

ARISTOTLE CORP  
Form DEF 14A  
November 22, 2006  
**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

**SCHEDULE 14A**

(Rule 14a-101)

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934**

Filed by the Registrant  T

Filed by a Party other than the Registrant  £

Check the appropriate box:

£ Preliminary Proxy Statement

£ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

T Definitive Proxy Statement

£ Definitive Additional Materials

£ Soliciting Material Pursuant to § 240.14a-12

**THE ARISTOTLE CORPORATION**

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of filing fee (Check the appropriate box):

T No fee required.

£ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transactions applies:
- (2) Aggregate number of securities to which transactions applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11(set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

£ Fee paid previously with preliminary materials.

£ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount previously paid:
- (2) Form, schedule or registration statement no.:
- (3) Filing party:
- (4) Date filed:

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**THE ARISTOTLE CORPORATION**

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held December 20, 2006**

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To the Stockholders of  
THE ARISTOTLE CORPORATION:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of THE ARISTOTLE CORPORATION (the "Company") will be held on December 20, 2006 at 10:00 A.M., EST, at the Hyatt Regency Greenwich, 1800 E. Putnam Avenue, Old Greenwich, Connecticut for the following purposes:

1. To elect eight directors of the Company; and
2. To transact such other business as may properly come before the meeting and any adjournment thereof.

Only stockholders of record at the close of business on November 22, 2006 are entitled to notice of, and to vote at, the Annual Meeting of Stockholders.

Your attention is directed to the Proxy Statement submitted with this notice. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, PLEASE DATE AND SIGN THE ENCLOSED FORM(S) OF PROXY AND RETURN THEM PROMPTLY IN THE ENCLOSED ENVELOPE. IF YOU OWN SHARES OF COMMON STOCK AND SERIES I PREFERRED STOCK, PLEASE COMPLETE AND RETURN EACH OF THE FORMS OF PROXY. THE WHITE FORM SHOULD BE SIGNED WITH RESPECT TO YOUR SHARES OF COMMON STOCK AND THE FORM WITH THE BLACK STRIPE SHOULD BE SIGNED WITH RESPECT TO YOUR SHARES OF SERIES I PREFERRED STOCK. IF YOU DO NOT OWN SHARES OF BOTH CLASSES OF

STOCK, ONLY ONE FORM OF PROXY IS ENCLOSED, AND YOU SHOULD SIGN, DATE AND RETURN SUCH PROXY. IN THE EVENT A STOCKHOLDER DECIDES TO ATTEND THE MEETING, SUCH STOCKHOLDER MAY REVOKE SUCH PROXY AND VOTE SUCH SHARES IN PERSON. No postage need be affixed to the enclosed envelope if mailed in the United States.

By Order of the Board of Directors

H. William Smith  
*Secretary*

November 22, 2006

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**THE ARISTOTLE CORPORATION**  
**96 Cummings Point Road**  
**Stamford, CT 06902**  
**(203) 358-8000**

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**PROXY STATEMENT**

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This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of The Aristotle Corporation (the "Company") of proxies to be used at the 2006 Annual Meeting of Stockholders to be held at the Hyatt Regency Greenwich, 1800 E. Putnam Avenue, Old Greenwich, Connecticut on December 20, 2006 at 10:00 A.M., EST. In addition to solicitation of proxies by mail, the directors, officers and employees of the Company may solicit proxies personally, by telephone, facsimile, or telegram. The expense of all such solicitation, including the cost of preparing, printing and mailing this Proxy Statement, will be borne by the Company. The Company will, upon request, reimburse brokers, banks, or other persons for their reasonable out-of-pocket expenses in forwarding proxy material to beneficial owners of the Company's shares. This Proxy Statement and the accompanying proxy and the Company's Annual Report to Stockholders, which contains financial statements for the fiscal year ended December 31, 2005, will first be mailed to stockholders of the Company on or about November 27, 2006.

