IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	**Chapter 11**
HAIGHTS CROSS COMMUNICATIONS, INC., et al.,[1]	)	**Case No. 10-10062 (BLS)**
	)	**Jointly Administered**
Debtors.	)	

DECLARATION OF JOHN-PAUL HANSON IN SUPPORT OF CONFIRMATION OF THE DEBTORS' JOINT PREPACKAGED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

John-Paul Hanson, declares and states:

1. I am a Director with Houlihan Lokey Howard & Zukin Capital, Inc. ("Houlihan Lokey"), financial advisor and investment banker to the above-captioned debtors and debtors in possession (the "Debtors").

2. I submit this Declaration (this "Declaration) in support of confirmation of the *Debtors' Joint Prepackaged Plan of Reorganization Under Chapter 11 of the Bankruptcy Code*, filed on January 11, 2010 (as amended, modified, or supplemented from time to time, the "Plan") [Dkt. No. 17].[2]

Houlihan Lokey's Qualifications

3. Houlihan Lokey is an international investment banking/financial advisory firm with fourteen offices in the United States, Europe and Asia and more than eight hundred employees. Houlihan Lokey provides corporate finance and financial advisory services, as well as execution capabilities, in a variety of areas, including financial restructuring. In 2008,

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Haights Cross Communications, Inc. (7398), Haights Cross Operating Company (7416), Triumph Learning, LLC (7400), Recorded Books, LLC (7163) and SNEP, LLC (f/k/a Sundance/Newbridge Educational Publishing, LLC) (1159). The address for each of the Debtors solely for purposes of notices and communications is 10 New King Street, Suite 102, White Plains, NY 10604.

[2] Capitalized terms not otherwise defined herein have the meanings given to them in the Plan.

Houlihan Lokey ranked as the No. 1 M&A advisor for U.S. transactions under $2 billion, according to Thomson Reuters. The firm is one of the leading providers of M&A fairness opinions and has one of the largest worldwide financial restructuring practices of any investment bank. Houlihan Lokey annually serves more than 1,000 clients ranging from closely held companies to Global 500 corporations.

4. I have considerable experience with chapter 11 restructuring and other distressed company circumstances, advising both debtors and creditors. I have served as an advisor to corporations, creditors, and shareholders of distressed and underperforming companies in order to implement operational growth, revitalization and improvements. Advisory assignments in which I have been actively involved include, among others: Six Flags, Inc., Herbst Gaming, Inc., Solutia, Inc., Wellman, Inc., Big West Oil LLC, Granite Broadcasting Corporation, Southaven Power LLC, National Energy & Gas Transmission (formerly PG&E NEG), XO Communications, Decision-One Corp. and CTI Movil.

5. My duties as Director with respect to Houlihan Lokey's engagement to represent the Debtors include, among other things, (a) assisting the Debtors in the development, preparation and distribution of selected information, documents and other materials in an effort to enable the consummation of any transactions (the "Transactions") relating to bank amendments, secured debt exchange, Senior or Discount Note exchange, or financing, restructuring, or similar transactions; (b) soliciting and evaluating indications of interest and proposals regarding any Transactions from current and/or potential lenders, equity investors, acquirers and/or strategic partners; (c) assisting the Debtors with the development, structuring and implementation of any Transactions, including participating as a representative of the Debtors in meetings with creditors and other parties involved in any Transactions; (d) assisting the Debtors in valuing the Debtors' assets and/or operations; (e) providing expert advice and

testimony regarding financial matters related to any Transactions; (f) advising and attending meetings of the Debtors' Board of Directors, creditor groups, official constituencies and other interested parties; and (g) providing such other financial advisory and investment banking services as may be agreed upon by Houlihan Lokey and the Debtors.

6. I hold a B.A., *cum laude*, in International Finance and Italian from Brigham Young University and an M.B.A., with a concentration in finance, from the University of Maryland's Robert H. Smith School of Business. I am employed within Houlihan Lokey's Financial Restructuring Group. Since joining Houlihan Lokey in 2001, I have worked on numerous restructuring, financing and M&A engagements in a variety of industries.

