

11-30-1999



To the Honorable Commissioner of Patent

101208361

original documents or copy thereof.

1. Name of conveying party(ies):

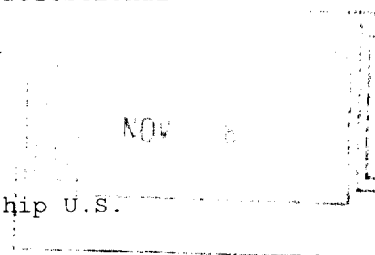
2. Name and address of receiving party(ies):

National Institute for Legal Education, Inc.

Harcourt Brace Legal and Professional Publications, Inc. 111 West Jackson Boulevard 7th Floor Chicago, Illinois 60604

- () Individual(s)
() General Partnership
(X) Corporation-State of Florida
() Association
() Limited Partnership
() Other

- () Individual(s) citizenship U.S.
() Association
() General Partnership
() Limited Partnership
(X) Corporation-State of Delaware
() Other



Additional name(s) of conveying party(ies) attached? () Yes (X) No

3. Nature of Conveyance:

- (X) Assignment
() Security Agreement () Change of Name
() Other

If assignee is not domiciled in the United States, a domestic representative designated is attached () Yes () No
(Designations must be a separate document Assignment)
Additional name(s) & Address(es) attached () Yes (X) No

Execution Date: May 1, 1998

4. Application or registration number(s):

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

1,819,595

Additional numbers attached? () Yes (X) No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Ava K. Doppelt, Esquire
Internal Address: Allen, Dyer, Doppelt, Milbrath & Gilchrist, P.A.

Street Address: 255 South Orange Avenue Suite 1401 Orlando, FL 32801

6. Total number of applications and registrations involved:.....(1)

7. Total fee (37CFR 3.41)..... \$ 40.00
(X) Enclosed (receipt for payment)
(X) Charge any amounts due or credit any Overpayment to deposit account no. 01-0484

(Attach duplicate copy of this page if paying by deposit account.)

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DO NOT USE THIS SPACE

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Ava K. Doppelt, Esquire

Signature

November 17, 1999 Date

Total number of pages including cover sheet, attachments and document: _____

ASSET PURCHASE AGREEMENT

Agreement made as of this 1st day of May, 1998 among Harcourt Brace Legal and Professional Publications, Inc., a Delaware corporation (the "Buyer"), the National Institute for Legal Education, Inc., a Florida corporation (the "Seller"), Chris M. Salamone, Anthony C. Salamone and Paul M. Lisnek, the stockholders of the Seller (collectively the "Stockholders") and The National Law and Leadership Foundation, an Illinois not-for-profit corporation, (the "Foundation").

WHEREAS, the Seller is engaged in the business of developing and offering programs for law school preparation and high school leadership education and developing and selling related and supplemental publications on legal education topics (collectively the "Business"); and

WHEREAS, the Foundation, of which the Stockholders are the only trustees, had been licensed by the Seller to operate the high school leadership education programs included in the Business from 1993 through 1997; and

WHEREAS, the Buyer desires to purchase, and the Seller desires to sell, the Business as a going concern, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereby agree as follows:

1. SALE AND DELIVERY OF THE ASSETS.

1.1. Assets. (a) Subject to and upon the terms and conditions of this Agreement, and upon the execution of this Agreement and the concurrent closing of the transactions contemplated by this Agreement (the "Closing"), the Seller hereby sells to the Buyer, and the Buyer hereby purchases from the Seller, all of the assets used or useful in, or developed in connection with, the Business (collectively, the "Assets"), including, without limitation:

(i) all right, title and interest in and to all intangible property used in the Business, including but not limited to inventions, discoveries, trade secrets, processes, know-how, copyrights, patents, trademarks, service marks, brand names, logos, trade names, and, to the extent applicable, all registrations, applications for registration, renewals and extensions relating to the same, including without limitation the trademarks "SmartCharts" and "In an Hour" and the tradename "National Student Leadership Conference" (the "Intangible Property");

(ii) all existing inventory, course materials, course development materials, manuscripts, work in progress, promotional materials, camera ready copy, artwork, plates, film, audio recordings, video recordings and CD-ROMs, in all forms and media;

(iii) all accounts receivable of the Business existing as of the Closing, including but not limited to any and all balances due from students for tuition or other course fees;

- (iv) all prepaid expenses of the Business;
- (v) all machinery, equipment, vehicles, furniture and leasehold improvements (the "Equipment") leased or owned by the Seller;
- (vi) all files, correspondence, archives, financial, marketing, production, administrative and other reports and records of the Business, including, but not limited to, market research reports, surveys, customer lists, student lists, mailing lists, direct marketing and other information, records and other data;
- (vii) all technology and computer software and all documentation related thereto;
- (viii) all rights of the Seller under all agreements with respect to confidentiality, trade secrets, rights to copyrightable materials and intellectual properties and non-competition agreements that have been entered into with Seller in connection with the Business;
- (ix) all rights of the Seller under the agreements listed on Schedule 3.11 ; and
- (x) all goodwill, claims, rights and any other documents or intangible property in any way related to the items specifically listed in subsections (i) - (ix) above.

(b) The Foundation hereby sells to the Buyer, and the Buyer hereby purchases from the Foundation, the following (collectively, the "Foundation Assets"):

- (i) the equipment owned by the Foundation which was used by the Foundation when it operated the high school leadership education programs included in the Business and identified on Schedule 1.1;
- (ii) all rights of the Foundation under all agreements with respect to confidentiality, trade secrets, rights to copyrightable materials and intellectual properties and non-competition that have been entered into with Foundation in connection with the Business; and
- (iii) without acknowledging that it has any interest whatsoever in any of the Assets (and the Foundation expressly disclaims that it has any such interest), any right, title or interest in and to any of the Assets.

1.2. Excluded Assets. Notwithstanding the provisions of Section 1.1, the Assets to be transferred to the Buyer under this Agreement shall not include any cash or marketable securities held by the Seller, rights of Seller to tax refunds, rights of Seller under insurance policies, prepaid expenses with respect to any assets of the Seller which are not transferred to Buyer, Seller's bank accounts, checkbooks and canceled checks and Seller's corporate records.

1.3 Assumption of Liabilities. At the Closing, the Buyer shall assume and agree to perform, pay and discharge when due only the following liabilities, obligations and commitments of the Seller (the "Assumed Liabilities"):

(a) the obligations of Seller to provide law school preparation and high school leadership courses to those students who have prepaid their tuition or paid a deposit as set forth on Schedule 3.13 at the guaranteed prices, if any, set forth on Schedule 3.13.

(b) the obligations of Seller for compensation payable for services rendered after the Closing by program faculty under the terms of the arrangements set forth in Schedule 3.11;

(c) the obligations of the Seller to refund student tuition deposits for programs offered subsequent to Closing in accordance with the refund policy set forth in Section 3.13 below;

(d) the obligations of the Seller for lease payments due and payable after Closing under the leases set forth on Schedule 3.11 for the Seller's corporate offices in Boca Raton, Florida and for those program facilities listed on Schedule 3.11.

