FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2006-08-10** | Period of Report: **2006-06-30**
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FILER

HM PUBLISHING CORP

CIK:**1268384**| IRS No.: **000000000** | State of Incorp.:**DE**
Type: **10-Q** | Act: **34** | File No.: **333-110720** | Film No.: **061021475**
SIC: **2731** Books: publishing or publishing & printing

Mailing Address
222 BERKELEY STREET
BOSTON MA 02118

HOUGHTON MIFFLIN CO

CIK:**48638**| IRS No.: **041456030** | State of Incorp.:**MA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-05406** | Film No.: **061021476**
SIC: **2731** Books: publishing or publishing & printing

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2006

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from: to

COMMISSION FILE NUMBERS: 333-110720 and 333-105746

HM PUBLISHING CORP.
HOUGHTON MIFFLIN COMPANY

(Exact name of registrants as specified in their charters)

DELAWARE	**13-4265843**
MASSACHUSETTS	**04-1456030**
(State or other jurisdictions of incorporation or organization)	**(I.R.S. Employer Identification Numbers)**

222 BERKELEY STREET
BOSTON, MASSACHUSETTS 02116
(Address of principal executive offices)

(617) 351-5000
(Registrants' telephone number, including area code)

Indicate by check mark whether HM Publishing Corp. (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether Houghton Mifflin Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, or non-accelerated filers. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-accelerated Filer ☒

Indicate by check mark whether the registrants are shell companies as defined in Rule 12b-2 of the Exchange Act. Yes ☐ No ☒

The number of shares outstanding of HM Publishing Corp.' s common stock as of August 10, 2006 was 1,000 shares.

The number of shares outstanding of Houghton Mifflin Company' s common stock as of August 10, 2006 was 1,000 shares.

This Form 10-Q is a combined quarterly report being filed separately by two registrants: HM Publishing Corp. and Houghton Mifflin Company. Unless the context indicates otherwise, any reference in this report to "Publishing" refers to HM Publishing Corp., and any reference to "Houghton Mifflin" refers to Houghton Mifflin Company, the wholly-owned operating subsidiary of Publishing. The "Company," "we," "us," and "our" refer to HM Publishing Corp. together with Houghton Mifflin Company.

Houghton Mifflin Company meets the conditions set forth in general instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format.

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HM PUBLISHING CORP. AND HOUGHTON MIFFLIN COMPANY

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of dollars)

	HM PUBLISHING CORP.			
	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2006	2005	2006	2005
NET SALES	**$319,369**	$324,941	**$453,771**	$457,295
COSTS AND EXPENSES				
Cost of sales excluding pre-publication and publishing rights amortization	**133,663**	133,142	**209,465**	214,342
Pre-publication and publishing rights amortization	**38,297**	44,541	**74,307**	87,377
Cost of sales	**171,960**	177,683	**283,772**	301,719
Selling and administrative	**143,360**	123,783	**268,691**	249,995
Other intangible asset amortization	**1,046**	946	**1,991**	1,890
	316,366	302,412	**554,454**	553,604
OPERATING INCOME (LOSS)	**3,003**	22,529	**(100,683)**	(96,309)
OTHER EXPENSE				
Net interest expense	**(33,710)**	(33,553)	**(65,389)**	(66,058)
Other income (expense)	**13**	(10)	**21**	(20)
	(33,697)	(33,563)	**(65,368)**	(66,078)
Loss from continuing operations before taxes	**(30,694)**	(11,034)	**(166,051)**	(162,387)

Income tax provision (benefit)	**2,559**	(3,723)	**(6,312)**	(58,479)
Loss from continuing operations	**(33,253)**	(7,311)	**(159,739)**	(103,908)
Income (loss) from discontinued operations, net of tax	**–**	1,898	**(440)**	412
NET LOSS	**$(33,253)**	$(5,413)	**$(160,179)**	$(103,496)

	HOUGHTON MIFFLIN COMPANY			
	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2006	2005	2006	2005
NET SALES	**$319,369**	$324,941	**$453,771**	$457,295
COSTS AND EXPENSES				
Cost of sales excluding pre-publication and publishing rights amortization	**133,663**	133,142	**209,465**	214,342
Pre-publication and publishing rights amortization	**38,297**	44,541	**74,307**	87,377
Cost of sales	**171,960**	177,683	**283,772**	301,719
Selling and administrative	**143,360**	123,783	**268,691**	249,995
Other intangible asset amortization	**1,046**	946	**1,991**	1,890
	316,366	302,412	**554,454**	553,604
OPERATING INCOME (LOSS)	**3,003**	22,529	**(100,683)**	(96,309)
OTHER EXPENSE				
Net interest expense	**(27,828)**	(28,277)	**(53,938)**	(55,787)
Other income (expense)	**13**	(10)	**21**	(20)
	(27,815)	(28,287)	**(53,917)**	(55,807)

Loss from continuing operations before income taxes	**(24,812)**	(5,758)	**(154,600)**	(152,116)
Income tax provision (benefit)	**13,335**	(1,955)	**(45,436)**	(55,038)
Loss from continuing operations	**(38,147)**	(3,803)	**(109,164)**	(97,078)
Income (loss) from discontinued operations, net of tax	–	1,898	**(440)**	412
NET LOSS	**$(38,147)**	$(1,905)	**$(109,604)**	$(96,666)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

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UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of dollars, except share data)

	HM PUBLISHING CORP.		HOUGHTON MIFFLIN COMPANY	
	JUNE 30, 2006	DECEMBER 31, 2005	JUNE 30, 2006	DECEMBER 31, 2005
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	**$12,174**	$ 227,068	**$12,174**	$ 227,068
Accounts receivable, less allowance for bad debts and book returns of $18,987 at June 30, 2006 and $34,309 at December 31, 2005	**251,313**	175,030	**251,313**	175,030
Inventories	**216,642**	175,148	**216,642**	175,148
Deferred income taxes	**43,260**	67,964	**119,402**	68,398
Prepaid expenses and other current assets	**8,668**	9,038	**8,668**	9,038
Current assets from discontinued operations	–	55,184	–	55,184
TOTAL CURRENT ASSETS	**532,057**	709,432	**608,199**	709,866
Property, plant, and equipment, net	**139,102**	123,196	**139,102**	123,196
Pre-publication costs	**193,436**	174,335	**193,436**	174,335
Royalty advances to authors, net of allowance of $49,243 at June 30, 2006 and $50,202 at December 31, 2005	**28,629**	27,533	**28,629**	27,533
Goodwill	**611,663**	590,004	**611,663**	590,004

Other intangible assets, net	**583,133**	619,021	**583,133**	619,021
Other assets and long-term receivables	**54,073**	59,251	**49,518**	54,400
TOTAL ASSETS	**$2,142,093**	$ 2,302,772	**$2,213,680**	$ 2,298,355
LIABILITIES AND STOCKHOLDER' S EQUITY				
CURRENT LIABILITIES				
Current portion of long-term debt	**$–**	$ 7	**$–**	$ 7
Short term borrowings	**61,500**	–	**61,500**	–
Accounts payable	**99,365**	92,245	**99,365**	92,245
Due to parent	**4,572**	4,364	**5,208**	5,001
Royalties payable	**35,548**	62,195	**35,548**	62,195
Salaries, wages, and commissions payable	**29,424**	59,732	**29,424**	59,732
Interest payable	**40,789**	40,238	**40,789**	40,238
Other	**83,046**	71,640	**81,926**	70,519
Current liabilities from discontinued operations	–	13,311	–	13,311
TOTAL CURRENT LIABILITIES	**354,244**	343,732	**353,760**	343,248
Long-term debt	**1,344,755**	1,332,569	**1,139,607**	1,138,576
Accrued pension benefits	**63,538**	57,314	**63,538**	57,314
Accrued postretirement benefits	**57,452**	57,480	**57,452**	57,480

Deferred income taxes	**189,894**	221,755	**242,009**	237,286
Other	**32,604**	30,480	**32,604**	30,480
TOTAL LIABILITIES	**2,042,487**	2,043,330	**1,888,970**	1,864,384
COMMITMENTS AND CONTINGENCIES				
STOCKHOLDER' S EQUITY				
Common stock, $1 par value; 1,000 shares authorized and issued	**1**	1	**1**	1
Capital in excess of par value	**469,756**	469,756	**614,999**	614,999
Accumulated deficit	**(367,267)**	(207,088)	**(287,406)**	(177,802)
Other comprehensive loss	**(2,884)**	(3,227)	**(2,884)**	(3,227)
TOTAL STOCKHOLDER' S EQUITY	**99,606**	259,442	**324,710**	433,971
TOTAL LIABILITIES AND STOCKHOLDER' S EQUITY	**$2,142,093**	$ 2,302,772	**$2,213,680**	$ 2,298,355

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of dollars)

	HM PUBLISHING CORP.		HOUGHTON MIFFLIN COMPANY	
	SIX MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2006	2005	2006	2005
CASH FLOWS USED IN OPERATING ACTIVITIES				
Net loss	**$(160,179)**	$(103,496)	**$(109,604)**	$(96,666)
Income (loss) from discontinued operations	**(440)**	412	**(440)**	412
	$(159,739)	$(103,908)	**$(109,164)**	$(97,078)
Adjustments to reconcile net loss to net cash used in operating activities:				
Amortization of debt discount and deferred financing costs	**5,276**	5,310	**4,980**	5,013
Non-cash interest expense	**11,147**	10,255	**–**	281
Depreciation and amortization expense	**94,599**	109,339	**94,599**	109,339
Deferred income taxes	**(6,893)**	(59,330)	**(46,017)**	(55,889)
Non-cash stock-based compensation expense	**652**	–	**652**	–
Changes in operating assets and liabilities:				
Accounts receivable	**(73,575)**	(52,599)	**(73,575)**	(52,599)
Inventories	**(41,324)**	(72,141)	**(41,324)**	(72,141)
Accounts payable	**6,515**	19,861	**6,515**	19,861

Royalties and author advances, net	**(27,979)**	(30,469)	**(27,979)**	(30,469)
Interest payable	**551**	366	**551**	366
Other, net	**(21,543)**	(10,550)	**(21,551)**	(10,550)
NET CASH USED IN CONTINUING OPERATING ACTIVITIES	**(212,313)**	(183,866)	**(212,313)**	(183,866)
NET CASH PROVIDED BY (USED IN) DISCONTINUED OPERATIONS	**(1,216)**	8,503	**(1,216)**	8,503
NET CASH USED IN OPERATING ACTIVITIES	**(213,529)**	(175,363)	**(213,529)**	(175,363)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchases of short-term investments	**(57,750)**	(58,075)	**(57,750)**	(58,075)
Proceeds from sales of short-term investments	**57,750**	112,275	**57,750**	112,275
Pre-publication costs	**(54,191)**	(48,873)	**(54,191)**	(48,873)
Additions to property, plant, and equipment	**(33,526)**	(22,879)	**(33,526)**	(22,879)
Proceeds from sale of business	**42,187**	–	**42,187**	–
Acquisition of business, net of cash acquired	**(19,102)**	–	**(19,102)**	–
NET CASH USED IN CONTINUING INVESTING ACTIVITIES	**(64,632)**	(17,552)	**(64,632)**	(17,552)
NET CASH USED IN DISCONTINUED OPERATIONS	**(5)**	(1,564)	**(5)**	(1,564)
NET CASH USED IN INVESTING ACTIVITIES	**(64,637)**	(19,116)	**(64,637)**	(19,116)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES				

Borrowings under revolving credit facility	**66,500**	82,500	**66,500**	82,500
Payment of revolving credit facility	**(5,000)**	(13,000)	**(5,000)**	(13,000)
Payment of short-term financing	**(7)**	(19)	**(7)**	(19)
NET CASH PROVIDED BY FINANCING ACTIVITIES	**61,493**	69,481	**61,493**	69,481
Effects of exchange rate changes on cash balances	**93**	(45)	**93**	(45)
Decrease in cash and cash equivalents	**(216,580)**	(125,043)	**(216,580)**	(125,043)
Cash and cash equivalents at January 1	**227,068**	148,120	**227,068**	148,120
Cash and cash equivalents of discontinued operations at January 1	**1,686**	3,238	**1,686**	3,238
Net decrease in cash and cash equivalents	**(216,580)**	(125,043)	**(216,580)**	(125,043)
Less: cash and cash equivalents of discontinued operations at June 30	–	(6,670)	–	(6,670)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$12,174**	$19,645	**$12,174**	$19,645

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

HM PUBLISHING CORP. AND HOUGHTON MIFFLIN COMPANY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tables in thousands)

(1) BASIS OF PRESENTATION

The unaudited consolidated financial statements of HM Publishing Corp. ("Publishing"), a wholly owned subsidiary of Houghton Mifflin Holdings, Inc. ("Holdings"), include the accounts of its wholly owned subsidiary, Houghton Mifflin Company ("Houghton Mifflin," a separate public reporting company, together with Publishing, the "Company"). The unaudited condensed consolidated financial statements present Publishing and Houghton Mifflin as of June 30, 2006 and December 31, 2005, and for the three and six month periods ended June 30, 2006 and for the three and six month periods ended June 30, 2005. Other than Publishing' s debt obligation, related deferred issuance costs and associated accrued liabilities, related interest expense, and income tax expense (benefit), all other assets, liabilities, income, expenses, and cash flows presented for all periods represent those of its wholly owned subsidiary Houghton Mifflin. Unless otherwise noted, the information provided pertains to both Publishing and Houghton Mifflin.

The accompanying unaudited consolidated financial statements of Publishing and Houghton Mifflin have been prepared in accordance with generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The accompanying unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2005 included in Publishing and Houghton Mifflin' s Form 10-K for the year ended December 31, 2005, filed on March 30, 2006. All adjustments consisting of normal recurring adjustments that, in the opinion of management, are necessary for the fair statement of this interim financial information have been included.

Results of the three and six month periods ended June 30, 2006 and 2005 are not necessarily indicative of results to be expected for the full year. The effect of seasonal business fluctuations and the occurrence of some costs and expenses in annual cycles require certain estimates to determine interim results.

In January 2006, the Company signed a definitive stock purchase agreement to sell its subsidiary, Promissor, Inc. This sale was completed and all activities of Promissor ceased during January 2006. The Company' s consolidated financial statements and notes have been reclassified to reflect this business as a discontinued operation in accordance with Financial Accounting Standards Board Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Certain other reclassifications have been made to prior period financial statements in order to conform to the presentation used in the 2006 interim financial statements.

(2) RECENT ACCOUNTING PRONOUNCEMENTS

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes–an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in companies' financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes," and provides guidance on financial statement recognition and disclosure for tax positions taken or expected to be taken on a tax return. The evaluation of a tax position in accordance with FIN 48 is a two-step process. The first step is recognition whereby companies must determine whether it is more likely than not that a tax position will be sustained upon examination. The second step is measurement whereby a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. FIN 48 also provides guidance on derecognition of recognized tax benefits, classification, interest and penalties,

accounting in interim periods, disclosure, and transition. The guidance of FIN 48 is applicable for fiscal years beginning after December 15, 2006. The Company is currently reviewing the effect of this interpretation on its financial statements.

(3) PARENT COMPANY REORGANIZATION

In May 2006, the Company engaged in a reorganization transaction pursuant to which three new companies were formed, Houghton Mifflin Holding Company, Inc. ("Parent"), Houghton Mifflin, LLC ("Issuer"), and Houghton Mifflin Finance, Inc. ("Co-issuer"). To effectuate the reorganization, Holdings' equity holders contributed their equity in Holdings in exchange for equity in Parent. Upon completion of this reorganization, the Sponsors and management of the Company beneficially own Parent, Issuer is a wholly owned subsidiary of Parent, and Holdings is a majority-owned subsidiary of Issuer.

In addition, Issuer completed the offering of $300 million aggregate principal of Floating Rate Senior PIK Notes due 2011 (the "Notes") in a private placement. The net proceeds from this offering were used to pay a dividend to Parent, which in turn paid a dividend to owners of Class L common stock of the Parent. The Notes are unsecured and are not guaranteed by any of the assets of either Publishing or Houghton Mifflin, and accordingly, this debt is not included in the financial statements of either Publishing or Houghton Mifflin.

In connection with this transaction, Houghton Mifflin paid bonuses totaling approximately $21.7 million to certain members of its management and recorded a corresponding compensation charge to selling and administrative expense in the second quarter of 2006.

(4) ACQUISITION

On May 31, 2006, the Company entered into an asset purchase agreement with Achievement Technologies, Inc. ("ATI"), a privately held software solution and service company, to acquire ATI' s research-based instructional and tutoring product, SkillsTutor, for $18.5 million in cash, plus transaction costs. The agreement also provides for contingent payments of up to $4.0 million, based upon the achievement of certain performance targets over the next three years, which will be included in the purchase price when and if incurred.

Additionally, the agreement provides ATI with a license to use SkillsTutor in connection with ATI' s ongoing business and retained assets, and also provides the Company with an option to purchase certain retained assets of ATI on or before June 15, 2007.

The ATI transaction is being accounted for under the purchase method of accounting. Accordingly, the results of operations of the purchased assets are included in the Company' s consolidated financial statements from the date of acquisition. The results are included in the Company' s K-12 Publishing reportable segment.

The Company has allocated the purchase price to the ATI assets acquired and liabilities assumed at estimated fair values at the date of acquisition. The excess of the purchase price over the net of amounts assigned to the fair value of the assets acquired and the liabilities assumed has been recorded as goodwill. The valuation of assets and liabilities has been determined and the purchase price has been preliminarily allocated as follows:

Goodwill	$21,659
Accounts receivable	1,234
Amortizable intangible assets	3,860
Indefinite lived intangible assets	1,460

Other current assets	62
Accounts payable and accrued liabilities	(3,206)
Deferred revenue–current portion	(4,252)
Deferred revenue–noncurrent portion	(1,715)
Total purchase price	$19,102

The $3.9 million of amortizable intangible assets included $3.1 million of software and $0.8 million of customer relationships, both with a 3-year economic consumption life. The $1.5 million of indefinite lived intangible assets relate to an acquired tradename. The $21.7 million of goodwill was assigned to the Company' s K-12 Publishing segment.

The acquisition of the ATI assets is not material to the Company as a whole and therefore no pro forma financial information has been provided.

(5) DISCONTINUED OPERATIONS

On January 23, 2006, Houghton Mifflin sold Promissor, Inc. for cash proceeds of $42.2 million. The results from operations and cash flows of Promissor have been segregated and classified as discontinued operations in the accompanying financial statements. Promissor had net sales of $3.5 million and $33.8 million for the six months ended June 30, 2006 and 2005, respectively. The net loss from discontinued operations for the six months ended June 30, 2006 was $0.4 million as compared to net income from discontinued operations for the six months ended June 30, 2005 of $0.4 million. The net income from discontinued operations for the three months ended June 30, 2005 was $1.9 million. There was no net income or net loss from discontinued operations for the three months ended June 30, 2006.

(6) BALANCE SHEET INFORMATION

Inventories, net of applicable reserves, consist of the following:

	JUNE 30, 2006	DECEMBER 31, 2005
Finished goods	**$203,379**	$ 160,416
Raw materials	**13,263**	14,732
	$216,642	$ 175,148

(7) GOODWILL AND INTANGIBLE ASSETS

Components of the Company' s goodwill and identifiable intangible assets are as follows:

	JUNE 30, 2006		DECEMBER 31, 2005	
	COST	ACCUMULATED AMORTIZATION	COST	ACCUMULATED AMORTIZATION
Goodwill	**$611,663**	**$ –**	$590,004	$ –
Publication rights	**698,722**	**412,078**	698,722	372,270
Trademarks and trade names	**291,660**	**–**	290,200	–
Customer related and other	**14,003**	**9,174**	10,143	7,774
	$1,616,048	**$ 421,252**	$1,589,069	$ 380,044

The Company recorded amortization expense for its amortizable intangible assets of $20.7 million and $25.8 million for the three months ended June 30, 2006 and 2005, respectively, and $41.2 million and $51.6 million for the six months ended June 30, 2006 and 2005, respectively.

(8) PRE-PUBLICATION COSTS

Effective January 1, 2006, Houghton Mifflin changed the service life attributed to most pre-publication costs in the K-12 Publishing segment from three to five years. The change in service life is the result of management' s review of sales history as well as future sales projections, which indicated that a 5-year life more closely matches amortization expense to the period over which Houghton Mifflin will recognize the revenue related to these pre-publication investments. Based on its review, management believes that the sum-of-the-years digits method for these pre-publication costs remains appropriate. The effect of this change for the six months ended June 30, 2006 was a decrease in operating loss of $11.3 million and a decrease in net loss from continuing operations of $8.0 million. The effect of this change for the three months ended June 30, 2006 was a decrease in operating loss of $5.6 million and a decrease in net loss from continuing operations of $8.6 million.

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(9) DEBT AND BORROWING AGREEMENTS

Long-term debt consists of the following:

	JUNE 30, 2006	DECEMBER 31, 2005
Houghton Mifflin long-term debt:		
$150,000 of 7.2% senior secured notes due March 15, 2011, interest payable semi-annually	**$141,614**	$ 140,731
$600,000 of 8.25% senior unsecured notes due February 1, 2011, interest payable semi-annually	**600,000**	600,000
$400,000 of 9.875% senior unsecured subordinated notes due February 1, 2013, interest payable semi-annually	**397,946**	397,790
Senior secured revolving credit facility	**61,500**	–
Other	**47**	62
	1,201,107	1,138,583
Less: current portion of long-term debt and short term borrowings	**61,500**	7
Total Houghton Mifflin long-term debt	**1,139,607**	1,138,576
Publishing long-term debt:		
$265,000 of 11.5% senior discount notes due October 15, 2013, interest payable semi-annually commencing April 15, 2009	**205,148**	193,993
Total long-term debt	**$1,344,755**	$ 1,332,569

Houghton Mifflin maintains a $250.0 million senior secured revolving credit facility (the "Revolver") subject to borrowing base limitations. The Revolver, for which Houghton Mifflin pays annual commitment fees, expires on December 30, 2008. There were $61.5 million of borrowings under this facility at June 30, 2006.

(10) INCOME TAXES

Publishing' s income tax benefit in the first six months of 2006 decreased $52.2 million, to $6.3 million, from $58.5 million in the first six months of 2005. The decrease in the income tax benefit for the first six months of 2006 is primarily due to the increase in the valuation allowance. This additional valuation allowance offsets the deferred tax assets recorded during the first six months related to the losses incurred. Publishing' s income tax benefit for the six months ended June 30, 2006 was reduced by an additional valuation allowance of $56.4 million. Publishing' s tax expense for the quarter ended June 30, 2006 was $2.6 million, compared to a benefit of $3.7 million for the same period of 2005.

Houghton Mifflin' s income tax benefit in the first six months of 2006 decreased $9.6 million, to $45.4 million, from $55.0 million in the first six months of 2005. The decrease in benefit is primarily related to a lower estimated annual effective tax rate for 2006 as compared to 2005. Houghton Mifflin had a tax provision of $13.4 million for the quarter ended June 30, 2006, as compared to a tax benefit of $2.0 million for the same period of 2005. Houghton Mifflin recorded an income tax provision in the quarter ended June 30, 2006 due to a change in the estimated annual effective tax rate.

The difference between Publishing' s $6.3 million benefit for the first six months of 2006 and Houghton Mifflin' s $45.4 million benefit for the first six months of 2006 relates primarily to the different methods used to compute Publishing' s and Houghton Mifflin' s income tax benefit, and to management' s assessment that Publishing requires an additional valuation allowance. Historically, the provision for income taxes, for both Publishing and Houghton Mifflin, in interim periods was based on estimated annual effective tax rates derived, in part, from estimated annual pre-tax results. In the first quarter of 2006 management concluded that the limitation on recognition of future net operating losses would have a significant impact on Publishing' s annual estimated effective tax rate. Accordingly, the benefit for income taxes for Publishing for the three and six months ended June 30, 2006 is computed based on the actual effective tax rate applying the discrete method. Publishing also

requires an additional valuation allowance since Publishing does not anticipate sufficient taxable income in the near term to realize certain deferred tax assets. The income tax benefit for Houghton Mifflin is calculated for the first six months of 2006 based upon Houghton Mifflin' s loss for the first six months of 2006 and an estimated annual effective tax rate of 29.4%.

(11) COMPREHENSIVE LOSS

Comprehensive loss for the Company is primarily computed as the sum of the Company' s net loss and changes in cumulative translation adjustment. The following table sets forth the calculations of the Company' s comprehensive loss for the three and six months ended June 30, 2006 and 2005.

	HM PUBLISHING CORP.			
	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2006	2005	2006	2005
Net loss	**$(33,253)**	$(5,413)	**$(160,179)**	$(103,496)
Change in cumulative translation adjustment	**259**	(255)	**343**	(372)
Comprehensive loss	**$(32,994)**	$(5,668)	**$(159,836)**	$(103,868)

	HOUGHTON MIFFLIN COMPANY			
	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2006	2005	2006	2005
Net loss	**$(38,147)**	$(1,905)	**$(109,604)**	$(96,666)
Change in cumulative translation adjustment	**259**	(255)	**343**	(372)
Comprehensive loss	**$(37,888)**	$(2,160)	**$(109,261)**	$(97,038)

(12) STOCK BASED COMPENSATION

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share Based Payment" ("SFAS No. 123R") using the modified prospective method, which results in the provisions of SFAS No. 123R only being applied to the consolidated financial statements on a going forward basis and, as a result, the prior period results have not been restated. Under the fair value recognition provisions of SFAS No. 123R, stock-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the requisite service period. Stock-based employee compensation expense is $326,000 and $652,000 for the three and six months ended June 30, 2006, respectively, and is included in selling and administrative expense. Previously the Company had followed Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, which resulted in the accounting for employee stock options at their intrinsic value in the consolidated financial statements.

Participants in the Houghton Mifflin Holding Company, Inc. 2003 Stock Option Plan, which replaced the Houghton Mifflin Holdings, Inc. 2003 Stock Option Plan, ("Option Plan") have been granted stock options to purchase shares of Parent' s Class A Common Stock in three parts, or tranches–Tranche 1, Tranche 2, and Tranche 3. One-third of each participant' s options are in Tranche 1, one-third are in Tranche 2, and one-third are in Tranche 3. Each tranche has its own vesting provisions.

Tranche 1 options vest in equal annual installments over four or five years, based on the terms of the grant. The Tranche 1 options vest ratably and become exercisable on each of the anniversaries of the date of the option grant. The Tranche 2 and Tranche 3 options fully vest and become exercisable on the seventh anniversary of the date they were granted. However, if certain events occur as noted in the Option Plan, the vesting of the Tranche 2 and/or Tranche 3 options will be accelerated so that the Tranche 2 and Tranche 3 options also vest and become exercisable, consistent with Tranche 1, on each of the anniversaries of the date of the option grant.

The Company had previously adopted the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation–Transition and Disclosure," through disclosure only. The following table illustrates the effect on net loss for the three and six month periods ended June 30, 2005 as if the Company had determined compensation cost based on the fair value at the grant date for stock options under the provisions of SFAS No. 123.

	HM PUBLISHING CORP.		HOUGHTON MIFFLIN COMPANY	
	THREE MONTHS ENDED JUNE 30, 2005	SIX MONTHS ENDED JUNE 30, 2005	THREE MONTHS ENDED JUNE 30, 2005	SIX MONTHS ENDED JUNE 30, 2005
Net loss as reported	**$ (5,413)**	$ (103,496)	**$ (1,905)**	$ (96,666)
Deduct: stock compensation expense, net of related tax effects	**(93)**	(188)	**(93)**	(188)
Pro forma net loss	**$ (5,506)**	$ (103,684)	**$ (1,998)**	$ (96,854)

The Company uses the Black Scholes option-pricing model to calculate the fair value for stock options on the date of grant with the following assumptions used for grants.

	Three months ended June 30, 2005	Six months ended June 30, 2005
Expected life (years)	5	5
Expected dividend yield	0.0 %	0.0 %
Expected volatility	35.0 %	35.0 %
Risk-free interest rate	3.5 %	3.75 %

Stock option activity during the six months ended June 30, 2006 is as follows:

	Number of Shares	Weighted Average Exercise Price
Balance at December 31, 2005	95.3	$ 223

Granted	–	–
Exercised	0.4	100
Forfeited	–	–
Balance at June 30, 2006	94.9	$ 223
Vested and exercisable at June 30, 2006	12.3	$ 100

The weighted-average fair value of options granted in the three and six months ended June 30, 2005 was $37.01 and $37.47, respectively. The weighted average remaining contractual life of options outstanding at June 30, 2006 was 8 years. The total intrinsic value of options exercised during the six months ended June 30, 2006 was $0.3 million.

As of June 30, 2006, there was approximately $5.3 million of total unrecognized compensation cost related to nonvested stock options granted. The cost is expected to be recognized over a weighted average period of 5.2 years.

(13) RETIREMENT AND POSTRETIREMENT BENEFIT PLANS

The following table summarizes the components of net periodic cost of Houghton Mifflin' s plans as of and for the financial statement periods ended June 30, 2006 and 2005:

	PENSION BENEFITS		POSTRETIREMENT BENEFITS	
	JUNE 30, 2006	JUNE 30, 2005	JUNE 30, 2006	JUNE 30, 2005
Service cost	**$5,366**	$5,501	**$560**	$547
Interest cost	**6,117**	5,934	**1,269**	1,541
Expected return on plan assets	**(5,592)**	(4,693)	–	–
Amortization of unrecognized:				
Net (gain)/loss	**137**	124	**(176)**	–
Prior service cost/(benefit)	**354**	346	**(104)**	(103)
Net periodic benefit cost	**$6,382**	$7,212	**$1,549**	$1,985

As previously disclosed in its financial statements for the year ended December 31, 2005, the Company expects to contribute $20.0 million to its pension plans in 2006. As of June 30, 2006, no contributions have been made.

(14) COMMITMENTS AND CONTINGENCIES

Houghton Mifflin is involved in ordinary and routine litigation and matters incidental to its business. There are no such matters pending that Houghton Mifflin expects to be material in relation to its financial condition, results of operations, or cash flows.

Houghton Mifflin is contingently liable for $31.8 million of performance, surety bonds, and letters of credit, posted as security for its operating activities. An aggregate of $24.6 million of letters of credit existed at June 30, 2006, $18.2 million of which backed performance and surety bonds. Under the terms of the Revolver, outstanding letters of credit are deducted from the remaining unused borrowing capacity.

(15) SEGMENT AND RELATED INFORMATION

The Company evaluates the performance of its segments based on the profit and loss from operations before interest income and expense and income taxes.

Summarized financial information concerning Houghton Mifflin' s reportable segments is shown in the following tables. Substantially all of the Company' s revenues are derived in the United States. In January 2006, the Company sold the Promissor business, which had historically been included in Other. The consolidated financial information reported below has been adjusted to remove the results of Promissor from Other for all periods presented. In connection with the anticipated sale of the Promissor business, the Company changed its

method of allocating certain corporate expenses in the fourth quarter of 2005. The financial information reported below reflects the impact of these changes on all periods presented.

In the second quarter of 2006, in connection with the offering of $300 million Floating Rate Senior PIK Notes by Issuer, the Company paid a special bonus to certain members of management, and recorded an expense of $21.7 million. This expense is included in Other for the three and six month periods ended June 30, 2006 presented below.

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THREE MONTHS ENDED JUNE 30:

	K-12 PUBLISHING	COLLEGE PUBLISHING	TRADE AND REFERENCE PUBLISHING	OTHER	CONSOLIDATED
2006					
Net sales from external customers	**$ 253,502**	**$ 37,249**	**$ 28,618**	**$–**	**$ 319,369**
Segment operating income (loss)	**42,157**	**(7,043)**	**(1,713)**	**(30,398)**	**3,003**
2005					
Net sales from external customers	$ 261,068	$ 35,446	$ 28,427	$–	$ 324,941
Segment operating income (loss)	45,625	(12,264)	(5,742)	(5,090)	22,529

SIX MONTHS ENDED JUNE 30:

	K-12 PUBLISHING	COLLEGE PUBLISHING	TRADE AND REFERENCE PUBLISHING	OTHER	CONSOLIDATED
2006					
Net sales from external customers	**$ 339,311**	**$ 60,942**	**$ 53,518**	**$–**	**$ 453,771**
Segment operating loss	**(32,897)**	**(26,109)**	**(6,139)**	**(35,538)**	**(100,683)**
2005					
Net sales from external customers	$ 346,510	$ 55,411	$ 55,374	$–	$ 457,295
Segment operating loss	(37,704)	(36,650)	(10,538)	(11,417)	(96,309)

Reconciliation of segment operating losses to the consolidated statements of operations is as follows:

	HM PUBLISHING CORP.			
	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2006	2005	2006	2005
Total income (loss) from reportable segments	**$3,003**	$22,529	**$(100,683)**	$(96,309)
Unallocated expense:				
Net interest expense	**(33,710)**	(33,553)	**(65,389)**	(66,058)
Other	**13**	(10)	**21**	(20)
Loss from continuing operations before income taxes	**$(30,694)**	$(11,034)	**$(166,051)**	$(162,387)

	HOUGHTON MIFFLIN COMPANY			
	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2006	2005	2006	2005
Total income (loss) from reportable segments	**$3,003**	$22,529	**$(100,683)**	$(96,309)
Unallocated expense:				
Net interest expense	**(27,828)**	(28,277)	**(53,938)**	(55,787)
Other	**13**	(10)	**21**	(20)
Loss from continuing operations before income taxes	**$(24,812)**	$(5,758)	**$(154,600)**	$(152,116)

ITEM 2. MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Houghton Mifflin is a leading publisher in the K-12 and college education, trade and reference, and educational and clinical testing markets in the United States. A diverse portfolio of products and services is offered within each of these markets, including textbooks, workbooks, supplemental materials, technology-based products, teaching guides, various types of standardized and customized tests, and a range of trade and reference titles. The Company' s geographic area of operation is predominantly the United States. Export or foreign sales to locations outside the United States are not significant.

The Company has seven divisions that offer products and services. These divisions are grouped in three reportable segments:

K-12 Publishing This segment consists of four divisions: School Division, McDougal Littell, Great Source Education Group, and the Assessment Division (which includes Riverside and Edusoft). This reportable segment sells textbooks, instructional materials and services, tests for measuring achievement and aptitude, clinical and special needs testing products, multimedia instructional programs, and career guidance products and services. The principal markets for these products are elementary and secondary schools.

College Publishing The College Division is the sole business unit reported in this segment. This reporting segment sells textbooks, ancillary products such as workbooks and study guides, technology-based instructional materials, and services for introductory and upper level courses in the post-secondary education market. Products may be in print or electronic form. The principal markets for these products are two and four year colleges and universities. These products are also sold to high schools for advanced placement courses and to for-profit, certificate-granting institutions that offer skill-based training and job placement.

Trade and Reference Publishing This segment consists of the Trade and Reference Division and Kingfisher. Kingfisher management reports functionally to the Trade and Reference Division. This reportable segment publishes fiction and nonfiction for adults and children, dictionaries, and other reference works. The segment also licenses book rights to paperback publishers, book clubs, web sites, and other publishers and electronic businesses in the United States and abroad. The principal markets for these products are retail stores, including Internet bookstore sites and wholesalers. Reference materials are also sold to schools, colleges, libraries, office supply distributors, and businesses.

In January 2006, the Company signed a definitive stock purchase agreement to sell its subsidiary, Promissor, a developer and provider of testing services and products for professional certification and licensure. The sale was completed and all activities of Promissor ceased during January 2006. The Company' s consolidated financial statements and notes have been reclassified to reflect this business as a discontinued operation in accordance with Financial Accounting Standards Board Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

The Company derives approximately 90% of its net sales from educational publishing in the K-12 and College Publishing segments, which are markedly seasonal businesses. Schools make most of their purchases in the second and third quarters of the calendar year, in preparation for the beginning of the school year. Colleges typically make most of their purchases in the third and fourth quarters for the semesters starting classes in September and January. The Company has historically realized approximately 75% of consolidated net sales in the second and third quarters.

Sales of K-12 instructional materials and customized testing products are also cyclical, with some years offering more sales opportunities than others. The amount of funding available at the state level for educational materials also has a significant effect on the Company' s year-to-year revenues. No single customer accounts for more than 10% of consolidated net sales. In management' s opinion, a loss of a single customer would not have a material adverse effect on the Company. Although the loss of a single customer or a few customers would not have a material adverse effect on the Company' s business, schedules of school adoptions and market acceptance of its products can materially affect year-to-year revenue performance. The impact of inflation and changing prices has not had a material impact on the Company' s consolidated financial statements and results of operations.

ITEM 2. MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS–(Continued)

RESULTS OF OPERATIONS

The following tables set forth information regarding net sales, operating income/(loss), and other information from the unaudited consolidated statements of operations. The amounts presented below have been rounded, where appropriate, to agree to the amounts disclosed in the unaudited consolidated statements of operations.

	HM PUBLISHING CORP.			
	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2006	2005	2006	2005
	(IN MILLIONS)			
Net sales:				
K-12 Publishing	**$253.5**	$261.1	**$339.3**	$346.5
College Publishing	**37.2**	35.4	**60.9**	55.4
Trade and Reference Publishing	**28.6**	28.4	**53.5**	55.4
Total net sales	**319.4**	324.9	**453.8**	457.3
Cost of sales excluding pre-publication and publishing rights amortization	**133.7**	133.1	**209.5**	214.3
Pre-publication and publishing rights amortization	**38.3**	44.5	**74.3**	87.4
Cost of sales	**172.0**	177.7	**283.8**	301.7
Selling and administrative	**143.4**	123.8	**268.7**	250.0
Other intangible asset amortization	**1.0**	1.0	**2.0**	1.9
Operating income (loss)	**3.0**	22.5	**(100.7)**	(96.3)

Net interest expense	**(33.7)**	(33.6)	**(65.4)**	(66.1)
Other income	**–**	–	**–**	–
Loss from continuing operations before taxes	**(30.7)**	(11.0)	**(166.1)**	(162.4)
Income tax provision (benefit)	**2.6**	(3.7)	**(6.3)**	(58.5)
Loss from continuing operations	**(33.3)**	(7.3)	**(159.7)**	(103.9)
Income (loss) from discontinued operations, net of tax	**–**	1.9	**(0.4)**	0.4
Net loss	**$(33.3)**	$(5.4)	**$(160.2)**	$(103.5)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2006	**2005**	**2006**	**2005**
	(AS A PERCENTAGE OF NET SALES)			
Net sales	**100 %**	100 %	**100 %**	100 %
Cost of sales excluding pre-publication and publishing rights amortization	**41.9**	41.0	**46.2**	46.9
Pre-publication and publishing rights amortization	**12.0**	13.7	**16.4**	19.1
Cost of sales	**53.9**	54.7	**62.6**	66.0
Selling and administrative	**44.9**	38.1	**59.2**	54.7
Other intangible asset amortization	**0.3**	0.3	**0.4**	0.4
Operating income (loss)	**0.9**	6.9	**(22.2)**	(21.1)
Net interest expense	**(10.6)**	(10.3)	**(14.4)**	(14.5)

Other income	–	–	–	–
Loss from continuing operations before taxes	**(9.6)**	(3.4)	**(36.6)**	(35.5)
Income tax provision (benefit)	**0.8**	(1.1)	**(1.4)**	(12.8)
Loss from continuing operations	**(10.4)**	(2.2)	**(35.2)**	(22.7)
Income (loss) from discontinued operations, net of tax	–	0.6	**(0.1)**	0.1
Net Loss	**(10.4)%**	(1.7)%	**(35.3)%**	(22.6)%

ITEM 2. MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS–(Continued)

	HOUGHTON MIFFLIN COMPANY			
	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2006	2005	2006	2005
	(IN MILLIONS)			
Net sales:				
K-12 Publishing	**$253.5**	$261.1	**$339.3**	$346.5
College Publishing	**37.2**	35.4	**60.9**	55.4
Trade and Reference Publishing	**28.6**	28.4	**53.5**	55.4
Total net sales	**319.3**	324.9	**453.8**	457.3
Cost of sales excluding pre-publication and publishing rights amortization	**133.7**	133.1	**209.5**	214.3
Pre-publication and publishing rights amortization	**38.3**	44.5	**74.3**	87.4
Cost of sales	**172.0**	177.7	**283.8**	301.7
Selling and administrative	**143.4**	123.8	**268.7**	250.0
Other intangible asset amortization	**1.0**	1.0	**2.0**	1.9
Operating income (loss)	**3.0**	22.5	**(100.7)**	(96.3)
Net interest expense	**(27.8)**	(28.3)	**(53.9)**	(55.8)
Other income	**–**	–	**–**	–

Loss from continuing operations before taxes	**(24.8)**	(5.8)	**(154.6)**	(152.1)
Income tax provision (benefit)	**13.3**	(2.0)	**(45.4)**	(55.0)
Loss from continuing operations	**(38.1)**	(3.8)	**(109.2)**	(97.1)
Income (loss) from discontinued operations, net of tax	**–**	1.9	**(0.4)**	0.4
Net loss	**$(38.1)**	$(1.9)	**$(109.6)**	$(96.7)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2006	**2005**	**2006**	**2005**
	(AS A PERCENTAGE OF NET SALES)			
Net sales	**100 %**	100 %	**100 %**	100 %
Cost of sales excluding pre-publication and publishing rights amortization	**41.9**	41.0	**46.2**	46.9
Pre-publication and publishing rights amortization	**12.0**	13.7	**16.4**	19.1
Cost of sales	**53.9**	54.7	**62.6**	66.0
Selling and administrative	**44.9**	38.1	**59.2**	54.7
Other intangible asset amortization	**0.3**	0.3	**0.4**	0.4
Operating income (loss)	**0.9**	6.9	**(22.2)**	(21.1)
Net interest expense	**(8.7)**	(8.7)	**(11.9)**	(12.2)
Other income	**–**	–	**–**	–
Loss from continuing operations before taxes	**(7.8)**	(1.8)	**(34.1)**	(33.3)

Income tax provision (benefit)	**4.2**	(0.6)	**(10.0)**	(12.0)
Loss from continuing operations	**(11.9)**	(1.2)	**(24.1)**	(21.2)
Income (loss) from discontinued operations, net of tax	–	0.6	**(0.1)**	0.1
Net loss	**(11.9)%**	(0.6)%	**(24.2)%**	(21.1)%

ITEM 2. MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS–(Continued)

THREE MONTHS ENDED JUNE 30, 2006 COMPARED TO THREE MONTHS ENDED JUNE 30, 2005

Net Sales

The Company' s net sales for the quarter ended June 30, 2006 decreased $5.5 million, or 1.7%, to $319.4 million from $324.9 million in the second quarter of 2005.

K-12 Publishing. The K-12 Publishing segment' s net sales in the second quarter of 2006 decreased $7.6 million, or 2.9%, to $253.5 million from net sales of $261.1 million in the second quarter of 2005. The decrease in net sales is primarily due to lower sales of secondary math due to decreased adoption opportunities in 2006, the timing of sales of secondary social studies products, and lower sales in the Assessment Division, partially offset by higher sales in elementary reading and secondary language arts.

College Publishing. The College Publishing segment' s net sales in the second quarter of 2006 increased $1.8 million, or 5.1%, to $37.2 million from $35.4 million in the second quarter of 2005 primarily due to higher sales of frontlist math titles and higher backlist sales of math and Spanish programs.

Trade and Reference Publishing. The Trade and Reference Publishing segment' s net sales in the second quarter of 2006 increased $0.2 million, or 0.7%, to $28.6 million from $28.4 million in the second quarter of 2005. Significant sales in the second quarter of 2006 included *Everyman* by Phillip Roth and *Curious George* titles.

Cost of Sales Excluding Pre-publication and Publishing Rights Amortization

The Company' s cost of sales excluding pre-publication and publishing rights amortization in the second quarter of 2006 increased $0.6 million, or 0.5%, to $133.7 million from $133.1 million in the second quarter of 2005. The modest increase is due to increases in editorial and implementation costs of $3.2 million and $3.9 million, respectively, partially offset by decreases in manufacturing costs of $4.1 million and royalty costs of $3.0 million. Cost of sales excluding pre-publication and publishing rights amortization as a percentage of net sales increased to 41.9% in the second quarter of 2006 from 41.0% in the second quarter of 2005 due to the higher editorial and implementation costs.

Pre-publication and Publishing Rights Amortization

Effective January 1, 2006, Houghton Mifflin changed the service life attributed to most pre-publication costs in the K-12 Publishing segment from three to five years. The change in service lives is the result of management' s review of sales history as well as future sales projections, which indicated that a 5-year life more closely matches amortization expense to the period over which Houghton Mifflin will recognize the revenue related to these pre-publication investments. Based on its review, management believes that the sum-of-the-years-digits method for these pre-publication costs remains appropriate. The effect of this change in the second quarter of 2006 was a decrease in operating loss of approximately $5.6 million and a decrease in net loss from continuing operations of approximately $8.0 million.

The Company' s pre-publication and publishing rights amortization in the second quarter of 2006 decreased $6.2 million, or 13.9%, to $38.3 million from $44.5 million in the same period in 2005. The decrease is attributable primarily to lower publishing rights amortization of $5.1 million, as well as lower pre-publication amortization of $1.1 million. The change in estimate described above resulted in a $5.6 million decrease in pre-publication amortization in the second quarter of 2006, which was offset by higher amortization related to new products introduced in 2006. Pre-publication and publishing rights amortization decreased as a percentage of net sales to 12.0% in the second quarter of 2006 from 13.7% in the second quarter of 2005.

ITEM 2. MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS–(Continued)

Selling and Administrative Expenses

The Company' s selling and administrative expenses in the second quarter of 2006 increased $19.6 million, or 15.8%, to $143.4 million from $123.8 million in the second quarter of 2005. The change is primarily the result of a special bonus of $21.7 million paid to certain members of management in connection with Issuer' s offering of $300 million Floating Rate Senior PIK Notes in the second quarter of 2006. This increase was partially offset by lower administrative and fulfillment costs. Selling and administrative expenses increased as a percentage of net sales to 44.9% in the second quarter of 2006 from 38.1% in the second quarter of 2005, due to the special management bonus charge in 2006.

Operating Income

The Company' s operating income for the three months ended June 30, 2006 decreased $19.5 million, or 86.7%, to $3.0 million from $22.5 million for the same period in 2005. The decrease in operating income is primarily a result of the special management bonus discussed above.

K-12 Publishing. The K-12 Publishing segment' s operating income for the three months ended June 30, 2006 decreased $3.4 million to $42.2 million from $45.6 million for the same period in 2005. The decrease is due to higher editorial and implementation costs related to development of future products, and lower net sales, partially offset by lower manufacturing costs.

College Publishing. The College Publishing segment' s operating loss in the second quarter of 2006 decreased $5.3 million to $7.0 million from a loss of $12.3 million in 2005. The decrease in the operating loss is primarily due to lower publishing rights amortization expense, and slightly higher net sales, partially offset by increased pre-publication amortization and higher selling and marketing costs.

