

Education Technology

Research Coverage Report

"Market Intelligence for Industry Players"

Q3 2010



Capstone Partners
Investment Banking Advisors



Education Technology

Research Coverage Report

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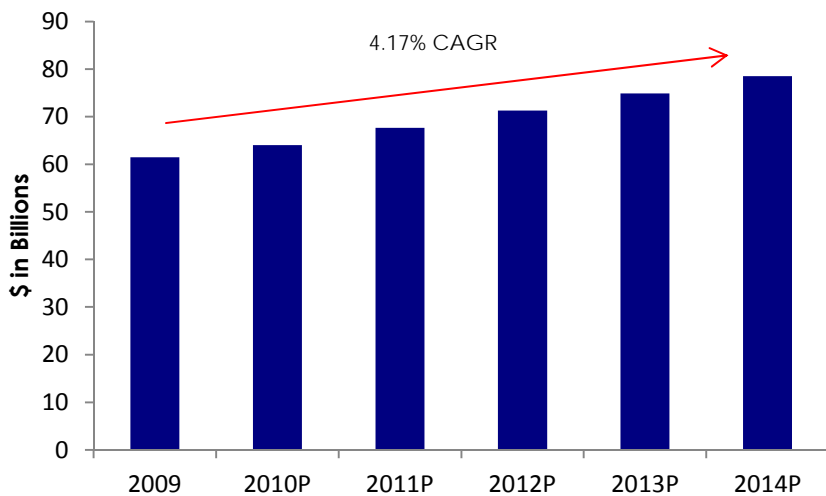
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MARKET COMMENTARY

Revenue growth in the education technology market – defined as the planning, preparation and use of multimedia devices and materials via the internet and computer software for educational purposes – was down 5.6% in 2009 as result of the economic climate which began during the 2008 recession. However, the education technology market is expected to see strong growth over the next decade. As technology continues to advance, schools are placing a higher degree of importance on incorporating technology into the classroom. Education IT spending is projected to grow 4.1% from \$61.46 billion in 2009 to \$63.99 billion in 2010, and reach nearly \$80 billion by 2014.

U.S. Education Technology Spending



Source: Gartner Research

Data suggests that there is a close correlation between general educational expenditures and the U.S. GDP. Historically, these expenditures have accounted for an average of 6.8% of GDP. However, growth in education technology spending has outstripped GDP increases. Considering the positive outlook on the recovery of the U.S. economy, and the fact that significant government funding has been allocated to the education technology sector in the federal stimulus bill, Ed Tech spending is expected to return to a positive growth trend in the coming years. This growth will, however, be slightly below its historical average of 5.4% since 2004.

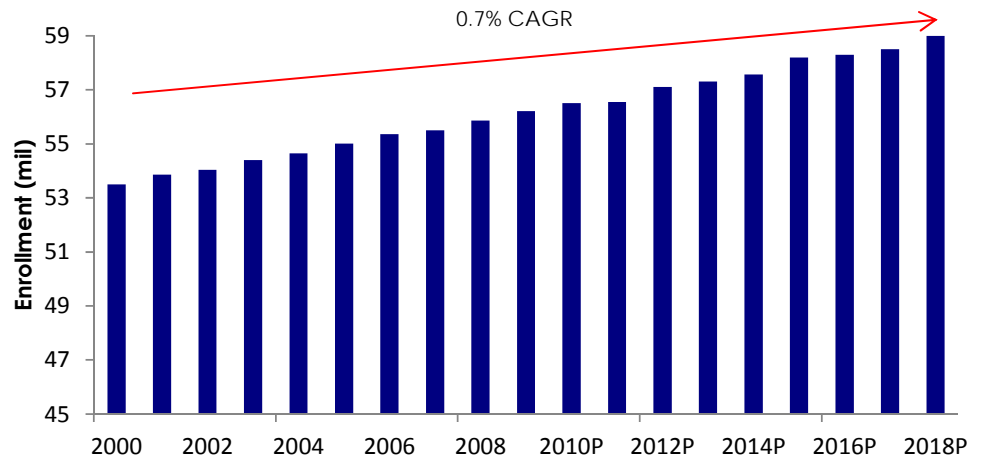


INVESTMENT THESIS

Companies within the education technology market serve end customers in three distinct categories: US post-secondary institutions, US K-12 institutions and international post-secondary institutions. According to the US Department of Education, there are over 6,500 post-secondary schools in the US (with over 2,700 for-profit schools), nearly 14,000 K-12 schools, and over 10,000 international post-secondary schools. These institutions represent a huge market for Ed Tech products and services, which has remained relatively stable through the economic downturn.

Industry research suggests that the use of technology in the classroom can enhance a student’s performance. As a result, pressure has increased on teachers and administrators to implement robust technology solutions. Currently, 57% of public secondary schools in the U.S. provide students access to online learning, with that number expected to increase dramatically over the next five years. Also, with the expected increases in K-12 enrollment, there will be an increased demand for Ed Tech software by administrators and educators. A recent survey performed by the U.S. Department of Education showed that 40% of students in public education use computers “often” during class time and that 28% of teachers use technological devices, such as interactive whiteboards, daily. As a 0.7% CAGR is expected in Pre-K-12 enrollment until 2018, the spending in this sector will increase dramatically, accounting for organic growth for many of the companies in the industry.

Pre-K-12 Enrollment: 2000-2018P



Source: U.S. Department of Education

The anticipated growth in enrollment in both K12 and on-line education will require not only the purchase of newly developed technology, but an update of software and hardware to for technology to remain current.

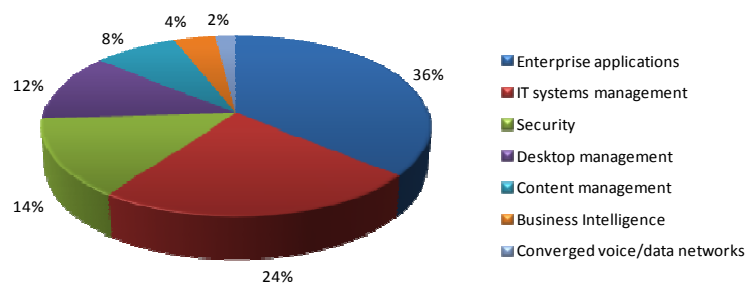
Arguably the most important development in the Education Technology sector is the growth of software-as-a-service (SaaS) over the past decade. These enterprise applications are contracted by customers on either a pay-for-use or subscription basis in an effort to recruit, manage and maintain students, alumni, and resources.