(e) the obligations of the Seller under any leases for Equipment set forth on Schedule 3.11.

(f) the obligations of Seller to pay royalties and editing fees under the arrangements set forth in Schedule 3.6.

1.4. Liabilities Retained (a) The Seller shall retain and fulfill all liabilities not expressly assumed by the Buyer under Section 1.3 (the "Excluded Liabilities") including, but not limited to:

(i) all liabilities in respect of Federal, state, local or foreign taxes;

(ii) all liabilities for legal, accounting or broker fees incurred by the Seller, the Foundation or the Stockholders in connection with the negotiation of this Agreement or the consummation of the transactions contemplated hereby; and

(iii) all liabilities relating to compensation of any of the Seller's employees and independent contractors or any liabilities pursuant to any employment or consulting contract, benefit plan, salary, bonus, pension plan and any severance obligations other than the obligation to pay compensation for services rendered after the Closing by program faculty pursuant to the obligations assumed by the Buyer under Section 1.3 above.

(b) The Buyer does not and shall not assume or agree to perform, pay or discharge, and the Foundation shall remain unconditionally liable for, all obligations, liabilities and commitments, fixed or contingent, of any kind or nature, of the Foundation (the "Foundation Liabilities".)

1.5. Further Assurances. At any time and from time to time after the Closing, at the

Buyer's request and without further consideration, the Seller, the Stockholders and the Foundation promptly shall execute and deliver such instruments of sale, transfer, conveyance, assignment and confirmation, and take such other action, as the Buyer may reasonably request to more effectively transfer, convey and assign to the Buyer, and to confirm the Buyer's title to, all of the Assets and the Foundation Assets, to put the Buyer in actual possession and operating control thereof and to carry out the purpose and intent of this Agreement.

1.6. Non Assignment. Notwithstanding any provision to the contrary contained herein, the Seller shall not be obligated to assign to the Buyer any contract, order, lease or other instrument which provides that it may not be assigned without the consent of the other party and for which such consent is not obtained, but in any such event, the Seller shall cooperate with the Buyer in any reasonable arrangement to provide the benefits thereof to the Buyer.

2. CLOSING.

2.1 Closing. The Closing shall take place as of the date hereof at a mutually agreeable location, or by the exchange of fax copies of signature pages. This Agreement shall operate as a bill of sale and assignment of the Assets and the Foundation Assets, and as an assumption agreement with respect to the Assumed Liabilities. The Closing shall be effective as of the close of business on the Closing Date.

2.2 Initial Purchase Price. (a) In consideration of the sale, transfer, conveyance and assignment of the Assets by the Seller to the Buyer and in reliance upon the representations and warranties made herein, the Buyer shall assume the Assumed Liabilities and pay to the Seller the sum of \$5,603,967 (the "Initial Purchase Price") to be paid as follows: (x) the Initial Purchase Price less \$500,000 to the Seller, by cashiers or certified check or by wire transfer of immediately available funds to an account designated by the Seller and (y) \$500,000 to be held in escrow pursuant to Section 2.5.

(b) In consideration of the sale, transfer, conveyance and assignment of the Foundation Assets by the Foundation to the Buyer and in reliance upon the representations and warranties made herein, the Buyer shall pay to the Foundation the sum of \$11,598.

2.3. Transition Year Payment. (a) In addition to the Initial Purchase Price, as additional purchase price of the Assets, the Buyer agrees to pay to the Seller a prorata percentage of the Operating Income of the Business (as hereafter defined in Section 2.4) for the period September 1, 1997 through August 31, 1998 (the "Transition Year"), such prorata percentage to be based on the number of days in the Transition Year prior to Closing that the Seller operated the Business, provided, however that such payment shall be (i) increased by the amount of the expenses of the Business paid by the Seller or the Foundation during the Transition Year and (ii) decreased by the amount of any revenues received by the Seller or the Foundation prior to Closing for any courses or other services or products to be provided during the Transition Year, provided, further, that solely for the purpose of computing the payment with respect to the Transition Year, Operating Income shall be computed on a cash receipts and disbursements basis and the amount set forth in Schedule 3.14 which has been included in the Initial Purchase Price will be treated as an operating expense

in calculating Operating Income.

(b) Not later than October 31, 1998, the Buyer shall notify the Seller in writing of the amount of the payment due to the Seller under subparagraph (a) above and the basis for its calculation, including a Profit and Loss Statement for the entire Transition Year. If within twenty (20) business days of such notice, the Seller does not object in writing to the calculation of such payment, the amount of the payment will be deemed accepted by the Seller and the Buyer shall pay such amount to the Seller by wire transfer to the account designated by the Seller pursuant to Section 2.2 above or such other account as the Seller may designate in writing to the Buyer. If the Seller objects to the calculation, the Seller shall, within thirty (30) days of the Buyer's notice, deliver to the Buyer a written statement describing in reasonable detail any objections. The Seller and the Buyer shall use reasonable efforts to resolve any such disputes and, if they are unable to do so within twenty (20) business days of the Buyer's receipt of the Seller's written objections, the Buyer and the Seller shall refer such unresolved disputes to Arthur Andersen, LLP (the "Selected Accounting Firm") which shall determine all disputed items relating to such payment. The determination of the Selected Accounting Firm shall be based upon the provisions of this Agreement and the judgement of the Selected Accounting Firm and shall be conclusive and binding upon the parties to this Agreement. The fees of the Selected Accounting Firm shall be borne by the party whose proposed calculation of the payment is further from the amount determined by the Selected Accounting Firm, provided however that if each party's calculation is within five percent (5%) of the final amount determined by the Selected Accounting Firm, all such fees and expenses shall be borne equally by the Buyer and the Seller.

2.4 Earnout. (a) Subject to the limitations set forth herein, for the twelve month period commencing November 1, 1998 and ending October 31, 1999 and for each twelve month period thereafter ending on October 31 through the year 2007 (each such twelve month period being referred to herein as an "Earnout Year"), the Buyer shall pay to the Seller (or, in the event of Seller's liquidation, the Stockholders), as additional purchase price for the Assets, an amount equal to 30% of the "Operating Income of the Business" (as hereafter defined) for such Earnout Year in excess of \$2,425,000. Notwithstanding anything to the contrary herein, the aggregate amount of the payments hereunder shall not exceed \$1,500,000. Each payment due hereunder shall be paid within sixty days of the end of the applicable Earnout Year and shall be accompanied by a detailed statement of the calculation of the earnout payment for that Earnout Year as set forth in Section 2.4(b) below. As used herein, subject to the following sentence, "Operating Income of the Business" shall mean net revenues from all products or services currently offered or under development by the Business less expenses before interest expense and taxes on an accrual basis, determined in accordance with generally accepted accounting principles consistently applied. For purposes of the foregoing, with respect to any Earnout Year, (w) there shall be an annual charge of \$10,000 for corporate overhead and services rendered by Buyer and its affiliates and no other charges from Buyer or its affiliates (whether for allocated costs or goods or services actually provided) except for charges for publications under the following subparagraph (x), (x) publications of the Buyer or its affiliates which are offered by the Business for resale shall be charged at cost, and (y) in the event that the employment of Chris M. Salamone shall terminate for any reason, annual charges for executive compensation for the period after such termination shall not exceed the annual compensation paid to Mr. Salamone at the time of Mr. Salamone's termination plus annual increases to the amount of

such compensation consistent with the Buyer's normal practices, provided that such annual increases shall not in any event exceed five percent (5%) per year.