Trade and Reference Publishing. The Trade and Reference Publishing segment' s operating loss decreased $4.0 million to $1.7 million from an operating loss of $5.7 million for the second quarter of 2005. The operating loss decrease is primarily the result of lower royalty costs due to the mix of product sales, and increased revenue from certain licensing rights that are not royalty bearing, partially offset by higher selling expenses.

Net Interest Expense

Publishing' s consolidated net interest expense in the second quarter of 2006 was relatively flat at $33.7 million, as compared to $33.6 million for the same period in 2005. The incremental interest expense from the $265 million senior discount notes was offset by lower interest expense due to lower average borrowings outstanding under the Revolver and an increase in interest income from short-term investments.

Houghton Mifflin' s net interest expense in the second quarter of 2006 decreased $0.5 million, or 1.8%, to $27.8 million from $28.3 million in the second quarter of 2005. The decrease in expense was the result of decreased interest expense due to lower average borrowings outstanding under the Revolver and a corresponding increase in interest income from short-term investments in 2006.

Income Taxes

Publishing' s income tax provision in the second quarter of 2006 was $2.6 million, as compared to a tax benefit of $3.7 million in the second quarter of 2005. The decrease in the income tax benefit for the three months ended June 30, 2006 is primarily due to the increase in the valuation allowance. This additional valuation allowance offsets the deferred tax assets recorded during the three months ended June 30, 2006 related to the losses incurred.

ITEM 2. MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS–(Continued)

Houghton Mifflin' s income tax provision in the second quarter of 2006 was $13.4 million, as compared to a tax benefit of $2.0 million for the same period in 2005. Houghton Mifflin recorded an income tax expense for the three-month period ending June 30, 2006 due to a change in the estimated annual effective tax rate.

SIX MONTHS ENDED JUNE 30, 2006 COMPARED TO SIX MONTHS ENDED JUNE 30, 2005

Net Sales

The Company' s net sales for the six months ended June 30, 2006 decreased $3.5 million, or 0.8%, to $453.8 million from $457.3 million in the first six months of 2005.

K-12 Publishing. The K-12 Publishing segment' s net sales in the first six months of 2006 decreased $7.2 million, or 2.1%, to $339.3 million from net sales of $346.5 million in the first six months of 2005. The decrease in net sales is mainly due to lower sales of secondary math, the timing of sales of secondary social studies product, and lower sales in the Assessment Division, partially offset by higher sales in elementary reading and science and secondary language arts.

College Publishing. The College Publishing segment' s net sales in the first six months of 2006 increased $5.5 million, or 9.9%, to $60.9 million from $55.4 million in the first six months of 2005 primarily due to higher sales of frontlist history and math titles, higher sales of backlist titles, including math and English, and a higher opening balance of unshipped orders in the first quarter of 2006.

Trade and Reference Publishing. The Trade and Reference Publishing segment' s net sales in the first six months of 2006 decreased $1.9 million, or 3.4%, to $53.5 million from $55.4 million in the first six months of 2005 primarily due to higher sales in the 2005 period from adult hardcover titles, including *Three Nights in August* and *Extremely Loud and Incredibly Close*, and *The Gourmet Cookbook*, which were partially offset by strong sales from the *Curious George* titles, in connection with the film release in the first quarter of 2006.

Cost of Sales Excluding Pre-publication and Publishing Rights Amortization

The Company' s cost of sales excluding pre-publication and publishing rights amortization in the first six months of 2006 decreased $4.8 million, or 2.2%, to $209.5 million from $214.3 million in the first six months of 2005.

Pre-publication and Publishing Rights Amortization

Effective January 1, 2006, Houghton Mifflin changed the service life attributed to most pre-publication costs in the K-12 Publishing segment from three to five years. The change in service lives is the result of management' s review of sales history as well as future sales projections, which indicated that a 5-year life more closely matches amortization expense to the period over which Houghton Mifflin will recognize the revenue related to these pre-publication investments. Based on its review, management believes that the sum-of-the-years digits method for these pre-publication costs remains appropriate. The effect of this change for the first six months of 2006 was a decrease in operating loss of $11.3 million and a decrease in net loss from continuing operations of $8.0 million. The impact in fiscal year 2006 of this change is estimated to be a reduction of amortization expense of approximately $23.0 million. The estimated impact is in part based on pre-publication costs that are budgeted to be placed in service in 2006. As a result, the actual impact of this change in estimate may differ.

ITEM 2. MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS–(Continued)

The Company' s pre-publication and publishing rights amortization in the first six months of 2006 decreased $13.1 million, or 15.0%, to $74.3 million from $87.4 million in the same period in 2005. The decrease is attributable primarily to lower publishing rights amortization of $10.2 million, as well as lower pre-publication amortization of $2.9 million. The change in estimate described previously resulted in a $11.3 million decrease in pre-publication amortization in the first six months of 2006, which was partially offset by higher pre-publication amortization related to new products introduced in the year. Pre-publication and publishing rights amortization decreased as a percentage of net sales to 16.4% in the first six months of 2006 from 19.1% in the same period of 2005.

Selling and Administrative Expenses

The Company' s selling and administrative expenses in the first six months of 2006 increased $18.7 million, or 7.5%, to $268.7 million from $250.0 million in the first six months of 2005. The increase is primarily the result of the special management bonus of approximately $21.7 million paid in the second quarter of 2006, partially offset by lower administrative and fulfillment costs. Selling and administrative expenses increased as a percentage of net sales to 59.2% in the first six months of 2006 from 54.7% in the first six months of 2005, due to the special management bonus paid in 2006.

Operating Loss

The Company' s operating loss for the first six months ended June 30, 2006 increased $4.4 million, or 4.6%, to $100.7 million from an operating loss of $96.3 million for the same period in 2005. The decrease in operating income is the result of the special management bonus discussed above.

K-12 Publishing. The K-12 Publishing segment' s operating loss for the six months ended June 30, 2006 decreased $4.8 million to $32.9 million from a loss of $37.7 million for the same period in 2005. The decreased operating loss is primarily due to lower manufacturing costs and prepublication and publishing rights amortization, partially offset by higher editorial and implementation costs related to the development of future product, and lower net sales.

College Publishing. The College Publishing segment' s operating loss in the first six months of 2006 decreased $10.6 million to $26.1 million from a loss of $36.7 million in 2005. The decrease in operating loss is primarily a result of lower publishing rights amortization expense and increased net sales, partially offset by higher pre-publication amortization.

Trade and Reference Publishing. The Trade and Reference Publishing segment' s operating loss decreased $4.4 million to $6.1 million from an operating loss of $10.5 million for the first six months of 2005. The decrease in operating loss is primarily a result of decreased manufacturing and royalty expenses, due to the mix of product sales, and increased revenue from certain licensing rights that are not royalty bearing. These decreases were partially offset by the decrease in net sales.

Net Interest Expense

Publishing' s consolidated net interest expense in the first six months of 2006 decreased $0.7 million, or 1.1%, to $65.4 million from $66.1 million in the first six months of 2005. The incremental interest expense from the $265 million Senior Discount Notes in 2006 was offset by lower interest expense related to the Revolver, due to lower average borrowings outstanding as compared to 2005, and increased interest income from short-term investments as compared to 2005.

Houghton Mifflin' s net interest expense in the first six months of 2006 decreased $1.9 million, or 3.4%, to $53.9 million from $55.8 million in the first six months of 2005. The decrease was the result of decreased interest expense due to lower average borrowings outstanding under the Revolver, and a corresponding increase in interest income from short-term investments in 2006.

ITEM 2. MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS–(Continued)

Income Taxes

Publishing' s income tax benefit in the first six months of 2006 decreased $52.2 million, to $6.3 million, from $58.5 million in the first six months of 2005. The decrease in the income tax benefit for the first six months of 2006 is primarily due to the increase in the valuation allowance. This additional valuation allowance offsets the deferred tax assets recorded during the first six months related to the losses incurred. Publishing' s income tax benefit for the six months ended June 30, 2006 was reduced by an additional valuation allowance of $56.4 million.

Houghton Mifflin' s income tax benefit in the first six months of 2006 decreased $9.6 million, to $45.4 million, from $55.0 million in the first six months of 2005. The decrease in benefit is primarily related to a lower estimated annual effective tax rate for 2006 as compared to 2005.

The difference between Publishing' s $6.3 million benefit for the first six months of 2006 and Houghton Mifflin' s $45.4 million benefit for the first six months of 2006 relates primarily to the different methods used to compute Publishing' s and Houghton Mifflin' s income tax benefit, and to management' s assessment that Publishing requires an additional valuation allowance. Historically, the provision for income taxes, for both Publishing and Houghton Mifflin, in interim periods was based on estimated annual effective tax rates derived, in part, from estimated annual pre-tax results. In the first quarter of 2006 management concluded that the limitation on recognition of future net operating losses would have a significant impact on Publishing' s annual estimated effective tax rate. Accordingly, the benefit for income taxes for Publishing for the three and six months ended June 30, 2006 is computed based on the actual effective tax rate applying the discrete method. Publishing also requires an additional valuation allowance since Publishing does not anticipate sufficient taxable income in the near term to realize certain deferred tax assets. The income tax benefit for Houghton Mifflin is calculated for the first six months of 2006 based upon Houghton Mifflin' s loss for the first six months of 2006 and an estimated annual effective tax rate of 29.4%.

LIQUIDITY AND CAPITAL RESOURCES

As sales seasonality affects operating cash flow, the Company normally incurs a net cash deficit from all activities through the middle of the third quarter of the year. The Company currently funds such seasonal deficits through the drawdown of cash and marketable securities, supplemented by borrowings under the Revolver.

Operating Activities

The Company' s net cash used in continuing operating activities was $212.3 million in the first six months of 2006, a $28.4 million increase from the $183.9 million of cash used in operating activities during the first six months of 2005. The increase in cash used is primarily a result of the $21.7 million payment of the special management bonus in the second quarter of 2006, decreased cash inflow from accounts receivable due to timing of collections, and an increase in cash outflow from accounts payable, due to timing of payments. These increases in cash used in continuing operating activities were partially offset by lower inventory purchases in the first six months of 2006 as compared to the first six months of 2005.

Investing Activities

The Company' s net cash used in investing activities was $64.6 million for the six months ended June 30, 2006, an increase of $47.0 million from the $17.6 million used in the same period in 2005. The increase is primarily due to a $54.2 million decrease in cash proceeds from the sales of short-term investments in 2006 as compared to 2005, cash used to acquire certain assets of ATI of $19.1 million, an increase in capital expenditures of $10.6 million resulting from investments in back-office systems and new technology platforms and tools used to support online products across all divisions, and an increase in pre-publication expenditures of $5.3 million for new product development. These increases in cash used in continuing investing activities were partially offset by cash proceeds from the sale of Promissor of $42.2 million.

ITEM 2. MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS−(Continued)

Financing Activities

The Company' s net cash provided by financing activities decreased by $8.0 million to $61.5 million from $69.5 million in 2005. The decrease is due to lower borrowings under the Revolver in the first six months of 2006 as compared to 2005.

Debt

The Company' s primary source of liquidity will continue to be cash flow generated from operations as well as funds available under the $250.0 million Revolver. As of June 30, 2006, the Company had $61.5 million of borrowings under the Revolver and, subject to certain covenants and borrowing base capacity limitations for outstanding letters of credit, $225.4 million was available to borrow. The Company' s primary liquidity requirements are for debt service, pre-publication expenditures, capital expenditures, working capital, and investments and acquisitions.

Houghton Mifflin was in compliance with the financial covenants for both the Revolver and its Senior and Senior Subordinated Notes, respectively, for the twelve months ended June 30, 2006.

The Company believes that based on current and anticipated levels of operating performance and conditions in its industries and markets, cash on hand and cash flow from operations, together with availability under the Revolver, will be adequate for the foreseeable future to make required payments of interest on debt, including the Senior and Senior Subordinated Notes, and fund working capital and capital expenditure requirements. Any future acquisitions, partnerships, or similar transactions may require additional capital, and there can be no assurance that this capital will be available to the Company.

ITEM 2. MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS–(Continued)

"SAFE HARBOR" STATEMENT UNDER PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

This Form 10-Q includes forward-looking statements that reflect the Company' s current views about future events and financial performance. Words such as "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "forecasts," and variations of such words or similar expressions that predict or indicate future events or trends, or that do not relate to historical matters, identify forward-looking statements. The Company' s expectations, beliefs, and projections are expressed in good faith, and it is believed there is a reasonable basis for them. However, there can be no assurance that management' s expectations, beliefs, and projections will result or be achieved. Investors should not rely on forward-looking statements because they are subject to a variety of risks, uncertainties, and other factors that could cause actual results to differ materially from the Company' s expectations, and the Company expressly does not undertake any duty to update forward-looking statements, which speak only as of the date of this report. These factors include, but are not limited to: (i) market acceptance of new educational and testing products and services, particularly reading, literature, language arts, mathematics, science, and social studies programs; and norm-referenced and criterion-referenced testing; (ii) the seasonal and cyclical nature of educational sales; (iii) changes in funding in school systems throughout the nation, which may result in cancellation of planned purchases of educational and testing products and/or services and shifts in timing of purchases; (iv) changes in educational spending in key states such as California, Texas, and Florida, and the Company' s share of that spending; (v) changes in purchasing patterns in elementary and secondary schools and, particularly in college markets, the effect of textbook prices, technology, and the used book market on sales; (vi) changes in the competitive environment, including those which could adversely affect revenue and cost of sales, such as the increased amount of materials given away in the elementary and secondary school markets and increased demand for customized products; (vii) changes in the relative profitability of products sold; (viii) regulatory changes that could affect the purchase of educational and testing products and services; (ix) changes in the strength of the retail market for general interest publications and market acceptance of newly published titles and new electronic products; (x) the ability of Riverside, Edusoft, and Promissor to enter into new agreements for testing services and generate net sales growth; (xi) delays and unanticipated expenses in developing new programs and other products; (xii) delays and unanticipated expenses in developing new technology products, and market acceptance and use of online instruction and assessment materials; (xiii) the potential for damages and fines resulting from errors in scoring high-stakes tests; (xiv) the potential effect of a weak economy on sales of K-12, college, and general interest publications; (xv) the risk that the Company' s well-known authors will depart and write for competitors; (xvi) the effect of changes in accounting, regulatory, and/or tax policies and practices; and (xvii) other factors detailed from time to time in the Company' s filings with the Securities and Exchange Commission (the "SEC").

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information about market risks for the period ended June 30, 2006 does not differ materially from that discussed under Item 7A of the Company' s Annual Report on Form 10-K for the year ended December 31, 2005.

ITEM 4. CONTROLS AND PROCEDURES

The Company' s management, with the participation of other members of management, conducted an evaluation of the effectiveness of the design and operation of the Company' s disclosure controls and procedures pursuant to Rules 13a-15(b) and 15d-15(b) under the Securities and Exchange Act of 1934, as of June 30, 2006, and has concluded that the Company' s disclosure controls and procedures were not effective as of June 30, 2006 because of the material weakness in the Company' s internal control over financial reporting discussed below.

The Company determined that, as of December 31, 2005, it had a deficiency in internal control over financial reporting related to the inability of the Company to reconcile its royalty accrual balance to an underlying trial balance. Although the Company has existing controls over payments to authors, the input of data into the royalty system, and the posting of entries from the royalty system to the general ledger, the reconciliation of the balance sheet accrual is considered an important control. This control deficiency did not result in a restatement or adjustment of the Company' s interim or annual consolidated financial statements, but it represents a material weakness. This material weakness continued to exist as of June 30, 2006.

During the fiscal quarter ended June 30, 2006, the Company continued to develop a remediation plan to eliminate this material weakness, including adding additional resources in the royalty department as well as assigning one of its information technology personnel full-time to evaluate whether trial balance functionality is feasible within the current royalty system. Additionally, management is working to identify and implement alternative mitigating controls in the event that trial balance functionality cannot be achieved. As of June 30, 2006, these remediation efforts, and the Company' s evaluation of its internal controls over the royalty accrual, are continuing.

Other than as discussed in the preceding paragraph, there has been no change in the Company' s internal control over financial reporting (as defined in Rules 13a-15(f) and 15-d-15(f) under the Exchange Act) that occurred during the Company' s fiscal quarter ended June 30, 2006, that has materially affected, or is reasonably likely to materially affect, the Company' s internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

ITEM 5. OTHER INFORMATION

ITEM 6. EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
10.1	First Amended and Restated Stockholders Agreement, dated as of May 9, 2006, among Houghton Mifflin Holding Company, Inc., Houghton Mifflin, LLC, Houghton Mifflin Finance, Inc., Houghton Mifflin Holdings, Inc., Houghton Mifflin Company, HM Publishing Corp., and Certain Stockholders of Houghton Mifflin Holdings, Inc.
10.2	Amended and Restated Management Agreement, dated as of May 9, 2006 by and between Houghton Mifflin Company, Houghton Mifflin Holding Company, Inc., Houghton Mifflin Holdings, Inc., THL Managers V, L.L.C., Bain Capital Partners, L.L.C., and Blackstone Management Partners III L.L.C..
10.3	Asset Purchase Agreement by and among Achievement Technologies, Inc., Tibbar, LLC, Tibbar FF, LLC, Monitor Clipper Equity Partners, L.P., Monitor Clipper Equity Partners (Foreign), L.P., Michael Perik, and Houghton Mifflin Company, dated as of May 31, 2006.
10.4	Option Agreement by and between Achievement Technologies, Houghton Mifflin Company, and Tibbar LLC, Tibbar FF, LLC, Monitor Clipper Equity Partners, L.P., Monitor Clipper Equity Partners (Foreign), L.P., and Michael Perik.
10.5	Consulting Agreement between Houghton Mifflin Company and Steve Gandy, dated as of June 1, 2006.
31.1	Certification by Anthony Lucki pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.
31.2	Certification by Stephen C. Richards pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.
32.1	Certification by Anthony Lucki pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Stephen C. Richards pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HM PUBLISHING CORP.

HOUGHTON MIFFLIN COMPANY
(Registrants)

/s/ ANTHONY LUCKI

President and Chief Executive Officer

/s/ STEPHEN C. RICHARDS

Executive Vice President, Chief Operating Officer, and Chief Financial Officer (Chief Accounting Officer)

Date: August 10, 2006

Exhibit 10.1

FIRST AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

among

Houghton Mifflin Holding Company, Inc.

Houghton Mifflin, LLC

Houghton Mifflin Finance, Inc.

Houghton Mifflin Holdings, Inc.

Houghton Mifflin Company

HM Publishing Corp.

and

Certain Stockholders of Houghton Mifflin Holdings, Inc.

Dated as of May 9, 2006

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FIRST AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

This Stockholders Agreement (as amended the "Agreement") was initially made as of December 30, 2002 and is amended and restated as of May 9, 2006 and made effective as of the dates set forth in Section 1.1 hereof by and among:

(i) Houghton Mifflin Holding Company, Inc., a Delaware corporation (the "Company");

(ii) Houghton Mifflin, LLC, a Delaware limited liability company ("HM LLC");

(iii) Houghton Mifflin Finance, Inc., a Delaware corporation ("HM Finance");

(iv) Houghton Mifflin Holdings, Inc., a Delaware corporation, formerly known as Versailles U.S. Holding Inc., (the "Holdings");

(v) Houghton Mifflin Company, a Massachusetts corporation ("HMC");

(vi) HM Publishing Corp. ("Publishing");

(vii) each Person executing this Agreement and listed as an Investor on the signature pages hereto (collectively, the "Investors");

(viii) such other Persons, if any, who from time to time become party hereto by executing a counterpart signature page hereof and are designated by the Board as "Other Investors" (collectively, the "Other Investors");

(ix) Gerald T. Hughes or his successor as trustee (the "Trustee") under the trust formed by the Trust Agreement for the Company' s 2003 Deferred Compensation Plan dated as of January 28, 2003, as amended (the "Trust"); and

(x) such other Persons who from time to time become party hereto by executing a counterpart signature page hereof and are designated by the Board as "Managers" (the "Managers" and together with the Trustee, the Investors and the Other Investors, the "Stockholders").

Recitals

1. Prior to the Closing (defined below) (a) Financière Versailles S.a.r.l., a Luxembourg corporation ("Luxco"), acquired all of the outstanding capital stock of Versailles Holding LLC ("Holdings LLC"), a Delaware limited liability company, which, in turn, acquired all of the outstanding capital stock of the Versailles Acquisition Corporation, a Delaware Corporation ("Acquisition").

2. Prior to the Closing, Holdings LLC was converted into a Delaware corporation pursuant to Section 18-216 of the Delaware Limited Liability Company Act and changed its name to Versailles U.S. Holding Inc. (the "Versailles Holdings").

3. At or prior to the Closing, the Investors (other than Bain Capital VII Coinvest Fund, LLC and BCIP TCV, LLC) acquired all of the outstanding capital stock of Luxco.

4. At the consummation of the closing (the "Closing"), under the Share Purchase Agreement dated November 4, 2002 among Vivendi Communications North America Inc. ("Seller"), Vivendi Universal S.A. ("Vivendi") and Acquisition (the "Acquisition Agreement"), Acquisition acquired all of the outstanding capital stock of HMC.

5. At the Closing Versailles Holdings, HMC and the Stockholders (other than the Trustee) entered into this Stockholders Agreement dated as of December 30, 2002 (the "Original Stockholders Agreement").

6. Immediately after the Closing, Acquisition merged with and into HMC, with HMC surviving the merger, pursuant to which Versailles Holdings became the holder of all of the outstanding capital stock of HMC, and after the completion of such merger Versailles Holdings changed its name from Versailles U.S. Holding Inc. to Houghton Mifflin Holdings, Inc. ("Holdings").

7. On January 28, 2003, Luxco distributed all of the outstanding capital stock of the Company to the Investors (other than Bain Capital VII Coinvest Fund, LLC and BCIP TCV, LLC) and the Original Stockholders Agreement became effective.

8. Immediately after the dissolution of Luxco, Bain Capital Integral Investors, LLC Transferred a portion of its shares of outstanding capital stock of the Company to two of its members, Bain Capital VII Coinvest Fund, L.P. and BCIP TCV, LLC.

9. On January 28, 2003 Holdings established the Trust to hold certain shares of Holdings Common Stock for the benefit of certain Managers who are participants in Holdings 2003 Deferred Compensation Plan (the "Plan").

10. In September, 2003 Publishing was formed as a direct subsidiary of Holdings and Holdings contributed all of the shares of capital stock of HMC to Publishing.

11. On May 1, 2006 the Company was formed as part of a reorganization transaction in which three companies were added to the corporate structure of the Company' s group.

12. On May 9, 2006 the Investors and the Trust contributed their equity in Holdings to the Company in exchange for equity in the Company (the "Exchange").

13. After giving effect to the above transactions and certain other transactions, the Company' s Common Stock and all Options and Convertible Securities are, as of May 9, 2006, held as set forth on Schedule 1 hereto.

14. The Company from time to time may issue additional shares of the Company' s Common Stock to the Trustee pursuant to the Plan and to the Managers pursuant to one or more equity incentive plans.

15. The parties believe that it is in the best interests of the Company and the Stockholders to amend and restate the Original Stockholders Agreement to set forth their agreement on certain matters.

Agreement

Therefore, the parties hereto hereby amend and restate the Original Stockholders Agreement to read in its entirety as follows:

1. EFFECTIVENESS; DEFINITIONS.

1.1. Effectiveness. Upon the execution hereof by the Company, HM LLC, HM Finance, Holdings, HMC, Publishing, the Majority Investors and the Trust, this Agreement shall become effective as of May 9, 2006, which is the date of the Exchange. This Agreement supersedes the Original Stockholders Agreement in its entirety.

1.2. Definitions. Certain terms are used in this Agreement as specifically defined herein. These definitions are set forth or referred to in Section 10 hereof.

2. VOTING AGREEMENT.

2.1. Election of Directors. The provisions of this Section 2.1 shall apply from and after the time that the series of Class A Common Stock other than Class A-1 Common Stock of the Company automatically convert into shares of Class A-1 Common Stock of the Company pursuant to the terms of the certificate of incorporation of the Company. Each holder of Shares hereby agrees to cast all votes to which such holder is entitled in respect of the Shares, whether at any annual or special meeting, by written consent or otherwise, to fix the number of members of the board of directors of the Company (the "Board") at eight or such higher number as may be specified from time to time by the Majority Investors. The Board shall be divided into classes, and in the event that the number of members of the Board is eight, there shall be (i) three Bain Directors, (ii) three THL Directors, (iii) two Blackstone Directors, and (iv) no Other Directors (in each case where the number of directors is determined without regard to any failure of any holder of Investors Shares to designate a member of the Board of Directors), which shall in each

case be elected as set forth in this Section 2.1 below. In the event that the number of members of the Board is greater than eight, at any time the number of Bain Directors, THL Directors, Blackstone Directors and Other Directors, respectively, shall each be such number as shall have been specified as of such time by the Majority Investors, in each case elected as set forth in this Section 2.1 below; provided, however, that (A) the number of Bain Directors shall equal the number of THL Directors, (B) the number of Blackstone Directors shall not be less than twenty percent of the aggregate number of the Bain Directors plus the THL Directors plus the Blackstone Directors, and (C) the number of Other Directors shall be any number specified by the Majority Investors (in each case where the number of directors is determined without regard to any failure of any holder of Investor Shares to designate a member of the Board of Directors). Each holder of Shares hereby agrees to cast all votes to which such holder is entitled with respect to such Shares, whether at any annual or special meeting by written consent or otherwise, so as to elect as the Company' s directors: (A) one director designated by Bain Capital VII Coinvest Fund, LLC, (B) such other directors designated by the Majority Bain Investors as the remaining Bain Directors, (C) one director designated by Thomas H. Lee Equity Fund V, L.P., (D) one director designated by Thomas H. Lee Parallel Fund V, L.P., (E) one director designated by Thomas H. Lee Equity (Cayman) Fund V, L.P., (F) such other directors designated by the Majority THL Investors as the remaining THL Directors, (G) one director designated by Blackstone Capital Partners III Merchant Banking Fund L.P., (H) such other directors designated by the Blackstone Majority Investors as the remaining Blackstone Directors, and (I) the Other Directors designated by the Majority Investors. Each holder of Shares hereby agrees to cast all votes to which such holder is entitled with respect to such Shares to implement a provision in the Company' s bylaws that provides that a quorum for any meeting of the Board shall require the presence of directors constituting at least a majority of the entire Board, which majority shall include (i) at least one Bain Director and one THL Director, or (ii) at least one Bain Director and one Blackstone Director, or (iii) at least one THL Director and one Blackstone Director. In addition, each holder of Shares hereby agrees to cast all votes to which such holder is entitled with respect to such Shares to implement a provision in the Company' s bylaws that provides that notice of a special meeting of the Board shall be given to the directors of the Company at least twenty-four hours before the meeting by mail, telegram or facsimile and email at his usual or last known business address, facsimile number or email address.

2.2. Removal and Replacement. The provisions of this Section 2.2 shall apply from and after the time that the series of Class A Common Stock other than Class A-1 Common Stock of the Company automatically convert into shares of Class A-1 Common Stock of the Company pursuant to the terms of the certificate of incorporation of the Company. Members of the Board designated by the holders of particular Investor Shares may only be removed by the holders of such Investor Shares. Members of the Board designated by the Majority Investors may only be removed by the Majority Investors. If, prior to his or her election to the Board, any designee of the holders of particular Investor Shares or the Majority Investors is unable or unwilling to serve as a director, then the holders of such Investor Shares or the Majority Investors, as applicable, shall be entitled to nominate a replacement. If, following election to the Board, any designee of the holders of particular Investor Shares or the Majority Investors resigns, is removed, or is unable to serve for any reason prior to the expiration of his or her term as a director, then such Investor, group of Investors or the Majority Investors, as applicable, shall designate a replacement.

2.3. Election of HMC, Publishing and Holdings, HM LLC, HM Finance and Company Directors.

2.3.1. The Company will cause its board of directors of to be elected in accordance with this Agreement and (i) the Company will cause the board of managers of HM LLC to consist at all times of the same members as the Board of the Company at such time, (ii) HM LLC will cause the boards of directors of HM Finance and Holdings to consist at all times of the same members as the Board of the Company at such time, (iii) Holdings will cause the board of directors of Publishing to consist at all times of the same members as the Board of the Company at such time and (iv) Publishing shall cause the board of directors of HMC to consist at all times of the same members as the Board of the Company at such time.

2.4. Significant Transactions. Each holder of Shares agrees to cast all votes to which such holder is entitled in respect of the Shares, whether at any annual or special meeting, by written consent or otherwise, in such manner as the Majority Investors may instruct by written notice to approve any sale, recapitalization, merger, consolidation, reorganization or any other transaction or series of transactions involving the Company or its subsidiaries (or all or any portion of their respective assets) in connection with, or in furtherance of, the exercise by the Majority Investors of their rights under Section 4.2.

2.5. Consent to Amendment. Each holder of Shares agrees to cast all votes to which such holder is entitled in respect of the Shares, whether at any annual or special meeting, by written consent or otherwise, in such manner as the Majority Investors may instruct by written notice to increase the number of authorized shares of Common Stock to the extent necessary to permit the Company to comply with the provisions of its certificate of incorporation or any agreement to which the Company is a party.

2.6. Grant of Proxy. Each holder of Shares hereby grants to the Company an irrevocable proxy coupled with an interest to vote his Shares in accordance with his agreements contained in this Section 2, which proxy shall be valid and remain in effect until the provisions of this Section 2 expire pursuant to Section 2.8.

2.7. The Company. The Company agrees not to give effect to any action by any holder of Shares or any other Person which is in contravention of this Section 2.

2.8. Period. The foregoing provisions of this Section 2 shall expire on the earlier of (a) a Change of Control and (b) the last date permitted by law (including the rules of the SEC and any exchange upon which equity securities of the Company might be listed).

3. TRANSFER RESTRICTIONS. No holder of Shares shall Transfer any of such Shares to any other Person except as provided in this Section 3.

3.1. Permitted Transferees.

(i) Immediate Family. Any holder of Management Shares who is a natural person may transfer any or all of such Management Shares to one or more Members of the Immediate Family of such holder.

(ii) Upon Death. Upon the death of any holder of Shares who is a natural Person, such Shares may be distributed by the will or other instrument taking effect at death of such holder or by applicable laws of descent and distribution to such holder' s estate, executors, administrators and personal representatives, and then to such holder' s heirs, legatees or distributees, whether or not such recipients are Members of the Immediate Family of such holder, or to a Charitable Organization.

(iii) Investors and Company. Any holder of Shares may Transfer any or all of such Shares, with the consent of the Majority Investors, to (a) any Investor or any Affiliated Fund of an Investor, or (b) the Company or any subsidiary of the Company.

(iv) Additional Permitted Transfers by the Investors. Any holder of Investor Shares or Other Investor Shares may Transfer any or all of such Shares (a) to its Affiliated Funds, (b) to its partners or members in a pro rata Transfer or (c) to a Charitable Organization.

(v) Transfers from Trust to Plan Participants. The Trustee may Transfer Shares to a Manager in accordance with the terms of the Plan.

No Transfer permitted under the terms of this Section 3.1 (other than 3.1.3(b)) shall be effective unless the transferee of such Shares (each, a "Permitted Transferee") has delivered to the Company a written acknowledgment and agreement in form and substance reasonably satisfactory to the Company that such Shares to be received by such Permitted Transferee shall remain Investor Shares, Other Investor Shares, or Management Shares, as the case may be, and shall be subject to all of the provisions of this Agreement and that such Permitted Transferee shall be bound by, and shall be a party to, this Agreement as the holder of Investor Shares, Other Investor Shares, or Management Shares, as the case may be, hereunder; provided, however, that Shares Transferred pursuant to Section 3.1(iii)(a) shall thereafter become Investor Shares hereunder of like kind with the other Shares held by such Transferee and its Affiliated Funds; provided further that Shares transferred pursuant to 3.1(v) shall thereafter become Management Shares and shall be subject to all of the provisions of this Agreement and such Permitted Transferee shall be bound by, and shall be party to this Agreement as the holder of Management Shares hereunder; and provided further that no Transfer by any holder of Shares to a Permitted Transferee shall relieve such holder of any of its obligations hereunder.

3.2. Tag Alongs, Drag Alongs, Etc. In addition to Transfers permitted under Section 3.1,

(a) any holder of Investor Shares may Transfer such Shares if (i) such holder (A) has complied with the "tag along" provisions contained in Section 4.1 with respect to such Shares but only if such Transfer occurs after December 31, 2009 or with the prior written consent of the Majority Investors, and (B) has complied with the right of first refusal provisions of Section 4.4, with respect to such Shares or (ii) the Majority Investors have elected to exercise their "drag along" rights set forth in Section 4.2 with respect to such Shares; and

(b) any holder of Shares may Transfer any or all of such Shares in accordance with the provisions, terms and conditions of Section 4.1, 4.2 and 4.4.

Any Shares Transferred in compliance with the terms of Section 4.1 or 4.2 and not purchased by a First Offer Purchaser pursuant to Section 4.4 shall conclusively be deemed thereafter not to be Shares or Registrable Securities under this Agreement and not to be subject to any of the provisions hereof or entitled to the benefit of any of the provisions hereof.

3.3. Public. Subject to the provisions of Section 6.3.4, any holder of Shares may Transfer such Shares in a Public Offering or, after the closing of the Initial Public Offering, pursuant to Rule 144, which Shares shall conclusively be deemed thereafter not to be Shares or Registrable Securities under this Agreement and not to be subject to any of the provisions hereof or entitled to the benefit of any of the provisions hereof.

3.4. Impermissible Transfer. Any attempted Transfer of Shares not permitted under the terms of this Section 3 shall be null and void, and the Company shall not in any way give effect to any such impermissible Transfer.

3.5. Period. The foregoing provisions of this Section 3 shall expire upon the earlier of (a) a Change of Control and (b) the effectiveness of the Company' s registration statement in connection with the Qualified Public Offering.

4. INVESTOR TRANSFER RIGHTS; "TAG ALONG" AND "DRAG ALONG" RIGHTS.

4.1. Tag Along. If one or more holders of Investor Shares (each such holder, a "Prospective Selling Investor") proposes to Sell any such Shares to any Prospective Buyer (including an First Offer Purchaser pursuant to Section 4.4) in a Transfer other than one (i) permitted under the terms of Section 3.1, (ii) in connection with which such holder has exercised his "tag-along" rights under Section 4.1, or (iii) in connection with which the Majority Investors have elected to exercise their "drag along" rights under Section 4.2:

4.1.1. Notice. The Prospective Selling Investors shall furnish a written notice (the "Tag Along Notice") to each other holder of Shares, excluding the Trustee but including each Manager holding Shares that are distributed from the Trust in connection with a Tag Along Event (as defined in the Plan), (each, a "Tag Along Holder") and the

Trustee at least ten business days prior to such proposed Transfer. The Tag Along Notice may be the same notice as the Sale Notice delivered pursuant to Section 4.4. The Tag Along Notice shall include:

(a) The principal terms of the proposed Sale including (i) the number and class of the Shares to be purchased from the Prospective Selling Investors, (ii) the fraction(s) expressed as a percentage, determined by dividing the number of Shares of each class (treating all Class A Common Stock as a single class) to be purchased from the Prospective Selling Investors by the total number of Investor Shares of each such class held by the Prospective Selling Investor (the "Tag Along Sale Percentage"), (iii) the maximum and minimum per share purchase price and (iv) the name and address of the Prospective Buyer; and

(b) An invitation to each Tag Along Holder to make an offer to include in the proposed Sale to the applicable Prospective Buyer an additional number of Shares held by such Tag Along Holder (not in any event to exceed the Tag Along Sale Percentage of the total number of Shares of the applicable class held by such Tag Along Holder), on the same terms and conditions (subject to Section 4.3.4 in the case of Options, Warrants and Convertible Securities), with respect to each Share Sold, as the Prospective Selling Investors shall Sell each of their Shares.

4.1.2. Exercise. Within eight business days after the effectiveness of the Tag Along Notice, each Tag Along Holder desiring to make an offer to include Shares in the proposed Sale (each a "Participating Seller" and, together with the Prospective Selling Investors, collectively, the "Tag Along Sellers") shall furnish a written notice (the "Tag Along Offer") to the Prospective Selling Investors offering to include an additional number of Shares (not in any event to exceed the Tag Along Sale Percentage of the total number of Shares of the applicable class held by such Participating Seller) which such Participating Seller desires to have included in the proposed Sale. Each Tag Along Holder who does not so accept the Prospective Selling Investors' invitation to make an offer to include Shares in the proposed Sale shall be deemed to have waived all of his rights with respect to such Sale, and the Tag Along Sellers shall thereafter be free to Sell to the Prospective Buyer, at a per share price no greater than the maximum per share price set forth in the Tag Along Notice and on other principal terms which are not materially more favorable to the Tag Along Sellers than those set forth in the Tag Along Notice, without any further obligation to such non-accepting Tag Along Holder pursuant to this Section 4.1.

4.1.3. Irrevocable Offer. The offer of each Participating Seller contained in his Tag Along Offer shall be irrevocable, and, to the extent such offer is accepted, such Participating Seller shall be bound and obligated to Sell in the proposed Sale on the same terms and conditions, with respect to each Share Sold (subject to Section 4.3.4 in the case of Options, Warrants and Convertible Securities), as the Prospective Selling Investors, up to such number of Shares as such Participating Seller shall have specified in his Tag Along Offer; provided, however, that if the principal terms of the proposed Sale change

with the result that the per share price shall be less than the minimum per share price set forth in the Tag Along Notice or the other principal terms shall be materially less favorable to the Tag Along Sellers than those set forth in the Tag Along Notice, each Participating Seller shall be permitted to withdraw the offer contained in his Tag Along Offer and shall be released from his obligations thereunder.

4.1.4. Reduction of Shares Sold. The Prospective Selling Investors shall attempt to obtain the inclusion in the proposed Sale of the entire number of Shares which each of the Tag Along Sellers requested to have included in the Sale (as evidenced in the case of the Prospective Selling Investors by the Tag Along Notice and in the case of each Participating Seller by such Participating Seller' s Tag Along Offer). In the event the Prospective Selling Investors shall be unable to obtain the inclusion of such entire number of Shares in the proposed Sale, the number of Shares to be sold in the proposed Sale shall be allocated among the Tag Along Sellers in proportion, as nearly as practicable, as follows:

(i) there shall be first allocated to each Participating Seller a number of Shares equal to the lesser of (A) the number of Shares offered to be included by such Participating Seller in the proposed Sale pursuant to this Section 4.1, and (B) a number of Shares equal to the aggregate number of Shares proposed to be purchased from the Prospective Selling Investors multiplied by a fraction, the numerator of which is the aggregate number of Shares held by such Participating Seller, and the denominator of which is the aggregate number of Shares held by all Tag Along Sellers (the "Pro Rata Portion"); and

(ii) the balance, if any, not allocated pursuant to clause (i) above shall be allocated to the Prospective Selling Investors pro rata to each such Prospective Selling Investor based upon the number of Shares held by such Prospective Selling Investor, or in such other manner as the Prospective Selling Investors may otherwise agree.

4.1.5. Additional Compliance. If prior to consummation, the terms of the proposed Sale shall change with the result that the per share price to be paid in such proposed Sale shall be greater than the maximum per share price set forth in the Tag Along Notice or the other principal terms of such proposed Sale shall be materially more favorable to the Tag Along Sellers than those set forth in the Tag Along Notice, the Tag Along Notice shall be null and void, and it shall be necessary for a separate Tag Along Notice to be furnished, and the terms and provisions of this Section 4.1 separately complied with, in order to consummate such proposed Sale pursuant to this Section 4.1; provided, however, that in the case of such a separate Tag Along Notice, the applicable period to which reference is made in Sections 4.1.1 and 4.1.2 shall be three business days and two business days, respectively. In addition, if the Prospective Selling Investors have not completed the proposed Sale by the end of the 180th day following the date of the effectiveness of the Tag Along Notice, each Participating Seller shall be released from his obligations under his Tag Along Offer, the Tag Along Notice shall be null and void, and it shall be necessary for a separate Tag Along Notice to be furnished, and the terms and

provisions of this Section 4.1 separately complied with, in order to consummate such proposed Sale pursuant to this Section 4.1, unless the failure to complete such proposed Sale resulted from any failure by any Participating Seller to comply with the terms of this Section 4; provided, however, that in the case of such a separate Tag Along Notice, the applicable period to which reference is made in Sections 4.1.1 and 4.1.2 shall be three business days and two business days, respectively.

4.2. Drag Along. Each holder of Shares, excluding the Trustee but including each Manager holding Shares that are distributed from the Trust in connection with a Drag Along Event (as defined in the Plan), hereby agrees, if requested by the Majority Investors, to Sell a specified percentage equal to or greater than 80 percent (the "Drag Along Sale Percentage") of each class of such Shares (treating all Class A Common Stock as a single class), directly or indirectly, to a Prospective Buyer in the manner and on the terms set forth in this Section 4.2 in connection with the Sale by one or more holders of Investor Shares (each such holder, a "Prospective Selling Investor") of the Drag Along Sale Percentage of the total number of Investor Shares of such class held by such holders of Investor Shares to the Prospective Buyer; provided, however, that no holder of Shares shall be required to sell any Shares pursuant to this Section 4.2 in connection with a Sale by one or more Investors to any Affiliate of such Investor or any Affiliated Fund of such Investor unless such proposed Sale is approved by vote or written consent of each of the Bain Investors, THL Investors and Blackstone Investors, each voting separately.

4.2.1. Exercise. If the Majority Investors elect to exercise their rights under this Section 4.2, the Prospective Selling Investors shall furnish a written notice (the "Drag Along Notice") to each other holder of Shares. The Drag Along Notice shall set forth the principal terms of the proposed Sale insofar as it relates to such Shares including (i) the number and class of Shares to be acquired from the Prospective Selling Investors, (ii) the Drag Along Sale Percentage, (iii) the per share consideration to be received in the proposed Sale and (iv) the name and address of the Prospective Buyer. If the Prospective Selling Investors consummate the proposed Sale to which reference is made in the Drag Along Notice, each other holder of Shares, excluding the Trustee but including each Manager holding shares that are distributed from the Trust in connection with a Drag Along Event (as defined in the Plan), (each a "Participating Seller", and, together with the Prospective Selling Investors, collectively, the "Drag Along Sellers") shall be bound and obligated to Sell the Drag Along Sale Percentage of his Shares in the proposed Sale on the same terms and conditions, with respect to each Share Sold (subject to Section 4.3.4 in the case of Options and Warrants), as the Prospective Selling Investors shall Sell each Investor Share in the Sale (subject to Section 4.3.4 in the case of Options, Warrants and Convertible Securities). If at the end of the 180th day following the date of the effectiveness of the Drag Along Notice the Prospective Selling Investors have not completed the proposed Sale, the Drag Along Notice shall be null and void, each Participating Seller shall be released from his obligation under the Drag Along Notice and it shall be necessary for a separate Drag Along Notice to be furnished and the terms and provisions of this Section 4.2 separately complied with, in order to consummate such proposed Sale pursuant to this Section 4.2.

4.3. Miscellaneous. The following provisions shall be applied to any proposed Sale to which Section 4.1 or 4.2 applies:

4.3.1. Certain Legal Requirements. In the event the consideration to be paid in exchange for Shares in a proposed Sale pursuant to Section 4.1 or Section 4.2 includes any securities, and the receipt thereof by a Participating Seller would require under applicable law (a) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities or (b) the provision to any Tag Along Seller or Drag Along Seller of any specified information regarding the Company, such securities or the issuer thereof, such Participating Seller shall not have the right to Sell Shares in such proposed Sale. In such event, the Prospective Selling Investors shall have the right, but not the obligation, to cause to be paid to such Participating Seller in lieu thereof, against surrender of the Shares (in accordance with Section 4.3.6 hereof) which would have otherwise been Sold by such Participating Seller to the Prospective Buyer in the proposed Sale, an amount in cash equal to the Fair Market Value of such Shares as of the date such securities would have been issued in exchange for such Shares.

4.3.2. Further Assurances. Each Participating Seller and First Offer Purchaser, whether in his capacity as a Participating Seller, First Offer Purchaser, stockholder, officer or director of the Company, or otherwise, shall take or cause to be taken all such actions as may be necessary or reasonably desirable in order expeditiously to consummate each Sale pursuant to Section 4.1, Section 4.2 or Section 4.4 and any related transactions, including executing, acknowledging and delivering consents, assignments, waivers and other documents or instruments; furnishing information and copies of documents; filing applications, reports, returns, filings and other documents or instruments with governmental authorities; and otherwise cooperating with the Prospective Selling Investors and the Prospective Buyer; provided, however, that Participating Sellers shall be obligated to become liable in respect of any representations, warranties, covenants, indemnities or otherwise to the Prospective Buyer solely to the extent provided in the immediately following sentence. Without limiting the generality of the foregoing, each Participating Seller agrees to execute and deliver such agreements as may be reasonably specified by the Prospective Selling Investors to which such Prospective Selling Investors will also be party, including agreements to (a) (i) make individual representations, warranties, covenants and other agreements as to the unencumbered title to its Shares and the power, authority and legal right to Transfer such Shares and the absence of any Adverse Claim with respect to such Shares and (ii) be liable without limitation as to such representations, warranties, covenants and other agreements and (b) be liable (whether by purchase price adjustment, indemnity payments or otherwise) in respect of representations, warranties, covenants and agreements in respect of the Company and its subsidiaries; provided, however, that the aggregate amount of liability described in this clause (b) in connection with any Sale of Shares shall not exceed the lesser of (i) such Participating Seller' s pro rata portion of any such liability, to be determined in accordance with such Participating Seller' s portion of the total number of Shares included in such Sale or (ii) the proceeds to such Participating Seller in connection with such Sale.

4.3.3. Sale Process. The Majority Investors, in the case of a proposed Sale pursuant to Section 4.2, or the Prospective Selling Investor(s), in the case of a proposed Sale pursuant to Section 4.1 and 4.4, shall, in their sole discretion, decide whether or not to pursue, consummate, postpone or abandon any proposed Sale and the terms and conditions thereof. No holder of Investor Share nor any Affiliate of any such holder shall have any liability to any other holder of Shares arising from, relating to or in connection with the pursuit, consummation, postponement, abandonment or terms and conditions of any proposed Sale except to the extent such holder shall have failed to comply with the provisions of this Section 4.