In addition, the Ed Tech market is developing ways to integrate mobile computing and the social learning components offered by these companies to create campus-wide security systems and alert mechanisms. The ability to access data “anytime, anywhere” for both academic and security purposes is of increasing importance to students at the high school and college levels. Companies are developing solutions to provide the benefits of Ed Tech via mobile devices, making this particular market a key growth driver in the near future. Capstone expects that the use of fully integrated software and open source information on mobile devices will prove to be a key market driver in education.

MARKET SEGMENTATION

Historically, nearly 60% of Education Technology expenditures are spent on enterprise applications and IT systems management. The remaining 40% of the market is comprised of products and solutions for security, desktop management, content management, and business intelligence. Of note, budgets are increasingly being spent on “software-as-a-service” offerings, as these solutions typically provide a relatively higher return on investment (ROI) due to their lower implementation costs, reduced support services, and increased flexibility. The following chart details the breakdown of spending by business need.

U.S. Education Technology Spending by Sector



Source: Business Insights

TECHNOLOGY TRENDS

With growing end-user demand and advancements in technology, there are numerous areas within the Ed Tech sector that have potential for growth in the near future, including:

“Mobile Edu” and social networking have been key factors to the explosive growth in mobile computing in the higher education market.

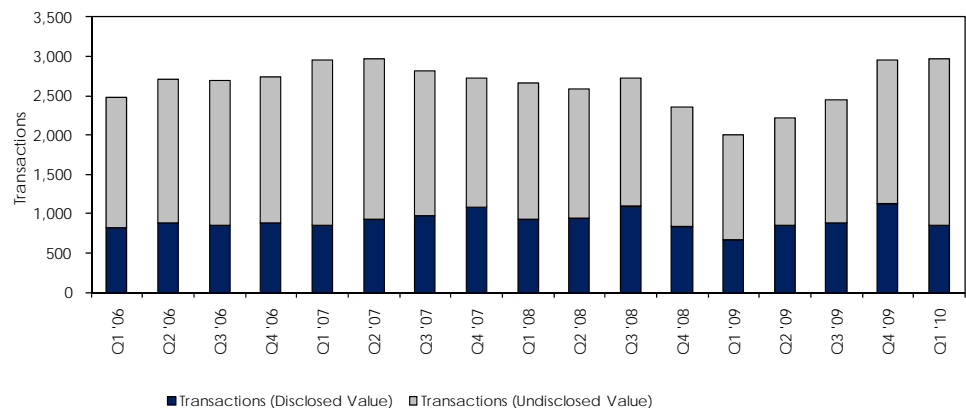
- Mobile Computing – Network-capable devices such as smart phones and PDAs are becoming increasingly important in the sector, as the vast majority of students own some form of mobile device. Companies are beginning to develop ways to take advantage of “Mobile Edu” to increase academic participation, access to information, and campus security/alerting purposes.

- “Open” Content – For over a decade, schools have been using the internet to publish information about their courses and curricula. With the rising costs of education, trends suggest that schools will utilize technology to push their content to a broader audience, including students that may not have the resources to pay full tuition for a post secondary degree.
- Electronic Books – With the introduction of various tablet PC products from notable brands in the electronics industry, the e-books sector provides students the convenience of purchasing, storing, and reading their course materials on one device. In addition, reduced printing expenses coupled with electronic rights management provide a compelling opportunity for controlled dissemination of content at improved margin.

MERGER & ACQUISITION ACTIVITY

2008 and early 2009 saw a deep decline in the level of M&A activity in the middle market. Due to the economic recession, both strategic and financial buyers retrenched from historical levels of acquisitions. With an improved economic outlook for 2010 and beyond, M&A activity has significantly improved in the past few quarters, with the numbers of transactions in Q1 of 2010 returning to 2007 levels.

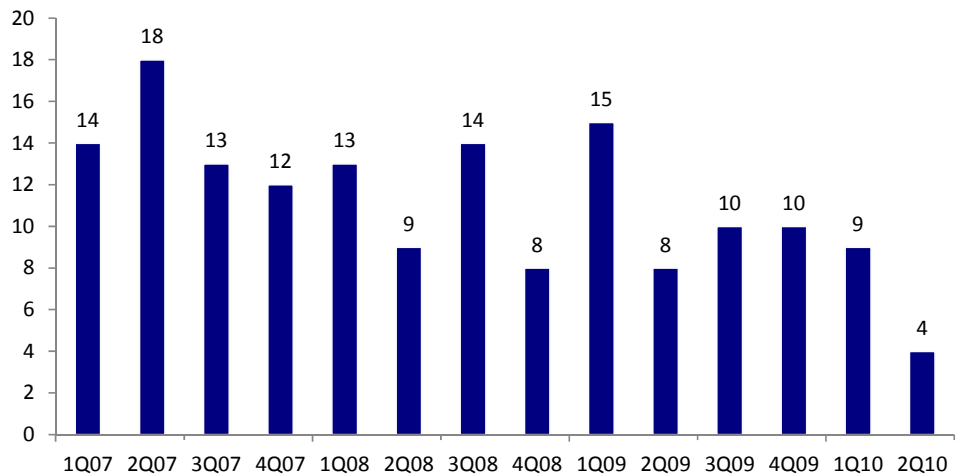
Middle Market M&A Volumes



Source: Capital IQ

The level of M&A activity in the Education Technology sector was relatively stable from 2007 to 2010, although acquisition volume slowed slightly during the country's economic crisis, as depicted in the quarterly data below.

Education Technology M&A Volumes



Source: Capstone Research; Thomson Financial

M&A DRIVERS

Capstone believes that the market will continue to see a significant amount of M&A activity in the Ed Tech sector, as the market continues to grow and mature, for the following reasons:

- Premiums for Intellectual Property – As demand for efficiency increases within the Education sector, new technology markets are constantly emerging. Demand for Ed Tech is increasing, in part due to government programs such as the National Education Technology Plan. Software solutions that take advantage of these newer markets, such as social networking and e-books, are in high demand. Experts believe that there will be major consolidation around these attractive sectors as established firms are willing to pay higher multiples for fresh technology developed by newer entrants in these markets.
- Leader Consolidation – Major players in the industry are in the process of making key acquisitions in order to fuel growth and maintain leadership positions in their respective markets. For example, Blackboard, Inc. has made a number of high profile acquisitions to broaden its product suite to include SaaS offerings in the Ed Tech industry. Considering the fact that the industry is currently highly fragmented, with numerous start-ups, consolidation by larger public companies should continue to fuel the M&A markets.