If the enclosed form(s) of proxy are signed and returned, they will be voted as directed by the stockholder. If no directions are given, proxies will be voted FOR the election as directors of all of the nominees specified therein. A proxy may be revoked at any time, insofar as the authority granted thereby has not been exercised at the meeting, by filing with the Secretary of the Company a written revocation or a duly executed proxy bearing a later date. Any stockholder present at the meeting may vote personally on all matters brought before the meeting and, in that event, such stockholder's proxy will not be used at the meeting by holders of the proxy.

Only stockholders of record as of the close of business on November 22, 2006 will be entitled to vote at the meeting. On October 31, 2006, the Company had outstanding and entitled to one vote per share, 17,271,846 shares of Common Stock, par value \$.01 per share ("Common Stock"). The Company also had outstanding as of October 31, 2006, 1,100,122 shares of Series I Preferred Stock, par value \$.01 per share ("Series I Preferred Stock"), currently entitled to one-half (.5) of a vote per share. The 10,984,971 shares of the Company's Series J Preferred Stock, par value \$.01 per share, outstanding do not have any voting rights. The holders of at least one-third of the voting power of the shares of Common Stock and Series I Preferred Stock outstanding on the record date, together as a single class, represented in person or by proxy, will constitute a quorum at the meeting. Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum for the transaction of business.

Shares of Common Stock and/or Series I Preferred Stock which are held by a bank, brokerage firm or other nominee are held in "street name" on behalf of the "beneficial owner" of any such shares. If a stockholder's shares of Common Stock and/or Series I Preferred Stock are held in street name, this Proxy Statement is being forwarded to such stockholders by their bank, brokerage firm or other nominee (the "record holder"), along with a voting instruction card. As a beneficial holder, a

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stockholder has the right to direct the record holder how to vote their shares of Common Stock and/or Series I Preferred Stock. If a beneficial owner does not give instructions to its bank, brokerage firm or nominee, it will nonetheless be entitled to vote such stockholder's shares of Common Stock and/or Series I Preferred Stock in its discretion on the election of directors.

Each director must be elected by the affirmative vote of a plurality of the votes cast at the meeting by the holders of shares of Common Stock and Series I Preferred Stock, voting together as a single class, represented in person or by proxy. Abstentions and broker non-votes will have no effect on the election of directors.

Management does not know of any other matters to be brought before the meeting at this time; however, if any other matters may properly be brought before the meeting, the proxy holder shall vote in his discretion with respect to the matter. In the event a stockholder specifies a different choice on the proxy, such stockholder's shares will be voted or withheld in accordance with the specifications so made. Should any nominee for director named herein become unable or unwilling to accept nomination or election, it is intended that the persons acting under proxy will vote for the election of such other person as the Board of Directors of the Company may recommend unless the number of directors is reduced by the Board of Directors. Each person named as a nominee has consented to his nomination, and the Company has no reason to believe that any nominee will be unable or unwilling to serve if elected.

#### **STOCK OWNED BY MANAGEMENT AND PRINCIPAL STOCKHOLDERS OF THE COMPANY**

The following table sets forth information as of October 31, 2006 regarding beneficial ownership of the Company's Common Stock and Series I Preferred Stock by:

- each person who owns more than 5% of the outstanding voting shares of any class of the Company's securities;
- each individual who is a director of the Company;
- the President and Chief Operating Officer of the Company (the Company's principal

executive officer), and the four other most highly compensated executive officers of the Company (the “Named Officers”); and

- all Named Officers and directors of the Company as a group.

Unless otherwise indicated, all persons listed below have sole voting and investment power with respect to their shares.

<b>5% Stockholders, Directors and Executive Officers</b>	<b>Number of Shares of Voting Stock Beneficially Owned</b>	<b>Voting Power(1)</b>
<b>5% Stockholders:</b>		
Geneve Corporation(2)	15,984,971	89.7 %
John J. Crawford	165,246 (3)	*
<b>Directors:</b>		
Ira R. Harkavy	2,500 (4)	*
John L. Lahey	12,796 (5)	*
Steven B. Lapin	452,940 (6)	2.4 %
Donald T. Netter	50,450 (7)	*
Edward Netter	15,984,971 (8)	89.7 %
James G. Tatum	20,929 (9)	*
Roy T.K. Thung	0 (10)	*
John A. Whritner	2,500 (11)	*
<b>Named Officers (excluding Mr. Lapin):</b>		
Dean T. Johnson	52,300 (12)	*
W. Phillip Niemeyer	111,425 (13)	*
Brian R. Schlier	15,000 (14)	*
H. William Smith	52,000 (15)	*
All Named Officers and Directors as a Group (12 persons)	16,757,811	90.6 %

\* Less than 1%

(1) This column represents voting power rather than percentage of equity interest as each share of Common Stock is entitled to one vote while each share of Series I Preferred Stock is currently entitled to one-half (.5) of a vote per share.

