these Bidding Procedures or the Bidding Procedures Order to the contrary, nothing herein or therein will in any way impair or enhance, alter or otherwise affect any and all rights that any individual Lender, group of Lenders or collateral agent may have to "credit bid" pursuant to section 363(k) of the Bankruptcy Code or other applicable law.

Exhibit B

Form of Sale Order

[see attached]

EXHIBIT B
FORM OF SALE ORDER
PROPOSED ORDER -- NOT YET ENTERED BY THE BANKRUPTCY COURT
Hearing Date: December 18, 2009 at 10:00 a.m. (ET)
Objection Deadline: December 13, 2009 at 4:00 p.m. (ET)

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:))
		Chapter 11
)	
THE READER'S DIGEST ASSOCIATION, INC., <i>et al.</i> ¹)	Case No. 09-23529 (RDD)
)	
Debtors.)	Jointly Administered
)	

**ORDER AUTHORIZING (A) THE
SALE OF SUBSTANTIALLY ALL OF THE ASSETS OF
COMPASSLEARNING, INC. FREE AND CLEAR OF ALL CLAIMS, LIENS,
RIGHTS, INTERESTS AND ENCUMBRANCES; (B) THE SALE
DEBTORS TO ENTER INTO AND PERFORM THEIR OBLIGATIONS
UNDER THE ASSET PURCHASE AGREEMENT; AND (C) THE SALE DEBTORS TO
ASSUME AND ASSIGN CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED
LEASES**

Upon the motion (the “Sale Motion”) [Docket No. 10],² dated 10/20/2009, of WRC Media, Inc. and CompassLearning, Inc. (collectively, the “Sale Debtors”) for entry of orders, pursuant to

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Alex Inc. (5531); Allrecipes.com, Inc. (3797); Ardee Music Publishing, Inc. (2291); Christmas Angel Productions, Inc. (2729); CompassLearning, Inc. (6535); Direct Entertainment Media Group, Inc. (2306); Direct Holdings Americas Inc. (1045); Direct Holdings Custom Publishing Inc. (7452); Direct Holdings Customer Service, Inc. (9015); Direct Holdings Education Inc. (5535); Direct Holdings Libraries Inc. (7299); Direct Holdings U.S. Corp. (4998); Funk & Wagnalls Yearbook Corp. (3787); Gareth Stevens, Inc. (2742); Home Service Publications, Inc. (9525); Pegasus Asia Investments Inc. (0077); Pegasus Investment, Inc. (4252); Pegasus Sales, Inc. (3259); Pleasantville Music Publishing, Inc. (2289); R.D. Manufacturing Corporation (0230); RD Large Edition, Inc. (1489); RD Publications, Inc. (9115); RD Walking, Inc. (6509); RDA Holding Co. (7045); RDA Sub Co. (0501); Reader’s Digest Children’s Publishing, Inc. (6326); Reader’s Digest Consumer Services, Inc. (8469); Reader’s Digest Entertainment, Inc. (4742); Reader’s Digest Financial Services, Inc. (7291); Reader’s Digest Latinoamerica, S.A. (5836); Reader’s Digest Sales and Services, Inc. (2377); Reader’s Digest Sub Nine, Inc. (2727); Reader’s Digest Young Families, Inc. (6158); Reiman Manufacturing, LLC (8760); Reiman Media Group, Inc. (1192); Retirement Living Publishing Company, Inc. (9118); Saguaro Road Records, Inc. (2310); Taste of Home Media Group, Inc. (1190); Taste of Home Productions, Inc. (1193); The Reader’s Digest Association, Inc. (6769); Travel Publications, Inc. (2927); W.A. Publications, LLC (0229); WAPLA, LLC (9272); Weekly Reader Corporation (3780); Weekly Reader Custom Publishing, Inc. (3276); World Almanac Education Group, Inc. (3781); World Wide Country Tours, Inc. (Continued...)

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11 U.S.C. §§ 105(a), 363, 365, 503 and 507, and FED. R. BANKR. P. 2002, 6004, 6006, 9007, 9014 and 9019 (a) authorizing and approving the entry into, performance under and terms and conditions of the APA, substantially in the form attached hereto as Exhibit A, whereby the Sale Debtors have agreed to sell, and CompassLearning Acquisition Corporation (“Buyer”) has agreed to buy, substantially all of the Sale Debtors' operating assets (specifically as set forth and defined in the APA, the “Acquired Assets”), free and clear of all Claims (as defined below), and the Sale Debtors have agreed to transfer and Buyer has agreed to assume certain of the Sale Debtors' liabilities (specifically as set forth and defined in the APA, the “Assumed Liabilities”) (collectively, and including all actions taken or required to be taken in connection with the implementation and consummation of the APA, the “Transactions”); (b) authorizing and approving the sale of the Acquired Assets free and clear of any and all Liens (including, without limitation, any and all “liens” as defined in § 101(37) of the Bankruptcy Code, but excluding any Permitted Liens or Liens created by Buyer), Liabilities (other than Assumed Liabilities), claims (including, without limitation, any and all “claims” as defined in § 101(5) of the Bankruptcy Code), interests, deeds of trust, guarantees, security agreements, options, easements, servitudes, rights-of-way, encroachments, hypothecations, charges, obligations, rights and restrictions in or with respect to any of the Acquired Assets (including, without limitation, any statutory lien on real and personal property), regardless of whether known or unknown, secured or in the nature of

(1189); WRC Media, Inc. (6536). The location of the Debtors' corporate headquarters is: 1 Reader's Digest Road, Pleasantville, NY 10570.

² Unless otherwise stated, all capitalized terms not defined herein shall have the same meaning as set forth in the Asset Purchase Agreement dated as of November 30, 2009 (collectively with all related agreements, documents or instruments and all exhibits, schedules and addenda to any of the foregoing, the “APA”) by and among the Sale Debtors, CompassLearning Acquisition Corporation, as buyer, and Marlin Equity II, L.P., as guarantor and the Sale Motion, as applicable.

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setoff or recoupment, inchoate, contingent, liquidated, matured, whether arising prior to or subsequent to the commencement of the Chapter 11 Cases, and whether imposed by agreement, understanding, law, equity, or otherwise, environmental claims, all change in control provisions, any products liability claims, claims under employee benefit plans, claims under applicable labor and employment law, all rights to object or consent to the effectiveness of the transfer of the Acquired Assets to Buyer or to be excused from accepting performance by Buyer or performing for the benefit of Buyer under any Assumed Contract (collectively and including to the extent not already specified above, Successor or Transferee Liability, as defined in paragraph 15 below, but excluding the Assumed Liabilities, the “Claims”); (c) authorizing the assumption and assignment to Buyer of certain executory contracts and unexpired leases of the Sale Debtors (collectively, the “Assumed Contracts”) in accordance with the provisions of the Bidding Procedures Order (defined below) and the APA; and (d) granting other relief; and the Court having entered an order approving the bidding procedures and granting certain related relief on [•], 2009 [Docket No. [•]] (the “Bidding Procedures Order”); and an auction conducted in accordance with the Bidding Procedures Order (the “Auction”) having been held on January 7, 2010 pursuant to the Bidding Procedures Order; and Buyer having submitted the highest and best offer at the Auction; and the Court having conducted a hearing on the Sale Motion on January 11, 2010 (the “Sale Hearing”) at which time all interested parties were offered an opportunity to be heard with respect to the Sale Motion; and the Court having reviewed and considered the Sale Motion, the APA, the Bidding Procedures Order, the record of the hearing before the Court on [____], 2010 at which the Bidding Procedures Order was approved and all objections to the Transactions and the APA filed in accordance with the Bidding Procedures Order; and having heard statements of counsel and the evidence presented in support of the relief requested in the

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Sale Motion at the Sale Hearing; and it appearing that due notice of the Sale Motion, the APA, the Bidding Procedures Order and the Auction has been provided; and it appearing that the relief requested in the Sale Motion is in the best interests of the Sale Debtors, their estates, their stakeholders and all other parties-in-interest; and it appearing that the Court has jurisdiction over this matter; and it further appearing that the legal and factual bases set forth in the Sale Motion and at the Sale Hearing establish just cause for the relief granted herein; and after due deliberation thereon,

THE COURT EXPRESSLY FINDS AS FOLLOWS:

Jurisdiction, Venue and Final Order

A. This Court has jurisdiction to hear and determine the Sale Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N) and (O). Venue is proper in this District and in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

B. This Order constitutes a final and appealable order within the meaning of 28 U.S.C. § 158(a). Notwithstanding FED. R. BANKR. P. 6004(h) and 6006(d), and to any extent necessary under FED. R. BANKR. P. 9014 and Rule 54(b) of the Federal Rules of Civil Procedure, as made applicable by FED. R. BANKR. P. 7054, the Court expressly finds that there is no just reason for delay in the implementation of this Order, and expressly directs entry of judgment as set forth herein.

Notice of the Transactions, APA, Sale Hearing, Auction and the Cure Amounts

C. As evidenced by the affidavits of service previously filed with this Court, proper, timely, adequate and sufficient notice of the Sale Motion, the Auction, the Sale Hearing, the APA and the Transactions has been provided in accordance with §§ 102(1), 363 and 365 of the

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Bankruptcy Code and FED. R. BANKR. P. 2002, 6004, 6006 and 9014. The Sale Debtors have complied with all obligations to provide notice of the Sale Motion, the Auction, the Sale Hearing, the APA and the Transactions as required by the Bidding Procedures Order. The foregoing notice was good, sufficient and appropriate under the circumstances, and no other or further notice of the Sale Motion, the Auction, the Sale Hearing, the APA or the Transactions is required for the entry of this Order.

D. A reasonable opportunity to object or to be heard regarding the relief requested in the Sale Motion was afforded to all interested persons and entities.

E. In accordance with the Bidding Procedures Order, the Sale Debtors have served a notice of their intent to assume and assign the Assumed Contracts and of the Cure Amounts upon each non-Debtor counterparty to an Assumed Contract. The service and provision of such notice was good, sufficient and appropriate under the circumstances and no further notice need be given in respect of assumption and assignment of the Assumed Contracts or establishing a Cure Amount for the respective Assumed Contracts. Non-Debtor counterparties to the Assumed Contracts have had an adequate opportunity to object to assumption and assignment of the applicable Assumed Contracts and the Cure Amount set forth in the notice (including objections related to the adequate assurance of future performance and objections based on whether applicable law excuses the non-Debtor counterparty from accepting performance by, or rendering performance to, Buyer for purposes of § 365(c)(1) of the Bankruptcy Code). No objections, responses or requests for adequate assurance were made.

Highest and Best Offer

F. As demonstrated by the evidence proffered or adduced at the Sale Hearing and the representations of counsel made on the record at the Sale Hearing, the Sale Debtors conducted an

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Auction process in accordance with, and have otherwise complied in all respects with, the Bidding Procedures Order. The Auction was duly noticed and conducted in a noncollusive, fair and good faith manner and the Auction process set forth in the Bidding Procedures Order afforded a full, fair and reasonable opportunity for any interested party to make a higher or otherwise better offer to purchase all of the Acquired Assets and assume all of the Assumed Liabilities.

G. The Acquired Assets were adequately marketed by the Sale Debtors, and the consideration provided by Buyer under the APA constitutes the highest or otherwise best offer and provides fair and reasonable consideration to the Sale Debtors for the sale of all Acquired Assets and the assumption of all Assumed Liabilities.

H. Approval of the Sale Motion and the APA and the consummation of the Transactions contemplated thereby is in the best interests of the Sale Debtors, their respective creditors, estates and other parties in interest. The Sale Debtors have demonstrated good, sufficient and sound business reasons and justifications for entering into the Transactions and the performance of their obligations under the APA.

I. The consummation of the Transactions outside a plan of reorganization pursuant to the APA neither impermissibly restructures the rights of the Sale Debtors' creditors nor impermissibly dictates the terms of a liquidating plan of reorganization for the Sale Debtors.

J. Entry of an order approving the APA and all the provisions thereof is a necessary condition precedent to Buyer's consummation of the Transactions, as set forth in the APA.

K. The APA was not entered into, and none of the Sale Debtors or Buyer, have entered into the APA or propose to consummate the Transactions, for the purpose of hindering, delaying or defrauding the Sale Debtors' present or future creditors. None of the Sale Debtors or

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Buyer is entering into the APA, or proposing to consummate the Transactions, fraudulently, for the purpose of statutory and common law fraudulent conveyance and fraudulent transfer claims whether under the Bankruptcy Code or under the laws of the United States, any state, territory, possession thereof or the District of Columbia or any other applicable jurisdiction with laws substantially similar to the foregoing.

Good Faith of Buyer

L. The APA and the Transactions contemplated thereunder were proposed, negotiated and entered into by and among the Sale Debtors and Buyer without collusion, in good faith and at arms' length. None of the Sale Debtors, the Buyer or the Guarantor has engaged in any conduct that would cause or permit the APA or the Transactions to be avoided under § 363(n) of the Bankruptcy Code.

M. Neither Buyer, Guarantor nor any of their respective affiliates, present or contemplated members, officers, directors, shareholders or any of their respective successors and assigns (each such entity individually and taken together, the "Buyer Group") is an "insider" of any of the Sale Debtors, as that term is defined in § 101(31) of the Bankruptcy Code. Buyer is entering into the Transactions in good faith and is a good faith buyer within the meaning of § 363(m) of the Bankruptcy Code, and is therefore entitled to the full protection of that provision, and otherwise has proceeded in good faith in all respects in connection with this proceeding. Neither the Sale Debtors nor the Buyer Group have engaged in any action or inaction that would cause or permit the APA to be avoided or impose any costs or damages under § 363(n) of the Bankruptcy Code.

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No Fraudulent Transfer

N. The consideration provided by Buyer pursuant to the APA for its purchase of all Acquired Assets and the assumption of all Assumed Liabilities constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act and under the laws of the United States, any state, territory, possession or the District of Columbia.

O. The Buyer Group is not a continuation of the Sale Debtors or their respective estates and there is no continuity between Buyer and the Sale Debtors. Buyer is not holding itself out to the public as a continuation of the Sale Debtors or their respective estates and the Transactions do not amount to a consolidation, merger or *de facto* merger of Buyer and the Sale Debtors.

Validity of Transfer

P. Each Sale Debtors' Board of Directors has authorized the execution and delivery of the APA, the sale of all Acquired Assets and the assumption of all Assumed Liabilities to Buyer. The Sale Debtors (i) have full corporate power and authority to execute and deliver the APA and all other documents contemplated thereby, as applicable; (ii) have all of the power and authority necessary to consummate the Transactions; and (iii) have taken all action necessary to authorize and approve the APA and to consummate the Transactions, and no further consents or approvals are required for the Sale Debtors to consummate the transactions contemplated by the APA, except as otherwise set forth in the APA.

Section 363(f) Is Satisfied

Q. The sale of all Acquired Assets to Buyer under the terms of the APA meets the applicable provisions of § 363(f) of the Bankruptcy Code such that the sale of the Acquired

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Assets will be free and clear of any and all Claims, and except as expressly provided in the APA with respect to the Assumed Liabilities, the (i) transfer of the Acquired Assets to Buyer and (ii) assumption and/or assignment to Buyer of the Assumed Contracts and Assumed Liabilities will be free and clear of all Claims and will not subject the Buyer Group or any of the Buyer Group's assets to any liability for any Claims whatsoever (including, without limitation, under any theory of equitable law, antitrust, or successor or transferee liability). All holders of Claims who did not object, or withdrew their objections to the Transactions, are deemed to have consented to the Transactions pursuant to § 363(f)(2) of the Bankruptcy Code, and all holders of Claims are adequately protected — thus satisfying § 363(e) of the Bankruptcy Code — by having their Claims, if any, attach to the proceeds of the Transactions ultimately attributable to the property against or in which they assert a Claim or other specifically dedicated funds, in the same order of priority and with the same validity, force and effect that such Claim holder had prior to the Transactions, subject to any rights, claims and defenses of the Sale Debtors or their estates, as applicable, or as otherwise provided herein.

R. Buyer would not have entered into the APA and would not consummate the sale of all Acquired Assets, thus adversely affecting the Sale Debtors, their estates, creditors, employees and other parties in interest, if the sale of the Acquired Assets was not free and clear of all Claims or if the Buyer Group would, or in the future could, be liable for any Claims, including, without limitation and as applicable, certain liabilities that expressly are not assumed by Buyer as set forth in the APA or in this Order. Buyer asserts that it will not consummate the Transactions unless the APA specifically provides and this Court specifically orders that none of the Buyer Group, its Assets or the Acquired Assets will have any liability whatsoever with respect to, or be required to satisfy in any manner, whether at law or in equity, whether by

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payment, setoff or otherwise, directly or indirectly, any (i) Claim or (ii) any successor or transferee liability for any of the Sale Debtors.

S. The transfer of the Acquired Assets to Buyer under the APA will be a legal, valid and effective transfer of all of the legal, equitable and beneficial right, title and interest in and to the Acquired Assets free and clear of all Claims. The Sale Debtors may sell their interests in the Acquired Assets free and clear of all Claims because, in each case, one or more of the standards set forth in § 363(f) has been satisfied. The transfer of the Acquired Assets to Buyer will vest Buyer with good and marketable title to the Acquired Assets.

Assumption and Assignment of the Assumed Contracts

T. The assumption and assignment of the Assumed Contracts pursuant to the terms of this Order are integral to the APA, are in the best interests of the Sale Debtors and their respective estates, creditors and other parties in interest, and represent the reasonable exercise of sound and prudent business judgment by the Sale Debtors.

U. The Sale Debtors have met all requirements of § 365(b) of the Bankruptcy Code for each of the Assumed Contracts. The Sale Debtors and/or Buyer, as applicable under the APA, have (a) cured and/or provided adequate assurance of cure of any default existing prior to the Closing under all of the Assumed Contracts, within the meaning of § 365(b)(1)(A) of the Bankruptcy Code; and (b) provided compensation or adequate assurance of compensation to any counterparty for actual pecuniary loss to such party resulting from a default prior to the Closing under any of the Assumed Contracts, within the meaning of § 365(b)(1)(B) of the Bankruptcy Code. Each of the Assumed Contracts is free and clear of all Claims against Buyer.

V. Buyer has provided adequate assurance of its future performance under the relevant Assumed Contracts within the meaning of §§ 365(b)(1)(C) and 365(f)(2)(B) of the

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Bankruptcy Code. Pursuant to § 365(f) of the Bankruptcy Code, the Assumed Contracts to be assumed and assigned under the APA shall be assigned and transferred to, and remain in full force and effect for the benefit of, Buyer notwithstanding any provision in the contracts or other restrictions prohibiting their assignment or transfer.

W. There is no legal or equitable reason to delay the Transactions. Cause exists not to apply the automatic ten (10) day stay imposed by Bankruptcy Rules 6004(g) and 6006(d).

THEREFORE, ITS IS HEREBY ORDERED THAT:

General Provisions

1. The Sale Motion is granted in its entirety and approved in all respects.
2. All objections to the Sale Motion or the relief requested therein that have not been withdrawn, waived or settled as announced to the Court at the Sale Hearing or by stipulation filed with the Court or as resolved in this Order, and all reservations of rights included therein, are, except as provided in other orders of the Court, hereby overruled on the merits with prejudice. All persons and entities given notice of the Sale Motion that failed to timely object thereto are deemed to consent to the relief sought therein including without limitation all non-debtor parties to the Assumed Contracts.
3. Where appropriate herein, findings of fact shall be deemed conclusions of law and conclusions of law shall be deemed findings of fact.

Approval of the APA

4. The APA, all of the terms and conditions thereof, and all of the Transactions contemplated therein are approved in all respects. The failure specifically to include any particular provision of the APA in this Order shall not diminish or impair the effectiveness of such provision, it being the intent of the Court that the APA be authorized and approved in its

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entirety. The transfer of the Acquired Assets by the Sale Debtors to Buyer shall be a legal, valid and effective transfer of the Acquired Assets. The closing of the Transactions is hereby approved and authorized under § 363(b) of the Bankruptcy Code.

