

POLICY ON RELATED PERSON TRANSACTIONS
PLATO Learning, Inc.

Under SEC rules, public companies must disclose the existence of related person transactions annually in their proxy statement or Form 10-K. The Board of Directors recognizes the fact that transactions with related persons present a heightened risk of conflicts of interest and/or improper valuation (or the perception thereof) and therefore has adopted this policy which sets forth procedures to be followed in connection with the review, approval or ratification of all “Related Person Transactions”.

Definitions:

- A “Related Person Transaction” consists of any transaction in which (i) the Company or a subsidiary is a participant, (ii) the aggregate amount involved exceeds \$120,000 and (iii) any “Related Person” has a direct or indirect material interest.
- A “Related Person” is any Director or Executive Officer of the Company, any nominee for director, any shareholder owning an excess of 5% of the total equity of the Company, and an “Immediate Family Member” of any such person.
- “Immediate Family Member” means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of a person, and any person (other than a tenant or an employee) sharing the household of such person.

Reporting and Approval Process of Related Person Transactions.

All transactions subject to this policy must be approved or ratified by the Nominating & Governance Committee of the Board of Directors (or the full Board). If the transaction involves a Related Person who is a Director or an Immediate Family Member of a Director, such Director may not participate in the deliberations or vote respecting such approval or ratification.

The Nominating & Governance Committee delegates to the Chief Executive Officer of the Company the authority to review such Related Person Transactions under this Policy for anyone (except that the Chief Executive Officer shall promptly notify the Chair of the Nominating & Governance Committee in writing of any material interest that the Chief Executive Officer or an Immediate Family Member of the Chief Executive Officer has in a Related Person Transaction), and to determine initially whether such transaction is fair and reasonable to the Company and consistent with the best interests of the Company. The Chief Executive Officer shall report any and all such determinations to the Chair of the Nominating & Governance Committee, who shall advise all members of the Nominating & Governance Committee of such determinations. The Nominating & Governance Committee shall consider approval of such transactions at a duly called meeting.

If a Nominating & Governance Committee member or an Immediate Family Member of him or her is the subject Related Person, such transaction will be reviewed and approved by the other members of the Nominating & Governance Committee and submitted for ratification to the full Board of Directors.

Factors to be taken into account in making the determination described above may include (i) the business purpose of the Transaction, (ii) whether the Transaction is entered into on an arms-length basis on terms fair to the Company, (iii) whether such a Transaction would violate any provisions of the Company’s Code of Business Conduct and Ethics, and (iv) whether a reasonable investor would

consider the Related Person's interest in the Transaction important, together with all other available information, in deciding whether to buy, sell or hold the Company's securities.

Procedure for Reporting a Transaction:

Each Director, Director Nominee and Executive Officer (other than the Chief Executive Officer) shall promptly notify the Chief Executive Officer and the Nominating & Governance Committee in writing of any material interest that such person or an Immediate Family Member of such person had, has or will have in a Related Person Transaction. Any such notice shall be given, promptly following the time at which it is proposed that such Related Person became a party to such Transaction and each such notice shall state:

- (a) The person's interest in the transaction, including his or her positions with, or ownership in, any entity that has an interest in the Transaction.
- (b) Whether the Company is a party to the Transaction, and if not, the nature of the Company's participation in the Transaction.
- (c) The identities of the other parties to the Transaction.
- (d) The purpose and timing of the Transaction.
- (e) The approximate dollar value of the Transaction and the approximate dollar value of the Related Person's interest in the Transaction.

Transactions That Are Not Approved or Ratified.

In any case where the Nominating & Governance Committee determines not to approve or ratify a Related Person Transaction, the matter may be referred to legal counsel for review and consultation regarding possible further action, including, but not limited to, termination of the Transaction on a prospective basis, rescission of such Transaction or modification of the Transaction in a manner that would permit it to be ratified and approved by the Nominating & Governance Committee.

In the event the Company becomes aware of a Related Person Transaction that has not been approved under this policy prior to its consummation, the matter shall be reviewed by the Nominating & Governance Committee. The Committee shall consider all of the relevant facts and circumstances respecting such Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of such Transaction, and shall take such course of action as the Committee deems appropriate under the circumstances. The Committee shall also examine the facts and circumstances pertaining to the failure of such Transaction to have been presented to the Committee under this policy and shall take any such action as deemed appropriate under the circumstances.

Examples of Related Person Transactions may include:

- ❑ Legal, investment banking, consulting, or management services provided to the Company by a Related Person or a business entity with which the Related Person is affiliated.
- ❑ Sales, purchases and leases of real or personal property between the Company and a Related Person or a business entity with which the Related Person is affiliated.
- ❑ Investments by the Company in a business entity with which a Related Person is affiliated or by a business entity with which a Related Person is affiliated in the Company, except in any case where the investment would not be of material interest to investors in the Company.
- ❑ Contributions by the Company to a civic or charitable organization for which a Related Person serves as an executive officer.
- ❑ Indebtedness or guarantees of indebtedness involving the Company and a Related Person or a business entity with which the Related Person is affiliated.
- ❑ A conflict, or appearance of a conflict, by accepting gifts or loans from a current or potential customer, supplier or competitor, owning a financial interest in, or serving in a business capacity with, an outside enterprise that competes with or does or wishes to do business with, the Company, serving as an intermediary for the benefit of a third party in transactions involving the Company or using confidential Company information or other corporate assets for personal profit.
- ❑ Transactions in which the Related Person's interest arises from the person's position as a director of another entity that is a party to the transaction.

Examples of Transactions that are not included within the meaning of Related Person Transactions may include:

- ❑ Executive officer compensation arrangements approved by the Company's Board of Directors or a Committee of the Board.
- ❑ Director compensation arrangements approved by the Company's Board of Directors or a Committee of the Board.
- ❑ Ordinary course of business and travel advances and reimbursements.
- ❑ Loans from banks (including Company), savings and loan associations, and broker-dealers made in the ordinary course of business on prevailing market terms and subject to normal credit risk standards.