SELECTED TRANSACTION SUMMARIES

Below are examples of notable deals completed in the Ed Tech space over the past twelve months. Companies sought primarily to increase market share and expand into new areas of technology.

Archipelago acquires EducationCity – Archipelago Learning, Inc. (NASDAQ:ARCL) acquired EducationCity Limited for approximately \$104.3 million, representing a transaction multiple of approximately 11.6x revenue and 17.4x EBITDA. EducationCity is a premier provider of e-learning products for schools and families through fun, interactive games. Archipelago Learning intends to operate EducationCity as a stand-alone business. Tim McEwen, Chief Executive Officer of Archipelago Learning, indicated the acquisition will lead Archipelago into the global education market and into the core classroom, stating, “We are delighted to be acquiring a company with a highly complementary product that fits perfectly with our strategy of delivering high-impact low cost content-rich online tools to improve student learning.” Matthew Drakard and Simon Booley, the founders of EducationCity, will continue to lead the firm.

Thoma Bravo acquires PLATO Learning – Thoma Bravo, LLC acquired PLATO Learning, Inc. from SRB Management, L.P. and other investors for approximately \$142.2 million. PLATO Learning, Inc. emerged as a leader within the education software market through its innovative curriculum offerings and online assessments. With revenue and EBITDA projections of \$80 million and \$4 million respectively, the transaction represents multiples of 1.8x revenue and 35.6x EBITDA. Vin Riera, PLATO’s CEO, said, “Our agreement with Thoma Bravo represents an attractive valuation for our shareholders...We look forward to partnering with Thoma Bravo in continuing to focus on delivering high quality PLATO Learning solutions to our customers.” Holden Spaht, a Principal at Thoma Bravo, went on to say, “PLATO’s established solutions and experienced leadership team, coupled with Thoma Bravo’s expertise in buying and building software companies, presents an excellent opportunity for PLATO to further strengthen its position within the education technology market.”

Blackboard acquires Terriblyclever – Blackboard Inc. (NASDAQ:BBBB) acquired the business assets of Terriblyclever Design, LLC for \$4 million. Terriblyclever Design, LLC develops applications for social networking sites, such as MobilEdu, that allows education institutions to deliver a set of campus life services and content to mobile devices; and iStanford, a set of iPhone applications that provide a university directory, maps, information about school sports, and a course directory to support campus life. “Today’s students want to do everything with their mobile devices, including managing their social, school and work lives,” said Michael L. Chasen, President and CEO of Blackboard. “Mobile is just beginning to emerge and no one is doing more to define the space in education than Terriblyclever.”

RECENT NOTABLE M&A TRANSACTIONS

| (\$ in millions) | | | | Transaction | | EV/ LTM | |
|------------------|---|---|--|-------------|---------|---------|----|
| Date | Target | Acquiror | Target Business Description | Value | Revenue | EBITDA | |
| 09/01/10 | Hershey Systems, Inc. | Hyland Software, Inc. | Provides document/content management solutions to higher education institutions in the United States. | NA | NA | NA | NA |
| 08/05/10 | Portage Interactive, LLC | Coughlan Companies, Inc. | Designs and develops educational and entertainment games, including learning games, K-12 courseware, media tools for teens and Web-based e-learning administrative tools. | NA | NA | NA | NA |
| 07/22/10 | Spectrum K12 School Solutions, Inc. | Scantron Corporation | Provides response to intervention (RTI) and special education IEP software for K-12 student population in the United States. | NA | NA | NA | NA |
| 07/02/10 | Wimba, Inc. | Blackboard, Inc. (NasdaqGS:BBBB) | Provides collaborative learning software applications and services for further/higher education and K-12 markets. | \$53.2 | NA | NA | NA |
| 07/02/10 | Illuminate, Inc. | Blackboard, Inc. (NasdaqGS:BBBB) | Provides live eLearning and Web collaboration solutions for the academic market. | 57.2 | NA | NA | NA |
| 06/09/10 | Educationcity Limited | Archipelago Learning, Inc. (NasdaqGM:ARCL) | Provides fun educational games in the form of online activities for children and interactive whiteboard resources for teachers as an e-learning resource. | 104.3 | 11.6x | 17.4x | |
| 05/25/10 | Plato Learning, Inc. | Thoma Bravo, LLC | Engages in the development and marketing of educational software and related services primarily in the United States for students and instructors in K-12 schools. | 142.2 | 1.8x | 35.6x | |
| 05/17/10 | KC Distance Learning, Inc. | K12, Inc. (NYSE:LRN) | Distributes technology-based K-12 online courses, independent study courses, credit recovery test preparation supplements as well as custom content development and training services. | 63.1 | 1.8x | NA | |
| 03/08/10 | Saf-T-Net, Inc. | Blackboard, Inc. (NasdaqGS:BBBB) | Delivers voice, email, and text messages to telephones, mobile phones, PDAs, or Internet-enabled devices in order to bridge language barriers between parents and schools. | 36.6 | 3.7x | NM | |
| 12/04/09 | CompassLearning, Inc. | Marlin Equity Partners, LLC | Develops research-based curriculum and assessment software solutions for students in order to engage, educate, and inspire students in the K-12 market. | 54.8 | NA | NA | |
| 08/20/09 | AutoSkill International, Inc. | Educators Publishing Service, Inc. | Designs, develops, and delivers software-based reading and math intervention solutions to educational institutions in North America and Europe. | 11.7 | 1.2x | NA | |
| 07/10/09 | Terriblyclever Design, LLC | Blackboard, Inc. (NasdaqGS:BBBB) | Develops applications for social networking sites, such as iPhone and mobile Web campus applications for education. | 4.0 | NA | NA | |
| 06/20/09 | Voyager Learning Company | Cambium Learning Group, Inc. (NasdaqGM:ABCD) | Publishes various solutions for the educational market in the U.S., such as a subscription-based online library of interactive simulations in math and science for the K-12 market. | 65.0* | NA | 8.9x* | |
| 05/26/09 | Examville.com LLC | Rediff.com Ltd. India | Connects students and teachers by offering study aids, question and answers, live classes, study groups, and meet ups. | NA | NA | NA | |
| 05/01/09 | ANGEL Learning, Inc. | Blackboard, Inc. (NasdaqGS:BBBB) | Develops and markets enterprise elearning software. | NA | NA | NA | |
| 03/09/09 | Edgenuity, Inc. | Teachscape, Inc. | Offers a set of Web-based applications and data analytic tools to K-12 districts for instructional improvement. | NA | NA | NA | |
| 03/02/09 | Generation21 Learning Systems, LLC | Inmedius, Inc. | Offers e-learning solutions in areas such as learning management, content management, course creation, and administrator training. | NA | NA | NA | |
| 02/03/09 | Orchard Learning, Inc. | Educational Options, Inc. | Develops, publishes, integrates, and provides comprehensive and motivational educational software solutions. | NA | NA | NA | |
| 01/28/09 | Eighty20 Group, Inc. | WhippleHill Communications, Inc. | Provides e-communication strategies for schools, offering Website development, content management, e-newsletters, and training services. | NA | NA | NA | |
| 12/27/08 | Princeton Review Inc., K-12 Division | CORE Education & Consulting Solutions, Inc. | Comprises the K-12 Education Division of Princeton Review, Inc. | 9.5 | 0.3x | NA | |
| 10/23/08 | The Study Group, Inc. | Kaplan, Inc. | Provides bar review courses and study aids directly to students in the U.S. | NA | NA | NA | |
| 06/30/08 | Provost Systems, Inc. | EdisonLearning, Inc. | Provides administrative and academic solutions for charter schools. | NA | NA | NA | |
| 03/24/08 | Fourteen40, Inc. | Follett Corporation | Operates an e-book marketplace and social network for students. | NA | NA | NA | |
| 01/31/08 | Excelsior Software, Inc. | GlobalScholar, Inc. | Provides assessment management solutions, including a web-based gradebook, student information system, assessment management, and supplemental services. | NA | NA | NA | |
| 01/14/08 | Varsity Group, Inc. | Follett Corporation | Provides outsourcing solutions for the education institutions in the United States through online textbooks and school supplies from K-12 to the college and university markets. | 5.8 | 0.1x | NA | |
| 01/11/08 | NII Group, Inc. | Blackboard, Inc. (NasdaqGS:BBBB) | Offers communication systems that enable dissemination of information via voice and text devices. | 196.6 | 6.4x | NM | |
| 12/18/07 | Soliloquy Learning, Inc. | Scientific Learning Corp. (NasdaqGM:SCIL) | Develops speech recognition-supported software to help children learn to read and improve their reading fluency. | 9.7 | 7.5x | NA | |
| 11/12/07 | Xythos Software, Inc. | Blackboard, Inc. (NasdaqGS:BBBB) | Develops secure document management and collaboration software for academic and research institutions with a focus on online products and services. | 31.0 | NA | NA | |
| 09/26/07 | KC Management Group | Core Projects & Technologies Limited (BSE:512199) | Provides software and service solutions for the education marketplace specializing in education database design, software development, and data warehousing. | 30.0 | NA | NA | |
| 08/02/07 | powerspeaK ¹² Inc. | K12, Inc. (NYSE:LRN) | Provides foreign language training materials for independent learners and schools. | 4.1 | NA | NA | |
| 07/02/07 | Prometric, Inc. | Educational Testing Service, Inc. | Provides technology-enabled testing and assessment services to customers in academic, professional, government, corporate, and information technology markets. | 435.0 | 1.4x | NA | |
| 05/11/07 | Thomson Corp., Thomson Learning And Thomson Nelson Learning | Apax Partners Worldwide LLP; OMERS Private Equity | Offers higher education, careers, library reference, corporate e-learning and e-testing products and solutions. | 7750.0 | NA | NA | |
| 01/29/07 | Cambium Learning Group, Inc. (NasdaqGM:ABCD) | Veronis Suhler Stevenson | Provides research-based education solutions for students in the United States. | 325.0 | 3.3x | NA | |