5. The Sale Debtors are authorized and, to the extent not already done, directed to (a) take any and all actions necessary or appropriate to perform, consummate, implement and close the Transactions, including the sale to Buyer of all Acquired Assets, in accordance with the terms and conditions set forth in the APA and this Order, including without limitation executing, acknowledging and delivering such corporate name change certificates, deeds, assignments, conveyances and other assurance, documents and instruments of transfer and taking any action for purposes of assigning, transferring, granting, conveying, and confirming to Buyer, or reducing to possession, any or all of the Acquired Assets and (b) to assume and assign any and all Assumed Contract(s). The Sale Debtors are further authorized to pay, whether before, at or after the closing, any expenses or costs that are required to be paid in order to consummate the Transactions or perform their obligations under the APA.

6. All persons and entities are prohibited and enjoined from taking any action to adversely affect or interfere with, or which would be inconsistent with, the ability of the Sale Debtors to transfer the Acquired Assets to Buyer in accordance with the APA and this Order.

7. All amounts, if any, to be paid by Sale Debtors to Buyer pursuant to the APA, including, without limitation, any allowed claims for breach thereof and the Final Adjustment, if any, shall (a) constitute allowed administrative expenses of the estates pursuant to §§ 503(b) and 507(a)(1) of the Bankruptcy Code, (b) be protected as provided in the APA and the Bidding Procedures Order, (c) not be altered, amended, discharged or affected by any plan proposed or confirmed in these cases without the prior written consent of Buyer, and (d) be due and payable

if and when any Sale Debtors' obligations arise under the APA without further order of the Court.

8. Nothing contained in any chapter 11 plan confirmed in the Chapter 11 Cases or the order confirming any such chapter 11 plan shall conflict with or derogate from the provisions of the APA or this Order, and to the extent of any conflict or derogation between this Order or the APA and such future plan or order, the terms of this Order and the APA shall control.

Sale and Transfer Free and Clear of Claims

9. At Closing, all of the Sale Debtors' right, title and interest in and to, and possession of, the Acquired Assets shall be immediately vested in Buyer pursuant to §§ 105(a), 363(b), 363(f) and 365 of the Bankruptcy Code free and clear of any and all Claims. Such transfer shall constitute a legal, valid, binding and effective transfer of such Acquired Assets. All person or entities, presently or on or after the Closing, in possession of some or all of the Acquired Assets are directed to surrender possession of the Acquired Assets to Buyer or its respective designees on the Closing or at such time thereafter as Buyer may request.

10. This Order (a) shall be effective as a determination that, as of the Closing, (i) no Claims other than Assumed Liabilities will be assertable against the Buyer Group or any of its respective assets (including the Acquired Assets), (ii) the Acquired Assets shall have been transferred to Buyer free and clear of all Claims and (iii) the conveyances described herein have been effected; and (b) is and shall be binding upon and govern the acts of all entities, including, without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, registrars of patents, trademarks or other intellectual property, administrative agencies, governmental departments, secretaries of state, federal and local officials and all other persons and entities who may be required by operation of

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law, the duties of their office or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any lease; and each of the foregoing persons and entities is hereby directed to accept for filing any and all of the documents and instruments necessary and appropriate to consummate the transactions contemplated by the APA. The Acquired Assets are sold free and clear of any reclamation rights.

11. Except as otherwise provided in the APA, all persons and entities (and their respective successors and assigns), including, but not limited to, all debt security holders, equity security holders, affiliates, governmental, tax and regulatory authorities, lenders, customers, vendors, employees, trade creditors, litigation claimants and other creditors holding Claims arising under or out of, in connection with, or in any way relating to, the Sale Debtors, the Acquired Assets, the Excluded Liabilities, the ownership, sale or operation of the Acquired Assets and the business prior to Closing or the transfer of the Acquired Assets to Buyer, are hereby forever barred, estopped and permanently enjoined from asserting such Claims against the Buyer Group, its property or the Acquired Assets. Following the Closing, no holder of any Claim shall interfere with Buyer's title to or use and enjoyment of the Acquired Assets based on or related to any such Claim, or based on any action the Debtor may take in their Chapter 11 cases.

12. If any person or entity that has filed financing statements, mortgages, mechanic's Claims, *lis pendens* or other documents or agreements evidencing Claims against or in the Acquired Assets shall not have delivered to the Sale Debtors prior to the Closing of the Transactions, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of all Claims that the person or entity has with

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respect to the Acquired Assets or otherwise, then only with regard to the Acquired Assets that are purchased by Buyer pursuant to the APA and this Order (a) the Sale Debtors are hereby authorized and directed to execute and file such statements, instruments, releases and other documents on behalf of the person or entity with respect to the Acquired Assets; and (b) Buyer is hereby authorized to file, register or otherwise record a certified copy of this Order, which, once filed, registered or otherwise recorded, shall constitute conclusive evidence of the release of all Claims against the Buyer Group and the applicable Acquired Assets. This Order is deemed to be in recordable form sufficient to be placed in the filing or recording system of each and every federal, state, or local government agency, department or office.

13. For the avoidance of doubt, only Acquired Assets that are part of the estates of the Sale Debtors are being sold to Buyer free and clear of Claims pursuant to § 363(f) of the Bankruptcy Code.

No Successor or Transferee Liability

14. The Buyer Group shall not be deemed, as a result of any action taken in connection with the APA, the consummation of the Transactions contemplated by the APA, or the transfer, operation or use of the Acquired Assets to (a) be a legal successor, or otherwise be deemed a successor to the Sale Debtors (other than, for Buyer, with respect to any obligations as an assignee under the Assumed Contracts arising after the Closing); (b) have, *de facto* or otherwise, merged with or into the Sale Debtors; or (c) be an alter ego or a mere continuation or substantial continuation of the Sale Debtors including, without limitation, within the meaning of any foreign, federal, state or local revenue, pension, ERISA, tax, labor, employment, environmental, or other law, rule or regulation (including without limitation filing requirements

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under any such laws, rules or regulations), or under any products liability law or doctrine with respect to the Sale Debtors' liability under such law, rule or regulation or doctrine.

15. The Buyer Group shall not have any responsibility for (a) any liability or other obligation of the Sale Debtors or related to the Acquired Assets other than as expressly set forth in the APA or (b) any Claims against the Sale Debtors or any of their predecessors or affiliates. Except as expressly provided in the APA with respect to Buyer, the Buyer Group shall have no liability whatsoever with respect to the Sale Debtors, (or their predecessors' or affiliates') respective businesses or operations or any of the Sale Debtors' (or their predecessors' or affiliates') obligations (as described below, "Successor or Transferee Liability") based, in whole or part, directly or indirectly, on any theory of successor or vicarious liability of any kind or character, or based upon any theory of antitrust, environmental, successor or transferee liability, *de facto* merger or substantial continuity, labor and employment or products liability, whether known or unknown as of the Closing, now existing or hereafter arising, asserted or unasserted, fixed or contingent, liquidated or unliquidated, including liabilities on account of any taxes arising, accruing or payable under, out of, in connection with, or in any way relating to the operation of the Acquired Assets prior to the Closing. Except to the extent expressly included in the Assumed Liabilities with respect to Buyer, the Buyer Group shall have no liability or obligation under the WARN Act (29 U.S.C. §§ 2101 et seq.) or the Comprehensive Environmental Response Compensation and Liability Act, or any foreign, federal, state or local labor, employment, or environmental law by virtue of Buyer's purchase of the Acquired Assets or assumption of the Assumed Liabilities.

16. Except as provided in the APA for the Assumed Liabilities, with respect to Buyer, nothing in this Order or the APA shall require the Buyer Group to (a) continue or maintain in

effect, or assume any liability in respect of any employee, pension, welfare, fringe benefit or any other benefit plan, trust arrangement or other agreements to which the Sale Debtors are a party or have any responsibility therefor including, without limitation, medical, welfare and pension benefits payable after retirement or other termination of employment; or (b) assume any responsibility as a fiduciary, plan sponsor or otherwise, for making any contribution to, or in respect of the funding, investment or administration of any employee benefit plan, arrangement or agreement (including but not limited to pension plans) or the termination of any such plan, arrangement or agreement.

17. Effective upon the Closing, all persons and entities are forever prohibited and enjoined from commencing or continuing in any matter any action or other proceeding, whether in law or equity, in any judicial, administrative, arbitral or other proceeding against the Buyer Group, or its assets (including the Acquired Assets), with respect to any (a) Claim or (b) Successor or Transferee Liability including, without limitation, the following actions with respect to clauses (a) and (b): (i) commencing or continuing any action or other proceeding pending or threatened; (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (iii) creating, perfecting or enforcing any lien, claim, interest or encumbrance; (iv) asserting any setoff, right of subrogation or recoupment of any kind; (v) commencing or continuing any action, in any manner or place, that does not comply with, or is inconsistent with, the provisions of this Sale Order or other orders of this Court, or the agreements or actions contemplated or taken in respect hereof; or (vi) revoking, terminating or failing or refusing to renew any license, permit or authorization to operate any of the Acquired Assets or conduct any of the businesses operated with such assets.

Good Faith of Buyer

18. The Transactions contemplated by the APA are undertaken by Buyer (and the Buyer Group) without collusion and in good faith, as that term is defined in § 363(m) of the Bankruptcy Code, and accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the sale shall not affect the validity of the Transactions (including the assumption and assignment of the Assumed Contracts), unless such authorization and consummation of such sale are duly and properly stayed pending such appeal.

19. Neither the Sale Debtors nor Buyer (nor the Buyer Group) have engaged in any action or inaction that would cause or permit the Transactions to be avoided or costs or damages to be imposed under § 363(n) of the Bankruptcy Code. The consideration provided by Buyer for the Acquired Assets under the APA is fair and reasonable and the sale may not be avoided under § 363(n) of the Bankruptcy Code.

Assumption and Assignment of Assumed Contracts

20. The Sale Debtors are authorized and directed at the Closing to assume and assign each of the Assumed Contracts to Buyer free and clear of all Claims pursuant to §§ 105(a) and 365 of the Bankruptcy Code and to execute and deliver to Buyer such documents or other instruments as may be necessary to assign and transfer the Assumed Contracts to Buyer. The payment of the applicable Cure Amounts shall (a) effect a cure of all defaults existing thereunder as of the Closing, (b) compensate for any actual pecuniary loss to such non-Debtor counterparty resulting from such default, and (c) together with the assumption of the Assumed Contracts by the Sale Debtors and the assignment of the Assumed Contracts to Buyer, constitute adequate assurance of future performance thereof.

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21. Any provisions in any Assumed Contract that prohibit or condition the assignment of such Assumed Contract or allow the counterparty to such Assumed Contract to terminate, recapture, impose any penalty, condition on renewal or extension or modify any term or condition upon the assignment of such Assumed Contract, constitute unenforceable anti-assignment provisions that are void and of no force and effect. All other requirements and conditions under §§ 363 and 365 of the Bankruptcy Code for the assumption by the Sale Debtors and assignment to Buyer of the Assumed Contracts have been satisfied. Upon the Closing, in accordance with §§ 363 and 365 of the Bankruptcy Code, Buyer shall be fully and irrevocably vested with all right, title and interest of the Sale Debtors under the Assumed Contracts, and such Assumed Contracts shall remain in full force and effect for the benefit of Buyer. Each non-Debtor counterparty to the Assumed Contracts shall be forever barred, estopped, and permanently enjoined from (a) asserting against the Sale Debtors or Buyer or their respective property any assignment fee, acceleration, default, breach or claim or pecuniary loss, or condition to assignment existing, arising or accruing as of the Closing or arising by reason of the Closing, including any breach related to or arising out of change-in-control in such Assumed Contracts, or any purported written or oral modification to the Assumed Contracts and (b) asserting against Buyer (or its property, including the Acquired Assets) any claim, counterclaim, defense, breach, condition, setoff asserted or assertable against the Sale Debtors existing as of the Closing or arising by reason of the Closing except for the Assumed Liabilities.

22. Upon the Closing and the payment of the relevant Cure Amounts, Buyer shall be deemed to be substituted for the Sale Debtors as a party to the applicable Assumed Contracts and the Sale Debtors shall be released, pursuant to § 365(k) of the Bankruptcy Code, from any liability under the Assumed Contracts. There shall be no rent accelerations, assignment fees,

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increases or any other fees charged to Buyer or the Sale Debtors as a result of the assumption and assignment of the Assumed Contracts.

23. Each non-debtor party to an Assumed Contract is forever barred, estopped and permanently enjoined from asserting against Buyer, or its property (including without limitation the Acquired Assets), any default existing as of the date of the Sale Hearing, or any counterclaim, defense, setoff or other claim asserted or assertable against the Sale Debtors. Other than the Assumed Contracts, Buyer assumed none of the Sale Debtors' other contracts and leases and shall have no liability whatsoever thereunder.

24. The assignments of each of the Assumed Contracts are made in good faith under §§363(b) and (m) of the Bankruptcy Code.

Other Provisions

25. Buyer shall not be required to seek or obtain relief from the automatic stay under § 362 of the Bankruptcy Code to enforce any of its remedies under the APA or any other sale-related document. The automatic stay imposed by § 362 of the Bankruptcy Code is modified solely to the extent necessary to implement the preceding sentence, provided however that this Court shall retain exclusive jurisdiction over any and all disputes with respect thereto.

26. Except as otherwise provided in the APA, this Order does not approve or provide for the transfer to Buyer of any avoidance claims of the Sale Debtors' estates.

27. This Order is binding upon and inures to the benefit of any successors and assigns of the Sale Debtors or Buyer, including any trustee appointed in any subsequent case of the Sale Debtors under chapter 7 of the Bankruptcy Code.

28. The provisions of this Order and the APA are non-severable and mutually dependent.

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29. The APA may be modified, amended or supplemented by the parties thereto and in accordance with the terms thereof, without further order of the Court, provided that any such modification, amendment or supplement does not have a material adverse effect on the Sale Debtors' estates.

30. The Court shall retain exclusive jurisdiction to, among other things, interpret, implement, and enforce the terms and provisions of this Order and the APA, all amendments thereto and any waivers and consents thereunder and each of the agreements executed in connection therewith to which the Sale Debtors are a party or which has been assigned by the Sale Debtors to Buyer, and to adjudicate, if necessary, any and all disputes concerning or relating in any way to the sale. This Court retains jurisdiction to compel delivery of the Acquired Assets, to protect the Buyer Group and its assets, including the Acquired Assets, against any Claims and Successor and Transferee Liability and to enter orders, as appropriate, pursuant to §§ 105, 363 or 365 (or other applicable provisions) of the Bankruptcy Code necessary to transfer the Acquired Assets and the Assumed Contracts to Buyer.

31. Notwithstanding the possible applicability of Rules 6004(h), 6006(d), 7062 and 9014 of the Federal Rules of Bankruptcy Procedure or otherwise, the terms and conditions of this Order shall be effective immediately upon entry and the Sale Debtors and Buyer are authorized to close the sale immediately upon entry of this Order.

32. All time periods set forth in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

33. To the extent there are any inconsistencies between the terms of this Order and the APA, the terms of this Order shall control.

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34. The Transactions contemplated hereunder shall not be subject to any bulk sales laws.

New York, New York

Date: _____, 2010

United States Bankruptcy Judge

Exhibit C
Form of Escrow Agreement
[see attached]

FORM OF ESCROW AGREEMENT

This ESCROW AGREEMENT (this “Agreement”) is executed and effective on November 30, 2009 (the “Effective Date”), by and among CompassLearning, Inc., a Delaware corporation (the “Company”), WRC Media Inc., a Delaware corporation (“Parent” and together with the Company, the “Sellers”), CompassLearning Acquisition Corporation, a Delaware corporation (the “Buyer”), Marlin Equity II, L.P., a Delaware limited partnership (the “Guarantor” and together with the Buyer and the Sellers, collectively, the “Escrow Parties”), and J.P. Morgan Chase Bank, National Association as escrow agent (the “Escrow Agent”).

WHEREAS, the Escrow Parties are parties to that certain Asset Purchase Agreement by and among the Sellers, Buyer and Guarantor, dated as of the date hereof (as such agreement may be amended, restated or otherwise modified from time to time, the “Purchase Agreement”).

WHEREAS, on the Business Day immediately following the date on which Sellers file the Bidding Procedures Order with the Bankruptcy Court (the “Deposit Date”), the Buyer will deposit into an interest bearing account (the “Escrow Account”) One and One-Half Million Dollars (\$1,500,000) pursuant to the terms and conditions of the Purchase Agreement. The funds held by the Escrow Agent pursuant to this Agreement are referred to as the “Escrow Amount”.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency whereof is hereby acknowledged, the parties agree as follows:

1. Appointment of and Acceptance by Escrow Agent. The Buyer and the Sellers hereby appoint and designate the Escrow Agent to acquire and maintain possession of the Escrow Account and to act as escrow agent for the purposes set forth herein, and the Escrow Agent hereby accepts such appointment and designation under the terms and conditions set forth herein.

2. Receipt of Deposit; Establishment of Escrow; Interest.

(a) The Buyer will deliver to the Escrow Agent on the Effective Date, and the Escrow Agent will acknowledge to the Buyer and the Sellers in accordance with Section 10 hereof its receipt of, the Escrow Amount. The Escrow Agent shall hold, invest and disburse the Escrow Amount in accordance with the terms of this Agreement. Except with respect to amounts otherwise released pursuant to this Agreement, until the termination of this Agreement and the distribution of the Escrow Amount in full, the Buyer and the Sellers agree that they shall not transfer or attempt to transfer the Escrow Amount or any beneficial interest they may have in any of the Escrow Account, Escrow Amount or this Agreement. Any attempt to make any such transfer shall be null and void *ab initio*.

(b) In the absence of written direction from the Escrow Parties, all income interest, dividends, distributions, increments, gains or other earnings on or, in respect of the Escrow Account (collectively, the “Escrow Income”) shall become part of the Escrow Account

and shall be held in the Escrow Account and reinvested from time to time by the Escrow Agent as provided in this Agreement.

3. Investment of the Escrow Amount. During the term of this Escrow Agreement, the Escrow Amount shall be invested in a JPMorgan Chase Bank, N.A. money market deposit account (“MMDA”) or a successor or similar investment offered by the Escrow Agent, unless otherwise instructed in writing by the Escrow Parties in accordance with the Permitted Investments listed below. The Escrow Agent will provide interest on the Escrow Amount held in a MMDA account (or a successor or similar investment) at a rate determined by the Escrow Agent. MMDA accounts have rates of return that are based upon market conditions. At the written direction of the Sellers and the Buyer, the Escrow Agent will invest the Escrow Amount in one or more of: (a) direct obligations of the United States of America, (b) obligations for which the full faith and credit of the United States of America is pledged to provide for the payment of principal and interest and/or (c) money market funds authorized to invest in short-term securities issued or guaranteed as to principal and interest by the U.S. Government and repurchase agreements with respect to such securities (collectively, any such investments made at the written direction of the Sellers and the Buyer, the “Permitted Investments”), with the Escrow Parties expressly assuming the risk of any such Permitted Investment. The Escrow Agent is hereby authorized to execute the purchase and sale of Permitted Investments through the facilities of its own trading or capital markets operations. The Escrow Agent can liquidate any Permitted Investment in order to comply with disbursement instructions without any liability for any resulting loss. Any loss incurred from a Permitted Investment will be borne by the Escrow Amount. The Escrow Agent will provide a written statement to the Buyer and the Sellers at the end of each month prior to the termination of this Agreement pursuant to Section 18 hereof listing the balance of the Escrow Account and detailing any transactions or disbursements during the immediately preceding month. The Escrow Agent shall not have any liability for any loss sustained as a result of making any Permitted Investment pursuant to the terms of this Escrow Agreement or as a result of any liquidation of any investment prior to its maturity or for the failure of the Escrow Parties to give the Escrow Agent instructions to invest or reinvest the Escrow Amount.