(2) Geneve Corporation

("Geneve") is a private diversified financial holding company located at 96 Cummings Point Road, Stamford, Connecticut.

Geneve is an affiliate and the majority stockholder of the Company. Director Edward Netter is the Chairman and Chief Executive Officer of Geneve, director Steven B.

Lapin is the President and Chief Operating Officer of Geneve, director Roy T.K. Thung is the Executive Vice President of Geneve, director Donald T. Netter is a Senior Vice President of Geneve, Brian R.

Schlier is the Senior Vice President-Taxation of Geneve and H. William Smith is the Vice President-Legal and Secretary of Geneve.

- (3) Consists of 102,403 shares of Common Stock and 62,843 shares of Series I Preferred Stock. Mr. Crawford's address is 27 Elm Street, New Haven, Connecticut. Mr. Crawford is the



beneficial owner of .6% of the outstanding shares of Common Stock and 5.7% of the outstanding shares of Series I Preferred Stock.

The information set forth herein with respect to Mr. Crawford is based on a review of publicly available filings made by Mr. Crawford, and information known to the Company.

- (4) Consists of 2,500 shares of Common Stock subject to options granted to Mr. Harkavy which are exercisable within 60 days after October 31, 2006.
- (5) Consists of 5,898 shares of Common Stock, 4,898 shares of Series I Preferred Stock, and 2,000 shares of Common Stock subject to options granted to Mr. Lahey which are exercisable within 60 days after October 31, 2006.

- (6) Consists of 20,665 shares of Common Stock, 32,275 shares of Series I Preferred Stock, and 400,000 shares of Common Stock subject to options granted to Mr. Lapin which are exercisable within 60 days after October 31, 2006. Does not include any shares beneficially owned by Geneve.
  
- (7) Consists of 50,450 shares of Series I Preferred Stock. Does not include any shares beneficially owned by Geneve.
  
- (8) Consists of 15,984,971 shares of Common Stock beneficially owned by

Geneve. Mr. Netter and members of his family control Geneve by virtue of his voting interest. Mr. Netter disclaims beneficial ownership as to the shares of Common Stock owned by Geneve.

- (9) Consists of 11,929 shares of Common Stock and 3,000 shares of Series I Preferred Stock held by Mr. Tatum directly, 2,000 shares of Common Stock held by his wife, and 4,000 shares of Common Stock subject to options granted to Mr. Tatum which are exercisable within 60 days after October 31, 2006. Mr. Tatum

disclaims  
beneficial  
ownership  
of the shares  
held by his  
wife.

(10) Does not  
include any  
shares  
beneficially  
owned by  
Geneve.

(11) Consists of  
2,500 shares  
of Common  
Stock  
subject to  
options  
granted to  
Mr.  
Whritner  
which are  
exercisable  
within 60  
days after  
October 31,  
2006.

(12) Consists of  
2,300 shares  
of Series I  
Preferred  
Stock, and  
50,000  
shares of  
Common  
Stock  
subject to  
options  
granted to  
Mr. Johnson  
which are  
exercisable  
within 60  
days after  
October 31,  
2006.

(13)

Consists of  
11,425  
shares of  
Series I  
Preferred  
Stock, and  
100,000  
shares of  
Common  
Stock  
subject to  
options  
granted to  
Mr.  
Niemeyer  
which are  
exercisable  
within 60  
days after  
October 31,  
2006.

(14) Consists of  
15,000  
shares of  
Common  
Stock  
subject to  
options  
granted to  
Mr. Schlier  
which are  
exercisable  
within 60  
days after  
October 31,  
2006. Does  
not include  
any shares  
beneficially  
owned by  
Geneve.

