

1. Millennium Reading Partners Executive Summary

Millennium Reading Partners, (MRP), was incorporated in April 2007 to execute a technology driven strategy in the \$2.5B school distribution market. The company expects to begin operation in October 2007 with corporate offices located in Cranford, New Jersey and sales offices in strategic regions throughout the United States. The company's management team is comprised of former executives of Scholastic who have made significant contributions to the establishment of Scholastic's school distribution model. Management's vision is to combine their experience in technology, school distribution, relationships with major publishers, and the lexile standard to develop a cost effective distribution model in the school market. MRP's management is seeking a \$6.0 million equity investment to capitalize the proposed venture.

Currently, Scholastic is the leader in the school distribution market and has no substantial national competitors in the book segment. Some local players have gained market share in the book fair market in recent years because of their ability to provide better customer service. The Scholastic distribution network includes the book fair and the book club operating units (note: book fair and book expo are used interchangeably throughout this document). In 2006, the book fair unit ran 120,000 domestic book fairs and 50,000 international fairs; worldwide revenue for the segment exceeded \$500 million. In 2006, the book club operating unit, which operates a direct mail program sold through a teacher customer base of one million, generated ~\$500 million in revenue. Revenues were generated from the sale of books, teacher materials, and other non-book product to parents, teachers, and students. Approximately \$100 million in 2006 book fair revenue was from international operations. The total revenue base for the two business units is ~\$1.0 billion worldwide; the operating profit margin is ~15-20%.

MRP has recruited a highly experienced group of school market professionals who will centrally manage marketing, product selection, operations, IT and web development, strategic planning, and general management. MRP is also recruiting a network of experienced regional general managers who know the local markets and who will focus on building regional groups of customers primarily in the school market. There is also potential to increase market share by implementing sales techniques that will attract new customer groups in the corporate and fund-raising markets.

Through technology, MRP will be able to generate significant value for organizations seeking to raise funds through book fairs. Scholastic uses very little technology in operating the school distribution business. The book fair operation has no tracking of inventory or visibility to sales information at the events. There are no revenues generated via the Internet and the model that is used has changed very little over the past twenty years. Currently, 65 distribution centers and 200,000 metal book display cases exist to service the business in the U.S. MRP's management vision is to exploit these inefficiencies and quickly gain market share in the school distribution business.

The most significant complaint from the book fair chair people is that a book fair is too time consuming and too much work for the volunteers who need to be recruited to run the events. The technology fair strategy proposed by MRP will be more efficient and less time consuming for the chair people who manage the events. Scholastic sells primarily to the student and they cannot support the inventory at each fair that is needed to sell to parents and teachers. Since MRP will distribute through one central location, the company can significantly enhance the breadth of the products offered and in doing so, expand the customer base. The central shipping point for items that are ordered has eliminated a great deal of cost that is in the current Scholastic model. MRP is in the process of developing strategic alliances with many of the major publishers and school market suppliers who are interested in an alternative to the Scholastic distribution. In the first year of operation, MRP will build the book fair business through the regional network that will be established throughout the United States. The international expansion also offers significant growth potential.

Additionally, MRP will leverage its technology based lexile tests to match children with content appropriate to their reading levels. Millions of students in the United States and abroad are struggling

readers and educators do not have the resources needed to manage disparate reading levels that exist in their classrooms. The No Child Left Behind (NCLB), legislation is forcing school administrators to find solutions that can help struggling readers.

Several recent research studies have proven that students who read more books more frequently have higher academic success. Reading practice is essential for children to become proficient readers. Dr. J.T. Guthrie has proven that students who read widely and frequently are higher achievers than students who read rarely and narrowly.

MetaMetrics has created a standard that measures the reading level of students in a numeric three digit score that is called a lexile. The Lexile Framework for Reading is a research proven system for measuring students' reading levels and matching readers to books that are appropriate for their level and is being used in programs like Scholastic's Read 180 and Edgates's Total Reader; results provide evidence that the program is effective. More than 44,000 children's books have a lexile level that can be referenced on the internet.

MRP is creating a partnership with MetaMetrics and Total Reader to create a lexile test that will be offered on the book fair web site. The MRP platform provides a unique opportunity to educate parents on the value of matching each child's lexile level with the right content and to offer schools and other organizations an opportunity to run a technology fundraising event that will offer parents, teachers, and students the opportunity to buy the best books and materials that are available in the market.

In summary, Millennium Reading Partners will leverage a seasoned management group to develop a technologically differentiated school distribution business in the book fair market that has potential to expand internationally as well as into the corporate and fundraising sectors. The technology-based business will provide schools and organizations with an effective choice for fundraising while promoting literacy. The business model provides a significant opportunity for investors to enter the school distribution and education market segments which are among the most profitable business units within the publishing industry.

To launch the new company, MRP is seeking \$6.0 million in total funding through outside investment. These funds will be used to build the MRP website and IT infrastructure using the Net Suite platform, establish a New Jersey based corporate office, develop 8 to 10 regional offices in the most productive states, provide staff for corporate and regional offices, promote the brand of MRP to the market, and purchase inventory needed to support the initial events that will be booked in Fall 2007.

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