4. Taxes.

(a) The Sellers are required to prepare and file any and all income or other tax returns applicable to the Escrow Account with the Internal Revenue Service and all required state and local departments of revenue as and to the extent required under the provisions of the Internal Revenue Code of 1986, as amended and its regulations (the “Code”).

(b) All Escrow Income shall be allocated to Parent and reported, as and to the extent required by law, by the Escrow Agent to the Internal Revenue Service (the “IRS”), or any other taxing authority, on IRS Form 1099 or 1042S (or other appropriate form) as income earned from the Escrow Amount by the Sellers whether or not such Escrow Income has been distributed during such year. Any other tax returns required to be filed will be prepared and filed by the Sellers with the IRS and any other taxing authority as required by law. The Escrow Parties acknowledge and agree that Escrow Agent shall have no responsibility for the preparation and/or filing of any income, franchise or any other tax return with respect to the Escrow Account or any

Escrow Income. The Escrow Parties further acknowledge and agree that any taxes payable with respect to the Escrow Income shall be paid by the Sellers. The Escrow Agent shall withhold any taxes it deems appropriate, including but not limited to required withholding in the absence of proper tax documentation, and shall remit such taxes to the appropriate authorities.

(c) The Escrow Agent shall have no responsibility for the preparation and/or filing of any tax or information return with respect to any transaction, whether or not related to this Agreement (or a related agreement), that occurs outside the Escrow Account.

(d) The Escrow Parties have provided the Escrow Agent with their respective fully executed IRS Form W-8, or W-9 and/or other required documentation. The Escrow Parties each represent that its correct TIN assigned by the IRS, or any other taxing authority, is set forth in the delivered forms.

(e) In order to facilitate the payment of taxes owed by the Sellers in respect of Escrow Income, commencing in respect of the calendar quarter ending December 31, 2009, the Escrow Agent shall distribute by wire transfer to Parent of immediately available funds in accordance with Parent's wire instructions listed on Schedule A hereto no later than the fifteenth (15th) day of the first month immediately following the end of each calendar quarter elapsing prior to the termination of this Escrow Agreement an amount equal to forty percent (40%) of the Escrow Income earned for the prior calendar quarter. For the avoidance of doubt, the first such distribution shall occur in respect of the calendar quarter ending December 31, 2009 and shall be paid by no later than January 15, 2010.

5. Disbursement upon Joint Written Instructions.

(a) The Escrow Agent shall disburse the Escrow Amount, or any portion thereof, in accordance with the joint written instructions of the Buyer and the Sellers. Each of the Buyer and the Sellers agree to prepare and sign joint written instructions that direct the Escrow Agent to distribute the Escrow Amount, or a portion thereof, as promptly as practicable after payments from the Escrow Amount are due and payable pursuant to and in accordance with the terms of the Purchase Agreement. Each of the Buyer and the Sellers agree that any such joint written instructions shall set forth sufficient payment instructions for each portion of the Escrow Amount to be distributed from the Escrow Account and that the Escrow Agent shall act solely upon the instructions that it receives and shall not be responsible for determining whether the instructions are in accordance with the terms of the Purchase Agreement.

(b) Notwithstanding Section 5(a), within two (2) Business Days following the Closing, the Escrow Agent shall distribute to the Sellers an amount equal to the balance of the Escrow Amount upon written instruction of the Sellers to so release. The Escrow Agent shall act solely upon the instructions that it receives from the Sellers and shall not be responsible for determining whether the instructions are in accordance with the Purchase Agreement.

6. Liability and Duties of the Escrow Agent. The Escrow Agent's duties and obligations under this Agreement shall be determined solely by the express provisions of this Agreement. The Escrow Agent shall be under no obligation to refer to any documents other than

this Agreement and the instructions and requests delivered to the Escrow Agent hereunder. The Escrow Agent shall not be obligated to recognize, and shall not have any liability or responsibility arising under, any agreement to which the Escrow Agent is not a party, even though reference thereto may be made herein. With respect to the Escrow Agent's responsibility, the Escrow Parties further agree that:

(a) The Escrow Agent, including its officers, directors, employees and agents, shall not be liable to anyone whomsoever by reason of any error of judgment or for any act done or step taken or omitted by the Escrow Agent in good faith, or for any mistake of fact or law or anything which the Escrow Agent may do or refrain from doing in connection herewith, unless caused by or arising out of the Escrow Agent's gross negligence or willful misconduct. The Escrow Agent may consult with counsel of its own choice and shall have full and complete authorization and protection for any action taken or suffered by the Escrow Agent hereunder in accordance with the opinion of such counsel. The Escrow Parties shall jointly and severally indemnify and hold the Escrow Agent and its affiliates and their respective successors, assigns, directors, officers, managers, attorneys, accountants, experts, agents and employees (the "Indemnitees") harmless from and against any and all liability losses, damages, claims, liabilities, penalties, judgments, settlements, actions, suits, proceedings, litigation, investigations, costs or expenses (including, without limitation, the fees and expenses of in house or outside counsel and experts and their staffs and all expense of document location, duplication and shipment) (collectively "Losses") which may arise out of or in connection with (a) the Escrow Agent's execution and performance of this Escrow Agreement, tax reporting or withholding, the enforcement of any rights or remedies under or in connection with this Escrow Agreement, or as may arise by reason of any act, omission or error of the Indemnitee, except in the case of any Indemnitee to the extent that such Losses are finally adjudicated by a court of competent jurisdiction to have been primarily caused by the gross negligence or willful misconduct of such Indemnitee, or (b) its following any instructions or other directions, whether joint or singular, from the Parties, except to the extent that its following any such instruction or direction is expressly forbidden by the terms hereof. Such indemnification shall survive the Escrow Agent's resignation or removal, or the termination of this Agreement.

(b) Each of the Buyer and the Sellers may examine the Escrow Account and the records pertaining thereto at any time during normal business hours at the Escrow Agent's office upon 24 hours prior notice and pursuant to the reasonable regulations of the Escrow Agent. The Escrow Agent shall provide the Sellers and the Buyer with monthly statements showing Escrow Income and disbursements, if any, of the Escrow Account.

(c) This Agreement is a personal one, the Escrow Agent's duties hereunder being only to the Escrow Parties, their successors, permitted assigns, heirs and legal representatives, and to no other Person whomsoever.

(d) No succession to, or assignment of, the interest of the Escrow Parties shall be binding upon the Escrow Agent unless and until written notice of such succession or assignment has been given to the Escrow Agent in accordance with Section 10 hereof.

(e) The Escrow Agent may rely or act upon joint written instructions bearing a signature or signatures properly believed by the Escrow Agent to be genuine of the Buyer and the Sellers.

(f) In case any property held by the Escrow Agent shall be attached, garnished or levied upon under a court order, or the delivery thereof shall be stayed or enjoined by a court order, or any writ, order, judgment or decree shall be made or entered by any court affecting the property deposited under this Agreement or any part thereof, the Escrow Agent is hereby expressly authorized, in its sole discretion, to obey and comply with all writs, orders, judgments or decrees so entered or issued, and in case the Escrow Agent obeys or complies with any such writ, order, judgment or decree, the Escrow Agent shall not be liable to the Escrow Parties or to any other Person by reason of such compliance in connection with such litigation.

(g) The Escrow Agent reserves the right to resign at any time by giving at least 30 days prior written notice of resignation to the Escrow Parties specifying the effective date thereof. Within 30 days after receiving such notice, the Buyer and the Sellers jointly shall appoint a successor escrow agent to which the Escrow Agent shall distribute the property then held under this Agreement, whereupon the Escrow Agent shall upon such distribution to a successor escrow agent, be discharged of and from any and all further obligations arising in connection with this Agreement, except for such liability and expenses which results from the Escrow Agent's gross negligence or willful misconduct. If a successor escrow agent has not been appointed or has not accepted such appointment by the end of such 30-day period, the Escrow Agent may apply to a court of competent jurisdiction for the appointment of a successor escrow agent, and the costs, expenses and reasonable attorney's fees which are incurred in connection with such proceeding shall be paid one-half by each of the Sellers and the Buyer. Until a successor escrow agent has accepted such appointment and the Escrow Agent has transferred the Escrow Account to such successor escrow agent, the Escrow Agent shall continue to retain and safeguard the Escrow Account until receipt of (A) a joint written instruction by the Sellers and the Buyer, or (B) a final non-appealable order of a court of competent jurisdiction.

(h) In the event of any disagreement between the Sellers and the Buyer resulting in adverse claims or demands being made in connection with the Escrow Account or in the event that the Escrow Agent is in doubt as to what action it should take hereunder, the Escrow Agent shall be entitled to refrain from taking any action until such time as the Escrow Agent shall have received (A) a final non-appealable order of a court of competent jurisdiction or the Neutral Arbitrator that is accompanied by an opinion of the Escrow Parties' respective counsel that such order is final and non-appealable, or (B) a joint written instruction executed by the Sellers and the Buyer directing delivery of the Escrow Account, at which time the Escrow Agent shall disburse the Escrow Account in accordance with such determination or joint written instruction.

(i) The Escrow Agent does not have any interest in the Escrow Account but is serving as escrow holder only and has only possession thereof. If any payments of income from the Escrow Account shall be subject to withholding regulations then in force with respect to United States taxes, the Buyer and the Sellers agree to provide the Escrow Agent with appropriate forms for or with respect to such withholding. This Section 6(i) and Section 6(a),

Section 7 and Section 18 hereof shall survive notwithstanding any termination of this Agreement or the Escrow Agent's resignation.

(j) The Buyer and the Sellers may, upon at least 30 days prior written notice to the Escrow Agent, dismiss the Escrow Agent and appoint a successor. In such event, the Escrow Agent will promptly account for and deliver to the successor escrow agent named in such notice all of the remaining Escrow Amount then held by the Escrow Agent hereunder. Upon acceptance thereof and of such accounting by such successor escrow agent, and upon reimbursement to the Escrow Agent of all expenses due to it hereunder through the date of such accounting and delivery in accordance with the terms hereof, the Escrow Agent will be discharged of and from any and all further obligations arising in connection with this Agreement, except for such liability and expenses which results from the Escrow Agent's gross negligence, or willful misconduct.

7. Compensation of Escrow Agent. The Escrow Agent shall be entitled to fees and reimbursement for expenses including, but not by way of limitation, the fees and costs of attorneys or agents which it may find necessary to engage in performance of its duties hereunder, in accordance with the fee schedule attached hereto as Exhibit A. Such fees and expenses shall be paid, at the Deposit Date, by the Buyer and are not pro rata for partial years.

8. Certificate of Incumbency. The Escrow Agent may assume that any Person purporting to give any notice in accordance with the provisions hereof has been duly authorized to do so.

9. Funds Transfer Agreement. In the event funds transfer instructions are given (other than in writing at the time of the execution of this Agreement), whether in writing or by facsimile, the Escrow Agent is authorized to seek confirmation of such instructions by telephone call-back to the Person or Persons designated in such transfer instructions, and the Escrow Agent may rely upon the confirmations of anyone purporting to be the Person or Persons so designated. Each funds transfer instruction shall be executed by an authorized signatory, a list of such signatories is set forth on Schedule 1. The Escrow Parties acknowledge that such security procedure is commercially reasonable. It is understood that the Escrow Agent and the beneficiary's bank in any funds transfer may rely solely upon any account numbers or similar identifying number provided by any party hereto to identify (i) the beneficiary, (ii) the beneficiary's bank or (iii) an intermediary bank. The Escrow Agent may apply funds for any payment order it executes using any such identifying number, even where its use may result in a Person other than the beneficiary being paid, or the transfer of funds to a bank other than the beneficiary's bank, or an intermediary bank, designated.

10. Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given when delivered personally, faxed (receipt confirmed), sent via a nationally recognized overnight courier. Notice will be effective when dispatched if delivered personally or by fax or on receipt of delivery by overnight courier service. Such notices, demands and other communications will be sent to the address indicated below:

Notices to the Sellers:

c/o WRC Media Inc.
Reader's Digest Road
Pleasantville, New York 10570-7000
Attn: Tom Williams, Senior Vice President and Chief Financial Officer

with a copy (which shall not constitute notice to the Sellers) to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, New York 10022-4675
Attn: Kirk A. Radke
Fax: (212) 446-6460
Phone: (212) 446-4940

Notices to the Buyer:

c/o Marlin Equity Partners, LLC
2121 Rosecrans Ave., Suite 4325
El Segundo, California 90245
Attn: Nick Kaiser and Jonah Sulak

with a copy (which shall not constitute notice to the Buyer) to:

Latham & Watkins LLP
355 South Grand Avenue
Los Angeles, California 90071-1560
Attn: James R. Beaubien
Fax: (213) 891-8763
Phone: (213) 485-1234

Notices to the Escrow Agent:

JPMorgan Chase Bank N.A.
World Wide Securities Services
4 New York Plaza, 21st Floor
New York, New York 10004
Attn: Michael Kuzmicz and John Mazzuca
Fax: (212) 623-6168
Phone: (212) 623-6178

Any party may change the address to which notices are to be delivered by giving the other parties notice in the manner provided in this Section 10. Notwithstanding the above, in the case of communications delivered to the Escrow Agent pursuant to this Section 10, such

communications shall be deemed to have been given on the date received by those representatives of the Escrow Agent listed in Section 10 or any employee of the Escrow Agent who reports directly to such above-referenced Escrow Agent representative listed in Section 10. In the event that the Escrow Agent, in its sole discretion, shall determine that an emergency exists, the Escrow Agent may use such other means of communication as the Escrow Agent deems appropriate. “Business Day” shall mean any day other than Saturday, Sunday or any other day on which the Escrow Agent located at the notice address set forth above is authorized or required by law or executive order to remain closed.

11. Binding Effect; Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned, in whole or in part, by operation of law or otherwise, by the Escrow Agent, the Buyer, or either Seller, without the prior written consent of the other parties; provided, that Buyer may assign its rights and interests under this Agreement to any future purchaser of the stock or assets of the Company, to any of its Affiliates or to any of its financing sources. Any assignment in violation of this Section 11 will be void and of no effect. Subject to the preceding two sentences, this Agreement and all of the provisions hereof will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

12. Severability. If any term or provision of this Agreement is held to be illegal, invalid, or incapable of being enforced by any rule of law or public policy, such provision shall be fully severable and all other terms and provisions of this Agreement will remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, this Agreement will be modified so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by applicable law in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

13. No Strict Construction. Each of the parties hereto acknowledges that this Agreement has been prepared jointly by the parties hereto, and will not be strictly construed against any other party.

14. Headings. The headings used in this Agreement are for convenience of reference only and do not constitute a part of this Agreement and will not be deemed to limit, define, extend or describe the scope of this Agreement or otherwise affect the meaning or interpretation of this Agreement.

15. Counterparts. This Agreement may be executed and delivered (including by facsimile transmission) in two or more counterparts, each of which will be deemed an original, and all of which together will constitute one and the same agreement and will become effective when such counterparts have been signed by each of the parties and delivered to the other parties. Facsimile or emailed signatures to this Agreement will have the same legal effect as manual signatures.

16. Governing Law. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by, and construed in

accordance with, the laws of the State of New York regardless of the laws that might otherwise govern under applicable principles of conflict of laws thereof.

17. Amendment. This Agreement may not be amended or modified, except by an instrument in writing executed by the Escrow Parties and the Escrow Agent.

18. Termination. This Agreement shall remain in effect unless and until (i) the Escrow Account is distributed in full, or (ii) it is terminated in a written instrument executed by the Escrow Parties, in which event, termination shall take effect no later than 20 days after notice to the Escrow Agent of such termination. Termination of this Agreement shall not impair the obligations of the Escrow Parties set forth in Sections 6(a), 6(i) and 7 hereof, which obligations shall survive the termination of this Agreement.

19. Merger or Consolidation. Any banking association or corporation into which the Escrow Agent (or substantially all of its corporate trust business) may be merged, converted or with which the Escrow Agent may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any banking association or corporation to which all or substantially all of the corporate trust or escrow business of the Escrow Agent shall be sold or otherwise transferred, shall succeed to all the Escrow Agent's rights, obligations and immunities hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

20. Entire Agreement. This Agreement and in regards to the parties other than the Escrow Agent, the Purchase Agreement constitute the entire agreement and understanding among the Escrow Parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the Escrow Parties with respect to the subject matter of this Agreement. In regards to the Escrow Agent, this Agreement contains the entire agreement and understanding among the parties hereto.

21. No Third-Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their permitted successors and assigns and nothing herein expressed or implied shall give or be construed to give any Person, other than the parties hereto and such permitted successors and assigns, any legal or equitable rights or remedies hereunder.

22. Waiver of Jury Trial. Each of the parties hereto waives any right it may have to trial by jury in respect of any litigation based on, arising out of, under or in connection with this Agreement or any course of conduct, course of dealing, verbal or written statement or action of any party hereto.

23. Jurisdiction. Each of the parties hereto (a) consents to submit itself to the personal jurisdiction of the state and federal courts of the State of New York in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any other court

action relating to this Agreement or any of the transactions contemplated by this Agreement in which the Escrow Agent is named as a party in any other court.

24. Limited Liability. IN NO EVENT SHALL THE ESCROW AGENT BE LIABLE, DIRECTLY OR INDIRECTLY, FOR ANY SPECIAL, INDIRECT OR CONSEQUENTIAL LOSSES OR DAMAGES OF ANY KIND WHATSOEVER (INCLUDING BUT NOT LIMITED TO LOST PROFITS), EVEN IF THE ESCROW AGENT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSSES OR DAMAGES AND REGARDLESS OF THE FORM OF ACTION.

25. Force Majeure. Notwithstanding any other provision of this Agreement, the Escrow Agent shall not be obligated to perform any obligation hereunder and shall not incur any liability for the nonperformance or breach of any obligation hereunder to the extent that the Escrow Agent is delayed in performing, unable to perform or breaches such obligation because of acts of god, war, terrorism, fire, floods, strikes, electrical outages, equipment or transmission failures, or other causes beyond its control.

26. Identification. The Escrow Parties acknowledge that the Escrow Agent, pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Patriot Act”), is required to obtain, verify and record information that identifies each Person who opens an account and, upon request, the Escrow Parties agree to provide the Escrow Agent with information sufficient to establish their identity in accordance with the Patriot Act.

* * * *

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

WRC MEDIA INC.

By: _____
Name: Thomas A. Williams
Title: Vice President

COMPASSLEARNING, INC.

By: _____
Name: Thomas A. Williams
Title: Vice President

**COMPASSLEARNING ACQUISITION
CORPORATION**

By: _____
Name:
Title:

MARLIN EQUITY II, L.P.