(15) Consists of  
2,000 shares  
of Common  
Stock, and  
50,000  
shares of  
Common  
Stock

subject to  
options  
granted to  
Mr. Smith  
which are  
exercisable  
within 60  
days after  
October 31,  
2006. Does  
not include  
any shares  
beneficially  
owned by  
Geneve.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires the Company's executive officers and directors, and persons who beneficially own more than ten percent (10%) of any class of equity securities of the Company registered pursuant to Section 12 of the Exchange Act, to file with the Securities and Exchange Commission ("SEC") and any national securities exchange on which these securities are registered, initial reports of beneficial ownership and reports of changes in beneficial ownership of equity securities of the Company. Executive officers, directors and greater than ten percent (10%) beneficial owners are required by the Exchange Act to furnish the Company with copies of all Section 16(a) forms they file. To the Company's knowledge, based solely upon a review of the copies of such reports furnished to the Company, all Section 16(a) filing requirements applicable to its executive officers, directors and greater than ten percent (10%) beneficial owners were complied with for the fiscal year ended December 31, 2005 except that Mr. Lahey filed a Form 4 reporting one transaction later than required by the Exchange Act.

**PROPOSAL 1**  
**NOMINEES FOR ELECTION AS DIRECTORS**

Eight directors will be elected at the meeting, each to hold office until the next annual meeting of stockholders and until such director's successor shall be elected and shall qualify, or until such director's earlier resignation or removal.

It is intended that shares represented by proxies will be voted for the election of the nominees named below. If at the time of the meeting any of the nominees should be unwilling or unable to serve, the discretionary authority provided in the proxy will be exercised to vote for a substitute or substitutes, as the Board of Directors recommends. Each person named below has consented to his nomination and has advised the Company that he intends to serve the entire term if elected.

The persons named below are nominees for election as directors. All of such nominees presently serve as directors of the Company.

Name	Age	Director of the Company Since	Positions Held with the Company
Ira R. Harkavy	57	2005	Director
John L. Lahey	60	1999	Director
Steven B. Lapin	61	1998	Director, President and Chief Operating Officer
Donald T. Netter	45	2002	Director
Edward Netter	74	1998	Director
James G. Tatum	65	2002	Director
Roy T.K. Thung	62	2002	Director
John A. Whritner	71	2005	Director

IRA R. HARKAVY has been an Associate Vice President at the University of Pennsylvania since 1996, and Director, Center for Community Partnerships ("CCP") at the University of Pennsylvania since CCP's inception in 1992. CCP and its school and community partners have created university assisted community schools that educate children, their families and the broader community through school-day curriculum based problem solving learning, and after school and other programs that advance learning, development and an array of other needs and interests of the wider community.

JOHN L. LAHEY has been the President of Quinnipiac University, a private university located in Hamden, Connecticut, for more than the past nineteen years. Mr. Lahey serves on the Board of Trustees of Yale-New Haven Hospital, on the Board of Directors of UIL Holdings Corporation and The United Illuminating Company, publicly-held utility companies, and as a director of Independence Holding Company ("IHC"), a publicly-held holding company engaged principally in the life and health insurance business. Mr. Lahey also serves as a director of the New York City St. Patrick's Day Parade, Inc. and of the American Bar Association's Council of the Section of Legal Education and Admissions to the Bar.

STEVEN B. LAPIN has served as President and Chief Operating Officer of the Company since June 2002. Mr. Lapin has also been the President, Chief Operating Officer and a director of Geneve for more than the past five years. Mr. Lapin is Vice Chairman and a director of IHC.





DONALD T. NETTER, for more than the past five years, has served as Chairman, Chief Executive Officer and Senior Managing Director of the managing members of the general partners of the Dolphin Limited Partnerships, investment limited partnerships. Mr. Netter has served as a Senior Vice President of Geneve for more than the past five years. Donald T. Netter is the son of Edward Netter.

EDWARD NETTER has been Chairman, Chief Executive Officer and a director of Geneve for more than the past five years. Mr. Netter is Chairman and a director of IHC, and a director of American Independence Corp. (“AMIC”), a holding company which, through its subsidiaries, is in the insurance and reinsurance business. Edward Netter is the father of Donald T. Netter.

