

SUMMARY AND DESCRIPTION OF THE STOCK PURCHASE AGREEMENT

October 17, 2012

Dear Shareholder:

As you are aware, the Board of Directors and senior executives of Efficient Learning Systems, Inc. (“ELS” or the “Company”) have been negotiating a sale of the Company to an independent buyer. That Buyer is John Wiley & Sons, Inc. (“Buyer”). Buyer and the Company have reached agreement on the terms and provisions of a Stock Purchase Agreement (the “SPA”). A copy of the SPA is attached to the letter from the Company that accompanied this Summary and Description of the Stock Purchase Agreement (this “Summary”).

This Summary describes material provisions of the SPA. The provisions of the SPA are complicated and not easily summarized. This Summary may not contain all of the information about the proposed stock purchase and sale transaction that is important to you. We encourage you to read the SPA carefully for a more complete understanding of the SPA.

The SPA and the transactions contemplated thereby are confidential and may not be disclosed by anyone receiving this Summary without the prior written consent of the Buyer and the Company. This prohibition does not limit or otherwise affect your ability to seek the advice and counsel of your legal, tax or other advisers, as long as you bring this confidentiality provision to their attention.

General; Recommendation of the Company’s Board of Directors

Under the SPA, holders of shares of common stock and preferred stock of the Company will sell their shares to the Buyer in exchange for the Purchase Price (discussed below), and holders of unvested stock options and restricted stock awards issued to them by the Company will be paid an amount equal to the difference between the Purchase Price minus the exercise price of their awards. Restricted stock does not typically have any exercise price, and the exercise price of stock options was equal to the fair market value of Company’s common stock, as determined by the Board of Directors, at the time the option was granted.

Because this transaction is structured as a stock purchase and sale between the Buyer and the company’s shareholders, the Company itself is not a party to the SPA and plays no direct role in the transactions contemplated by the SPA. The Company’s Board of Directors reviewed and discussed the SPA and the transactions contemplated thereby and two directors, Edward M. Foley and Patricia M. Bower, recommended the SPA and the transactions thereunder to the Company’s shareholders. Separately, and in their capacity as shareholders, each member of the Company’s Board of Directors (Edward M. Foley, Rahul Srivastava, and Patricia M. Bower) indicated that he or she intended to become a party to the SPA and participate in the transactions contemplated thereunder. These shareholders beneficially own or control the following number of shares of stock (and approximate percentage of the aggregate number of shares of capital stock outstanding): Edward M. Foley – 1,844,671 shares (36.39%); Rahul Srivastava, 235,500

shares (4.65%); and Patricia M. Bower – 73,231 shares (1.44%). In addition, Rahul Srivastava is a holder of 280,000 options which will be vested at closing (36.55% of the options which will be vested at closing). Mr. Foley and Ms. Bower are father and daughter. See also “Interests of the Company’s Directors and Executive Officers in the Transactions.”

Purchase Price

The purchase price per share under the SPA is \$3.8225 per common share and \$4.8225 per preferred share. All outstanding awards were tied to shares of common stock, and none related to the preferred stock. The preferred stock by its terms is entitled to \$1.00 per share more than a share of common stock. The total purchase price under the SPA is \$24,000,000. Of that amount, \$20,400,000 will be paid to shareholders and holders of awards at the closing of the SPA, and \$3,600,000 (the “Escrow Amount”), or 15% of the total purchase price, will be deposited in an escrow account (the “Escrow”) and held for two years from the date of the closing (the “Escrow Period”) during which time it will be available to satisfy any indemnification claims by the Buyer that might arise in connection with breaches of the representations and warranties made by the sellers under the SPA. Information regarding indemnification is set forth below under the heading “Indemnification.” The escrow agent is Union Bank, N.A.

Accompanying this Summary we have included for each shareholder information concerning that shareholder’s number of shares owned, the gross purchase price for those shares under the SPA, the amount attributable to such shares that will part of the Escrow Amount, the amount attributable to such shares that will be part of the \$180,000 deposit into the Sellers’ Representative Account (discussed below under the heading “Sellers’ Representative”), and the amount that will be distributed to that shareholder (equal to 85% of the gross purchase price per share less a pro rata share of the deposit into the Sellers’ Representative Account, with the remaining 15% being deposited in the Escrow) at the closing under the SPA.

