

PLATO Learning, Inc. Audit Committee Charter

Purpose

The Audit Committee (the “Committee”) is a standing committee of the Board of Directors (the “Board”) of PLATO Learning, Inc. (the “Company”) organized pursuant to Section 3.13 of Article III of the By-laws of the Company. The Committee’s purpose is to oversee the Company’s internal and external accounting and financial reporting processes and system of internal financial control, the audits of the Company’s financial statements, and the independence, qualifications and performance of the Company’s independent auditors, all as provided in more detail in this charter.

The Committee shall review and approve all reports concerning this Charter and the activities of the Committee required by regulations of the Securities and Exchange Commission (“SEC”) and any other applicable securities exchange as in effect. Management and the Company’s SEC counsel shall be responsible for monitoring changes in regulations and reporting, making the Committee aware of such changes and recommending to the Committee any actions they deem appropriate. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention. The Company shall provide funding required by the Committee to discharge its responsibilities, including the payment of fees and expenses of the Company’s independent auditors and fees and expenses of other advisors and consultants retained pursuant to this Charter.

Organization

The Committee is comprised of at least three (3) directors, as determined by the Board, each of whom shall be an “Independent Director” (as defined in Exhibit A of the Company’s Corporate Governance Guidelines). In addition, all members of the Committee shall have additional qualifications applicable to them, including the ability to read and understand fundamental financial statements, including a company’s balance sheet, income statement, and cash flow statement, and at least one member of the Committee shall have accounting or related financial management expertise sufficient to qualify as a “financial expert,” (as defined in Exhibit A of the Company’s Corporate Governance Guidelines). In addition to the Committee members, the Company’s Chief Executive Officer and/or Chief Financial Officer will function as a representative of the Company’s management, and will attend meetings, if and when requested by the Committee.

The Committee members and its chairman will be recommended by the Nominating & Governance Committee of the Board and will be appointed by the Board. The Board may fill vacancies on the Committee and may remove a Committee member from the membership of the Committee at any time with or without cause.

The Committee shall have authority to retain independent counsel and other advisors of its selection as it determines necessary to carry out its duties, including advising it with respect to the Company’s financial and accounting policies and processes brought to its attention, and the Committee shall have full access to all books, records, facilities and personnel of the Company.

The Committee members will be indemnified by the Company to the maximum extent provided under Delaware law.

Meetings

The Committee shall meet in person or telephonically at least four (4) times annually, or more frequently as circumstances dictate.

A majority of the members of the Committee shall constitute a quorum for any meeting. Any action of a majority of the members of the Committee present at any meeting at which a quorum is present, or any action of the Committee concerning which all of the Committee members have executed a written consent which is filed with the Corporate Secretary, shall be an action of the Committee.

The Committee, in its sole discretion, may meet with or without Company management and/or representatives of the Company's independent auditors, to discuss any items of significance and ensure the independent auditor has unrestricted access to the Committee.

Powers and Responsibilities

The powers and responsibilities of the Committee are set forth below. These are in addition to the powers and responsibilities that the members of the Committee may have as directors of the Company or as members of other committees of the Board.

The Company's management and independent auditor are responsible for the planning and conduct of the audit of the Company's financial statements and determining that the financial statements are complete, accurate and prepared in accordance with Generally Accepted Accounting Principles (GAAP); this is not the responsibility of the Committee.

Independent Auditor

1. *Selection and Disengagement of Independent Auditor.* In consultation with management, appoint or discharge the Company's independent auditors, based upon the Committee's judgment of the independence of the auditors (taking into account the fees charged both for audit and non-audit services) and the quality of its audit work. The Committee has the sole authority and direct responsibility for the selection, compensation, retention and oversight of the Company's independent auditor and the independent auditor shall be accountable to and report directly to the Committee. If the independent auditor must be replaced, the Committee shall appoint a new auditor.
2. *Performance and Independence of Independent Auditor.* The Committee is expected to evaluate the qualifications and performance, and confirm the independence of, the Company's independent auditor on an on-going basis, but not less frequently than annually. The Committee shall confirm receipt from the independent auditor of a formal written statement required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the Committee concerning independence. The Committee shall actively engage in a dialogue with the independent auditor with respect to any disclosed

relationships or services that may impact the objectivity and independence of the auditor and shall take, or recommend that the full Board take, appropriate action to oversee the independence of the auditor. The Committee shall also evaluate the lead audit partner on the engagement, and ensure that the lead partner is rotated as required by the SEC.