7. Houlihan Lokey has advised the Debtors regarding financial and restructuring matters since January 22, 2009, and I have had personal involvement in the engagement for that entire period. Through Houlihan Lokey's services as financial advisor to the Debtors, I and other Houlihan Lokey professionals have become familiar with the Debtors' operations, business and financial affairs. We have worked closely with the Debtors' management and other professionals. In addition, I and other Houlihan Lokey professionals have assisted the Debtors in their preparation of the Plan, as well as liquidation and creditor recovery analyses.

8. Except as otherwise indicated, I have personal knowledge of the facts stated in this Declaration. If called as a witness, I would testify competently to the facts set forth in this Declaration.

Calculating the Enterprise Value of the Debtors

9. Houlihan Lokey primarily relied on two widely recognized methodologies in preparing the valuation of the Debtors. Specifically, Houlihan Lokey determined the value of the Debtors using (i) a comparable public company analysis, which estimates value based on a

comparison of the target company's financial statistics with the financial statistics of public companies that are similar to the target company (the "Comparable Public Company Analysis"), and (ii) a discounted cash flow analysis, which relates the value of an asset or business to the present value of expected future cash flows to be generated by that asset or business (the "DCF Analysis"). While Houlihan Lokey also evaluated and considered recent relevant precedent transactions of companies deemed comparable (the "Precedent Transaction Analysis"), the limited number of comparable precedent transactions made that analysis ineffective as a valuation methodology. As set forth in Section X of the Disclosure Statement relating to the Plan (the "Disclosure Statement"), and solely for purposes of the Plan, the estimated range of reorganization value of the Debtors was assumed to be $226.0 million to $255.0 million (with a midpoint value of $240.5 million) as of an assumed Effective Date of December 31, 2009.

10. Houlihan Lokey's valuation must be considered as a whole, including the underlying assumptions relied upon by Houlihan Lokey, as described in Section X of the Disclosure Statement, and selecting just one methodology or portions of the analysis, without considering the analysis as a whole, could create a misleading or incomplete conclusion as to the Debtors' valuation.

11. **The Comparable Public Company Analysis**. The Comparable Public Company Analysis estimates value by establishing a benchmark for asset valuation by deriving the value of "comparable" assets, standardized using a common variable such as revenues, earnings, and cash flows. The analysis includes a detailed multi-year financial comparison of each company's income statement, balance sheet, and cash flow statement. In addition, each company's performance, profitability, margins, leverage and business trends are also examined. Based on these analyses, a number of financial multiples and ratios are calculated to gauge each company's relative performance and valuation.

12. A key factor to this approach is the selection of companies with relatively similar business and operational characteristics to the target company. Criteria for selecting comparable companies include, among other relevant characteristics, similar lines of businesses (in this case, educational media and print and audio publishing), business plans and associated risks, target market segments, recent financial and operating performance, growth prospects, market presence, size, margins and scale of operations. The selection of truly comparable companies is often difficult and subject to interpretation. While Houlihan Lokey has analyzed a variety of potentially comparable companies for the educational and audio publishing businesses of the Debtors, this analysis is particularly difficult in this case, as there are no truly comparable companies to the Debtors that are publicly traded. Other potentially comparable companies were analyzed but excluded from the valuation methodology as they are either not in directly comparable businesses, are private, have limited public market exposure, have different product distribution methodologies, or are divisions of much larger companies which make such comparisons less effective for valuation purposes. However, the underlying concept is to develop a premise for relative value, which, when coupled with other approaches, presents a foundation for determining firm value.