By: _____
Name:
Title:

JP MORGAN CHASE BANK, N.A
(as Escrow Agent)

By: _____
Name:
Title:

EXHIBIT A

SCHEDULE OF ESCROW AGENT FEES

~~~~~ **Escrow Agent Services**

Account Acceptance Fee Waived

Encompassing review, negotiation and execution of governing documentation, opening of the account, and completion of all due diligence documentation.

Annual Administration Fee \$2,500

The Administration Fee covers our usual and customary ministerial duties, including record keeping, distributions, document compliance and such other duties and responsibilities expressly set forth in the governing documents for each transaction. Payable by Buyer at the Deposit Date and, if applicable, annually in advance thereafter, without pro-ration for partial years.

Extraordinary Services and Out-of Pocket Expenses

Any additional services beyond our standard services as specified above, and all reasonable out-of-pocket expenses including attorney's or accountant's fees and expenses will be considered extraordinary services for which related costs, transaction charges, and additional fees will be billed at the Bank's then standard rate. Disbursements, receipts, investments or tax reporting exceeding 25 items per year may be treated as extraordinary services thereby incurring additional charges.

Disclosure & Assumptions

- Please note that the fees quoted are based on a review of the transaction documents provided and an internal due diligence review. JPMorgan reserves the right to revise, modify, change and supplement the fees quoted herein if the assumptions underlying the activity in the account, level of balances, market volatility or conditions or other factors change from those used to set our fees.
- The escrow deposit shall be continuously invested in a JPMorgan Chase Bank money market deposit account ("MMDA") or a JPMorgan Chase Bank Cash Compensation account. MMDA and Cash Compensation Accounts have rates of compensation that may vary from time to time based upon market conditions.
- The Parties acknowledge and agree that they are permitted by U.S. law to make up to six (6) pre-authorized withdrawals or telephonic transfers from an MMDA per calendar month or statement cycle or similar period. If the MMDA can be accessed by checks, drafts, bills of exchange, notes and other financial instruments ("Items"), then no more than three (3) of these six (6) transfers may be made by an Item. The Escrow Agent is required by U.S. law to reserve the right to require at least seven (7) days notice prior to a withdrawal from a money market deposit account.
- Payment of the invoice is due upon receipt.

Compliance

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person or entity that opens an account. We may ask for information that will enable us to meet the requirements of the Act.

Schedule A

Telephone Number(s) for Call-backs and Person(s) Designated to Give and Confirm Funds Transfer Instructions

If to the Sellers:

WRC Media Inc.

TIN#: 13-4066536

Address: Reader's Digest Road
Pleasantville, New York 10570-7000
Attn: Treasury Department

Wire Instructions: [Intentionally Omitted.]

<u>Name</u>	<u>Telephone Number</u>	<u>Signature</u>
1. William Magill	914-244-7683	_____
2. Stephen Ruiz	914-244-7514	_____

If to the Buyer:

CompassLearning Acquisition Corporation

TIN#: 27-1342439

Address: 2121 Rosecrans Ave., Suite 4325
El Segundo, CA 90245

Wire Instructions: [Intentionally Omitted.]

<u>Name</u>	<u>Telephone Number</u>	<u>Signature</u>
1. Nick Kaiser	310-364-0100	_____
2. David McGovern	310-364-0100	_____

Telephone call backs shall be made to both Escrow Parties if joint instructions are required pursuant to the agreement. All funds transfer instructions must include the signature of the person(s) authorizing said funds transfer and must not be the same person confirming said transfer.

Exhibit D

Form of Bill of Sale

[see attached]

FORM OF BILL OF SALE

This BILL OF SALE (this “Bill of Sale”) is made as of [•], 2009 by and among WRC Media, Inc., a Delaware corporation, CompassLearning, Inc., a Delaware corporation (collectively, “Sellers,” and, each individually, a “Seller”), and CompassLearning Acquisition Corporation, a Delaware corporation (“Buyer”).

WHEREAS, pursuant to that certain Asset Purchase Agreement, dated as of November 30, 2009, by and among Sellers, Buyer and Marlin Equity II, L.P., a Delaware limited partnership (as amended from time to time, the “Purchase Agreement”), Sellers have agreed to sell to Buyer, and Buyer has agreed to purchase from Sellers, for the consideration and upon the terms and subject to the conditions set forth in the Purchase Agreement, the Acquired Assets;

WHEREAS, the execution and delivery of this Bill of Sale is required by Sections 2(f)(i)(A) and 2(f)(ii)(A) of the Purchase Agreement;

WHEREAS, the Purchase Agreement provides that Sellers shall sell, transfer, convey, assign and deliver to Buyer, free and clear of all Liens (other than Liens created by Buyer and the Permitted Liens) to the maximum extent possible under Section 363 and 365 of the Bankruptcy Code and any applicable Law, all of the Sellers’ right, title and interest in and to the Acquired Assets; and

WHEREAS, Buyer desires to deliver to Sellers such instruments as are required in order to effectuate and evidence the sale by Sellers and purchase by Buyer of the Acquired Assets.

NOW, THEREFORE, for good and valuable consideration paid or payable to Sellers by Buyer pursuant to the Purchase Agreement and in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties to this Bill of Sale hereby agree as follows:

1. Definitions. Each capitalized term used but not defined in this Bill of Sale shall have the meaning ascribed to it in the Purchase Agreement.
2. Sale of Acquired Assets. Effective as of the Closing, on the terms and subject to the conditions of the Purchase Agreement, Sellers hereby sell, grant, transfer, contribute, assign, convey and deliver to Buyer and to its successors and assigns, and Buyer hereby purchases, acquires and accepts from Sellers, all of Sellers’ right, title and interest in and to all of the Acquired Assets as of the Closing Date, free and clear of all Liens (other than Liens created by Buyer and the Permitted Liens).
3. Representations and Warranties. Sellers hereby represent and warrant to Buyer that neither their execution, delivery or performance of this Agreement, nor the consummation by it of the transactions contemplated hereby will (a) require any consent, agreement or acknowledgement of any Person that has not been obtained, (b) require any approval by a Governmental Entity that they have not obtained, or (c) violate rules of any Governmental Entity applicable to Sellers.

4. Governance. Notwithstanding any other provision of this Bill of Sale to the contrary, nothing contained in this Bill of Sale shall in any way supersede, merge with, modify, replace, amend, change, rescind, waive, exceed, expand, enlarge or in any way affect the provisions set forth in the Purchase Agreement nor shall this Bill of Sale reduce, expand or enlarge any remedies under the Purchase Agreement. This Bill of Sale is intended only to evidence the sale, grant, transfer, contribution, assignment, conveyance and delivery of the Acquired Assets as of the Closing pursuant to the Purchase Agreement and shall be governed entirely in accordance with the terms and conditions of the Purchase Agreement. The terms of the Purchase Agreement, including but not limited to the Sellers' representations, warranties, covenants, agreements and indemnities relating to the Acquired Assets, are incorporated herein by this reference. In the event of a conflict or an inconsistency between this Agreement and the Purchase Agreement, the terms of the Purchase Agreement shall prevail.
5. Counterparts; Facsimile or Email Signatures. This Bill of Sale may be executed in one (1) or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. This Bill of Sale or any counterpart may be executed and delivered by facsimile or email with scan attachment copies or pdf, each of which shall be deemed an original.
6. Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other Parties hereto.
7. No Third Party Beneficiaries. This Bill of Sale shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.
8. Entire Agreement. This Bill of Sale and the Purchase Agreement constitute the entire agreement between the Parties and supersede any prior understandings, agreements or representations by or between the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.
9. Governing Law. This Bill of Sale shall in all aspects be governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York (other than Section 5-1401 of the New York general obligations law), except to the extent that the laws are superseded by the Bankruptcy Code, and the obligations, rights and remedies of the Parties shall be determined in accordance with such laws.
10. Amendment. No amendment of any provision of this Bill of Sale shall be valid unless the same shall be in writing and signed by each Party except as expressly provided herein.

11. Headings. The paragraph headings contained in this Bill of Sale are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Bill of Sale.
12. Severability. The invalidity or unenforceability of any provision of this Bill of Sale shall not affect the validity or enforceability of any other provisions of this Bill of Sale. In the event that any of the provisions of this Bill of Sale shall be held by a court or other tribunal of competent jurisdiction to be illegal, invalid or unenforceable, such provisions shall be limited or eliminated only to the minimum extent necessary so that this Bill of Sale shall otherwise remain in full force and effect.

[END OF PAGE]
[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties hereto have executed this Bill of Sale on the date first written above.

SELLERS:

WRC MEDIA INC.

By: _____
Name:
Title:

COMPASSLEARNING, INC.

By: _____
Name:
Title:

BUYER:

**COMPASSLEARNING ACQUISITION
CORPORATION**

By: _____

Name:

Title:

Exhibit E

Form of Assignment and Assumption Agreement

[see attached]

FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

This ASSIGNMENT AND ASSUMPTION AGREEMENT (this “Agreement”) is made as of [●], 2009 by and among WRC Media, Inc., a Delaware corporation, CompassLearning, Inc., a Delaware corporation (collectively, “Assignors,” and, each individually, an “Assignor”), and CompassLearning Acquisition Corporation, a Delaware corporation (“Assignee”).

WHEREAS, the execution and delivery of this Agreement is required by Sections 2(f)(i)(B) and 2(f)(ii)(B) pursuant to the terms and conditions of that certain Asset Purchase Agreement, dated as of November 30, 2009, by and among Assignors, Assignee and Marlin Equity II, L.P., a Delaware limited partnership (as amended from time to time, the “Purchase Agreement”); and

WHEREAS, pursuant to Section 2(b) of the Purchase Agreement, Assignors desire to assign and transfer to Assignee, and Assignee desires to assume and accept, all of the Assumed Liabilities.

NOW, THEREFORE, for good and valuable consideration paid or payable to Assignors by Assignee pursuant to the Purchase Agreement and in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties to this Agreement hereby agree as follows:

1. Definitions. Each capitalized term used but not defined in this Agreement shall have the meaning ascribed to it in the Purchase Agreement.
2. Assumption of Assumed Liabilities. Effective as of the Closing, on the terms and subject to the conditions of the Purchase Agreement, Assignors hereby sell, transfer, grant, contribute, assign, convey and deliver, and Assignee hereby assumes and agrees to become responsible for the payment, performance and discharge of all of the Assumed Liabilities.
3. Representations and Warranties. Assignors hereby represent and warrant to Assignee that neither their execution, delivery or performance of this Agreement, nor the consummation by it of the transactions contemplated hereby will (a) require any consent, agreement or acknowledgement of any Person that has not been obtained, (b) require any approval by a Governmental Entity that they have not obtained, or (c) violate rules of any Governmental Entity applicable to Assignors.
4. Governance. Notwithstanding any other provision of this Agreement to the contrary, nothing contained in this Agreement shall in any way supersede, merge with, modify, replace, amend, change, rescind, waive, exceed, expand, enlarge or in any way affect the provisions set forth in the Purchase Agreement nor shall this Agreement reduce, expand or enlarge any remedies under the Purchase Agreement. This Agreement is intended only to evidence the sale, grant, transfer, contribution, assignment, conveyance and delivery of the Assumed Liabilities as of the Closing pursuant to the Purchase Agreement and shall be governed entirely in accordance with the terms and conditions of the Purchase Agreement. The terms of the Purchase Agreement, including but not limited to the

Assignors' representations, warranties, covenants, agreements and indemnities relating to the Assumed Liabilities, are incorporated herein by this reference. In the event of a conflict or an inconsistency between this Agreement and the Purchase Agreement, the terms of the Purchase Agreement shall prevail.

5. Counterparts; Facsimile or Email Signatures. This Agreement may be executed in one (1) or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. This Agreement or any counterpart may be executed and delivered by facsimile or email with scan attachment copies or pdf, each of which shall be deemed an original.
7. Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other Parties.
9. Entire Agreement. This Agreement and the Purchase Agreement constitute the entire agreement between the Parties and supersede any prior understandings, agreements or representations by or between the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.
10. Governing Law. This Agreement shall in all aspects be governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York (other than Section 5-1401 of the New York general obligations law), except to the extent that the laws are superseded by the Bankruptcy Code, and the obligations, rights and remedies of the Parties shall be determined in accordance with such laws.
11. Amendment. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each Party except as expressly provided herein.
12. Headings. The Paragraph headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.
13. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement. In the event that any of the provisions of this Agreement shall be held by a court or other tribunal of competent jurisdiction to be illegal, invalid or unenforceable, such provisions shall be limited or eliminated only to the minimum extent necessary so that this Agreement shall otherwise remain in full force and effect.

[END OF PAGE]
[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the date first written above.

ASSIGNORS:

WRC MEDIA INC.

By: _____
Name:
Title:

COMPASSLEARNING, INC.

By: _____
Name:
Title:

ASSIGNEE:

**COMPASSLEARNING ACQUISITION
CORPORATION**

By: _____
Name:
Title:

Exhibit F
Form of Patent Assignment

[see attached]

FORM OF PATENT ASSIGNMENT

This **PATENT ASSIGNMENT** ("*Assignment*") is made and entered into as of [] (the "*Effective Date*"), by and among **CompassLearning, Inc.**, a Delaware corporation with its principal office at 203 Colorado Street, Austin, TX 78701 ("*Assignor*") and **CompassLearning Acquisition Corporation**, a Delaware corporation with its principal office at 2121 Rosecrans Avenue, Suite 4325, El Segundo, CA 90245 ("*Assignee*").

WHEREAS, the Bankruptcy Court in the Chapter 11 Cases, which cases are jointly administered under the lead case of The Reader's Digest Association, Inc., *et. al.* pending in the United States Bankruptcy Court for the Southern District of New York as Case No. 09-23529 (RDD), entered that certain Sale Order (A) approving the sale of Assignor's assets, free and clear of Liens, claims, interests and encumbrances; (B) authorizing the assumption and assignment of certain executory contracts and unexpired leases; and (C) granting certain related relief;

WHEREAS, Assignor and Assignee are parties to that certain Asset Purchase Agreement dated November 30, 2009 (the "*Purchase Agreement*"), pursuant to which Assignor has sold, and Assignee has purchased, the patents, patent applications, and patent disclosures, together with all provisionals, reissuances, continuations, continuations-in-part, divisions, revisions, extensions and reexaminations thereof identified and set forth on Schedule A attached hereto (collectively, the "*Patents*"), among other assets of Assignor; and

WHEREAS, pursuant to the Purchase Agreement, Assignor wishes to assign to Assignee, and Assignee wishes to acquire from Assignor, all of Assignor's right, title and interest in and to the Patents.

NOW, THEREFORE, for good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, Assignor and Assignee hereby agree as follows:

1. Each capitalized term used but not defined in this Assignment shall have the meaning ascribed to it in the Purchase Agreement.
2. Assignor hereby assigns, sells, transfers, conveys and delivers to Assignee all of Assignor's right, title and interest in and to all of Assignor's Patents for the United States and for all foreign countries, and all other rights in, to, and under such Patents that are or may be secured under the laws of the United States or any foreign country or multinational authority, now or hereafter arising or in effect, for Assignee's own use and enjoyment, and for the use and enjoyment of Assignee's present and future Affiliates and Assignee's and its Affiliates' successors, assigns and other legal representatives, and their respective present and future licensees and direct and indirect sublicensees, together with all rights to collect royalties, products and proceeds in connection with any of the foregoing and all rights to sue for past, present and future infringement, misappropriation or other violation of the foregoing, and all rights to recover damages or lost profits in connection therewith, and all rights corresponding thereto throughout the world.

3. Assignor hereby requests the Commissioner of Patents and Trademarks in the United States Patent and Trademark Office, and the corresponding entities or agencies in any applicable foreign countries or multinational authorities, to record Assignee as the assignee and owner of the Patents and to deliver to Assignee, and to Assignee's attorneys, agents, successors or assigns, all official documents and communications as may be warranted by this Assignment.
4. Except to the extent otherwise provided for under the Purchase Agreement, Sale Order or the extent the mandatory provisions of the Bankruptcy Code or federal patent law apply, this Assignment shall in all aspects be governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York (other than Section 5-1401 of the New York general obligations law), except to the extent that the laws are superseded by the Bankruptcy Code, and the obligations, rights and remedies of the Parties shall be determined in accordance with such laws.
5. This Assignment may be signed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
6. This Assignment is entered into pursuant to the Purchase Agreement, to which reference is made for a further statement of the rights and obligations of Assignor and Assignee with respect to the Patents and shall not be construed to limit or expand the rights of any party under the Purchase Agreement. Notwithstanding anything contained herein to the contrary, to the extent that any provision of this Assignment is inconsistent or conflicts with the Purchase Agreement, the Purchase Agreement shall control.

* * * * *

[END OF PAGE]

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment as of the Effective Date.

ASSIGNOR

By: _____

Name: _____

Title: _____

ASSIGNEE

By: _____

Name: _____

Title: _____

Schedule A
Patent

Exhibit G
Form of Trademark Assignment

[see attached]

FORM OF TRADEMARK ASSIGNMENT

This **TRADEMARK ASSIGNMENT** ("Assignment") is made and entered into as of [] (the "Effective Date"), by and among **CompassLearning, Inc.** a Delaware corporation with its principal office at 203 Colorado Street, Austin, TX 78701 ("Assignor") and **CompassLearning Acquisition Corporation**, a Delaware corporation with its principal office at 2121 Rosecrans Avenue, Suite 4325, El Segundo, CA 90245 ("Assignee").

WHEREAS, the Bankruptcy Court in the Chapter 11 Cases, which cases are jointly administered under the lead case of The Reader's Digest Association, Inc., *et. al.* pending in the United States Bankruptcy Court for the Southern District of New York as Case No. 09-23529 (RDD), entered that certain Sale Order (A) approving the sale of Assignor's assets, free and clear of Liens, claims, interests and encumbrances; (B) authorizing the assumption and assignment of certain executory contracts and unexpired leases; and (C) granting certain related relief;