Source: Capstone Market Research and Capital IQ

TV = transaction value; LTM = last twelve months

CF = Confidential; * - Based upon analysts' averages

| | | |
|---------------|-------------|--------------|
| Mean | 3.5x | 20.6x |
| Median | 1.8x | 17.4x |

Public Company Trading Multiples

(\$ in millions, except per share data)

| Company | Ticker | Price | % 52 Wk | Market | Enterprise | LTM | | EV/LTM | | EV/NTM | |
|------------------------------|---------------|---------|--------------|----------------|----------------|----------------|---------------|-------------|--------------|-------------|--------------|
| | | 9/09/10 | High | Cap | Value | Revenue | EBITDA | Revenue | EBITDA | Revenue | EBITDA |
| Archipelago Learning, Inc. | NasdaqGM:ARCL | \$10.46 | 49.3% | \$275.7 | \$343.9 | \$48.7 | \$17.2 | 7.1x | 20.0x | 5.1x | 16.3x |
| Blackboard Inc. | NasdaqGS:BBBB | 34.69 | 74.6% | 1189.3 | 1211.3 | 407.2 | 99.1 | 3.0x | 12.2x | 2.5x | 9.9x |
| Cambium Learning Group, Inc. | NasdaqGM:ABCD | 3.02 | 20.4% | 132.5 | 308.6 | 140.4 | 39.8 | 2.2x | 7.7x | NA | NA |
| K12, Inc. | NYSE:LRN | 24.05 | 88.8% | 732.5 | 692.8 | 384.5 | 61.2 | 1.8x | 11.3x | 1.5x | 8.9x |
| Princeton Review Inc. | NasdaqGM:REJU | 2.11 | 39.8% | 75.5 | 283.4 | 186.6 | 11.3 | 1.5x | NM | 1.2x | 9.7x |
| Renaissance Learning Inc. | NasdaqGS:RLRN | 9.94 | 58.6% | 291.6 | 245.5 | 127.4 | 34.0 | 1.9x | 7.2x | 1.8x | NA |
| Rosetta Stone, Inc. | NYSE:RST | 18.38 | 66.8% | 378.5 | 278.8 | 269.2 | 44.1 | 1.0x | 6.3x | 1.0x | 8.0x |
| Scientific Learning Corp. | NasdaqGM:SCIL | 5.08 | 73.6% | 94.2 | 79.6 | 59.4 | 8.3 | 1.3x | 9.6x | 1.4x | 7.9x |
| Average | | | 59.0% | \$396.2 | \$430.5 | \$202.9 | \$39.4 | 2.5x | 10.6x | 2.1x | 10.1x |
| Median | | | 62.7% | \$283.6 | \$296.0 | \$163.5 | \$36.9 | 1.9x | 9.6x | 1.5x | 9.3x |