JAMES G. TATUM, C.F.A. is a registered investment advisor and the sole proprietor of J. Tatum Capital, LLC in Birmingham, Alabama. He has been a registered investment advisor for more than the past five years, managing funds primarily for individual and trust clients. Mr. Tatum has been a Chartered Financial Analyst for more than twenty-five years. Mr. Tatum is a director of IHC.

ROY T.K. THUNG has served as Chief Executive Officer and President of IHC for more than the past five years. He has served as the Executive Vice President of Geneve for more than the past five years. Mr. Thung has served as a director of AMIC since July 2002, and as the Chief Executive Officer and President of AMIC since November 2002.

JOHN A. WHRITNER has been a Senior Associate with Hazard, Young, Attea & Associates, a school superintendent search firm, since 1997. Prior thereto, Mr. Whritner spent more than forty years in the education field including as a teacher and school administrator, and as the Superintendent of Schools in East Lyme, Connecticut, Grosse Pointe, Michigan, and Greenwich, Connecticut. Mr. Whritner was a director of Nasco International, Inc. (“Nasco”) from April 1998 until the merger of the Company and Nasco on June 17, 2002.

### **Board of Directors and Selection Process**

The Company’s Board of Directors held seven meetings in 2005. Each director attended at least 75% of the aggregate of: (i) the total number of meetings of the Board of Directors held during the period in which such person was a director; and (ii) the total number of meetings held by all committees of the Board of Directors on which such person served.

Directors are elected annually and serve until their successors are duly elected and qualified, or until their earlier resignation or removal. Officers serve at the discretion of the Board of Directors.

The Company qualifies as a “controlled company” as defined in Rule 4350(c)(5) of the NASDAQ Marketplace Rules because more than 50% of the Company’s voting power is held by Geneve. Please see “Stock Owned by Management and Principal Stockholders of the Company” above. Therefore, the Company is not subject to the requirements of Rule 4350(c) that would otherwise require the Company to have (i) a majority of independent directors on the Board of Directors; (ii) compensation of the Company’s executive officers determined by a majority of the independent directors or a compensation committee composed solely of independent directors; (iii) director nominees selected, or recommended for the Board of Directors selection, either by a majority of the independent directors or a nominating committee composed solely of independent directors; and (iv) adopted a formal written charter or board resolution addressing the nomination process and related matters.

In light of Geneve’s voting power, the Board of Directors has determined that the Board of Directors, rather than a nominating committee, is the most appropriate body for identifying director candidates and selecting nominees to be presented at the annual meeting. The Board of Directors seeks

candidates who will bring outstanding business experience that will benefit all of the stockholders of the Company. The Board of Directors has further determined that a policy with respect to consideration of candidates recommended by security holders would not be appropriate.

### **Committees of the Board of Directors**

The Board of Directors has an Executive Committee, an Audit Committee, an Investment Committee and a Compensation Committee. The Executive Committee and the Audit Committee were established in June 2002, immediately following the merger of Nasco and the Company (the "Merger"). The Compensation Committee was established in January 2004 and the Investment Committee was established in June 2004. The Executive Committee is comprised of one independent director, one non-employee director and one employee director. Each of the Audit Committee and the Compensation Committee is comprised exclusively of independent directors. The Investment Committee is comprised of two independent directors and one non-employee director. The Company does not have a standing nominating committee or a nominating committee charter.

**Executive Committee.** The Executive Committee, which has all powers and authority of the Board of Directors with respect to the management of the business and affairs of the Company, currently consists of Messrs. Lapin, Edward Netter and Tatum. The Executive Committee did not hold any meetings or take any actions by written consent in 2005.

**Compensation Committee.** The principal functions of the Compensation Committee are to: (i) develop corporate goals and objectives relevant to the compensation of the Company's President and Chief Operating Officer, evaluate the President and Chief Operating Officer's performance in light of such goals and objectives, and exercise sole authority to determine the President and Chief Operating Officer's compensation based upon such evaluation; (ii) make recommendations to the Board of Directors with respect to the compensation of the Company's other executive officers; and (iii) administer the Company's 2002 Employee, Director and Consultant Stock Plan (the "2002 Stock Plan").