(b) Within thirty days of the close of each calendar quarter during the each Earnout Year, the Buyer shall furnish to the Seller (or, in the event of Seller's liquidation, the Stockholders), a statement setting forth the Seller's computation of the Operating Income of the Business for the quarterly period then ended and for the Earnout Year to date. Together with each earnout payment, the Buyer shall furnish to the Seller (or said Stockholders) a detailed computation of the Operating Income of the Business upon which such payment was based. Seller (or, in the event of Seller's liquidation, the Stockholders) or its (or their) representatives shall have the right, at reasonable times, to inspect and copy the Buyer's books and records relating to the Business to determine the accuracy of such computation. If within thirty (30) days of such payment, the Seller (or the Stockholders, as the case may be) does not object in writing to the calculation of such payment, the amount of such payment shall be deemed accepted by the Seller (or the Stockholders, as the case may be). If the Seller (or the Stockholders, as the case may be) objects to such calculation, Seller (or the Stockholders) shall, within such thirty (30) day period, deliver to the Buyer a written statement describing in reasonable detail any objections. The Seller (or the Stockholders, as the case may be) and the Buyer shall use reasonable efforts to resolve any such disputes and, if they are unable to do so within twenty (20) business days of the Buyer's receipt of the Seller's (or the Stockholders, as the case may be) written objections, the Selected Accounting Firm shall determine all disputed items and the provisions of Section 2.3(b) with respect to the actions of the Selected Accounting Firm and the payment of its fees shall be applied to any dispute under this subparagraph (c) mutatis mutandis.

2.5 Escrow. At Closing, the Buyer shall deposit into escrow with an escrow agent (the "Escrow Agent") chosen by the Seller and the Buyer the sum of \$500,000 (together with any interest thereon, the "Escrow Fund") for the purpose of securing the indemnification obligations of the Seller and the Stockholders set forth in this Agreement. The Escrow Fund shall be held by the Escrow Agent pursuant to the terms of an escrow agreement (the "Escrow Agreement") which shall provide that, so long as there are no claims against the Escrow Fund, the Escrow Fund shall be released on the first anniversary of the Closing and that if there are any claims pending at that time, the excess of \$500,000 over the amount of such claims shall be released at such time. The Escrow Fund shall be held as a trust fund and shall not be subject to any lien, attachment, trustee process or any other judicial process of any creditor of any party, and shall be held and disbursed solely for the purposes and in accordance with the terms of the Escrow Agreement. The fees of the Escrow Agent shall be paid by the Buyer.

2.6 Allocation of Purchase Price and Assumed Liabilities. Schedule 2.6 sets forth the agreed allocation of the Purchase Price among the Assets as required under IRC Section 1060. This allocation shall be reflected on Form 8594 entitled "Asset Acquisition Statement" prepared by the Buyer and Seller and filed with their respective applicable tax returns. The Buyer, the Seller and the Stockholders will prepare and file all tax returns in a manner consistent with such asset allocation.

2.7 Closing Deliveries. In addition to the payments contemplated by Section 2.2, the following deliveries shall occur at the Closing:

- (i) the Seller shall deliver to the Buyer all of the tangible Assets;
- (ii) the Seller shall deliver to the Buyer all documentation reasonably requested by the Buyer relating to all of the intangible Assets;
- (iii) the parent company of the Buyer, Harcourt Brace & Company, and Chris M. Salamone shall execute and deliver an Employment Agreement in the form of Exhibit A;
- (iv) the Buyer and Anthony C. Salamone shall execute and deliver a Consulting Agreement in the form of Exhibit B;
- (v) the Buyer and Paul M. Lisnek shall execute and deliver a Consulting Agreement in the form of Exhibit C;
- (vi) the Seller and the Buyer shall execute and deliver the Escrow Agreement;
- (vii) the Buyer and Chris M. Salamone and Paul M. Lisnek shall execute and deliver a termination agreement terminating the Independent Contractor Agreement (editor's agreement) among the Seller, Mr. Salamone and Mr. Lisnek dated October 15, 1997 in the form of Exhibit D; and
- (viii) the Foundation shall deliver the tangible Foundation Assets.

3. REPRESENTATIONS AND WARRANTIES OF SELLER AND THE STOCKHOLDERS. The Seller and the Stockholders, jointly and severally, represent and warrant to the Buyer as follows:

3.1. Organization. The Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida and has all requisite power and authority (corporate and other) to own its properties, to carry on its business as now being conducted, to execute and deliver this Agreement and the agreements contemplated herein, and to consummate the transactions contemplated hereby. The Stockholders own 100% of the capital stock of the Seller, and together they have sole voting and dispositive control over 100% of the capital stock of the Seller. The Seller is duly qualified to do business and in good standing in all jurisdictions in which its ownership of property or the character of its business requires such qualification in order to avoid a Material Adverse Effect (as herein defined). For the purposes of this Agreement, Material Adverse Effect means a material adverse effect on the business, assets, liabilities or results of operation of the Business, taken as a whole. The Seller does not own any capital stock or other equity interest in any corporation, partnership or other entity.

3.2 Authorization. The execution and delivery of this Agreement, and the agreements provided for herein, by the Seller and the consummation by the Seller of all transactions contemplated hereby, have been duly authorized by all necessary corporate action. This Agreement and all such other agreements and obligations entered into and undertaken in connection with the transactions contemplated hereby to which the Seller or the Stockholders are a party constitute the

valid and legally binding obligations of the Seller and/or the Stockholders (as the case may be), enforceable against them in accordance with their respective terms. Except as set forth on Schedule 3.2, no consent or approval of any third party is required in connection with the execution and delivery by the Seller or the Stockholders of this Agreement and the agreements contemplated herein or the consummation by the Seller or the Stockholders of the transactions contemplated by this Agreement except where the failure to obtain such consent would not have a Material Adverse Effect.

3.3 No Conflict. Except as set forth on Schedule 3.3., neither the execution of this Agreement nor the consummation of the transactions contemplated by this Agreement will result in the creation of a lien, charge or encumbrance of any kind on the Assets. The execution, delivery and performance by the Seller and the Stockholders of this Agreement and the agreements provided for herein, and the consummation by the Seller and the Stockholders of the transactions contemplated hereby and thereby, will not, with or without the giving of notice or the passage of time or both, (a) violate the provisions of any law, rule or regulation applicable to the Seller or the Stockholders; (b) violate the provisions of the Certificate of Incorporation or Bylaws of the Seller; (c) violate any judgment, decree, order or award of any court, governmental body or arbitrator; or (d) conflict with or result in the breach or termination of any term or provision of, or constitute a default under, or cause any acceleration under, or cause the creation of any lien, charge or encumbrance upon the properties or Assets of the Seller pursuant to, any indenture, mortgage, deed of trust or other instrument or agreement to which the Seller or the Stockholders are a party or by which the Seller or any of the Seller's properties or the Stockholders are or may be bound except, in the case of subsection (d) only, for conflicts, breaches or defaults which would not have a Material Adverse Effect .