Public Company Operating Data

| Company | LMT Operating Metrics | | | 1 - Year | Total | Total | Return | Inv. | Days | Cash |
|------------------------------|-----------------------|---------------|-------------|----------------|---------------|---------------|--------------|---------------|-------------|-------------|
| | Gross Margin | EBITDA Margin | Net Margin | Revenue Growth | Debt / EBITDA | Debt / Equity | on Capital | Turnover Rate | Sales Out. | Conv. Cycle |
| Archipelago Learning, Inc. | 92.6% | 35.2% | 7.4% | 29.5% | 5.3x | 0.9x | 5.6% | 0.0 | 66.1 | 0.0 |
| Blackboard Inc. | 70.5% | 24.3% | 5.3% | 17.5% | 1.6x | 0.4x | 5.6% | 126.2 | 77.5 | 64.2 |
| Cambium Learning Group, Inc. | 70.1% | 28.4% | -26.1% | 56.5% | 4.6x | 1.5x | 2.0% | 2.2 | 50.6 | 174.9 |
| K12, Inc. | 42.8% | 12.1% | 6.0% | 22.8% | 0.5x | 0.1x | 10.1% | 9.1 | 83.8 | 100.7 |
| Princeton Review Inc. | 63.3% | 6.0% | -23.2% | 28.4% | 9.7x | 1.9x | -4.1% | 18.4 | 28.4 | 30.5 |
| Renaissance Learning Inc. | 79.0% | 26.7% | 17.2% | 10.7% | 0.0x | 0.0x | NM | 8.6 | 37.9 | 45.0 |
| Rosetta Stone, Inc. | 86.8% | 16.4% | 9.7% | 15.6% | 0.0x | 0.0x | 15.9% | 3.8 | 39.3 | 115.1 |
| Scientific Learning Corp. | 79.4% | 14.0% | 8.9% | 33.7% | 0.0x | 0.0x | 48.1% | 32.1 | 48.6 | 34.7 |
| Average | 73.1% | 20.4% | 0.7% | 26.9% | 2.7x | 0.6x | 11.9% | 25.1 | 54.0 | 70.7 |
| Median | 74.7% | 20.4% | 6.7% | 25.6% | 1.1x | 0.3x | 5.6% | 8.9 | 49.6 | 54.6 |

Source: Capital IQ and Capstone Partners Research; Valuation as of September 09, 2010

EV = enterprise value

NA = not available

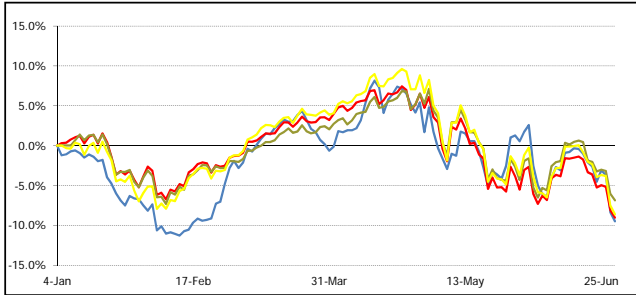
NTM = next twelve months (average analysts' estimates)

LTM = last twelve months

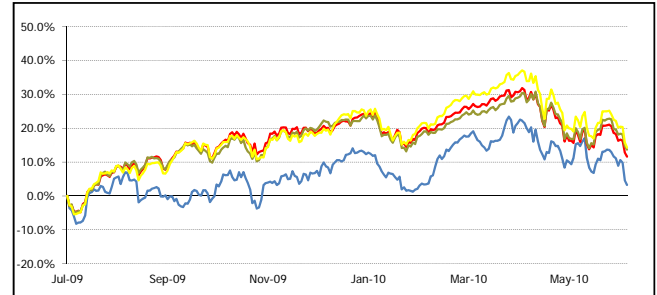
NM = not meaningful

The Capstone Education Technology Index

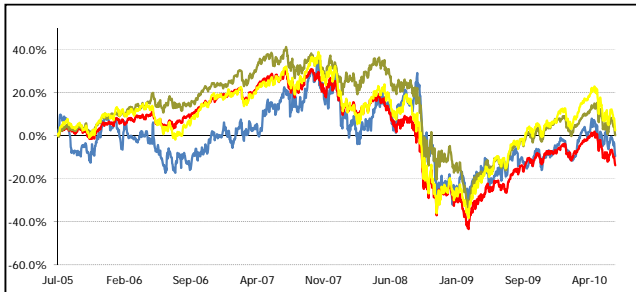
Year-to-Date



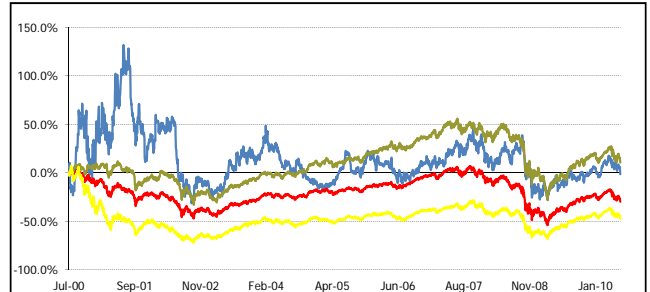
1-Year



5 -Year



10 -Year



— Capstone Education Technology Index — S&P 500 Index
— Dow Jones Composite Average Index — NASDAQ Composite Index

Source: Capital IQ as of June 30, 2010

MARKET OUTLOOK

- The Capstone Education Technology Index outperformed all other major indices from the start of the decade and well into 2005.
- In the last half of the decade, the Education Technology Index has remained in line with the overall market.
- The outlook continues to be positive, as the Index appears to be recovering from earlier losses in the year.

PUBLIC COMPANY PROFILES

Although many of the Education Technology providers are small and privately owned, there are a number of larger public companies that play a key role in the industry. Capstone anticipates that these companies will continue to be a driving force in the consolidation process as the Ed Tech industry matures, as they have historically been very active in acquiring companies in new market segments.



Archipelago Learning, Inc. - www.archipelagolearning.com

Archipelago Learning, Inc. (NasdaqGM: ARCL) together with its subsidiaries, operates as a subscription-based online education company in the United States and Canada. The company provides standards-based instruction, practice, assessments, and productivity tools to educators and students through Web-based platforms. Its principal product line, Study Island, helps students in Kindergarten through 12th grade, or K-12, master grade level academic standards. The Study Island product line combines rigorous content that is customized to specific standards in reading, math, science, and social studies with interactive features and games that engage students, and reinforce and reward learning achievement. Its customers include public and private schools, teachers, school principals, curriculum directors, superintendents, chief technology officers, and other administrators. The company was founded in 2000 and is headquartered in Dallas, Texas.