4.3.4. Treatment of Options, Warrants and Convertible Securities. Each Participating Seller agrees that to the extent he desires to include Options, Warrants or Convertible Securities in any Sale of Shares pursuant to Section 4, he shall be deemed to have exercised, converted or exchanged such Options, Warrants or Convertible Security immediately prior to the closing of such Sale to the extent necessary to Sell Common Stock to the Prospective Buyer, except to the extent permitted under the terms of any such Option, Warrant or Convertible Security and agreed by the Prospective Buyer. If any Participating Seller shall Sell Options, Warrants or Convertible Securities in any Sale pursuant to Section 4, such Participating Seller shall receive in exchange for such Options, Warrants or Convertible Securities consideration equal to the amount (if greater than zero) determined by multiplying (a) the purchase price per share of Common Stock received by the holders of the Prospective Selling Investors in such Sale less the exercise price, if any, per share of such Option, Warrant or Convertible Security by (b) the number of shares of Common Stock issuable upon exercise, conversion or exchange of such Option, Warrant or Convertible Security (to the extent exercisable, convertible or exchangeable at the time of such Sale), subject to reduction for any tax or other amounts required to be withheld under applicable law.

4.3.5. Expenses. All reasonable costs and expenses incurred by the Prospective Selling Investors or the Company in connection with any proposed Sale pursuant to this Section 4 (whether or not consummated), including without limitation all attorneys fees and charges, all accounting fees and charges and all finders, brokerage or investment banking fees, charges or commissions, shall be paid by the Company. The reasonable fees and expenses of a single legal counsel representing any or all of the other Tag Along Sellers or Drag Along Sellers in connection with any proposed Sale pursuant to this Section 4 (whether or not consummated) shall be paid by the Company. Any other costs and expenses incurred by or on behalf of any or all of the other Tag Along Seller or Drag Along Seller in connection with any proposed Sale pursuant to this Section 4 (whether or not consummated) shall be borne by such Tag Along Seller(s) or Drag Along Seller(s).

4.3.6. Closing. The closing of a Sale to which Section 4.1, 4.2 or 4.4 applies shall take place at such time and place as the Prospective Selling Investors shall specify by notice to each Participating Seller. At the closing of such Sale, each Participating Seller shall deliver the certificates evidencing the Shares to be Sold by such Participating Seller, duly endorsed, or with stock (or equivalent) powers duly endorsed, for transfer with signature guaranteed, free and clear of any liens or encumbrances, with any stock (or equivalent) transfer tax stamps affixed, against delivery of the applicable consideration.

4.3.7. Classification of Transferred Shares.

4.3.7.1. Shares Transferred to a Prospective Buyer in accordance with Section 4.1 and Section 4.4 shall thereafter become Other Investor Shares hereunder. No such Transfer pursuant to Section 4.1 shall be effective unless the Prospective Buyer has delivered to the Company a written acknowledgment and agreement in form and substance reasonably satisfactory to the Company that such Shares to be received by such Prospective Buyer shall become Other Investor Shares upon the completion of such Transfer, and shall be subject to all of the provisions of this Agreement and that such Prospective Buyer shall be bound by, and shall be a party to, this Agreement as the holder of Other Investor Shares hereunder.

4.3.7.2. Shares Transferred pursuant to Section 4.4 to a First Offer Purchaser other than the Company shall thereafter become Investor Shares hereunder of like kind with the other Shares held by such First Offer Purchaser and its Affiliated Funds.

4.4. Right of First Offer. If one or more holders of Investor Shares (each such holder, a "Prospective Selling Investor") proposes to Sell any Shares in a transaction other than one (i) permitted under the terms of Section 3.1, (ii) in connection with which such holder has exercised his "tag-along" rights under Section 4.1, or (iii) in connection with which the Majority Investors have elected to exercise their "drag along" rights under Section 4.2 for more than seventy-five percent of the then outstanding Shares:

4.4.1. Notice. The Prospective Selling Investors shall furnish a written notice of such proposed Sale (a "Sale Notice") to the Company and each other Investor (each, a "First Offer Holder") (which notice may be the same notice as the Tag Along Notice delivered pursuant to Section 4.1) not less than ten business days prior to any such proposed Transfer. The Sale Notice shall include:

4.4.1.1. the number of Shares proposed to be sold by the Prospective Selling Shareholder (the "Subject Shares"), and (ii) the name and address of the Prospective Buyer, if any; and

4.4.1.2. an invitation to each First Offer Holder to make an offer to purchase (subject to Section 4.4.5 below) any number of the Subject Shares.

4.4.2. Exercise.

4.4.2.1. Within eight business days after the effectiveness of the Sale Notice, each of the Company and each First Offer Holder, may make an offer to purchase any number of the Subject Shares, by furnishing a written notice (the

"Initial First Offer Notice") of such offer specifying a number of Subject Shares offered to be purchased from the Prospective Selling Investors, the price per share offered to be paid, and any other terms and conditions of the offer (each such Person delivering such notice, a "Prospective First Offer Purchaser").

4.4.2.2. Upon receipt of the Initial First Offer Notices, the Prospective Selling Investors will determine the best offer made by the Prospective First Offer Purchasers (the "Best Offer"), based on the price per share and other terms and conditions offered, and will furnish a written notice (the "Best Offer Notice") to each Prospective First Offer Purchaser setting forth the price per share and other terms and conditions of the Best Offer and inviting each Prospective First Offer Purchaser to submit a new offer matching the price and other terms and conditions of the Best Offer.

4.4.2.3. Within three business days after effectiveness of the Best Offer Notice, each of the Company and each First Offer Holder may offer to match the price and other terms and conditions in the Best Offer Notice by furnishing a written notice (the "First Offer Notice") of such offer specifying a number of Subject Shares offered to be purchased from the Prospective Selling Investors on the terms of the Best Offer (each such Person delivering such notice, a "First Offer Purchaser").

4.4.2.4. Each Person not furnishing an First Offer Notice offering to purchase any of the Subject Shares shall be deemed to have waived all of its or his rights to purchase such Shares in lieu of such proposed Sale and the Prospective Selling Investors and Participating Sellers shall thereafter be free to Sell the Subject Shares to the First Offer Purchasers and/or the Prospective Buyer, at a per Share purchase price no less than the price set forth in the Best Offer Notice and on other principal terms not substantially more favorable to the First Offer Purchasers and/or the Prospective Buyer than those set forth in the Best Offer Notice, without any further obligation to such non-First Offer Purchasers pursuant to this Section 4.4.

4.4.3. Irrevocable Offer. The offer of each First Offer Purchaser contained in a First Offer Notice shall be irrevocable, and, subject to Section 4.4.5 below, to the extent such offer is accepted, such First Offer Purchaser shall be bound and obligated to purchase the number of Subject Shares set forth in such First Offer Purchaser' s First Offer Notice.

4.4.4. Additional Compliance. If at the end of the 180th day following the date of the effectiveness of the Sale Notice the Prospective Selling Investors and First Offer Purchasers has not completed the Sale (other than due to the failure of any First Offer Purchaser to perform its obligations under this Section 4.4), each First Offer Purchaser shall be released from his obligations under his irrevocable offer, the Sale Notice shall be null and void, and it shall be necessary for a separate Sale Notice to be furnished, and the terms and provisions of this Section 4.4 separately complied with, in order to

consummate such Transfer pursuant to this Section 4.4; provided, however, that in the case of such a separate Sale Notice, the applicable period to which reference is made in Section 4.4.1 and 4.4.2.1 shall be three business days and two business days, respectively.

4.4.5. Determination of the Number of Subject Shares to be Sold. In the event the number of Shares offered to be purchased by the First Offer Purchasers is less than the number of Subject Shares, the Prospective Selling Investors may accept the offers of the First Offer Purchasers, and at the option of the Prospective Selling Investors, sell any remaining Subject Shares which the First Offer Purchasers did not elect to purchase to a Prospective Buyer or if the Prospective Buyer selected by the Prospective Selling Investors is unwilling to purchase less than all of the Subject Shares, the Prospective Selling Investors shall be free reject the offers of the First Offer Purchasers and sell all of the Subject Shares to a Prospective Buyer at a price per Share that is no less than the price set forth in the Best Offer Notice. In the event the aggregate number of Subject Shares offered to be purchased by the First Offer Purchasers is equal to or exceeds the aggregate number of Subject Shares, the Subject Shares shall be sold first to the Company, if the Company has offered to purchase any of the Subject Shares and, second, to the First Offer Purchasers (other than the Company) as follows:

(i) there shall be first allocated to each First Offer Purchaser (other than the Company) a number of Shares equal to the lesser of (A) the number of Shares offered to be purchased by such First Offer Purchaser pursuant his First Offer Notice, and (B) a number of Shares equal to the aggregate number of remaining Subject Shares multiplied by a fraction, the numerator of which is the aggregate number of Shares held by such First Offer Purchaser, and the denominator of which is the aggregate number of Shares held by all First Offer Purchasers (the "Pro Rata Portion"); and

(ii) the balance, if any, not allocated pursuant to clause (i) above shall be allocated to those First Offer Purchasers (other than the Company) which offered to purchase a number of Shares in excess of such Person' s Pro Rata Portion pro rata to each such First Offer Purchaser based upon the amount of such excess, or in such other manner as the First Offer Purchasers may otherwise agree.

In the event any Investors exercise their rights under Section 4.1 to sell Shares in connection with a transaction subject to this Section 4.4, such Shares (as the case may be, reduced in accordance with Section 4.1.4) shall be deemed to be Subject Shares for purposes of this Section 4.4 and shall be allocated in accordance with this Section 4.4.5.

4.5. Period. The foregoing provisions of this Section 4 shall expire on the earlier of (a) a Change of Control or (b) the closing of a Qualified Public Offering.

5. RIGHT OF PARTICIPATION. The Company shall not issue or sell any shares of any of its capital stock or any securities convertible into or exchangeable for any shares of its capital

stock, issue or grant any options or warrants for the purchase of, or enter into any agreements providing for the issuance (contingent or otherwise) of, any of its capital stock or any stock or securities convertible into or exchangeable for any shares of its capital stock, in each case, to any Person (each an "Issuance" of "Subject Securities"), except in compliance with the provisions of Section 5.1 or 5.2.

5.1. Right of Participation.

5.1.1. Offer. Not fewer than ten business days prior to the consummation of an Issuance, a notice (the "Participation Notice") shall be furnished by the Company to each holder of Shares other than the Trustee (the "Participation Offerees"). The Participation Notice shall include:

(a) The principal terms of the proposed Issuance, including (i) the amount and kind of Subject Securities to be included in the Issuance, (ii) the number of Equivalent Shares represented by such Subject Securities (if applicable), (iii) the percentage of the total number of Equivalent Shares outstanding as of immediately prior to giving effect to such Issuance which the number of Equivalent Shares held by such Participation Offeree constitutes (the "Participation Portion"), (iv) the maximum and minimum price (including if applicable, the maximum and minimum Price Per Equivalent Share) per unit of the Subject Securities and (v) the name and address of the Person to whom the Subject Securities will be issued (the "Prospective Subscriber"); and

(b) An offer by the Company to issue, at the option of each Participation Offeree, to such Participation Offeree such portion of the Subject Securities to be included in the Issuance as may be requested by such Participation Offeree (not to exceed the Participation Portion of the total amount of Subject Securities to be included in the Issuance), on the same economic terms and conditions, with respect to each unit of Subject Securities issued to the Participation Offerees, as each of the Prospective Subscribers shall be issued units of Subject Securities.

5.1.2. Exercise.

5.1.2.1. General. Each Participation Offeree desiring to accept the offer contained in the Participation Notice shall accept the offer in the Participation Notice by furnishing a written notice of such acceptance to the Company within eight business days after the effectiveness of the Participation Notice specifying the amount of Subject Securities (not in any event to exceed the Participation Portion of the total amount of Subject Securities to be included in the Issuance) which such Participation Offeree desires to be issued (each a "Participating Buyer"). Each Participation Offeree who has not so accepted such offer shall be deemed to have waived all of his rights with respect to the Issuance, and the Company shall thereafter be free to issue Subject Securities in the Issuance to the Prospective Subscriber and any Participating Buyers, at a price no

less than the minimum price set forth in the Participation Notice and on other principal terms not substantially more favorable to the Prospective Subscriber than those set forth in the Participation Notice, without any further obligation to such non-accepting Participation Offerees pursuant to Section 5. If, prior to consummation, the terms of such proposed Issuance shall change with the result that the price shall be less than the minimum price set forth in the Participation Notice or the other principal terms shall be substantially more favorable to the Prospective Subscriber than those set forth in the Participation Notice, it shall be necessary for a separate Participation Notice to be furnished, and the terms and provisions of this Section 5.1 separately complied with, in order to consummate such Issuance pursuant to this Section 5.1; provided, however, that in such case of a separate Participation Notice, the applicable period to which reference is made in Section 5.1.1 and in the first sentence of Section 5.1.2.1 shall be three business days and two business days respectively.

5.1.2.2. Irrevocable Acceptance. The acceptance of each Participating Buyer shall be irrevocable except as hereinafter provided, and each such Participating Buyer shall be bound and obligated to acquire in the Issuance on the same terms and conditions, with respect to each unit of Subject Securities issued, as the Prospective Subscriber, such amount of Subject Securities as such Participating Buyer shall have specified in such Participating Buyer' s written commitment.

5.1.2.3. Time Limitation. If at the end of the 180th day following the date of the effectiveness of the Participation Notice the Company has not completed the Issuance, each Participating Buyer shall be released from his obligations under the written commitment, the Participation Notice shall be null and void, and it shall be necessary for a separate Participation Notice to be furnished, and the terms and provisions of this Section 5.1 separately complied with, in order to consummate such Issuance pursuant to this Section 5.1; provided, however, that in such case of a separate Participation Notice, the applicable period to which reference is made in Section 5.1.1 and in the first sentence of Section 5.1.2.1 shall be three business days and two business days, respectively.

5.1.3. Other Securities. The Company may condition the participation of the Participation Offerees in an Issuance upon the purchase by such Participation Offerees of any securities (including debt securities) other than Subject Securities ("Other Securities") in the event that the participation of the Prospective Subscriber in such Issuance is so conditioned. In such case, each Participating Buyer shall acquire in the Issuance, together with the Subject Securities to be acquired by it, Other Securities in the same proportion to the Subject Securities to be acquired by it as the proportion of Other Securities to Subject Securities being acquired by the Prospective Subscriber in the Issuance, on the same terms and conditions, as to each unit of Subject Securities and Other Securities issued to the Participating Buyers, as the Prospective Subscriber shall be issued units of Subject Securities and Other Securities.

5.1.4. Certain Legal Requirements. In the event that the participation in the Issuance by a holder of Shares as a Participating Buyer would require under applicable law (i) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities or (ii) the provision to any participant in the Sale of any specified information regarding the Company or the securities, such holder of Shares shall not have the right to participate in the Issuance. Without limiting the generality of the foregoing, it is understood and agreed that the Company shall not be under any obligation to effect a registration of such securities under the Securities Act or similar state statutes.

5.1.5. Further Assurances. Each Participation Offeree and each Stockholder to whom the Shares held by such Participation Offeree were originally issued, shall, whether in his capacity as a Participating Buyer, Stockholder, officer or director of the Company, or otherwise, take or cause to be taken all such reasonable actions as may be necessary or reasonably desirable in order expeditiously to consummate each Issuance pursuant to this Section 5.1 and any related transactions, including executing, acknowledging and delivering consents, assignments, waivers and other documents or instruments; filing applications, reports, returns, filings and other documents or instruments with governmental authorities; and otherwise cooperating with the Company and the Prospective Subscriber. Without limiting the generality of the foregoing, each such Participating Buyer and Stockholder agrees to execute and deliver such subscription and other agreements specified by the Company to which the Prospective Subscriber will be party.

5.1.6. Expenses. All reasonable costs and expenses incurred by the holders of Investor Shares or the Company in connection with any proposed Issuance of Subject Securities (whether or not consummated), including without limitation all attorney' s fees and charges, all accounting fees and charges and all finders, brokerage or investment banking fees, charges or commissions, shall be paid by the Company. The reasonable fees and charges of a single legal counsel representing any or all of the other holders of Shares in connection with such proposed Issuance of Subject Securities (whether or not consummated) shall be paid by the Company. Any other costs and expenses incurred by or on behalf of any other holder of Shares in connection with such proposed Issuance of Subject Securities (whether or not consummated) shall be borne by such holder.

5.1.7. Closing. The closing of an Issuance pursuant to Section 5.1 shall take place at such time and place as the Company shall specify by notice to each Participating Buyer. At the Closing of any Issuance under this Section 5.1.7, each Participating Buyer shall be delivered the notes, certificates or other instruments evidencing the Subject Securities (and, if applicable, Other Securities) to be issued to such Participating Buyer, registered in the name of such Participating Buyer or his designated nominee, free and clear of any liens or encumbrances, with any transfer tax stamps affixed, against delivery by such Participating Buyer of the applicable consideration.

5.2. Post-Issuance Notice. Notwithstanding the notice requirements of Sections 5.1.1 and 5.1.2, the Company may proceed with any Issuance prior to having complied with the provisions of Section 5.1; provided that the Company shall:

(a) provide to each holder of Shares who would have been a Participation Offeree in connection with such Issuance (i) with prompt notice of such Issuance and (ii) the Participation Notice described in Section 5.1.1 in which the actual price per unit of Subject Securities (and, if applicable, actual Price Per Equivalent Share) shall be set forth;

(b) offer to issue to such holder of Shares such number of securities of the type issued in the Issuance as may be requested by such holder (not to exceed the Participation Portion that such holder would have been entitled to pursuant to Section 5.1 multiplied by the number of Equivalent Shares included in the Issuance) on the same economic terms and conditions with respect to such securities as the subscribers in the Issuance received; and

(c) keep such offer open for a period of ten business days, during which period, each such holder may accept such offer by sending a written acceptance to the Company committing to purchase an amount of such securities (not in any event to exceed the Participation Portion that such holder would have been entitled to pursuant to Section 5.1 multiplied by the number of Equivalent Shares included in such issuance).

5.3. Excluded Transactions. The preceding provisions of this Section 5 shall not apply to:

(a) Any Issuance of Common Stock upon the exercise or conversion of any Common Stock, Options, Warrants or Convertible Securities outstanding on the date hereof or issued after the date hereof in compliance with the provisions of this Section 5;

(b) The Issuance of Shares to the Investors in connection with the Closing;

(c) Any Issuance of shares of Common Stock, Options or Convertible Securities to officers, employees, directors or consultants of the Company or its subsidiaries in connection with such Person' employment arrangements with the Company or its subsidiaries;

(d) Any Issuance of shares of Common Stock, Option, Warrants or Convertible Securities in connection with any business combination or acquisition transaction involving the Company or any of its subsidiaries;

(e) Any Issuance of Common Stock pursuant to the Initial Public Offering;

(f) Any Issuance of Common Stock to the Trustee in accordance with the Plan; or

(g) Any Issuance of Common Stock to a Manager in respect of his or her interest in the Plan.

5.4. Certain Provisions Applicable to Options, Warrants and Convertible Securities. In the event that the Issuance of Subject Securities shall result in any increase in the number of shares of Common Stock issuable upon exercise, conversion or exchange of any Options, Warrants or Convertible Securities, the number of shares (or Equivalent Shares, if applicable) of Subject Securities (and Other Securities, if applicable) which the holders of such Options, Warrants or Convertible Securities, as the case may be, shall be entitled to purchase pursuant to Section 5.1, if any, shall be reduced, share for share, by the amount of any such increase.

5.5. Acquired Shares. Any Subject Securities constituting Common Stock acquired by any holder of Shares pursuant to this Section 5 shall be deemed for all purposes hereof to be Investor Shares, Other Investor Shares and Management Shares hereunder of like kind with the Shares then held by the acquiring holder.

5.6. Period. The foregoing provisions of this Section 5 shall expire on the earlier of (a) a Change of Control or (b) the closing of the Initial Public Offering.

6. REGISTRATION RIGHTS. The Company will perform and comply, and cause each of its subsidiaries to perform and comply, with such of the following provisions as are applicable to it. Each holder of Shares will perform and comply with such of the following provisions as are applicable to such holder.

6.1. Demand Registration Rights for Investor Shares.

6.1.1. General. Beginning at any time after the expiration of the lock-up agreement entered into by the Majority Investors in connection with the Initial Public Offering, one or more holders of Investor Shares ("Initiating Investors"), by notice to the Company specifying the intended method or methods of disposition, may request that the Company effect the registration under the Securities Act for a Public Offering of all or a specified part of the Registrable Securities held by such Initiating Investors (for purposes of this Agreement, "Registrable Investor Securities" shall mean Registrable Securities constituting Investor Shares); provided, however, that the value of Registrable Securities that the Initiating Investors propose to sell in such Public Offering is at least ten million dollars ($10,000,000), and provided, further, that the Majority Investors give their prior written consent to any such request prior to the closing of the first Public Offering initiated pursuant to this Section 6.1. The Company will then use its best efforts to effect the registration under the Securities Act of the Registrable Securities which the Company has been requested to register by such Initiating Investors together with all other Registrable Securities which the Company has been requested to register pursuant to Section 6.2 or by other holders of Registrable Investor Securities by notice delivered to the Company within 20 days after the Company has given the notice required by

Section 6.2.1 (which request shall specify the intended method of disposition of such Registrable Securities), all to the extent requisite to permit the disposition (in accordance with the intended methods thereof as aforesaid) of the Registrable Securities which the Company has been so requested to register; provided, however, that the Company shall not be obligated to take any action to effect any such registration pursuant to this Section 6.1.1:

(a) During the effectiveness of any lock-up agreement entered into by the Majority Investors in connection with any registration statement pertaining to an underwritten public offering of securities of the Company for its own account (other than a Rule 145 Transaction, or a registration relating solely to employee benefit plans); or

(b) (i) Upon the request of any member of an Investor Group on any form other than Form S-3 (or any successor form) if the Company has previously effected three or more registrations of Registrable Securities under this Section 6.1.1 upon the request of the members of such Investor Group on any form other than Form S-3 (or any successor form); provided, however, that no registrations of Registrable Securities which shall not have become and remained effective in accordance with the provisions of this Section 6 and no registrations of Registrable Securities pursuant to which the Initiating Investors and all other holders of Registrable Investor Securities joining therein are not able to include at least 90% of the Registrable Securities which they desired to include, shall be included in the calculation of numbers of registrations contemplated by this clause (b).

6.1.2. Form. Except as otherwise provided above, each registration requested pursuant to Section 6.1.1 shall be effected by the filing of a registration statement on Form S-1 (or any other form which includes substantially the same information as would be required to be included in a registration statement on such form as currently constituted), unless the use of a different form has been agreed to in writing by holders of at least a majority of the Registrable Investor Securities to be included in the proposed registration statement in question (the "Majority Participating Investors").

6.1.3. Payment of Expenses. The Company shall pay all reasonable expenses of holders of Investor Shares incurred in connection with each registration of Registrable Securities requested pursuant to this Section 6.1, other than underwriting discount and commission, if any, and applicable transfer taxes, if any.

6.1.4. Additional Procedures. In the case of a registration pursuant to Section 6.1 hereof, whenever the Majority Participating Investors shall request that such registration shall be effected pursuant to an underwritten offering, the Company shall include such information in the written notices to holders of Registrable Securities referred to in Section 6.2. In such event, the right of any holder of Registrable Securities to have securities owned by such holder included in such registration pursuant to Section 6.1 shall be conditioned upon such holder' s participation in such underwriting

and the inclusion of such holder' s Registrable Securities in the underwriting (unless otherwise mutually agreed upon by the Majority Participating Investors and such holder). If requested by the Initiating Investors, the Company together with the holders of Registrable Securities proposing to distribute their securities through the underwriting will enter into an underwriting agreement with the underwriters for such offering containing such representations and warranties by the Company and such holders and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including customary indemnity and contribution provisions (subject, in each case, to the limitations on such liabilities set forth in this Agreement).

6.1.5. Expiration. The foregoing provisions of this Section 6.1 shall have no effect with respect to any request by a prospective Initiating Investor received by the Company on or after the seventh anniversary of the closing of the Initial Public Offering.

6.2. Piggyback Registration Rights.

6.2.1. Piggyback Registration.

6.2.1.1. General. Each time the Company proposes to register any shares of Common Stock under the Securities Act on a form which would permit registration of Registrable Securities for sale to the public, for its own account and/or for the account of any other Person (pursuant to Section 6.1 or otherwise) for sale in a Public Offering, the Company will give notice to all holders of Registrable Securities (other than the Trustee) of its intention to do so. Any such holder may, by written response delivered to the Company within 20 days after the effectiveness of such notice, request that all or a specified part of the Registrable Securities held by such holder be included in such registration. The Company thereupon will use its reasonable efforts to cause to be included in such registration under the Securities Act all shares of Common Stock which the Company has been so requested to register by such holders, to the extent required to permit the disposition (in accordance with the methods to be used by the Company or other holders of shares of Common Stock in such Public Offering) of the Registrable Securities to be so registered. No registration of Registrable Securities effected under this Section 6.2 shall relieve the Company of any of its obligations to effect registrations of Registrable Securities pursuant to Section 6.1 hereof.

6.2.1.2. Excluded Transactions. The Company shall not be obligated to effect any registration of Registrable Securities under this Section 6.2 incidental to the registration of any of its securities in connection with:

(a) Any Public Offering relating to employee benefit plans or dividend reinvestment plans;

(b) Any Public Offering relating to the acquisition or merger after the date hereof by the Company or any of its subsidiaries of or with any other businesses; or

(c) The Initial Public Offering.

6.2.2. Payment of Expenses. The Company shall pay all reasonable expenses of a single legal counsel selected by the Majority Investors representing any and all holders of Registrable Securities incurred in connection with each registration of Registrable Securities requested pursuant to this Section 6.2.

6.2.3. Additional Procedures. Holders of Shares participating in any Public Offering pursuant to this Section 6.2 shall take all such actions and execute all such documents and instruments that are reasonably requested by the Company to effect the sale of their Shares in such Public Offering, including being parties to the underwriting agreement entered into by the Company and any other selling shareholders in connection therewith and being liable in respect of the representations and warranties by, and the other agreements (including without limitation customary selling stockholder representations, warranties, indemnifications and "lock-up" agreements) for the benefit of the underwriters; provided, however, that (a) with respect to individual representations, warranties, indemnities and agreements of sellers of Shares in such Public Offering, the aggregate amount of such liability shall not exceed such holder' s net proceeds from such offering and (b) to the extent selling stockholders give further representations, warranties and indemnities, then with respect to all other representations, warranties and indemnities of sellers of shares in such Public Offering, the aggregate amount of such liability shall not exceed the lesser of (i) such holder' s pro rata portion of any such liability, in accordance with such holder' s portion of the total number of Shares included in the offering, and (ii) such holder' s net proceeds from such offering.

6.2.4. Expiration. The foregoing provisions of Section 6.2 shall have no effect with respect to any request received by the Company on or after the seventh anniversary of the closing of the Initial Public Offering.

6.3. Certain Other Provisions.

6.3.1. Underwriter' s Cutback. In connection with any registration of shares, the underwriter may determine that marketing factors (including an adverse effect on the per share offering price) require a limitation of the number of shares to be underwritten. Notwithstanding any contrary provision of this Section 6 and subject to the terms of this Section 6.3.1, the underwriter may limit the number of shares which would otherwise be included in such registration by excluding any or all Registrable Securities from such registration (it being understood that the number of shares which the Company seeks to have registered in such registration shall not be subject to exclusion, in whole or in part, under this Section 6.3.1). Upon receipt of notice from the underwriter of the need to reduce the number of shares to be included in the registration, the Company shall advise all holders of the Company' s securities that would otherwise be registered and

underwritten pursuant hereto, and the number of shares of such securities, including Registrable Securities, that may be included in the registration shall be allocated in the following manner, unless the underwriter shall determine that marketing factors require a different allocation: shares, other than Registrable Securities, requested to be included in such registration by other shareholders shall be excluded unless the Company has, with the consent of the Majority Investors, granted registration rights which are to be treated on an equal basis with Registrable Securities for the purpose of the exercise of the underwriter cutback; and, if a limitation on the number of shares is still required, the number of Registrable Securities and other shares of Common Stock that may be included in such registration shall be allocated among the holders thereof in proportion, as nearly as practicable, as follows:

(i) there shall be first allocated to each Stockholder requesting that their Shares be registered in such registration a number of Shares to be included in such registration equal to the lesser of (A) the number of Shares requested to be registered by such Stockholder pursuant to Section 6.1 or 6.2, and (B) a number of Shares equal to the aggregate number of Shares to be registered in such registration multiplied by a fraction, the numerator of which is the aggregate number of Shares held by such Stockholder, and the denominator of which is the aggregate number of Shares held by all Stockholders requesting that their Shares be registered in such registration (the "Pro Rata Portion"); and

(ii) the balance, if any, not allocated pursuant to clause (i) above shall be allocated to those Stockholders requesting that their Shares be registered in such registration which requested to register a number of Shares in excess of such Person' s Pro Rata Portion pro rata to each such shareholder based upon the number of Shares held by such Stockholder, or in such other manner as the Stockholders requesting that their Shares be registered in such registration may otherwise agree.

For purposes of any underwriter cutback, all Shares held by any holder of Registrable Securities shall also include any Shares held by the partners, retired partners, shareholders or affiliated entities of such holder, or the estates and family members of any such holder or such partners and retired partners, any trusts for the benefit of any of the foregoing persons and, at the election of such holder or such partners, retired partners, trusts or affiliated entities, any Charitable Organization to which any of the foregoing shall have contributed Common Stock prior to the execution of the underwriting agreement in connection with such underwritten offering, and such holder and other persons shall be deemed to be a single selling holder, and any pro rata reduction with respect to such selling holder shall be based upon the aggregate amount of Common Stock owned by all entities and individuals included in such selling holder, as defined in this sentence. No securities excluded from the underwriting by reason of the underwriter' s marketing limitation shall be included in such registration. Upon delivery of a written request that Registrable Securities be included in the underwriting pursuant to Section 6.1.1 or 6.2.1.1, the holder thereof may not thereafter elect to withdraw therefrom without the written consent of the Company and the Majority Investors.

6.3.2. Other Actions. If and in each case when the Company is required to use its best efforts to effect a registration of any Registrable Securities as provided in this Section 6, the Company shall take appropriate and customary actions in furtherance thereof, including, without limitation: (a) promptly filing with the Commission a registration statement and using reasonable efforts to cause such registration statement to become effective, (b) preparing and filing with the Commission such amendments and supplements to such registration statements as may be required to comply with the Securities Act and to keep such registration statement effective for a period not to exceed 270 days from the date of effectiveness or such earlier time as the Registrable Securities covered by such registration statement shall have been disposed of in accordance with the intended method of distribution therefor or the expiration of the time when a prospectus relating to such registration is required to be delivered under the Securities Act, (c) use its best efforts to register or qualify such Registrable Securities under the state securities or "blue sky" laws of such jurisdictions as the sellers shall reasonably request; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it would not otherwise be so subject; and (d) otherwise cooperate reasonably with, and take such customary actions as may reasonably be requested by the holders of Registrable Securities in connection with, such registration (including causing the customary managers of the Company and its subsidiaries to participate in "road show" presentations to potential investors).

6.3.3. Selection of Underwriters and Counsel. The underwriters and legal counsel to be retained in connection with any Public Offering shall be selected by the Board or, in the case of an offering following a request therefor under Section 6.1.1, the Majority Investors.

6.3.4. Lock-Up. In connection with each Public Offering each holder of Shares agrees to become bound by and to execute and deliver such lock-up agreement with the underwriter(s) of such Public Offering restricting such holder' s right to (a) Transfer, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for such Common Stock or (b) enter into any swap or other arrangement that transfers to another any of the economic consequences of ownership of Common Stock, as is entered into by the Majority Investors with the underwriter(s) of such Public Offering, or, in the case of a demand registration pursuant to Section 6.1 in which the Majority Investors are not participating, as may be entered into by the Initiating Investor with respect to such demand registration. Notwithstanding the foregoing, such lock-up agreement shall not apply to (i) transactions relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the Initial Public Offering, (ii) Transfers to a Permitted Transferee of such holder in accordance with the terms of this Agreement, or (iii) conversions of shares of Common Stock into other classes of Common Stock without change of holder.

6.4. Indemnification and Contribution.

6.4.1. Indemnities of the Company. In the event of any registration of any Registrable Securities or other debt or equity securities of the Company or any of its subsidiaries under the Securities Act pursuant to this Section 6 or otherwise, and in connection with any registration statement or any other disclosure document produced by or on behalf of the Company or any of its subsidiaries including reports required and other documents filed under the Exchange Act, and other documents pursuant to which any debt or equity securities of the Company or any of its subsidiaries are sold (whether or not for the account of the Company or its subsidiaries), the Company will, and hereby does, and will cause each of its subsidiaries, jointly and severally, to indemnify and hold harmless each holder of Registrable Securities, any Person who is or might be deemed to be a controlling Person of the Company or any of its subsidiaries within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, their respective direct and indirect partners, advisory board members, directors, officers, trustees, members and shareholders, and each other Person, if any, who controls any such holder or any such controlling Person within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each such person being referred to herein as a "Covered Person"), against any losses, claims, damages or liabilities (or actions or proceedings in respect thereof), joint or several, to which such Covered Person may be or become subject under the Securities Act, the Exchange Act, any other securities or other law of any jurisdiction, the common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in any registration statement under the Securities Act, any preliminary prospectus or final prospectus included therein, or any related summary prospectus, or any amendment or supplement thereto, or any document incorporated by reference therein, or any other such disclosure document (including without limitation reports and other documents filed under the Exchange Act and any document incorporated by reference therein) or other document or report, (ii) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or (iii) any violation or alleged violation by the Company or any of its subsidiaries of any federal, state, foreign or common law rule or regulation applicable to the Company or any of its subsidiaries and relating to action or inaction in connection with any such registration, disclosure document or other document or report, and will reimburse such Covered Person for any legal or any other expenses incurred by it in connection with investigating or defending any such loss, claim, damage, liability, action or proceeding; provided, however, that neither the Company nor any of its subsidiaries shall be liable to any Covered Person in any such case to the extent that any such loss, claim, damage, liability, action or proceeding arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, any such preliminary prospectus, final prospectus, summary prospectus, amendment or supplement, incorporated document or other such disclosure document or other document or report, in reliance upon and in conformity with written information furnished to the Company or to any of its subsidiaries through an instrument duly executed by such Covered Person specifically stating that it is for use in the preparation thereof. The indemnities of the Company and of its subsidiaries contained in this Section 6.4.1 shall remain in full force and effect regardless of any investigation made by or on behalf of such Covered Person and shall survive any transfer of securities.

6.4.2. Indemnities to the Company. The Company and any of its subsidiaries may require, as a condition to including any securities in any registration statement filed pursuant to this Section 6, that the Company and any of its subsidiaries shall have received an undertaking satisfactory to it from the prospective seller of such securities, to indemnify and hold harmless the Company and any of its subsidiaries, each director of the Company or any of its subsidiaries, each officer of the Company or any of its subsidiaries who shall sign such registration statement and each other Person (other than such seller), if any, who controls the Company and any of its subsidiaries within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act and each other prospective seller of such securities with respect to any statement in or omission from such registration statement, any preliminary prospectus, final prospectus or summary prospectus included therein, or any amendment or supplement thereto, or any other disclosure document (including reports and other documents filed under the Exchange Act or any document incorporated therein) or other document or report, if such statement or omission was made in reliance upon and in conformity with written information furnished to the Company or any of its subsidiaries through an instrument executed by such seller specifically stating that it is for use in the preparation of such registration statement, preliminary prospectus, final prospectus, summary prospectus, amendment or supplement, incorporated document or other document or report. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company, any of its subsidiaries or any such director, officer or controlling Person and shall survive any transfer of securities.

6.4.3. Contribution. If the indemnification provided for in Sections 6.4.1 or 6.4.2 hereof is unavailable to a party that would have been entitled to indemnification pursuant to the foregoing provisions of this Section 6.4 (an "Indemnitee") in respect of any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to therein, then each party that would have been an indemnifying party thereunder shall, in lieu of indemnifying such Indemnitee, contribute to the amount paid or payable by such Indemnitee as a result of such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) in such proportion as is appropriate to reflect the relative fault of such indemnifying party on the one hand and such Indemnitee on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions or proceedings in respect thereof). The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or such Indemnitee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties agree that it would not be just or equitable if contribution pursuant to this Section 6.4.3 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the preceding sentence. The

amount paid or payable by a contributing party as a result of the losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to above in this Section 6.4.3 shall include any legal or other expenses reasonably incurred by such Indemnitee in connection with investigating or defending any such action or claim. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

6.4.4. Limitation on Liability of Holders of Registrable Securities. The liability of each holder of Registrable Securities in respect of any indemnification or contribution obligation of such holder arising under this Section 6.4 shall not in any event exceed an amount equal to the net proceeds to such holder (after deduction of all underwriters' discounts and commissions) from the disposition of the Registrable Securities disposed of by such holder pursuant to such registration.

7. REMEDIES.

7.1. Generally. The Company and each holder of Shares shall have all remedies available at law, in equity or otherwise in the event of any breach or violation of this Agreement or any default hereunder by the Company or any holder of Shares. The parties acknowledge and agree that in the event of any breach of this Agreement, in addition to any other remedies which may be available, each of the parties hereto shall be entitled to specific performance of the obligations of the other parties hereto and, in addition, to such other equitable remedies (including preliminary or temporary relief) as may be appropriate in the circumstances.

7.2. Deposit. Without limiting the generality of Section 7.1, if any holder of Shares fails to deliver to the purchaser thereof the certificate or certificates evidencing Shares to be Sold pursuant to Section 4 hereof, such purchaser may, at its option, in addition to all other remedies it may have, deposit the purchase price for such Shares with any national bank or trust company having combined capital, surplus and undivided profits in excess of One Hundred Million Dollars ($100,000,000) (the "Escrow Agent") and the Company shall cancel on its books the certificate or certificates representing such Shares and thereupon all of such holder' s rights in and to such Shares shall terminate. Thereafter, upon delivery to such purchaser by such holder of the certificate or certificates evidencing such Shares (duly endorsed, or with stock powers duly endorsed, for transfer, with signature guaranteed, free and clear of any liens or encumbrances, and with any transfer tax stamps affixed), such purchaser shall instruct the Escrow Agent to deliver the purchase price (without any interest from the date of the closing to the date of such delivery, any such interest to accrue to such purchaser) to such holder.

8. LEGENDS.

8.1. Restrictive Legend. Each certificate representing Shares shall have the following legend endorsed conspicuously thereupon:

The voting of the shares of stock represented by this certificate, and the sale, encumbrance or other disposition thereof, are subject to the provisions of a Stockholders

Agreement to which the issuer and certain of its stockholders are party, a copy of which may be inspected at the principal office of the issuer or obtained from the issuer without charge.

Each certificate representing Investor Shares shall also have the following legend endorsed conspicuously thereupon:

The shares of stock represented by this certificate were originally issued to, or issued with respect to shares originally issued to, the following Investor: _____.

Each certificate representing Other Investor Shares shall also have the following legend endorsed conspicuously thereupon:

The shares of stock represented by this certificate were originally issued to, or issued with respect to shares originally issued to, the following Other Investor: _____.

Each certificate representing Management Shares shall also have the following legend endorsed conspicuously thereupon:

The shares of stock represented by this certificate were originally issued to, or issued with respect to shares originally issued to, the following Manager: _____.

Each certificate representing Trust Shares shall also have the following legend endorsed conspicuously thereupon:

The shares of stock represented by this certificate were originally issued to, or issued with respect to shares originally issued to, the trustee for the trust formed by the Trust Agreement for the Houghton Mifflin Holdings, Inc. 2003 Deferred Compensation Plan dated as of January 28, 2003 as amended from time to time, and are subject to the terms and conditions of such Trust Agreement.

Any person who acquires Shares which are not subject to all or part of the terms of this Agreement shall have the right to have such legend (or the applicable portion thereof) removed from certificates representing such Shares.

8.2. 1933 Act Legends. Each certificate representing Shares shall have the following legend endorsed conspicuously thereupon:

The securities represented by this certificate were issued in a private placement, without registration under the Securities Act of 1933, as amended (the "Act"), and may not be sold, assigned, pledged or otherwise transferred in the absence of an effective registration under the Act covering the transfer or an opinion of counsel, satisfactory to the issuer, that registration under the Act is not required.

8.3. Stop Transfer Instruction. The Company will instruct any transfer agent not to register the Transfer of any Shares until the conditions specified in the foregoing legends are satisfied.

8.4. Termination of 1933 Act Legend. The requirement imposed by Section 8.2 hereof shall cease and terminate as to any particular Shares (a) when, in the opinion of Ropes & Gray or other counsel reasonably acceptable to the Company, such legend is no longer required in order to assure compliance by the Company with the Securities Act or (b) when such Shares have been effectively registered under the Securities Act or transferred pursuant to Rule 144. Wherever (x) such requirement shall cease and terminate as to any Shares or (y) such Shares shall be transferable under paragraph (k) of Rule 144, the holder thereof shall be entitled to receive from the Company, without expense, new certificates not bearing the legend set forth in Section 8.2 hereof.

9. AMENDMENT, TERMINATION, ETC.

9.1. Oral Modifications. This Agreement may not be orally amended, modified, extended or terminated, nor shall any oral waiver of any of its terms be effective.

9.2. Written Modifications. This Agreement may be amended, modified, extended or terminated, and the provisions hereof may be waived, only by an agreement in writing signed by the Company, HM LLC, HM Finance, Holdings, HMC, Publishing, and the Majority Investors; provided, however, that (a) the consent of the Majority Other Investors shall be required for any amendment, modification, extension, termination or waiver which has a material adverse effect on the rights of the holders of Other Investor Shares as such under this Agreement, (b) the consent of the Majority Managers shall be required for any amendment, modification, extension, termination or waiver which has a material adverse effect on the rights of the holders of Management Shares as such under this Agreement, and (c) the consent of the Majority THL Investors, Majority Bain Investors or Majority Blackstone Investors, respectively, shall be required for any amendment, modification, extension, termination or waiver which has a material adverse effect on the rights of the THL Investors, Bain Investors or Blackstone Investors, respectively, as such, or has a disproportionate material adverse effect on any of the Bain Investors, THL Investors or Blackstone Investors, respectively, that is disproportionate to the number of Shares held by such Investor. Each such amendment, modification, extension, termination and waiver shall be binding upon each party hereto and each holder of Shares subject hereto. In addition, each party hereto and each holder of Shares subject hereto may waive any right hereunder by an instrument in writing signed by such party or holder.

9.3. Effect of Termination. No termination under this Agreement shall relieve any Person of liability for breach prior to termination.

10. DEFINITIONS. For purposes of this Agreement:

10.1. Certain Matters of Construction. In addition to the definitions referred to or set forth below in this Section 10:

(i) The words “hereof”, “herein”, “hereunder” and words of similar import shall refer to this Agreement as a whole and not to any particular Section or provision of this Agreement, and reference to a particular Section of this Agreement shall include all subsections thereof;

(ii) The word "including" shall mean including, without limitation;

(iii) Definitions shall be equally applicable to both nouns and verbs and the singular and plural forms of the terms defined; and

(iv) The masculine, feminine and neuter genders shall each include the other.

10.2. Definitions. The following terms shall have the following meanings:

"Acquisition" shall have the meaning set forth in the Recitals.

"Acquisition Agreement" shall have the meaning set forth in the Recitals.

"Adverse Claim" shall have the meaning set forth in Section 8-302 of the applicable Uniform Commercial Code.

"Affiliate" shall mean, with respect to any specified Person, (a) any other Person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person (for the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise) and (b) with respect to any natural Person, any Member of the Immediate Family of such natural Person.

"Affiliated Fund" shall mean, with respect to each holder of Shares, each corporation, trust, limited liability company, general or limited partnership or other entity under common control with any such holder.

"Agreement" shall have the meaning set forth in the Preamble.

"Bain Director" shall mean a member of the Board of Directors designated by one or more Bain Investors.

"Bain Investors" shall mean the holders from time to time of Investor Shares originally issued to or issued with respect to Shares originally issued to or held by Bain Capital Integral Investors, LLC, Bain Capital VII Coinvest Fund, LLC and BCIP TCV, LLC.

"Best Offer" shall have the meaning set forth in Section 4.4.2.2.

"Best Offer Notice" shall have the meaning set forth in Section 4.4.2.2.

"Blackstone Director" shall mean a member of the Board of Directors designated by one or more Blackstone Investors.

"Blackstone Investors" shall mean from time to time the holders of Shares originally issued to or issued with respect to Investor Shares originally issued to or held by Blackstone Capital Partners III Merchant Banking Fund L.P., Blackstone Family Investment Partnership III L.P. and Blackstone Offshore Capital Partners III L.P.

"Board" shall have the meaning set forth in Section 2.1.

"Change of Control" shall mean (a) any change in the ownership of the capital stock of the Company if, immediately after giving effect thereto, any Person (or group of Persons acting in concert) other than the Investors and their Affiliates will have the direct or indirect power to elect a majority of the members of the Board or (b) any change in the ownership of the capital stock of the Company if, immediately after giving effect thereto, the Investors and their Affiliates shall own less than 25% of the Equivalent Shares.

"Charitable Organization" shall mean a charitable organization as described by Section 501(c)(3) of the Internal Revenue Code of 1986, as in effect from time to time.

"Class A Stock" shall mean the Class A Common Stock, par value $.001 per share of the Company, which may from time to time be divided into classes, including the Class A-1 Common Stock, Class A-2 Common Stock, Class A-3 Common Stock, Class A-4 Common Stock, Class A-5 Common Stock, Class A-6 Common Stock, Class A-7 Common Stock, Class A-8 Common Stock, Class A-9 Common Stock, Class A-10 Common Stock, Class A-11 Common Stock, Class A-12 Common Stock and Class A-13 Common Stock.

"Class L Stock" shall mean the Class L Common Stock, par value $.001 per share, of the Company.

"Closing" shall have the meaning set forth in Section 1.1.

"Commission" shall mean the Securities and Exchange Commission.

"Common Stock" shall mean the common stock of the Company including without limitation the Class A Stock and the Class L Stock.

"Company" shall have the meaning set forth in the Preamble.

"Convertible Securities" shall mean any evidence of indebtedness, shares of stock (other than Common Stock) or other securities (other than Options and Warrants) which are directly or indirectly convertible into or exchangeable or exercisable for shares of Common Stock, excluding interests of Managers in the Trust or Plan.

"Cost" shall mean, for any security, the price paid to the issuer for such security.

"Covered Person" shall have the meaning set forth in Section 6.4.1.

"Drag Along Notice" shall have the meaning set forth in Section 4.2.1.

"Drag Along Sale Percentage" shall have the meaning set forth in Section 4.2.

"Drag Along Sellers" shall have the meaning set forth in Section 4.2.1.

"Equivalent Shares" shall mean, at any date of determination, (a) as to any outstanding shares of Common Stock, such number of shares of Common Stock and (b) as to any outstanding Options, Warrants or Convertible Securities which constitute Shares, the maximum number of shares of Common Stock for which or into which such Options, Warrants or Convertible Securities may at the time be exercised, converted or exchanged (or which will become exercisable, convertible or exchangeable on or prior to, or by reason of, the transaction or circumstance in connection with which the number of Equivalent Shares is to be determined).