3.4 Ownership of Assets. The Seller has good and transferable title to all of the Assets free and clear of any security interest, lien, encumbrance, pledge or third party claims (including without limitation any claim that such third party is the owner of any of the Assets) of any kind (collectively "Liens") except for the following: (i) statutory liens for taxes not yet due, (ii) liens of landlords, carriers, warehousemen, mechanics and materialmen for sums not yet due, and (iii) liens incurred or deposits made in the ordinary course of business in connection with workers' compensation or unemployment insurance. At the Closing, the Seller shall transfer to the Buyer the Assets free and clear of any such title defect. With the exception of the Foundation Assets, the Foundation has no right, title, interest or claim to any of the Assets or to the Business and the Foundation has no right, title, interest or claim to any assets necessary or useful to the operation of the Business.

3.5. Financial Statements. Attached hereto as Schedule 3.5 are the Balance Sheets and Profit and Loss Statements of and for the last three fiscal years ended December 31, 1997 for the Business and for the interim period ending March 31, 1998 (the "Financial Statements"). The Financial Statements have been prepared on the income tax basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. The policies followed in the preparation of the Financial Statements have been applied on a consistent basis. The Financial Statements fairly present on the basis described above, as of their respective dates, the assets and liabilities of the Business and the financial condition and results of operations

of the Business for the periods indicated.

3.6. Intangible Property. (a) The Seller is the sole and exclusive owner of all right, title and interest in all Intangible Property, subject to the obligations of the Seller under the royalty agreements to the authors and editors thereof set forth in Schedule 3.6 hereof. No present or former employee or independent contractor of the Seller and no other person owns or has any proprietary, financial or other interest, direct or indirect, in whole or in part, in any Intangible Property.

(b) Neither the Seller nor the Stockholders have received any notice of any claims, and have no knowledge, that any of the services, products, operations or activities of the Business infringes any trademark, trade name, copyright or other personal, property or proprietary right of a third party, or that it is illegally or otherwise using the trade secrets or any personal or proprietary rights of others. The Seller has no disputes with or claims against any third party for infringement by such third party of any Intangible Property.

(c) Except as set forth on Schedule 3.6, there are no royalties or license fees payable in respect of any services or products provided by the Business.

3.7 Litigation. Neither the Seller nor the Stockholders is a party to or, to the Seller's or the Stockholders' knowledge, threatened with, and neither the Business nor any of the Assets are subject to, any litigation, suit, action, investigation, proceeding or controversy before any court, administrative agency or other governmental authority relating to or affecting the Business or the Assets. The Seller is not in violation of or in default with respect to, nor are any of the Assets subject to, any judgment, order, writ, injunction, decree or rule of any court, administrative agency or governmental authority or any regulation of any administrative agency or governmental authority.

3.8 Compliance with Laws. The Seller has all requisite licenses, permits and certificates, including environmental, health, safety, use and occupancy permits, from federal, state and local authorities necessary to conduct the Business and own and operate the Assets except where the failure to have any of the foregoing would not have a Material Adverse Effect. The Seller is in compliance with all laws, regulations and ordinances (including, without limitation, laws, regulations and ordinances relating to building, zoning, environmental, disposal of hazardous substances, land use or similar matters) relating to the Business except where the failure to be in compliance would not have a Material Adverse Effect. The Business and its operation does not violate any federal, state, local or foreign laws, regulations or orders including, but not limited to, any of the foregoing relating to employment, occupational safety, environmental protection, hazardous waste (as defined in the Resource Conservation and Recovery Act, as amended, and the regulations adopted pursuant thereto), or conservation which violation would have a Material Adverse Effect. In the relationship of the Seller and the Foundation with respect to the Business, the Seller has complied with all applicable federal, state and local laws, rules and regulations and made all reports and filings required thereunder. The Seller has not received any notice or communication from any federal, state or local governmental or regulatory authority or otherwise of any such violation or noncompliance.

3.9 Taxes. The Seller and the Stockholders have filed all federal, state and local tax returns and reports required to be filed with respect to the Business and the Assets, and have paid

all taxes shown thereon to be due, including without limitation taxes due under workers compensation and unemployment compensation programs. All taxes which the Seller has been required to withhold or to collect have been withheld and collected, and if required to have been paid over to any governmental authority, have been so paid over. No tax audits or liens are pending (or have been completed but not discharged), or to the knowledge of the Seller or the Stockholders, are threatened with respect to the Business or the Assets, or the conduct of the Business or the use of the Assets by the Buyer.

3.10 Absence of Certain Changes. Since December 31, 1997 there has been no change to the Business which would have a Material Adverse Effect. There is no existing or, to the best of the Seller's knowledge, threatened occurrence, event or development which, as far as can be reasonably foreseen by Seller, would be reasonably likely to have a Material Adverse Effect.

3.11 Contracts and Commitments. (a) Schedule 3.11 lists the following contracts, agreements or arrangements (collectively "Arrangements") to which the Seller is a party and, with respect to any unwritten Arrangement, a summary of the terms of such Arrangement:

- (i) any Arrangement to provide law school preparation, high school leadership education or other courses or programs (collectively "Programs") after the Closing;
- (ii) any Arrangement with any Program faculty, authors or editors or other contractors or vendors providing goods or services for or used in the Programs;
- (iii) any Arrangement for the lease of any of the Equipment;
- (iv) any Arrangement for the lease of any facilities at which the Programs are offered by the Seller;
- (v) any Arrangement for the provision of free or discounted products, services or Programs pursuant to any scholarship, award or gift certificate program; or
- (vi) any other Arrangements which are material to the Business.

(b) The Seller has made available to the Buyer a correct and complete copy of each such written Arrangement. Except as set forth in Schedule 3.11, with respect to all Arrangements (i) there is no act or omission by the Seller, to the best of the knowledge of the Seller or the Stockholders, by any other party which, with notice or the lapse of time or both, would constitute a breach or default or permit termination, modification or acceleration under such Arrangement which breach, default or termination would have a Material Adverse Effect; and (ii) the Seller has fulfilled all of its material obligations required on its part to be performed prior to the date hereof under such Arrangements.