If you are a holder of unvested stock options and/or restricted stock awards, the information will include the gross amount payable to you under the SPA, the amount of that sum (equal to 15% of that sum) that will be delivered to and become part of the Escrow, your pro rata share of the deposit into the Sellers’ Representative Account, and the amount that will be distributed to you as an option holder at the closing under the SPA.

Distributions to shareholders and to option holders following the closing will be made by Alliance Bank of Arizona, which has been appointed the paying agent (“Paying Agent”). The amount distributed to any shareholder or option holder at the closing of the SPA will be reduced by the funds delivery fees described in the Company’s prior communications, i.e., \$30.00 wire fee (\$40.00 for international wires), \$8.00 fee per cashier’s check, and the actual cost incurred by the Paying Agent for overnight or other courier service to deliver cashier’s checks (there will be no fee charged for checks mailed via U.S. Postal Service first class mail).

A breakdown of the purchase price under the SPA, broken down by payment categories, is set forth below.

Payable at Closing to shareholders:	\$ 17,753,107.78
Payable at Closing in respect of option holders ¹	\$ 2,466,892.22
Deposit in Escrow	\$ 3,600,000.00
Deposit into Sellers' Representative Account	\$ <u>180,000.00</u>
TOTAL:	\$ 24,000,000.00

The amount shown above, \$180,000, as “Deposit into Sellers' Representative Account, is described below under the heading “Sellers' Representative.” Furthermore, an Escrow Agent fee of \$3,000 will be paid by the Buyer and an administrative fee of \$3,000 will be paid to the Paying Agent from the Sellers' Representative Account.

Payment for Shares and Payments to Option Holders

The Closing will occur as soon as practicable following the receipt from all shareholders of authorization to attach their respective signature pages to the SPA together with their stock certificates representing Company shares, or waiver of that (and certain other conditions) by the Buyer. In connection with the Closing, the Buyer will pay the Paying Agent the sum of \$20,400,000, which is an amount equal to the total purchase price (\$24,000,000), less the Escrow Amount (\$3,600,000), and will deposit the sum of \$3,600,000 in the Escrow Account on behalf of the selling shareholders and the option holders under the SPA. Promptly following the Closing under the SPA, the Paying Agent will transmit to each shareholder its share of the purchase price (which amount will adjusted for the holdings of common stock, preferred stock, and/or payments in respect of Stock Options), less payment processing fees described elsewhere (i.e., under the heading “Purchase Price” in this Summary). Processing payments through the Paying Agent may take 2-5 business days, depending upon the volume of payments running through the wire system on the days following closing.

Representations and Warranties

The representations and warranties in the SPA are made by the sellers of the Company's shares and its option holders to the Buyer. The representations and warranties have two main purposes: (1) their accuracy at the time made and at the time of the Closing serve as a condition to the Buyer's obligation to perform at the closing of the SPA (i.e., to pay the purchase price and acquire the shares); and (2) their inaccuracy or the breach of a representation, warranty or covenant serves as the basis upon which any claim by the Buyer for indemnification may be made. If successful, a claim for indemnification will most likely result in a payment from the Escrow to the Buyer in the amount of damages actually incurred by the Buyer as a consequence

¹ Option holders will be deemed to exercise eligible options at closing pursuant to a “cashless exercise,” and will receive the difference between the common stock purchase price per share under the SPA and the per share exercise price payable upon exercise of each option they hold at Closing. The amounts in the table assume that no additional options will be exercised prior to the Closing. The aggregate amount of all exercise prices is \$435,625, which will be retained by the Company as the exercise price and will be added to the working capital of the Company, which is identical to the treatment that would occur in the absence of a “cashless exercise” and if instead each option holder exercised his or her option, paid the exercise price in cash, and received the full purchase price per share for the shares purchased upon exercise of the option. The amount shown as “Payable at Closing in respect of option holders” is the total amount allocable to option holders before deduction of the \$435,625 aggregate option exercise price amount.

of such inaccuracy or breach. See also the discussion below under the heading “Sellers' Representative.”