"Escrow Agent" shall have the meaning set forth in Section 7.2.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as in effect from time to time.

"Fair Market Value" shall mean, as of any date, as to any share of Common Stock, the Board' s good faith determination of the fair value of such share as of the applicable reference date.

"First Offer Holder" shall have the meaning set forth in Section 4.4.1.

"First Offer Notice" shall have the meaning set forth in Section 4.4.2.3.

"First Offer Purchaser" shall have the meaning set forth in Section 4.4.2.3.

"HM Finance, Inc." shall have the meaning set forth in the Recitals.

"HM LLC" shall have the meaning set forth in the Recitals.

"Holdings" shall have the meaning set forth in the Recitals.

"Indemnitee" shall have the meaning set forth in Section 6.4.3.

"Initial First Offer Notice" shall have the meaning set forth in Section 4.4.2.1.

"Prospective First Offer Purchaser" shall have the meaning set forth in Section 4.4.2.1.

"Initial Public Offering" means the initial Public Offering registered on Form S-1 (or any successor form under the Securities Act).

"Initial Public Offering Time" shall mean the time of the initial sale of shares of Class A Common Stock (taking into account any subdivision, increase, combination or reclassification of the Company' s Common Stock in connection with the public offering) of the Company pursuant to an initial public offering of such shares registered with the Securities Exchange Commission and immediately prior to any transfer of beneficial ownership of such shares in such offering.

"Initiating Investors" shall have the meaning set forth in Section 6.1.1.

"Investor Group" shall mean any of the Bain Investors, the THL Investors and the Blackstone Investors.

"Investor Shares" shall mean (a) all shares of Common Stock originally issued to, or issued with respect to shares originally issued to, or held by, an Investor, whenever issued, including all shares of Common Stock issued upon the exercise, conversion or exchange of any Options, Warrants or Convertible Securities and (b) all Options, Warrants and Convertible Securities originally granted or issued to or held by an Investor (treating such Options, Warrants and Convertible Securities as a number of Shares equal to the number of Equivalent Shares represented by such Options, Warrants and Convertible Securities for all purposes of this Agreement except as otherwise specifically set forth herein).

"Investors" shall have the meaning set forth in the Preamble.

"Issuance" shall have the meaning set forth in Section 5.

"Majority Bain Investors" shall mean, as of any date, the holders of a majority of the Shares held by the Bain Investors.

"Majority Blackstone Shares" shall mean, as of any date, the holders of a majority of the Shares held by the Blackstone Investors.

"Majority Investors" shall mean, as of any date, the holders of a majority of the Investor Shares outstanding on such date**.**

"Majority Managers" shall mean, as of any date, the holders of a majority of the Management Shares outstanding on such date.

"Majority Other Investors" shall mean, as of any date, the holders of a majority of the Other Investor Shares outstanding on such date.

"Majority Participating Investors" shall have the meaning set forth in Section 6.1.2.

"Majority THL Investors" shall mean, as of any date, the holders of a majority of the Shares held by the THL Investors.

"Management Shares" shall mean (a) all shares of Common Stock originally issued to, or issued with respect to shares originally issued to, or held by, a Manager, whenever issued, including without limitation all shares of Common Stock issued upon the exercise, conversion or exchange of any Options, Warrants or Convertible Securities and (b) all Options, Warrants and Convertible Securities originally granted or issued to a Manager (treating such Options, Warrants and Convertible Securities as a number of Shares equal to the number of Equivalent Shares represented by such Options, Warrants and Convertible Securities for all purposes of this Agreement except (i) for purposes of Section 6 and (ii) as otherwise specifically set forth herein). For the avoidance of doubt, "Management Shares" shall include all shares of Common Stock Transferred by the Trustee to a Manager pursuant to the Trust or Plan but shall not include the interests of Managers in the Trust or Plan).

"Managers" shall have the meaning set forth in the Preamble, and shall include any Beneficiary (as such term is defined in the Plan) under the Plan who receives shares of Common Stock pursuant to the Plan.

"Members of the Immediate Family" shall mean, with respect to any individual, each spouse or child or other descendants (by birth or adoption) of such individual, each trust created solely for the benefit of one or more of the aforementioned Persons and their spouses and each custodian or guardian of any property of one or more of the aforementioned Persons in his capacity as such custodian or guardian.

"Options" shall mean any options to subscribe for, purchase or otherwise directly acquire Common Stock, other than any such option held by the Company or any right to purchase shares pursuant to this Agreement.

"Other Director" shall mean a member of the Board of Directors designated by the Majority Investors, other than a Bain Director, THL Director or Blackstone Director.

"Other Investor Shares" shall mean (a) all shares of Common Stock originally issued to, or issued with respect to shares originally issued to, or held by, an Other Investor, whenever issued, including without limitation all shares of Common Stock issued upon the exercise, conversion or exchange of any Options, Warrants or Convertible Securities and (b) all Options, Warrants and Convertible Securities originally granted or issued to an Other Investor (treating such Options, Warrants and Convertible Securities as a number of Shares equal to the number of Equivalent Shares represented by such Options, Warrants and Convertible Securities for all purposes of this Agreement except as otherwise specifically set forth herein).

"Other Investors" shall have the meaning set forth in the Preamble.

"Other Securities" shall have the meaning set forth in Section 5.1.3.

"Participating Buyer" shall have the meaning set forth in Section 5.1.2.1.

"Participating Seller" shall have the meaning set forth in Section 4.1.2 and 4.2.1.

"Participation Notice" shall have the meaning set forth in Section 5.1.1.

"Participation Offerees" shall have the meaning set forth in Section 5.1.1.

"Participation Portion" shall have the meaning set forth in Section 5.1.1.

"Permitted Transferee" shall have the meaning set forth in Section 3.1.

"Person" shall mean any individual, partnership, corporation, company, association, trust, joint venture, limited liability company, unincorporated organization, entity or division, or any government, governmental department or agency or political subdivision thereof.

"Plan" shall have the meaning set forth in the Recitals.

"Price Per Equivalent Share" shall mean the Board' s good faith determination of the price per Equivalent Share of any Convertible Securities or Options which are the subject of an Issuance pursuant to Section 5 hereof.

"Pro Rata Portion" shall have the meaning given to it in Section 4.4.5 and 6.3.

"Prospective Buyer" shall mean any Person proposing to purchase shares from a Prospective Selling Investor.

"Prospective Selling Investor" shall have the meaning set forth in Section 4.1, 4.2 and 4.4.

"Prospective Subscriber" shall have the meaning set forth in Section 5.1.1.

"Public Offering" shall mean a public offering and sale of Common Stock for cash pursuant to an effective registration statement under the Securities Act.

"Qualified Public Offering" shall mean a Public Offering (other than any Public Offering or sale pursuant to a registration statement on Form S-8 or comparable form) in which the aggregate price to the public of all such common stock sold in such offering in combination with the aggregate price to the public of all common stock sold in any previous Public Offerings (other than any Public Offering or sale pursuant to a registration statement on Form S-8 or comparable form) shall exceed $100,000,000.

"Registrable Investor Securities" shall have the meaning set forth in Section 6.1.1.

"Registrable Securities" shall mean (a) all shares of Class A Stock, (b) all shares of Class A Stock issuable upon conversion of Shares of Class L Stock, (c) all shares of Class A Stock issuable upon exercise, conversion or exchange of any Option, Warrant or Convertible Security and (d) all shares of Class A Stock directly or indirectly issued or issuable with respect to the securities referred to in clauses (a), (b) or (c) above by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization, in each case constituting Shares. As to any particular Registrable Securities, such shares shall cease to be Registrable Securities when (i) such securities shall have been Transferred in a Sale to which Section 4.1 or 4.2 apply (other than a sale to a First Offer Purchaser pursuant to Section 4.4), (ii) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, (iii) such securities shall have been Transferred pursuant to Rule 144, (iv) subject to the provisions of Section 8 hereof, such securities shall have been otherwise transferred, new certificates for them not bearing a legend

restricting further transfer shall have been delivered by the Company and subsequent disposition of them shall not require registration of them under the Securities Act and such securities may be distributed without volume limitation or other restrictions on transfer under Rule 144 (including without application of paragraphs (c), (e) (f) and (h) of Rule 144) or (v) such securities shall have ceased to be outstanding.

"Regulation D" shall mean Regulation D under the Securities Act.

"Rule 144" shall mean Rule 144 under the Securities Act (or any successor Rule).

"Rule 145 Transaction" shall mean a registration on Form S-4 pursuant to Rule 145 of the Securities Act (or any successor Form or provision, as applicable).

"Sale" shall mean a Transfer for value.

"Sale Notice" shall have the meaning set forth in Section 4.4.1.

"Securities Act" shall mean the Securities Act of 1933, as in effect from time to time.

"Shares" shall mean all Investor Shares, Other Investor Shares, Management Shares, and Trust Shares.

"Stockholders" shall have the meaning set forth in the Preamble.

"Subject Securities" shall have the meaning set forth in Section 5.

"Subject Shares" shall have the meaning set forth in Section 4.4.

"Tag Along Notice" shall have the meaning set forth in Section 4.1.1.

"Tag Along Holder" shall have the meaning set forth in Section 4.1.1.

"Tag Along Sale Percentage" shall have the meaning set forth in Section 4.1.1.

"Tag Along Sellers" shall have the meaning set forth in Section 4.1.2.

"Trust" shall have the meaning set forth in the Preamble.

"Trust Shares" shall mean all shares of Common Stock held by the Trustee under the Trust.

"Trustee" shall have the meaning set forth in the Preamble.

"THL Director" means a member of the Board of Directors designated by one ore more THL Investors.

"THL Investors" shall mean the holders from time to time of Shares originally issued to or issued with respect to Shares originally issued to or held by Thomas H. Lee Equity Fund V,

L.P., Thomas H. Lee Parallel Fund V, L.P., Thomas H. Lee Equity (Cayman) Fund V, L.P., Putnam Investments Holdings, L.P., Putnam Investments Employees' Securities Company I, LLC, Putnam Investments Employees Securities Company II, LLC, 1997 Thomas W. Lee Nominee Trust and Thomas H. Lee Investors Limited Partnership.

"Transfer" shall mean any sale, pledge, assignment, encumbrance or other transfer or disposition of any Shares to any other Person, whether directly, indirectly, voluntarily, involuntarily, by operation of law, pursuant to judicial process or otherwise.

"Warrants" shall mean any warrants to subscribe for, purchase or otherwise directly acquire Common Stock.

11. MISCELLANEOUS.

11.1. Authority; Effect. Each party hereto represents and warrants to and agrees with each other party that the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized on behalf of such party and do not violate any agreement or other instrument applicable to such party or by which its assets are bound. This Agreement does not, and shall not be construed to, give rise to the creation of a partnership among any of the parties hereto, or to constitute any of such parties members of a joint venture or other association. Each of HMC and Publishing shall be jointly and severally liable for all obligations of the Company pursuant to this Agreement.

11.2. Notices. Any notices and other communications required or permitted in this Agreement shall be effective if in writing and (a) delivered personally, (b) sent by facsimile, or (c) sent (i) by Federal Express, DHL or UPS or (ii) by registered or certified mail, postage prepaid, in each case, addressed as follows:

If to the Company, to it:

Houghton Mifflin Holdings, Inc.
222 Berkeley Street
Boston, MA 02116
Facsimile: 1-617-351-5014
Attention: Paul D. Weaver,
Senior Vice President and General Counsel

If to a Bain Investor, to it:

c/o Bain Capital LLC
111 Huntington Avenue
Boston, MA 02199
Facsimile 1-617-516-2010
Attention: Mark Nunnelly

If to a THL Investor, to it:

c/o Thomas H. Lee Partners, L.P.
75 State Street
Boston, MA 02109
Facsimile 1-617-227-3514
Attention: Scott Sperling

If to a Blackstone Investor, to it:

c/o The Blackstone Group.
345 Park Avenue
New York, NY 10154
Facsimile: 1-212-583-5712
Attention: Robert L. Friedman

If to the Trustee, to it:

Houghton Mifflin Holdings, Inc.
222 Berkley Street
Boston, MA 02116
Facsimile: 1-617-351-1106
Attention: Gerald T. Hughes, Vice President Human Resources

In each case with a copy to:

Ropes & Gray
One International Place
Boston, Massachusetts 02110
Facsimile: 1-617-951-7050
Attention: R. Newcomb Stillwell

If to an Other Investor or a Manager, to him at the address set forth in the stock record book of the Company.

Notice to the holder of record of any shares of capital stock shall be deemed to be notice to the holder of such shares for all purposes hereof.

Unless otherwise specified herein, such notices or other communications shall be deemed effective (a) on the date received, if personally delivered, (b) on the date received if delivered by facsimile on a business day, or if not delivered on a business day, on the first business day thereafter, (b) two business days after being sent by Federal Express, DHL or UPS, and (c) three business days after deposit with the U.S. Postal Service, if sent by registered or certified mail. Each of the parties hereto shall be entitled to specify a different address by giving notice as aforesaid to each of the other parties hereto.

11.3. Binding Effect, Etc. This Agreement constitutes the entire agreement of the parties with respect to its subject matter, supersedes all prior or contemporaneous oral or written agreements or discussions with respect to such subject matter, and shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, representatives, successors and assigns.

11.4. Descriptive Headings. The descriptive headings of this Agreement are for convenience of reference only, are not to be considered a part hereof and shall not be construed to define or limit any of the terms or provisions hereof.

11.5. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one instrument.

11.6. Severability. In the event that any provision hereof would, under applicable law, be invalid or unenforceable in any respect, such provision shall be construed by modifying or limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable law. The provisions hereof are severable, and in the event any provision hereof should be held invalid or unenforceable in any respect, it shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

11.7. Consent to Certain Indebtedness. The Investors hereby consent to the Company and its subsidiaries entering into and incurring indebtedness for borrowed money pursuant to the credit and security agreements set forth on Schedule 2 attached hereto, which consent shall satisfy the Company' s obligation to obtain the consent of the Majority Investors for such transaction pursuant to Section 4.14 of the Company' s Certificate of Incorporation. Notwithstanding the foregoing consent, the Company and its subsidiaries shall not amend any such credit or security agreements without the prior written consent of the Majority Investors.

12. GOVERNING LAW.

12.1. Governing Law. This Agreement and all claims arising out of or based upon this Agreement or relating to the subject matter hereof shall be governed by and construed in accordance with the domestic substantive laws of the State of Delaware without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

12.2. Consent to Jurisdiction. Each party to this Agreement, by its execution hereof, (a) hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the State of Delaware for the purpose of any action, claim, cause of action or suit (in contract, tort or otherwise), inquiry, proceeding or investigation arising out of or based upon this Agreement or relating to the subject matter hereof, (b) hereby waives to the extent not prohibited by applicable law, and agrees not to assert, and agrees not to allow any of its subsidiaries to assert, by way of motion, as a defense or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that any such proceeding brought in one of the above-named courts is improper, or that this Agreement or the subject matter hereof or thereof may not be enforced in or by such court and (c) hereby agrees not to commence or maintain any action, claim, cause of action or suit (in contract, tort or otherwise), inquiry, proceeding or investigation

arising out of or based upon this Agreement or relating to the subject matter hereof or thereof other than before one of the above-named courts nor to make any motion or take any other action seeking or intending to cause the transfer or removal of any such action, claim, cause of action or suit (in contract, tort or otherwise), inquiry, proceeding or investigation to any court other than one of the above-named courts whether on the grounds of inconvenient forum or otherwise. Notwithstanding the foregoing, to the extent that any party hereto is or becomes a party in any litigation in connection with which it may assert indemnification rights set forth in this agreement, the court in which such litigation is being heard shall be deemed to be included in clause (a) above. Notwithstanding the foregoing, any party to this Agreement may commence and maintain an action to enforce a judgment of any of the above-named courts in any court of competent jurisdiction. Each party hereto hereby consents to service of process in any such proceeding in any manner permitted by Delaware law, and agrees that service of process by registered or certified mail, return receipt requested, at its address specified pursuant to Section 11.2 hereof is reasonably calculated to give actual notice.

12.3. WAIVER OF JURY TRIAL. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH PARTY HERETO HEREBY WAIVES AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE OR ACTION, CLAIM, CAUSE OF ACTION OR SUIT (IN CONTRACT, TORT OR OTHERWISE), INQUIRY, PROCEEDING OR INVESTIGATION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE TRANSACTIONS CONTEMPLATED HEREBY, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING. EACH PARTY HERETO ACKNOWLEDGES THAT IT HAS BEEN INFORMED BY THE OTHER PARTIES HERETO THAT THIS SECTION 12.3 CONSTITUTES A MATERIAL INDUCEMENT UPON WHICH THEY ARE RELYING AND WILL RELY IN ENTERING INTO THIS AGREEMENT. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 12.3 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

12.4. Exercise of Rights and Remedies. No delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any such delay, omission nor waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

[Signature pages follow]

IN WITNESS WHEREOF, each of the undersigned has duly executed this Agreement (or caused this Agreement to be executed on its behalf by its officer or representative thereunto duly authorized) under seal as of the date first above written.

The Company:

HOUGHTON MIFFLIN HOLDINGS, INC.

By: /s/ Stephen C. Richards

Name: Stephen C. Richards

Title: Executive Vice President, Chief Operating Officer and Chief Financial Officer

HM LLC:

HOUGHTON MIFFLIN, LLC

By: /s/ Stephen C. Richards

Name: Stephen C. Richards

Title: Executive Vice President, Chief Operating Officer and Chief Financial Officer

HM FINANCE:

HOUGHTON MIFFLIN FINANCE, INC.

By: /s/ Stephen C. Richards

Name: Stephen C. Richards

Title: Executive Vice President, Chief Operating Officer and Chief Financial Officer

HOLDINGS:

HOUGHTON MIFFLIN HOLDINGS, INC.

By: /s/ Stephen C. Richards

Name: Stephen C. Richards

Title: Executive Vice President, Chief Operating Officer and Chief Financial Officer

HMC:

HOUGHTON MIFFLIN COMPANY

By: /s/ Stephen C. Richards

Name: Stephen C. Richards

Title: Executive Vice President, Chief Operating Officer and Chief Financial Officer

PUBLISHING:

HM PUBLISHING CORP.

By: /s/ Stephen C. Richards

Name: Stephen C. Richards

Title: Executive Vice President, Chief Operating Officer and Chief Financial Officer

THE TRUSTEE

By: /s/ Gerald T. Hughes

Gerald T. Hughes as trustee under the trust formed by the Trust Agreement for the Houghton Mifflin Holdings, Inc. 2003 Deferred Compensation Plan dated January 28, 2003, as amended

THE INVESTORS:

BAIN CAPITAL INTEGRAL INVESTORS, LLC

By:
/s/ Mark E. Nunnelly

Name: Mark E. Nunnelly
Title: Managing Director

BAIN CAPITAL VII COINVESTMENT FUND, LLC

By: Bain Capital VII Coinvestment Fund, L.P.,
it sole member
By: Bain Capital Partners VII, L.P.,
its general partner
By: Bain Capital Investors, LLC,
its general partner

By:
/s/ Mark E. Nunnelly

Name: Mark E. Nunnelly
Title: Managing Director

BCIP TCV, LLC

By: Bain Capital Investors, LLC

By:
/s/ Mark E. Nunnelly

Name: Mark E. Nunnelly
Title: Managing Director

THOMAS H. LEE EQUITY FUND V, L.P.

By: THL Equity Advisors V, LLC, its general partner
By: Thomas H. Lee Partners, L.P., its sole member
By: Thomas H. Lee Advisors, LLC, its general partner

By: /s/ Scott Sperling
Name: Scott Sperling
Title: Managing Director

THOMAS H. LEE PARALLEL FUND V, L.P.

By: THL Equity Advisors V, LLC, its general partner
By: Thomas H. Lee Partners, L.P., its sole member
By: Thomas H. Lee Advisors, LLC, its general partner

By: /s/ Scott Sperling
Name: Scott Sperling
Title: Managing Director

THOMAS H. LEE EQUITY (CAYMAN) FUND V, L.P.

By: THL Equity Advisors V, LLC, its general partner
By: Thomas H. Lee Partners, L.P., its sole member
By: Thomas H. Lee Advisors, LLC, its general partner

By: /s/ Scott Sperling
Name: Scott Sperling
Title: Managing Director

1997 THOMAS H. LEE NOMINEE TRUST

By: U.S. Bank, N.A. (successor to State Street Bank and Trust Company), not personally but solely under a Trust Agreement dated as of August 18, 1997 and known as the Thomas H. Lee Nominee Trust

By: /s/ Paul Allen

Name: Paul Allen

Title: Vice President

THOMAS H. LEE INVESTORS LIMITED PARTNERSHIP

By: THL Investment Management Corp., its general partner

By: /s/ Seth Lawry

Name: Seth Lawry

Title: Vice President

PUTNAM INVESTMENTS HOLDINGS, LLC

By:
/s/ Robert Burns
Name: Robert Burns
Title: Managing Director

PUTNAM INVESTMENTS EMPLOYEES' SECURITIES COMPANY I LLC

By:
/s/ Robert Burns
Name: Robert Burns
Title: Managing Director

PUTNAM INVESTMENTS EMPLOYEES' SECURITIES COMPANY II LLC

By:
/s/ Robert Burns
Name: Robert Burns
Title: Managing Director

BLACKSTONE CAPITAL PARTNERS III MERCHANT BANKING FUND L.P.

By: Blackstone Management Associates III L.L.C., its general partner

By: /s/ Robert L. Friedman
Name: Robert L. Friedman
Title: Member

BLACKSTONE OFFSHORE CAPITAL PARTNERS III L.P.

By: Blackstone Management Associates III L.L.C., its general partner

By: /s/ Robert L. Friedman
Name: Robert L. Friedman
Title: Member

BLACKSTONE FAMILY INVESTMENT PARTNERSHIP III L.P.

By: Blackstone Management Associates III L.L.C., its general partner

By: /s/ Robert L. Friedman
Name: Robert L. Friedman
Title: Member

MANAGERS

/s/ Sally Baer

Sally Baer

/s/ Anita Constant

Anita Constant

/s/ Soma Coulibaly

Soma Coulibaly

Susan Cowden

Larry Hoce

Gerald Hughes (individually)

Theresa Kelly

/s/ C. Edward Kennedy

C. Edward Kennedy

James Kennedy

Mary Anne Kennedy

/s/ Jerome Lalin

Jerome Lalin

Clifford Manko

Kirby Mansfield

Bridget Marmion

/s/ Eileen McCrossan

Eileen McCrossan

/s/ Ian McCurrach

Ian McCurrach

/s/ Sylvia Metayer

Sylvia Metayer

/s/ Christine Miller

Christine Miller

Lois Novotny

Rita Schaeffer

Susan Schaffrath

Marie Schappert

Sue Schultz

David Serbun

/s/ Ray Shepard
Ray Shepard

Janet Silver

June Smith

/s/ Marilyn Stevens
Marilyn Stevens

Iwan Streichenberger

MANAGERS

Alice Sullo

Patricia Tutunjian

/s/ Garret White
Garret White

Alison Zetterquist

Schedule 1
Investor Share Holdings*

Investor	Class A Common Stock (Number and Class)	Class L Common Stock
Bain Capital VII Coinvestment Fund, LLC	65,475.00 A-2 shares	7,275.0000 L shares
Bain Capital Integral Investors, LLC	178,792.30 A-3 shares	19,446.1290 L shares
BCIP TCV, LLC	1,732.70 A-3 shares	612.2043 L shares
Thomas H. Lee Equity Fund V, L.P.	189,615.98 A-4 shares	21,068.4422 L shares
Thomas H. Lee Parallel Fund V, L.P.	49,197.75 A-5 shares	5,466.4162 L shares
Thomas H. Lee Equity (Cayman) Fund V, L.P.	2,612.65 A-6 shares	290.2940 L shares
Putnam Investments Holdings, LLC	1,481.05 A-7 shares	164.5613 L shares
Putnam Investments Employees' Securities Company I LLC	1,273.04 A-7 shares	141.4493 L shares
Putnam Investments Employees Securities Company II LLC	1,136.65 A-7 shares	126.2940 L shares
1997 Thomas H. Lee Nominee Trust	449.55 A-7 shares	49.9503 L shares
Thomas H. Lee Investors Limited Partnership	233.33 A-7 shares	25.9259 L shares
Blackstone Capital Partners III Merchant Banking Fund L.P.	102,635.51 A-8 shares	11,403.9450 L shares
Blackstone Offshore Capital Partners III L.P.	19,442.00 A-9 shares	2,160.2217 L shares
Blackstone Family Investment Partnership III L.P.	922.50 A-9 shares	102.5000 L shares

Trustee

Gerald T. Hughes as trustee under the trust for the Company' s
2003 Deferred Compensation Plan

3,372.50 A-10 shares 374.7224 L shares

Manager Shares

Marie Schappert	85.00 A-10 shares	0.0000 L shares
Anita Constant	23.76 A-10 shares	2.6400 L shares
Garret White	94.09 A-10 shares	10.4550 L shares
Jerome Lalin	78.00 A-10 shares	0.0000 L shares
Ian McCurrach	104.55 A-10 shares	11.6167 L shares
Christine M. Miller	22.81 A-10 shares	2.5337 L shares
Sylvia Metayer	263.19 A-10 shares	29.2430 L shares
Soma Coulibaly	58.55 A-10 shares	6.5054 L shares
C. Edward Kennedy	35.92 A-10 shares	3.9912 L shares
Eileen M. McCrossan	21.15 A-10 shares	2.3495 L shares
Ray Shepard	10.00 A-10 shares	1.1111 L shares
Marilyn Stevens	31.36 A-10 shares	3.4850 L shares

* This Schedule 1 was updated to reflect shares held as of June 5, 2006.

Schedule 2

Approved Credit Documents

1. Indenture, dated as of March 15, 1994, between HMC and the First National Bank of Boston, regarding the 7.20% Senior Secured Notes, as supplemented.

2. Indenture, dated as of January 30, 2003, between HMC and Wells Fargo Bank Minnesota, N.A., regarding the 9.875% Senior Subordinated Notes due 2013.

3. Indenture, dated as of January 30, 2003, between HMC and Wells Fargo Bank Minnesota, N.A., regarding the 8.250% Senior Notes due 2011.

4. Indenture, dated as of October 3, 2003, between Publishing and Wells Fargo Bank Minnesota, N.A. regarding the 11.5% Senior Discount Notes due 2013.

5. Indenture, dated as of May 9, 2006, between HM LLC, HM Finance and Wells Fargo Bank, National Association, regarding the Floating Rate Senior PIK Notes due 2011.

6. Amended and Restated Credit and Guaranty Agreement, dated as of March 5, 2003, as amended by the Amendment, dated as of October 3, 2003 among Publishing, HMC, Holdings, and Canadian Imperial Bank of Commerce, as Administrative Agent, by and among Holdings, HMC, certain lenders named therein, CIBC World Markets Corp. and Goldman Sachs Credit Partners L.P. as Joint Lead Arrangers adn Joint Bookrunners, Goldman Sachs Credit Partners L.P. and Deutsche Bank Securities Inc., as Co-Syndication Agents, and Canadian Imperial Bank of Commerce, as Administrative Agent and Collateral Trustee, Fleet Securities Inc., and Bank One, N.A. as Co-Documentation Agents, and General Electric Capital Corporation, as Senior Managing Agent.

7. Second Amendment to the Credit and Guaranty Agreement, dated as of November 22, 2005.

8. Pledge and Security and Collateral Trust Agreement , dated as of December 30, 2002, between Versailles Acquisition Corporation (n/k/a Holdings) and Canadian Imperial Bank of Commerce.

9. Pledge and Security Agreement, dated as of December 30, 2002, between Versailles U.S. Holding Inc. (n/k/a Holdings) and Canadian Imperial Bank of Commerce.

Exhibit 10.2

AMENDED AND RESTATED MANAGEMENT AGREEMENT

This Amended and Restated Management Agreement (as amended the "Agreement") is entered into as of May 9, 2006 by and between Houghton Mifflin Company, a Massachusetts corporation (the "Company"), Houghton Mifflin Holding Company, Inc., a Delaware corporation ("Parent"), Houghton Mifflin Holdings, Inc., a Delaware Corporation ("Holdings"), THL Managers V, L.L.C., a Delaware limited liability company ("THL"), Bain Capital Partners, LLC, a Delaware limited liability company ("Bain") and Blackstone Management Partners III L.L.C., a Delaware limited liability company ("Blackstone," and together with THL and Bain, the "Managers").

RECITALS

WHEREAS the Company, Holdings and the Managers are party to a Management Agreement dated December 30, 2002 (the "Original Agreement") pursuant to which the Managers advised Versailles Acquisition Corporation ("Acquisition Co. ") and Holdings in connection with (i) the structuring and negotiation of certain senior secured debt financing (the "Senior Financing") providing for the acquisition of all of the outstanding shares of capital stock of the Company from Vivendi Communications North America, Inc., a Delaware corporation (the "Seller") (the "Acquisition") and (ii) the Company' s structuring and negotiation of bridge financing (the "Bridge Financing") being provided for the Acquisition and provided equity financing (the "Equity Investments") in connection with the Acquisition;

WHEREAS**,** pursuant to the terms of the Original Agreement, the Company and Holdings agreed to retain the Managers to provide certain management and advisory services to the Company and Holdings, and the Managers agreed to provide such services on agreed terms;

WHEREAS**,** Parent has been formed as part of a restructuring transaction pursuant to which Holdings' current equity holders, including Managers, will contribute their equity in Holdings in exchange for equity in Parent;

WHEREAS, the Company and Parent want to retain Managers to provide certain management and advisory services to the Company and Parent, and the Managers are willing to provide such services on agreed terms.

AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto, intending to be legally bound, hereby agree to amend and restate the Original Agreement as follows:

1. Services**.** Each of the Managers hereby agrees that, during the term of this Agreement (the "Term"), it will provide the following consulting and management advisory services to the Company and Parent as requested from time to time by the Boards of Directors of the Company and Parent:

(a) advice in connection with the negotiation and consummation of agreements, contracts, documents and instruments necessary to provide the Company with financing on terms and conditions satisfactory to the Company and Parent;

(b) financial, managerial and operational advice in connection with the Company' s day-to-day operations, including, without limitation, advice with respect to the development and implementation of strategies for improving the operating, marketing and financial performance of the Company; and

(c) such other services (which may include financial and strategic planning and analysis, consulting services, human resources and executive recruitment services and other services) as such Manager, the Company and Parent may from time to time agree in writing.

Each of the Managers shall devote such time and efforts to the performance of services contemplated hereby as such Manager deems reasonably necessary or appropriate; *provided, however,* that no minimum number of hours is required to be devoted by THL, Bain or Blackstone on a weekly, monthly, annual or other basis. The Company and Parent acknowledge that each of the Manager' s services are not exclusive to the Company and to Parent and that each Manager will render similar services to other persons and entities. In providing services to the Company and Parent, each Manager will act as an independent contractor and it is expressly understood and agreed that this Agreement is not intended to create, and does not create, any partnership, agency, joint venture or similar relationship and that no party has the right or ability to contract for or on behalf of any other party or to effect any transaction for the account of any other party.

2. Payment of Fees.

(a) During the Term, Parent and the Company, jointly and severally, will pay to the Managers (or such affiliates as they may respectively designate) an aggregate annual periodic fee (the "Periodic Fee") of $5,000,000 in exchange for the ongoing services provided by the Managers under this Agreement, such fee being payable by the Company quarterly in advance, the first such payment to be made by wire transfer at the closing of the Acquisition. The Periodic Fee shall be divided among the Managers pro rata in proportion to the amount of Investor Shares held at the time by the investment funds affiliated with each Manager. In this Agreement, the term "Investor Shares" means at any time all shares of capital stock of Parent held by the investment funds affiliated with the Managers.

(b) During the Term, the Managers will advise Parent and the Company in connection with financing, acquisition and disposition transactions involving the Company or any of its direct or indirect subsidiaries (however structured), and Parent and the Company, jointly and severally, will pay to the Managers (or such affiliates as they may respectively designate) an aggregate fee (the "Subsequent Fee") in connection with each such transaction equal to 1% of the gross transaction value of

such transaction, such fee to be due and payable for the foregoing services at the closing of such transaction. Each Subsequent Fee shall be divided among the Managers pro rata in proportion to the amount of Investor Shares held at the time by the investment funds affiliated with each Manager.

Each payment made pursuant to this Section 2 shall be paid by wire transfer of immediately available federal funds to the accounts specified on Schedule 1 hereto, or to such other account(s) as the Managers may specify to the Company in writing prior to such payment.

3. Term. This Agreement shall continue in full force and effect until December 30, 2012; *provided, however,* that at any time upon agreement of two out of three of the Managers, such Managers may cause this Agreement to terminate, in which event, the Company shall pay each of THL, Bain and Blackstone (i) all unpaid Periodic Fees (pursuant to Section 2(b) above), Subsequent Fees (pursuant to Section 2(c) above) and expenses (pursuant to Section 4(a) below) due with respect to periods prior to the date of termination plus (ii) the net present value (using a discount rate equal to the then yield on U.S. Treasury Securities of like maturity) of the Periodic Fees that would have been payable with respect to the period from the date of termination until December 30, 2012.

4. Expenses; Indemnification.

(a) Expenses. Each of the Company and Parent will pay on demand all reasonable expenses incurred by any of the Managers or their affiliates (i) in connection with this Agreement, the Acquisition or any related transactions and the unsuccessful attempt to acquire all of Vivendi Universal Publishing, (ii) relating to operations of, or services provided by the Managers to, the Company, Parent or any of their affiliates from time to time or (iii) otherwise in any way relating to the Company or Parent or in any way relating to, or arising out of, the Equity Investments or the ownership thereof by affiliates of the Managers. Without limiting the generality of the foregoing, each of the Company and Parent agrees to pay on demand all reasonable expenses incurred by any of the Managers or their affiliates in connection with, or relating to, (x) the preparation, negotiation and execution of this Agreement and any other agreement executed in connection with, or related to, this Agreement, the Acquisition, the Senior Financing, the Bridge Financing, the Equity Investments or the consummation of the transactions contemplated hereby or thereby or (y) any and all amendments, modifications, restructurings and waivers of, and exercises and preservations of rights and remedies relating to, any of the foregoing or (z) the Equity Investments or the provision of services under this Agreement. The expenses referred to in clause (x) of the immediately preceding sentence shall specifically include the fees and charges of (A) Simpson Thacher & Bartlett, (B) Wilkie, Farr & Gallagher, (C) Ropes & Gray, (D) Kirkland & Ellis, (E) PricewaterhouseCoopers LLP and (F) any other consultants or advisors retained by the Managers with the agreement of all Managers in connection with such transactions.

(b) Indemnity and Liability. Each of the Company and Parent hereby indemnifies and agrees to exonerate and hold each of the Managers, and each of their respective partners, shareholders, members, affiliates, directors, officers, fiduciaries, employees and agents and each of the partners, shareholders, members, affiliates, directors, officers, fiduciaries, employees and agents of each of the foregoing (collectively, the "Indemnitees") free and harmless from and against any and all actions, causes of action, suits, claims and liabilities and expenses in connection therewith, including without limitation reasonable attorneys' fees and charges (collectively, the "Indemnified Liabilities"), incurred by the Indemnitees or any of them as a result of, arising out of, or in any way relating to (i) this Agreement, the Acquisition, the Equity Investments or the ownership thereof by the Managers or any related transactions or (ii) operations of, or services provided by any of the Managers to, the Company, Parent or any of its affiliates from time to time (including but not limited to any indemnification obligations assumed or incurred by any Indemnitee to or on behalf of the Seller, or any of its accountants or other representatives, agents or affiliates) except for any such Indemnified Liabilities arising on account of such Indemnitee' s gross negligence or willful misconduct, and if and to the extent that the foregoing undertaking may be unenforceable for any reason, the Company and Parent hereby agree to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. None of the Indemnitees shall in any event be liable to the Company, Parent or any of their affiliates for any act or omission suffered or taken by such Indemnitee that does not constitute gross negligence or willful misconduct.

5. Disclaimer and Limitation of Liability; Opportunities.

(a) Disclaimer; Standard of Care. None of the Managers make any representations or warranties, express or implied, in respect of the services to be provided by them hereunder. In no event shall any of the Managers be liable to the Company, Parent or any of their affiliates for any act, alleged act, omission or alleged omission that does not constitute gross negligence or willful misconduct of such Manager as determined by a final, non-appealable determination of a court of competent jurisdiction.

(b) Freedom to Pursue Opportunities. In recognition that each Manager and its respective affiliates currently have, and will in the future have or will consider acquiring, investments in numerous companies with respect to which each Manager or its respective affiliates may serve as an advisor, a director or in some other capacity, and recognition that each Manager and its respective affiliates has myriad duties to various investors and partners, and in anticipation that the Company and Parent, on the one hand and each of the Managers (or one or more affiliates, associated investment funds or portfolio companies), on the other hand, may engage in the same or similar activities or lines of business and have an interest in the same areas of corporate opportunities, and in recognition of the benefits to be derived by the Company and Parent hereunder and in recognition of the difficulties which may

confront any advisor who desires and endeavors fully to satisfy such advisor' s duties in determining the full scope of such duties in any particular situation, the provisions of this Section 5(b) are set forth to regulate, define and guide the conduct of certain affairs of the Company and Parent as they may involve such Manager. Except as each of the Managers may otherwise agree in writing after the date hereof:

(i) Each Manager and its respective affiliates shall have the right: (A) to directly or indirectly engage in any business (including, without limitation, any business activities or lines of business that are the same as or similar to those pursued by, or competitive with, the Company, (B) to directly or indirectly do business with any client or customer of the Company, (C) to take any other action that such Manager believes in good faith is necessary to or appropriate to fulfill its obligations as described in the first sentence of this Section 5(b), and (D) not to present potential transactions, matters or business opportunities to Parent, the Company, or any of their subsidiaries, and to pursue, directly or indirectly, any such opportunity for itself, and to direct any such opportunity to another person.

(ii) Each Manager and its respective officers, employees, partners, members, other clients, affiliates and other associated entities shall have no duty (contractual or otherwise) to communicate or present any corporate opportunities to the Company or Parent or any of their affiliates or to refrain from any actions specified in Section 5(b)(i), and the Company and Parent, on their own behalf and on behalf of their affiliates, hereby renounce and waive any right to require such Manager or any of its affiliates to act in a manner inconsistent with the provisions of this Section 5(b).

(iii) None of the Managers, nor any officer, director, employee, partner, member, stockholder, affiliate or associated entity thereof shall be liable to the Company, Parent or any of their affiliates for breach of any duty (contractual or otherwise) by reason of any activities or omissions of the types referred to in this Section 5(b) or of any such person' s participation therein.

(c) Limitation of Liability. In no event will any of the Managers or any of their affiliates be liable to Parent or the Company or any of their affiliates or either of the other Managers or their affiliates for any indirect, special, incidental or consequential damages, including, without limitation, lost profits or savings, whether or not such damages are foreseeable, or for any third party claims (whether based in contract, tort or otherwise), relating to the services to be provided by the Managers hereunder.

6. Assignment, etc. Except as provided below, none of the parties hereto shall have the right to assign this Agreement without the prior written consent of each of the other parties. Notwithstanding the foregoing, (a) any Manager may assign all or part of its rights and obligations hereunder to any of their respective affiliates which provides services similar to those called for by this Agreement, in which event such Manager shall be released of all of its rights and obligations hereunder.

7. Amendments and Waivers. No amendment or waiver of any term, provision or condition of this Agreement shall be effective, unless in writing and executed by each of the Managers, Parent and the Company. No waiver on any one occasion shall extend to or effect or be construed as a waiver of any right or remedy on any future occasion. No course of dealing of any person nor any delay or omission in exercising any right or remedy shall constitute an amendment of this Agreement or a waiver of any right or remedy of any party hereto.

8. Miscellaneous.

(a) Choice of Law. This Agreement and all matters arising under or related to this Agreement shall be governed by and construed in accordance with the domestic substantive laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

(b) Consent to Jurisdiction. Each of the parties agrees that all actions, suits or proceedings arising out of, based upon or relating to this Agreement or the subject matter hereof shall be brought and maintained exclusively in the federal and state courts of the State of Delaware. Each of the parties hereto by execution hereof (i) hereby irrevocably submits to the jurisdiction of the federal and state courts in the State of Delaware for the purpose of any action, suit or proceeding arising out of or based upon this Agreement or the subject matter hereof and (ii) hereby waives to the extent not prohibited by applicable law, and agrees not to assert, by way of motion, as a defense or otherwise, in any such action, suit or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that it is immune from extraterritorial injunctive relief or other injunctive relief, that its property is exempt or immune from attachment or execution, that any such action, suit or proceeding may not be brought or maintained in one of the above-named courts, that any such action, suit or proceeding brought or maintained in one of the above-named courts should be dismissed on grounds of forum non conveniens, should be transferred to any court other than one of the above-named courts, should be stayed by virtue of the pendency of any other action, suit or proceeding in any court other than one of the above-named courts, or that this Agreement or the subject matter hereof may not be enforced in or by any of the above-named courts. Notwithstanding the foregoing, to the extent that any party hereto is or becomes a party in any litigation in connection with which it may assert indemnification rights set forth in this agreement, the court in which such litigation is being heard shall be deemed to be included in clause (i) above. Each of the parties hereto hereby consents to service of process in any such suit, action or proceeding in any manner permitted by the laws of the State of Delaware, agrees that service of process by registered or certified mail, return receipt requested, at the address specified in or pursuant to Section 10 is reasonably calculated to give actual notice and waives and agrees not to assert by way of motion, as a defense or otherwise, in any such action, suit or proceeding any claim that service of process made in accordance with Section 10 does not constitute good and sufficient service of process. The provisions of this Section 8 shall not restrict the ability of any party to enforce in any court any judgment obtained in a federal or state court of the State of Delaware.

(c) Waiver of Jury Trial. To the extent not prohibited by applicable law which cannot be waived, each of the parties hereto hereby waives, and covenants that it will not assert (whether as plaintiff, defendant, or otherwise), any right to trial by jury in any forum in respect of any issue, claim, demand, cause of action, action, suit or proceeding arising out of or based upon this Agreement or the subject matter hereof, in each case whether now existing or hereafter arising and whether in contract or tort or otherwise. Each of the parties hereto acknowledges that it has been informed by each other party that the provisions of this Section 8(c) constitute a material inducement upon which such party is relying and will rely in entering into this Agreement and the transactions contemplated hereby. Any of the parties hereto may file an original counterpart or a copy of this Agreement with any court as written evidence of the consent of each of the parties hereto to the waiver of its right to trial by jury.

9. Entire Agreement. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and supersedes any prior communication or agreement with respect thereto.

10. Notice. All notices, demands, and communications required or permitted under this Agreement shall be in writing and shall effective if be served upon such other party and such other party' s copied persons as specified below to the address set forth for it below (or to such other address as such party shall have specified by notice to each other party) if (i) delivered personally, (ii) sent and received by facsimile or (iii) sent by certified or registered mail or by Federal Express, DHL, UPS or any other comparably reputable overnight courier service, postage prepaid, to the appropriate address as follows:

If to the Company or Parent, to them at:

222 Berkeley Street
Boston, Massachusetts 02116
Tel: 617-351-5000
Fax: 617-351-1106
Attn: Paul D. Weaver, Senior Vice President and General Counsel

with a copy to:

Ropes & Gray
One International Place
Boston, Massachusetts 02110
Tel: 617-951-7000
Fax: 617-951-7050
Attn: R. Newcomb Stillwell

If to THL, to it at:

c/o Thomas H. Lee Company
75 State Street
Suite 2600
Boston, MA 02109
Tel: 617-227-1050
Fax: 617-227-3514
Attn: Scott Sperling

If to Bain, to it at:

c/o Bain Capital LLC
111 Huntington Avenue
Boston, Massachusetts 02199
Tel: 617-516-2000
Fax: 617-516-2010
Attn: Mark E. Nunnelly

If to Blackstone, to it at:

c/o The Blackstone Group
345 Park Avenue
New York, NY 10154
Tel: 212-583-5000
Fax: 212-583-5712
Attn: Robert L. Friedman

A copy of any notices to THL, Bain or Blackstone shall be directed to:

Ropes & Gray
One International Place
Boston, Massachusetts 02110
Tel: 617-951-7050
Attn: R. Newcomb Stillwell

Unless otherwise specified herein, such notices or other communications shall be deemed effective, (a) on the date received, if personally delivered or sent by facsimile during normal business hours, (b) on the business day after being received if sent by facsimile other than during normal business hours, (c) one business day after being sent by Federal Express, DHL or UPS or other comparably reputable delivery service and (c) five business days after being sent by registered or certified mail. Each of the parties hereto shall be entitled to specify a different address by giving notice as aforesaid to each of the other parties hereto.

11. Severability. If in any proceedings a court shall refuse to enforce any provision of this Agreement, then such unenforceable provision shall be deemed eliminated from this Agreement for the purpose of such proceedings to the extent necessary to permit the remaining provisions to be enforced. To the full extent, however, that the provisions of any applicable law may be waived, they are hereby waived to the end that this Agreement be deemed to be valid and binding agreement enforceable in accordance with its terms, and in the event that any provision hereof shall be found to be invalid or unenforceable, such provision shall be construed by limiting it so as to be valid and enforceable to the maximum extent consistent with and possible under applicable law.

12. Counterparts. This Agreement may be executed in any number of counterparts and by each of the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which together shall constitute one and the same agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed on its behalf as an instrument under seal as of the date first above written by its officer or representative thereunto duly authorized.

THE COMPANY: **HOUGHTON MIFFLIN COMPANY**

By /s/ Stephen C. Richards

Name: Stephen C. Richards

Title: Executive Vice President, Chief Operating Officer and Chief Financial Officer

PARENT: **HOUGHTON MIFFLIN HOLDING COMPANY, INC.**

By /s/ Stephen C. Richards

Name: Stephen C. Richards

Title: Executive Vice President, Chief Operating Officer and Chief Financial Officer

COUNTERPART SIGNATURE PAGE TO MANAGEMENT AGREEMENT

[Signatures Continue on Following Page]

THL:

THL MANAGERS V, L.L.C.

By: Thomas H. Lee Partners L.P.,
its Managing Member

By: Thomas H. Lee Advisors L.L.C.
its General Partner

By:
/s/ Seth Lawry

Name: Seth Lawry
Title: Managing Director

COUNTERPART SIGNATURE PAGE TO MANAGEMENT AGREEMENT

[Signatures Continue on Following Page]

BAIN:

BAIN CAPITAL PARTNERS, LLC

By: Bain Capital LLC, its sole member

By: /s/ Mark E. Nunnelly

Name: Mark E. Nunnelly

Title: Managing Director

COUNTERPART SIGNATURE PAGE TO MANAGEMENT AGREEMENT

[Signatures Continue on Following Page]

BLACKSTONE MANAGEMENT PARTNERS III L.L.C.