3.12. Accounts Receivable.; Prepaid Assets.; Schedule 3.12 sets forth a true, correct and complete list of all accounts receivable existing as of December 31, 1997 which are payable to the Seller (including, without limitation, any security held by the Seller for the payment thereof). Such

accounts receivable and any accounts receivable arising from January 1, 1998 through the Closing (i) arose (or will have arisen) out of the sales of goods or services in the ordinary course of business, (ii) are (or will be) valid receivables subject to no setoffs or counterclaims (other than Seller's normal refund policy), and (iii) are (or will be) collectible in the face value thereof within 90 days of the date of the invoice, using normal collection procedures except to the extent of any allowance for doubtful accounts reflected on the Financial Statements. Schedule 3.12 further sets forth a true, correct and complete list of all prepaid assets.

3.13. Prepaid Tuition; Tuition Payment and Refund Policies. Schedule 3.13 sets forth a true, correct and complete list of all prepaid tuition and deposits received prior to the Closing for Programs to be provided after the Closing, showing the name of the student, the amount paid or deposited and, with respect to deposits, the guaranteed Program tuition fee, if any. Schedule 3.13 also sets forth a true and complete statement of Seller's tuition payment, deposit and refund policies.

3.14. Compensation. Schedule 3.14 sets forth the amount of all compensation, including but not limited to, salaries paid to each of Chris M. Salamone, Anthony C. Salamone and Paul M. Lisnek by the Seller or the Foundation from September 1, 1997 through the Closing Date.

3.15. Equipment. All of the Equipment is in reasonable operating condition and repair, normal wear and tear excepted.

3.16. Brokerage. No brokerage, commission or similar fee is payable by the Seller or the Stockholders, or out of the assets of the Business, in connection with the transactions contemplated by this Agreement.

3.17. Bulk Transfers Law. The transactions contemplated by this Agreement are not subject to the bulk transfers law of any jurisdiction.

3.18. Disclosure. Neither this Agreement nor any written instrument furnished by the Seller or the Stockholders to the Buyer pursuant to the provisions of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements herein or therein not misleading.

4. REPRESENTATIONS AND WARRANTIES OF THE FOUNDATION. The Foundation represents and warrants to the Buyer as follows:

4.1 Organization. The Foundation is a not-for-profit corporation duly organized, validly existing and in good standing under the laws of the State of Illinois and has all requisite power and authority (corporate and other) to own its properties, to carry on its business as now being conducted, to execute and deliver this Agreement and the agreements contemplated herein to be executed by it, and to consummate the transactions contemplated hereby which are to be consummated by it. The Foundation is duly qualified to do business and in good standing in all jurisdictions in which its ownership of property or the character of its business requires such qualification in order to avoid a Material Adverse Effect.

4.2 Authorization. The execution and delivery of this Agreement, and the agreements provided for herein to be executed and delivered by the Foundation, and the consummation by the Foundation of all transactions contemplated hereby which are to be consummated by it, have been duly authorized by all necessary corporate action. This Agreement and all such other agreements and obligations entered into and undertaken in connection with the transactions contemplated hereby to which the Foundation is a party constitute the valid and legally binding obligations of the Foundation, enforceable against it in accordance with their respective terms. No consent or approval of any third party is required in connection with the execution and delivery by the Foundation of this Agreement and the agreements contemplated herein to be executed and delivered by the Foundation or the consummation by the Foundation of the transactions contemplated by this Agreement.

4.3 No Conflict. Neither the execution of this Agreement nor the consummation of the transactions contemplated by this Agreement will result in the creation of a lien, charge or encumbrance of any kind on the Foundation Assets. The execution, delivery and performance by the Foundation of this Agreement and the agreements provided for herein to be executed and delivered by it, and the consummation by the Foundation of the transactions contemplated hereby and thereby, will not, with or without the giving of notice or the passage of time or both, (a) violate the provisions of any law, rule or regulation applicable to the Foundation; (b) violate the provisions of the Articles of Incorporation or Bylaws of the Foundation; (c) violate any judgment, decree, order or award of any court, governmental body or arbitrator; or (d) conflict with or result in the breach or termination of any term or provision of, or constitute a default under, or cause any acceleration under, or cause the creation of any lien, charge or encumbrance upon the Foundation Assets pursuant to any indenture, mortgage, deed of trust or other instrument or agreement to which the Foundation is a party or by which the Foundation or any of its properties are bound except, in the case of subsection (d) only, for conflicts, breaches or defaults which would not have a Material Adverse Effect .

4.4 Ownership of Assets. The Foundation has good and transferable title to all of the Foundation Assets, free and clear of any Liens, except for the following: (i) statutory liens for taxes not yet due, (ii) liens of landlords, carriers, warehousemen, mechanics and materialmen for sums not yet due, and (iii) liens incurred or deposits made in the ordinary course of business in connection with workers' compensation or unemployment insurance.. With the exception of the Foundation Assets, the Foundation has no right, title, interest or claim to any of the Assets or to the Business and the Foundation has no right, title, interest or claim to any assets necessary or useful to the operation of the Business.

4.5 Compliance with Laws; Taxes. The Foundation has complied with all applicable federal, state and local tax laws, rules and regulations, including, but not limited to, all laws, rules and regulations relating to the operation of a non-profit organization, and has made all reports and filings required thereunder. The Foundation has filed all federal, state and local tax returns and reports required to be filed with respect to its operations and has paid all taxes shown thereon to be due including all taxes due under workers compensation and unemployment compensation programs. All taxes which the Foundation has been required to withhold or to collect have been withheld and collected, and if required to have been paid over to any governmental authority, have been so paid over. No tax audits or liens are pending (or have been completed but not discharged),

or to the knowledge of the Foundation or its trustees, are threatened with respect to the Foundation, the conduct of its operations or its relationship with the Seller or the Stockholders.

4.6 Brokerage. No brokerage, commission or similar fee is payable by the Foundation in connection with the transactions contemplated by this Agreement.

4.7 Disclosure. Neither this Agreement nor any written instrument furnished by the Foundation to the Buyer pursuant to the provisions of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements herein or therein not misleading.

5. REPRESENTATIONS AND WARRANTIES OF THE BUYER. The Buyer represents and warrants to Seller, the Stockholders and the Foundation as follows:

5.1 Organization. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware, and has requisite power and authority (corporate and other) to own its properties and to carry on its business as now being conducted. The Buyer has full power to execute and deliver this Agreement and to consummate the transactions contemplated hereby and thereby.

5.2 Authorization. The execution and delivery of this Agreement by the Buyer, and the agreements provided for herein, and the consummation by the Buyer of all transactions contemplated hereby, have been duly authorized by all requisite corporate action. This Agreement and all such other agreements and obligations entered into and undertaken in connection with the transactions contemplated hereby to which the Buyer is a party constitute the valid and legally binding obligations of the Buyer, enforceable against the Buyer in accordance with their respective terms. No consent or approval of any third party is required in connection with the execution and delivery by the Buyer of this Agreement and the agreements contemplated herein or the consummation by the Buyer of the transactions contemplated by this Agreement.

5.3 Disclosure. Neither this Agreement nor any written instrument furnished by the Buyer to the Seller, the Stockholders or the Foundation pursuant to the provisions of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements herein or therein not misleading.

