

Use of Non-GAAP Measures

In addition to the results prepared in accordance with generally accepted accounting principles (“GAAP”) discussed on our October 19, 2009 analyst call, The Princeton Review (the “Company”) discussed the following non-GAAP financial measures: EBITDA and Adjusted EBITDA. The Company defines EBITDA as income from continuing operations before income taxes, interest income and expense and depreciation and amortization. The Company defines Adjusted EBITDA as EBITDA before restructuring, stock based compensation and one-time charges. We believe that these measures can facilitate operating performance comparisons from period to period and company to company by backing out potential differences caused by variations in tax positions, capital structures (affecting interest expense), the lives, methods and purchase accounting impact on fixed and intangible assets (affecting depreciation and amortization expense) and one-time charges not expected to reoccur in the future. EBITDA and Adjusted EBITDA are not measurements of our financial performance under GAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating activities as a measure of our profitability or liquidity. EBITDA and Adjusted EBITDA have limitations as an analytical tool, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- EBITDA and Adjusted EBITDA do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA and Adjusted EBITDA do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debts;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements; and
- Other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

UNAUDITED RECONCILIATION OF EBITDA AND ADJUSTED EBITDA TO INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES (in thousands):

	Twelve Months Ended June 30, 2009	
	The Princeton Review, Inc	Penn Foster Education Group, Inc.
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(Loss) income from continuing operations before taxes	\$ (238)	\$ 7,696
Interest expense	1,476	1,044
Interest income	(204)	(35)
Depreciation and amortization	5,710	6,201
EBITDA	<u>\$ 6,744</u>	<u>14,906</u>
Restructuring expense	4,530	-
Stock based compensation	3,696	-
One-time charges	-	2,233
Adjusted EBITDA	<u>\$ 14,970</u>	<u>\$ 17,139</u>