

**PEOPLES EDUCATIONAL HOLDINGS, INC.
CODE OF CONDUCT**

INTRODUCTION

This Code of Conduct (the “Code”) provides an overview of policies and procedures adopted by Peoples Educational Holdings, Inc. (the “Corporation”) for conducting business in a legal and ethical way. It applies to all employees, including officers, and members of the Board of Directors. This Code is neither a contract nor a comprehensive manual that covers every situation. Rather, the Code is a guideline for expected behavior when conducting business. Employees should refer to the Corporation’s policies/procedures for more detailed information.

The Code is to be followed by all Corporation employees throughout the world and members of the Board of Directors. Employees and directors are expected to comply with the both the letter and spirit of all applicable rules and regulations of federal, state, provincial and local governments, and other appropriate private and public regulatory agencies, including the Securities and Exchange Commission (SEC) and the Nasdaq Stock Market (Nasdaq), as well as the laws of other countries where we do business.

In addition to following the laws, employees and directors are expected to make ethical business decisions. When faced with a business decision that may have ethical concerns, refer to the questions below to help determine the proper course of action:

- Am I adhering to the spirit, as well as the letter, of any law or the Code?
- Would I want my actions reported on the front page of a newspaper?
- What would my family, friends, or neighbors think of my actions?
- Will there be any direct or indirect negative consequences for the Corporation?
- How will the decision stand up over time?
- How would I feel if it happened to me?

If the course of action still is unclear, contact your manager for further guidance. Directors should contact the Chairman. Managers are designated as the first contact for raising a concern regarding a violation of the Corporation’s Code of Conduct. More details on the process for reporting violations can be found in the “Resolution of Issues and Concerns” section.

ETHICAL BUSINESS CONDUCT

Accuracy of Records

Accurate business records are a key factor in maintaining the trust of employees, shareholders, and other stakeholders. Information that employees record and submit either inside or outside the Corporation must be accurate, verifiable, and complete. At the Corporation, we do not engage in inaccurate, false or misleading record keeping. This includes reporting information or organizing it in a way that is intended to mislead

or misinform those who receive it. No undisclosed or unrecorded funds or assets of the Corporation may be maintained for any purpose.

Keeping accurate books and records is not only about good corporate citizenship, but the law also requires it. The Corporation is required to comply with the rules and regulations of both the SEC and Nasdaq. The Corporation also maintains internal controls and procedures for reporting financial data according to applicable laws of each country where we conduct business.

All employees have a responsibility to assure that current and full information is provided to our internal and external auditors. It is against the Corporation's policy to unduly or fraudulently influence, coerce, manipulate or mislead independent or internal auditors regarding financial statements, processes or internal controls. Finance employees, in particular, bear a heightened responsibility to making sure the Corporation's finance and accounting practices support the full, fair, accurate, timely and understandable disclosure of the Corporation's financial results.

Antitrust and Competition

The Corporation competes both in the United States and in the global marketplace. However, we will only do business according to the letter and spirit of the laws that govern and promote free and fair competition. This means we will comply with the antitrust laws of the United States and, where applicable, the antitrust or related laws of any other country.

All Corporation employees and directors must refrain from discussing the Corporation's pricing policies, customers, technologies, sales strategies, R&D, or future plans with a competitor of the Corporation. Any contacts with competitors that could create the appearance of improper agreements or understandings must be avoided.

Electronic Data and Communications

The Corporation's electronic data and communication systems, such as email and the intranet/internet, are the property of the Corporation and are to be used only for legitimate business purposes. Employees are provided access to the computer network to assist them in the performance of their jobs. It is the responsibility of employees to use these resources in a professional, lawful, and ethical manner according to the Corporation's policies and procedures.

E-mail systems are not entirely secure and may be susceptible to interception. Unlike a spoken conversation, e-mail creates a permanent record. Any e-mail sent may be printed by the recipient and forwarded to others, and may be retained indefinitely. Therefore, employees should exercise the same care and caution in sending an e-mail message as they would in normal written business communications.

It is also the policy of the Corporation that licensed computer software be used in a manner which is consistent with the terms of the software license. Employees who use

licensed personal computer software are responsible to know, fully understand, and continually conform to the software license terms.

Because the electronic data and communication systems are a company resource, the Corporation reserves the right to monitor and log all electronic mail communications at all times for any business purpose. Employees should have no expectation of personal privacy in their use of the Corporation's electronic data and communication systems or the information that is sent or stored.

CONFLICTS OF INTEREST

The Corporation respects the rights of its employees to manage their personal lives and to take part in legitimate financial, business and other activities outside work. Directors, of course, have independent business activities. At the same time, employees and directors should avoid situations that present a real or potential conflict between their personal interests and the interests of the Corporation. A conflict of interest occurs when any person or situation compromises the judgment or ability to conduct business in the best interest of the Corporation. Employees and directors are expected to act honestly and ethically and handle actual or apparent conflicts of interest between personal and professional relationships in an ethical manner.