Blackboard

Blackboard, Inc. - www.blackboard.com

Blackboard, Inc. (NasdaqGS: BBBB) provides enterprise software applications and related services to the education industry in the United States. It offers a Web-based teaching and learning platform, on- and off-campus commerce management, and a mobile-based set of applications that offers student services and campus information to students, faculty, community constituents, and alumni on mobile devices. It serves colleges, universities, schools and other education providers. The company was founded in 1997 and is headquartered in Washington, the District of Columbia.



Cambium Learning Group, Inc. - www.cambiumlearning.com

Cambium Learning Group, Inc. (NasdaqGM: ABCD) provides research-based education solutions for students in the United States. Its Voyager segment provides various reading programs for students of all ages, capabilities, and background. Cambium also offers product solutions that focus on specific skill deficits such as ADHD, dyslexia, and visual impairments. The company's interactive library, web-based tutorials, and comprehensive curriculum have led the company to be a leader in the industry. The strategic acquisition of Voyager Learning Company has increased the firm's market share and role within the industry. The company was founded in 2002 and is based in Dallas, Texas.



[K12, Inc. – www.k12.com](http://www.k12.com)

K12 Inc. (NYSE: LRN), a technology-based education company, provides proprietary curriculum and educational services for online delivery to students in kindergarten through 12th grade (K12) primarily in the United States. Its products include K12 online lessons, a Web-based software platform that provides access to its online lessons, a fully integrated proprietary student information system, and a suite of online applications that provides administrators, teachers, parents, and students a unified view of student progress, attendance, and communications. The company distributes its products and services primarily to virtual public schools, school districts, private schools, charter schools, and directly to consumers. K12 Inc. was founded in 2000 and is headquartered in Herndon, Virginia.



[Princeton Review, Inc. – www.princetonreview.com](http://www.princetonreview.com)

The Princeton Review, Inc. (NasdaqGM: REVU) provides integrated classroom-based, print, and online products and services to the high school and post-secondary markets in the United States and internationally. Its Test Preparation Services division provides live and online test preparation courses, as well as individual and small group tutoring in test preparation and academic subjects. As of December 31, 2009, the company had 20 franchises operating in 21 countries internationally. The company was founded in 1981 and is headquartered in Framingham, Massachusetts.



[Renaissance Learning, Inc. – www.renlearn.com](http://www.renlearn.com)

Renaissance Learning, Inc. (NasdaqGS: RLRN) provides computer-based assessment and periodic progress monitoring technology for pre-kindergarten through senior high schools and districts in the United States and internationally. Its educational software products cover subject areas, including reading, early literacy, mathematics, writing, vocabulary, and language acquisition. Renaissance Learning markets its educational products and services to teachers, school librarians, principals, schools, school district personnel, and state departments of education. It markets its products directly, as well as through distributors and resellers. The company was founded in 1986 and is headquartered in Wisconsin Rapids, Wisconsin.



[Rosetta Stone, Inc. – www.roseffastone.com](http://www.roseffastone.com)

Rosetta Stone Inc. provides technology-based language learning solutions worldwide. The company develops, markets, and sells language learning solutions, such as software, online services, and audio practice tools primarily under the Rosetta Stone brand name. It offers self-study language learning solutions in approximately 31 languages. The company's approach eliminates translation and grammar explanation and is designed to leverage the natural language learning ability that children use to learn their native language. It also provides an online language learning solution that integrates its online courses with coach-led practice sessions, fun and engaging language games, interaction with native speakers, and live support from customer service agents through a peer-to-peer network. It primarily serves individuals, home school parents, educational institutions, and not-for-profit institutions. The company sells its products through direct sales channels, including its call centers, Web sites, institutional sales force, kiosks, and certain retailers, as well as through the sale of CD-ROM's and on line subscriptions. Rosetta Stone Inc. is headquartered in Arlington, Virginia.



[Scientific Learning Corp. – www.scientificlearning.com](http://www.scientificlearning.com)

Scientific Learning Corporation (NasdaqGM: SCIL) develops and sells educational software that accelerates learning by improving the processing efficiency of the brain. It offers its products primarily as a reading intervention solution, to be used as an intervention or remedial supplement to existing curriculum materials for struggling, special education, and English language learners, at both the elementary and secondary school levels to improve reading and learning. It also offers Progress Tracker, an Internet-based data analysis and reporting tool, which analyzes students' learning results to provide diagnostic and prescriptive intervention information, and allows educators to track and report their students' learning progress; and Reading Assistant, a software tool that combines advanced speech verification technology with scientifically-based interventions to help elementary and secondary students strengthen their reading fluency, vocabulary, and comprehension. The company offers its products to educational institutions, speech and language clinics, learning centers, and parents worldwide through direct sales force, direct marketing, and a network of independent value-added representatives. Scientific Learning Corporation was founded in 1995 and is headquartered in Oakland, California.

PRIVATE COMPANY PROFILES

The following companies are examples of the numerous start-up and independent technology leaders in sectors highlighted in this report.



Atomic Learning, Inc. – www.atomiclearning.com

Atomic Learning, Inc. provides online software instruction and professional development solutions on subscription basis for schools, colleges, and universities in the United States and internationally. It offers skills training, skills teacher assessment, technology integration resources, curriculum supplements, student technology literacy assessment, technology, support, and assistive technology training resources. The company was founded in 2000 and is based in Little Falls, Minnesota.



BetterLesson, LLC – www.betterlesson.org

BetterLesson, LLC provides services for educators to organize and share their curricula. It enables educators to focus on creating and delivering content by connecting educators within and across various instructional and geographic communities. The company is focused on aggregating and scaling the most innovative content and practices from high-performing teachers across the country. By providing access to a strong curriculum (up to 180 high-quality lessons in a row) regardless of the resources or demographic of the school, BetterLesson hopes to provide students with the opportunity to have the best possible education. The company was founded in 2008 and is based in Somerville, Massachusetts.



ConnectEdu, Inc. – www.connectedu.net

ConnectEdu, Inc., a technology company, provides Web-based solutions to navigate education and employment transitions. It offers Connect!, a Web-based solution that provides users with information and guidance in curriculum, college, and career planning, as well as online tools and resources to navigate their high school, college, and career life cycles; and Prep HeadQuarters, a set of Internet-based tools to enhance high school guidance, and make college and career preparation. The company serves students, parents, guidance counselors, admission officers, transfer advisors, enrollment managers, and employers. It has strategic partnerships with National Collegiate Athletic Association; aal Solutions; Council of North Central Two Year Colleges; Marcia Brenner Associates; Maine State GEAR UP; Weidenhammer; Skyward; Computer Management Technologies; SchoolsOPEN, L.L.C.; School Information Systems, Inc.; and Software Technology, Inc. ConnectEdu, Inc. was founded in 2002 and is based in Boston, Massachusetts.