WHEREAS, Assignor and Assignee are parties to that certain Asset Purchase Agreement dated November 30, 2009 (the "Purchase Agreement"), pursuant to which Assignor has sold, and Assignee has purchased, all trademarks, service marks, trade dress, logos, slogans, brand names, trade names, internet domain names and corporate names (whether or not registered), and applications for registration thereof identified and set forth on Schedule A attached hereto and all goodwill associated therewith (collectively, the "Marks"), among other assets of Assignor; and

WHEREAS, pursuant to the Purchase Agreement, Assignor wishes to assign to Assignee, and Assignee wishes to acquire from Assignor, all of Assignor's right, title and interest in and to the Marks.

NOW, THEREFORE, for good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, Assignor and Assignee hereby agree as follows:

1. Each capitalized term used but not defined in this Assignment shall have the meaning ascribed to it in the Purchase Agreement.
2. Assignor hereby assigns, sells, transfers, conveys and delivers to Assignee the entire right, title and interest in, to and under the Marks, together with all the goodwill of the business associated therewith, for the United States, all states of the United States, all foreign countries, and for all multinational authorities including, without limitation, any registrations and applications therefor, any renewals and extensions of the registrations and all other rights in, to, and under the Marks that are or may be secured under the laws of the United States, states of the United States, common law, or any foreign country or multinational authority, now or hereafter arising or in effect, for Assignee's own use and enjoyment, and for the use and enjoyment of Assignee's present and future Affiliates and Assignee's and its Affiliates' successors, assigns and other legal representatives, and their respective present and future licensees and direct and indirect sublicensees, together with all rights to collect royalties, products and proceeds in connection with any of the

foregoing and all rights to sue for past, present and future infringement, misappropriation, unfair competition, dilution or other violation of the foregoing, and all rights to recover damages or lost profits in connection therewith, and all rights corresponding thereto throughout the world.

3. Assignor hereby requests the Commissioner of Patents and Trademarks in the United States Patent and Trademark Office, and the corresponding entities or agencies in any applicable foreign countries or multinational authorities, to record Assignee as the assignee and owner of all the applicable registered or registrable Marks and to deliver to Assignee, and to Assignee's attorneys, agents, successors or assigns, all official documents and communications as may be warranted by this Assignment.
4. Except to the extent otherwise provided for under the Purchase Agreement, Sale Order or the extent the mandatory provisions of the Bankruptcy Code or federal trademark law apply, this Assignment shall in all aspects be governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York (other than Section 5-1401 of the New York general obligations law), except to the extent that the laws are superseded by the Bankruptcy Code, and the obligations, rights and remedies of the Parties shall be determined in accordance with such laws.
5. This Assignment may be signed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
6. This Assignment is entered into pursuant to the Purchase Agreement, to which reference is made for a further statement of the rights and obligations of Assignor and Assignee with respect to the Marks and shall not be construed to limit or expand the rights of any party under the Purchase Agreement. Notwithstanding anything contained herein to the contrary, to the extent that any provision of this Assignment is inconsistent or conflicts with the Purchase Agreement, the Purchase Agreement shall control.

* * * * *

[END OF PAGE]

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment as of the Effective Date.

ASSIGNOR

By: _____

Name: _____

Title: _____

ASSIGNEE

By: _____

Name: _____

Title: _____

Schedule A
Marks

Exhibit H

Form of Copyright Assignment

[see attached]

FORM OF COPYRIGHT ASSIGNMENT

This **COPYRIGHT ASSIGNMENT** ("*Assignment*") is made and entered into as of [] (the "*Effective Date*"), by and among **CompassLearning, Inc.**, a Delaware corporation with its principal office at 203 Colorado Street, Austin, TX 78701 ("*Assignor*") and **CompassLearning Acquisition Corporation**, a Delaware corporation with its principal office at 2121 Rosecrans Avenue, Suite 4325, El Segundo, CA 90245 ("*Assignee*").

WHEREAS, the Bankruptcy Court in the Chapter 11 Cases, which cases are jointly administered under the lead case of The Reader's Digest Association, Inc., *et. al.* pending in the United States Bankruptcy Court for the Southern District of New York as Case No. 09-23529 (RDD), entered that certain Sale Order (A) approving the sale of Assignor's assets, free and clear of Liens, claims, interests and encumbrances; (B) authorizing the assumption and assignment of certain executory contracts and unexpired leases; and (C) granting certain related relief;

WHEREAS, Assignor and Assignee are parties to that certain Asset Purchase Agreement dated November 30, 2009 (the "*Purchase Agreement*"), pursuant to which Assignor has sold, and Assignee has purchased, the copyright registrations and applications identified and set forth on Schedule A attached hereto (collectively, the "*Copyrights*"), among other assets of Assignor; and

WHEREAS, pursuant to the Purchase Agreement, Assignor wishes to assign to Assignee, and Assignee wishes to acquire from Assignor, all of Assignor's right, title and interest in and to the Copyrights.

NOW, THEREFORE, for good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, Assignor and Assignee hereby agree as follows:

1. Each capitalized term used but not defined in this Assignment shall have the meaning ascribed to it in the Purchase Agreement.
2. Assignor hereby assigns, sells, transfers, conveys and delivers to Assignee the entire right, title and interest in, to and under the Copyrights for the United States, states of the United States, common law, and for all foreign countries and multinational authorities, including, without limitation, any registrations and applications for registration, any renewals and extensions of the registrations, common law rights, termination of transfer rights, and all other rights in, to, and under such Copyrights as well as moral rights (including waivers of moral rights) that are or may be secured under the laws of the United States, any foreign country, now or hereafter arising or in effect, in any and all media now existing or hereafter developed, and any and all means of distribution now existing or hereafter developed, including without limitation, over the internet (or any successor means of communication), broadcast television, cable television, interactive television, pay television, satellite transmission, broadcast radio, internet radio, satellite radio, computer access and mobile devices, for Assignee's own use and enjoyment, and for the use and enjoyment of Assignee's present and future Affiliates and Assignee's and

its Affiliates' successors, assigns and other legal representatives, and their respective present and future licensees and direct and indirect sublicensees, together with all rights to collect royalties, products and proceeds in connection with any of the foregoing and all rights to sue for past, present and future infringement, misappropriation or other violation of the foregoing, and all rights to recover damages or lost profits in connection therewith, and all rights corresponding thereto throughout the world.

3. Assignor hereby requests the United States Copyright Office, and the corresponding entities or agencies in any applicable foreign countries or multinational authorities, to record Assignee as the assignee and owner of the Copyrights and to deliver to Assignee, and to Assignee's attorneys, agents, successors or assigns, all official documents and communications as may be warranted by this Assignment.
4. Except to the extent otherwise provided for under the Purchase Agreement, Sale Order or the extent the mandatory provisions of the Bankruptcy Code or federal copyright law apply, this Assignment shall in all aspects be governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York (other than Section 5-1401 of the New York general obligations law), except to the extent that the laws are superseded by the Bankruptcy Code, and the obligations, rights and remedies of the Parties shall be determined in accordance with such laws.
5. This Assignment may be signed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
6. This Assignment is entered into pursuant to the Purchase Agreement, to which reference is made for a further statement of the rights and obligations of Assignor and Assignee with respect to the Copyrights, and shall not be construed to limit or expand the rights of any party under the Purchase Agreement. Notwithstanding anything contained herein to the contrary, to the extent that any provision of this Assignment is inconsistent or conflicts with the Purchase Agreement, the Purchase Agreement shall control.

* * * * *

[END OF PAGE]

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment as of the Effective Date.

ASSIGNOR

By: _____

Name: _____

Title: _____

ASSIGNEE

By: _____

Name: _____

Title: _____

Schedule A
Copyrights

Exhibit I
Form of Transition Services Agreement
[see attached]

FORM OF TRANSITION SERVICES AGREEMENT

This **TRANSITION SERVICES AGREEMENT** (including the exhibit attached hereto, this “**Agreement**”) dated as of [____], 2010 (the “**Effective Date**”), is entered into by and between CompassLearning Acquisition Corporation, a Delaware corporation (“**Buyer**”), and The Reader’s Digest Association, Inc., a Delaware corporation (“**Seller**”). Seller, on one hand, and Buyer, on the other hand, are each sometimes referred to herein as a “**Party**” and collectively, as the “**Parties**.” Capitalized terms used in this Agreement but not defined herein shall have the meanings given to them in the Purchase Agreement (as defined below).

W I T N E S S E T H:

WHEREAS, Seller and Buyer have entered into that certain Asset Purchase Agreement dated as of November 30, 2009 (together with all exhibits and schedules attached thereto, the “**Purchase Agreement**”), pursuant to which, among other things, Buyer has agreed to purchase from Seller and CompassLearning, Inc., a Delaware corporation (“**CompassLearning**”), the Acquired Assets (as defined in the Purchase Agreement), in accordance with and subject to the terms and conditions set forth in the Purchase Agreement (the “**Transaction**”); and

WHEREAS, in connection with the Transaction and in consideration for entering into the Purchase Agreement, Buyer has requested and Seller has agreed to provide, or cause to be provided, the transitional services described in Exhibit A attached hereto to Buyer in accordance with the terms and subject to the conditions set forth herein; and

WHEREAS, Section 2(f)(i)(D) of the Purchase Agreement requires delivery of this Agreement duly executed as of the Closing.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound hereby, agree as follows:

ARTICLE I **SERVICES**

Section 1.1 Provision of Services.

(a) Upon the terms and subject to the conditions set forth in this Agreement, Seller shall provide, or cause to be provided, to Buyer, solely for use in the operation of the Business, the transitional services described in Exhibit A attached hereto (collectively, the “**Services**” and each individually, a “**Service**”) during the Term (as defined below) or such shorter period of time with respect to any particular Service as is specified on Exhibit A attached hereto. The parties acknowledge that some of the Services provided

hereunder may be provided by third party subcontractors (the “**Subcontractors**”) pursuant to contractual arrangements made by the Seller (the “**Subcontracts**”).

(b) Seller hereby represents and warrants that the Services represent all of the material support and material services that the Business of CompassLearning received from Seller or its Affiliates for the 12 months prior to the Closing Date and that the provision of the Services along with the Acquired Assets will allow Buyer to conduct the business of CompassLearning after the Closing in substantially the same manner as it was conducted by Seller and its Affiliates in the 12 months prior to the Closing Date. Seller further agrees that if any transition service is identified after the Closing Date that is not contained on Exhibit A but is necessary to otherwise make the first sentence of this Section 1.1(b) true and correct (any such service a “**Missing Service**”) that Seller shall upon three (3) days written notice provide such Missing Service to Buyer for the remainder of the Term of this Agreement at no cost to Buyer.

(c) Except for any Missing Service pursuant to Section 1.1(b), Seller shall not be obligated to provide, or cause to be provided, any services pursuant to this Agreement or otherwise to or for the benefit of Buyer other than the Services expressly provided for in Exhibit A attached hereto.

Section 1.2 Term of Agreement and Services. Unless earlier terminated in accordance with Section 2.1, the term of this Agreement (the “**Term**”) shall be the period beginning on the Effective Date and ending on the 90th calendar day following the Effective Date (the “**Expiration Date**”). Buyer may terminate any individual Service identified in Exhibit A hereto, in whole or in part, upon 10 Business Days prior written notice to Seller. Buyer shall only be responsible for amounts owed up through the date of termination with respect to such terminated service.

Section 1.3 Billing and Payment Terms.

(a) Buyer shall pay Seller for the Services according to the schedule or description of fees specified in Exhibit A attached hereto. Fees for the Services will be billed by Seller at the beginning of each calendar month during the Term for Services rendered and expenses incurred in the previous calendar month (if any) and shall be paid by Buyer within ten (10) days of the invoice date by check or wire transfer of immediately available funds as directed by Seller. Seller shall be responsible for the payment of all fees owing to the Subcontractors from time to time pursuant to the Subcontracts, except that the Seller may, in consultation with Buyer, arrange for Subcontractors to provide Services directly to Buyer with invoicing direct to Buyer from the Subcontractor(s); provided however that any billing made directly by Subcontractors to Buyer shall be in accordance with Exhibit A. Any amounts owed to Subcontractors that exceed the amounts set forth for such Service on Exhibit A, whether or not directly billed to Buyer, shall be the responsibility and obligation of Seller. Amounts not paid in accordance with this Section 1.3(a) shall accumulate interest at an annual rate (the “**Interest Rate**”) equal to 10% annually. Buyer agrees to pay on demand all costs of collection, including reasonable attorneys’ fees, incurred in collecting any such amounts by Seller or personnel engaged by Seller to perform such collections. The fees and

expenses payable by Buyer pursuant to this Section 1.3(a) shall be exclusive of any federal, state, municipal, or other U.S. or foreign government taxes, duties, excises, tariffs, fees, assessments or levies now or hereinafter imposed on the performance or delivery of Services or direct costs. Any taxes, duties, excises, tariffs, fees, assessments or levies imposed on the performance or delivery of Services or direct costs hereunder shall be the responsibility of Buyer.

(b) In the event Buyer does not pay any sum, or any part thereof, in accordance with this Section 1.3, Seller shall, effective ten (10) Business Days following the delivery of written notice to Buyer of such payment default, have no further obligation pursuant to this Agreement to provide any services to Buyer (including, without limitation, those indicated in Exhibit A attached hereto) until such unpaid balance, plus all accrued interest at the applicable Interest Rate, shall have been paid. Notwithstanding the foregoing, in the event of a good faith dispute between the Parties related to the Services or the costs therefor, the Parties shall attempt to resolve such dispute in accordance with Section 1.5(f), and Seller agrees that it will not discontinue services hereunder (and shall use commercially reasonable efforts to cause its Subcontractors to not discontinue services hereunder) nor terminate this Agreement, except in accordance with Section 2.1, during the pendency of any such dispute.

Section 1.4 Indemnification.

(a) Buyer shall indemnify, defend and hold harmless Seller, its Affiliates, and its and their respective directors, officers, representatives, employees and agents (collectively, "**Seller Representatives**") from and against any and all judgments, fines, claims, suits, disputes, losses, damages, liabilities, awards, costs (including, without limitation, costs of defense, settlements and attorneys' fees and costs and other fees and expenses incurred in advance of the final disposition of any claims, suits or disputes) or other expenses of any kind or nature (whether absolute, accrued, contingent or other), regardless of the legal basis of liability or legal or equitable principle involved (collectively, "**Losses**"), arising from or relating to (i) any claim brought by a third party against Seller or its Affiliates, Subcontractors or Seller Representatives as a result of, in connection with or on account of Seller's or Subcontractors' performance of the Services, or (ii) any wrongful act or omission hereunder by Buyer, its Affiliates, or any of their respective directors, officers, representatives, employees and agents (collectively, "**Buyer Representatives**"), whether or not the same constitutes a breach of this Agreement.

(b) Seller shall indemnify, defend and hold harmless Buyer, its Affiliates, and Buyer Representatives, from and against any and all Losses to the extent resulting from any wrongful act or omission hereunder by Seller, its Affiliates, the Subcontractors, or any Seller Representative in the course of performing the Services, whether or not the same constitutes a breach of this Agreement.

(c) Any indemnification of either Party shall be effected by wire transfer of immediately available funds from the indemnifying Party to the other Party within fifteen (15) days after the determination thereof.

(d) To the extent that the foregoing indemnification by either Party may be unenforceable for any reason, the indemnifying Party shall make the maximum contribution to the payment and satisfaction of each of the indemnification obligations which is permissible under applicable law.

Section 1.5 Performance.

(a) The Parties hereby agree that the Services will be provided for purposes of supporting the Business in substantially the same manner as conducted by Seller and its Affiliates immediately prior to the Closing Date after giving effect to the transactions contemplated by the Purchase Agreement. Seller agrees to use commercially reasonable efforts to cause the Services to be provided in a professional manner, and to exercise at least the same degree of care and skill in performing such Services as it exercises in performing similar services for itself, recognizing that this is not an assurance that the Services will be provided error free. Buyer agrees to use commercially reasonable efforts to ensure that it has the necessary systems and personnel in place to receive the Services from Seller in a professional manner.

(b) Buyer shall provide to Seller, in a reasonably timely manner, all data, information, materials and management direction reasonably necessary for such Seller to perform (or cause to be performed) the Services in a reasonably timely manner. All such data, information and material shall be provided by Buyer in a form reasonably compatible with Seller's existing systems.

(c) In connection with providing the Services, Seller and its Affiliates shall not be required to perform, or refrain from taking, any actions that, in the Seller's reasonable judgment, would reasonably likely result in or cause conflict with, or breach or violate any material law, rule or regulation.