Articles 3 of the SPA sets forth representations relating to the following matters, among others:

- the Company's due organization, valid existence and good standing;
- the capitalization of the Company;
- the Company's audited financial statements for the years ended December 31, 2010 and 2011 and the unaudited financial statements for the nine-months ended September 30, 2012;
- the consents and approvals or authorizations required in connection with the SPA or the completion of the transactions under the SPA;
- information about the Company's contractual relationships with third parties, including the Company's material contracts and obligations, and the absences of defaults thereunder;
- the absence of certain changes in the Company's business since December 31, 2011;
- the absence of litigation to which the Company is a party;
- information concerning compliance with applicable laws;
- information about the Company's employee benefit plans and compliance with applicable labor laws;
- the Company's material compliance with environmental laws and any permits, license and other authorizations relating to environmental laws;
- the Company's ownership, license and lawful use of intellectual property, and other intellectual property matters;
- certain insurance matters;
- certain tax matters, including timely filing of all returns and payment of all taxes which have become due and payable;
- the real property we lease and the personal property we own or lease;
- any transactions between the Company and any of its officers, directors or shareholders;
- the lack of disputes between the Company and any account debtors of the Company's accounts receivable;
- certain information about the Company's distributors and clients; and
- certain information about employee matters, including salary rates, benefits and other statistical information.

In Article 4 of the SPA, individual sellers and option holders make certain representations and warranties about themselves, including representations as to: their due organization and authority (which is only applicable if they are an entity and not an individual); the absence of any requirement that the seller receive any consents or approvals from a third party necessary for the performance of the seller's obligations under the SPA; the seller's title to the shares being sold under the SPA to the Buyer; the lack of litigation against the seller relating to the seller's

ownership of shares being sold under the SPA; and the lack of any broker or other adviser engaged by the seller in connection with the transactions contemplated by the SPA.

The Buyer in Article 5 of the SPA makes representations to the sellers and option holders similar to those made in Article 4, with the exception that the Buyer makes no representation about title to shares.

Covenants

The Company makes certain covenants which are set forth in Article 6 of the SPA. The covenants relate to: conduct of the Company's business in the ordinary course in a manner consistent with past practice from the date of the SPA through the date of the Closing under the SPA; access by the Buyer to information about the Company prior to the Closing Date; preparation of tax returns and other tax related matters prior to the Closing Date; and confidentiality and other usual and customary matters.

In addition, Section 6.6 of the SPA includes non-compete and non-solicitation covenants. Section 6.6(a) provides that five (5) named employees of the Company (Edward Foley, Rahul Srivastava, Dan Wood, Nigel Snow and Michael Duffy) will not engage in the CPA review business conducted by the Company on the Closing Date. Section 6.6(b) of the SPA provides that no selling shareholder or option holder who is a party to the SPA will, for a period of 5 years following the Closing Date, solicit, recruit or hire an officer, director or employee of the Company (this provision does not prohibit a general solicitation not specifically directed at officers, directors or employees of the Company) and will not disparage the Buyer or the Company in certain ways.

Indemnification

Pursuant to Section 8.2 of the SPA, each seller of shares and each option holder jointly and severally agrees to indemnify and hold the Buyer and its officer, directors, employees and Affiliates (defined in the SPA) harmless from any and all damages, losses, and liabilities generally which are incurred as a result of the breach of any representation or warranty set forth in Article 3 or Article 4 of the SPA, or of certain other matters specified in Section 8.2, such as unpaid taxes owed by the Company for periods prior to the Closing Date. The duty to indemnify is subject (for most claims, except for non-payment of taxes and similar payment default matters) to two limitations: no indemnity payment is due or collectible until the amount of all losses exceeds \$100,000, and the aggregate liability for indemnification under the SPA is limited to the Escrow Amount (except in limited circumstances described in the SPA).

Other subsections of Article 8 deal with procedures that will be followed if an indemnity claim is made and with administration of the Escrow Account. The Escrow Account will be maintained under an escrow agreement between Union Bank, N.A., as the escrow agent, the Sellers' Representative, and the Buyer.