13. In performing the Comparable Public Company Analysis for the Debtors, the following publicly traded companies in educational media and print and audio publishing sectors were deemed generally comparable to the Debtors in some or all of the factors described above and were selected: Pearson plc, The McGraw Hill Companies, Inc., John Wiley & Sons, Inc., Scholastic Corporation, and Courier Corporation. As mentioned above, while Houlihan Lokey examined other potentially comparable companies, those were excluded for the reasons previously mentioned. Houlihan Lokey analyzed the current trading value for the comparable companies as a multiple of projected fiscal years 2009 and 2010 earnings before interest, taxes,

depreciation, and amortization ("EBITDA"). Given the current general economic conditions, particularly as related to school district and library spending, and in an attempt to not overly emphasize a difficult operating environment, Houlihan Lokey applied multiples to EBITDA for fiscal years 2009 and 2010 in an effort to "normalize" projected earnings variances. As such, the derived multiples were applied to the Debtors' adjusted EBITDA for the twelve months ending December 31, 2009 and December 31, 2010 and subsequently averaged together to determine the range of enterprise value.

14. **The DCF Analysis**. The DCF Analysis relates the value of an asset or business to the present value of expected future cash flows to be generated by that asset or business. The DCF methodology is a "forward looking" approach that discounts the expected future cash flows by a theoretical or observed discount rate determined by calculating the average cost of debt and equity for publicly traded companies that are similar to the Debtors. The expected future cash flows have two components: the present value of the projected unlevered, after-tax free cash flows for a determined period and the present value of the terminal value of cash flows (representing firm value beyond the time horizon of our projections). Houlihan Lokey's discounted cash flow valuation is based on the business plan projections of the Debtors' operating results. Houlihan Lokey discounted the projected cash flows using the Debtors' estimated weighted average cost of capital.[3]

Recoveries Under the Plan

15. A key objective of Houlihan Lokey's engagement was to assess the Debtors' operations and business prospects and conduct relevant analyses in order to arrive at an

[3] This approach relies on a company's ability to project future cash flows (the "Projections") with some degree of accuracy. Because the Projections reflect significant assumptions made by the Debtors' management concerning anticipated results, the assumptions and judgments used in the Projections may or may not prove correct and, therefore, no assurance can be provided that projected results are attainable or will be realized. Houlihan Lokey cannot and does not make any representations or warranties as to the accuracy or completeness of the Projections.

implied total enterprise value. Based on those analyses, Houlihan Lokey advised the Debtors that the value-maximizing method to satisfy the Debtors' claims in its respective creditor classes was through the restructuring under the proposed Plan.

16. The Debtors' Plan provides for the following distributions on the Effective Date, except to the extent the Holder of any Claim agrees to less favorable treatment:

> (i) As soon as practicable after the Effective Date, each Holder of Allowed Secured Credit Agreement Claims shall receive, in full satisfaction and discharge thereof, (a) its Pro-Rata Share of the New First Lien Notes and (b) Cash equal to the difference between (i) the amount of its Allowed Secured Credit Agreement Claims and (ii) the principal amount of its Pro-Rata Share of the New First Lien Notes;
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> (ii) Holders of Class 4 Allowed Senior Note Claims will receive, in full satisfaction and discharge of such Claims, their Pro-Rata Share of (a) the New Second Lien Notes and (b) the Senior Note Stock Consideration (subject to adjustment for rounding of fractional shares).
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> (iii) Holders of Class 5 Allowed Senior Discount Notes Claims will receive, in full satisfaction and discharge of such Claims, their Pro-Rata Share of (a) 720,000 shares of New Common Stock (subject to adjustment for rounding of fractional shares), which amount shall be equal to approximately 8% of the total number of shares of New Common Stock issued under the Plan and (b) Exit Warrants.

17. Further, the Plan does not impair Administrative Expense Claims, Ordinary Course Liabilities, Priority Tax Claims, Other Priority Claims, Professional Fees, Prepetition Indenture Trustee Fees and Expenses or General Unsecured Claims.

18. Based upon the valuation above and as more fully set forth in the Plan and Disclosure Statement (and the underlying Comparable Public Company and DCF Analyses), I believe the Debtors will be able to make distributions in the manner set forth in the Plan.