5.4. Brokerage. No brokerage, commission or similar fee is payable by Buyer in connection with the transactions contemplated by this Agreement.

6. POST-CLOSING COVENANTS OF THE PARTIES. After the Closing:

6.1 Payment of Taxes; Fulfillment of Liabilities. (a) The Seller, the Stockholders and the Foundation (as the case may be) will, on a timely basis, file all tax returns and reports and pay any and all taxes which shall become due or shall have accrued (a) on account of the operation of the Business or the ownership of the Assets prior to the Closing Date, (b) on account of the sale of the Business and the Assets or the Foundation Assets or (c) arising from any transactions between

the Seller and the Foundation with respect to the Business or the Assets.

(b) The Seller will, on a timely basis, fulfill and discharge all of the Excluded Liabilities after Closing and the Foundation will, on a timely basis, fulfill and discharge all of the Foundation Liabilities after Closing, except in each case, to the extent that such Excluded Liabilities or Foundation liabilities (as the case may be) shall be contested in good faith.

(c) The Seller (or the Stockholders in the event of the liquidation of the Seller) will pay and discharge any liabilities of any nature that may arise with respect to the relationship among and between the Seller, the Stockholders and the Foundation.

6.2. Compliance with Law. The Foundation agrees that it will comply with all applicable federal, state and local laws, rules and regulations, including, but not limited to, all laws, rules and regulations relating to the organization and operation of a non-profit organization, applicable to the operation of the Foundation.

6.3 Public Announcements. The parties agree that except as otherwise required by law, any and all public announcements or other public communications concerning this Agreement and the purchase of the Business and Assets by the Buyer shall be subject to the approval of the Seller and the Buyer, which approval shall not be unreasonably withheld.

6.4 Proprietary Information. For a period of five years after the Closing, the Seller, the Stockholders and the Foundation shall hold in confidence all knowledge and information of a secret, confidential or proprietary nature with respect to the Assets and the Business. The Seller, the Stockholders and the Foundation shall not disclose, publish or make use of the same without the consent of the Buyer, except to the extent that such information shall have become public knowledge or is reasonably ascertained from such public information (except as a result of the breach of this Agreement by the Seller or the Foundation, their present or former directors, officers, trustees employees or representatives, the Stockholders or their respective Affiliates (as defined in Section 6.6)). The Seller, the Stockholders and the Foundation agree that remedies at law for any breach of this Section 6.4 would be inadequate and that the Buyer shall be entitled to immediate injunctive relief in addition to any other remedy it may have upon breach of any provision of this Section 6.4.

6.5 No Solicitation. The Seller, the Stockholders and the Foundation shall not at any time for a period of three (3) years after the Closing, directly or indirectly solicit the employment or engagement as a consultant or independent contractor of any person who is then an employee of the Business.

6.6 Non-Competition Agreement. For the five (5) year period following Closing, neither the Seller, the Foundation, the Stockholders, any member of the Stockholders' respective immediate families (i.e. spouses or children) nor any Affiliate (as defined below) of the Seller, the Stockholders or the Foundation, shall, directly or indirectly, in any country in which the Business is being conducted as of the Closing or has been conducted prior to the Closing, engage in the business of (i) creating, developing or offering law school preparation courses, (ii) creating, developing or offering high school leadership programs similar to or competitive with those offered

by the Business, or (iii) creating, developing or publishing legal materials similar to or competitive with those presently offered, actively under development or actively planned by the Business as of the Closing Date, including, but not limited to, programs currently under development for instructing foreign lawyers in US law, provided, however, that (i) the continued participation of Paul M. Lisnek in any and all areas of continuing legal education either directly or through his ownership of a corporation controlled by him which engages in continuing legal education activities and (ii) any teaching, lecturing or writing activities in which Chris M. Salamone shall engage pursuant to permission granted to him under his Employment Agreement with Harcourt Brace & Company, shall not constitute a breach of this covenant. The parties hereto agree that the duration and geographic scope of the non-competition provision set forth in this Section 6.6 are reasonable. In the event that any court determines that the duration or the geographic scope, or both, are unreasonable and that such provision is to such extent unenforceable, the parties hereto agree that the provision shall remain in full force and effect for the greatest time period and in the greatest area that would not render it unenforceable. The parties further agree that damages are an inadequate remedy for any breach of this provision and that the Buyer shall, whether or not it is pursuing any potential remedies at law, be entitled to equitable relief in the form of preliminary and permanent injunctions upon any actual or threatened breach of this non-competition provision. The parties subject to the restrictions set forth in this Section 6.6 shall be responsible for all breaches of such restrictions by any of their spouses or children or any of their Affiliates. For purposes of this Section 6.6 and Section 6.4, an "Affiliate" of any person shall mean any corporation, partnership or other entity or person which, directly or indirectly, controls, is controlled by, or under common control with, such person. Nothing herein contained shall preclude any Stockholder from owning, as a passive investment, 5% or less of the shares of a publicly traded entity which engages in activities which are competitive with the Business.

6.7. Mail, Orders, Receipts and Inquiries. After the Closing, the Seller shall promptly refer to the Buyer all mail, orders and inquiries relating to the Business and endorse over, without recourse, and provide to the Buyer all checks and remittances made in respect of the Business after the Closing as they are received by the Seller. The Seller and the Stockholders acknowledge that such mail, orders, checks and remittances shall be the property of the Buyer. In the event of inquiries regarding matters relating to transactions or events occurring prior to the Closing, the Seller shall promptly forward a copy of the inquiry to the Buyer along with a copy of the proposed response.

6.8. Use of Name. At Closing the Seller shall change its name to National Education Group, Inc. and shall cease all use of the name "National Institute for Legal Education, Inc."

6.9 Employees. (a) At the time of Closing the Buyer shall cause its parent company, Harcourt Brace & Company, to offer employment to those employees of the Business listed on Schedule 6.9 (the "Transferring Employees") in such capacities (part time or full time) and at such compensation as set forth on such Schedule, provided that nothing in this Agreement shall be construed to require the Harcourt Brace & Company to continue the employment of any Transferring Employee for any definite period.

(b) As of the Closing the Transferred Employees will be included in Harcourt Brace

& Company's benefit plans and be subject to Harcourt Brace & Company's employee policies applicable to its employees generally as such plans and policies may be in effect from time to time subject to generally applicable eligibility requirements. Transferring Employees shall not receive credit for prior service with the Seller for any purposes under such benefit plans and policies. With respect to medical insurance, pre-existing condition provisions and waiting periods shall be waived. Neither the Buyer nor Harcourt Brace & Company shall assume any obligation of the Seller or the Foundation in respect of any plans and benefits of the Seller or the Foundation.

(c) In the event of a breach by the Buyer of this Section 6.9, no person other than the Seller (or, in the event of Seller's liquidation, the Stockholders) shall be entitled to assert any claim against the Buyer for damages that were incurred as a result of such breach.