Messrs. Harkavy, Tatum and Whritner are the current members of the Compensation Committee. A copy of the Compensation Committee Charter adopted by the Board of Directors in March 2004 was attached to the proxy statement issued in connection with the 2004 Annual Meeting of Stockholders. The Compensation Committee held one meeting in 2005.

**Investment Committee.** The principal function of the Investment Committee is to consider and make recommendations to the Board of Directors regarding investment opportunities and strategies for the Company with respect to the utilization of excess cash generated by the Company's normal business operations. Messrs. Lahey, Edward Netter and Tatum are the current members of the Investment Committee, which did not hold any meetings or take any actions by written consent in 2005.

**Audit Committee.** The Audit Committee operates under an amended and restated Audit Committee Charter adopted by the Board of Directors in March 2004, a copy of which is attached to this Proxy Statement as Appendix A. The principal functions of the Audit Committee are to: (i) select and engage the Company's independent registered public accounting firm ("independent auditors"); (ii) review and approve management's plan for engaging the Company's independent auditors during the year to perform non-audit services and consider what effect these services will have on the independence of the Company's independent auditors; (iii) review the Company's annual financial statements and other financial reports which require approval by the Board of Directors; (iv) oversee the integrity of the Company's financial statements, the Company's systems of disclosure controls and

internal controls and the Company's compliance with legal and regulatory requirements; (v) review the scope of the Company's independent auditors' audit plans and the results of their audit; and (vi) evaluate the performance of the Company's internal audit function and independent auditors.

The Audit Committee met five times during 2005. The current members of the Audit Committee are Messrs. Lahey, Tatum and Whritner. Mr. Tatum is the Chairperson of the Audit Committee. Each of these individuals meets the independence requirements of NASDAQ and applicable SEC rules and regulations. The Audit Committee and the Board of Directors have determined that each member of the Company's Audit Committee is financially literate and that Mr. Tatum qualifies as an "audit committee financial expert" as defined by applicable SEC rules.

### **Compensation of Directors**

Each of the four independent members of the Board of Directors, Messrs. Harkavy, Lahey, Tatum and Whritner, receives an annual retainer of \$10,000. The Chairperson of the Audit Committee, Mr. Tatum, receives an additional annual retainer of \$5,000. In addition to the retainer, the independent members of the Board of Directors receive \$500 for each board or committee meeting attended.

Non-employee directors are eligible to receive grants of stock options under the 2002 Stock Plan. The 2002 Stock Plan provides for the automatic grant of non-qualified options to non-employee directors. Each non-employee director, upon first being elected to the Board of Directors, receives an option to purchase 2,500 shares of Common Stock, which will vest one year after the date of the grant of the option, assuming uninterrupted service on the Board of Directors. Additionally, the 2002 Stock Plan provides for a grant to each non-employee director on the date of his reelection (provided that the director has served as a director since his initial election) of an option to purchase 500 shares of Common Stock, which will vest one year after the date of the grant of the option, assuming uninterrupted service on the Board of Directors.

Messrs. Donald T. Netter, Edward Netter and Thung have previously elected to waive their rights to compensation as directors of the Company.

### **Compensation Committee Interlocks and Insider Participation**

Messrs. Harkavy, Tatum and Whritner are the current members of the Compensation Committee. Mr. John Crawford and Ms. Sharon Oster served on the Compensation Committee until August 31, 2005. No member of the Compensation Committee, other than Mr. Crawford, has ever been an officer or employee of the Company. Mr. Crawford retired as an officer of the Company in December 2002. During 2005, (i) no executive officer of the Company served as a member of a board of directors or compensation committee of any entity that has one or more executive officers serving as a member of the Company's Compensation Committee; and (ii) no executive officer of the Company served as a member of a compensation committee of any entity that has one or more executive officers serving as a member of the Company's Board of Directors.