3. Approval of Independent Auditor's Services. Each year, the Committee shall pre-approve fee levels or budgeted amounts for all audit, audit-related, tax services and other non-prohibited, non-audit services to be provided by the independent auditor. Any services not included in the annual pre-approved services must be specifically approved by the Committee or its designee. See the Committee's Policy for Pre-Approval of Independent Auditor Services in Appendix I for additional information.

Audit Oversight

4. Audit Planning. Review with the independent auditors the scope and plan of their audit. Annually inquire of management and the independent auditor about the significant risks or exposures and assess the steps management has taken to minimize such risks to the Company.
5. Audit Opinion. Meet with the independent auditors at appropriate times to review, among other things, the results of the audit and any certification, report, or opinion that the auditors propose to render in connection with the Company's financial statements. The review should cover key issues that the auditors considered during their work, which led to their expression of an opinion on the financial statements of the company.
6. Executive Sessions with Auditor. Meet with the independent auditors, without management present, to discuss any items of significance, and to ensure that the independent auditors have unrestricted access to the Audit Committee.
7. SAS 61 Discussion. Review with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61-Communications with Audit Committees relating to the conduct of the audit. Review with the independent auditor any problems or difficulties the auditor may have encountered and any management or internal control letter provided by the auditor and the Company's response to such letter. Such review should include any changes in the planned scope of the audit, any accounting adjustments that were noted or proposed by the independent auditor but that were not recorded by management, any communications between the Company's audit team and the independent auditor's national office, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information and any disagreements with management and the resolution of such disagreements.
8. Disagreements with Management. Resolve any disagreements between management and the independent auditor regarding financial reporting.

Financial Reporting Process

9. Open Communications. Provide and facilitate an open avenue of communications between the independent auditors, the Board of Directors, senior management and the Company's finance department.
10. Review of Significant Accounting and Reporting Matters. Review analyses prepared by management and the independent auditor of significant accounting and financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including an analysis of any significant changes in the Company's selection or application of accounting principles, all critical accounting policies and practices used, off-balance sheet financial structures, and the effect of alternative GAAP methods on the Company's financial statements, and of non-GAAP financial information, including the use of "pro forma" or "adjusted" financial data included in financial reporting.
11. Review of Quarterly and Annual Financial Reports and Disclosures. Review with management and the independent auditors the Company's financial statements and all relevant disclosures on Form 10-Q and Form 10-K for each quarter and fiscal year end, respectively, prior to their being filed with the SEC.
12. Earnings Announcement Reviews. Meet with management and the independent auditors to review press releases announcing the annual and quarterly financial results of the Company prior to issuance.
13. Legal, Policy and Regulatory Compliance. Review matters that have come to the attention of the Committee through reports of management, legal counsel and others, that relate to the status of compliance and anticipated future compliance with laws, regulations, internal policies and controls, and that may be expected to be material to the Company's financial statements. Review with management and the independent auditor the potential effect of regulatory and accounting initiatives on the Company's financial statements. Review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.

Review of Controls and Policies

14. Business and Affairs. Direct the auditors to inquire into and report to it with respect to any of the Company's contracts, transactions or procedures, conduct, or any other matter having to do with the Company's business and affairs. If authorized by the Board, the Committee may initiate special investigations in these regards.
15. Internal Accounting and Financial Controls. Review with management and the independent auditors, the adequacy and effectiveness of the internal accounting and financial controls of the Company, and elicit any recommendation for the improvement of such control procedures. The Committee should periodically review the Company's policy statements to determine their adherence to the code of conduct and/or conflict of interest statement. Review management's certification of disclosure controls and procedures and internal controls for financial reporting.

16. Hiring. Review hiring policies for employees or former employees of the independent auditor and their family members. See Exhibit A of the Company's Corporate Governance Guidelines for a definition of "Family Member."
17. Risk Management. Review policies with respect to insurance programs and other risk management activities as deemed necessary by the Committee and review with management the steps taken to monitor and control such exposures.
18. Whistle Blowing Policy. Establish procedures for the confidential receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, if and when required by law, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Such procedures shall include guidelines for a "whistle-blowing" policy for the Company that would establish procedures to facilitate the reporting of information by an employee who observes or becomes aware of unlawful workplace conduct or conduct that may be harmful to the Company and provide protection to an employee who reports such information.
19. Code of Business Conduct and Ethics. Review reports from management, and the independent auditor that the Company is in compliance with applicable legal requirements and the Company's Code of Business Conduct and Ethics. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and the Company's Code of Business Conduct and Ethics.