Best Interest of Creditors Test

19. In connection with the formulation of the Plan, the Debtors requested that Houlihan Lokey assist the Debtors in preparing a liquidation analysis to determine whether holders of Claims and Equity Interests in each Class that has not voted to accept the Plan would receive or retain value under the Plan that is at least equal to the amount that such Holders would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on the Effective Date (the "Liquidation Analysis"). The Liquidation Analysis thus was requested specifically to determine whether the Plan complies with the "best interests" test set forth in section 1129(a)(7) of the Bankruptcy Code. The Liquidation Analysis was completed under my direction and with my direct involvement. As such, I am familiar with the methods used, and the conclusions reached, in the Liquidation Analysis.

20. As set forth in greater detail in Article XI of the Disclosure Statement, the range of net proceeds from a hypothetical liquidation of Haights Cross Communications, Inc. ("HCC") available for distribution was estimated to be $2,789,071 to $2,889,071, assuming that HCC's assets were liquidated over a five (5) month period beginning on January 1, 2010. As further set forth in Article XI of the Disclosure Statement, the range of net proceeds from a hypothetical liquidation of Haights Cross Operating Company ("HCOC") available for distribution was estimated to be $63,458,495 to $77,888,096, assuming that HCOC's assets were liquidated over a five (5) month period beginning on January 1, 2010.

21. Based on the Liquidation Analysis, I believe that confirmation of the Plan will provide each creditor and equity holder with a recovery that is not less than it would receive pursuant to a liquidation under chapter 7 of the Bankruptcy Code. Moreover, I believe that the value of any distributions from the liquidation proceeds to each class of allowed claims and interests in a chapter 7 case would be less than the value of distributions under the Plan because

such distributions in a chapter 7 case may not occur for a substantial period of time. In this regard, it is possible that distribution of the proceeds of the liquidation could be delayed for a substantial time after the completion of such liquidation to resolve all objections to claims and prepare for distributions.[4]

22. Moreover, I believe additional reasons why recoveries in a chapter 7 liquidation may potentially be diminished are (i) the estimated additional costs and expenses of the chapter 7 trustee and other professionals retained by such trustee; and (ii) the risk of erosion in the assumed value of assets in a chapter 7 case in the context of the expeditious liquidation required under chapter 7 and the "forced sale" atmosphere may prevail.

23. Accordingly, I believe the Plan satisfies the "best interests" test in that the Plan provides to creditors and equity holders under the Plan a recovery on account of such Claims or Equity Interests that has a value, as of the Effective Date, at least equal to the value of the distribution that each such Holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on such date.[5]

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[4] The Liquidation Analysis provides a summary of the liquidation values of the Debtors. As more fully described in Section XI(B) of the Disclosure Statement, the Liquidation Analysis is based on a number of estimates and assumptions. For instance, the hypothetical chapter 7 liquidations of the Debtors are assumed to have commenced without a plan on January 1, 2010 and to have concluded over approximately five (5) months following conversion. While I believe that these estimates and assumptions are reasonable for the purpose of preparing hypothetical chapter 7 liquidation analyses, no assurance exists that such estimates and assumptions would prove correct if the Debtors were, in fact, to be liquidated.

[5] In assisting the Debtors with the Liquidation Analysis, Houlihan Lokey relied upon and assumed the accuracy and completeness of all financial and other information furnished by the Debtors or any third party and all publicly available information. Houlihan Lokey relied upon estimates prepared by third parties of the liquidation value of the Debtors' inventory, certain of the Debtors' real property, and certain of the Debtors' equipment. Houlihan Lokey did not attempt to independently audit or verify any such information, nor did we make an independent appraisal of the assets or liabilities of the Debtors. With respect to financial forecasts, we have assumed that they have been reasonably prepared and reflect the best currently available estimates and judgments of management of the Debtors as to the future financial performance of the Debtors. The estimates contained in the Liquidation Analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly different from those suggested by such analysis.

I, the undersigned, declare under penalty of perjury that the foregoing is true and correct.

Executed this 22nd day of February 2010 in New York, New York.

John-Paul Hanson