(d) The Parties and their Affiliates will use commercially reasonable efforts to cooperate with each other in accordance with the terms of this Agreement in respect of all matters relating to the provision and receipt of the Services. Such cooperation shall include using commercially reasonable efforts to obtain, at the sole cost and expense of Buyer, all required third-party consents, licenses, sublicenses or approvals necessary to permit each Party to perform its obligations hereunder. Buyer shall provide Seller with such information and documentation as is reasonably requested by Seller, and Buyer shall perform such actions and tasks as may be reasonably requested by Seller to enable Seller to perform the Services in accordance with this Agreement.

(e) Buyer hereby acknowledges that Seller has entered into this Agreement to accommodate Buyer on an interim basis only. Buyer acknowledges and agrees that Seller is not in the business of providing the Services and has no special expertise with respect thereto.

(f) Each Party agrees to (i) promptly assign a management level employee to resolve issues that may arise under this Agreement that either Party in its

sole discretion requests to have resolved under this Section 1.5, (ii) have such individuals meet (in person or by phone) on a timely basis to decide on an appropriate resolution or plan of resolution of any issues that may arise under this Agreement, and (iii) implement on a timely basis such mutually agreed resolution or plan.

Section 1.6 Disclaimer of Warranties. EXCEPT AS OTHERWISE PROVIDED HEREIN, THE SERVICES ARE PROVIDED TO BUYER "AS IS." SELLER AND ITS AFFILIATES MAKE NO REPRESENTATION OR WARRANTY OF ANY KIND (OTHER THAN AS CONTAINED IN THIS AGREEMENT), WHETHER EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, REGARDING THE SERVICES AND EXPRESSLY DISCLAIM ANY AND ALL SUCH WARRANTIES, INCLUDING WITHOUT LIMITATION ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, IN EACH CASE, TO THE MAXIMUM EXTENT PERMISSIBLE BY LAW.

Section 1.7 Limitation of Liability.

(a) NEITHER PARTY SHALL BE LIABLE FOR ANY LOST PROFITS OR FOR ANY INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES ARISING OUT OF THIS AGREEMENT OR ANY PERFORMANCE (OR LACK THEREOF) OF THE SERVICES HEREUNDER OR OTHERWISE REGARDLESS OF THE THEORY OF LIABILITY (INCLUDING CONTRACT, STRICT LIABILITY AND TORT), EVEN IF THE APPLICABLE PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

(b) IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY DIRECT DAMAGES ARISING OUT OF THIS AGREEMENT OR ITS PERFORMANCE (OR LACK THEREOF) OF THE SERVICES HEREUNDER OR OTHERWISE THAT, IN THE AGGREGATE, EXCEED AGGREGATE AMOUNT PAID FOR ALL SERVICES UNDER THIS AGREEMENT. EACH PARTY ACKNOWLEDGES THAT THE CHARGES FOR THE SERVICES AND RESOURCES PROVIDED HEREUNDER HAVE BEEN ESTABLISHED IN CONTEMPLATION OF THE FOREGOING ALLOCATION OF RISK.

(c) NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, IN NO EVENT SHALL SELLER, ITS AFFILIATES OR ANY SELLER REPRESENTATIVES HAVE ANY LIABILITY FOR LOSSES OF ANY NATURE INCURRED BY BUYER, ITS AFFILIATES OR REPRESENTATIVES OR ANY THIRD PARTY IN CONNECTION WITH ANY ACTION TAKEN OR OMITTED AT THE REQUEST, INSTRUCTION OR DIRECTION OF BUYER OR ANY BUYER REPRESENTATIVES OR FOR ANY ACTION TAKEN OR OMITTED BY A SUBCONTRACTOR PERFORMING SERVICES ON BEHALF OF BUYER.

ARTICLE II TERMINATION

Section 2.1 Term; Termination. Unless earlier terminated as provided below, this Agreement shall terminate at 5:00 P.M. (New York time) on the Expiration Date. In addition, any or all of the Services provided hereunder may be terminated (a) by Buyer with respect to one or more of the Services, in whole or in part, pursuant to Section 1.2 (b) by a Party, if the other Party (the “**Defaulting Party**”) breaches a material obligation under this Agreement and such breach is not cured within thirty (30) days after the date on which written notice of such breach is received by the Defaulting Party, (c) by a Party, if the other Party makes a general assignment for the benefit of creditors, becomes insolvent, a receiver is appointed, or a court approves reorganization or arrangement proceedings, or (d) upon the mutual written consent of the Parties.

Section 2.2 Termination Notices. Any termination notice delivered by either Party shall specify the effective date of termination and, where applicable, in reasonable detail, the Service or Services to be terminated.

Section 2.3 Effect of Termination. In the event of a termination or expiration of this Agreement, (a) Seller shall be entitled to all outstanding amounts due from Buyer up to the date of termination or expiration and with respect to any Services which were contracted for by Seller or its Affiliates prior to such date, and (b) all obligations of Seller to provide a Service hereunder shall immediately cease, provided that Seller shall be permitted reasonable time to take such actions as are necessary to discontinue any of the Services, retrieve any equipment or take such other actions as may be necessary or appropriate in connection with the termination of this Agreement and the provision of Services hereunder. Termination or expiration of this Agreement shall not act as a waiver of any breach of this Agreement and shall not act as a release of either Party for any liability or obligation incurred under this Agreement through the effective date of such termination or expiration.

ARTICLE III MISCELLANEOUS

Section 3.1 Force Majeure. Neither Party shall be responsible for any delay in the performance or observation of any of its duties or obligations under this Agreement due to strikes, blockages, lock-outs or other labor difficulties or disturbances; acts of any government (whether with or without valid jurisdiction), wars or war-like activities, riots, rebellions, civil commotions, insurrections, terrorism, or other hostilities; embargoes, fuel or energy shortages, fires, floods, storms, earthquakes, acts of God, any systems or technological failure, whether relating to hardware or software, accidents, explosions, governmental requirements and regulations or restrictions imposed by law; or any other occurrence or dispute that is beyond the reasonable control without the fault or negligence of such Party, and the time for performance by such Party shall be extended by the period of such delay.

Section 3.2 Assignment. Neither this Agreement nor any of the rights,

interests or obligations hereunder shall be assigned by either Party (whether by operation of law or otherwise) without the prior written consent of the other Party, except that Seller may delegate performance obligations pursuant to this Agreement to Subcontractors in accordance with Section 1.3. Any delegation of performance to a Subcontractor by Seller pursuant to this Agreement shall not excuse Seller from its duties, obligations and responsibilities hereunder including the overall provision of the Service or Services delegated and the manner and standard in which they are performed.

Section 3.3 Amendment. This Agreement may not be amended, modified or supplemented except by an instrument in writing signed by Seller and Buyer.

Section 3.4 No Third Party Beneficiaries. This Agreement is for the sole benefit of the Parties and their permitted assigns, and nothing herein expressed or implied shall give or be construed to give any Person, other than the Parties and such assigns, any legal or equitable rights hereunder. All references herein to the enforceability of agreements with third parties, the existence or non-existence of third party rights, the absence of breaches or defaults by third parties, or similar matters or statements, are intended only to allocate rights and risks among the Parties and are not intended to be admissions against interests, give rise to any inference or proof of accuracy, be admissible against any Party by any third party, or give rise to any claim or benefit to any third party.

Section 3.5 Relationship of the Parties. Neither Party is an agent of the other Party and neither Party has any authority to bind the other Party, transact any business in the other Party's name or on its behalf, or make any promises or representations on behalf of the other Party unless agreed to in writing. Each Party will perform all of its obligations under this Agreement as an independent contractor, and no joint venture, partnership or other relationship shall be created or implied by this Agreement. Seller shall be solely responsible for the payment of all benefits and any other direct and indirect compensation for Seller personnel assigned to perform Services under this Agreement, as well as such personnel's worker's compensation insurance, employment taxes, and other employer liabilities relating to such personnel as required by law. Seller shall have full authority to select the means, methods and manner of performing the Services. Seller's duties and obligations are limited to those expressly set forth in this Agreement. Without limiting the generality of the foregoing, nothing herein is intended to create or shall be construed as creating a fiduciary relationship between Seller and Buyer.

Section 3.6 Governing Law; Waiver of Jury Trial. This Agreement shall be governed by, and construed and interpreted in accordance with, the substantive laws of the State of New York, without giving effect to any conflicts of law, rule or principle that might require the application of the laws of another jurisdiction. EACH OF THE PARTIES KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM, SUIT, ACTION, LITIGATION OR OTHER PROCEEDING BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH, THIS AGREEMENT OR ANY EXHIBIT

HERETO, OR ANY COURSE OF CONDUCT, COURSE OF DEALING OR STATEMENTS (WHETER VERBAL OR WRITTEN) RELATING TO THE FOREGOING. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES TO ENTER INTO THIS AGREEMENT.

Section 3.7 Entire Agreement; Construction. This Agreement and the Purchase Agreement (including the disclosure schedules, annexes and exhibits thereto and the other instruments referred to therein or delivered by the parties hereto or thereto in connection herewith or therewith) constitute the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, between the parties with respect thereto. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

Section 3.8 Notices. All notices, requests, claims, demands and other communications that are required or may be given pursuant to this Agreement shall be in writing and shall be delivered personally against written receipt, by a recognized overnight courier service, by facsimile (with confirmation notice delivered by another method of delivery hereunder) or by certified or registered mail, return receipt requested, postage prepaid, to the Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 3.8):

if to Seller, to:

The Reader's Digest Association, Inc.
1 Reader's Digest Road
Pleasantville, New York 10570
Attention: Vice President and General Counsel
Facsimile: 914-244-5644

with a copy to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Kirk A. Radke

if to Buyer, to:

CompassLearning Acquisition Corporation
2121 Rosecrans Ave., Suite 4325
El Segundo, CA 90245
Attention: Nick Kaiser and Johna Sulak

with a copy (which shall not constitute notice) to:

Latham & Watkins LLP
355 S. Grand Ave
Los Angeles, CA 90071
Attention: James P. Beaubien

Any such notice or other communication will be deemed to have been given (a) if personally delivered, when so delivered, against written receipt, (b) if sent by a nationally recognized overnight delivery service which guarantees next day delivery, one (1) Business Day after being so sent, (c) if given by telecopier, once such notice or other communication is transmitted to the facsimile number specified above and the appropriate answer back or telephonic confirmation is received, provided that such notice or other communication is promptly thereafter delivered in accordance with the provisions of clauses (a), (b) or (d) hereof, or (d) if mailed by registered or certified mail, return receipt requested, postage prepaid and addressed to the intended recipient as set forth above, five (5) Business Days after being so mailed. Any notice, request, demand, claim or other communication given hereunder using any other means (including ordinary mail or electronic mail) shall not be deemed to have been duly given unless and until such notice, request, demand, claim or other communication actually is received by the individual for whom it is intended.

Section 3.9 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

Section 3.10 Counterparts. This Agreement may be executed in one or more counterparts, including facsimile counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each Party and delivered to the other Party.

Section 3.11 Headings. Headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 3.12 Order of Precedence. In the event that any of the documents referenced herein in connection with the Services conflict with this Agreement or any other document referenced herein, then the order of precedence for such documents with respect to provisions governing the Services shall be as follows: (a) this Agreement; (b) the applicable Exhibit; and (c) the applicable invoice for Services.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the Parties hereto, by its duly authorized officer, has caused this Transition Services Agreement to be executed and delivered as of the date first written above.

THE READER'S DIGEST ASSOCIATION, INC.

By: _____
Name:
Title:

COMPASSLEARNING ACQUISITION
CORPORATION

By: _____
Name:
Title:

EXHIBIT A – SELLER SERVICES

FINANCIAL SYSTEMS, SERVICES & SUPPORT SERVICES

Seller Services	Monthly Fee	Duration
<p>Payroll: Seller to provide support of its staff and use its commercially reasonable best efforts to cause the payroll providers (ADP) to assist Buyer in its transition of payroll, including providing data in the format needed in a reasonable timeframe to enable the transition.</p>		
<p>Accounts Payable: Seller to provide processing of post-transaction CompassLearning invoices in Seller's shared service center or outsourced provider.</p>		
<p>Travel & Entertainment: Seller to provide support of its staff and use its commercially reasonable efforts to assist the Buyer in its transition of the current CompassLearning employee credit card accounts at American Express.</p>	\$13,750	90 Days
<p>General Ledger and Financial Systems: Seller to provide general ledger and financial systems services without limitation:</p> <ul style="list-style-type: none">• Seller to provide Seller's current Oracle financial system for all Oracle Modules currently used.• Seller to provide the use and support of Seller's current financial system as well as use and support of interfaces from business systems to Oracle ledger.• Seller to provide a three year financial history in a format reasonably specified by the Compass Learning Entity and current year financial data ported over to the Compass Learning Entity's ledger.• Seller to provide general assistance in transitioning to the Compass Learning Entity's ledger.		
<p>Banking/Treasury/Bank Accounts: Seller to provide support of its Treasury/banking staff and use its commercially reasonable best efforts to assist the Buyer in its transition of the CompassLearning bank accounts and any related banking details.</p>	\$2,031	90 Days
<p>Tax Compliance: Seller to provide access to Seller's tax liaison. Seller to establish a formal process to forward to all relevant tax jurisdictions, as appropriate, the change in ownership and forwarding addresses. Once completed, Seller to provide Buyer with the final pre-Closing Tax Returns filed or to be filed for the CompassLearning Entity (i.e., 2009) for all taxes (e.g., property, withholding, SUT, income taxes).</p>	\$2,500	90 Days

Seller Services	Monthly Fee	Duration
HR System: Seller to allow Business Employees to remain on Seller's current HR system. During this time Seller will update information and data records in such system at the request of the CompassLearning Entity. Shift from Seller's HR system to be concurrent with shift over to the CompassLearning Entity's payroll system. All data shall be provided by Seller in a format that is compatible with Buyer HRIS systems.	\$0	90 Days
Business Insurance: Seller to allow full access to all relevant insurance documents relating to CompassLearning and assist Buyer with transfer of policies as requested.	\$813	90 Days
Compass Learning Data Transfer: Seller to assist Buyer with all aspects of transition including providing CompassLearning data to Buyer in a format mutually agreed upon by Seller and Buyer.	\$5,000	90 Days

Annex A

Assumed Contracts

Vendor List	
Acclaim Talent Inc	eduMedia
Actionware	Elsa Marston
Alisa A. Hogle	Eric Loeffel
Allene M. White	Erica Hopf
American Guidance Service, Inc.	Erie 1 BOCES Education Campus
American Registry for Internet Numbers, LTD.	Erin Leigh Shaw
AMLI Management Company	Ernst & Young (New York)
Ancient-Greece.org	Ernst & Young (Puerto Rico)
Annoka Hennepin ISD	EScience Labs, Inc.
Aquent LLC	Estate of William Gropper
AT&T	Family Learning Association
AT&T Mobility National Accounts LLC	Farrar, Straus, & Giroux, LLC
Atlanta Public Schools	Florida School Services Inc.
Austin Pure Water Treatment, Inc.	Francis Collin Literacy Agency
Avaya Inc	Fulcrum Publishing
Babs George	Gallup
Baker Botts LLP	Gareth Stevens Publishing
Bank Street College of Education	Georgia State University Library
Beacon Press	Getty Images
Beatty Bangle Strama P.C.	GM Services LLC
Big Machines	GNU
Bookette Software Company	Gordon Skene Sound Collection
Boxer Learning, Inc.	Hachette Book Group USA
Brandt & Hochman Literary Agents, Inc	Hacienda La Puente Unified School District
Brooks Permissions	Harcourt Brace & Company
Brushup Educational Consultants	Harold Ober Associates Incorporated
Bulldog Solutions Inc.	HarperCollins Publishers
Business Objects Americas	Henry Holt & Company
Buyout Footage	Hope Online Learning
Carroll Atwater Bishop	Houghton Mifflin Company
Catapult Learning	Ibis Communications Inc
Catapult Systems Inc.	IBM Corporation
Captive, Inc.	Ice Miller LLP
CIT Communications Finance Corporation	Illinois Learning Technology Purchase Program
CLARIX Technologies	Instructional Resources Corporation
Cogent Communications	Iron Mountain
Collier Talent Agency	Iron Mountain Off-Site Data Protection Division
Connie J. Cole	Iron Mountain Records Management Division
Core NAP, L.P.	It's All About Kids
CR IV Industrial L.P.	Jack Watson
CTS Production Services, Inc	John Hawkins and Associates
Curtis Brown Ltd	John Steptoe
Customized Educational Solutions, LLC (Mona McCoy)	Jonathan Legendre
David Driscoll Consulting	Jones Lang LaSalle Brokerage, Inc.
David Higham Associates	Julianne Wright
Democritus Properties, LLC	Jupiterimages
DK Images	Kelli Bland
Dolores Riley	Killer Tracks, a Unit of Universal Music
Don Congdon	King's College London
Dorian Brooks and Margaret Russell	Kyle Ritter
Dr. Russell R. Hoptcroft	Lamar Brantley
DreamFactory Software, Inc.	Landov LLC
E. Jason Liebrecht	Laura Guida
E2020, Inc.	Learner First LLC

Vendor List

Licensebox (MODA Entertainment) - Dexter Gordon	SimplexGrinnell Inc.
Licensebox (MODA Entertainment) - Duke Ellington	SkillSoft Corporation dba Skillsoft Direct
LimeLight Networks, Inc.	Sola Scriptura
Linda Bennett	Sourcebooks, Inc.
Liveright Publishing Corporation	Sprint Solutions, Inc.
Lockaway Storage-Austin, Inc.	St. Petersburg Times
Map Resources	SunGard Availability Services LP
Market Data Retrieval	Susan Bergholz Literary Services
Marketo	Symtrax Corporation
Matthew Bardoe	TCG Advisors, LP
McIntosh and Otis, Inc.	Telephonetics, Inc.
Meet the Author	Texas Association for Supervision & Curriculum Development
Metro-Goldwyn Mayer, Inc.	Texas Education Agency
Michael Ross	The Academy of Political Science
Microsoft Licensing, GP	The Granger Collection
Mike Caciari	The Henry Ford Museum
Naomi Long Madgett	The Kansas City Star
National Council of Teachers of Mathematics	The Learning Company
National Geographic	The Lerner Publishing Group
Net Transit & Receive, North America	The M.C. Escher Company
New Directions Publishing Corporation	The Metropolitan Museum of Art
Nikki Giovanni	The New York Public Library
Northwest Evaluation Association	The New York Times
Oakland Museum of California	The Patrick Company
P16 Strategies	The Peters Fraser & Dunlop Group
Parent Tutor Corporation	The School District of Greenville County
PARS International Corp.	The Society of Authors
Pearson Education	The Truman Capote Literary Trust
Penguin Group (USA) Inc.	The University of Texas at Austin
Pitney Bowes Credit Corporation	Thinkwell Corporation
PR Newswire Association, LLC	Thompson And Thompson
Prolangs Co., Ltd.	Thompson Learning Global Rights Group
Q Group Plc.	Thought Equity Motion, Inc.
Rachel Gossen	ThyssenKrupp Elevator Corp.
Rackspace US Inc.	Tilbury House Publishers
Random House, Inc.	Time Warner Cable
Reading Museum Service	Time4Learning
Redux Pictures	Trenholm Tech Archives
Renee O'Lear	U.S. NEWS
Robert M. Talbot III	University of Houston