Sellers' Representative

Article 9 of the SPA provides for the appointment of Edward M. Foley as the representative of all of the selling shareholders and option holders that are party to the SPA (the “Sellers' Representative”). The purpose of the representative is principally to deal in an efficient manner with the Buyer on post-Closing matters that arise under the SPA and involve the interests of the selling shareholders and the option holders, on the one hand, and the Buyer on the other hand. Mr. Foley is the Chairman of the Board of the Company and a shareholder. His authority is quite broad, and is delineated in Section 9.1(a) of the SPA. Among other things, the Sellers' Representative is authorized to collect all monies and other proceeds payable to the sellers and option holders under the SPA or under the Escrow Agreement. In that capacity, the Sellers' Representative is a party to the Paying Agent Agreement with Alliance Bank of Arizona (under which the initial 85% of the purchase price will be distributed) and the Escrow Agreement (under which the remaining 15% of the purchase price will be deposited and held for the two-year escrow period).

The Sellers' Representative is not entitled to any fee, commission or other compensation for the performance of his duties, but is entitled to payment of his expenses reasonably incurred as the Sellers' Representative. Under Section 9.1(b), the Sellers' Representative incurs no responsibility for any errors in judgment, or other acts or omissions, excepting only responsibility for any act or failure to act which represents willful misconduct. The Sellers' Representative is authorized to rely on the advice of counsel, public accountants and/or other independent experts. At the Closing, the amount of \$180,000 will be withheld from distribution to the shareholders and option holders and deposited in a separate escrow or trust account (the “Sellers' Representative Account”) for use by the Sellers' Representative in carrying out his duties and authority under Section 9 of the SPA. When the Sellers' Representative's duties are concluded (which is expected to be immediately following the distribution of the balance of the Escrow Amount at the end of the Escrow Period), any monies remaining in the Sellers' Representative Account will be distributed to the parties to the SPA other than the Buyer.

Interest of the Company's Directors and Executive Officers in the Transactions

In considering the recommendation of the Company's Board of Directors with respect to the SPA and the transaction thereunder, you should be aware that some of our directors and executive officers have interests in the transactions that are different from, or in addition to, the interests of the Company's shareholders generally. These interests may present them with actual or potential conflicts of interest, and these interests, to the extent they may be deemed material, are described below.

As noted above under the heading “General; Recommendation of the Company's Board of Directors,” the Company's Board is comprised of three individuals and, as a group, the members of the Board own an aggregate of 2,153,402 shares of the Company's capital stock (or about 42.48%) and will receive approximately 41.82% of the aggregate amount of cash distributed to shareholders and option holders in connection with the Closing under the SPA.

In addition, Rahul Srivastava, a director and the Company's CEO, is a party to an agreement dated November 14, 2010 with the Company. Pursuant to that agreement, he will be paid a fee of \$1,200,000 upon the closing of the SPA. Mr. Srivastava has also signed a new employment contract with Buyer.

All of our employees, except Mr. Foley, have an opportunity to continue their employment with the Company following the closing of the transactions contemplated by the SPA. Employees of the Company who hold unvested stock options at the time of the Closing will be paid an amount equal to the difference between the per share price of the Company's stock under the SPA and the exercise price payable in respect of such shares. The payment will be made pursuant to the SPA in exchange for the termination of the Company's stock option and incentive awards plans, which is a condition to the Buyer's obligation to close under the SPA. In total, stock options covering an aggregate of 766,000 shares of common stock will vest and become exercisable in connection with the Closing.

None of our directors or officers have announced that they will terminate their employment in connection with the Closing and the transactions under the SPA. In any event, the Company is not a party to any retention or severance agreement with any director or officer, and no director or officer will receive any payment in connection with the SPA and the transactions thereunder which are not directly related to their status as a shareholder and/or an option holder, other than the payment described above in this section to Mr. Srivastava.

Other Information

The Company has authorized the preparation and distribution of this Summary for the limited purpose of describing material features of the SPA. You should rely only on the information contained in this Summary and the SPA enclosed herewith. Neither the Company nor its Board of Directors has authorized anyone to provide you with information that is different from what is contained in the Summary. The date of this Summary is set forth on the first page of the Summary, and you should not assume that the information contained in this Summary is accurate as of any date other than that date.