Committee Administration

20. Minutes. Submit the minutes of all meetings of the Committee to the Board, or discuss the matters discussed at each Committee meeting with the Board.
21. Annual Performance Evaluation. Conduct an annual performance evaluation of the Committee as part of the annual performance evaluation conducted by the entire Board of Directors.
22. Charter. Review and update this Charter periodically, at least annually, as conditions dictate.
23. Other Duties. The Committee has such other duties as may be lawfully delegated to it from time to time by the Board.

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Appendix I
Policy for Pre-Approval of Independent Auditor Services

Purpose. The purpose of this Policy is to set forth the procedures by which the Audit Committee of the Board of Directors of PLATO Learning (the Company) intends to fulfill its responsibilities to pre-approve services to be rendered to the Company by its independent auditor. Except as otherwise provided herein, this Policy does not delegate to management the Committee's responsibilities to pre-approve such services.

Delegation to Individual Committee Members. As provided in applicable law, and the Committee's Charter, the Committee may delegate its pre-approval authority to one or more of its members. Any non-audit services approved pursuant to this delegation shall be reported to the Committee for informational purposes only at the next regularly scheduled meeting to occur after such approval.

Permitted Services. The services permitted to be provided to the Company by its' independent auditor shall be classified into one of the following four categories (collectively, "Permitted Services"):

Audit Services. Audit services include the annual financial statement audit (including required quarterly reviews), subsidiary audits and other procedures required to be performed by the independent auditor to be able to form an opinion on the Company's consolidated financial statements. These other procedures include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control, and consultations relating to the audit or quarterly review. Audit services also include the attestation engagement for the independent auditor's report on management's report on internal controls for financial reporting, statutory audits or financial audits for subsidiaries or affiliates of the Company and services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings.

Audit-related Services. Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements or that are traditionally performed by the independent auditor. Audit-related services include, among others, due diligence services pertaining to potential business acquisitions/dispositions; accounting consultations related to accounting, financial reporting or disclosure matters not classified as "Audit services"; assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities; financial audits of employee benefit plans; agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters; and assistance with internal control reporting requirements.

Tax Services. Tax services include tax compliance, tax planning and tax advice. The Committee will not permit the retention of the independent auditor in connection with a transaction initially recommended by the independent auditor, the sole business purpose of which may be tax avoidance and the tax treatment of which may not be supported in the Internal Revenue Code and related regulations. The Committee will consult with the Director of Tax or outside counsel to determine that the tax planning and reporting positions are consistent with this policy.

All Other Services. All other services that are routine and are not (i) prohibited by applicable law and regulation, or (ii) would impair the independence of the auditor.

Annual Pre-Approval. Each year, the Committee shall pre-approve fee levels or budgeted amounts for all Permitted Services to be provided by the independent auditor. The term of any general pre-approval is 12 months from the date of pre-approval, unless the Committee considers a different period and states otherwise. Any proposed services exceeding these levels or amounts will require specific pre-approval by the Committee.

Prior to any pre-approval of non-audit services, the Committee will also consider whether such services are consistent with the SEC's rules on auditor independence. The Committee will also consider whether the independent auditor is best positioned to provide the most effective and efficient service, for reasons such as its familiarity with the Company's business, people, culture, accounting systems, risk profile and other factors, and whether the service might enhance the Company's ability to manage or control risk or improve audit quality. All such factors will be considered as a whole, and no one factor should necessarily be determinative.

The Committee is mindful of the overall relationship of fees for audit and non-audit services in determining whether to pre-approve any such services. For each fiscal year, the Committee may determine the appropriate ratio between the total amount of fees for Audit, Audit-related, Tax services, and the total amount of fees for services classified as All Other services.

Services Not Included in Annual Pre-Approval. A general budget amount not to exceed \$25,000 is provided to cover ad-hoc Permitted Services that may be required at the discretion of the Chief Financial Officer (CFO). Any amounts approved under this ad-hoc services budget must be reported to the Committee Chair as soon as practical but no later than the next Committee meeting. Any services not included in the annual pre-approved services must be specifically approved by the Committee and must include a detailed description of the services to be rendered. Any pre-approved services which are expected to materially exceed the pre-approved budgeted amounts also require specific pre-approval by the Committee.