RoleModel.net	University of Illinois Library at Urbana-Champaign
Rudy Azcuy	Vernon Renegar
Russell & Volkening, Inc.	Vertex, Inc.
Safesite, Inc.	Visuals Unlimited
Salesforce.com	Walker & Co.
Salesforce.com Inc.	Wallace Literary Agency, Inc.
Sandra Markle	Warner/Chappell Music, Inc.
Scholastic, Inc.	Wayne Blanton
Science & Public Policy Institute	Weekly Reader Corporation
Science News Permissions	Weston Benshoof Rochefort Rubalcava & MacCuish LLP
Scott Hardy	William B. Badke
Shawn Sides	Wordsmyth LLC
Shelby County School System	World Almanac Education Group
Simon & Schuster	WW Norton & Company

Annex B

Sample Calculation of Net Working Capital

Working Capital Calculation

\$ in Thousands

As of Sept. 30, 2009

Current Assets

Accounts Receivable	\$12,978
Inventories	119
Prepaid Expenses	312
Total Current Assets	\$13,409

Current Liabilities

Accounts Payable-Trade	\$702
Accrued Salaries & Wages	547
Accrued Bonus/Incentive	301
Accrued Commission	1,517
Accrued Vacation	-
Deferred Revenue-Current Portion	18,491
Accrued Royalties	333
Other Current Accrued Liabilities ⁽¹⁾	256
Total Current Liabilities	\$22,147

Long-Term Liabilities

Long-Term Deferred Revenue	\$1,008
Other Long-Term Liabilities	29
Total Long-Term Liabilities	\$1,037

Net Working Capital	(\$9,775)
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(1) Other Current Accrued Liabilities excludes \$113 in severance.

DISCLOSURE SCHEDULE

In connection with the

ASSET PURCHASE AGREEMENT

by and among

WRC MEDIA, INC.,

COMPASSLEARNING, INC.,

COMPASSLEARNING ACQUISITION CORPORATION

AND

MARLIN EQUITY II, L.P.

NOVEMBER 30, 2009

Schedule 1.1
Sellers' Claims Against Third Parties

None.

Schedule 1.1(a)
Executives

[Intentionally Omitted.]

Schedule 1.2
Current Liabilities

Accounts Payable-Trade
Accrued Payroll, Commission & Benefits
Deferred Revenue-Current Portion
Accrued Royalties
Rent and Phone Lease

Schedule 1.3
Excluded Intellectual Property

None.

Schedule 1.4
Permitted Liens

A lien on all of the personal property of Compass in favor of JPMorgan Chase Bank, N.A., pursuant to that certain DIP Credit Agreement (as defined in the Agreement). Such lien will exist as of the signing date, but will be released in connection with the Closing and the Bankruptcy Court's entry of the Sale Order.

Compass from time to time enters into financing arrangements with Kansas State Bank of Manhattan to facilitate an installment payment plan for certain school districts. Pursuant to this arrangement, Kansas State Bank of Manhattan, pays Compass a single lump sum payment and then collects interest on the installment payments by the relevant school district. In exchange for such upfront lump sum payment, the Kansas State Bank of Manhattan receives a lien on the relevant equipment and rental payments to which Compass is entitled pursuant to the relevant agreement. Such arrangements are performed in the ordinary course, though infrequent and typically with smaller school districts.

As of the Closing, Kansas State Bank of Manhattan is entitled liens on the equipment and rental payments in connection with arrangements with the following school districts:

- Chinle Unified School District No. 24
- Township Public Schools
- Camden Frontier School District
- Prairie Lea Independent School District
- Essexville-Hampton Public Schools
- Hemlock School District
- Matanuska-Susitna Borough School District
- Concrete School District No. 11
- La Feria ISD
- Metropolitan School District of Decatur Township
- Bellevue ISD
- Littlestown Area School District
- Archuleta School District 50 JT
- Brenham Independent School District
- Corvallis School District No. 1

Schedule 3(d)
Financial Statements

See attached.

CompassLearning Unaudited Statement of Operations

<i>\$ in Thousands</i>	Fiscal Year Ending June 30			Q1 Ending Sept 30
	2007	2008	2009	
Revenue	\$53,468	\$53,836	\$46,545	\$15,284
Cost of Goods Sold	25,500	25,252	22,407	3,617
Gross Profit	\$27,969	\$28,585	\$24,138	\$11,667
Operating Costs	28,247	27,581	29,462	6,650
Operating Income	(\$279)	\$1,003	(\$5,324)	\$5,017
Taxes	(48)	(1,294)	7,637	-
Purchase Accounting Adjustments	(548)	(769)	-	-
Non-recurring Charges	(23)	(641)	(29,057)	771
Restructuring Charges	(346)	(1,646)	(770)	(187)
Interest Expense	(10)	(10)	(43)	(13)
Other Income (Expense)	(3)	1	-	-
Net Income	(\$1,257)	(\$3,355)	(\$27,557)	\$5,587

CompassLearning Unaudited Balance Sheets

\$ in Thousands	Fiscal Year Ending June 30			Q1 Ending Sept 30	
	2007	2008	2009		
Assets					
Current Assets:					
Cash and Cash Equivalents	\$2	\$1	\$1	\$1	
Accounts Receivable	13,391	11,618	11,363	12,978	
Intercompany Receivable	(36,747)	(52,759)	(54,322)	(42,562)	
Inventories	171	451	127	119	
Prepaid Expenses	438	743	320	312	
Current Deferred Tax Asset	-	902	555	555	
Total Current Assets	(22,745)	(39,044)	(41,956)	(28,597)	
Property & Equipment	1,029	1,201	743	638	
Deferred Income Taxes	-	4,627	9,066	9,066	
Software Development Costs	14,636	18,364	-	-	
Goodwill	11,352	18,463	5,963	5,963	
Other Non-Current Assets	202	160	160	160	
Total Assets	\$4,474	\$3,771	(\$26,024)	(\$12,770)	
Liabilities & Equity					
Current Liabilities:					
Accounts Payable-Trade	2,252	1,723	742	702	
Accrued Payroll, Commission & Benefits	2,793	2,663	3,792	3,280	
Deferred Revenue-Current Portion	13,905	16,031	13,418	18,491	
Accrued Income Taxes Payable-Current	2	(3,720)	(2,880)	(3)	
Accrued Royalties	1,839	335	532	333	
Other Current Accrued Liabilities	1,449	886	424	369	
Total Current Liabilities	22,240	17,918	16,028	23,172	
Non-Current Portion of Deferred Revenue	1,496	1,411	1,112	1,008	
Non-Current Liabilities Subject to Compromise	-	-	-	642	
Non-Current Other Accrued Liabilities	143	93	44	29	
Total Liabilities	\$23,879	\$19,422	\$17,184	\$24,851	
Shareholders Equity:					
Common Stock	-	-	-	-	
Additional Paid-In Capital	32,587	39,697	39,697	39,697	
Retained Earnings/(Accumulated Deficit)-Opening	(50,735)	(51,993)	(55,348)	(82,905)	
Net Income/(Loss)-Current Period	(1,257)	(3,355)	(27,557)	5,587	
Total Equity	(\$19,405)	(\$15,651)	(\$43,208)	(\$37,621)	
Total Liabilities and Equity	\$4,474	\$3,771	(\$26,024)	(\$12,770)	

CompassLearning Statement of Cash Flows

\$ in Thousands	Fiscal Year Ending June 30			Q1 Ending Sept 30
	2007	2008	2009	2010
Cash Flows From Operating Activities:				
Net Income/(Loss)	(\$1,257)	(\$3,355)	(\$27,557)	\$5,587
Adjustments to Reconcile Net Income/(Loss) to Net Cash Provided by Operating Activities:				
Depreciation	428	317	475	105
Amortization	6,104	5,905	5,810	-
Gain/Loss on Disposal of Fixed Assets	6	1	29,006	-
Changes in Assets and Liabilities:				
Accounts Receivable, Net	(4,993)	1,773	255	(1,615)
Inventories, Net	165	(281)	324	8
Prepaid Expenses	324	(309)	425	8
Deferred Income Taxes	-	(5,529)	(4,092)	-
Other Non-current Assets	123	42	-	-
Accounts Payable-Trade	(221)	(529)	(981)	(40)
Accrued Payroll, Commission & Benefits	(276)	(130)	1,129	(512)
Deferred Revenue-Current Portion	(2,777)	2,126	(2,613)	5,073
Accrued Taxes-Other Than Income	-	-	-	-
Accrued Income Taxes Payable-Current	-	(3,722)	840	2,877
Accrued Royalties	1,587	(1,504)	197	(199)
Other Current Accrued Liabilities	(537)	(563)	(462)	(55)
Non-Current Portion of Deferred Revenue	(216)	(85)	(299)	(104)
Non-Current Other Accrued Liabilities	37	(50)	(49)	627
Net Cash Provided by (Used In) Operating Activities	(\$1,503)	(\$5,893)	\$2,408	\$11,760
Cash Flows From Investing Activities:				
Capital Expenditures	(746)	(491)	(20)	-
Proceeds from Disposition of PPE	38	-	-	-
Software Development Costs	(6,754)	(9,629)	(3,951)	-
Net Cash Provided by (Used In) Investing Activities	(\$7,462)	(\$10,120)	(\$3,971)	-
Cash Flow Before Financing Activities	(\$8,965)	(\$16,013)	(\$1,563)	\$11,760
Cash Flows From Financing Activities:				
Change in Intercompany Accounts Receivable/Payable	8,965	16,012	1,563	(11,760)
Net Cash Provided by Financing Activities	\$8,965	\$16,012	\$1,563	(\$11,760)
Change In Cash	-	(1)	-	-
Cash, Beginning of Period	2	2	1	1
Cash, End of Period	\$2	\$1	\$1	\$1

Schedule 3(e)
Absence of Changes

The Distribution Agreement by and between Q Group PLC (“Q Group”) and Compass expired pursuant to its terms on March 24, 2009. The parties thereto have not and do not plan to enter into a written renewal agreement, but continue to operate without a written agreement whereby Compass will continue to sell to Q Group at a royalty rate of 25%.

Two employees, Edna Cuellar and Mary Beth Donnelly, were involuntarily terminated and received severance payments in the amounts of \$ 21,538.46 and \$40,047.50 respectively, both of which were paid in full and in the ordinary course of business. These severance payments represent the entirety of Compass’ severance obligations to each of Edna Cuellar and Mary Beth Donnelly.

Schedule 3(f)
Assumed Permits

Compass is duly qualified to do business in every state in the United States in which it conducts business.

Compass maintains a good business certificate in Puerto Rico effective until September 26, 2010.

Schedule 3(g)
Litigation

On July 11, 2008, Wedelle Etienne filed a Notice of Charge of Discrimination with the Equal Employment Opportunity Commission (the “EEOC”) alleging discrimination based on her national origin pursuant to Title VII of the Civil Rights Act of 1964, as amended, in connection with her termination from Compass. On October 29, 2008, a mediation conference was held between Ms. Etienne and Compass. On December 9, 2008, Compass filed a position statement with the EEOC refuting Ms. Etienne’s allegations. On August 3, 2009, the EEOC requested additional information from Compass, which Compass promptly provided on August 4, 2009 and August 14, 2009. Compass has not created a reserve for this matter and it will not be paid by insurance however, Compass continues to deny any wrongdoing related to this matter.

On May 12, 2008, Ramonita Covas Bernier filed a Notice of Charge of Discrimination with the EEOC alleging age and gender discrimination in connection with her termination from Compass. On June 26, 2008, Compass filed its position statement with the EEOC refuting Ms Covas’ allegations. On November 25, 2008, the EEOC issued a Notice of Right to Sue upon the request of Ms. Covas. On February 21, 2009, Ms. Covas filed a lawsuit in the federal district court of San Juan, Puerto Rico alleging age discrimination and wrongful discharge and seeking \$500,000 in damages. The case was subsequently referred for joint scheduling, but was stayed on August 24, 2009 in connection with the RDA Chapter 11 filing. Compass has not created a reserve for this matter and it will not be paid by insurance however, Compass continues to deny any wrongdoing related to this matter.

Schedule 3(h)(i)
Material Contracts

- Agreement by and between Acclaim Talent Inc. and CompassLearning, Inc., dated July 31, 2009.
- Independent Contractor Agreement by and between Alisa Hogle and CompassLearning, Inc., dated October 14, 2009.
- AT&T Corporate Digital Advantage Agreement between CompassLearning, Inc. and AT&T Mobility National Accounts LLC, effective as of July 29, 2008.
- Independent Contractor Agreement by and between CompassLearning, Inc. and Babs George, dated October 1, 2009.
- Letter Agreement by and between CompassLearning, Inc. and Baker Botts LLP, dated February 7, 2008.
- Subscription Customer Agreement between CompassLearning, Inc. and Big Machines, Inc. effective as of April 1, 2008.
- Software License and Distribution Agreement by and between CompassLearning, Inc. and Boxer Learning, Inc., effective as of December 2006.
- Master Services Agreement by and between Bulldog Solutions, Inc. and CompassLearning, Inc., dated August 1, 2007, as amended by that certain Master Services Agreement Addendum, dated March 30, 2009 and as further amended by that certain Master Services Agreement Addendum, dated May 27, 2009.
- Independent Contractor Agreement by and between CompassLearning, Inc. and Collier Talent Agency, dated July 31, 2009.
- Independent Contractor Agreement by and between CompassLearning, Inc. and Connie Jean Cole, dated October 14, 2009.
- Lease Agreement by and between CR IV Industrial, L.P. and CompassLearning, Inc., dated as of March 16, 2003.
- Professional Services Agreement by and between CompassLearning, Inc. and CTS Production Services, Inc., dated March 31, 2008, as amended by that certain Exhibit C - Statement of Work by and between CompassLearning, Inc. and CTS Production Services, Inc., dated August 10, 2009.
- Independent Contractor Agreement by and between CompassLearning, Inc. and Dolores Riley, dated January 30, 2009.
- Independent Contractor Agreement by and between E. Jason Liebrecht and CompassLearning, Inc. dated August 4, 2009.
- Tax, Audit, Audit Related & Other Services Request by and between CompassLearning, Inc. and Ernst & Young LLP, dated July 8, 2009.
- Employment Agreement by and between WRC Media, Inc. and Eric Loeffel, effective December 1, 2006.
- Independent Contractor Agreement by and between CompassLearning, Inc. and Erica Hopf, dated October 27, 2009.
- Independent Contractor Agreement by and between CompassLearning, Inc. and Erin Leigh Shaw, dated September [], 2009.
- Reseller Agreement by and between EScience Labs, Inc. and CompassLearning, Inc., dated November 13, 2008.
- Production Management, Warehousing and Fulfillment Agreement by and between CompassLearning, Inc. and GM Services LLC, dated January 31, 2008.
- Independent Contractor Agreement by and between Julianna Wright and CompassLearning, Inc., dated August 12, 2009.

- Independent Contractor Agreement by and between Kelli Bland and CompassLearning, Inc., dated August 12, 2009.
- Professional Management Agreement by and between CompassLearning, Inc. and Marketo, Inc., dated September 8, 2009.
- Microsoft Volume Licensing Agreement by and between CompassLearning, Inc. and Microsoft Licensing, GP, effective as of April 1, 2009.
- Co-Marketing Agreement by and between Northwest Evaluation Association and CompassLearning, Inc., dated November 1, 2005.
- Managed Hosting Master Services Agreement by and between Rackspace, Ltd. and CompassLearning, Inc., dated August 8, 2003.
- Customer Portal Limited Release Agreement by and between salesforce.com, inc. and CompassLearning, Inc., effective as of July 31, 2007.
- Master Subscription Agreement by and between salesforce.com, inc. and CompassLearning, Inc., effective as of December 16, 2005.
- Independent Contractor Agreement by and between CompassLearning, Inc. and Scott Hardy, dated July 31, 2009.
- Independent Contractor Agreement by and between Shawn Sides and CompassLearning, Inc., dated July 31, 2009.
- Agreement for Services by and between CompassLearning, Inc. and The Patrick Company, dated January 15, 2006, as amended on each of June 21, 2006, September 5, 2006, February 9, 2007, August 6, 2007 and as further amended on February 27, 2009.
- Value Added Reseller Agreement by and between Thinkwell Corporation and CompassLearning, Inc., dated August 3, 2006.
- Independent Contractor Agreement by and between CompassLearning, Inc. and Vernon Renegar, dated October 14, 2009.

Schedule 3(h)(ii)
Violations of Assumed Contracts

None.

Schedule 3(i)(i)
Material Intellectual Property; Exceptions to Sellers' Right to Use Intellectual Property

Material Intellectual Property

Compass' material Intellectual Property includes the following: (i) each of the ODYSSEY and COMPASSLEARNING, INC. trademarks and associated logos and (ii) the copyrights and other Intellectual Property rights in the content and software (including source code) pertaining to the ODYSSEY product portfolio.

Exceptions to Sellers' Right to Use Intellectual Property

None.

Schedule 3(i)(ii)
Patents and Registrations; Exclusive Licenses Granted by Sellers

A.

Patents Owned by the Sellers

U.S. Patent No. 5,310,349 titled "Instructional Management System"

Patent Registrations Owned by the Sellers

None.

Patent Applications Owned by the Sellers

None.

United States and Foreign Trademarks Owned by Sellers

See attached.

Copyrights Owned by Sellers

See attached.

B. Material Exclusive Licenses Granted to Sellers

Software License and Distribution Agreement by and between CompassLearning, Inc. and Boxer Learning, Inc., dated as of December 2006.

C.

(1) Exclusive Licenses Granted by Sellers

None.

(2) Non-Exclusive Licenses Granted by Sellers Outside the Ordinary Course of Business

None.

United States Trademark Registrations Owned by CompassLearning, Inc.

<u>TRADEMARK</u>	<u>REGISTRATION NO</u>
Better Technology for Improved Student Achievement	2,980,829
Brain Buzzers	2,968,115
Compass	2,053,034
CompassLearning	2,656,902
CompassLearning	2,636,212
CompassLearning	2,654,747
CompassLearning Explorer	2,780,326
CompassLearning Explorer	2,782,733
CompassLearning Explorer	2,765,262
CompassLearning Odyssey	2,800,981
CompassLearning Odyssey	2,728,031
CompassLearning Odyssey	2,725,691
CompassLearning with Star Logo (Horizontal)	2,586,070
CompassLearning with Star Logo (Horizontal)	2,640,277
CompassLearning with Star Logo (Horizontal)	2,592,385
Compass-Worldware	2,229,384
C-Pas	2,530,573
Crescent Logo	2,813,732
Crescent Logo	2,882,318
Crescent Logo	2,813,731
Cuentos de Coqui	1,923,500
Hartley Logo	1,765,662

<u>TRADEMARK</u>	<u>REGISTRATION NO</u>
Star Logo	2,663,822
Star Logo	2,592,387
Star Logo	2,579,671
Sweep Logo	2,813,730
Sweep Logo	2,882,317
Sweep Logo	2,813,729
The Learning Odyssey	2,848,225

Foreign Trademark Registrations Owned by CompassLearning, Inc.

<u>TRADEMARK</u>	<u>COUNTRY</u>	<u>REGISTRATION NO</u>
CompassLearning	Australia	829284
JCAT	Australia	761159
CompassLearning with Star Logo (vertical)	Australia	829282
Star Logo	Australia	829283
Writing Expedition	Brunei Darussalam	25441
Worldware	Brunei Darussalam	25474
Compass	Brunei Darussalam	24314
Star Logo	Brunei Darussalam	33481
CompassLearning with Star Logo (vertical)	Brunei Darussalam	33482
CompassLearning	Brunei Darussalam	33473
Worldware	Canada	537328
Writing Expedition	Canada	529281
Compass	Canada	TMA545469
CompassLearning	Canada	662502
Compass Worldware	Canada	0545468
CompassLearning with Star Logo (vertical)	Canada	662385
Star Logo	Canada	593611
CompassLearning	Indonesia	491463
CompassLearning	Indonesia	491462
CompassLearning with Star Logo (vertical)	Indonesia	482073
CompassLearning with Star Logo (vertical)	Indonesia	482072
CompassLearning with Star Logo (vertical)	Indonesia	482074
Star Logo	Indonesia	491461

<u>TRADEMARK</u>	<u>COUNTRY</u>	<u>REGISTRATION NO</u>
Star Logo	Indonesia	491459
Star Logo	Indonesia	491460
CompassLearning	Indonesia	491458
Compass	Ireland	173124
CompassLearning	Ireland	221017
Star Logo	Ireland	218783
Star Logo	Ireland	219898
Star Logo	Malaysia	4823
Star Logo	Malaysia	200004821
Star Logo	Malaysia	200004820
Compass	Malaysia	Application No. 9608076 (not Registered yet)
CompassLearning with Star Logo (vertical)	Malaysia	200004819
CompassLearning	Malaysia	200004815
CompassLearning	Malaysia	200004816
CompassLearning with Star Logo (vertical)	Malaysia	200004818
CompassLearning with Star Logo (vertical)	Malaysia	200004822
CompassLearning with Star Logo (vertical)	Mexico	738045
CompassLearning with Star Logo (vertical)	Mexico	738046

Foreign Trademark Registrations Owned by CompassLearning, Inc.

<u>TRADEMARK</u>	<u>COUNTRY</u>	<u>REGISTRATION NO</u>
CompassLearning with Star Logo (vertical)	Mexico	738047
Star Logo	Singapore	T0005238B
Star Logo	Singapore	T0005237D
Star Logo	Singapore	T0005236F
CompassLearning	Singapore	T0005241B
CompassLearning	Singapore	T0005240D
CompassLearning	Singapore	T0005239J
CompassLearning with Star Logo (vertical)	Singapore	T0005244G
CompassLearning with Star Logo (vertical)	Singapore	T00052431
CompassLearning with Star Logo (vertical)	Singapore	05242J
CompassLearning with Star Logo (vertical)	United Kingdom	2227451
CompassLearning	United Kingdom	2227354
Star Logo	United Kingdom	2227452

Copyrights Owned by CompassLearning, Inc.

Copyright Claimant	Title	Reg. Date	Reg. No.
CompassLearning, Inc.	Mathematics Grade 7: Teacher's Guide	7/6/98	TX2-289-051
CompassLearning, Inc.	Language Arts 5: Teacher's Guide	7/6/98	TX2-582-336
CompassLearning, Inc.	Language Arts 6: Teacher's Guide	7/6/98	TX2-582-337
CompassLearning, Inc.	Language Arts 4: Teacher's Guide	7/6/98	TX2-582-936
CompassLearning, Inc.	Math Level 5: Teacher's Guide	7/6/98	TX2-671-309
CompassLearning, Inc.	Physics: Teacher's Guide	7/6/98	TX2-672-549
CompassLearning, Inc.	Math Level 6: Teacher's Guide	7/6/98	TX2-680-775
CompassLearning, Inc.	Mathematics Grade 4: Teacher's Guide	7/6/98	TX2-686-571
CompassLearning, Inc.	Writing Expedition 1.1	3/20/98	TX4-613-669
CompassLearning, Inc.	Tomorrow's Promise Language Arts Level 3	3/20/98	TX4-613-670
CompassLearning, Inc.	Tomorrow's Promise Language Arts Level 7	3/20/98	TX4-613-671
CompassLearning, Inc.	Tomorrow's Promise Language Arts Level 4	3/20/98	TX4-613-672
CompassLearning, Inc.	Tomorrow's Promise Reading Level 2	3/20/98	TX4-613-673
CompassLearning, Inc.	Tomorrow's Promise Language Arts Level 6	3/20/98	TX4-613-674
CompassLearning, Inc.	Tomorrow's Promise Mathematics Level K	3/20/98	TX4-613-675