By: /s/ Robert L. Friedman
Name: Robert L. Friedman
Title: Managing Director

COUNTERPART SIGNATURE PAGE TO MANAGEMENT AGREEMENT

Wire Transfer Instructions for
Thomas H. Lee Partners, L.P.

Bank:	FleetBoston
ABA #:	011000138
Acct #:	270-07242
Location:	100 Federal Street
	Boston, MA
Name:	THL Managers V, L.L.C.

Wire Transfer Instructions for
Bain Capital Partners, LLC

Bank:	Citibank, NA-New York
ABA #:	021-000-089
For:	Brown Brothers Harriman-Boston
Acct #:	09250276
To Further Credit:	
Name:	Bain Capital Partners, LLC
Acct #:	612541-3

Wire Transfer Instructions for
Blackstone Management Partners III L.L.C.

Bank:	JP Morgan Chase
ABA #:	021-000-021
Acct #:	066-900581
Account Name:	Blackstone Management Partners III L.L.C.
Reference:	Houghton Mifflin Fees
Location:	1 Chase Manhattan Plaza New York, NY 10004-2477

Exhibit 10.3

Execution Copy

ASSET PURCHASE AGREEMENT

by and among

ACHIEVEMENT TECHNOLOGIES, INC.,

TIBBAR, LLC,

TIBBAR FF, LLC,

MONITOR CLIPPER EQUITY PARTNERS, L.P.,

MONITOR CLIPPER EQUITY PARTNERS (FOREIGN), L.P.,

MICHAEL PERIK,

and

HOUGHTON MIFFLIN COMPANY

Dated as of May 31, 2006

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement") is made as of May 31, 2006, by and among Houghton Mifflin Company, a Massachusetts corporation (the "Buyer"), Achievement Technologies, Inc., a Delaware corporation (the "Company"), and Tibbar, LLC, a Delaware limited liability company, Tibbar FF, LLC, a Delaware limited liability company, Monitor Clipper Equity Partners, L.P., a Delaware limited partnership, Monitor Clipper Equity Partners (Foreign), L.P., a Delaware limited partnership and Michael Perik, an individual, the holders of a majority of the outstanding capital stock of the Company (collectively, the "Stockholders" and together with the Company, the "Sellers").

In consideration of the mutual agreements and, representations and warranties, contained herein, the parties hereto hereby agree as follows:

1. PURCHASE AND SALE OF THE ASSETS.

1.1. *Description of Assets*. The Company hereby agrees to sell to Buyer, and Buyer hereby agrees to purchase from the Company, at the Closing, subject to and upon the terms and conditions contained herein, all of the Company' s right, title and interest in and to all of the assets of the Company used in the Business, other than the Excluded Assets (as defined in Section 1.2) (collectively, the "Acquired Assets"). "Business" means the business of the Company, other than the Retained Business. The Acquired Assets include without limitation the following Acquired Assets:

(a) all inventory and supplies of the Company, including all CD-ROMs;

(b) all tangible personal property of the Company, including, without limitation, all equipment, machinery, tools, furniture, fixtures, office equipment, computers, communications equipment, software, spare and replacement parts and other physical assets of the Company, including without limitation the tangible personal property listed on *Schedule 1.1(b)*, but excluding (i) such tangible personal property of the Company primarily used by employees of the Company that are not Transferred Employees ("Retained Employees") as of the Closing and (ii) the tangible personal property listed on *Schedule 1.2(l)* (all of the property referred to in clauses (i) and (ii) is referred to as the "Excluded Personal Property" and all tangible personal property referred to in this paragraph 1.1(b), other than the Excluded Personal Property is referred to as the "Equipment");

(c) all customer, supplier and mailing lists relating to the Business;

(d) all rights of the Company under the agreements described on *Schedule 1.1(d*) (the "Acquired Contracts"), including but not limited to:

(i) the reseller, distribution, sales representative and other agency agreements, service agreements, and supply agreements to which the Company is a party and specified on *Schedule 1.1(d)(i)*, and

(ii) the contractor and consulting agreements to which the Company is a party and specified on *Schedule 1.1(d)(ii)*;

(e) all accounts receivable (net of reserves), notes, and other amounts due to the Company with respect to the Business outstanding as of the Closing Date and all prepaid deposits and expenses with respect to the Business, including without limitation, those listed on *Schedule 1.1(e)*;

(f) the permits, licenses, registrations and certificates, if any, obtained from governments and governmental agencies which relate to the ownership of Acquired Assets or operation of the Business listed on *Schedule 1.1(f)*;

(g) all warranties, if any, issued by any manufacturer or contractor in connection with the construction, installation or operation of the Equipment;

(h) all Intellectual Property (as defined in Section 3.18(a)); all licenses and sublicenses granted with respect thereto and rights thereunder; and all actions, cause of action, claims, suits (whether in contract or tort or otherwise), litigation (whether at law or in equity, whether civil or criminal), oppositions, interferences, hearings, or other proceedings to, from, by or before any governmental authority or other individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, or other entity ("Person") (collectively "Actions"), and rights to sue at law or in equity for any past or future infringement or other impairment of any of the foregoing, including the right to receive all proceeds and damages therefrom, and all rights to obtain renewals, continuations, divisions or other extensions of legal protections pertaining thereto;

(i) all goodwill and going concern value relating to the conduct of the Business;

(j) all files, documents, instruments, papers, books, reports, records, tapes, microfilms, letters, budgets, forecasts, ledgers, journals, title policies, customer and supplier lists, literature and correspondence, regulatory filings, operating data and plans, technical documentation (design specifications, functional requirements, operating instructions, logic manuals, flow charts, etc.), user documentation (installation guides, user manuals, training materials, release notes, working papers, etc.), marketing documentation (sales brochures, flyers, pamphlets, web pages, etc.), and other similar materials related to the Business and the Acquired Assets, wherever located and in each case whether or not in electronic form ("Documents"); *provided, however,* that "Documents" shall not include (i) duplicate copies of such Documents retained by the Company or its affiliates subject to the obligations relating to the use and disclosure thereof set forth in this Agreement, (ii) Documents relating to periods more than five years prior to the Closing Date, (iii) personnel files for former employees of the Company, Retained Employees, and any Transferred Employees (I) from whom the Buyer has not obtained, and delivered to the Company, a signed release authorizing the Company to transfer such files to the Buyer or personnel files or (II) that do not transfer to Buyer as provided by law, (iv) any Documents included in the definition of Excluded

Assets, and (v) any information contained in such files as may be required to be so excluded under any applicable Federal, state or local law, statute, code, ordinance, rule or regulation ("Law") regarding privacy (clauses (i), (ii), (iii), (iv) and (v) collectively, the "Excluded Documents").

(k) all of the Company' s rights with respect to leasehold interests and subleases relating to real property located at Columbia Corporate Center, Columbia, Maryland (the "Columbia Lease") and Pat Station Road, Starkville, Mississippi (the "Starkville Lease");

(l) all improvements and fixtures to the real property leased pursuant to the Columbia Lease owned by the Company;

(m) except as provided in Section 1.2, any and all other assets, real or personal, tangible or intangible, used in the conduct of the Business that are not listed above;

(n) all equipment repair, maintenance or service records relating to any of the above-described Acquired Assets; and

(o) all of the Company' s right to use the name Achievement Technologies, Inc. and any variations thereof; *provided that* the Company shall have the period of time provided in Section 10.8 to change its name.

1.2. *Excluded Assets*. Notwithstanding anything to the contrary contained in Section 1.1, the following assets of the Company shall be excluded from the assets to be sold to Buyer hereunder (the "Excluded Assets"):

(a) all cash and cash equivalents;

(b) all prepaid deposits and expenses, accounts receivable, notes and other amounts due or accruing due to the Company pertaining to the Retained Business;

(c) all right, title and interest of the Company under this Agreement or any of the Ancillary Agreements;

(d) the customer and mailing lists with respect to the customers listed on *Schedule 1.2(d)* (the "Retained Customers"), and all rights of the Company under any agreements with the Retained Customers, together with any records relating thereto;

(e) the customer and mailing lists with respect to the customers listed on *Schedule 1.2(e)* (the "Legacy Homeroom.com Customers"), and all rights of the Company under any agreements with the Legacy Homeroom.com Customers, together with any records relating thereto;

(f) all minute books, organizational documents, stock registers and such other books and records of the Company as pertain to ownership, organization or existence of the Company and duplicate copies of such records included in the Acquired Assets;

(g) the agreements specified on *Schedule 1.2(g)* (the "Excluded Contracts");

(h) any (i) files, accounting records, internal reports, Tax records, work papers or other books and records that the Company determines are necessary or advisable to retain to complete the Company' s Tax returns, Tax audits or any other audit by governmental agencies and that the Company is otherwise required by Law to retain; *provided, however,* that Buyer shall have the right to make copies of any portions of such retained books and records that relate to the conduct of the Business or any of the Acquired Assets or Assumed Liabilities; and (ii) documents relating to proposals to acquire the Business by persons other than Buyer;

(i) all current insurance policies of the Company or rights to proceeds thereof;

(j) all the Company' s rights with respect to the leasehold interests relating to real property located at 313 Washington Street, Newton, Massachusetts (the "Newton Lease")

(k) any prepayments of insurance and other prepayments listed on *Schedule 1.2(k)*;

(l) other assets of the Company listed on *Schedule 1.2(l)*;

(m) all goodwill and going concern value relating to the Company' s conduct of its business relating to the Retained Customers and Legacy Homeroom.com Customers (the "Retained Business");

(n) any refunds of Taxes; and

(o) all Excluded Personal Property and the Excluded Documents.

1.3. *Purchase Price*.

(a) The purchase price which Buyer shall pay to the Company at Closing for the Acquired Assets and in consideration of the covenants of the Sellers contained herein is Eighteen Million, Five Hundred Thousand Dollars ($18,500,000) (the "Purchase Price"). On the Closing Date, Buyer shall pay the Purchase Price to the Company by wire transfer of immediately available funds to a single account of the Company designated in writing by the Company to Buyer not less than three (3) business days prior to the Closing.

(b) In addition to the Purchase Price, for each customer identified on *Schedule 1.3(b)* that extends with Buyer or any of its Affiliates, or any of their respective successors or assigns, the current term of its license with the Company (whether by amendment, new agreement or otherwise) or enters into a new agreement with Buyer or any of its Affiliates, or any of their respective successors or assigns, upon the expiration of the current license term (each, a "Former FTL Customer"), Buyer will pay the Company a commission (the "Brokerage Commission") as set forth herein. The

Brokerage Commission will be an amount equal to 25% of Buyer' s Net Sales (defined below) from any Former FTL Customer during each year of the four years immediately following the Closing Date (each such period, a "Commission Period"). Buyer will pay Company the full amount of the Brokerage Commission for each Commission Period annually in arrears, in cash in immediately available funds, no later than August 15 of 2007, 2008, 2009 and 2010. For the purposes of this Section 1.3(b) "Net Sales" for each Commission Period means the aggregate amount of invoiced sales from sales of the SkillsTutor products (and any successor products based on SkillsTutor) and services to Former FTL Customers during such Commission Period, less discounts, refunds, credits, and allowances given to Former FTL Customers; *provided, however* that where SkillsTutor or a successor product is sold in combination with other products and services that are also sold separately for one combined sales amount, Net Sales for the purposes of this Section 1.3(b) shall be the pro rata portion of the Net Sales recognized from the combination sale (less discounts, refunds, credits and allowances given to such customers) attributable to the SkillsTutor product (or successor product) as a portion of the combined product, which pro rata portion shall be calculated as reasonably agreed to by Buyer and the Company based on the separate list prices of the various products and services that were combined in such sale.

(c) In addition to the Purchase Price, in consideration of the transfer of the Acquired Assets by the Company pursuant to this Agreement, if for any of the three (3) Measurement Periods (i) Buyer generates Net Earnout Sales equal to or greater than the Net Earnout Sales Target for such Measurement Period and (ii) the Buyer' s EBITDA for such Measurement Period, calculated at the end of such Measurement Period, is equal to or greater than the EBITDA Target for such Measurement Period, then, within forty-five (45) days of the end of the applicable Measurement Period, Buyer will pay the Company, in cash in immediately available funds, one hundred percent (100%) of the amount by which the Company' s EBITDA for such Measurement Period exceeds the EBITDA Target for that Measurement Period; *provided that*, in no event will total payments to the Company under this Section 1.3(c) exceed $4,000,000 (each such payment, an "Earnout Payment"). The terms "Measurement Period," "Net Earnout Sales Target" and "EBITDA Target" are each defined in the table below, which shows the three Measurement Periods, and the Net Earnout Sales Target and EBITDA Target for such Measurement Periods:

Measurement Period	Net Earnout Sales Target	EBITDA Target
Twelve month period ended June 30, 2007	$9,401,000	$2,959,000
Twenty-four month period ended June 30, 2008	$19,606,000	$6,957,000
Thirty-six month period ended June 30, 2009	$30,906,000	$11,942,000

For the purposes of this Section 1.3(c), the Buyer' s "EBITDA" for any Measurement Period is defined as the aggregate amount of Net Earnout Sales of the Buyer during such

Measurement Period, net of discounts, customer allowances, and the following costs, in each case to the extent applicable to the sale of Company Products: operating costs for customer service and technology support, web hosting (excluding costs allocated to the SOAR Business (as defined below) and Retained Business), royalties (associated with the Skillsbank product and payable to Riverdeep, Inc., Riverdeep Group plc, or their Affiliates), core product manufacturing costs (including CD-Rom, training and program materials), fulfillment, marketing, sales, administrative and facility costs (excluding office rent in Boston, Massachusetts and Wilmington, Massachusetts) and noncapitalized research and development costs, on an accounting basis consistent with the Company' s past practices and policies prior to Closing, excluding all depreciation, amortization, interest costs and taxes. "Net Earnout Sales" means the amount of aggregate sales pursuant to purchase orders received during the relevant Measurement Period from sales of Company Products and related services, less discounts, refunds, credits, and allowances given to customers; *provided, however,* that where SkillsTutor or a successor product is sold in combination with other products and services that are also sold separately for one combined sales amount, Net Earnout Sales for the purposes of this Section 1.3(c) shall be the pro rata portion of the net sales recognized from the combination sale (less discounts, refunds, credits and allowances given to customers) attributable to the SkillsTutor product (or successor product) as a portion of the combined product, which pro rata portion shall be calculated as reasonably agreed by the Buyer and Company based on the separate list prices of the various products and services that were combined in such sale. For the purposes of this Section 1.3, "Company Products" means SkillsTutor, Skillsbank 5, Cornerstone 2, K-2 Learning Milestones, Employability and Work Maturity Skills 2, Employability Skills On-line, Work Maturity Skills, Sexual Harassment Prevention, and Citizenship Skills, or any successor products based on such products.

(d) In consideration of the transfer of the Acquired Assets by the Company pursuant to this Agreement, Buyer shall pay to the Company an amount equal to fifty percent (50%) of the aggregate SOAR Operating Profit (as defined below) generated by the SOAR Business (as defined below) during each of the five (5) SOAR Measurement Periods from and after the Closing Date (each such payment, a "SOAR Earnout Payment"). Each SOAR Earnout Payment shall be payable by Buyer to the Company in cash in United States currency in immediately available funds within forty-five (45) days following each SOAR Measurement Period. For purposes hereof, "SOAR Operating Profit" shall mean the aggregate amount of Net Sales Orders of the SOAR Business during each SOAR Measurement Period, less the aggregate amount of lobbying costs, consulting fees, a mutually agreed upon allocation for hosting costs, costs for customized development, training costs, direct project management costs (i.e., salary, fringe benefits and travel expenses), legal costs and any other reasonable agreed-upon costs incurred in support of the SOAR Business during such SOAR Measurement Period, in each case determined in accordance with accounting principles customarily and consistently applied by Buyer. For the purposes of this Section 3.1(d), a "Net Sales Order" is the amount of the sale of a Company Product to customers of the SOAR Business (other than Existing Core Customers (as defined below)), pursuant to a purchase order received from each such customer during the relevant SOAR Measurement Period, less the amount of

any discounts, refunds, credits and allowances given to such customers. "SOAR Measurement Period" means each annual period from July 1 through June 30 of the following calendar year, commencing on July 1, 2006 and ending on June 30, 2011. "SOAR Business" means the business related to the sale of Company Products to customers who receive funding directly or are the indirect beneficiary of funding from a federally funded FTL-like program that is administered by the United States Department of Defense or similar successor program. "Existing Core Customer" means a customer of the SOAR Business, who, before becoming a customer of the SOAR Business, had purchased Company Products from Buyer without having received funding directly or being the indirect beneficiary of funding from a federally funded FTL-like program that is administered by the United States Department of Defense or the FTL program itself or any other successor program.

(e) At the time of making any Brokerage Commission, Earnout Payment and/or SOAR Earnout Payment, Buyer shall also deliver to the Company a statement which sets forth in reasonable detail: with respect to the Brokerage Commission, the calculation of the Net Sales for the applicable Commission Period; with respect to the Earnout Payment, the calculation of EBIDTA and Net Earnout Sales for the applicable Measurement Period(s); and with respect to the SOAR Earnout Payment, the calculation of SOAR Operating Profit and Net Sales Orders for such SOAR Measurement Period; in each case, together with all relevant information supporting each such calculation (the "Payment Statement"). Buyer will also provide such other information as the Company may reasonably request. If the Company disputes in any manner the amount of the Brokerage Commission, Earnout Payment, and/or SOAR Earnout Payment, the Company will provide notice thereof to Buyer within thirty (30) days of receipt of the Payment Statement accompanying the Brokerage Commission, Earnout Payment and/or SOAR Earnout Payment (a "Dispute Notice"), and the Company and Buyer agree that they will use good faith efforts to attempt to resolve such dispute. If the Company and Buyer are unable to resolve such dispute within fifteen (15) days of receipt by Buyer of the Dispute Notice, the parties hereby agree to appoint Deloitte & Touche (the "Accountant") to resolve such dispute. Each of the Company and Buyer shall provide reasonable cooperation to the Accountant to assist the Accountant in resolving such dispute. The Accountant shall render a determination within sixty (60) days of its appointment hereunder. The determination of the Accountant will be final and binding on the parties, other than in the event of manifest error. If the Accountant determines that the disputed amount or any portion thereof shall be due and owing to the Company, Buyer shall promptly (and in any event, within ten (10) days of such determination) pay the Company such amount in full. The Company and Buyer shall bear equally the costs and expenses of the Accountant.

(f) For the purposes of this Agreement, the "Aggregate Purchase Price" means the Purchase Price plus all amounts actually paid by Buyer to Company under Section 3.1(b), (c) and (d) of this Agreement and under the Option Agreement.

(g) Buyer shall maintain complete records and supporting documentation necessary to verify the determination and calculation of Net Sales, EBITDA, Net Earnout Sales, SOAR Operating Profit, Net Sales Orders, the Brokerage Commission, Earnout Payment, and the SOAR Earnout Payment.

1.4. *Assumption of Certain Liabilities*. Buyer hereby agrees that at the Closing, subject to and upon the terms and conditions contained herein, it shall assume and shall timely perform, pay and discharge, in accordance with their respective terms, the following specified obligations and liabilities of the Company (the "Assumed Liabilities"), but no others:

(a) all obligations and liabilities of the Company, arising on or after the Closing, in connection with any Acquired Contracts and including, without limitation, all deferred revenue obligations associated with any Acquired Contracts arising prior to the Closing, to the extent that the Company' s rights thereunder are actually (with consent where required) assigned to Buyer; *provided, however,* that Buyer is not assuming any obligations or liabilities for any breach or default outstanding at the time of the Closing under any Acquired Contract or resulting from any event occurring before the time of Closing which, with the giving of notice or the passage of time or both, results in a breach or default;

(b) such other liabilities of the Company specified on *Schedule 1.4(b)*;

(c) any liabilities and obligations assumed by Buyer by operation of law under the provisions of Treasury Regulation Section 54.4980B-9,Q&A-8;

(d) the obligation with respect to Rollover Vacation Time as provided in Section 6.4(b); and

(e) all accounts payable and accrued liabilities of the Company to pay for any products, goods, raw materials or services delivered or provided to the Company with respect to the Business as of the Closing Date and less than 90 days old.

Buyer is not assuming, and shall not be deemed to have assumed, any obligations or liabilities of the Company other than the Assumed Liabilities specifically described above. No assumption by Buyer of any of the Assumed Liabilities shall relieve or be deemed to relieve any Seller from any obligation or liability under this Agreement with respect to any representations or warranties made by the Sellers to Buyer.

1.5. *Retained Liabilities*. Notwithstanding anything in this Agreement to the contrary, Buyer is not assuming and will not perform any liabilities or obligations not specifically described in Section 1.4 or any of the following obligations or liabilities, to the extent not set forth in Section 1.4:

(a) Any obligation or liability of the Company for Taxes (as defined in Section 3.12 hereof) of any kind or nature whether or not incurred prior to the date hereof, including without limitation, any Taxes based on or measured by any income or gain realized upon transfer of any of the Acquired Assets hereunder;

(b) any obligation or liability for services rendered by the Company;

(c) any accounts payable, obligations or liability to pay for any products, goods, raw materials or services delivered or provided to the Company pertaining to the Retained Business or pertaining to the Business and not accrued as of the Closing Date and more than 90 days old;

(d) any liability or obligation of the Company for or in respect of any loan, or indebtedness, including third party indebtedness;

(e) any liability or obligation of the Company arising as a result of or out of any claim, any legal or equitable action, proceeding or investigation pertaining to or relating in any way to the Company initiated at any time, whether or not described in any schedule hereto;

(f) any obligation or liability upon acts or omissions of the Company;

(g) any liability or obligation of the Company incurred in connection with the making or performance of this Agreement;

(h) any liability or obligation of the Company arising out of any plan, program, policy, practice, contract, agreement or other arrangement, whether or not subject to Employee Retirement Income Security Act of 1974, as amended ("ERISA"), whether formal or informal, oral or written, providing for compensation, severance termination pay, performance awards, profit sharing, bonus, stock option, stock purchase, restricted stock, equity-based compensation, deferred compensation, change-in-control, pension, retirement, medical, dental, life insurance, disability, education reimbursement, sick pay, paid vacation (other than Rollover Vacation Time (as defined in Section 6.4(b)), fringe benefits or other employee benefits of any kind, including, without limitation any "employee benefit plan", within the meaning of Section 3(3) of ERISA that is sponsored, contributed to or maintained by the Company for the benefit of current or former employees of the Company or with respect to which the Company may have any liability (contingent or otherwise) or the termination of any such plan, program, policy, practice, contract, agreement or other arrangement;

(i) any liability or obligation of the Company for making payments of any kind (including as a result of the sale of the Acquired Assets or as a result of the termination of employment by the Company of employees or other labor claims) to employees of the Company or in respect of payroll taxes for employees of the Company, including without limitation any liabilities or obligations of the Company arising under or with respect to the Consolidated Omnibus Budget Reconciliation Act of 1985, to the extent required, and limited, under Treasury Regulation Section 54.4980B-9, Q&A, and including the obligation of the Company to pay vacation time to the extent provided in Section 6.1;

(j) any liability or obligation of the Company under or with respect to any lease, contract, arrangement or commitment (other than such liabilities or obligations that are included in the Assumed Liabilities);

(k) any liability or obligation of the Company arising out of or resulting from non-compliance with any national, regional, state or local laws, statutes, ordinances, rules, regulations, orders, determinations, judgments, or directives, whether legislatively, judicially, or administratively promulgated, including without limitation any such law, statute, ordinance, rule, regulation, order, determination, judgment or directive relating to occupational health and safety or pollution or protection of the environment ("Environmental Law");

(l) any liability of the Company to indemnify any Person (including any of the Stockholders) by reason of the fact that such Person was a director, officer, employee or agent of the Company or was serving at the request of the Company as a partner, trustee, director, officer, employee, or agent of another entity;

(m) any liability with respect to (i) any statutory liens on any of the Acquired Assets for current Taxes, assessments or other governmental charges or (ii) any mechanics' , carriers' , workers' , repairers' and similar liens on any of the Acquired Assets;

(n) any liability of the Company under the Excluded Contracts; or

(o) any liability or obligation of the Company related to the Retained Business.

2. CLOSING.

2.1. *Time and Place.* The closing of the purchase and sale of the Acquired Assets and the other transactions contemplated hereby (the "Closing") shall take place on May 31, 2006 at the offices of Ropes & Gray LLP, One International Place, Boston, Massachusetts, or at such other time and place as the parties may mutually agree (the "Closing Date").

2.2. *Deliveries.* At the Closing:

(a) the Company shall execute and deliver to the Buyer, and the Buyer shall execute and deliver to the Company, a Bill of Sale in substantially the form of *Annex I* (the "Bill of Sale") and the Company shall execute and deliver to Buyer all such other instruments and documents of conveyance and assignment, as are reasonably requested by Buyer to vest in Buyer title to the Acquired Assets; and

(b) the Company shall execute and deliver to the Buyer, and the Buyer shall execute and deliver to the Company, an Assignment and Assumption Agreement in substantially the form of *Annex II* (the "Assignment and Assumption Agreement") and the Buyer shall execute and deliver to the Company all such other instruments and documents of assumption, as are reasonably requested by the Company for the Buyer to assume the Assumed Liabilities;

(c) the Company shall execute and deliver to the Buyer, and the Buyer shall execute and deliver to the Company, a Copyright Assignment Agreement in substantially the form of *Annex III* (the "Copyright Assignment Agreement");

(d) the Company shall execute and deliver to the Buyer, and the Buyer shall execute and deliver to the Company, a Trademark Assignment Agreement in substantially the form of *Annex IV* (the "Trademark Assignment Agreement");

(e) the Company shall execute and deliver to the Buyer, and the Buyer shall execute and deliver to the Company, a Transition Services Agreement in substantially the form of *Annex V* (the "Transition Services Agreement");

(f) the Company shall execute and deliver to the Buyer, and the Buyer shall execute and deliver to the Company, a License and Services Agreement in substantially the form of *Annex VI* (the "License and Services Agreement");

(g) the Company shall execute and deliver to the Buyer, and the Buyer shall execute and deliver to the Company, an Option Agreement in substantially the form of *Annex VII* (the "Option Agreement");

(h) the Company shall execute and deliver to the Buyer, and the Buyer shall execute and deliver to Company, a Domain Name Assignment in substantially the form of *Annex VIII* (the "Domain Name Assignment");

(i) the Buyer shall deliver to the Company a copy of (A) the certificate of incorporation or articles of organization and by-laws of the Buyer, each as in effect on the Closing Date, and (B) all resolutions approved by the stockholders and the Board of Directors of the Buyer authorizing and approving matters in connection with this Agreement and/or the Ancillary Documents to which it is a party and the transactions contemplated hereby and thereby, each of which shall have been certified by the Secretary or an Assistant Secretary of the Buyer as of the Closing Date. Such certificate shall also certify the incumbency of the officers of the Buyer executing this Agreement and each Ancillary Agreement to which the Buyer is a party;

(j) Buyer shall receive an opinion from Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., counsel to the Company, dated the Closing Date, in form and substance reasonably satisfactory to Buyer, to the effect that:

(i) the Company is a corporation validly existing and in good standing under the laws of its jurisdiction of incorporation;

(ii) the Company is duly qualified to do business as a foreign corporation and is in good standing under the laws of Massachusetts and Maryland, and has all requisite corporate power and authority to carry on the Business and Retained Business and to own and use the properties owned and used by it;

(iii) this Agreement, and each of the Ancillary Agreements have been duly authorized, executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms;

(iv) to such counsel' s knowledge, there is no litigation, governmental action or proceeding pending against the Company which places in question the validity or enforceability, or seeks to enjoin performance, of this Agreement or the Ancillary Agreements;

(v) no notice to, consent, authorization, approval or order of any governmental agency or body is required in connection with the execution and delivery of this Agreement and the Ancillary Agreements by the Company or the consummation by the Company of any transaction contemplated hereby, except as have already been given, filed or obtained; and

(vi) the execution of this Agreement, the Ancillary Agreements, and the performance of the obligations hereunder will not violate or result in a breach or constitute a default under any of the terms or provisions of the Certificate of Incorporation or By-laws of the Company, or of any contract listed on Exhibit A to this opinion, or violate any law, order, rule or regulation applicable to the Company or by which the Company or its properties or assets is bound.

(k) the consents and filings set forth in *Schedule 3.3(b)* shall have been obtained and made; and

(l) the Company shall deliver to Buyer a copy of (A) the certificate of incorporation or articles of organization and by-laws of the Company, each as in effect on the Closing Date, and (B) all resolutions approved by the stockholders and the Board of Directors of the Company authorizing and approving matters in connection with this Agreement and/or the Ancillary Documents to which it is a party and the transactions contemplated hereby and thereby, each of which shall have been certified by the Secretary or an Assistant Secretary of the Company as of the Closing Date. Such certificate shall also certify the incumbency of the officers of the Company executing this Agreement and each Ancillary Agreement to which the Company is a party.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company makes the following representations and warranties to the Buyer.

3.1. *Due Organization*. The Company is duly organized, validly existing and in good standing under the laws of the State of Delaware. The Company has full power and authority to carry on the Business as presently conducted by it, and to own, lease and operate the Acquired Assets owned, leased or operated by it. The Company is duly authorized, qualified and licensed under all applicable laws, regulations, ordinances and orders of public authorities necessary to carry on its business in the places and in the manner as now conducted, except where the failure to be so authorized, qualified or licensed would not have a material adverse effect on the

business, operations, assets, properties, condition or prospects, financial or otherwise, of the Business (a "Material Adverse Effect"). *Schedule 3.1* sets forth each name, including any trade name, under which the Company currently conducts its business. The Certificate of Incorporation and the by-laws of the Company, each as amended to date, have been made available to Buyer and are accurate and complete.

3.2. *Authorization*. The Company has all corporate power and authority to enter into and perform this Agreement, the Bill of Sale, the Assignment and Assumption Agreement, the Copyright Assignment Agreement, the Trademark Assignment Agreement, the Transition Services Agreement and the Domain Name Assignment (the "Ancillary Agreements"), and the other documents and instruments to be delivered pursuant to this Agreement and to consummate the transactions contemplated hereby and thereby. The execution and delivery by the Company of this Agreement, the Ancillary Agreements, and the consummation by the Company of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of the Company. This Agreement has been, and the Ancillary Agreements, when executed and delivered by the Company, will be, duly and validly executed and delivered by the Company. This Agreement and each Ancillary Agreement, when executed and delivered, constitute the legal, valid and binding obligation of the Company enforceable against it in accordance with their terms.

3.3. *No Conflicts; Approvals.*

(a) Neither the execution, delivery and performance of this Agreement or the Ancillary Agreements by the Company nor the consummation by the Company of the transactions contemplated hereby will (i) conflict with or result in a breach of any provision of the Certificate of Incorporation or By-laws of the Company, (ii) result in any conflict with, breach of, or default (or give rise to any right to termination, cancellation or acceleration or loss of any right or benefit) under or require any consent or approval which has not been, or prior to Closing will not be, obtained or waived with respect to any Acquired Contract or (iii) violate any order, law, rule or regulation applicable to the Company, or by which it or its properties or assets may be bound.

(b) Except as set forth in *Schedule 3.3(b)*, which Consents (as defined below) have already been obtained by the Company, no action, consent or approval by, or filing by the Company with, any federal, state, municipal, foreign or other court or governmental body or agency, or any other regulatory body, or any other person or entity (a "Consent"), is required in connection with the execution, delivery or performance by the Company of this Agreement, the Ancillary Agreements or the consummation by the Company of the transactions contemplated hereby.

3.4. *Predecessor Status, etc*. *Schedule 3.4*. sets forth a list of all names of all predecessors of the Company, including any entity from whom the Company previously acquired or licensed significant assets.

3.5. *Financial Statements*.

(a) Attached as *Schedule 3.5(a)* are copies of the following financial statements of the Company (the "Financial Statements"): (i) The audited balance sheets of the Company as at December 31, 2004 and December 31, 2003 and unaudited balance sheet of the Company dated December 31, 2005 and April 30, 2006; and (ii) the audited statements of income, retained earnings and cash flows for the years ending December 31, 2004 and December 31, 2003 and unaudited statements of income, retained earnings and cash flows for the year ended December 31, 2005 and the four month period ended April 30, 2006. The Financial Statements have been prepared from and in accordance with the books and records of the Company in accordance with generally accepted accounting principles consistently applied (except as indicated in the notes thereto) except, in the case of the unaudited Financial Statements, for the absence of footnote disclosure as required by generally accepted accounting principles in the United States as in effect ("GAAP") and subject to changes resulting from normal year-end audit adjustments. The Financial Statements fairly represent in all material` respects the financial condition and results of operations of the Company as of and for the periods indicated.

(b) The historical financial and customer related data of the Company attached as *Schedule 3.5(b)* is accurate in all material respects.

3.6. *Internal Controls.* The Company maintains a system of internal control over financial reporting sufficient to provide reasonable assurance (i) that the Company maintains records that in reasonable detail accurately and fairly reflect their respective transactions and dispositions of assets, (ii) that transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) that transactions, receipts and expenditures are executed only in accordance with authorizations of management and the Board of Directors of the Company, and (iv) regarding prevention or timely detection of the unauthorized access, acquisition, use or disposition of the Company' s assets. The Company (i) has no significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the Company' s ability to record, process, summarize and report financial information and (ii) has disclosed to Buyer any and all material fraud committed by management or other employees who have a significant role in the Company' s internal control over financial reporting. The Company has provided Buyer with true, correct and complete copies of any correspondence with outside accounting firms relating to reviews, audits or other procedures with respect to the Company' s financial statements and internal controls.

3.7. *Undisclosed Liabilities and Obligations*. Except as set forth on *Schedule 3.7*, the Company is not aware that, since December 31, 2004, it has incurred any material liability of any nature whatsoever, whether absolute, accrued, contingent, determined, determinable or otherwise nor has there occurred any condition, situation or set of circumstances that would reasonably be expected to result in such a material liability, in each case other than liabilities in usual amounts incurred in the ordinary course of the business, consistent with past practices, of the Company, or reflected in the Financial Statements.

3.8. *Sufficiency of Acquired Assets, Title, etc*. All of the Acquired Assets constituting tangible personal property, whether owned or leased, are in good working order and condition,

ordinary wear and tear excepted. The Company has good and marketable title to, or in the case of leased property, has valid leases under which it enjoys peaceful and undisturbed possession of all of the Acquired Assets, free and clear of all mortgages, liens, pledges, charges or other encumbrances. The Acquired Assets are substantially all of the assets used by the Company in the operation of the Business. At Closing, the Company will deliver to the Buyer the Acquired Assets free and clear of any claims, liabilities, security interests, mortgages, liens, pledges, conditions, charges, covenants, easements, restrictions, encroachments, leases, encumbrances or other title exceptions or matters of any nature on or against the title to the property, asset, or right, except for liens for taxes not yet delinquent. As of the Closing Date, the Acquired Assets are sufficient for the continued conduct of the Business in substantially the same manner as conducted immediately prior to the Closing.

3.9. *Contracts*.

(a) The Acquired Contracts constitute:

(i) all contracts, whether oral or written, to provide services to which the Company is a party or by which it or its properties is bound and which relate to the Business in excess of $10,000;

(ii) all customer orders and purchase orders outstanding as of the Closing Date and which relate to the Business in excess of $10,000;

(iii) all reseller, distributor, sales agency, advertising or promotional contracts to which the Company is a party and which relate to the Business in excess of $10,000; and

(iv) all contractor and consulting arrangements to which the Company is a party and which relate to the Business in excess of $10,000 or which cannot be terminated by the Company with 90 days notice or less.

(b) The Company has delivered to Buyer true and complete copies of Contracts that are in writing and an accurate and complete description of all oral Contracts.

(c) The Company has complied with all material commitments and obligations pertaining to the Acquired Contracts and the Company is not in default under such material commitment or obligation nor has it received any written notice or, to the Company' s knowledge, any other notice of default thereunder. To the knowledge of the Company, no other party to any Acquired Contract is in default thereunder, nor has the Company given any notice of default thereunder.

(d) Each of the Acquired Contracts is the legal, valid and binding obligation of the Company and, to the knowledge of the Company, the other parties thereto. Each of the Acquired Contracts is in full force and effect. No event or circumstance has occurred which (i) constitutes, or after notice or lapse of time or both would constitute, a material violation or default thereunder on the part of the Company, or to the knowledge of the Company, of any other party thereto, (ii) would result in a right to accelerate, or in

a loss of, material rights under any such Acquired Contract, or (iii) would accelerate the timing or vesting or any compensation, benefits or other payment. The Company has no reason to believe that any Acquired Contract will not continue in full force and effect in accordance with its terms following the consummation of the transactions contemplated hereby.

3.10. *Litigation*. Except to the extent set forth in *Schedule 3.10*, there are no claims, actions, suits, proceedings or investigations, pending or, to the knowledge of the Company threatened, against or affecting the Company and no written notice or, to the knowledge of the Company any other notice, of any claim, action, suit or proceeding, whether pending or threatened, has been received.

3.11. *Conformity with Law*.

(a) The Company is not in default under or in violation of any applicable law or regulation or under any order of any court or federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it. The Company has conducted and is conducting its business in substantial compliance with all applicable federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and is not in violation of any of the foregoing that would have a Material Adverse Effect.

(b) Neither the Company, nor any director, officer, agent or employee of the Company has (i) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity, or (ii) made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns, or violated any provision of the Foreign Corrupt Practices Act of 1977, as amended.

3.12. *Taxes*.

(a) Except as set forth in *Schedule 3.12*, (1) the Company has filed on a timely basis with the appropriate authorities all returns, amended returns, declarations, reports, estimates, statements regarding Taxes, and information returns which are or were filed or required to be filed under applicable law, whether on a consolidated, combined, unitary or individual basis (the "Tax Returns") regarding any federal, state, local, foreign, or other tax, fee, levy, assessment or other governmental charge, including without limitation, any income, franchise gross receipts, property, sales, use services, value added, withholding, social security estimated, accumulated earnings, alternative or add-on minimum, transfer, license, privilege, payroll, profits, capital stock, employment, unemployment, excise, severance, stamp, occupancy, customs or occupation tax, and any interest, additions to tax and penalties in connection therewith (together, the "Taxes"), (2) the Tax Returns referred to in (1) are true and complete in all material respects, (3) the Company has paid in full on a timely basis to the appropriate Taxing authorities all Taxes required to have been paid by the Company, and (4) the Company has timely and properly withheld and paid all Taxes or other amounts required to have been withheld and paid by the Company and timely and properly complied in all material respects with all document retention and Tax Return filing requirements in connection therewith.

(b) Except as set forth in *Schedule 3.12*, (1) no Taxing authority has asserted in writing any adjustment, deficiency, or assessment that could result in additional Tax for which the Company is or may be liable, (2) no claim has ever been made by any Taxing authority in a jurisdiction where the Company does not file Tax Returns that the Company is or may be subject to Taxation by that jurisdiction, (3) no statute of limitations with respect to any Tax for which the Company is or may be liable has been waived or extended, and (4) the Company is not a party to any Tax sharing or Tax allocation agreement, arrangement or understanding.

(c) There are no liens on any of the assets of the Company which arose in connection with any failure or asserted failure to pay any Tax, other than liens for current Taxes not yet due and payable.

(d) Except as set forth on *Schedule 3.12(d)*, the Company is not a party to any contract, agreement, plan or arrangement that, individually or collectively, could give rise to any payment that would not be deductible by reason of Section 162, 280G or 404 of the Code.

(e) The Company (1) does not have and has not had any subsidiaries, (2) has not been a member of an affiliated group filing a consolidated federal income Tax Return, and (3) is not liable for the Taxes of any person under Treasury Regulation 1.1502-6 (or any similar provision of state, local, or foreign law) as transferee or successor, by contract or otherwise.

(f) The provision for Taxes, if any, shown on the December 31, 2004 balance sheet delivered to Buyer, equals or exceeds the aggregate liability of the Company (whether absolute, accrued or contingent) arising out of the operation of the Business prior to December 31, 2004 for all Taxes, and the unpaid Taxes of the Company (1) did not, as of December 31, 2004, exceed the reserve for Tax liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and initial cap tax income) set forth on the face of the December 31, 2004 balance sheet (rather than in any Note thereto) and (2) do not exceed that reserve as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of the Company in filing its Tax Returns.

(g) True and correct copies of (1) any Tax examinations, (2) extensions of statutory limitations, (3) the federal, state and local income Tax Returns and franchise Tax Returns of the Company, and (4) material correspondence between the Company and all Taxing authorities for its last three (3) taxable years previously have been furnished to Buyer.

3.13. *Completeness*. The copies of all leases, instruments, agreements, licenses, permits, certificates or other documents which are referred to in the schedules attached hereto which have been delivered to Buyer in connection with the transactions contemplated hereby are true and complete copies of such leases, instruments, agreements, licenses, permits, certificates or other documents.

3.14. *Absence of Changes*. Except as set forth in *Schedule 3.14,* since December 31, 2004, the business of the Company has been conducted in the ordinary course and there has not occurred any event or condition which has had a Material Adverse Effect. Without limiting the generality of the foregoing, since December 31, 2004, except as set forth in *Schedule 3.14*, the Company has not:

(a) Merged or consolidated with or acquired the business of any other Person or, except in the ordinary course of business, acquired any material property or material assets of any other Person;

(b) Other than as may be required in connection with the consummation of the transactions contemplated by this Agreement, adopted or amended any plan, program, policy, payroll practice, contract, agreement or other arrangement, whether or not subject to Employee Retirement Income Security Act of 1974, as amended ("ERISA"), whether formal or informal, oral or written, providing for compensation, severance, termination pay, performance awards, profit sharing, bonus stock option, stock purchase, restricted stock, equity-based compensation, deferred compensation, change-in-control, pension, retirement, medical, dental, life insurance, disability, education reimbursement, vacation, sick pay, paid time off, fringe benefits or other employee benefits of any kind, including, without limitation, each "employee benefit plan", within the meaning of Section 3(3) of ERISA that is sponsored, contributed to or maintained by the Company for the benefit of current or former employees of the Company or with respect to which the Company could reasonably be expected to have any liability (contingent or otherwise), or increased the compensation of any of its officers, directors or salaried employees except in the ordinary course of business;

(c) Incurred any additional indebtedness for borrowed money, issued any debt securities or assumed, guaranteed or endorsed the obligations of any other Person;

(d) Sold, pledged, leased, licensed or disposed of any of its material assets, excluding inventory sold in the ordinary course and fixed assets with an aggregate value of more than $10,000;

(e) Mortgaged, pledged or granted any security interest in any of its assets, other than in the ordinary course of business;

(f) Amended or otherwise modified its Certificate of Incorporation or By-laws;

(g) Made any change in its methods of accounting or accounting practices (including with respect to reserves) other than as required by GAAP;

(h) Granted any severance or termination pay to, or entered into any severance agreement with, any of its officers, directors or Transferred Employees, or entered into any employment agreement with such officers, directors or Transferred Employees, other than confidentiality agreements executed at the time of hire;

(i) Made or agreed to make any new capital expenditures related to its business in excess of $120,000 in the aggregate;

(j) Failed to pay any creditor (including, without limitation, trade creditors) any amount owed to such creditor upon the later of when such amount became due or with the applicable grace period;

(k) Other than with respect to contractual obligations disclosed in *Schedules 1.1(d)* and *1.2(g)*, entered into any contractual obligation to pay or receive more than $10,000 and no Person has accelerated, terminated, modified or canceled any contractual obligation involving more than $10,000 to which the Company is a party (in each case, other than customer contracts entered into in the ordinary course);

(l) Terminated any employees in a manner that would result in any liability arising under the Worker Adjustment and Retraining Notification Act 29 U.S.C. § 2101, et seq., or under any state or local Laws providing for notice to employees or others and/or providing for pay or benefits in the event of a layoff, closing, relocation or other similar action (all of the foregoing, collectively, "WARN"); or

(m) Entered into any contractual obligation to do any of the actions referred to elsewhere in this Section 3.15.

3.15. *Brokers and Finders*. Neither the Company nor any officer, director, or employee of the Company has incurred or will incur any liabilities for any financial advisory fees, brokerage fees, commissions or finders' fees in connection with the transactions contemplated by this Agreement.

3.16. *Employees*.

(a) Schedule 3.16 attached hereto lists all written employment or severance contracts, agreements, commitments, undertakings, arrangements or understandings ("Contractual Obligation"), with any employee employed by the Company in connection with the conduct of the Business other than Excluded Contracts. There are no collective bargaining agreements or other labor Contractual Obligations relating to employees employed by the Company in connection with the conduct of the Business. Schedule 3.16 sets forth the name, date of hire and the wage or salary, commission target and bonus formula and other payments (or hourly wage, as the case may be) in respect of each of the individuals employed by the Company in connection with the Business since December 31, 2005. Schedule 3.16 lists confidentiality and non-competition agreements signed by employees or consultants and currently in effect.

(b) The Company is in compliance in all material respects with all Laws respecting employment and employment practices, terms and conditions of employment, unlawful discrimination, and wages and hours with respect to the Business. The Company has not engaged, and is not now engaging, in any unfair labor practice or other

unlawful employment practice with respect to the Business. The Company does not have any knowledge of any unfair labor practice or unfair employment practice complaints made or threatened against the Company with any governmental or regulatory agency with respect to the Business. The Company has not received any actual written notice reflecting an intention or threat to file any such complaint with respect to the Business. The Company does not have any knowledge of any pending or threatened claims arising out of any Law relating to discrimination with respect to employees or employment practices with respect to the Business. There is no strike, work stoppage or labor disturbance pending or to the knowledge of the Company threatened against or involving the Company with respect to the Business.

3.17. *Distributors and Sales Representatives. Schedule 3.17* lists all of the reseller, distributors and sales representatives for the Acquired Assets indicating the specific product lines or services distributed or sold by such Persons, the existing Contracts, if any, with each such distributor or sales representative and the volume of products distributed or sold thereby during the calendar year ended December 31, 2005. Except for the Acquired Contracts, all such Contractual Obligations, and any other Contractual Obligations with distributors or sales representatives, have been or will be terminated as of, or prior to, the Closing Date.