Some examples of situations that may cause a conflict of interest include:

- Using Corporation assets for personal use
- Contracting with a supplier managed or owned by a close friend or family member
- Having an undisclosed substantial financial interest in a supplier, competitor, or customer
- Working independently as a consultant to a supplier or customer
- Giving/receiving gifts and business courtesies
- Using inside information for trading securities

Gifts and Business Courtesies

Receipt or giving of gifts or business courtesies by an employee or director, any member of the employee's or director's immediate family, or anyone designated by the employee or director may present potential conflicts of interest. A business courtesy is generally a gift or entertainment such as tickets, discounts or meals to or from someone with whom the Corporation has a business relationship. Employees and directors should never accept or give gifts or business courtesies that will compromise their judgment or actions in the performance of their duties. Business courtesies of nominal value (under \$250) from the Corporation's suppliers or customers may be accepted if they are consistent with common business practices and local laws. However, these nominal gifts or business courtesies should not be received on a regular or frequent basis. When in doubt, ask for clarification by your manager. Any gifts given or received in excess of nominal value must be approved by the executive management of the Company.

Some business situations may require giving gifts (i.e., may be part of the culture). Employees must comply with the legal requirements of each country where business is conducted and should strive for the highest ethical standards in these business dealings. These gifts should not seek to improperly influence the decisions of customers or suppliers, just as the Corporation's policy requires that the decisions of employees at the Corporation not be affected by having received a gift or business courtesy.

There are very stringent rules that apply to U.S. and foreign government customers where in many cases gifts and business courtesies are absolutely prohibited. Employees involved with current or potential U.S. government contracts are prohibited from giving or receiving anything of value from a supplier, customer, or subcontractor for any reason.

Inside Information and Securities Trading

The Corporation disseminates information broadly within the company with the clear understanding that it will be kept within the company. Shareholder trust and compliance with securities regulations is important to the Corporation. The Corporation's policy requires that all employees must avoid disclosure of information that is not already publicly known by or formally released to outsiders (anyone not employed by the Corporation).

The Corporation's directors, officers, and employees, directly or indirectly through their families or others, are prohibited from purchasing or selling stock of the Corporation while in possession of material, non-public information concerning the Corporation. Information is considered material if it could influence someone to buy, hold or sell a stock. Material, non-public information also sometimes is called "inside" information. If you have learned of "inside" information about other companies, the law also prohibits both trading in that company's stock and disclosure to others who would trade based on that information. Some examples of inside information include:

- unannounced financial data
- joint venture, merger, or acquisition plans
- a new major contract, customer, or supplier
- unannounced products and/or marketing plans
- government investigations.

Political Activities and Contributions

The Corporation supports everyone's right to participate actively in the political process. However, any political activity must take place on an employee's own time. By law and by practice, the Corporation does not make political contributions. Corporate funds or assets may not be contributed directly or indirectly to support a political party, an elected official, or the campaign of any candidate for local, state, or federal office.

DISCLOSURE OF INFORMATION

Confidential Information

Confidential Corporation information and trade secrets are important corporate assets that merit the same protection as physical assets. This information is the result of the ideas and hard work of many Corporation employees and of substantial investments by the Corporation. Therefore, all employees, directors, agents, consultants and representatives must not disclose such information to unauthorized persons, either within or outside the Corporation. Employees need to consult with executive management prior to providing confidential information to any third party (i.e. lawyers, government officials, etc.). Only the executive management of the Company can enter in confidentiality agreements.

Confidential information refers to information that is not already in the public domain, that a company would normally expect to be non-public and that might affect the company's competitive position. It includes information sometimes referred to as trade secrets. Some examples of confidential information are: technical information about current or planned products, projects and processes; procurement plans, vendor lists or purchase prices; cost, pricing, marketing or service strategies; non-public earnings reports and other financial reports; information related to divestitures, mergers and acquisitions.

Employees must also adhere to all laws and regulations regarding the protection of U.S. government classified information, which should only be made available to individuals who have a need to know and who hold the proper government security clearance.

Many employees and consultants are required to sign confidentiality agreements. This serves as a reminder of that obligation not to disclose confidential information, both while employed and after leaving the Corporation.

Government Requests/Investigations

The Corporation will make reasonable efforts to cooperate with any appropriate government investigation or to answer an official request from an authorized government representative. If you receive a request for a government investigation or information, notify your manager immediately.

Employees that are involved in these investigations **should not:**

- destroy any Corporation documents in anticipation of a request for those documents
- alter any historical Corporation document or record
- provide untrue or misleading statement to any government investigator
- try to influence any other Corporation employee or any other person to provide untruthful information to any government investigator.