[ConnectYard, Inc. – www.connectyard.com](http://www.connectyard.com)

ConnectYard specializes in helping institutions effectively leverage the power of social and mobile media to improve the educational experience by extending the learning environment outside of the classroom into where students live and socialize - online. The Company's Web 2.0 solutions are built upon a foundation of proven success and customer-driven innovation with a high focus on enhancing learning and building community amongst students. By leveraging popular social networking sites, like Facebook and Twitter, and pervasive mobile technologies, like text messaging, the company's goal is to enhance student's educational experiences and sense of community through improved communication services during their academic career. The company was founded in 2007 and is headquartered in Wayne, NJ.



[Desire2Learn, Inc. – www.desire2learn.com](http://www.desire2learn.com)

Desire2Learn, Inc. offers Web-based platform for the delivery of online teaching and learning. It offers Desire2Learn Learning Environment, a Web-based suite of teaching and learning tools for course development, delivery, and management; Desire2Learn ePortfolio, a platform for collecting, organizing, reflecting, and presenting learning artifacts; and Desire2Learn Learning Repository, which is integrated standards-based learning repository enabling the storing, tagging, searching, and reusing of learning objects. The company's products also include Desire2Learn LiveRoom, a chat, whiteboard/canvas, and presentation technology designed to provide a real-time learning environment for participants; Desire2Learn Essentials that offers smaller eLearning programs and institutions the ability to implement enterprise-scale learning management system; Desire2Learn 2GO, a mobile learning application; and Desire2Learn Competencies Solution, a suite of competency tracking and reporting tools. In addition, it offers delivery services, hosting services, content services, training services, and support services. The company serves schools and school boards, universities, colleges and higher education institutions, corporations and associations, and healthcare and government sectors. Desire2Learn, Inc. was founded in 1999 and is headquartered in Kitchener, Canada.



[EDmin.com, Inc. – www.edmin.com](http://www.edmin.com)

EDmin.com, Inc. provides enterprise learning management solutions for the K-12 school districts and teachers to accelerate student learning and improve performance. Its products include INFORM system that uses the Web to track the performance of various students in schools, districts, and states; In\$ite, a financial analysis tool, which provides decision-quality data on a per-school and per-pupil basis; INSPIRE that provides opportunities for teachers, special education resource specialists, and staff involved in the process of preparing individual education plans; and INSTRUCT, which enables the organizations to plan and manage courses for teachers, staff, and the community, as well as to track the results of professional development. The company also offers Education World that provides practical content online, which includes lesson plans, daily quick-tivity, teacher-tested projects and strategies, and interviews with national education experts; TechBuilder, which helps educators and administrators to build technology plans, complete surveys, conduct technology inventories, manage technology projects, and prepare grant and funding proposals; and INFORM Training that enables system administrators, site administrators, and teachers to create resources, assignments, and lesson plans. EDmin.com, Inc. was founded in 1989 and is headquartered in San Diego, California.



Education Networks of America

[Education Networks of America, Inc. – www.ena.com](http://www.ena.com)

Education Networks of America, Inc., a managed network service provider, engages in the design, deployment, and management of network and communication services for school systems, libraries, and governments. It offers data solutions, such as managed network services, black hole services, content filtering, traffic management, SNAP, and Internet access services. The company also provides voice solutions, including connect and dialtone connect, connect and voicemail connect, safety and security, and proactive call quality monitoring services. In addition, it offers email archiving, security and firewall services, email services, consulting, and consortium buying services. The company serves educators, students, administrators, and governmental employees in Tennessee, Indiana, and Florida. Education Networks of America, Inc. was founded in 1996 and is based in Nashville, Tennessee.



EXAMSOFT
WORLDWIDE

[ExamSoft Worldwide, Inc. – www.examssoft.com](http://www.examssoft.com)

ExamSoft Worldwide, Inc. develops and distributes software solutions for exam administration process. It offers Flex-Site, an Internet-based exam delivery/exam administration program; Flex-Site Express for customers who administer exams containing essay questions; Custom Home Page, a Website for customers through which exam administration is performed; and SofTeach, an item banking, exam creation, and exam distribution tool. The company also provides SofTest, an exam taker tool for secure exam downloading; SoftScore, an exam results auto-processing and performance analysis tool; PrintX, a customizable essay response printing utility; and EsCourses, a course enrollment management tool. It serves administrators, exam takers, students, and bar applicants. The company was incorporated in 1998 and is based in Deerfield Beach, Florida.



[Goknow, Inc. – www.goknow.com](http://www.goknow.com)

Goknow, Inc. provides curriculum and educational tools for handheld computers for classrooms, schools, and districts. Its products include Mobile Learning Environment, which allows teachers to manage, assess, and back-up student work done on mobile devices, as well as provides productivity applications for K-12 students; GoObserve, a classroom observation tool for administrators; and Cooties, a virus-transfer simulation program. The company also provides leadership seminars for lead teachers, technology coordinators, and curriculum directors; and consulting services, such as strategic planning support, assistance with grant proposals, and customized educational software development, as well as training workshops for educators and administrators. In addition, it publishes books. Its clients include corporations, professional organizations, educational initiatives, school districts, and individual schools. Goknow, Inc. was founded in 2001 and is based in Ann Arbor, Michigan.



[Intrepid Learning Solutions, Inc. – www.intrepidlearningsolutions.com](http://www.intrepidlearningsolutions.com)

Intrepid Learning Solutions, Inc. provides integrated learning and performance consulting, training, and research services to companies. The company provides instructional design, media production, instructor led-delivery, and project management services. It offers consulting services, such as enterprise learning strategies, vendor solutions, targeted job analyses, and targeted benchmarking and best practices research services; and outsourcing services, including the management of existing training department. The company also provides research services, which include industry analysis, custom research, and the evaluation and assessment of e-learning courseware products. In addition, it offers leadership and management training solutions in the areas of executive coaching, management skills, supervisory skills, and change management; compliance training solutions in the areas of safety, health and environmental awareness, and industry specific regulatory requirements, as well as legal, financial, and human resources; and sales training, and customer and partner training solutions. Intrepid Learning Solutions serves financial services, high technology, management consulting, aerospace, and retail industries. The company was founded in 1999 and is based in Seattle, Washington.