3.18. *Intellectual Property.*

(a) *Certain Definitions.* As used in this Agreement, "Intellectual Property" means all intellectual property rights of every kind and nature, including but not limited to all rights and interests pertaining to or deriving from: (i) patents, copyrights, trade secrets, mask work rights, inventions, proprietary data, database rights, design rights, domain names; (ii) trademarks, trade names, service marks, trade dress and logos, and the goodwill and activities associated therewith; (iii) rights of privacy and publicity, moral rights, and (iv) any and all registrations, applications, recordings, government-issued rights, common-law rights, license rights and Contracts relating to any of the foregoing. "Technology" means, as each exists and is currently used by the Company at Closing, all (a) inventions, discoveries, innovations, know-how, information, designs, specifications, business and marketing plans and proposals, documentation and manuals, Software, equipment, and all other forms of technology, and (b) any written materials, text, tests, test questions, forms, media, art, photos, illustrations, images, graphics, characters, music, audio, compositions, sound recordings, video, film, collective works, or other works of authorship, embodied in any form, whether or not protectable or protected by patent, copyright, trade secret law or otherwise, and all documents and other recordings and embodiments of any of the foregoing. "Software" means computer software or firmware in any form, as it exists and is currently used by the Company at Closing, including but not limited to programs, modules, routines, procedures, rules, libraries, macros, algorithms, tools, and scripts, and all documentation of or for any of the foregoing.

(b) *Title.* Except as set forth in *Schedule 3.18(b)*, the Company is the sole owner, or is the licensee, pursuant to a Third Party License Agreement with the right to use any and all Technology as it is currently used in connection with the Business and any and all Intellectual Property in any and all such Technology ("Company

Technology"), free and clear of any Encumbrance, and except as provided in the Third Party License Agreements identified on *Schedule 3.18(e)*, none of the Company Technology is in the possession, custody, or control of any Person other than the Company, and the Company' s right to exploit the Company Technology as it is currently used is not restricted by any contractual, proprietary or other right or interest held by a third party (other than Intellectual Property rights of a third party, which are covered by Section 3.18(c), below). With respect to each item of Company Technology such item as it is currently used by the Company is not subject to any outstanding government order, writ, judgment, decree, injunction, award, settlement agreement, stipulation, ruling of any governmental authority (each an "Order") and no Action is pending or, to the knowledge of the Company, threatened that challenges the legality, validity, enforceability, use or ownership of such item.

(c) *Noninfringement.* Except as disclosed on *Schedule 3.18(c)*, neither the Company nor any predecessor has (i) to the Company' s knowledge, interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property rights of third parties or (ii) received any written charge, complaint, claim, demand, or notice alleging any such interference, infringement, misappropriation, or violation (including any claim that a Person must license or refrain from using any Intellectual Property of any third party in connection with the Business or the use of the Company Technology). To the Company' s knowledge, no third party has interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Company Technology. Except as disclosed on *Schedule 3.18(c)*, the Company has not agreed and does not have a Contract to indemnify any Person for or against any interference, infringement, misappropriation of third party Intellectual Property rights.

(d) *Scheduled Intellectual Property. Schedule 3.18(d)* identifies all patents, patent applications, registered copyrights, registered trademarks, and applications for trademark registrations, which have been applied for or issued to the Company. Each such item is valid and subsisting. *Schedule 3.18(d)* also identifies each trade name and unregistered trademark or service mark used by the Company or in connection with the Business.

(e) *Third Party Technology*. Schedule 3.18(e) identifies each Contract pursuant to which the Company has been authorized to use any Company Technology owned by a Person other than the Company (each a "Third Party License Agreement") other than licenses to use commercial software obtained from a third party (i) on general commercial terms and which continues to be widely available on such commercial terms, (ii) with a retail value of $1000 or less, (iii) which is not material to the conduct of the Business, (iv) which is used for business infrastructure or other internal purposes, and (v) which is not distributed with or incorporated in the Company' s products, or necessary for use or development of the Company' s products ("Off-the-Shelf Software"). The Company has made available to Buyer true, accurate and complete copies of all of the Third Party License Agreements, in each case, as amended or otherwise modified and in effect. Except as provided in the Third Party License Agreements identified on Schedule 3.18(e) or with respect to Off-the-Shelf Software, the Company is not obligated to pay royalties to any third party for the use of any Company Intellectual Property.

(f) *Out-License Agreements. Schedule 3.18(f)* identifies each Contract in which the Company has granted to any third party any right or interest in any Company Technology ("Out-License Agreements"). The Company has made available to Buyer true, accurate and complete copies of all of the Out-Licenses, in each case, as amended or otherwise modified and in effect. Except as provided in the Out-License Agreements or as otherwise disclosed in *Schedule 3.18(f),* the Company has not granted rights in any Company Technology to any Person and no Person other than the Company holds any rights in any Company Technology.

(g) *Markings and Notices.* All products and services employing Technology that are covered by patents that are part of the Company Technology are properly marked with patent notices.

(h) *Employees and Contractors*. All current and former employees and contractors of the Company who contributed to the Company Technology have executed Contractual Obligations that (a) specify that all works of authorship (including Software) relating to the Business that the employee or contractor creates (either alone or jointly with third party(ies)) is "work made for hire" under U.S. copyright law, and (b) assign to the Company all the respective rights, including Intellectual Property rights, to any inventions, improvements, discoveries, works of authorship, and information relating to the Business, and (c) obligate such individual to keep all Company Technology, and the confidential information of any other Person, confidential.

(i) *Privacy and Security.* The Company' s use and dissemination of any and all data and information concerning consumers of its products or users of any web sites operated by the Company is in compliance in all material respects with all applicable privacy policies, terms of use, and Laws. To the knowledge of the Company, there have been no security breaches relating to, violations of any security policy regarding or any unauthorized access of any data used in the business of Company. The transactions contemplated to be consummated hereunder as of the Closing will not violate any privacy policy, terms of use, or Laws relating to the use, dissemination, or transfer of such data or information.

(j) *Company Software. Schedule 3.18(j)* (a) identifies all Software used in connection with the Business other than Off-the Shelf Software and identifies which of such Software is used by the Company in the conduct of the Business and is owned or purported to be owned by the Company ("Owned Software") and which is Software that is owned by any third party and that is used by the Company in the conduct of the Business ("Licensed Software" and together with the Owned Software "Company Software"), (b) for Owned Software, specifies whether such Software was developed by the Company or acquired from a third party, and if the latter, from whom, and (c) for Licensed Software, specifies whether such Software is licensed or otherwise used, as the case may be, and by or from whom. The Company is in actual possession of: (i) the source code and object code for all Owned Software and all Company Software that is incorporated into the Company' s products; and (ii) the object code and, to the extent required for the use of the Company Software, the source code, for all Licensed Software. The Company is in possession of all documentation (including, without limitation, all

related engineering specifications, program flow charts, installation and user manuals) and know-how required for the use and revision of all Company Software incorporated into the Company' s products. Except for that Software described in *Schedule 3.18(l)*, the Company Software constitutes all the Software necessary to conduct the Business.

(k) *Source Code.* The Company has not disclosed, delivered, or agreed to disclose or deliver, or permitted the disclosure or delivery to any Person of any source code to any Owned Software or Licensed Software for which it has possession of source code. None of the Company Technology is subject to any Contractual Obligation that would require the Company to divulge to any Person any source code or trade secret that is part of Company Technology. Except as disclosed in *Schedule 3.18(k)*, to the knowledge of the Company, no Person (other than Company) is in possession of any source code for any Software included in the Owned Software or has any rights to the same.

(l) *Open Source Software.* Except as set forth in *Schedule 3.18(l)*, none of the Company Technology constitutes, incorporates, or is dependent on, any Software that is distributed as "open source software" or "free software" or under a similar licensing or distribution model (including but not limited to the GNU General Public License (GPL), GNU Lesser General Public License (LGPL), Mozilla Public License (MPL), BSD licenses, and the Netscape Public License,) ("Open Source Software"). For each item of Open Source Software identified on *Schedule 3.18(l)*, if any, *Schedule 3.18(l)* identifies the open source license agreement pursuant to which Company obtained the Open Source Software and describes how the Open Source Software is used by the Company. The Company has not, and has not permitted its distributors, customers or end users to: (i) incorporate Open Source Software into, or combine Open Source Software with, any other Company Software or use Open Source Software to provide any of the Company' s products; or (ii) distribute Open Source Software in conjunction with or for use with any other Company Software. The terms and conditions under which the Company or its affiliates, distributors, customers, or end users use or distribute any Open Source Software have not: (a) created or purported to create any obligation of the Company with respect to Company Software to disclose, distribute or grant a license to source code, or (b) granted, or purported to grant, to any Person any rights to or immunities under Company Technology, or (c) required, or purported to require, the Company or any other Person to make Company Software available for redistribution to third parties for no or minimal charge.

(m) *Support Obligations; Product Failures.* Except as disclosed on *Schedule 3.18(m),* the Company is not obligated to support or maintain any of the Company Software except pursuant to agreements terminable by the Company (other than for cause) on a periodic basis and that provide for periodic payments to the Company for such services. The Company Software and all Software products of the Company function in accordance with their documentation in all material respects.

(n) *Malicious Code.* None of the Company Software, except as disclosed in the documentation for such Software or in any license agreement therefor and other than license expirations or timeouts, contain any time bomb, virus, worm, trojan horse, back

door, drop dead device, or any other Software that would interfere with the normal operation of any Company Software, would allow circumvention of security controls for the same, or that is intended to cause damage to hardware, Software or data.

(o) *End User Agreements.* Except as set forth on *Schedule 3.18(o)*, the Company delivers its end user license agreement (without requiring any express indication of agreement or understanding or acknowledgement of receipt) to each customer to whom it delivers a copy of, or whom is permitted on-line access to, the Company' s products prohibiting those Persons from reverse engineering Company Software, and from otherwise misusing Company products to the extent set forth in such agreement and notifies such Persons in its user documentation that their use of the product signifies their acceptance of such agreement. The Company has made available to Buyer true, accurate and complete copies of all forms of such agreements used by the Company.

(p) *Government Funding*. No direct funding from any Federal, state, local or other government or facilities of any university, college or other academic institution were used in the development of Company Technology.

3.19. *Insurance. Schedule 3.19* contains a complete list of all of the Company' s insurance policies in effect as of the date hereof. The media/property and umbrella liability insurance coverage covers the Company' s claims occurrences prior to Closing at the individual occurrence and aggregate limits specified in such policies.

3.20. *Real Property.* The Company does not own any real property. *Schedule 3.20* lists all real property leased, subleased by, licensed or with respect to which a right to use or occupy has been granted to or by any of the Company (the "Real Property") and identifies each lease or any other Contractual Obligation under which such property is leased (the "Real Property Leases"). Except as described on *Schedule 3.20* there are no written or oral subleases, licenses, concessions, occupancy agreements or other Contractual Obligations granting to any other Person the right of use or occupancy of the Real Property and there is no Person in possession of the leased Real Property. The Company is not obligated to pay any leasing or brokerage commission as a result of the transactions contemplated by this Agreement. To the Company' s knowledge, there is no pending eminent domain taking affecting any of the Real Property. The Company has delivered to the Buyer true, correct and complete copies of the Real Property Leases including all amendments, modifications, notices or memoranda of lease thereto and all estoppel certificates or subordinations, non-disturbance and attornment agreements related thereto. The Company has not caused or taken any action that is reasonably expected to result in, and it is not subject to, any material potential liability or obligation under any law, regulation, judgment, order, injunction or decree, relating to the protection of the environment or the protection of public health and safety from environmental concerns.

3.21. *Customers, Vendors. Schedule 3.21* hereto sets forth a complete and accurate list of (i) the fifty largest customers, excluding resellers, (by dollar volume) of the Business during the most recent fiscal year, (ii) the twenty-five largest vendors by accounts paid during the most recent fiscal year, (iii) the ten largest customers, excluding resellers, (by dollar volume) of the Business during the most recent fiscal quarter, and (iv) the ten largest vendors by accounts paid during the most recent fiscal quarter.

3.22. *Recent Orders.* Except as disclosed on *Schedule 3.22*, to the knowledge of the Company during the thirty days prior to and including the date hereof, the Company has not received any complaints or claims by customers for any reason related to the shipment, delivery or quality of any accepted orders or completed orders, including without limitation, any rework or billing issues relating thereto, that are, in the aggregate, likely to result in liabilities exceeding $10,000, nor, to the knowledge of the Company, is the shipment, delivery or quality of any accepted order or completed order likely to result in any complaints or claims by customers that result in liabilities exceeding $10,000 in the aggregate.

3.23. *Affiliate Transactions.* Except as set forth in *Schedule 3.23* hereto, the Company is not a party to or bound by any Contractual Obligations, commitment or understanding with any of the officers, directors or stockholders of the Company or any of their affiliates or, to the knowledge of the Company, any member of their family and none of the stockholders, directors or officers of the Company or any of their affiliates or, to the knowledge of the Company, members of their family owns or otherwise has any rights to or interests in any asset, tangible or intangible, which is used in the Business.

4. REPRESENTATIONS OF THE STOCKHOLDERS.

Each Stockholder, severally and not jointly, makes the following representations and warranties to the Buyer:

4.1. *Authorization.* Such Stockholder has all power and authority to enter into and perform this Agreement, the Ancillary Agreements, and the other documents and instruments to be delivered pursuant to this Agreement to which it is a party, and to consummate the transactions contemplated hereby. This Agreement has been, and the Ancillary Agreements to which such Stockholder is a party, when executed and delivered by such Stockholder, will be, duly and validly executed and delivered by such Stockholder. This Agreement constitutes, and each Ancillary Agreement to which such Stockholder is a party, when executed and delivered, will constitute, the legal, valid and binding obligation of such Stockholder, enforceable against such Stockholder in accordance with their terms.

4.2. *No Conflicts; Approvals.*

(a) Neither the execution, delivery and performance of this Agreement or the Ancillary Agreements by such Stockholder nor the consummation of the transactions contemplated hereby will (i) conflict with or result in a breach of any provision of the applicable organizational documents of such Stockholder, as applicable, (ii) result in any conflict with, breach of, or default (or give rise to any right to termination, cancellation or acceleration or loss of any right or benefit) under or require any consent or approval which has not been, or prior to Closing will not be, obtained or waived with respect to any contract to which such Stockholder is a party or (iii) violate any order, law, rule or regulation applicable to such Stockholder, or by which it or its properties or assets may be bound.

(b) No action, consent or approval by, or filing by such Stockholder with, any federal, state, municipal, foreign or other court or governmental body or agency, or any other regulatory body, or any other person or entity is required in connection with the execution, delivery or performance by such Stockholder of this Agreement, the Ancillary Agreements to which it is a party or the consummation by such Stockholder of the transactions contemplated hereby.

4.3. *Litigation.* There are no claims, actions, suits, proceedings or investigations pending or, to the knowledge of such Stockholder, threatened against or affecting such Stockholder, and no written notice or, to the knowledge of such Stockholder any other notice, of any claim, action, suit or proceeding, whether pending or threatened, has been received.

4.4. *Brokers and Finders.* Neither such Stockholder nor any officer, director, or employee of such Stockholder has incurred or will incur any liabilities for any financial advisory fees, brokerage fees, commissions or finders' fees in connection with the transaction contemplated hereby.

5. REPRESENTATIONS OF BUYER.

Buyer makes the following representations and warranties to, and covenants with, the Sellers.

5.1. *Due Organization*. Buyer is a corporation duly organized, validly existing and in good standing under the laws of The Commonwealth of Massachusetts. Buyer is duly authorized, qualified and licensed under all applicable laws, regulations, and ordinances of public authorities to carry on its business in the places and in the manner as now conducted except for where the failure to be so authorized, qualified or licensed would not have a Material Adverse Effect on the business, operations, assets, properties or condition, financial or otherwise of Buyer.

5.2. *Authorization*. Buyer has all corporate power and authority to enter into and perform this Agreement, the Ancillary Agreements, and the other documents and instruments to be delivered pursuant to this Agreement and to consummate the transactions contemplated hereby. The execution and delivery by Buyer of this Agreement, the Ancillary Agreements and the other documents and instruments to be delivered pursuant to this Agreement and the consummation by Buyer of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of Buyer. This Agreement has been and the Ancillary Agreements to which Buyer is a party when executed and delivered by Buyer will be, duly and validly executed and delivered by Buyer. This Agreement constitutes, and each Ancillary Agreement to which Buyer is a party, when executed and delivered, will constitute, the legal, valid and binding obligation of Buyer, enforceable against it in accordance with their terms.

5.3. *No Conflicts; Approvals.*

(a) Neither the execution, delivery and performance of this Agreement or the Ancillary Agreements by Buyer nor the consummation of the transactions contemplated hereby will (i) conflict with or result in a breach of any provision of the charter or bylaws of Buyer, (ii) result in any conflict with, breach of, or default (or give rise to any right to

termination, cancellation or acceleration or loss of any right or benefit) under or require any consent or approval which has not been or prior to Closing will not be waived or obtained with respect to any indenture, contract, agreement or instrument to which Buyer is a party or by which it or its properties or assets may be bound or (iii) violate any order, law, rule or regulation applicable to Buyer or by which it or its properties or assets may be bound.

(b) No action, consent or approval by, or filing by Buyer with, any federal, state, municipal, foreign or other court or governmental body or agency, or any other regulatory body, or any other Person is required in connection with the execution, delivery or performance by Buyer of this Agreement, the Ancillary Agreements or the consummation by Buyer of the transactions contemplated hereby except any filing, consent, or approval that has been made or obtained prior to the Closing.

5.4. *Brokers and Finders.* Neither Buyer nor any officer, director, or employee of Buyer has incurred or will incur any liabilities for any financial advisory fees, brokerage fees, commissions or finders' fees in connection with the transaction contemplated hereby, other than fees paid in full by Buyer.

6. EMPLOYMENT MATTERS.

6.1. *General.* The Company shall terminate the employment with the Company of each of the employees who are identified in *Schedule 6.1* (the "Transferred Employees"), effective as of the close of business on the Closing Date. The Company shall (i) pay or otherwise satisfy any and all liabilities and obligations owing to the Company' s present and former employees relating to such employees' employment and termination, including, without limitation, accrued salary and wages, but specifically excluding Rollover Vacation Time (as defined below), commissions, sick pay, pension, retirement, savings, health, welfare and other benefits and severance payments or similar payments that are otherwise due and payable to such employees with respect to any period of time preceding the Closing Date pursuant to any employee benefit plan, fund, program, contract (oral or written), arrangement, or other policy or practice of the Company or applicable law, it being understood that Buyer shall not be or become obligated for any such or similarly based payments or other obligations with respect to the Company' s present or former employees; and (ii) provide to all such employees any notice required under any law or regulations in respect of such termination including, without limitation, notices required by COBRA.

6.2. *WARN.* The Company shall be responsible for timely compliance with all material federal, state and local laws respecting the effect to any of its employees of the transactions contemplated by this Agreement and by any Related Agreement including, without limitation, WARN. Buyer acknowledges and agrees that it shall bear any such responsibility with respect to the actions it takes after the Closing Date. The Company agrees that it will not take any action which causes the notice provisions of WARN to be applicable to the transactions contemplated by this Agreement and by any Related Agreement.

6.3. *Offers of Employment.* The Buyer shall offer employment to each of the Transferred Employees, such employment to commence effective as of the Closing Date. The

Buyer agrees that, as a condition of employment with the Buyer, each Transferred Employee shall be required by the Buyer to sign a letter which sets forth the Buyer' s offer of employment and which includes (A) an acknowledgement that all obligations of the Company with respect to all amounts accrued relating to any unused vacation time of such Transferred Employee shall be transferred to, and assumed by, the Buyer in connection with such Transferred Employee' s employment by the Buyer; and (B) a waiver of any and all claims against the Company related to such accrued amount of unused vacation time. Each such Transferred Employee who accepts such offer of employment (i) shall be employed by the Buyer in accordance with and pursuant to Buyer' s employment policies, practices and procedures, (ii) shall for the initial twelve (12)-month period of such individual' s employment with the Buyer be compensated by the Buyer for the performance of such individual' s employment services therewith at an aggregate basis greater than or equal to the amount per Transferred Employee set forth for such individual in *Schedule 6.1*, and (iii) shall be eligible to participate during the term of such individual' s employment with the Buyer in those employee benefit plans and programs that the Buyer from time to time makes available to its similarly-situated employees in accordance with and pursuant to the respective terms and conditions of such employee benefit plans and programs.

6.4. *Benefits of Transferred Employees.*

(a) For purposes of Section 6.3(iii), the Buyer shall recognize, for all purposes (including vesting and any waiting period, eligibility condition and the availability of benefits, but excluding historical benefit accrual) under its employee benefit plans, programs, arrangements and policies, in which a Transferred Employee will participate, the length of service of each Transferred Employee as of the Closing Date with the Company. The Buyer shall use commercially reasonable efforts to cause any applicable service or benefit plan provider to waive, any waiting period or limitations on benefits for pre-existing conditions, to which such Transferred Employees (and their dependents) might otherwise be subject, under the Buyer' s employee benefits plans (except to the extent not satisfied under any comparable plan of the Company as of such time), and to grant credit under any group health plan for any portion of any co-pay or deductible previously met during the plan year by such Transferred Employee or his or her dependent as of the later of the Closing Date or the date on which such Transferred Employee enrolls in the Buyer' s group health plan. Without limiting the generality of the foregoing, the Buyer shall recognize the length of service of each Transferred Employee with the Company for purposes of determining the prospective accrual of benefits pursuant to the Buyers 401(k) plan, pension plan, tuition reimbursement plan and vacation policy.

(b) The Buyer shall honor, continue in effect, credit and satisfy any liability to each Transferred Employee all of his or her vacation earned, accrued but untaken by such Transferred Employee as of the Closing, if any, up to a maximum of fifty-six (56) hours (the "Rollover Vacation Time") and shall provide each Transferred Employee such period of time as is consistent with the Company' s existing vacation policy, provided that such period of time shall extend through December 31, 2007 (the "Effective Period") to use such Rollover Vacation Time without forfeiting the same. Buyer shall waive any waiting period applicable to the use of the Rollover Vacation Time and the prospective accrual and use of vacation benefits by the Transferred Employees. If a Transferred Employee is terminated for any reason during the Effective Period, the Buyer shall pay the Transferred Employee all amounts accrued with respect to his or her unused Rollover Vacation Time. In the event that the Company is required to pay to

any Transferred Employee any amount in respect of such Transferred Employee' s Rollover Vacation Time, Buyer shall immediately reimburse to the Company the full amount paid by the Company to such Transferred Employee.

7. ADDITIONAL COVENANTS.

7.1. *Further Assurances; Covenants in Support of Assignment.* The Company shall provide all reasonable cooperation reasonably requested by Buyer in connection with any effort by Buyer to establish, perfect, defend, or enforce its rights in or to the Acquired Assets, including executing further consistent assignments, transfers and releases, and using reasonable efforts to cause its representatives and agents to provide good faith testimony by affidavit, declaration, deposition or other means at Buyer' s expense. To the extent the Company cannot transfer and assign any Intellectual Property included among the Acquired Assets ("Acquired Intellectual Property"), or any portion thereof, as of the Closing, then the Company will assign and transfer such Acquired Intellectual Property at the first opportunity to do so. To the extent that any Acquired Intellectual Property cannot be assigned and transferred by the Company, the Sellers hereby grant Buyer an irrevocable, worldwide, fully-paid up, royalty-free, exclusive license, with the right to sublicense through multiple tiers under any and all rights which the Company or other Sellers can grant in such Acquired Intellectual Property, to make, use, sell, improve, reproduce, distribute, perform, display, transmit, manipulate in any manner, create derivative works based upon, and otherwise exploit or utilize in any manner the Acquired Intellectual Property. In addition, the Sellers hereby release, discharge, and covenant not to assert against Buyer and Buyer' s affiliates, and the customers, distributors, and sales representatives of the products and services based upon the Acquired Intellectual Property, and the assignees and licensees of Acquired Intellectual Property, all claims, causes, obligations, rights of action, or liabilities of any kind or nature, whether now existing or hereinafter arising, and whether known or unknown arising from or relating to such Acquired Intellectual Property, or any of them, *provided, however*, that Sellers do not release or covenant not to assert any claim, cause, or right of action based upon the breach of this Agreement by Buyer.

7.2. *Nondisclosure of Confidential Information*. The Sellers recognize and acknowledge that they have in the past, currently have, and in the future may possibly have, access to certain confidential information about the Acquired Assets, such as lists of customers, operational policies, and pricing and cost policies that are valuable, special and unique assets. Each Seller agrees that it or he will not use such confidential information or disclose such confidential information to any Person for any purpose or reason whatsoever unless such information becomes known to the public generally through no fault of any Seller or unless such Seller is required by law to disclose such information; provided that the Sellers may use and disclose any such information in connection with the operation of the Retained Business. Buyer may, at its option, in addition to obtaining any other remedy or relief available to it (including without limitation damages at law) enforce the provisions of this Section 7.2 by injunction and other equitable relief.

7.3. *Allocation of Purchase Price.* Following the Closing, Buyer, after consultation with the Company, shall prepare an allocation of the Purchase Price among the Acquired Assets and Ancillary Agreements in accordance with Code Section 1060 and the regulations thereunder, which allocation and any adjustments thereto shall be binding among the parties hereto. The

Company, Buyer and their respective affiliates shall file all Tax Returns consistent with such final allocation. None of the Company, Buyer, or any of their respective affiliates shall take any Tax position (whether in audits, Tax Returns or otherwise) which is inconsistent with such final allocation unless required to do so by applicable Law.

7.4. *Taxes and Charges.* All transfer, documentary, use stamp, registration, sales tax and other such Taxes, and any conveyance fees or recording charges incurred in connection with the transfer and conveyance of the Acquired Assets, will be borne by the Company. The Company will file all necessary Tax Returns and other documentation with respect to all such Taxes, fees and charges and, if required by applicable Law, the Buyer will (and will cause its affiliates to) join in the execution of any such Tax Returns and other documentation. The expenses associated with such filings shall be borne by the Company.

7.5. *Books and Records.*

(a) The Buyer shall maintain all of the books and records and other Documents transferred to Buyer as part of the Acquired Assets for a period of at least six (6) years following the Closing Date and shall provide Sellers with access to, or copies of, such books and records as the Sellers, or any of them, may from time to time reasonably request.

(b) The Company shall maintain all of its books and records not transferred to Buyer as part of the Acquired Assets for at least six (6) years following the Closing Date and shall provide Buyer will access to, or copies of, such books as records as the Buyer may from time to time reasonably request.

8. INDEMNIFICATION.

8.1. *Survival of Representations and Warranties*.

(a) The representations and warranties of the Sellers made in this Agreement shall survive the Closing for a period of 18 months from the Closing Date, except that:

(i) the representations and warranties set forth in Section 3.11 and 3.12 shall survive until the expiration of the applicable statutes of limitations (taking into account any tolling periods and other extensions); and

(ii) the representations and warranties set forth in Section 3.18 shall survive until the earlier of (A) the applicable statute of limitations and (B) the later of (x) the expiration of the term of the License Agreement, if Buyer does not exercise the Option (as defined in the Option Agreement), or (y) the date which is the last day of the final Measurement Period (as defined in the Option Agreement), if the Buyer exercises the Option; *provided, however,* that representations and warranties with respect to which a claim is made within the applicable survival period shall survive with respect to such claim until such claim is resolved.

(b) The representations and warranties of Buyer made in this Agreement shall survive the Closing for a period of 18 months following the Closing Date, *provided*,

however, representations and warranties with respect to which a claim is made within such 18 month period shall survive with respect to such claim until such claim is resolved.

(c) No claim for indemnification may be made with respect to a representation and warranty after the expiration of the applicable survival period, other than claims based on fraud.

8.2. *General Indemnification by the Company*. From and after the Closing Date, the Company (as an indemnifying party, an "Indemnifying Party") covenants and agrees that it will indemnify, defend, protect, and hold harmless Buyer and each of its affiliates (each in its capacity as an indemnified party, an "Indemnitee") from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) (collectively "Damages") incurred by such Indemnitee as a result of or arising from:

(a) any breach of any representation or warranty of the Company set forth in Section 3 herein or in any certificate or other Ancillary Agreement delivered by the Company at Closing pursuant to this Agreement (as each such representation or warranty would read if all qualifications as to materiality were deleted therefrom);

(b) any breach or nonfulfillment by the Company of, or any noncompliance by the Company with, any covenant, agreement, or obligation contained herein or in any certificate or Ancillary Agreement delivered by the Company at Closing pursuant to this Agreement;

(c) any liabilities of the Company resulting or arising from the ownership of the Acquired Assets and the operation of the Business prior to the Closing, except to the extent Damages arise in connection with the Assumed Liabilities;

(d) the ownership of the Excluded Assets;

(e) any Taxes of the Company of any kind relating to or arising in connection with the transfer of the Acquired Assets to Buyer;

(f) any liability or obligation of, or any claim against, the Company not expressly assumed by Buyer hereunder, including without limitation the liabilities and obligations described in Section 1.5; and

(g) any failure to comply with any so-called "bulk sales law" or other similar law in any jurisdiction in respect of the transactions contemplated hereby.

The Buyer shall not be entitled to indemnification under Section 8.2(a) except to the extent the total amount for which Buyer is entitled to indemnification (excluding the limitation of this sentence) exceeds $200,000, and the maximum aggregate indemnification for such claims (the "Company Indemnification Cap") shall be limited as follows: (i) the aggregate amount of indemnification for all claims made during the six month period immediately following the Closing Date (the "Initial Period") (whether or not resolved in the Initial Period) shall not exceed

the amount equal 25% of the Aggregate Purchase Price, (ii) the aggregate amount of indemnification for all claims made during the period immediately following the Initial Period until the twelve (12) month anniversary of the Closing Date (the "Subsequent Period") (whether or not resolved in the Subsequent Period) plus the aggregate amount of indemnification for all claims made during the Initial Period shall not exceed the amount equal to 20% of the Aggregate Purchase Price, and (iii) the aggregate amount of indemnification for all claims made after the twelve (12) month anniversary of the Closing Date plus the aggregate amount of all claims made during the Initial Period and the Subsequent Period shall not exceed the amount equal to 15% of the Aggregate Purchase Price. Without limiting the effect of the Company Indemnification Cap with respect to each of the periods as provided for in the previous sentence, for clarity, in no event shall the maximum amount of any indemnification received under Section 8.2(a) exceed 25% of the Aggregate Purchase Price. Notwithstanding the foregoing, the Company Indemnification Cap will not apply to claims for indemnification pursuant to Section 8.2(a) in respect of breaches of, or inaccuracies in, representations and warranties set forth in Sections 3.1 (Organization), 3.2 (Authorization), the second and fourth sentences of Section 3.8 (Sufficiency of Acquired Assets), and 3.12 (Taxes). It is agreed and understood that Buyers and their successors and assigns shall not be entitled to recover more than once for the same damage under this Agreement.

The following example illustrates the application of the Company Indemnification Cap set forth in the previous paragraph: for the purposes of this example only, assume that the Aggregate Purchase Price is $20 million and does not change over time and assume that there is a claim by Buyer of $5 million in the Initial Period, a claim by Buyer of $5 million in the Subsequent Period and a claim by Buyer of $5 million after the Subsequent Period. If the claim in the Initial Period is settled at $1 million and the claim in the Subsequent Period is settled at $500,000, then the aggregate amount of the Company' s indemnification obligation for the claim after the Subsequent Period shall not exceed $1,500,000.

If Buyer is entitled to indemnification for Damages that is covered by both Section 8.2(a) and Section 8.2(c), Buyer hereby irrevocably elects Section 8.2(a) as the provision under which it will receive indemnification, other than for claims based on fraud.

8.3. *General Indemnification by the Stockholders.* From and after the Closing Date, each Stockholder (each in its or his capacity as an indemnifying party, an "Indemnifying Party") covenants and agrees that it will, severally and not jointly, indemnify, defend, protect, and hold harmless Buyer and each of its affiliates (each in its capacity as an indemnified party, an "Indemnitee") from and against all Damages incurred by such Indemnitee as a result of or arising from:

(a) any breach of any representation or warranty of such Stockholder set forth in Section 4 herein (as each such representation or warranty would read if all qualifications as to materiality were deleted therefrom); and

(b) any breach or nonfulfillment by such Stockholder of, or any noncompliance by the Stockholder with, any covenant, agreement, or obligation contained herein.

It is agreed and understood that Buyer and its successors and assigns shall not be entitled to recover more than once for the same Damage under this Agreement.

8.4. *Indemnification by Buyer*. From and after the Closing Date, Buyer (in its capacity as an indemnifying party, an "Indemnifying Party") covenants and agrees that it will indemnify, defend, protect and hold harmless each Seller (each in its or his capacity as an indemnified party, an "Indemnitee") from and against all Damages incurred by such Indemnitees as a result of or arising from:

(a) any breach of any representation or warranty of Buyer set forth in Section 5 or in any certificate or Ancillary Agreement delivered by Buyer at Closing pursuant to this Agreement (as each such representation or warranty would read if all qualifications as to materiality were deleted therefrom) and any fraudulent misrepresentation in connection with this Agreement or the transactions contemplated hereby;

(b) any breach or nonfulfillment by Buyer of, or noncompliance by Buyer with, any covenant, agreement or obligation contained herein or in any certificate or other Ancillary Agreement delivered by Buyer at Closing pursuant to this Agreement;

(c) the ownership of the Acquired Assets and the operation of the Business from and after Closing as long as such Damages do not arise from facts or circumstances existing prior to Closing; and

(d) any of the Assumed Liabilities.

The Sellers shall not be entitled to indemnification for any breach by Buyer of any of Buyer' s representations or warranties under this Section 8.4 (a) except to the extent the total amount for which Sellers are collectively entitled to indemnification (excluding the limitation of this sentence) exceeds $200,000, and the maximum aggregate indemnification for such claims (the "Buyer Indemnification Cap") shall be limited as follows: (i) the aggregate amount of indemnification for all claims made during the six month period immediately following the Closing Date (the "Initial Period") (whether or not resolved in the Initial Period) shall not exceed the amount equal 25% of the Aggregate Purchase Price, (ii) the aggregate amount of indemnification for all claims made during the period immediately following the Initial Period until the twelve (12) month anniversary of the Closing Date (the "Subsequent Period") (whether or not resolved in the Subsequent Period) plus the aggregate amount of indemnification for all claims made during the Initial Period shall not exceed the amount equal to 20% of the Aggregate Purchase Price, and (iii) aggregate amount of indemnification for all claims made after the twelve (12) month anniversary of the Closing Date plus the aggregate amount of indemnification for all claims made during the Initial Period and the Subsequent Period shall not exceed the amount equal to 15% of the Aggregate Purchase Price. Without limiting the effect of the Buyer Indemnification Cap with respect to each of the periods as provided for in the previous sentence, for clarity, in no event shall the maximum amount of any indemnification received under Section 8.4(a) exceed 25% of the Aggregate Purchase Price. Notwithstanding the foregoing, the Buyer Indemnification Cap will not apply to claims for indemnification pursuant to Section 8.4(a) in respect of breaches of, or inaccuracies in, representations and warranties set forth in Sections 5.1 (Organization) and 5.2 (Authorization). It is agreed and understood that

Sellers and their successors and assigns shall not be entitled to recover more than once for the same damage under this Agreement. The Buyer Indemnification Cap in this Section is intended to work in the same manner as the Company Indemnification Cap in Section 8.2, and is illustrated by the example in Section 8.2.

8.5. *Third Person Claims*.

(a) If any third party will notify an Indemnified Party with respect to any matter (a "Third Party Claim") which may give rise to an Indemnified Claim against an Indemnifying Party under this Section 8, then the Indemnified Party will promptly give written notice to the Indemnifying Party; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party will relieve the Indemnifying Party from any obligation under this Section 8, except to the extent such delay actually prejudices the Indemnifying Party.

(b) The Indemnifying Party will be entitled to participate in the defense of any Third Party Claim that is the subject of a notice given by the Indemnified Party pursuant to Section 8.5(a). In addition, the Indemnifying Party will have the right, but not the obligation, to assume the defense of the Indemnified Party against the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party so long as (i) the Indemnifying Party gives written notice to the Indemnified Party within fifteen days after the Indemnified Party has given notice of the Third Party Claim that the Indemnifying Party will indemnify the Indemnified Party from and against the entirety of any and all Losses the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third Party Claim, (ii) the Indemnifying Party provides the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnifying Party will have adequate financial resources to defend against the Third Party Claim and fulfill its indemnification obligations hereunder, (iii) the Third Party Claim involves only money damages and does not seek an injunction or other equitable relief against the Indemnified Party, (iv) the Indemnified Party has not been advised by counsel that an actual or potential conflict exists between the Indemnified Party and the Indemnifying Party in connection with the defense of the Third Party Claim, (v) the Third Party Claim does not relate to or otherwise arise in connection with any criminal or regulatory enforcement Action, (vi) settlement of, an adverse judgment with respect to or the Indemnifying Party' s conduct of the defense of the Third Party Claim is not, in the good faith judgment of the Indemnified Party, likely to be materially adverse to the Indemnified Party' s reputation or continuing business interests (including its relationships with current or potential customers, suppliers or other parties material to the conduct of its business) and (vii) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently. The Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim; *provided, however,* that the Indemnifying Party will pay the fees and expenses of separate co-counsel retained by the Indemnified Party that are incurred prior to Indemnifying Party' s assumption of control of the defense of the Third Party Claim.

(c) The Indemnifying Party will not consent to the entry of any judgment or enter into any compromise or settlement with respect to the Third Party Claim without

the prior written consent of the Indemnified Party unless such judgment, compromise or settlement (i) provides for the payment by the Indemnifying Party of money as sole relief for the claimant, (ii) results in the full and general release of the Indemnified Parties from all liabilities arising or relating to, or in connection with, the Third Party Claim and (iii) involves no finding or admission of any violation of any federal, state, foreign or local statute, ordinance, code, rule or regulation, or any Order, or any license, franchise, consent, approval, permit or similar right granted under any of the foregoing, or the rights of any Person and no effect on any other claims that may be made against the Indemnified Party.

(d) If the Indemnifying Party does not deliver the notice contemplated by clause (i), or the evidence contemplated by clause (ii), of Section 8.5(b) within 15 days after the Indemnified Party has given notice of the Third Party Claim, or otherwise at any time fails to conduct the defense of the Third Party Claim actively and diligently, the Indemnified Party may defend, and may consent to the entry of any judgment or enter into any compromise or settlement with respect to, the Third Party Claim in any manner it may deem appropriate' provided, however, that the Indemnifying Party will not be bound by the entry of any such judgment consented to, or any such compromise or settlement effected, without its prior written consent. If such notice and evidence is given on a timely basis and the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently but any of the other conditions in Section 8.5(b) is or becomes unsatisfied, the Indemnified Party may defend, and may consent to the entry of any judgment or enter into any compromise or settlement with respect to, the Third Party Claim; *provided, however,* that the Indemnifying Party will not be bound by the entry of any such judgment consented to, or any such compromise or settlement effected, without its prior written consent.

8.6. *Method of Payment*. All claims for indemnification shall be paid in cash. If Buyer reasonably believes that it has suffered, or will suffer, Damages for which it would be entitled to indemnification pursuant to this Agreement, Buyer may, at its sole option and by notice in writing to the Company, elect to withhold payment of an amount equal to the amount of such Damages from amounts owing by Buyer under the Option Agreement. Any amounts withheld by Buyer pursuant to this Section 8.6 will be deemed to satisfy the obligations of the Sellers to the Company pursuant to this Section 8 to the extent of the amount so withheld. If a court of competent jurisdiction finds in a non appealable judgment that the aggregate amount withheld pursuant to this Section 8.6 exceeds the amount of Damages suffered by Buyer for which it is entitled to indemnification under this Agreement, Buyer shall promptly pay the amount of such excess to the Company, plus interest accruing on such amount from the date such amount first becomes due at an annual rate equal to the Prime Rate as published in the Eastern Edition of *The Wall Street Journal* under the heading "Money Rates".

8.7. *Guarantee*. The Stockholders hereby agree to guarantee, severally and not jointly, the indemnification obligation of the Company pursuant to Section 8.2, such that each Stockholder shall be responsible for such Stockholder' s pro rata share as set forth on *Schedule 8.7* (with respect to each Stockholder, such Stockholder' s "Pro Rata Share") of any such indemnification obligation, subject to all of the limitations on indemnification set forth herein. In the event that the Buyer seeks to enforce such guarantee hereunder, the Stockholders shall be deemed to be an Indemnifying Party for all purposes as set forth in this Section 8.

8.8. *Sole and Exclusive Remedy; Maximum Liability.* Notwithstanding any provision of this Agreement to the contrary, (i) the sole and exclusive remedy for any and all Actions (including, without limitation, any indemnification obligation arising under this Section 8) arising out or relating to this Agreement or any Ancillary Agreement, or the transactions contemplated hereby and thereby, shall be the indemnification provisions set forth in this Section 8; and (ii) (A) the maximum aggregate liability of the Company, pursuant to this Agreement shall be the Aggregate Purchase Price, and (B) the maximum aggregate liability of each Stockholder pursuant to Section 8.7 of this Agreement shall be such Stockholder' s Pro Rata Share of the Aggregate Purchase Price; *provided, however,* that nothing contained herein shall limit the remedies of any party in respect of any fraud committed by any other party in connection herewith or prohibit any party from bringing an action to specifically enforce any provision of this Agreement.

9. NONCOMPETITION.

For a period of three years from and after the Closing Date, the Company will not engage directly or indirectly in any business, venture or activity which competes with the Business (including parts and accessories thereof) being conducted at the Closing Date by the Company or relating to products performing functions similar to those of the Company' s products as conducted as of the Closing Date (a "Restricted Activity"), other than conduct with respect to the Retained Business as contemplated by this Agreement, the Ancillary Agreements, the Option Agreement and the License Agreement; *provided* that the period of three years may be extended as provided in the Option Agreement; *and provided, however*, that no owner of less than 5% of the outstanding stock of any publicly-traded corporation will be deemed to be so engaged solely by reason thereof in a Restricted Activity. For a period of three years from and after the Closing Date, the Company will not recruit, offer employment to, employ, engage as a consultant, lure or entice away, or in any other manner persuade or attempt to persuade, any Person who is an employee of the Buyer or its affiliates engaged in the operation of the Business or a substantially similar business to leave the employ of the Buyer or its affiliates. If the final judgment of a court of competent jurisdiction declares that any term or provision of this Section 9 is invalid or unenforceable, the parties hereto agree that the court making the determination of invalidity or unenforceability will have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement will be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

10. GENERAL.

10.1. *Bulk Sales Laws*. Each of the Company and Buyer hereby waives compliance by each other with the so-called "bulk sales law" and other similar law in any jurisdiction in respect of the transactions contemplated by this Agreement.

10.2. *Cooperation*. Each Seller and the Buyer will cooperate and use its commercially reasonable efforts to have their respective officers, directors and employees cooperate with the other party after the Closing in furnishing additional instruments, in connection with consummating the transactions contemplated by this Agreement, and information, evidence, testimony and other assistance and any actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to the Business for all periods prior to the Closing.

10.3. *Effect of Investigation*. No investigation by the parties hereto in connection with this Agreement or otherwise shall affect the representations and warranties of the parties contained herein or in any certificate or other document delivered in connection herewith and each such representation and warranty shall survive such investigation.

10.4. *Successors and Assigns*. This Agreement and the rights of the parties hereunder may not be assigned and shall be binding upon and shall inure to the benefit of the parties hereto, their successors and permitted assigns and the heirs and legal representatives of any individual party hereto. Notwithstanding the foregoing, it is understood and agreed that (i) Buyer may assign this Agreement without the consent of any other party to any entity that is a direct or indirect wholly-owned subsidiary of Buyer; *provided that* any such entity shall automatically succeed to the rights, powers and duties of Buyer hereunder and that no such assignment by Buyer shall relieve the Buyer from any obligation or liability under this Agreement, and (ii) the Company may assign this Agreement with the consent of Buyer in connection with the liquidation and dissolution of the Company at any time after termination of the Option (as defined in the Option Agreement), if the Option is not exercised, or after the Option Closing Date (as defined in the Option Agreement), if the Option is exercised; *provided that,* the Buyer shall not withhold its consent if the Company provides evidence reasonably acceptable to the Buyer that the proposed assignee has sufficient assets to meet the Company' s indemnification obligations under this Agreement subject to the Company Indemnification Cap then in effect.

10.5. *Entire Agreement; Amendment*. This Agreement (including the schedules and annexes attached hereto) and the documents and instruments delivered pursuant hereto constitute the entire agreement and understanding among the Sellers and Buyer with respect to the subject matter hereof and supersede all prior and current understandings and agreements, whether written or oral, with respect to the subject matter hereof. Without limiting the generality of this Section 10.5 and notwithstanding anything in this Agreement to the contrary, no party is making any representation or warranty whatsoever, oral or written, express or implied, in connection with the transactions contemplated by this Agreement and the Ancillary Agreements other than those set forth Sections 3, 4 and 5 of this Agreement or in the Ancillary Agreements and no party is relying on any statement, representation or warranty, oral or written, express or implied, made by any other party except for the representations and warranties set forth in Sections 3, 4 and 5 of this Agreement or in the Ancillary Agreements. This Agreement may be modified or amended only by a written instrument executed by the Sellers and Buyer.

10.6. *Counterparts*. This Agreement may be executed in any number of counterparts which together shall constitute one instrument.

10.7. *Expenses*. Whether or not the transactions contemplated hereby are consummated, each of Buyer and the Company will pay the fees and expenses of its agents, representatives, accountants and counsel incurred in connection with this Agreement and the transactions contemplated hereby.

10.8. *Change of Corporate Name.* Within 15 days of the Closing Date the Company shall deliver to Buyer a duly executed and acknowledged certificate of amendment to its Certificate of Incorporation or other appropriate document which is required to change its corporate name to a new name bearing no resemblance to Achievement Technologies, Inc. If the Company does not deliver such certificate of amendment to the Buyer within 15 days of the Closing Date, Buyer is hereby authorized to file such certificates or other documents (at the Company' s expense) in order to effectuate such changes of name as Buyer shall elect after 15 days from the Closing Date. To the extent that the Achievement Technologies, Inc. tradename appears on any stationary, business form, container, sign or other property (real or personal), Buyer grants a royalty-free, paid-up license to Company to use the name for 30 days following the Closing Date, at which point removal of the name shall be effected from the foregoing property.

10.9. *Notices*. All notices, demands or other communications which are required or permitted hereunder shall be in writing and sufficient if delivered personally or sent by nationally-recognized overnight courier or by facsimile, with confirmation as provided above addressed as follows:

If to Buyer, addressed to it at:

Houghton Mifflin Company
222 Berkeley St.
Boston, MA 02116
Attention: General Counsel
Facsimile: (617) 351-5014
Email: paul_weaver@hmco.com

with copies to:

Ropes & Gray LLP
One International Place
Boston, Massachusetts 02110-2624
Attention: Jane Goldstein, Esq.
Facsimile: (617) 905-7050
Email: jane.goldstein@ropesgray.com

If to the Sellers, addressed to them at:

Achievement Technologies, Inc.
Attention: Michael Perik
Facsimile: (617) 969-3597
Email: mperik@achievementtech.com

with a copy to:

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One Financial Center
Boston, MA 02111
Attention: Michael F. Connolly, Esq.
Facsimile: (617) 542-2241
Email: mfconnolly@mintz.com

or to such other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith. All such notices or communications shall be deemed to be received (a) in the case of personal delivery, on the date of such delivery, (b) in the case of nationally-recognized overnight courier, on the next business day after the date when sent, (c) in the case of facsimile transmission, upon confirmed receipt, and (d) in the case of e-mail, upon confirmed receipt.