6.10 Access to Records. At all times after the Closing, the Seller and the Foundation will permit the Buyer and its representatives (including, but not limited to, counsel and auditors) upon reasonable notice and during normal business hours, to have access to, examine and make copies of all records, files and documents in the Seller's or the Foundation's possession or under the Seller's or Foundation's control which relate to the Business, the Assets or the Foundation Assets. At all times after the Closing, Buyer will permit Seller, the Stockholders and their representatives access to all records of the Business which are included in the Assets for any proper purpose (including, without limitation, preparation of tax returns).

7. INDEMNIFICATION.

7.1 Indemnification Covenants of the Seller and Stockholders. Subject to the limitations set forth in this Section 7, the Seller and each of the Stockholders, jointly and severally, shall defend, indemnify, save and hold harmless the Buyer and its affiliates, directors, officers, agents or representatives and their respective successors and permitted assigns (the "Buyer Indemnitees"), against and from all liability, demands, claims, actions or causes of action, assessments, losses, fines, penalties, costs, damages and expenses, including reasonable attorneys' fees (collectively, "Damages") sustained or incurred by any of the Buyer Indemnitees as a result of or arising out of or relating to:

(i) any inaccuracy in a representation or breach of a warranty made by the Seller or the Stockholders in this Agreement or in any document or instrument delivered to the Buyer pursuant to the provisions of this Agreement;

(ii) the failure of the Seller or the Stockholders to comply with, or the breach by the Seller or the Stockholders of, any of the covenants contained in this Agreement or in any document or instrument delivered to the Buyer pursuant to the provisions of this Agreement, to be performed by the Seller or the Stockholders;

(iii) any liability now or subsequently existing and arising out of or in connection with the Business or the Assets, to the extent that such liability relates to a period or periods prior to the Closing; except to the extent that such liability is included in the Assumed Liabilities; or

(iv) the relationship of the Seller, the Stockholders and the Foundation and the

operation of the Foundation including, but not limited to, any claims by any federal, state or local governmental authority with respect to any aspect of such relationship or operation.

7.2. Indemnification Covenants of the Foundation. Subject to the limitations set forth in this Section 7, the Foundation shall defend, indemnify, save and hold harmless the Buyer Indemnitees against and from all Damages sustained or incurred by any of the Buyer Indemnitees as a result of or arising out of or relating to:

(i) any inaccuracy in a representation or breach of a warranty made by the Foundation in this Agreement or in any document or instrument delivered by the Foundation to the Buyer pursuant to the provisions of this Agreement; or

(ii) the failure of the Foundation to comply with, or the breach by the Foundation of, any of the covenants contained in this Agreement or in any document or instrument delivered by the Foundation to the Buyer pursuant to the provisions of this Agreement.

7.3 Indemnification Covenants of the Buyer. The Buyer shall defend, indemnify, save and hold harmless the Seller, the Foundation and the Stockholders and their respective successors and permitted assigns (the "Seller Indemnitees"), against and from all Damages sustained or incurred by any of the Seller Indemnitees as a result of or arising out of or relating to:

(i) any inaccuracy in a representation or breach of a warranty made by the Buyer in this Agreement or in any document or instrument delivered to the Seller pursuant to the provisions of this Agreement;

(ii) the failure of the Buyer to comply with, or the breach by the Buyer of, any of the covenants contained in this Agreement or in any document or instrument delivered to the Seller pursuant to the provisions of this Agreement, to be performed by the Buyer;

(iii) any liability subsequently arising out of or in connection with the Assets, to the extent that such liability relates to a period or periods following the Closing; except to the extent that any such liability is retained by the Seller pursuant to this Agreement; or

(iv) the failure to perform when due, any of the Assumed Liabilities.

7.4 Method of Asserting Claims.

(i) For purposes of this Section 7.4, the following terms shall be defined as follows:

(A) "Claims" shall mean all claims (whether or not arising as a result of a claim asserted by any person not a party to this Agreement), asserting that an Indemnified Person is or may be liable for monetary or other obligations which may constitute or result in Damages for which such Indemnified Person may be entitled to indemnification pursuant to this Section 7.

(B) "Indemnified Person" shall mean any Buyer Indemnitee or any Seller Indemnitee, as the context requires.

(C) "Indemnifying Person" shall mean any person obligated to indemnify an Indemnified Person pursuant to this Section 7, as the context requires.

(ii) All Claims shall be made in writing and shall set forth with reasonable specificity the facts and circumstances of the Claim, as well as the basis upon which indemnification pursuant to this Section 7 is sought. Notwithstanding the foregoing, no delay or failure by any Indemnified Person to provide notification of any Claim shall preclude any Indemnified Person from recovering for Damages pursuant to this Section 7, except to the extent that such delay or failure materially compromises the rights of any Indemnifying Person under this Section 7.

(iii) Within thirty (30) days after receipt by an Indemnifying Person of any notification of a Claim, the Indemnifying Person may, upon written notice thereof to the Indemnified Person, assume (at the Indemnifying Person's expense) control of the defense of such action, suit or proceeding with counsel reasonably satisfactory to the Indemnified Person, provided the Indemnifying Person acknowledges in writing to the Indemnified Person that any Damages that may be assessed against the Indemnified Person in connection with such action, suit or proceeding constitute Damages for which the Indemnified Person shall be entitled to indemnification pursuant to this Section 7. If the Indemnifying Person does not so assume control of such defense, the Indemnified Person shall control such defense, but in so doing shall not waive or limit its right to recover under this Section 7 for any Damages that may be assessed against the Indemnified Person in connection with such action, suit or proceeding. The party not controlling such defense may participate therein at its own expense; provided that if the Indemnifying Person assumes control of such defense, and the Indemnified Person has been advised in writing by outside legal counsel that under the applicable standards of professional conduct, the Indemnifying Person and the Indemnified Person may not be represented by the same counsel with respect to such action, suit or proceeding, the reasonable fees and expenses of one law firm for the Indemnified Person shall be paid by the Indemnifying Person. The party controlling such defense shall keep the other party advised of the status of such action, suit or proceeding and the defense thereof and shall consider in good faith recommendations made by the other party with respect thereto. The Indemnified Person shall not agree to any settlement of such action, suit or proceeding without the prior written consent of the Indemnifying Person, which (with respect to an action, suit or proceeding as to which the Indemnifying Person has not elected to assume control of the defense) shall not be unreasonably withheld. The Indemnifying Person shall not agree to any settlement of such action, suit or proceeding without the prior written consent of the Indemnified Person, which shall not be unreasonably withheld so long as the settlement includes a complete release of the Indemnified Person from all liability and does not contain or contemplate any payment by, or injunctive or other equitable relief binding upon, the Indemnified Person.

7.5 Limitations on Seller's, Stockholders' and Foundation's Indemnification Obligations. The obligations of the Seller, the Stockholders and the Foundation pursuant to Sections 7.1 and 7.2 are subject to the following limitations:

(a) any Claim pursuant to Section 7.1. or 7.2 shall first be satisfied from the Escrow, and Seller, the Stockholders and the Foundation shall only have liability under such Section to the extent that the funds on deposit in the Escrow are exhausted or have been distributed to the Seller.