[Jenzabar, Inc. – www.jenzabar.net](http://www.jenzabar.net)

Jenzabar, Inc. develops enterprise software and services for higher education in the United States and internationally. It offers Web-enabled enterprise software with student, institutional advancement, human resources, and financial applications; e-learning solutions; and a higher education enterprise information portal. The company also offers professional and support services, including implementation, training, customer support, and technical services, as well as enrollment, retention, and advancement consulting services. It serves students, professors, administrators, and staff, including private liberal arts, state, and community colleges and business, medical, law, and various graduate schools. They have become a leader in providing solutions in Enrollment, Retention, and Advancement and are currently partnered with over 700 campuses across the United States. The company was founded in 1998 and is headquartered in Boston, Massachusetts with additional offices in Loveland, Ohio; Harrisonburg, Virginia; and Knoxville, Tennessee.



[Learning Objects, Inc. – www.learningobjects.com](http://www.learningobjects.com)

Learning Objects, Inc. is the leading provider of social software for learning. Their custom solutions facilitate constructive interactions among students and instructors and enhance the value of an institution's existing IT investments. Through working closely with the user community, Learning Objects ensures that their products evolve in ways that meet their on-going needs and objectives. Another major benefit to their unique approach is the close relationships they develop with their clients, which allows quick response and efficient customer service and technical support issues. Learning Objects clients include major universities, distance learning providers, public and private K-12 schools, and even corporate and government entities. The company is based in Washington, D.C.



[Lexia Learning Systems, Inc. – www.lexialearning.com](http://www.lexialearning.com)

Lexia Learning Systems, Inc. provides reading software. It offers Lexia Reading, an interactive and educational software that helps students to learn reading and increase academic performance in elementary, middle, and secondary schools; pre-school and day care centers; special education programs; home schools; correctional institutions; adult learning centers; and second language centers. Lexia Learning Systems also offers Lexia Lessons that provides teachers with scripted lesson plans to support students who are struggling with specific skills; and Lexia Skill Builders that offer students an opportunity to develop reading skills using offline practice sheets. The company also provides strategies for old students. The company was founded in 1984 and is headquartered in Concord, Massachusetts.



[OdysseyWare, Inc. – www.odysseyware.com](http://www.odysseyware.com)

OdysseyWare, Inc., an online education company, provides Web-based curriculum and e-learning solutions for charter, public, and virtual schools in the United States. The company offers elementary courses in the areas of language arts, history and geography, science, and mathematics. It also provides middle and high school courses in the areas of social studies and history, English language arts, science, mathematics, business computer information systems, psychology, French and Spanish languages, and skills and diagnostic testing. OdysseyWare, Inc. is based in Chandler, Arizona with an additional location in Rock Rapids, Iowa.



[SchoolDude.com, Inc. – www.schooldude.com](http://www.schooldude.com)

SchoolDude.com, Inc. provides on-demand operations management software to schools, colleges, and universities. It offers education software for facility, technology, and business operations. The company's products include FSDirect, an online facility usage scheduling system; CommunityUse, an online facility use calendaring system; TripDirect, an online trip planning and management system; UtilityDirect, an online utility tracking and analysis system; and PlanningDirect, an online capital planning and funding system. It also provides MaintenanceDirect, an online work order management system; PMDirect, an online preventive maintenance scheduling system; MDWireless, a wireless work order management system; InventoryDirect, an online inventory management system; and SchoolDude Community, an online professional development and practices community. In addition, the company offers ITAMDirect, an online information technology asset management system; ITDirect, an online technology help desk management system; and ITWireless, a wireless help desk management system. It serves customers in the United States, Canada, Australia, Europe, and the Dominican Republic. The company has a strategic partnership with The Hartford Steam Boiler Inspection and Insurance Company. SchoolDude.com, Inc. was founded in 1999 and is based in Cary, North Carolina.



[SoftChalk, LLC – www.softchalk.com](http://www.softchalk.com)

SoftChalk is the result of a vision to create a software tool that made it easy for educators to connect with their learners. SoftChalk was created in response to the realization that that educators needed an easy way to move beyond the static lesson content (word processing documents and slide shows) found in most on-line courses. Through working with faculty, the company concluded that although educators desire to create sophisticated, interactive content, they typically do not have the time to learn complicated authoring tools. SoftChalk's management group set about to create products with the following principles: the software had to be simple to use, yet powerful enough that educators could create truly interactive content. And the lesson content had to be portable for use in virtually any learning management system or on any web server. Today, SoftChalk's flagship product and is used by more than 3,300 organizations worldwide for K-12, Higher Education and corporate training. The company was founded in Richmond, VA in 2002.



[Software Secure, Inc. – www.softwaresecure.com](http://www.softwaresecure.com)

Software Secure, Inc. provides educational testing software solutions for the secondary, higher education, and distance learning environments. Its products include Secureexam Student, which makes exams less stressful for students by allowing them to use familiar word processing functions in the exam room; Secureexam Browser, which locks down various Web-based tools or platforms by allowing access to only a secure version of the Web browser during an exam; Secureexam Remote Proctor, which uses biometrics to authenticate the identity of a test-taker, and captures the audio and video to monitor the exam conditions; PlanetSSI, a Web-based exam management system that controls various aspects of institutions' using Secureexam; and Software Secure Classmate, which enables faculty to know that students are using their computers for class work and not for surfing the net or instant messaging. Software Secure's products are already featured at a number of universities, such as Northeastern, McGill, Tulane, and many others. The company was incorporated in 1998 and is based in Newton Upper Falls, Massachusetts.



[TeamEdu, Inc. – www.teamedu.com](http://www.teamedu.com)

TeamEDU currently serves the largest 100 buyers (schools, brokers, and affiliates) of higher education leads. TeamEDU has built a very unique niche in the Higher Education sector of the Ed Tech industry by following the company's five core competencies: lead generation, voice verified, educational event technologies, consulting & brokering services, and building online courses. The company was founded in Phoenix, AZ in 2009.

Education Technology

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Capstone Partners LLC is a leading national investment banking advisory firm dedicated to serving the transaction needs of middle-market companies. The firm provides corporate sale & divestiture, merger & acquisition and private placement advisory services across three major industry practices: Specialty Products, Business Services and Technology Solutions. Our team possesses significant experience spanning hundreds of M&A and financing transactions. All of our transactions are supported through industry-specific research and relationship coverage capabilities.



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