

**PEOPLES EDUCATIONAL HOLDINGS, INC.
COMPENSATION COMMITTEE CHARTER**

A. PURPOSE

The Compensation Committee shall provide assistance to the Board of Directors of Peoples Educational Holdings, Inc. (the “Corporation”) in fulfilling their responsibility of insuring that the Company’s executives are compensated in accordance with the Company’s total compensation objectives and executive compensation philosophy. The Committee will help the Board of Directors insure the achievement of the overall goals and objectives of the Company by recommending an appropriate executive compensation approach to be implemented through an effective total compensation program. The total compensation program and practices of the Company will be designed with full consideration of all accounting, tax, security laws, and regulatory requirements.

B. ORGANIZATION

1. **Membership.** The Committee shall at all times consist of at least three directors appointed by the Board of Directors of this Corporation, each member to serve until his or her successor is duly appointed, or until his or her earlier death, resignation or removal by the Board of Directors.
2. **Qualifications.** Each member of the Committee shall be an “independent director” under Rule 4200 of the National Association of Securities Dealers (“NASD”), except as otherwise permitted by the applicable rules of the NASD’s Nasdaq Stock Market. In addition, each member of the Committee shall be a “non-employee director” within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 and an “outside director” within the meaning of Section 162(m) of the Internal Revenue Code.
3. **Meetings.**
 - (a) **Frequency.** The Committee shall meet during each fiscal year of this Corporation as frequently as the Committee deems appropriate, but at least twice a year.
 - (b) **Agenda and Notice.** The Chair of the Committee shall establish the meeting dates and the meeting agenda and send proper notice of each Committee meeting to each member prior to each meeting. The Chair or a majority of the members of the Committee may call a special meeting of the Committee upon 48 hours’ prior notice.
 - (c) **Holding and Recording Meetings.** Committee meetings may be held in person or telephonically, or action may be taken by written consent in accordance with Delaware corporate law. The Committee shall keep written minutes of its meetings and submit such minutes to the Board of Directors.
 - (d) **Chair.** The Board of Directors shall designate a Chair of the Committee.

(e) **Quorum.** A majority of the members of the Committee shall constitute a quorum.

C. **AUTHORITY AND RESPONSIBILITIES**

Compensation

1. **Executive Officer Compensation.** The Committee shall review the compensation of the Corporation's Chief Executive Officer ("CEO") and other executive officers, including salary, bonus and incentive compensation levels; deferred compensation; executive perquisites; equity-based compensation (including awards to induce employment); severance arrangements; change-in-control benefits; and other forms of executive officer compensation.
 - (a) **Compensation of CEO.** The compensation of the CEO shall be determined by the Committee. The CEO shall not be present during the Committee's or the Board's deliberations or voting on the compensation of the CEO.
 - (b) **Compensation of Other Executive Officers.** The compensation of the other executive officers shall be determined by the Committee. The Committee may, in its discretion, invite the CEO to be present during the Committee's deliberations or voting on the compensation of other executive officers.
2. **CEO Performance.** The Committee shall annually review and approve corporate goals and objectives relevant to the compensation of the CEO, evaluate the CEO's performance in light of those goals and objectives, and set the CEO's compensation level based on this evaluation.
3. **Equity-Based Plans.** The Committee shall have and shall exercise all rights, authority and functions of the Board of Directors under all of the Corporation's stock option, stock incentive, employee stock purchase and other equity-based plans, including without limitation, the authority to interpret the terms thereof, to grant options thereunder and to make stock awards thereunder; provided, however, that unless expressly authorized to do so by a plan or resolution of the Board of Directors, the Committee shall not be authorized to amend any such plan. To the extent permitted by applicable law and the provisions of a given equity-based plan, and consistent with the requirements of applicable law and such equity-based plan, the Committee may delegate to one or more executive officers of the Corporation the power to grant options or other stock awards pursuant to such equity-based plan to employees of the Corporation or any subsidiary of the Corporation who are not directors or executive officers of the Corporation.
4. **Compensation Plans.** The Committee shall periodically consider and make recommendations to the Board of Directors with respect to the adoption, amendment, administration or termination of compensation, welfare, benefit, pension and other plans related to compensation of current and former employees of the Corporation, as in each

case requested by the Board of Directors or as deemed appropriate by the Committee from time to time.

- 5. Director Compensation.** The Committee shall periodically evaluate and make recommendations to the Board of Directors with respect to appropriate forms and amounts of compensation for directors of the Corporation.

Disclosures

- 6. Compensation Committee Report on Executive Compensation.** The Committee shall prepare the Compensation Committee Report for inclusion where necessary in a proxy or information statement of the Corporation relating to an annual meeting of security holders.
- 7. Compensation Committee Report on Repricing of Options/SARs.** If there shall have occurred a repricing of options/SARs which is required to be disclosed pursuant to Item 402(i) of Regulation S-K, the Committee shall prepare the Compensation Committee Report on such repricing for inclusion where necessary in the Corporation's SEC filings.

Access to Records, Legal Counsel, Advisors and Consultants

- 8. Access to Records and Personnel.** The Committee shall have full access to any relevant records of the Corporation that it deems necessary to carry out its responsibilities. The Committee may request that any officer or other employee of the Corporation or any advisor to the Corporation meet with members of the Committee or its advisors, as it deems necessary to carry out its responsibilities.
- 9. Independent Advisors.** The Committee shall have the authority, without further action by the Board of Directors, to engage and determine funding for such independent legal, accounting and other advisors as it deems necessary to carry out its responsibilities. Such independent advisors may be the regular advisors to the Corporation. The Committee is empowered, without further action by the Board of Directors, to cause the Corporation to pay the compensation of such advisors as established by the Committee.
- 10. Consulting Arrangements.** The Committee shall have the authority to retain and terminate any compensation consultant to be used to assist in the evaluation of executive officer compensation and shall have authority to approve the consultant's fees and other retention terms. The Committee shall also have authority to commission compensation surveys or studies as the need arises. The Committee is empowered, without further action by the Board of Directors, to cause the Corporation to pay the compensation of such consultants as established by the Committee.

Other Responsibilities

- 11. Reports to Board of Directors.** The Committee shall report regularly to the Board of Directors of the Corporation regarding the meetings of the Committee with such recommendations to the Board of Directors as the Committee deems appropriate.
- 12. Periodic Review of this Charter.** The Committee shall periodically review and reassess the adequacy of this Charter and recommend any proposed changes to the Board of Directors for approval.
- 13. Other Responsibilities.** The Committee shall take such other action with respect to compensation matters as may be delegated from time to time by the Board of Directors. The Committee shall discharge its responsibilities, and shall assess the information provided to the Committee, in accordance with its business judgment. The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate.

This Compensation Committee Charter was adopted by the Board of Directors of this Corporation on March 1, 2005.