(b) the Buyer Indemnitees shall not be entitled to recover under Section 7.1. or 7.2 until the total amount which the Buyer Indemnitees would recover under Section 7.1 and 7.2 , but for this Section 7.5(b) exceeds \$100,000 and then only for the excess over \$100,000.

(c) the Buyer Indemnitees shall not be entitled to recover under Section 7.1.to the extent that the Buyer Indemnitee shall have received any payments with respect to the matter giving rise to the Claim from insurance (including title insurance) held by or for the benefit of Buyer. The Buyer shall proceed diligently against any insurer and neither the Seller, the Stockholders or the Foundation shall be obligated to make any indemnification payment with respect to any matter as to which the Buyer Indemnitees purportedly have insurance coverage for a period of six months after the claim has been asserted against the insurer, provided, however, that the Buyer may file a claim with respect to such matters under the Escrow to freeze amounts claimed with respect to such matters and may setoff amounts claimed with respect to such matters in accordance with Section 7.9. Upon payment of an indemnification payment, the payor shall be subrogated to the Buyer Indemnitees' rights against their insurers.

(d) the Buyer Indemnitees shall not be entitled to recover under subsections (i), (ii) and (iii) of Section 7.1. to the extent that the aggregate amount which the Buyer Indemnitees would be entitled to recover pursuant to such subsections of Section 7.1, but for this Section 7.5(d) would exceed \$2,750,000. This limitation shall not apply to any Claims arising under Section 7.1(iv) regardless of whether such Claims might also be covered under Sections 7.1(i), 7.1(ii) or 7.1(iii).

(e) subject to the provisos hereto, the Buyer Indemnitees shall not be entitled to recover under Section 7.1 with respect to consequential damages, damages consisting of business interruption or lost profits (regardless of the characterization thereof), damages for diminution in the value of the Business, damages computed on a multiple of earnings basis or punitive damages; provided that the limitations set forth in this subparagraph (e) (other than the limitation on punitive damages) shall not apply with respect to (i) a breach of any of Section 3.1, 3.2, 3.4, 3.10, 4.1, 4.2, or 4.4 or (ii) any breach of Section 3.5 where such breach of Section 3.5 does not also result in a breach of any other sections of Article 3 and provided, further that the limitations set forth in this subparagraph (e) shall not apply with respect to consequential damages, damages consisting of business interruption or lost profits (regardless of the characterization thereof), damages for diminution in the value of the Business, damages computed on a multiple of earnings basis or punitive damages which are awarded to a third party, for which a Buyer Indemnitee is liable and which would constitute Damages under this Section 7.

7.6. Survival. The representations and warranties set forth in Sections 3.1, 3.2, 3.4, 4.1, 4.2., 4.4, 5.1 and 5.2 shall survive the Closing and the consummation of the transactions contemplated hereby and shall not expire. All other representations and warranties in Sections 3, 4 and 5 shall survive the Closing and the consummation of the transactions contemplated hereby and continue eighteen months from the date hereof; except that the representations and warranties set

forth in Sections 3.8, 3.9 and 4.6 shall survive the Closing and the consummation of the transactions contemplated hereby and shall continue until the expiration of the applicable statute of limitations relating to the matters covered thereby. The survival periods set forth in this Section 7.6 shall not be affected by any examination made for or on behalf of any party to this Agreement. If a notice properly is given with respect to a Claim prior to the expiration of the relevant survival period set forth in this Section 7.6, then notwithstanding such expiration, the representation or warranty applicable to such Claim shall survive until, but only for purposes of, the resolution of such Claim.

7.7 Remedies. Except for Claims based on fraud or intentional misrepresentation, indemnification pursuant to the provisions of this Section 7 shall be the exclusive remedy of the parties based on any breach of any representation, warranty or covenant contained herein or in any document to be delivered pursuant to the provisions of this Agreement with respect to any matter which is the subject of this Section 7.

7.8 Treatment of Indemnity Payments. Any payment made to a Buyer Indemnitee pursuant to this Section 7 or the Escrow Agreement shall be treated as a reduction of the Purchase Price.

7.9 Setoff. The Seller and the Stockholders hereby agree that any Claim for indemnification by the Buyer under this Section 7 may be set off against the earn-out payments payable pursuant to Section 2.4 above provided that the Buyer shall deposit the amount subject to such set-off in an escrow account with the Escrow Agent which account shall provide for the release of such amount only (i) on the joint written instructions of the Seller (or in the event of the dissolution of the Seller, the Stockholders) and the Buyer or (ii) an order of a court of competent jurisdiction directing the release of such funds.

8. NOTICES. Any notices or other communications required or permitted hereunder shall be sufficiently given if in writing and delivered personally or sent by Federal Express, registered or certified mail, postage prepaid, addressed as follows or to such other address of which the parties may have given notice:

To Seller or the Stockholders:
c/o Chris M. Salamone
4800 N. Federal Highway
Suite 106 D
Boca Raton, FL 33431

To the Foundation:
c/o Chris M. Salamone
4800 N. Federal Highway
Suite 106 D
Boca Raton, FL 33431

With a copy to:

Alzheimer & Gray
10 S. Wacker Drive
Suite 4000
Chicago, IL 60606
Attention: David W. Schoenberg

To the Buyer:

Harcourt Brace Legal and Professional Publications, Inc.
176 W. Adams Street, Suite 2100
Chicago, IL 60603
Attention: Richard J. Conviser, President

With a copy to:

Harcourt General, Inc.
27 Boylston Street
Chestnut Hill, MA 02167
Attention: General Counsel

Such notices or other communications shall be deemed when acknowledged as received by the party to whom it was addressed.


9. SALES TAXES. Notwithstanding any provision of law imposing the burden of such taxes on the Seller or the Buyer, as the case may be, the Buyer shall be responsible for and shall pay (a) all sales, use and transfer taxes, and (b) all governmental charges, if any, upon the sale or transfer of any of the Assets or Foundation Assets hereunder.

10. MISCELLANEOUS. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement represents the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior oral and written and all contemporaneous oral negotiations, representations, warranties, commitments and understandings between such parties. The parties may amend or modify this Agreement only by a written instrument executed by all parties. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall be one and the same document.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of and on the date first above written.

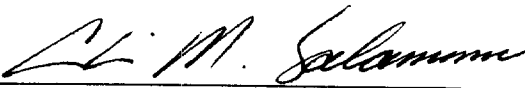
**NATIONAL INSTITUTE FOR
LEGAL EDUCATION, INC.**

**HARCOURT BRACE LEGAL AND
PROFESSIONAL PUBLICATIONS, INC.**

By: 
Chris M. Salamone
President

By: 
Richard Conviser
President

**THE NATIONAL LAW AND
LEADERSHIP FOUNDATION, INC**

By: 
Name: *CHRIS M. SALAMONE*
Title: *DIRECTOR / PRESIDENT*

THE STOCKHOLDERS


CHRIS M. SALAMONE


ANTHONY C. SALAMONE


PAUL M. LISNEK