10.10. *Governing Law*. This Agreement shall be construed in accordance with the laws of The Commonwealth of Massachusetts.

10.11. *Exercise of Rights and Remedies*. No delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

10.12. *Negotiation of Agreement.* Each of the Company, the Sellers and Buyer acknowledges that it has had the opportunity to be represented by independent counsel of its choice throughout all negotiations that have preceded the execution of this Agreement. Each party and its counsel cooperated in the drafting and preparation of this Agreement and the documents referred to herein, and any and all drafts relating thereto shall be deemed the work product of the parties and may not be construed against any party by reason of its preparation. Accordingly, any rule of law or any legal decision that would require interpretation of any ambiguities in this Agreement against the party that drafted it is of no application and is hereby expressly waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the intentions of the parties and this Agreement.

10.13. *Third Party Beneficiaries.* Nothing in this Agreement is intended or shall be construed to entitle any person, other than the parties or their respective transferees and assigns permitted hereby to any claim, cause of action, remedy or right of any kind.

10.14. *Jurisdiction; Venue; Services of Process.* Each of the parties hereto hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the state or federal courts sitting in Suffolk County, The Commonwealth of Massachusetts, for any means any claim, action, cause of action or suit (whether in contract or tort or otherwise), litigation (whether at law or in equity, whether civil or criminal), controversy, assessment, arbitration, investigation, hearing, charge, complaint, demand, notice or proceeding to, from, by or before

any Governmental Authority (a "Proceeding") arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any Proceeding relating thereto except in such courts), and further agrees that service of any process, summons, notice or document by U.S. registered mail to its respective address set forth in this Agreement shall be effective service of process for any Proceeding brought against it in any such court. Each of the parties hereto hereby irrevocably and unconditionally waives any objection to the laying of venue of any Proceeding arising out of this Agreement or the transactions contemplated hereby in state or federal courts sitting in Suffolk County, The Commonwealth of Massachusetts, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Proceeding brought in any such court has been brought in an inconvenient forum. Each of the parties agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

10.15. *Waiver of Jury Trial.* TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, THE PARTIES HEREBY WAIVE, AND COVENANT THAT THEY WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING IN WHOLE OR IN PART UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES AGREE THAT ANY OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE ITS RIGHT TO TRIAL BY JURY IN ANY PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY WILL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

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

ACHIEVEMENT TECHNOLOGIES, INC.

By /s/ Michael Perik

Name:

Title:

HOUGHTON MIFFLIN COMPANY

By /s/ Stephen Richards

Name: Stephen Richards

Title: Executive Vice President, Chief Operating Officer and Chief Financial Officer

STOCKHOLDERS

/s/ Michael Perik

Michael Perik, Individually

Signature page to Asset Purchase Agreement

TIBBAR, LLC

By

/s/ Todd M. Abbrecht

Name:

Title:

TIBBAR FF, LLC

By

/s/ Todd M. Abbrecht

Name:

Title:

Signature page to Asset Purchase Agreement

MONITOR CLIPPER EQUITY PARTNERS, L.P.

By: Monitor Clipper Partners, L.P.,
its general partner

By
/s/ April Evans
Name: April Evans
Title: CFO

MONITOR CLIPPER EQUITY PARTNERS (FOREIGN), L.P.

By: Monitor Clipper Partners, L.P.,
its general partner

By
/s/ April Evans
Name: April Evans
Title: CFO

Signature page to Asset Purchase Agreement

LIST OF ANNEXES AND SCHEDULES

Annex No.	*Description*
Annex I	Form of Bill of Sale
Annex II	Form of Assignment and Assumption Agreement
Annex III	Form of Copyright Assignment Agreement
Annex IV	Form of Trademark Assignment Agreement
Annex V	Form of Transition Services Agreement
Annex VI	Form of License and Services Agreement
Annex VII	Form of Option Agreement
Annex VIII	Form of Domain Name Assignment Agreement

Schedule No.	*Description*
Schedule 1.1(b)	Tangible Property
Schedule 1.1(d)	Acquired Contracts
Schedule 1.1(e)	Prepaid Deposits and Expenses
Schedule 1.1(f)	Permits and Licenses
Schedule 1.2(d)	Retained Customers
Schedule 1.2(e)	Legacy Homeroom.com Customers
Schedule 1.2(g)	Excluded Contracts
Schedule 1.2(k)	Pre-payments
Schedule 1.2(l)	Excluded Tangible Property
Schedule 1.3(b)	Former FTL Customers
Schedule 1.4(b)	Other Liabilities
Schedule 3.1	Trade Names
Schedule 3.3(b)	Consents or Approvals

Schedule 3.4	Predecessors
Schedule 3.5(a)	Financial Statements
Schedule 3.5(b)	Historical Financial and Customer Related Data
Schedule 3.7	Undisclosed Liabilities and Obligations
Schedule 3.10	Litigation
Schedule 3.12	Taxes
Schedule 3.14	Absence of Changes
Schedule 3.16	Employees
Schedule 3.17	Distributors
Schedule 3.18(b)	Title
Schedule 3.18(c)	Noninfringement
Schedule 3.18(d)	Intellectual Property
Schedule 3.18(e)	Third Party Technology
Schedule 3.18(f)	Out-License Agreements
Schedule 3.18(j)	Company Software
Schedule 3.18(k)	Source Code
Schedule 3.18(l)	Open Source Software
Schedule 3.18(m)	Support Obligations
Schedule 3.18(o)	End User Agreements
Schedule 3.19	Insurance
Schedule 3.20	Real Property
Schedule 3.21	Major Customers and Vendors
Schedule 3.22	Recent Orders
Schedule 3.23	Affiliate Transactions
Schedule 6.1	Transferred Employees
Schedule 8.7	Guarantee

BILL OF SALE

ASSIGNMENT AND ASSUMPTION AGREEMENT

COPYRIGHT ASSIGNMENT AGREEMENT

TRADEMARK ASSIGNMENT AGREEMENT

TRANSITION SERVICES AGREEMENT

LICENSE AND SERVICES AGREEMENT

OPTION AGREEMENT

DOMAIN NAME ASSIGNMENT AGREEMENT

Exhibit 10.4

Execution Copy

OPTION AGREEMENT

This Option Agreement (the "Agreement") is dated this 31st day of May, 2006 (the "Effective Date"), by and between Achievement Technologies, Inc., a Delaware corporation (the "Company"), Houghton Mifflin Company, a Massachusetts corporation ("HMCo") and Tibbar, LLC, a Delaware limited liability company, Tibbar FF, LLC, a Delaware limited liability company, Monitor Clipper Equity Partners, L.P., a Delaware limited partnership, Monitor Clipper Equity Partners (Foreign), L.P., a Delaware limited partnership and Michael Perik, an individual, the holders of a majority of the outstanding capital stock of the Company (collectively, the "Stockholders" and together with the Company, the "Sellers"). Capitalized terms set forth herein but not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement (as defined below).

WHEREAS, the Company and HMCo are parties to the Asset Purchase Agreement (the "Purchase Agreement"), of even date herewith, by and among HMCo, the Company and the Stockholders, and the License and Services Agreement (the "License Agreement") of even date herewith between the Company and HMCo;

WHEREAS, pursuant to the Purchase Agreement, the Company shall retain the customers under the "Following The Leaders" program (the "FTL Program") identified on Schedule A hereto and any additional customers acquired by the Company from and after the Effective Date in accordance with this Agreement and the License Agreement (the "Retained Customers") and certain assets and liabilities related thereto;

WHEREAS, from and after the Effective Date, the Company will continue to operate its business as it relates to the Retained Customers for its own account, including providing HMCo' s SkillsTutor educational software product, together with all modifications thereto ("SkillsTutor") bundled with assessment software and related services to the Retained Customers (the "Retained Business") in accordance with the License Agreement;

WHEREAS, pursuant to the License Agreement, HMCo will provide certain services to the Company in connection with the operation of the Retained Business and will license to the Company certain of the assets acquired by HMCo pursuant to the terms of the Purchase Agreement to enable the Company to operate the Retained Business; and

WHEREAS, the Company desires to grant to HMCo the option to acquire the Retained Business upon the terms and conditions set forth herein.

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

1. OPERATION OF THE RETAINED BUSINESS; NEW CUSTOMERS

Notwithstanding any provision of the Purchase Agreement or any of the Ancillary Agreements to the contrary, from and after the Effective Date, the Company shall, in its sole discretion, be entitled to operate the Retained Business for its own account. Without limiting the generality of the foregoing, the parties agree that the Company shall be responsible for all

obligations and liabilities of the Retained Business and shall continue to own all right, title and interest in and to the Retained Business including, without limitation, all income generated therefrom. From and after the Effective Date, the Company shall not acquire any customers in addition to those Retained Customers listed on Schedule A; *provided*, *however*, the Company may acquire:

(a) any customer that both (i) is located in Alaska, Iowa or West Virginia (collectively, the "Territory") and (ii) will receive funding directly or be the indirect beneficiary of funding for the SkillsTutor-based product through the FTL Program or any other successor program;

(b) any customer that is identified on Schedule B as a Legacy Homeroom.com Customer or on Schedule C as a Potential Legacy Homeroom.com Customer who contracts directly with the Company to receive SkillsTutor as part of the bundled software product in accordance with the License Agreement. For purposes of this Agreement, "Customer" means any Retained Customer and any other customer acquired by the Company in accordance with this Section 1.

2. GRANT OF OPTION.

The Company hereby grants to HMCo an irrevocable and exclusive option (the "Option") to acquire the Retained Business from the Company at HMCo' s sole and absolute discretion. The Option granted herein may be exercised by HMCo upon the terms and conditions set forth in Section 3, time being of the essence.

3. EXERCISE OF OPTION.

(a) As soon as practicable after April 1, 2007 and no later than April 30, 2007, the Company shall deliver to HMCo a current list of Retained Customers, together with a proposed budget which shall set forth the estimated expenses and income for the Retained Business for the period July 1, 2007 through June 30, 2008, along with copies of the following financial statements: (i) the unaudited monthly financial statements of the Company, including balance sheets and statements of income, retained earnings and cash flows, for the period beginning July, 1, 2006 and ending March 31, 2007; and (ii) monthly financial projections for the Company, including the projected balance sheets and statements of income, retained earnings and cash flows, for the period beginning April 1, 2007 and ending June 30, 2007. The Company shall also provide to HMCo during the period April 1, 2007 through May 31, 2007 such additional information with respect to the Retained Business as HMCo may reasonably request.

(b) HMCo may elect to exercise the Option by delivering notice of the same in writing (the "Option Exercise Notice") to the Company at any time prior to 5:00 P.M. EST on June 15, 2007. If the Option is not exercised by such time, the Option shall automatically terminate and be of no further force and effect. The closing of the acquisition of the Assets (as defined below) used in the Retained Business by HMCo (the "Closing") shall be subject to the Company having obtained all necessary prior consents and approvals of any third parties as may be required under the Contracts (defined below) or as required by law. The parties agree that the Closing may be delayed until all such consents and approvals have been obtained; provided, however, that the parties agree to cooperate and use reasonable efforts to obtain all such consents and approvals prior to the Closing.

(c) Subject to the terms and conditions of the License Agreement, if HMCo does not exercise the Option as set forth herein, the Company shall be permitted to continue to operate the Retained Business for its own account in its sole and absolute discretion.

4. OPTION CLOSING.

(a) Upon exercise of the Option by HMCo as set forth herein, on the Option Closing Date, HMCo shall acquire from the Company, and the Company shall sell, transfer, assign, convey and deliver over to HMCo, free and clear from all liens, claims and encumbrances, all of the Company' s right, title and interest in and to the following assets of the Company (collectively, the "Assets"):

(i) the list of all Retained Customers;

(ii) all of the Company' s right, title and interest in, to and under all contracts and agreements relating to the Retained Business which HMCo notifies the Company, in writing, at least fifteen (15) days prior to the Option Closing Date that it will acquire at Closing, subject to the Company having obtained consent to the assignment of such Contracts as, and to the extent, required thereunder (the "Contracts");

(iii) all goodwill relating to the Retained Business;

(iv) all tangible personal property of the Company used primarily in connection with the operation of the Retained Business;

(v) all government permits, licenses, registrations and certificates relating to the Retained Business;

(vi) all files, documents, instruments, papers, books, reports, records, documentation and similar materials related to the Retained Business (but excluding duplicate copies thereof retained by the Company or its affiliates),

(vii) the Company' s trade name and all goodwill;

(viii) any Intellectual Property of the Company relating to the Retained Business and the rights to sue in law or in equity for past or future infringement or impairment of such Intellectual Property, and all rights to obtain renewals, continuances, divisions or extensions of legal protections pertaining thereto;

(ix) all cash received and accounts receivable due under the Contracts to the extent such cash and accounts receivable are associated with school years commencing after June 30, 2007; and

(x) any other assets used by the Company in connection with the operation of the Retained Business reasonably requested by HMCo to be included in the Assets.

Except for the representations and warranties contained in the Closing Certificate (as defined below), the Assets shall be transferred to HMCo on an "AS IS, WHERE IS" basis, without any representation or warranty of any nature whatsoever, express, implied or statutory, including, but not limited to, any warranty of merchantability or fitness for a particular purpose. Further, the Company is making no representations or warranties whatsoever with respect to the budget and projections delivered pursuant to Section 3(a).

(b) Except as set forth in Section 4(a), the Company is not selling, transferring, assigning, conveying or delivering over to HMCo any of its assets, including without limitation, the following assets of the Company:

(i) all cash and cash equivalents, other than cash received under the Contracts to the extent such cash is associated with school years commencing after June 30, 2007;

(ii) all accounts receivable, other than accounts receivable due under the Contracts to the extent such accounts receivable are associated with school years commencing after June 30, 2007, and all notes and other amounts due or accruing due to the Company;

(iii) all right, title and interest of the Company under this Agreement or any of the Closing Documents;

(iv) all minute books, organizational documents, stock registers and such other books and records of the Company as pertain to ownership, organization or existence of the Company and duplicate copies of such records included in the Assets;

(v) any (1) files, accounting records, internal reports, Tax records, work papers or other books and records that the Company determines are necessary or advisable to retain to complete the Company' s Tax returns, Tax audits or any other audit by governmental agencies and that the Company is otherwise required by Law to retain; provided, however, that HMCo shall have the right to make copies of any portions of such retained books and records that relate to the conduct of the Retained Business or any of the Assets or Assumed Liabilities; and (2) documents relating to proposals to acquire the business of the Company by persons other than HMCo;

(vi) all current insurance policies of the Company or rights to proceeds thereof;

(vii) all the Company' s rights with respect to the leasehold interests relating to real property located at 313 Washington Street, Newton, Massachusetts (the "Newton Lease");

(viii) any prepayments of insurance and any prepayments or deposits, including without limitation deposits with respect to the Newton Lease; and

(ix) any refunds of Taxes.

(c) Upon exercise of the Option and in connection with the acquisition of the Assets, HMCo shall assume, pursuant to the Assumption Agreement (as defined below), any and all liabilities and obligations arising under the Contracts from and after the Option Closing Date, including to provide licensed products and services to Customers under subscriptions therefore (collectively, the "Assumed Liabilities").

(d) The Closing of the acquisition of the Assets hereunder shall take place at 10:00 a.m. on June 29, 2007, effective as of July 1, 2007 at 12:01 a.m., at the offices of Ropes & Gray LLP, One International Place, Boston, Massachusetts, or at such other time and place as the parties may mutually agree (the "Option Closing Date"). At the Closing:

(i) The Company shall execute and deliver to HMCo an Assignment and Assumption Agreement in substantially the form of Exhibit A (the "Assignment and Assumption Agreement"), together with such other instruments and documents of conveyance, assignment and assignment as are reasonably requested by HMCo to vest in HMCo title to the Assets and for HMCo to assume the Assumed Liabilities;

(ii) The Company shall execute and deliver to HMCo, and the HMCo shall execute and deliver to the Company, a Bill of Sale in substantially the form of Exhibit B (the "Bill of Sale");

(iii) The Company shall deliver to HMCo a certificate of an officer of the Company certifying, on behalf of the Company, that the representations and warranties set forth on Exhibit C are true and correct as of the Option Closing Date (the "Closing Certificate"); and

(iv) The Company shall execute and deliver to HMCo such other documents of assignment as may be reasonably requested by HMCo.

The Assignment Agreement, the Assumption Agreement, the Bill of Sale and the Closing Certificate, together with any other agreements, instruments, certificates, consents or documents executed and delivered by the parties pursuant to this Agreement, collectively are referred to as the "Closing Documents".

5. CONSIDERATION.

(a) If HMCo exercises the Option, in consideration of the transfer of the Assets by the Company pursuant hereto, HMCo shall pay to the Company an amount equal to sixty percent (60%) of the aggregate Operating Profit (as defined below) generated by the Purchased Business (as defined below) during each of the five (5) Measurement Periods from and after the Option Closing Date (each such payment, an "Earnout Payment"). Each Earnout Payment shall be payable by HMCo to the Company in United States currency in immediately available funds within thirty (30) days following each anniversary of the Option Closing Date. For purposes hereof, "Operating Profit" shall mean the aggregate amount of Net Invoiced Sale Orders of the Purchased Business during each Measurement Period, less the aggregate amount of lobbying costs, consulting fees, a mutually agreed upon allocation for hosting costs, costs for customized development, direct project management costs (i.e., salary, fringe benefits and travel expenses),

legal costs and any other reasonable agreed-upon costs incurred in support of the Purchased Business during such Measurement Period, determined in accordance with accounting principles customarily and consistently applied by HMCo. A "Net Invoiced Sale Order" is the amount of the sale pursuant to an invoiced purchase order, less the amount of any discounts, refunds, credits and allowances given to Customers. "Measurement Period" means each annual period from July 1 through June 30 of the following calendar year, commencing on July 1, 2007. The "Purchased Business" means the business related to the sale of SkillsTutor or any successor product based on SkillsTutor, on a stand-alone basis or bundled with assessment software and related services, to Customers in the Territory.

(b) At the time of making any Earnout Payment hereunder, HMCo shall also deliver to the Company a statement which sets forth in reasonable detail the calculation of the Operating Profit for such Measurement Period, together with all relevant information supporting such calculation (the "Payment Statement"). HMCo will also provide such other information as the Company may reasonably request. If the Company disputes in any manner the amount of the Earnout Payment, the Company will provide notice thereof to HMCo within thirty (30) days of receipt of the Payment Statement (a "Dispute Notice"), and the Company and HMCo agree that they will use good faith efforts to attempt to resolve such dispute. If the Company and HMCo are unable to resolve such dispute within fifteen (15) days of receipt by HMCo of the Dispute Notice, the parties hereby agree to appoint Deloitte & Touche (the "Accountant") to resolve such dispute. Each of the Company and HMCo shall provide reasonable cooperation to the Accountant to assist the Accountant in resolving such dispute. The Accountant shall render a determination within sixty (60) days of its appointment hereunder. The determination of the Accountant will be final and binding on the parties, other than in the event of manifest error. If the Accountant determines that the disputed amount or any portion thereof shall be due and owing to the Company, HMCo shall promptly (and in any event, within ten (10) days of such determination) pay the Company such amount in full. The Company and HMCo shall bear equally the costs and expenses of the Accountant.

6. COVENANTS.

(a) Further Assurances. On the Option Closing Date, and from time to time thereafter, each of the Company and HMCo, at the request of the other, will execute and deliver all such assignments, assumptions, endorsements and other documents, and take such other action as the requesting party may reasonably request for the more effective transfer and assignment of the Assets, the assumption of the Assumed Liabilities and the effectiveness of the transactions contemplated by this Agreement.

(b) No Encumbrances. The Company shall not sell, pledge, lease, license, hypothecate or dispose of any of the Assets, or permit all or any part thereof to become subject to any Lien (as defined in the Purchase Agreement). The Company will not enter into any indenture, agreement, instrument or other arrangement with respect to the Assets which, directly or indirectly, prohibits or restrains, or has the effect of prohibiting or restraining, or imposes materially adverse conditions upon, the exercise of the Option, or the benefits and rights of HMCo in its capacity as the Option holder. The Company shall not, directly or indirectly, take or omit to take any action with respect to the Assets that has or would have the effect of depriving HMCo of the ability to exercise the Option.

(c) Employment Matters. If HMCo exercises the Option, the Company shall terminate effective on the Option Closing Date any employees of the Company involved in any material respect with the operation of the Retained Business whom HMCo identifies as being employees that HMCo desires to hire as of the Option Closing Date.

(d) Consents. If HMCo exercises the Option, the Company shall use commercially reasonable efforts to obtain all required consents to the assignment of the Contracts which HMCo notifies the Company of its intent to acquire pursuant to Section 4(a)(ii) above.

(e) Customer Contracts. The Company shall not enter into any contract with Customers that has a term longer than twelve (12) months or that extends beyond October 31, 2007 without consent from HMCo.

7. INDEMNIFICATION.

(a) Survival of Representations and Warranties. The representations and warranties set forth in the Closing Certificate shall survive the Option Closing Date for a period of eighteen (18) months from the Option Closing Date; *provided*, *however*:

(i) representations and warranties with respect to which a claim is made within such eighteen (18) month period shall survive with respect to such claim until such claim is resolved;

(ii) representations and warranties set forth in Section (ix) of the Closing Certificate shall survive until the expiration of the applicable statutes of limitations (taking into account any tolling periods and other extensions); and

(iii) no claim for indemnification may be made with respect to a representation and warranty after the expiration of the applicable survival period, other than claims based on fraud.

(b) Indemnification by the Company. From and after the Option Closing Date, the Company (as an indemnifying party, an "Indemnifying Party") covenants and agrees that it will indemnify, defend, protect, and hold harmless HMCo and each of its Affiliates (each in its capacity as an indemnified party, an "Indemnified Party") from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) (collectively "Damages") incurred by such Indemnified Party as a result of or arising from:

(i) any breach of any representation or warranty of the Company set forth in the Closing Certificate (as each such representation or warranty would read if all qualifications as to materiality were deleted therefrom);

(ii) any breach or nonfulfillment by the Company of, or any noncompliance by the Company with, any covenant, agreement, or obligation contained herein or in any Closing Document;

(iii) any liabilities of the Company resulting or arising from the ownership of the Assets and the operation of the Retained Business by the Company prior to the Option Closing Date;

(iv) any Taxes of the Company of any kind relating to or arising in connection with the exercise of the Option and the transfer of the Assets to HMCo;

(v) any liability or obligation of, or any claim against, the Company not expressly assumed by HMCo hereunder; and

(vi) any failure to comply with any so-called "bulk sales law" or other similar law in any jurisdiction in respect of the transactions contemplated hereby.

HMCo shall not be entitled to indemnification for any breach by the Company of any of the Company' s representations or warranties under this Section 7(b) except to the extent the total amount for which HMCo is entitled to indemnification under this Section 7(b) in the aggregate exceeds $100,000, and the maximum aggregate indemnification for such claims shall be limited as follows: (i) the aggregate amount of indemnification for all claims made during the six month period immediately following the Closing Date (the "Initial Period") (whether or not resolved in the Initial Period) shall not exceed the amount equal 25% of the Aggregate Purchase Price, (ii) the aggregate amount of indemnification for all claims made during the period immediately following the Initial Period until the twelve (12) month anniversary of the Closing Date (the "Subsequent Period") (whether or not resolved in the Subsequent Period) plus the aggregate amount of indemnification for all claims made during the Initial Period shall not exceed the amount equal to 20% of the Aggregate Purchase Price, and (iii) the aggregate amount of indemnification for all claims made after the twelve (12) month anniversary of the Closing Date plus the aggregate amount of indemnification for all claims made during the Initial Period and the Subsequent Period shall not exceed the amount equal to 15% of the Aggregate Purchase Price; *provided, however,* that the foregoing limitations will not apply to claims for indemnification pursuant to Section 7(b) in respect of breaches of, or inaccuracies in, the following representations and warranties set forth in the Closing Certificate: (i) Corporate Organization and Standing and (ii) Corporate Authorization; Binding Agreement. It is agreed and understood that HMCo and its successors and assigns shall not be entitled to recover more than once for the same damage under this Agreement and the Purchase Agreement. Without limiting the effect of the Company Indemnification Cap with respect to each of the periods as provided for in the previous sentence, for clarity, in no event shall the maximum amount of any

indemnification received by HMCo under this Section 7(b) exceed 25% of the Aggregate Purchase Price. For the purposes of this Agreement, "Aggregate Purchase Price" shall have the same meaning as that given to it in the Purchase Agreement.

The following example illustrates the application of the Company Indemnification Cap set forth in the previous paragraph: for the purposes of this example only, assume that the Aggregate Purchase Price is $20 million and does not change over time and assume that there is a claim by Buyer of $5 million in the Initial Period, a claim by Buyer of $5 million in the Subsequent Period and a claim by Buyer of $5 million after the Subsequent Period. If the claim in the Initial Period is settled at $1 million and the claim in the Subsequent Period is settled at $500,000, then the aggregate amount of the Company' s indemnification obligation for the claim after the Subsequent Period shall not exceed $1,500,000.

If HMCo is entitled to indemnification for Damages that is covered by both Section 7(b)(i) Section 7(b)(iii), HMCo hereby irrevocably elects Section 7(b)(i) as the provision under which it will receive indemnification, other than for claims based on fraud.

(c) Indemnification by HMCo. From and after the Option Closing Date, HMCo (in its capacity as an indemnifying party, an "Indemnifying Party") covenants and agrees that it will indemnify, defend, protect and hold harmless Sellers (each in its or his capacity as an indemnified party, an "Indemnified Party") from and against all Damages incurred by such Indemnified Parties as a result of or arising from:

(i) any breach of any representation or warranty of HMCo set forth in this Agreement (as each such representation or warranty would read if all qualifications as to materiality were deleted therefrom);

(ii) any breach or nonfulfillment by HMCo of, or noncompliance by HMCo with, any covenant, agreement or obligation contained herein or in any Closing Document delivered in connection herewith;

(iii) the ownership of the Assets and the operation of the Retained Business from and after the Option Closing Date, provided such Damages do not arise from facts and circumstances existing prior to the Option Closing Date; and

(iv) any Assumed Liability.

The Company shall not be entitled to indemnification for any breach by HMCo of any of HMCo' s representations or warranties under this Section 7(c) except to the extent the total amount for which the Company is entitled to indemnification under this Section 7(c) in the aggregate exceeds $100,000, and the maximum aggregate indemnification for such claims shall be limited as follows: (i) the aggregate amount of indemnification for all claims made during the six month period immediately following the Closing Date (the "Initial Period") (whether or not resolved in the Initial Period) shall not exceed the amount equal 25% of the Aggregate Purchase Price, (ii) the aggregate amount of indemnification for all claims made during the period immediately following the Initial Period until the twelve (12) month anniversary of the Closing Date (the "Subsequent Period") (whether or not resolved in the

Subsequent Period) plus the aggregate amount of indemnification for all claims made during the Initial Period shall not exceed the amount equal to 20% of the Aggregate Purchase Price, and (iii) the aggregate amount of indemnification for all claims made after the twelve (12) month anniversary of the Closing Date plus the aggregate amount of indemnification for all claims made during the Initial Period and the Subsequent Period shall not exceed the amount equal to 15% of the Aggregate Purchase Price. It is agreed and understood that the Company and its successors and assigns shall not be entitled to recover more than once for the same damage under this Agreement. Without limiting the effect of the Buyer Indemnification Cap with respect to each of the periods as provided for in the previous sentence, for clarity, in no event shall the maximum amount of any indemnification received by the Company under this Section 7(c) exceed 25% of the Aggregate Purchase Price. The Buyer Indemnification Cap in this Section is intended to work in the same manner as the Company Indemnification Cap in Section 7(b), and is illustrated by the example in Section 7(b).

(d) Third Person Claims.

(i) If any third party will notify an Indemnified Party with respect to any matter (a "Third Party Claim") which may give rise to an Indemnified Claim against an Indemnifying Party under this Section 7, then the Indemnified Party will promptly give written notice to the Indemnifying Party; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party will relieve the Indemnifying Party from any obligation under this Section 7, except to the extent such delay actually prejudices the Indemnifying Party.

(ii) The Indemnifying Party will be entitled to participate in the defense of any Third Party Claim that is the subject of a notice given by the Indemnified Party pursuant to Section 7(d)(i). In addition, the Indemnifying Party will have the right, but not the obligation, to assume the defense of the Indemnified Party against the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party so long as (1) the Indemnifying Party gives written notice to the Indemnified Party within fifteen days after the Indemnified Party has given notice of the Third Party Claim that the Indemnifying Party will indemnify the Indemnified Party from and against the entirety of any and all Losses the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third Party Claim, (2) the Indemnifying Party provides the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnifying Party will have adequate financial resources to defend against the Third Party Claim and fulfill its indemnification obligations hereunder, (3) the Third Party Claim involves only money damages and does not seek an injunction or other equitable relief against the Indemnified Party, (4) the Indemnified Party has not been advised by counsel that an actual or potential conflict exists between the Indemnified Party and the Indemnifying Party in connection with the defense of the Third Party Claim, (5) the Third Party Claim does not relate to or otherwise arise in connection with any Taxes or criminal or regulatory enforcement Action, (6) settlement of, an adverse judgment with respect to or the Indemnifying Party' s conduct of the

defense of the Third Party Claim is not, in the good faith judgment of the Indemnified Party, likely to be materially adverse to the Indemnified Party' s reputation or continuing business interests (including its relationships with current or potential customers, suppliers or other parties material to the conduct of its business) and (7) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently. The Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim; *provided, however,* that the Indemnifying Party will pay the fees and expenses of separate co-counsel retained by the Indemnified Party that are incurred prior to Indemnifying Party' s assumption of control of the defense of the Third Party Claim.

(iii) The Indemnifying Party will not consent to the entry of any judgment or enter into any compromise or settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party unless such judgment, compromise or settlement (1) provides for the payment by the Indemnifying Party of money as sole relief for the claimant, (2) results in the full and general release of the Indemnified Parties from all liabilities arising or relating to, or in connection with, the Third Party Claim and (3) involves no finding or admission of any violation of any federal, state, foreign or local statute, ordinance, code, rule or regulation, or any Order, or any license, franchise, consent, approval, permit or similar right granted under any of the foregoing, or the rights of any Person and no effect on any other claims that may be made against the Indemnified Party.

(iv) If the Indemnifying Party does not deliver the notice contemplated by clause (1), or the evidence contemplated by clause (2), of Section 7(d)(ii) within 15 days after the Indemnified Party has given notice of the Third Party Claim, or otherwise at any time fails to conduct the defense of the Third Party Claim actively and diligently, the Indemnified Party may defend, and may consent to the entry of any judgment or enter into any compromise or settlement with respect to, the Third Party Claim in any manner it may deem appropriate' provided, however, that the Indemnifying Party will not be bound by the entry of any such judgment consented to, or any such compromise or settlement effected, without its prior written consent. If such notice and evidence is given on a timely basis and the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently but any of the other conditions in Section 7(d)(ii) is or becomes unsatisfied, the Indemnified Party may defend, and may consent to the entry of any judgment or enter into any compromise or settlement with respect to, the Third Party Claim; *provided, however,* that the Indemnifying Party will not be bound by the entry of any such judgment consented to, or any such compromise or settlement effected, without its prior written consent.

(e) Method of Payment. All claims for indemnification shall be paid in cash. Upon a final, non-appealable judgment which results in Damages to HMCo for which it would be entitled to indemnification pursuant to this Agreement, HMCo may, at its sole option and by notice in writing to the Company, elect to withhold payment of an amount equal to the amount of such Damages from amounts owing by HMCo under this Agreement. Any amounts withheld by HMCo pursuant to this Section 7(e) will be deemed to satisfy the obligations of the Company to

HMCo pursuant to this Section 7(e) to the extent of the amount so withheld. If a court of competent jurisdiction finds in a non-appealable judgment that the aggregate amount withheld pursuant to this Section 7(e) exceeds the amount of Damages suffered by HMCo for which it is entitled to indemnification under this Agreement, HMCo shall promptly pay the amount of such excess to the Company, plus interest accruing on such amount from the date such amount first becomes due at an annual rate equal to the Prime Rate as published in the Eastern Edition of *The Wall Street Journal* under the heading "Money Rates".

(f) Guarantee. The Stockholders hereby agree to guarantee, severally and not jointly, the indemnification obligation of the Company pursuant to Section 7(b), such that each Stockholder shall be responsible for such Stockholder' s pro rata share as set forth on *Schedule 7(f*) (with respect to each Stockholder, such Stockholder "Pro Rata Share") of any such indemnification obligation, subject to all of the limitations on indemnification set forth herein. In the event that HMCo seeks to enforce such guarantee hereunder, each of the Stockholders shall be deemed to be an Indemnifying Party for all purposes as set forth in this Section 7.

(g) Sole and Exclusive Remedy; Maximum Liability. Notwithstanding any provision of this Agreement to the contrary, (i) the sole and exclusive remedy for any and all Actions (including, without limitation, any indemnification obligation arising under this Section 7) arising out or relating to this Agreement, or the transactions contemplated hereby, shall be the indemnification provisions set forth in this Section 7; and (ii) (A) the maximum aggregate liability of the Company pursuant to this Agreement shall be equal to the amount paid or payable by HMCo to the Company under this Agreement; and (B) the maximum aggregate liability of each Stockholder pursuant to Section 7(b) of this Agreement shall be such Stockholder' s Pro Rata Share of the amount paid or payable by HMCo to the Company under this Agreement; *provided, however,* that nothing contained herein shall limit the remedies of any party in respect of fraud committed by any other party in connection herewith or prohibit any party from bringing an action to specifically enforce any provision of this Agreement.

8. NONCOMPETITION

If HMCo exercises the Option, from a period beginning on the Option Closing Date and ending June 30, 2012, the Company will not engage directly or indirectly in any business, venture or activity which competes with the Retained Business (including parts and accessories thereof) being conducted at the Option Closing Date by the Company or relating to products performing functions similar to the products sold by the Company as of the Option Closing Date (a "Restricted Activity"), other than conduct with respect to the Retained Business as contemplated by this Agreement, the Ancillary Agreements, the Option Agreement and the License Agreement; *provided, however*, that no owner of less than 5% of the outstanding stock of any publicly-traded corporation will be deemed to be so engaged solely by reason thereof in a Restricted Activity. For a period beginning on the Option Closing Date and ending June 30, 2012, the Company will not recruit, offer employment to, employ, engage as a consultant, lure or entice away, or in any other manner persuade or attempt to persuade, any Person who is an employee of the HMCo or its affiliates engaged in the operation of the Retained Business or a substantially similar business to leave the employ of HMCo or its affiliates. If the final judgment of a court of competent jurisdiction declares that any term or provision of this Section

8 is invalid or unenforceable, the parties hereto agree that the court making the determination of invalidity or unenforceability will have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement will be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

9. NOTICES.

Any notices required or permitted by the terms of this Agreement shall be given by overnight delivery by recognized courier service, or by registered or certified mail, return receipt requested, postage prepaid, or by facsimile, addressed as follows:

If to the Company, to: Achievement Technologies, Inc.
313 Washington Street, Suite 225
Newton, MA 02458
Attn: Chief Executive Officer
Facsimile: 617-969-3597

If to HMCo, to: Houghton Mifflin Company
222 Berkley Street
Boston, MA 02116
Attn: General Counsel
Facsimile: 617-351-5014

or to such other address(es) of which notice in the same manner has previously been given. Any such notice shall be deemed to have been given: one (1) business day following delivery by the sender to a recognized courier service, five (5) business days following mailing by certified mail, or immediately upon receipt of confirmation of facsimile transmission.

10. SALE OF PURCHASED BUSINESS; SUCCESSORS AND ASSIGNS.

(a) If the Option is exercised, HMCo may not sell, transfer, assign or otherwise dispose of all or any material portion of the Purchased Business to any transferee, whether by sale of assets or stock, merger or otherwise without the prior consent of the Company (which shall not be unreasonably withheld); provided, however, that the Company' s consent shall not be required where:

(i) the transferee assumes HMCo' s obligations under this Agreement; and

(ii) HMCo provides reasonable evidence to the Company that the proposed transferee has sufficient assets to meet its assumed obligations under this Agreement.

(b) This Agreement and the rights of the parties hereunder may not be assigned and shall be binding upon and shall inure to the benefit of the parties hereto, their successors and permitted assigns and the heirs and legal representatives of any individual party hereto. Notwithstanding the foregoing, it is understood and agreed that (i) HMCo may assign this Agreement without the consent of any other party to any entity that is a direct or indirect wholly-owned subsidiary of HMCo; provided that any such entity shall automatically succeed to the rights, powers and duties of HMCo hereunder and that no such assignment by HMCo shall relieve the HMCo from any obligation or liability under this Agreement, and (ii) the Company may assign this Agreement only with the consent of HMCo (which consent shall not be unreasonably withheld); provided, however, that the Company may assign this Agreement without the consent of HMCo in connection with the liquidation and dissolution of the Company at any time (x) after termination of the Option, if the Option is not exercised, or (y) after the Option Closing date, if the Option is exercised.

11. MISCELLANEOUS.

(a) This Agreement shall be construed in accordance with and governed for all purposes by the laws of the Commonwealth of Massachusetts; (b) this Agreement constitutes the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral; (c) this Agreement may not be modified except by a writing signed by each of the parties; (d) the parties hereto agree that only the Massachusetts courts, either federal or state, shall have jurisdiction over this Agreement and any controversies arising out of this Agreement; (e) in case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement but this Agreement shall be construed as if such invalid, illegal or other unenforceable provision had never been contained herein; (f) this Agreement shall be binding upon the and shall inure to the benefit of the parties hereto and their successors and permitted assigns; and (g) this Agreement may be executed in one or more counterparts, each of which shall constitute an original and all of which shall constitute one and the same agreement.

[*Remainder of this page intentionally left blank*]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as a sealed instrument by their duly authorized officers as of the date first written above.

COMPANY:

ACHIEVEMENT TECHNOLOGIES, INC.

By: /s/ Michael Perik

Name:

Title:

HMCo:

HOUGHTON MIFFLIN COMPANY

By /s/ Stephen Richards

Name: Stephen Richards

Title: Executive Vice President, Chief Operating Officer and Chief Financial Officer

STOCKHOLDERS:

/s/ Michael Perik

Michael Perik, Individually

Signature page to Option Agreement

TIBBAR, LLC

By

/s/ Todd M. Abbrecht

Name:

Title:

TIBBAR FF, LLC

By

/s/ Todd M. Abbrecht

Name:

Title:

Signature page to Option Agreement

MONITOR CLIPPER EQUITY PARTNERS, L.P.
By: Monitor Clipper Partners, L.P.,
its general partner

By
/s/ April Evans
Name: April Evans
Title: CFO

MONITOR CLIPPER EQUITY PARTNERS
(FOREIGN), L.P.
By: Monitor Clipper Partners, L.P.,
its general partner

By
/s/ April Evans
Name: April Evans
Title: CFO

Signature page to Option Agreement

SCHEDULE A

RETAINED CUSTOMERS

Site Code	Site Name	STATE	District
PA000407	Whaley School	AK	Anchorage School District
PA000569	Creekside Park Elementary	AK	Anchorage School District
PA000597	Benny Benson	AK	Anchorage School District
PA000600	Fairview Elementary	AK	Anchorage School District
PA000601	Gruening Middle School	AK	Anchorage School District
PA000604	Mountain View Elementary	AK	Anchorage School District
PA000605	Muldoon Elementary	AK	Anchorage School District
PA000606	Ptarmigan Elementary	AK	Anchorage School District
PA000607	Romig Middle School	AK	Anchorage School District
PA000608	Ursa Minor Elementary	AK	Anchorage School District
PA000609	Willow Crest Elementary	AK	Anchorage School District
PA000959	Eagle River Elementary	AK	Anchorage School District
PA000960	Clark Middle School	AK	Anchorage School District
PA000994	Wendler Middle School	AK	Anchorage School District
PA000002	Crawford Elementary School	AK	Fairbanks-N Star Boro Sch Dist
PA000005	Nordale Elementary School	AK	Fairbanks-N Star Boro Sch Dist

PA000007	Ryan Middle School	AK	Fairbanks-N Star Boro Sch Dist
PA000008	Tanana Middle School	AK	Fairbanks-N Star Boro Sch Dist
PA000340	Anne Wien Elementary School	AK	Fairbanks-N Star Boro Sch Dist
PA000342	Badger Road Elementary School	AK	Fairbanks-N Star Boro Sch Dist
PA000343	Barnette Elementary School	AK	Fairbanks-N Star Boro Sch Dist
PA000345	Denali Elementary School	AK	Fairbanks-N Star Boro Sch Dist
PA000353	North Pole High School	AK	Fairbanks-N Star Boro Sch Dist
PA000355	Pearl Creek Elementary School	AK	Fairbanks-N Star Boro Sch Dist
PA000356	Randy Smith Middle School	AK	Fairbanks-N Star Boro Sch Dist
PA000357	Ticasuk Brown Elementary School	AK	Fairbanks-N Star Boro Sch Dist
PA000359	University Park Elementary Sch	AK	Fairbanks-N Star Boro Sch Dist
PA000828	Hunter Elementary	AK	Fairbanks-N Star Boro Sch Dist
PA000965	Fairbanks Institute	AK	Fairbanks-N Star Boro Sch Dist
PA000566	Interior Distance Education of AK (IDEA)	AK	Galena City School District
PA000748	Galena City School	AK	Galena City School District
PA000749	PERS	AK	Galena City School District
PA000928	International IDEA	AK	Galena City School District

PA000451	Kalifornsky Beach Elem	AK	Kenai Peninsula Borough Sch Dist
PA000452	Soldotna Middle School	AK	Kenai Peninsula Borough Sch Dist
PA000453	Soldotna High School	AK	Kenai Peninsula Borough Sch Dist
PA000454	Redoubt Elem	AK	Kenai Peninsula Borough Sch Dist
PA000570	Aurora Borealis Charter School	AK	Kenai Peninsula Borough Sch Dist
PA000610	Chapman School	AK	Kenai Peninsula Borough Sch Dist
PA000611	Connections	AK	Kenai Peninsula Borough Sch Dist
PA000614	Homer Flex School	AK	Kenai Peninsula Borough Sch Dist
PA000615	Homer High School	AK	Kenai Peninsula Borough Sch Dist
PA000616	Homer Middle School	AK	Kenai Peninsula Borough Sch Dist
PA000619	Kenai Alternative High School	AK	Kenai Peninsula Borough Sch Dist

PA000620	Kenai Central High School	AK	Kenai Peninsula Borough Sch Dist
PA000621	Kenai Middle School	AK	Kenai Peninsula Borough Sch Dist
PA000622	McNeil Canyon Elementary	AK	Kenai Peninsula Borough Sch Dist
PA000624	Mt. View Elementary	AK	Kenai Peninsula Borough Sch Dist
PA000627	Nikiski Middle/Sr. High School	AK	Kenai Peninsula Borough Sch Dist
PA000628	Nikolaevsk School	AK	Kenai Peninsula Borough Sch Dist
PA000629	Ninilchik School	AK	Kenai Peninsula Borough Sch Dist
PA000630	Nikiski North Star Elementary	AK	Kenai Peninsula Borough Sch Dist
PA000635	Seward Elementary	AK	Kenai Peninsula Borough Sch Dist
PA000636	Seward High School	AK	Kenai Peninsula Borough Sch Dist
PA000637	Seward Middle School	AK	Kenai Peninsula Borough Sch Dist
PA000638	Soldotna Montessori Charter Sch	AK	Kenai Peninsula Borough Sch Dist
PA000640	Sterling Elementary	AK	Kenai Peninsula Borough Sch Dist
PA000642	Tebughna School	AK	Kenai Peninsula Borough Sch Dist
PA000643	Tustumena Elementary	AK	Kenai Peninsula Borough Sch Dist
PA000645	West Homer Elementary	AK	Kenai Peninsula Borough Sch Dist
PA000646	Skyview High School	AK	Kenai Peninsula Borough Sch Dist

PA000647	Soldotna Elementary School	AK	Kenai Peninsula Borough Sch Dist
PA000741	Kenai Peninsula Youth Facility	AK	Kenai Peninsula Borough Sch Dist
PA000934	Across the Bay	AK	Kenai Peninsula Borough Sch Dist
PA000935	Head of the Bay	AK	Kenai Peninsula Borough Sch Dist
PA000936	Kenai Small Schools	AK	Kenai Peninsula Borough Sch Dist
PA000001	Old Harbor School	AK	Kodiak Island Boro School Dist
PA000003	East Elementary School	AK	Kodiak Island Boro School Dist
PA000006	North Star Elementary School	AK	Kodiak Island Boro School Dist
PA000288	Akhiok School	AK	Kodiak Island Boro School Dist
PA000289	Chiniak School	AK	Kodiak Island Boro School Dist
PA000292	Ouzinkie School	AK	Kodiak Island Boro School Dist
PA000293	Kodiak Regional Learning Center	AK	Kodiak Island Boro School Dist
PA000294	Port Lions School	AK	Kodiak Island Boro School Dist
PA000295	Larsen Bay School	AK	Kodiak Island Boro School Dist
PA000296	Kodiak Middle School	AK	Kodiak Island Boro School Dist
PA000297	Main Elementary School	AK	Kodiak Island Boro School Dist
PA000298	Peterson Elementary School	AK	Kodiak Island Boro School Dist

PA000409	Akula Elitnaurvik School	AK	Lower Kuskokwim School Dist
PA000410	Ayaprun School	AK	Lower Kuskokwim School Dist
PA000411	Bethel Alternative Boarding School	AK	Lower Kuskokwim School Dist
PA000412	Bethel Regional High School	AK	Lower Kuskokwim School Dist
PA000413	Kilbuck Elementary School	AK	Lower Kuskokwim School Dist
PA000414	Eek School	AK	Lower Kuskokwim School Dist
PA000416	Qugcuun Memorial School	AK	Lower Kuskokwim School Dist
PA000417	Nuniwaarmiut School	AK	Lower Kuskokwim School Dist
PA000457	Rocky Mountain School	AK	Lower Kuskokwim School Dist
PA000509	Akuik Memorial School	AK	Lower Kuskokwim School Dist
PA000568	Anna Tobeluk School	AK	Lower Kuskokwim School Dist
PA000651	Ayaprun Elitnaurvik Yupik Immersion	AK	Lower Kuskokwim School Dist
PA000653	Chaptnguak School	AK	Lower Kuskokwim School Dist
PA000654	Chief Paul Memorial School	AK	Lower Kuskokwim School Dist
PA000655	Dick R Kiunya Memorial School	AK	Lower Kuskokwim School Dist
PA000656	Joann A. Alexie Memorial School	AK	Lower Kuskokwim School Dist