Public Statements and Filings; Press Releases

The disclosures contained in all reports and documents that the Corporation files with the SEC, or makes public by any other formal or informal means (such as press releases), must be full, fair, accurate, timely and understandable. Financial managers bear a heightened responsibility for maintaining disclosure controls and procedures designed to capture all financial and non-financial information required to be disclosed in SEC filings.

Only authorized officers make press releases and public statements. Other employees and directors may not make public statements regarding the Corporation. If a media representative contacts you, obtain the name of the person making the inquiry and immediately notify your manager.

WORK ENVIRONMENT

Equal Opportunity

The Corporation provides equal employment opportunity for all qualified individuals without regard to race, color, age, religion, sex, national origin, physical or mental disability, or sexual orientation. This policy applies to all employees and applicants for employment and to all aspects of the employment relationship, including recruitment, hiring, compensation, benefits, training, transfer, and any other terms and conditions of employment. The Corporation's locations or activities not subject to U.S. law should apply the intent and provisions of this policy consistent with national or local laws.

Harassment

It is everyone's responsibility to treat one another with courtesy, dignity, and respect. It is the policy of the Corporation that harassment, of any type, will not be tolerated from any employee, director, customer, vendor, or other outsider dealing with the Corporation. The term "harassment" includes, but is not limited to; slurs, jokes, cartoons, graffiti or verbal, graphic or physical conduct relating to an individual's: race, color, age, religion, sex, national origin, physical or mental disability, sexual orientation or other legally protected status.

Health & Safety

The Corporation is committed to providing a work environment that strives to protect employee health and safety and is in compliance with applicable laws and regulations. Employees are required to observe applicable workplace safety rules and report injuries or unsafe conditions according to Corporation procedures. Workplace violence, including threats, threatening behavior, harassment, intimidation, assaults and similar conduct, will not be tolerated. To provide a safe work environment, firearms are not permitted on any Corporation facility.

Illegal Drugs and Alcohol

Illegal drugs and alcohol in the workplace are inconsistent with a safe and productive work environment. It is the policy of the Corporation that the use, possession, sale,

purchase, or transfer of unauthorized or illegal drugs or substances, or the abuse or misuse of legal drugs on Corporation or customer premises is prohibited. Employees whose behavior, judgment or performance is impaired by drugs or alcohol will be prohibited from engaging in the Corporation's business.

RESOLUTION OF ISSUES & CONCERNS

If you have any questions about the Corporation's Code of Conduct, contact your manager. Directors should contact the Chairman. Concerns may include, but aren't limited to: clarification about specific policies, questions on what you should do in a particular ethical or legal situation, and the reporting process when you suspect a violation has occurred.

Reporting Violations of the Corporation's Code of Conduct

If you suspect a violation of law, this Code, the Corporation's policy, or other improper activities at the Corporation, it is your responsibility to immediately raise these concerns. It is the Corporation's policy to provide various points of contact to respond to your concerns. You can talk to your manager, another member of management or the Human Resources manager. All employees will be treated with dignity and respect and the appropriate level of confidentiality will be maintained throughout the process. Employees will not be subject to any form of retaliation for raising concerns or reporting violations.

If a manager is notified of a suspected violation of the law, this Code, the Corporation's policy, or other improper activities, they are to immediately report the concern to their assigned Vice President. Vice Presidents should report concerns to either the President or any member of the Board of Directors.

Investigation

Each report of a known or suspected violation will be promptly and thoroughly investigated. The Corporation will take reasonable precautions to maintain the confidentiality of the employee or director who reports the violation and the person about whom the report is made. It is important that employees or directors involved in an investigation or who have made reports honor this commitment to confidentiality.

Depending on the nature of the investigation, the Corporation may need to conduct searches or inspections of company-provided property including computers and other equipment. Employees and directors are expected to cooperate with investigators. Such investigations will be in compliance with the individual's rights granted under the law. If you believe that an investigation is being conducted inappropriately, report your concern to the President or any Vice President.

Enforcement

Violation of the Corporation's Code of Conduct is a serious matter and could subject you or the Corporation to civil liability or even criminal prosecution. Disciplinary action

may also be taken against anyone who condones, permits or causes inappropriate action, or fails to take appropriate action against illegal, unethical or other improper conduct. Any employee who violates the Code will be subject to discipline, up to and including termination of employment. Violations of the Code by directors will be addressed by the Board of Directors and sanctions may include reprimand or a request to resign.

Any waiver of application of this Code to officers and directors may only be made by the Board of Directors. Any waiver of application of this Code to other employees may only be made by the President. Waivers of application of this Code to executive officers, directors and certain financial managers may have to be reported in the Corporation's' publicly available filings with the SEC or on the Corporation's internet website.