CompassLearning, Inc.	Tomorrow's Promise Language Arts Level 5	3/20/98	TX4-613-676
CompassLearning, Inc.	Tomorrow's Promise Language Arts Level 8	3/20/98	TX4-613-677
CompassLearning, Inc.	Tomorrow's Promise Spelling Level 2	3/20/98	TX4-613-678
CompassLearning, Inc.	A+dvantage Management System 2.1	3/20/98	TX4-613-679
CompassLearning, Inc.	AIMS 2.2.4 Advanced Instructional Management System	3/20/98	TX4-613-680
CompassLearning, Inc.	Compass 3.0 for Windows/Macintosh	3/20/98	TX4-613-681
CompassLearning, Inc.	A+dvantage 2.0	3/20/98	TX4-613-682
CompassLearning, Inc.	Tomorrow's Promise Mathematics Level 6	3/20/98	TX4-613-683
CompassLearning, Inc.	Tomorrow's Promise Reading Level 1	3/20/98	TX4-613-684
CompassLearning, Inc.	Tomorrow's Promise Mathematics Level 3	3/20/98	TX4-613-685
CompassLearning, Inc.	Tomorrow's Promise Mathematics Level 5	3/20/98	TX4-613-686
CompassLearning, Inc.	Tomorrow's Promise Mathematics Level 1	3/20/98	TX4-613-687
CompassLearning, Inc.	Tomorrow's Promise Mathematics Level 4	3/20/98	TX4-613-688
CompassLearning, Inc.	Tomorrow's Promise Mathematics Level 8	3/20/98	TX4-613-689
CompassLearning, Inc.	Tomorrow's Promise Mathematics Level 2	3/20/98	TX4-613-690

Copyright Claimant	Title	Reg. Date	Reg. No.
CompassLearning, Inc.	Tomorrow's Promise Reading Level 4	3/20/98	TX4-613-691
CompassLearning, Inc.	Tomorrow's Promise Reading Level 6	3/20/98	TX4-613-692
CompassLearning, Inc.	Tomorrow's Promise Mathematics Level 7	3/20/98	TX4-613-693
CompassLearning, Inc.	Tomorrow's Promise Reading Level 8	3/20/98	TX4-613-694
CompassLearning, Inc.	Tomorrow's Promise Reading Level 5	3/20/98	TX4-613-695
CompassLearning, Inc.	Tomorrow's Promise Reading Level 3	3/20/98	TX4-613-696
CompassLearning, Inc.	Tomorrow's Promise Reading Level K	3/20/98	TX4-613-697
CompassLearning, Inc.	Tomorrow's Promise Reading Level 7	3/20/98	TX4-613-698
CompassLearning, Inc.	Worldware 2.01	3/20/98	TX4-620-084
CompassLearning, Inc.	A+dvantage 1.2	3/23/98	TX4-620-087
CompassLearning, Inc.	Jostens Comprehensive Assessment Test for A+dvantage	3/23/98	TX4-620-088
CompassLearning, Inc.	A+dvantage 1.1	3/23/98	TX4-620-089
CompassLearning, Inc.	Compass 2.2 for Windows/Macintosh	3/23/98	TX4-620-090
CompassLearning, Inc.	Jostens Comprehensive Assessment Test for Compass	3/23/98	TX4-620-091
CompassLearning, Inc.	Tomorrow's Promise Biology	3/23/98	TX4-620-092
CompassLearning, Inc.	Tomorrow's Promise Physical Science	3/23/98	TX4-620-093
CompassLearning, Inc.	Compass 2.3 for Windows/Macintosh	3/23/98	TX4-620-094
CompassLearning, Inc.	Learning First Elementary Mathematics	3/23/98	TX4-620-095
CompassLearning, Inc.	Tomorrow's Promise Chemistry	3/23/98	TX4-620-096
CompassLearning, Inc.	Tomorrow's Promise Earth Science	3/23/98	TX4-620-097
CompassLearning, Inc.	Tomorrow's Promise Spelling Level 1	3/23/98	TX4-620-098
CompassLearning, Inc.	Personal Compass 1.0 for Macintosh/Windows	3/23/98	TX4-620-099
CompassLearning, Inc.	Middle School Mathematics	3/23/98	TX4-620-100
CompassLearning, Inc.	Learning With Literature	3/23/98	TX4-620-101
CompassLearning, Inc.	Learning First Life Skills and Employability Skills	3/23/98	TX4-620-102
CompassLearning, Inc.	Learning First New Edition: Elementary Mathematics	3/23/98	TX4-620-103
CompassLearning, Inc.	Learning First New Edition: Elementary Reading	3/23/98	TX4-623-106
CompassLearning, Inc.	Integrated Language Arts – Primary Level	3/25/98	TX4-623-208
CompassLearning, Inc.	English Language Development – Primary Level	3/27/98	TX4-623-213
CompassLearning, Inc.	Steps to English Language Development - Intermediate/Advanced Level	3/25/98	TX4-623-214
CompassLearning, Inc.	Steps to English Language Development – Beginning Level	3/25/98	TX4-623-215

Copyright Claimant	Title	Reg. Date	Reg. No.
CompassLearning, Inc.	Tapestry	3/27/98	TX4-623-244
CompassLearning, Inc.	Tomorrow's Promise: Problem Solving Strategies (6-8)	3/27/98	TX4-623-245
CompassLearning, Inc.	Tomorrow's Promise: Language Arts Essay Writing (6-8)	3/27/98	TX4-623-246
CompassLearning, Inc.	Learning Expedition Reading Levels 4-8	3/27/98	TX4-623-247
CompassLearning, Inc.	Learning Expedition Mathematics Levels 4-8	3/27/98	TX4-623-248
CompassLearning, Inc.	Worldware 2.0	3/27/98	TX4-623-250
CompassLearning, Inc.	Learning Expedition: Written Expression	3/27/98	TX4-623-251
CompassLearning, Inc.	Learning Expedition: Math Higher Level Activities	3/27/98	TX4-623-252
CompassLearning, Inc.	Learning Expedition: Language Arts	3/27/98	TX4-623-253
CompassLearning, Inc.	Learning Expedition: Reading Levels 1-3	3/27/98	TX4-623-255
CompassLearning, Inc.	Learning Expedition: Mathematics Levels 1-3	3/27/98	TX4-623-256
CompassLearning, Inc.	Literature Based Mathematics	3/27/98	TX4-623-257
CompassLearning, Inc.	Learning First Middle School Mathematics	3/27/98	TX4-623-258
CompassLearning, Inc.	Learning First Foundations in Mathematics	3/27/98	TX4-623-259
CompassLearning, Inc.	Learning First Foundations in Reading	3/27/98	TX4-623-260
CompassLearning, Inc.	Spanish Language Arts	3/27/98	TX4-623-264
CompassLearning, Inc.	ActionMath	3/27/98	TX4-623-265
CompassLearning, Inc.	Rims II 1.72 Mac Renaissance Instructional Management System	3/27/98	TX4-623-266
CompassLearning, Inc.	Explorations in Science: Earth, Physical, Biology	3/27/98	TX4-623-267
CompassLearning, Inc.	Peer to Peer Install Disk: Compass/Tomorrow's Promise 3.1	9/30/98	TX4-626-266
CompassLearning, Inc.	LMS 3.15	4/7/98	TX4-634-220
CompassLearning, Inc.	Compass 2.2 for ILA	4/7/98	TX4-634-221
CompassLearning, Inc.	Friday Afternoon	4/7/98	TX4-634-222
CompassLearning, Inc.	Community Exploration	4/7/98	TX4-634-223
CompassLearning, Inc.	RIMS I	4/7/98	TX4-634-224
CompassLearning, Inc.	Stems	4/7/98	TX4-634-225
CompassLearning, Inc.	Reading Skills Collection: Read to Imagine	4/8/98	TX4-634-227
CompassLearning, Inc.	Reading Skills Collection: Reading for Meaning	4/7/98	TX4-634-228
CompassLearning, Inc.	Reading Skills Collection: Read to Think	4/7/98	TX4-634-229
CompassLearning, Inc.	Odyssey Manager v7.0 Text Work	7/6/2004	TX5-981-484
CompassLearning, Inc.	CompassLearning Odyssey Manager Installation Guide Text Work	7/6/2004	TX5-981-481

Copyright Claimant	Title	Reg. Date	Reg. No.
CompassLearning, Inc.	CompassLearning Odyssey Consumer User's Guide Text Work	7/6/2004	TX5-981-480
CompassLearning, Inc.	CompassLearning Odyssey Startup Kit Text Work	7/6/2004	TX5-981-482
CompassLearning, Inc.	CompassLearning Odyssey User's Guide Text Work	7/6/2004	TX5-981-483
CompassLearning, Inc.	Odyssey Writer User's Guide Text Work	07/6/2004	TX5-981-477
CompassLearning, Inc.	Reporting Student Progress and Achievement Text Work	07/6/2004	TX5-981-478
CompassLearning, Inc.	Odyssey Enterprise v2.0 Text Work	07/6/2004	TX5-981-479
CompassLearning, Inc.	CompassLearning Odyssey Manager v8.0 Text Work	12/22/2004	TX6-066-374
CompassLearning, Inc.	CompassLearning Odyssey Assessment Tools User's Guide Text Work	12/22/2004	TX6-080-476
CompassLearning, Inc.	CompassLearning Odyssey Enterprise 3.0 Text Work	12/22/2004	TX6-080-480
CompassLearning, Inc.	CompassLearning Odyssey Consumer User's Guide Text Work	12/22/2004	TX6-080-479
CompassLearning, Inc.	CompassLearning Odyssey User's Guide Text Work	12/22/2004	TX6-080-478
CompassLearning, Inc.	CompassLearning Odyssey Manager Installation Guide Text Work	12/22/2004	TX6-080-477
CompassLearning, Inc.	CompassLearning Odyssey Startup Kit Text Work	12/22/2004	TX6-080-475
CompassLearning, Inc.	CompassLearning Odyssey Enterprise Startup Kit Text Work	12/22/2004	TX6-080-474
CompassLearning, Inc.	CompassLearning Odyssey Startup Kit (Oct 2006) Text Work	1/23/2007	TX6-505-664
CompassLearning, Inc.	CompassLearning Odyssey Enterprise Startup Kit (Oct 2006) Text Work	1/23/2007	TX6-505-661
CompassLearning, Inc.	CompassLearning Odyssey Instructional Resource Guide (Oct 2006) Text Work	1/23/2007	TX6-505-698
CompassLearning, Inc.	Odyssey Manager v12.1 (Oct 2006) Text Work	1/2/2007	TX6-505-660
CompassLearning, Inc.	Odyssey Manager Enterprise v12.1 (Oct 2006) Text Work	1/23/2007	TX6-505-663
CompassLearning, Inc.	CompassLearning Odyssey Assessment Tools User's Guide (Oct 2006) Text Work	1/23/2007	TX6-505-662
CompassLearning, Inc.	CompassLearning Critical Mistakes Matrix (2006)	05/04/2007	TX6-581-743

Schedule 3(i)
Covered Employees; Existing Benefits

A. Covered Employees

[Intentionally Omitted.]

B. Employee Benefit Plans

The following Employee Benefit Plans are provided by Compass:

- Vacation Policy
- Vacation Transition Policy
- Tuition Reimbursement Policy
- Employee Referrals Policy
- Dress Code Policy
- Cell Phone & Internet Reimbursement Policy
- Travel & Expenses Reimbursement Policy
- Non-Disclosure Non-Solicitation Policy
- Holiday
- Sick Leave
- Bereavement
- Jury Duty
- Military Leave

The following are Employee Benefit Plans provided by RDA in which Covered Employees participate:

- Severance Policy
- Medical Policy
- Prescription Policy
- Mental Health Policy
- Dental Policy
- Vision Policy
- Flexible Spending Account Policy
- GUL (Group Insurance)
- Life Insurance Policy
- Business Travel Accident Insurance Policy
- 401(K) Plan
- Long-Term Disability
- Short-Term Disability
- Hyatt Legal Plan
- Qualified Transportation Plan
- Matching Gift Program
- Workers Compensation Policy
- Relocation Policy
- Holiday Policy
- Code of Conduct
- Harassment-Free Workplace Policy
- Employee Assistance Program
- Met Auto and Home - Discounted Insurance Policy

C. Current Annual Incentive Opportunity

Other than the Executives, no employee of Compass receives, as their current annual incentive opportunity, in excess of 40% of their current base salary.

Schedule 3(k)
Title to and Condition of Assets

Exceptions to Condition of Acquired Assets

None.

Exceptions to Sufficiency of Acquired Assets

COMPASS-WORLDWARE Registration No. 2,229,384 was cancelled October 3, 2009 for failure to renew.

The current record owner of the following copyright: Homonyms (Reg. No. TX1-919-673, Reg. Date October 1, 1986) is Prescription Learning Corporation, a prior name for Compass. Title will not be updated due to the immateriality of this copyright to the Business.

The current record owner of the following copyright: Antonyms/Synonyms (Reg. No. TX1-923-273, Reg. Date October 1, 1986) is Prescription Learning Corporation, a prior name for Compass. Title will not be updated due to the immateriality of this copyright to the Business.

The current record owner of the following copyright: Consonants (Reg. No. TX1-923-274, Reg. Date October 2, 1986) is Prescription Learning Corporation, a prior name for Compass. Title will not be updated due to the immateriality of this copyright to the Business.

The current record owner of the following copyright: Compass 2.2 for Windows/Macintosh (Reg. No. TX4-623-249, Reg. Date March 27, 1998) is JLC Learning Corporation, a prior name for Compass. Title will not be updated due to the immateriality of this copyright to the Business.

The current record owner of the following copyright: Writing Expedition 1.1 for Mac and Windows (Reg. No. TX4-623-254, Reg. Date March 27, 1998) is JLC Learning Corporation, a prior name for Compass. Title will not be updated due to the immateriality of this copyright to the Business.

The current record owner of the following copyright: Reading Skills Collection: Reading All Around You (Reg. No. TX4-634-226, Reg. Date April 7, 1998) is JLC Learning Corporation, a prior name for Compass. Title will not be updated due to the immateriality of this copyright to the Business.

Schedule 3(m)(iii)
Change of Control Consequences of Employee Benefits

Select members of Compass management are party to a sales incentive plan which amounts thereunder will be paid in full by RDA at the Closing. All such outstanding obligations shall be completed upon such payment.

Schedule 3(n)
Tax Matters

A bi-annual report for the State of Alaska pertaining to the 2007 and 2008 taxable years became due and payable in January 2009. The fee, in the aggregate amount of \$247.50, was paid in full on November 16, 2009.

Schedule 5(b)(iv)
Consents

Lease Agreement by and between CR IV Industrial, L.P. and CompassLearning, Inc., dated as of March 13, 2006.

Software License and Distribution Agreement by and between CompassLearning, Inc. and Boxer Learning, Inc., dated as of December 2006.

Value Added Reseller Agreement by and between CompassLearning, Inc. and Thinkwell Corporation, dated August 3, 2006.

Co-Marketing Agreement by and between CompassLearning, Inc. and Northwest Evaluation Association, dated November 1, 2005.

Reseller Agreement by and between CompassLearning, Inc. and Time4Learning, Inc., dated May 13, 2008.

Schedule 5.3(c)
Permitted Increases in Compensation

[Intentionally Omitted.]

Exhibit D

Proposed Sale Notice

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:) Chapter 11
)
THE READER'S DIGEST ASSOCIATION,) Case No. 09-23529 (RDD)
INC., *et al.*,)
)
Debtors.) Jointly Administered
)

NOTICE OF PUBLIC AUCTION AND SALE HEARING

PLEASE TAKE NOTICE that WRC Media, Inc. and CompassLearning, Inc. (collectively, the “*Sale Debtors*”), have entered into an asset purchase agreement, dated November 30, 2009 (the “*APA*”), with CompassLearning Acquisition Corporation, a Delaware corporation formed by Marlin Equity II, L.P. (the “*Stalking Horse Bidder*”) to sell substantially all of the assets of CompassLearning, Inc. (“*CompassLearning*”) free and clear of all liens, claims, encumbrances and other interests to the Stalking Horse Bidder, subject to the submission of higher or better offers in an auction process (the “*Auction*”).

PLEASE TAKE FURTHER NOTICE that in connection with the proposed sale (the “*Sale*”) to the Stalking Horse Bidder, on December 3, 2009, The Reader’s Digest Association, Inc. and certain of its affiliates, as debtors and debtors in possession (collectively, the “*Debtors*”) filed a motion [Docket No.] the (“*Motion*”) approving and authorizing, among other things, (a) bidding procedures governing the Sale, (b) payment of a break-up fee and expense reimbursement to the Stalking Horse Bidder in certain instances, including if the Stalking Horse Bidder is not the successful bidder at the Auction, (c) a closing incentive plan, (d) the form and manner of notices related to the Sale and (e) procedures related to the assumption and assignment of executory contracts and unexpired leases in connection with the Sale.

PLEASE TAKE FURTHER NOTICE that, on , 2009, the United States Bankruptcy Court for the Southern District of New York (the “*Bankruptcy Court*”) entered an order [Docket No.] (the “*Bidding Procedures Order*”) approving the bidding procedures (the “*Bidding Procedures*”), which set the key dates and times related to the Sale. All interested bidders should carefully read the Bidding Procedures. To the extent that there are any inconsistencies between the Bidding Procedures and the summary description of its terms and conditions in this Notice, the terms of the Bidding Procedures shall control.

PLEASE TAKE FURTHER NOTICE that copies of the Motion, Bidding Procedures and Bidding Procedures Order, as well as all related exhibits including the APA, may be obtained (i) from the Debtors’ Noticing and Claims Agent, Kurtzman Carson Consultants, LCC (a) at its website at <http://www.kccllc.net/readers> by clicking on the “Court Documents” link, (b) by writing to kcc_rda@kccllc.com or (c) calling (866) 967-0491 or (ii) for a fee via PACER at <https://ecf.nysb.uscourts.gov/>.

PLEASE TAKE FURTHER NOTICE that, if the Debtors receives qualified competing bids within the requirements and time frame specified by the Bidding Procedures, the Debtors will conduct an auction for the Sale on [__], 2009 at [__] a.m. prevailing Eastern Time at the offices of Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York 10022, or at any such other location as the Debtors may hereafter designate (with notice of such alternate location given to all qualified bidders under the Bidding Procedures).

PLEASE TAKE FURTHER NOTICE that the Debtors will seek approval of the Sale before the Honorable Robert D. Drain, United States Bankruptcy Judge, at the Hon. Charles L. Brieant Jr. Federal Building and Courthouse, 300 Quarropas Street, White Plains, New York 10601-4140 on [__], 2010 at [__] a.m./p.m prevailing Eastern Time.

PLEASE TAKE FURTHER NOTICE that any objection to the Motion if any, must: (i) be in writing; (ii) conform to the applicable provisions of the Bankruptcy Rules, the Local Bankruptcy Rules and the Order Establishing Certain Notice, Case Management and Administrative Procedures [Docket No. 92] (the “**Case Management Order**”); (iii) state with particularity the legal and factual basis for the objection and the specific grounds therefor; and (iv) be filed with the Court and served so actually received no later than the Sale Objection Deadline by the following parties (the “**Notice Parties**”):

Debtors	Counsel to Debtors
The Reader's Digest Association, Inc. 1 Reader's Digest Road Pleasantville, New York, 10570 Attn: Andrea Newborn, Senior Vice President, General Counsel and Corporate Secretary	Kirkland & Ellis LLP 601 Lexington Avenue New York, New York 10022 Attn: Paul M. Basta and Nicole L. Greenblatt
Counsel to the Creditors' Committee	United States Trustee
Otterbourg, Steindler, Houston & Rosen, P.C. 230 Park Avenue New York, New York 10169 Attn: Scott L. Hazan and David M. Posner	Office of the United States Trustee for the Southern District of New York 33 Whitehall Street, 21st Floor New York, New York 10004 Attn: Andrea Schwartz
Counsel to the Agent for the Debtors' Prepetition and Postpetition Lenders	Counsel to the Stalking Horse Bidder
Simpson Thacher & Bartlett LLP 425 Lexington Avenue New York, New York 10017 Attn: Peter V. Pantaleo and Morris J. Massel	Latham & Watkins LLP 355 South Grand Avenue Los Angeles California 90071-1560 Attn: Gregory O. Lunt and Christopher R. Pflug

PLEASE TAKE FURTHER NOTICE THAT a printed copy of any objections to the Motion or entry of the Bidding Procedures Order must also be delivered via first class mail within one business day of the Objection Deadline to the: Office of the United States Trustee for the Southern District of New York, Attn: Andrea B. Schwartz, 33 Whitehall Street, 21st Floor, New York, New York 10004.¹

¹ Copies of the Motion, the Case Management Order, the Master Service List, the 2002 List and all pleadings and other papers filed in these chapter 11 cases may be obtained, free of charge, by visiting the Debtors' restructuring website at: <http://www.kccllc.net/readers>.

CONSEQUENCES OF FAILING TO TIMELY FILE AND SERVE AN OBJECTION

ANY PARTY OR ENTITY WHO FAILS TO TIMELY FILE AND SERVE AN OBJECTION TO THE SALE ON OR BEFORE THE OBJECTION DEADLINE IN ACCORDANCE WITH THE BIDDING PROCEDURES ORDER SHALL BE FOREVER BARRED FROM ASSERTING ANY OBJECTION TO THE SALE, INCLUDING WITH RESPECT TO THE TRANSFER OF THE PROPERTY FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES AND OTHER INTERESTS EFFECTED THEREUNDER.

NO SUCCESSOR OR TRANSFEREE LIABILITY

The proposed Sale Order provides that the Buyer will have no responsibility for, and the assets will be sold free and clear of, any successor liability, including the following:

The Buyer Group shall not have any responsibility for (a) any liability or other obligation of the Sale Debtors or related to the Acquired Assets other than as expressly set forth in the APA or (b) any Claims against the Sale Debtors or any of their predecessors or affiliates. Except as expressly provided in the APA with respect to Buyer, the Buyer Group shall have no liability whatsoever with respect to the Sale Debtors, (or their predecessors' or affiliates') respective businesses or operations or any of the Sale Debtors' (or their predecessors' or affiliates') obligations (as described below, "*Successor or Transferee Liability*") based, in whole or part, directly or indirectly, on any theory of successor or vicarious liability of any kind or character, or based upon any theory of antitrust, environmental, successor or transferee liability, *de facto* merger or substantial continuity, labor and employment or products liability, whether known or unknown as of the Closing, now existing or hereafter arising, asserted or unasserted, fixed or contingent, liquidated or unliquidated, including liabilities on account of any taxes arising, accruing or payable under, out of, in connection with, or in any way relating to the operation of the Acquired Assets prior to the Closing. Except to the extent expressly included in the Assumed Liabilities with respect to Buyer, the Buyer Group shall have no liability or obligation under the WARN Act (29 U.S.C. §§ 2101 et seq.) or the Comprehensive Environmental Response Compensation and Liability Act, or any foreign, federal, state or local labor, employment, or environmental law by virtue of Buyer's purchase of the Acquired Assets or assumption of the Assumed Liabilities.

**IF YOU HAVE ANY QUESTIONS REGARDING THIS NOTICE,
PLEASE CONTACT THE RESTRUCTURING HOTLINE AT (866) 967-0491**