PA000657	Ket' achik/Aapalluk Memorial Sch	AK	Lower Kuskokwim School Dist
PA000658	Kuinerrarmiut Elitnaurviat	AK	Lower Kuskokwim School Dist
PA000659	Kwigillingok School	AK	Lower Kuskokwim School Dist
PA000660	Lewis Angapak School	AK	Lower Kuskokwim School Dist
PA000661	Nelson Island Area Schools	AK	Lower Kuskokwim School Dist
PA000662	Nightmute School	AK	Lower Kuskokwim School Dist
PA000663	Paul T. Albert School	AK	Lower Kuskokwim School Dist
PA000664	William Miller Memorial School	AK	Lower Kuskokwim School Dist
PA000665	Z. John Williams School	AK	Lower Kuskokwim School Dist
PA000408	Houston Middle School	AK	Mat-Su Borough School Dist
PA000505	Houston High School	AK	Mat-Su Borough School Dist
PA000506	Meadow Lakes Elementary	AK	Mat-Su Borough School Dist
PA000507	Willow Elementary	AK	Mat-Su Borough School Dist
PA000510	Big Lake Elementary School	AK	Mat-Su Borough School Dist
PA000567	Cottonwood Creek Elementary	AK	Mat-Su Borough School Dist
PA000666	Burchell High School	AK	Mat-Su Borough School Dist
PA000667	Colony Middle School	AK	Mat-Su Borough School Dist

PA000668	Goose Bay Elementary School	AK	Mat-Su Borough School Dist
PA000669	Mid-Valley High School	AK	Mat-Su Borough School Dist
PA000670	Susitna Valley Jr/Sr High School	AK	Mat-Su Borough School Dist
PA000671	Talkeetna Elementary School	AK	Mat-Su Borough School Dist
PA000673	Teeland Middle School	AK	Mat-Su Borough School Dist
PA000674	Trapper Creek Elementary	AK	Mat-Su Borough School Dist
PA000784	ASPEN	AK	Mat-Su Borough School Dist
PA000794	Valley Pathways	AK	Mat-Su Borough School Dist
PA001001	Palmer Junior Middle School	AK	Mat-Su Borough School Dist
PA001012	Correspondence Study School	AK	Mat-Su Borough School Dist
PA001013	Nome Beltz Jr/Sr High School	AK	Nome Public Schools
PA001014	Nome Elementary School	AK	Nome Public Schools
PA000943	AHST Elementary	IA	AHST CSD
PA000518	Albia High School	IA	Albia Community SD
PA000519	Albia Junior High School	IA	Albia Community SD
PA000521	Lincoln Center	IA	Albia Community SD
PA000803	Alburnett Elementary	IA	Alburnett School District

PA000804	Alburnett Jr/Sr High School	IA	Alburnett School District
PA000787	Alta Middle School	IA	Alta Community SD
PA000788	Alta Elementary School	IA	Alta Community SD
PA000789	Alta High School	IA	Alta Community SD
PA000986	Parkview MS	IA	Ankeny SD
PA000882	Atlantic Middle School	IA	Atlantic CSD
PA000883	Schuler Elementary School	IA	Atlantic CSD
PA000921	Audubon Elementary	IA	Audubon CSD
PA000922	Audubon High School	IA	Audubon CSD
PA000923	Audubon Middle School	IA	Audubon CSD
PA000701	Central Elementary	IA	Belle Plaine Community SD
PA000927	Bennett Elementary School	IA	Bennett CSD
PA000685	Keystone Elementary School	IA	Benton Community School District
PA000686	Benton Community Middle School	IA	Benton Community School District
PA000687	Benton Community Senior High School	IA	Benton Community School District
PA000820	Atkins Elementary School	IA	Benton Community School District

PA000821	Norway Elementary School	IA	Benton Community School District
PA000976	Brooklyn Elementary School	IA	BGM CSD
PA000977	BGM- Jr-Sr High	IA	BGM CSD
PA000919	CAM Elementary	IA	C and M CSD
PA000920	CAM Middle School	IA	C and M CSD
PA000763	CAL Elementary School	IA	CAL Community SD
PA000764	CAL Dows High School	IA	CAL Community SD
PA000874	Calamus-Wheatland Secondard Att Ctr	IA	Calamus-Wheatland
PA000875	Calamus-Wheatland Elementary	IA	Calamus-Wheatland
PA000942	Camanche Middle School	IA	Camanche CSD
PA000931	Carlisle High School	IA	Carlisle
PA000590	Carlisle Elementary School	IA	Carlisle Community School District
PA000591	Carlisle Junior High School	IA	Carlisle Community School District
PA000950	Hartford Middle School	IA	Carlisle CSD
PA000511	Adams Elementary School	IA	Carroll Community School District
PA000520	Carroll Middle School	IA	Carroll Community School District
PA000592	Fairview Elementary	IA	Carroll Community School District

PA000805	Central City School	IA	Central City School District
PA000819	Central City High School	IA	Central City School District
PA000953	Central Decatur MS/HS	IA	Central Decatur CSD
PA000954	North Elementary School	IA	Central Decatur CSD
PA000955	South Elementary School	IA	Central Decatur CSD
PA000829	Charles City Middle School	IA	Charles City Comm Sch Dist
PA000996	Cherokee Middle School	IA	Cherokee SD
PA000997	Washington High School	IA	Cherokee SD
PA000801	Garfield Elementary	IA	Clarinda School District
PA000802	Clarinda Middle School	IA	Clarinda School District
PA000884	Clarinda High School	IA	Clarinda School District
PA000675	Clarke Sr High School	IA	Clarke Community School District
PA000676	Clarke Elementary	IA	Clarke Community School District
PA000904	Clarke Jr High School	IA	Clarke Community School District
PA000961	Amana Elementary School	IA	Clear Creek-Amana CSD
PA000962	Clear Creek Elementary School (Oxford)	IA	Clear Creek-Amana CSD
PA000970	Clear Creek-Amana High School	IA	Clear Creek-Amana CSD

PA000971	Clear Creek-Amana Middle School	IA	Clear Creek-Amana CSD
PA000998	Clear Creek Elementary School (Clear Lake)	IA	Clear Lake CSD
PA000999	Clear Lake High School	IA	Clear Lake CSD
PA001000	Clear Lake Middle School	IA	Clear Lake CSD
PA000947	Colifax-Mingo Elementary	IA	Colfax-Mingo Schools
PA000948	Colifax-Mingo Middle School	IA	Colfax-Mingo Schools
PA000949	Colifax-Mingo High School	IA	Colfax-Mingo Schools
PA000867	Roundy Elementary School	IA	Columbus CSD
PA000868	Columbus Community High School	IA	Columbus CSD
PA000869	Columbus Community Middle School	IA	Columbus CSD
PA000697	Corning Junior High School	IA	Corning Community School District
PA000698	Corning High School	IA	Corning Community School District
PA000532	Creston Elementary School	IA	Creston Community School District
PA000533	Creston Community High School	IA	Creston Community School District
PA000534	Creston Middle School	IA	Creston Community School District
PA000535	High Lakes County Academy High School	IA	Creston Community School District

PA000478	Grimes Elem	IA	Dallas Center-Grimes Comm Sch
PA000479	Dallas Center-Grimes MS	IA	Dallas Center-Grimes Comm Sch
PA000480	Dallas Center-Grimes HS	IA	Dallas Center-Grimes Comm Sch
PA000481	Dallas Center Elem	IA	Dallas Center-Grimes Comm Sch
PA000910	Frank L Smart Intermediate	IA	Davenport CSD
PA000911	Walcott Intermediate	IA	Davenport CSD
PA000917	Monroe Elementary School	IA	Davenport CSD
PA000918	JB Young Intermediate	IA	Davenport CSD
PA000895	Delwood Elementary School	IA	Delwood CSD
PA000717	Brody Middle School	IA	Des Moines Public SD
PA000718	Callanan Middle School	IA	Des Moines Public SD
PA000719	Harding Middle School	IA	Des Moines Public SD
PA000720	East High School	IA	Des Moines Public SD
PA000721	Goodrell Middle School	IA	Des Moines Public SD
PA000722	Hiatt Middle School	IA	Des Moines Public SD
PA000723	Hoover High School	IA	Des Moines Public SD
PA000724	Hoyt Middle School	IA	Des Moines Public SD

PA000725	Lincoln High School	IA	Des Moines Public SD
PA000726	McCombs Middle School	IA	Des Moines Public SD
PA000727	Meredith Middle School	IA	Des Moines Public SD
PA000728	North High School	IA	Des Moines Public SD
PA000729	Roosevelt High School	IA	Des Moines Public SD
PA000730	Weeks Middle School	IA	Des Moines Public SD
PA000731	Merrill Middle School	IA	Des Moines Public SD
PA000732	Orchard Place	IA	Des Moines Public SD
PA000757	Scavo Alternative High School	IA	Des Moines Public SD
PA000758	Des Moines Schools Home Instruction	IA	Des Moines Public SD
PA000762	Moultron Elementary School	IA	Des Moines Public SD
PA000779	Des Moinses Interagency Programs	IA	Des Moines Public SD
PA000932	Wilkie House	IA	Des Moines Public SD
PA000937	PACE	IA	Des Moines Public SD
PA000885	Diagnol Elementary	IA	Diagnol CSD
PA000886	Diagnol Jr-Sr High School	IA	Diagnol CSD
PA000765	Dows Elementary School	IA	Dows SD

PA000944	Durant Middle School	IA	Durant CSD
PA000900	East Central High School	IA	East Central CSD
PA000901	Miles Elementary Center	IA	East Central CSD
PA000902	Sabula Elementary School	IA	East Central CSD
PA000903	Sabula Middle School	IA	East Central CSD
PA000946	East Union Jr/Sr High School	IA	East Union CSD
PA000978	English Valleys Elem School	IA	English Valleys CSD
PA000979	English Valleys Jr-Sr High	IA	English Valleys CSD
PA000982	Garner Hayfield Middle School	IA	Garner-Hayfield CSD
PA000842	George-Little Rock Elementary	IA	George-Little Rock SD
PA000843	George-Little Rock MS	IA	George-Little Rock SD
PA000967	Guthrie Center Elementary	IA	Guthrie Center CSD
PA000968	Guthrie Center High School	IA	Guthrie Center CSD
PA000969	Guthrie Center Jr HS	IA	Guthrie Center CSD
PA000844	Harris-Lake Park Elementary	IA	Harris-Lake Park SD
PA000845	Harris-Lake Park MS/HS	IA	Harris-Lake Park SD

PA000980	HLV Elementary School	IA	HLV CSD
PA000981	HLV Jr-Sr High	IA	HLV CSD
PA000983	Hudson Elementary School	IA	Hudson CSD
PA000984	Hudson High School	IA	Hudson CSD
PA000985	Hudson Middle School	IA	Hudson CSD
PA000699	Interstate 35 High School	IA	I-35 Community SD
PA000700	Interstate 35 Elementary School	IA	I-35 Community SD
PA000702	Interstate 35 Middle School	IA	I-35 Community SD
PA000963	Iowa Valley Elementary School	IA	Iowa Valley CSD
PA000964	Iowa Valley Jr-Sr High School	IA	Iowa Valley CSD
PA000912	Jesup Elementary	IA	Jesup CSP
PA000913	Jesup Middle School	IA	Jesup CSP
PA000914	Jesup High School	IA	Jesup CSP
PA000887	Lenox High School	IA	Lenox CSD
PA000740	Libson Elementary School	IA	Lisbon Community School District
PA000924	Lisbon Middle School	IA	Lisbon Community School District
PA000851	Louisa Muscatine Secondary	IA	Louisa Muscatine SD

PA000852	Louisa Muscatine Elementary School	IA	Louisa Muscatine SD
PA000888	Manning Elementary	IA	Manning CSD
PA000889	Manning Junior High School	IA	Manning CSD
PA000933	Maquoket MS	IA	Maquoketa CSD
PA000908	Marcus-Meriden Cleghorn Middle School	IA	Marcus-Meriden-Cleghorn CSD
PA000865	Martensdale Elementary	IA	Martensdale-St Mary’ s
PA000866	Martensdale-St Mary’ s Jr-Sr HS	IA	Martensdale-St Mary’ s
PA000856	Orange City Elementary	IA	MOC-Floyd Valley
PA000857	Alton Middle School	IA	MOC-Floyd Valley
PA000858	Hospers Elementary	IA	MOC-Floyd Valley
PA000859	Moc-Floyd Valley High School	IA	MOC-Floyd Valley
PA000648	Moravia Elementary School	IA	Moravia Community School District
PA000649	Moravia Secondary School	IA	Moravia Community School District
PA000733	Morning Sun Elementary School	IA	Morning Sun School District
PA000688	Mount Ayr Elementary School	IA	Mount Ayr Community School District
PA000689	Mount Ayr High School	IA	Mount Ayr Community School District
PA000522	Mount Vernon Middle School	IA	Mount Vernon SD

PA000759	Murray Elementary	IA	Murray Community SD
PA000760	Murray Jr/Sr High School	IA	Murray Community SD
PA000872	New London MS/HS	IA	New London CSD
PA000873	Clarke Elementary School	IA	New London CSD
PA000846	Newell-Fonda Middle School	IA	Newell-Fonda SD
PA000847	Newell-Fonda Lower Elementary	IA	Newell-Fonda SD
PA000848	Newell-Fonda Upper Elementary	IA	Newell-Fonda SD
PA000849	Newell-Fonda High School	IA	Newell-Fonda SD
PA000696	West Elementary School	IA	Nodaway Valley Community School District
PA000905	North Iowa Elementary Buffalo Center	IA	North Iowa CSD
PA000906	North Iowa High School	IA	North Iowa CSD
PA000907	North Iowa Middle School	IA	North Iowa CSD
PA000678	North Polk Central Elementary	IA	North Polk Community School Dist
PA000679	North Polk Jr/Sr High School	IA	North Polk Community School Dist
PA000680	North Polk West Elementary	IA	North Polk Community School Dist
PA000823	Alan Shepard Elementary	IA	North Scott SD

PA000824	Edward White Elementary	IA	North Scott SD
PA000825	John Glenn Elementary	IA	North Scott SD
PA000826	Neil Armstrong Elementary	IA	North Scott SD
PA000827	North Scott Junior High School	IA	North Scott SD
PA000837	Virgil Grissom Elementary School	IA	North Scott SD
PA000915	Northeast Elementary School	IA	Northeast CSD
PA000916	Northeast Secondar School	IA	Northeast CSD
PA000390	Oviatt Elementary School	IA	Norwalk Comm School District
PA000391	Norwalk Middle School	IA	Norwalk Comm School District
PA000392	Lakewood Elementary School	IA	Norwalk Comm School District
PA000870	Wings Park Elementary School	IA	Oelwein CSD
PA000871	Oelwein Middle School	IA	Oelwein CSD
PA000890	Orient-Macksburg Elementary	IA	Orient-Macksburg CSD
PA000891	Orient-Macksburg MS/HS	IA	Orient-Macksburg CSD
PA000958	Prescott Community School	IA	Prescott CSD
PA000876	Preston Elementary School	IA	Preston CSD
PA000877	Preston High School	IA	Preston CSD

PA000972	Rock Valley Elementary	IA	Rock Valley CSD
PA000892	Sergeant Bluffs-Luton Middle School	IA	Sergeant Bluffs-Luton CSD
PA000879	Sheldon Middle School	IA	Sheldon CSD
PA000880	East Elementary School	IA	Sheldon CSD
PA000973	Sioux Center Middle School	IA	Sioux Center CSD
PA000974	Sioux Center High School	IA	Sioux Center CSD
PA000975	Kinsey Elementary School	IA	Sioux Center CSD
PA000838	South Page Schools	IA	South Page SD
PA000992	Southwest Webster High School	IA	Southeast Webster SD
PA000993	Southeast Webster Middle School	IA	Southeast Webster SD
PA000739	Storm Lake High School	IA	Storm Lake Community School District
PA000990	Titonka Elementary School	IA	Titonka SD
PA000991	Titonka Middle School	IA	Titonka SD
PA000893	United Community	IA	United CSD
PA000681	Van Meter Junior/Senior High School	IA	Van Meter Community School District
PA000682	Van Meter Elementary School	IA	Van Meter Community School District
PA001015	Ventura Elementary School	IA	Ventura CSD

PA001016	Ventura Jr-Sr High School	IA	Ventura CSD
PA000738	Enarson Elementary School	IA	Villisca Community School District
PA000956	Wapello Elementary School	IA	Wapello CSD
PA000957	Wapello Secondary School	IA	Wapello CSD
PA000863	Readlyn Elem School	IA	Wapsie Valley CSD
PA000864	Fairbank Eleme School	IA	Wapsie Valley CSD
PA000894	West Bend-Mallard Elementary	IA	West Bend-Mallard CSD
PA000938	West Burlington Elem School	IA	West Burlington CSD
PA000939	West Burlington Jr/Sr HS	IA	West Burlington CSD
PA000703	West Central Valley Middle School	IA	West Central Valley of Stuart Community SD
PA000839	Dexter Elementary	IA	West Central Valley SD
PA000840	Menlo Elementary	IA	West Central Valley SD
PA001017	West Liberty High School	IA	West Liberty CSD
PA001018	West Liberty Middle School	IA	West Liberty CSD
PA000878	West Monona Middle School	IA	West Monona CSD
PA000988	Whiting Elementary School	IA	Whiting SD

PA000989	Whiting Senior High School	IA	Whiting SD
PA000940	Woodward Granger MS	IA	Woodward Granger CSD
PA000941	Woodward Granger ES	IA	Woodward Granger CSD
PA000951	Wilton Elementary School	IA	Wilton CSD
PA000798	Clay Elementary School	WV	Clay County School District
PA000799	Clay County High School	WV	Clay County School District
PA000800	Clay County Middle School	WV	Clay County School District
PA000062	Dunbar Middle School	WV	Kanawha County School District
PA000065	George Weimer Elementary Sch	WV	Kanawha County School District
PA000067	Hayes Junior High School	WV	Kanawha County School District
PA000070	Kanawha City Elementary School	WV	Kanawha County School District
PA000071	McKinley Junior High School	WV	Kanawha County School District
PA000072	Piedmont Elementary School	WV	Kanawha County School District
PA000074	Sissonville Middle School	WV	Kanawha County School District
PA000076	Stonewall Jackson Jr High Sch	WV	Kanawha County School District
PA000264	South Charleston Middle School	WV	Kanawha County School District
PA000265	Riverside High School	WV	Kanawha County School District

PA000266	Mary Ingles Elementary School	WV	Kanawha County School District
PA000267	Malden Elementary School	WV	Kanawha County School District
PA000268	Holz Elementary School	WV	Kanawha County School District
PA000269	Elkview Middle School	WV	Kanawha County School District
PA000270	East Bank Middle School	WV	Kanawha County School District
PA000272	Cedar Grove Community School	WV	Kanawha County School District
PA000273	Bridgeview Elementary School	WV	Kanawha County School District
PA000274	Andrew Jackson Middle School	WV	Kanawha County School District
PA000545	Alban Elementary School	WV	Kanawha County School District
PA000548	Anne Bailey Elementary School	WV	Kanawha County School District
PA000551	Bridge Elementary School	WV	Kanawha County School District
PA000553	Chamberlain Elementary School	WV	Kanawha County School District
PA000554	Chesapeake Elementary School	WV	Kanawha County School District
PA000555	Flinn Elementary School	WV	Kanawha County School District
PA000562	Pratt Elementary School	WV	Kanawha County School District
PA000565	Weberwood Elementary School	WV	Kanawha County School District
PA000736	Dunbar Intermediate School	WV	Kanawha County School District

PA000743	Sissonville Elementary School	WV	Kanawha County School District
PA000746	Kenna Elementary School	WV	Kanawha County School District
PA000063	Dupont Middle School	WV	Kanawha County School District
PA000064	Elk Elementary School	WV	Kanawha County School District
PA000066	Glenwood Elementary School	WV	Kanawha County School District
PA000068	Horace Mann Junior High School	WV	Kanawha County School District
PA000069	John Adams Junior High School	WV	Kanawha County School District
PA000073	Sissonville High School	WV	Kanawha County School District
PA000075	Saint Albans High School	WV	Kanawha County School District
PA000263	Herbert Hoover High School	WV	Kanawha County School District
PA000271	Cross Lanes Elementary	WV	Kanawha County School District
PA000321	South Charleston High School	WV	Kanawha County School District
PA000322	Capital High School	WV	Kanawha County School District
PA000539	Chandler Elementary School	WV	Kanawha County School District
PA000546	Alum Elementary School	WV	Kanawha County School District
PA000547	Andrews Heights Elementary School	WV	Kanawha County School District

PA000549	Belle Elementary School	WV	Kanawha County School District
PA000550	Bonham Elementary School	WV	Kanawha County School District
PA000556	Marmet Elementary School	WV	Kanawha County School District
PA000557	Montrose Elementary School	WV	Kanawha County School District
PA000558	Nitro High School	WV	Kanawha County School District
PA000559	Overbrook Elem Sch	WV	Kanawha County School District
PA000560	Pinch Elem Sch	WV	Kanawha County School District
PA000563	Robins Elementary School	WV	Kanawha County School District
PA000564	Ruthlawn Elementary School	WV	Kanawha County School District
PA000690	George Washington High School	WV	Kanawha County School District
PA000737	Ruffner Elementary School	WV	Kanawha County School District
PA000744	Watts Elementary School	WV	Kanawha County School District
PA000745	Lakewood Elementary School	WV	Kanawha County School District
PA000747	Grandview Elementary School	WV	Kanawha County School District
PA000753	Clendenin Elementary School	WV	Kanawha County School District
PA000754	Midland Trail Elementary School	WV	Kanawha County School District
PA000755	Sharon Dawes Elementary	WV	Kanawha County School District

PA000756	Shoals Elementary School	WV	Kanawha County School District
PA000816	Central Elementary School	WV	Kanawha County School District
PA000817	Point Harmony Elementary School	WV	Kanawha County School District
PA000818	Richmond Elementary School	WV	Kanawha County School District
PA000822	Nitro Elementary School	WV	Kanawha County School District
PA000795	Geary Elementary/Middle School	WV	Roane County
PA000796	Spencer Middle School	WV	Roane County
PA000797	Walton Elementary/Middle School	WV	Roane County

SCHEDULE B

LEGACY HOOMROOM.COM CUSTOMERS

FTL Sites converted to Paying Customers

HOMEROOM.COM CONVERTED CUSTOMERS

Site	Invoice #	Inv Date	Amortize Start	Amortize End	State
Central Dauphin SR HS	INV16966	2/13/2006	2/15/2006	6/30/2007	PA
North Lebanon High School	INV17199	3/31/2006	7/1/2006	6/30/2007	PA
Barberton High School	INV17200	3/31/2006	7/1/2006	6/30/2007	OH
Highland Middle School	INV17200	3/31/2006	7/1/2006	6/30/2007	OH
UL Light Middle School	INV17200	3/31/2006	7/1/2006	6/30/2007	OH

SCHEDULE C

POTENTIAL LEGACY HOMEROOM.COM CUSTOMERS

All of the below are located in Illinois

School	Homeroom.com	City
Abingdon High School	Probably	Abingdon
Abingdon Middle School	Maybe	Abingdon
Breese Elementary School	No	
Wirth-Parks Middle School	Probably	Cahokia
Calhoun Elementary-Jr. High School	Maybe	Hardin
Carlyle Elementary School	Maybe	Carlyle
Carlyle Junior High School	Probably	Carlyle
DePue High School	Probably	DePue
Dixon High School	Maybe	Dixon
Reagan Middle School	Probably	Dixon
Genoa Elementary School	Maybe	Genoa
Germantown Elementary School	No	
Hiawatha Jr. & Sr. High School	No	
Big Rock Elementary School	Doubtful	Big Rock
Hinckley Big Rock High School	Doubtful	Hinckley

Hinckley Elementary School	Doubtful	Hinckley
Indian Creek Middle School	No	
Shabonna Elementary School	No	
Waterman Elementary School	No	
Lincoln Junior High School	No	
Northwest Elem School	Yes	LaSalle
Leepertown Elementary School	No	
Marion High School Extension Center	No	
Marion Jr High School	Maybe	Marion
Fulton Junior High School	Maybe	O' Fallon
Schaefer Middle School	Maybe	O' Fallon
Opdyke Attendance Center	No	Opdyke
Farmingdale Elementary School	Doubtful	Pleasant Plains
Pleasant Plains Middle School	Probably	Pleasant Plains
Lincoln Elementary School	No	
Rochelle Middle School	No	
Rochelle Twp High Sch Dist 212	No	

Thurgood Marshall Learning Center	No	
Bluffs Elementary School	No	
Douglas Middle High School	No	
Grant Middle School	No	
Jefferson Middle School	Yes	Springfield
Ridgely Elementary School	Maybe	
Washington MS	No	
Virginia Elementary School	No	

SCHEDULE 7(b)

Stockholder Pro Rata Share

Stockholder	Pro Rata Share
Tibbar, LLC	64.67 %
Tibbar FF, LLC	23.12 %
Monitor Clipper Equity Partners, LLC	9.53 %
Monitor Clipper Equity Partners (Foreign), LLC	1.80 %
Michael Perik	0.88 %

EXHIBIT A

ASSIGNMENT AND ASSUMPTION AGREEMENT

ASSIGNMENT AND ASSUMPTION AGREEMENT, made as of _____ __, 20__ (this "Agreement"), between [new name of Achievement Technologies, Inc.], a Delaware corporation with its principal place of business at 313 Washington Street, Suite 225, Newton, MA 02458 ("ATI" and "Assignor") and Houghton Mifflin Company, a Massachusetts corporation with its principal place of business at 222 Berkeley Street, Boston, MA 02116 ("Assignee"). Unless otherwise defined herein, capitalized terms used in this Agreement shall have the meanings given to them in the Option Agreement referred to below.

WITNESSETH:

WHEREAS, Assignor and Assignee are parties to an Option Agreement, dated as of _____ __, 2006 by and between Assignor, Assignee, and Tibbar, LLC, Tibbar FF, LLC, Monitor Clipper Equity Partners, L.P., Monitor Clipper Equity Partners (Foreign), L.P., and Michael Perik (the "Option Agreement");

WHEREAS, Assignee has exercised its Option to under the Option Agreement and has delivered to the Assignee an Option Exercise Notice;

WHEREAS, pursuant to the Option Agreement, Assignee has agreed to assume certain liabilities and obligations of Assignor as are expressly defined as being Assumed Liabilities in Section 4(c) of the Option Agreement; and

WHEREAS, as required by the Option Agreement, Assignor and Assignee desire to execute and deliver this Agreement evidencing the transfer of all of Assignor' s rights, title and interests in, to and under the Contracts and the other Assets to Assignee, and the assumption of the Assumed Liabilities by Assignee.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor and Assignee hereby agree as follows:

Assignment. Effective from and after the date hereof (the "Option Closing Date"), Assignor hereby assigns to Assignee and Assignee hereby accepts the assignment of, all of Assignor' s rights, title and interests in, to and under the Contracts.

Assumption of Liabilities. From and after the Option Closing Date, Assignee hereby assumes, undertakes, and agrees to pay, perform, fulfill and discharge when due the Assumed Liabilities to be assumed by the Assignee as set forth in Section 4(c) of the Option Agreement, including all liabilities arising after the Option Closing Date under the Contracts acquired pursuant to Section 4(a)(ii) of the Option Agreement, but excluding any obligations or liabilities for any breach or default outstanding at the time of the Option Closing Date under any Contract or resulting from any event occurring before the time of the Option Closing Date which, with the giving of notice or the passage of time or both, results in a breach or default.

Option Agreement. The terms of the Option Agreement, including without limitation Assignor' s representations, warranties, covenants, agreements and indemnities contained therein, are incorporated herein by this reference. Assignor acknowledges and agrees that the representations, warranties, covenants, agreements, and indemnities contained in and delivered pursuant to the Option Agreement shall not be superseded by this Agreement but shall remain in full force and effect to the full extent provided therein. In the event that any provision of this Agreement is construed to conflict with a provision in the Option Agreement, the provision in the Option Agreement shall be deemed to be controlling.

Consents to Assignment. Nothing in this Agreement shall be construed as an attempt or agreement to assign (i) any Contract that is non-assignable without the consent of the other party or parties thereto unless such consent shall have been given or (ii) any Contract as to which all the remedies for the enforcement thereof enjoyed by Assignor would not pass to Assignee as an incident of the assignments provided for by this Agreement. In order, however, that the full value of every Contract of the character described in clauses (i) and (ii) of the immediately preceding sentence and all claims and demands on such Contract may be realized, Assignor shall use all commercially reasonable efforts to obtain approval for assignment and, failing that, Assignor shall by itself or by their agents, at the request and under the direction of Assignee, in the name of the Assignor or otherwise as Assignee shall specify, take all action as shall, in the opinion of Assignee, be necessary or proper (x) in order that the rights and obligations of Assignor under such Contract shall be preserved and (y) for, and to facilitate, the collection of the moneys due and payable, and to become due and payable, to Assignee in and under every such Contract, and Assignor shall hold the same for the benefit of and shall pay the same over promptly to Assignee.

Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the respective parties hereto and their respective successors and assigns.

Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the substantive laws of The Commonwealth of Massachusetts, without giving effect to its principles of conflicts of laws.

Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the undersigned have executed this Assignment and Assumption Agreement as of the date first above written.

[new name of ACHIEVEMENT
TECHNOLOGIES, INC.]

By: _____

Name:

Title:

HOUGHTON MIFFLIN COMPANY

By: _____

Name:

Title:

EXHIBIT B

BILL OF SALE AND CONVEYANCE

BILL OF SALE AND CONVEYANCE made, executed and delivered on _____ __, 20__, by [new name of Achievement Technologies, Inc.], a Delaware corporation having its principal place of business at 313 Washington Street, Suite 225, Newton, MA 02458 (the "Assignor"), and Houghton Mifflin Company, a Massachusetts corporation having its principal place of business at 222 Berkeley Street, Boston, MA 02116 (the "Assignee"). Unless otherwise defined here, capitalized terms used in this Agreement shall have the meanings assigned to them in the Option Agreement referred to below.

WITNESSETH:

WHEREAS, Assignor and Assignee are parties to an Option Agreement, dated as of _____ __, 2006 by and between Assignor, Assignee, and Tibbar, LLC, Tibbar FF, LLC, Monitor Clipper Equity Partners, L.P., Monitor Clipper Equity Partners (Foreign), L.P., and Michael Perik (the "Option Agreement"); and

WHEREAS, Assignee has exercised its Option to under the Option Agreement and has delivered to the Assignee an Option Exercise Notice;

WHEREAS, Assignor and Assignee now desire to carry out the intent and purpose of the Option Agreement by Assignor' s execution and delivery to Assignee of this instrument evidencing the sale, conveyance, assignment, transfer and delivery to Assignee of the Assets, subject to the Assumed Liabilities; provided, that no liabilities other than the Assumed Liabilities shall be assumed pursuant to the Option Agreement;

NOW, THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby sell, convey, assign, transfer and deliver unto Assignee and its successors and assigns, forever, all of Assignor' s right, title and interest in, to and under the Assets, subject to the Assumed Liabilities and free and clear of all liens, claims, restrictions, easements, rights of way, security agreements, rights of third parties, options or encumbrances.

TO HAVE AND TO HOLD the Assets unto Assignee, its successors and assigns, FOREVER.

Assignor hereby constitutes and appoints Assignee and its successor and assign as its true and lawful attorney in fact in connection with the transactions contemplated by this instrument, with full power of substitution, in the name and stead of Assignor but on behalf of and for the benefit of Assignee and its successors and assigns, to demand and receive any and all of the assets, properties, rights and business hereby conveyed, assigned, and transferred or intended so to be, and to give receipt and releases for and in respect of the same and any part thereof, and from time to time to institute and prosecute, in the name of Assignor or otherwise, for the benefit of Assignee or its successors and assigns, proceedings at law, in equity, or otherwise, which Assignee or its successors or assigns reasonably deem proper in order to collect or reduce to possession or endorse any of the Assets and to do all acts and things in relation to the assets which Assignee or its successors or assigns reasonably deem desirable.

In the event that any provision of this Bill of Sale and Conveyance be construed to conflict with a provision in the Option Agreement, the provision in the Option Agreement shall be deemed to be controlling.

The terms of the Option Agreement, including without limitation Assignor' s representations, warranties, covenants, agreements and indemnities contained therein, are incorporated herein by this reference. Assignor acknowledges and agrees that the representations, warranties, covenants, agreements, and indemnities contained in the Option Agreement shall not be superseded by this Bill of Sale and Conveyance but shall remain in full force and effect to the full extent provided therein.

This instrument shall be binding upon and shall inure to the benefit of the respective successors and assigns of Assignee and Assignor.

This Bill of Sale and Conveyance shall be construed and enforced in accordance with the laws (other than the conflict of law rules) of The Commonwealth of Massachusetts.

This Bill of Sale and Conveyance may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned has executed this Bill of Sale and Conveyance under seal of Assignee on the date first above written.

[new name of ACHIEVEMENT
TECHNOLOGIES, INC.]

_____

By:

Name:

Title:

EXHIBIT C

CLOSING CERTIFICATE REPRESENTATIONS AND WARRANTIES

All capitalized terms used herein but not defined herein shall have the meanings ascribed to them in the Option Agreement, dated as of May __, 2006 (the "Agreement"), by and between Achievement Technologies, Inc., a Delaware corporation (the "Company"), and Houghton Mifflin Company, a Massachusetts corporation ("HMCo").

Except as otherwise disclosed in the Disclosure Schedules accompanying this Closing Certificate:

(i) Corporate Organization and Standing. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all corporate power and authority to own or lease its properties and to carry on the Retained Business as presently conducted and to operate the properties of the Retained Business.

(ii) Corporate Authorization; Binding Agreement. The execution and delivery of all of Closing Documents executed and delivered by the Company and the consummation of the transactions contemplated thereby have been duly authorized by all necessary corporate and other action on the part of the Company. The Closing Documents have been duly executed and delivered by a duly authorized officer of the Company. The Closing Documents constitute the valid and legally binding obligations of the Company, enforceable in accordance with their respective terms, except as such enforceability may be limited by equitable principles and by applicable bankruptcy, insolvency, reorganization, arrangement, moratorium or similar laws relating to or affecting the rights of creditors generally.

(iii) Title To Assets. The Company has good and valid title to all of the Assets, free and clear of any liens, charges, claims or encumbrances.

(iv) Contracts. The Company has delivered to HMCo accurate and complete copies of all contracts pertaining to the Retained Business, including all amendments thereto, and an accurate and complete description of all oral contracts. The Company has complied with all material commitments and obligations pertaining to the Contracts and the Company is not in default under any such material commitment or obligation nor has it received any written notice of default thereunder. To the knowledge of the Company, no other party to any Contract is in default thereunder. Each of the Contracts is the legal, valid and binding obligation of the Company and, to the knowledge of the Company, the other parties thereto. Each of the Contracts is in full force and effect. No event or circumstance has occurred which (i) constitutes, or after notice or lapse of time or both would constitute, a material violation or default thereunder on the part of the Company, or to the knowledge of the Company, of any other party thereto, (ii) would result in a right to accelerate, or in a loss of, material rights under any such Contract or (iii) would accelerate the timing or vesting or any compensation, benefits or other payment.

(v) Sufficiency of Assets. The Company has delivered to HMCo the Assets free and clear of any claims, liabilities, security interests, mortgages, liens, pledges, conditions, charges,

covenants, easements, restrictions, encroachments, leases, encumbrances or other title exceptions or matters of any nature on or against the title to the property, asset, or rights. As of the Option Closing Date, the Assets, together with the assets acquired pursuant to the Purchase Agreement, are sufficient for the continued conduct of the Retained Business in substantially the same manner as conducted immediately prior to the Closing.

(vi) Financial Statements. The Company has delivered to HMCO (i) the unaudited balance sheet of the Company dated December 31, 2006 and the unaudited balance sheet of the Company dated March 31, 2007; (ii) the unaudited statements of income, retained earnings and cash flows for the year ending December 31, 2006 and the unaudited statements of income, retained earnings and cash flows for the three month period ended March 31, 2007. The financial statements fairly represent in all material respects the financial condition and results of operations of the Company as of and for the periods indicated, and have been prepared from and in accordance with the books and records of the Company in accordance with generally accepted accounting principles consistently applied except for the absence of footnote disclosure as required by generally accepted accounting principles in the United States as in effect and subject to changes resulting from normal year-end audit adjustments.

(vii) No Conflicts. Neither the execution, delivery and performance of this Agreement by the Company nor the consummation by the Company of the transactions contemplated hereby will (i) conflict with or result in a breach of any provision of the Certificate of Incorporation or By-laws of the Company, (ii) result in any conflict with, breach of, or default (or give rise to any right to termination, cancellation or acceleration or loss of any right or benefit) under or require any consent or approval which has not been, or prior to Closing will not be, obtained or waived with respect to any Contract or (iii) violate any order, law, rule or regulation applicable to the Company, or by which it or its properties or assets may be bound.

(viii) Litigation. There are no claims, actions, suits, proceedings or investigations, pending or, to the knowledge of the Company threatened, against or affecting the Company and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received.

(ix) Conformity with Law. The Company is not in default under or in violation of any applicable law or regulation or under any order of any court or federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over it. The Company has conducted the Retained Business in substantial compliance with all applicable federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and is not in violation of any of the foregoing that would have a material adverse effect on the business, operations, assets, properties, condition or prospects, financial or otherwise, of the Retained Business. Neither the Company, nor any director, officer, agent or employee of the Company has (i) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity, or (ii) made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns, or violated any provision of the Foreign Corrupt Practices Act of 1977, as amended.

(x) Undisclosed Liabilities and Obligations. Except as otherwise set forth in *Schedule* [____], the Company is not aware that, since December 31, 2006, it has incurred any material liability of any nature whatsoever, whether absolute, accrued, contingent, determined, determinable or otherwise nor has there occurred any condition, situation or set of circumstances that would reasonably be expected to result in such a material liability, in each case other than liabilities in usual amounts incurred in the ordinary course of the business, consistent with past practices, of the Company, or reflected in the Financial Statements.

(xi) Taxes. Except as set forth in *Schedule* [____], (1) the Company has filed on a timely basis with the appropriate authorities all returns, amended returns, declarations, reports, estimates, statements regarding Taxes, and information returns which are or were filed or required to be filed under applicable law, whether on a consolidated, combined, unitary or individual basis (the "Tax Returns") regarding any federal, state, local, foreign, or other tax, fee, levy, assessment or other governmental charge, including without limitation, any income, franchise gross receipts, property, sales, use services, value added, withholding, social security estimated, accumulated earnings, alternative or add-on minimum, transfer, license, privilege, payroll, profits, capital stock, employment, unemployment, excise, severance, stamp, occupancy, customs or occupation tax, and any interest, additions to tax and penalties in connection therewith (together, the "Taxes"), (2) the Tax Returns referred to in (1) are true and complete in all material respects, (3) the Company has paid in full on a timely basis to the appropriate Taxing authorities all Taxes required to have been paid by the Company, and (4) the Company has timely and properly withheld and paid all Taxes or other amounts required to have been withheld and paid by the Company and timely and properly complied in all material respects with all document retention and Tax Return filing requirements in connection therewith.

(xii) Employees.

(a) *Schedule* [____] attached hereto lists all written employment or severance contracts, agreements, commitments, undertakings, arrangements or understandings ("Contractual Obligation"), with any employee employed by the Company in connection with the conduct of the Retained Business other than Excluded Contracts. There are no collective bargaining agreements or other labor Contractual Obligations relating to employees employed by the Company in connection with the conduct of the Retained Business. *Schedule* [____] sets forth the name, title, date of hire and the wage or salary, commission and bonus formula and other payments (or hourly wage, as the case may be) in respect of each of the individuals employed by the Company in connection with the Retained Business since December 31, 2005. *Schedule* [____] lists confidentiality and non-competition agreements signed by employees or consultants and currently in effect.

(b) The Company is in compliance in all material respects with all Laws respecting employment and employment practices, terms and conditions of employment, unlawful discrimination, and wages and hours with respect to the Retained Business. The Company has not engaged, and is not now engaging, in any unfair labor practice or other unlawful employment practice with respect to the Retained Business. The Company does not have any knowledge of any unfair labor practice or unfair employment practice complaints made or threatened against the Company with any governmental or regulatory

agency with respect to the Retained Business. The Company has not received any actual written notice reflecting an intention or threat to file any such complaint with respect to the Retained Business. The Company does not have any knowledge of any pending or threatened claims arising out of any Law relating to discrimination with respect to employees or employment practices with respect to the Retained Business. There is no strike, work stoppage or labor disturbance pending or to the knowledge of the Company threatened against or involving the Company with respect to the Retained Business.

(xiii) Intellectual Property.

(a) *Noninfringement.* Except as disclosed on *Schedule* [____], since May [_____], 2006, neither the Company nor any predecessor has (i) to the Company' s knowledge, interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property rights of third parties or (ii) received any written charge, complaint, claim, demand, or notice alleging any such interference, infringement, misappropriation, or violation (including any claim that a Person must license or refrain from using any Intellectual Property of any third party in connection with the Business or the use of the Company Technology). Except as disclosed on *Schedule* [____], the Company has not agreed and does not have a Contract to indemnify any Person for or against any interference, infringement, misappropriation of third party Intellectual Property rights.

(b) *Scheduled Intellectual Property.* Other than as set fort on *Schedule* [____], there are no patents, patent applications, registered copyrights, registered trademarks, and applications for trademark registrations, which have been applied for or issued to the Company. Each such item is valid and subsisting. *Schedule* [____] also identifies each trade name and unregistered trademark or service mark used by the Company or in connection with the Business.

(c) *Privacy and Security.* The Company' s use and dissemination of any and all data and information concerning consumers of its products or users of any web sites operated by the Company is in compliance in all material respects with all applicable privacy policies, terms of use, and Laws. To the knowledge of the Company, there have been no security breaches relating to, violations of any security policy regarding or any unauthorized access of any data used in the business of Company. The transactions contemplated to be consummated hereunder as of the Closing will not violate any privacy policy, terms of use, or Laws relating to the use, dissemination, or transfer of such data or information.

(xiv) Affiliate Transactions. Except as set forth in *Schedule* [____] hereto, the Company is not a party to or bound by any Contractual Obligations, commitment or understanding with any of the officers, directors or stockholders of the Company or any of their affiliates or, to the knowledge of the Company, any member of their family and none of the stockholders, directors or officers of the Company or any of their affiliates or, to the knowledge of the Company, members of their family owns or otherwise has any rights to or interests in any asset, tangible or intangible, which is used in the Business.

Exhibit 10.5

1 June 2006

Mr. Steve Gandy
10201 Treasure Island
Austin, TX 78730

Dear Steve,

This letter will confirm our agreement to engage your services as an independent consultant from June 1, 2006, through August 31, 2006. Your compensation for these services will be $20,000 per month, plus applicable expenses related to your services to Houghton Mifflin. The duration of services within this period shall be at the sole discretion of Houghton Mifflin, and if terminated during any month, the monthly fee will be pro-rated to reflect the portion of the month served prior to termination. Your responsibilities as consultant under this agreement will be as assigned by me from time to time, and will focus on assessment and hiring strategies for our School Division sales organization.

During the engagement period, you are precluded from providing services to other companies in competition with Houghton Mifflin, or its subsidiaries, and I must approve provision of publishing-related consulting service to any other companies in advance in writing. We will pay you on a monthly basis for professional services. Any travel or other related expenses should be billed separately subject to my prior approval.

You understand that in your role as a consultant, there are confidential proprietary business matters, financial information, and strategic plans of Houghton Mifflin to which you will be made privy. You therefore agree to respect the confidentiality of all such proprietary information, and not to use or disclose such information beyond the scope of your work as a consultant to Houghton Mifflin.

You have advised that you are under no agreement or restriction to another company that is inconsistent with your services under this consulting agreement. Also, typically prior to starting this engagement, contractors are required to provide Human Resources with evidence of adequate insurance. In your case, Houghton Mifflin will waive this requirement on the condition that you have expressly agreed to waive any and all claims of this nature against the company, now and perpetually in the future. We, however, will require you to supply a tax identification number.

By signing in the space provided below, you confirm your acceptance of this Consulting Agreement and you understand that you will not be considered a Houghton Mifflin employee and you will not be eligible to participate in any of Houghton Mifflin' s employee related benefits or services. Further, anytime during this engagement period we will have the ability to conclude this arrangement, with cause. This agreement is renewable upon agreement by Houghton Mifflin and me.

Steve, I look forward to working with you and know you will contribute much to the success of Houghton Mifflin.

Authorized by:

/s/ Donna Lucki

Donna Lucki,
President, School Division
Houghton Mifflin Company

Date: 6/5/06

Agreed:

/s/ Steve Gandy

Steve Gandy

Date: 6/5/06

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT AND RULE 13a-14(a)
OR 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Anthony Lucki, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of HM Publishing Corp. and Houghton Mifflin Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: August 10, 2006

/s/ ANTHONY LUCKI

Anthony Lucki

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT AND RULE 13a-14(a)
OR 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Stephen C. Richards, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of HM Publishing Corp. and Houghton Mifflin Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: August 10, 2006

/s/ STEPHEN C. RICHARDS

Stephen C. Richards
Executive Vice President, Chief Operating Officer, and
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Executive Officer of HM Publishing Corp. and Houghton Mifflin Company (together, the "Company"), does hereby certify that to the undersigned' s knowledge:

1) the Company' s Quarterly Report on Form 10-Q for the period ending June 30, 2006 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in the Company' s Quarterly Report on Form 10-Q for the period ending June 30, 2006 fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ANTHONY LUCKI

Anthony Lucki

President and Chief Executive Officer

Date: August 10, 2006

A signed original of this written statement, required by Section 906, has been provided to HM Publishing Corp. and Houghton Mifflin Company and will be retained by HM Publishing Corp. and Houghton Mifflin Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Financial Officer of HM Publishing Corp. and Houghton Mifflin Company (together, the "Company"), does hereby certify that to the undersigned' s knowledge:

1) the Company' s Quarterly Report on Form 10-Q for the period ending June 30, 2006 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in the Company' s Quarterly Report on Form 10-Q for the period ending June 30, 2006 fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ STEPHEN C. RICHARDS

Stephen C. Richards
Executive Vice President, Chief Operating Officer, and
Chief Financial Officer

Date: August 10, 2006

A signed original of this written statement, required by Section 906, has been provided to HM Publishing Corp. and Houghton Mifflin Company and will be retained by HM Publishing Corp. and Houghton Mifflin Company and furnished to the Securities and Exchange Commission or its staff upon request.