### **Other Information about the Board of Directors**

The Company provides an informal process for stockholders to send communications to the Board of Directors. Stockholders who wish to contact the Board of Directors or any of its members may do so by writing to The Aristotle Corporation, Attn: Board of Directors, 96 Cummings Point Road, Stamford, Connecticut 06902. At the direction of the Board of Directors, all mail received will be opened and

screened for security purposes. Correspondence directed to an individual member of the Board of Directors is referred to that member. Correspondence not directed to a particular member of the Board of Directors is referred to the Company's General Counsel, Mr. Smith.

All of the members of the Board of Directors are encouraged to attend the Company's annual meeting of stockholders. All of the Company's directors were in attendance at the Company's 2005 Annual Meeting of Stockholders.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" EACH OF THE NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS.**

### EXECUTIVE OFFICERS

The following table sets forth the names of the Company's executive officers, who are not directors, their ages at October 31, 2006 and their principal positions currently held with the Company. The executive officers serve at the discretion of the Board of Directors.

Name	Age	Positions Held with the Company
W. Phillip Niemeyer	60	Vice President-Production Coordination, and President-Nasco Division
Dean T. Johnson	51	Vice President and Chief Financial Officer, and Chief Financial Officer-Nasco Division
Brian R. Schlier	51	Vice President-Taxation
H. William Smith	43	Vice President, General Counsel and Secretary

W. PHILLIP NIEMEYER has been the President-Nasco Division of the Company since September 2002. Mr. Niemeyer has been the Vice President-Production Coordination of the Company since the Merger. Mr. Niemeyer has held various positions with Nasco for over 30 years.

DEAN T. JOHNSON has been a Vice President of the Company since June 2003 and the Chief Financial Officer of the Company since October 2002. For more than the five years prior to the Merger, Mr. Johnson was Chief Financial Officer of Nasco.

BRIAN R. SCHLIER has been the Vice President-Taxation of the Company since January 2003. Mr. Schlier has been the Senior Vice President-Taxation of Geneve since March 2005, prior to which for more than the past five years he was the Vice President-Taxation of Geneve. Mr. Schlier has been the Vice President-Taxation of IHC for more than the past five years, and the Vice President-Taxation of AMIC since November 2002.

H. WILLIAM SMITH has been the Vice President, General Counsel and Secretary of the Company since July 2002. Mr. Smith has been the Vice President-Legal and Secretary of Geneve since July 2002. For more than five years prior to joining the Company and Geneve, Mr. Smith practiced law with the private law firms Paul, Hastings, Janofsky & Walker LLP and Pillsbury Winthrop Shaw Pitman LLP.

**Executive Compensation**

The following table sets forth information for the periods indicated regarding cash and other compensation paid or awarded to the Company's President and Chief Operating Officer and the Named Officers whose salary and bonus exceeded \$100,000 during each of the last three fiscal years ended December 31, 2005, 2004 and 2003:

**Summary Compensation Table**

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation		
		Salary (\$)	Bonus (\$)	Securities Underlying Options/SARs(#)	LTIP Payouts (\$)	All Other Compensation (\$)
Steven B. Lapin	2005	242,000	70,000			
President and Chief Operating Officer	2004	235,000	70,000			
	2003	235,000	50,000	150,000		
W. Phillip Niemeyer	2005	202,800	60,000			929 (1)
Vice President Production Coordination, and President Nasco Division	2004	196,900	60,000			954 (1)
	2003	193,000	45,000			955 (1)
Dean T. Johnson	2005	150,000	40,000			909 (2)
Vice President and Chief Financial Officer, and Chief Financial Officer Nasco Division	2004	137,600	40,000			895 (2)
	2003	135,000	25,000			887 (2)
H. William Smith	2005	140,000	40,000			
Vice President, General Counsel and Secretary	2004	130,000	40,000			
	2003	130,000	25,000			

- (1) Other compensation for Mr. Niemeyer is comprised of the following: in 2005, \$929

paid for term life, AD&D and disability insurance; in 2004, \$954 paid for term life, AD&D and disability insurance; and in 2003, \$955 paid for term life, AD&D and disability insurance.

- (2) Other compensation for Mr. Johnson is comprised of the following: in 2005, \$909 paid for term life, AD&D and disability insurance; in 2004, \$895 paid for term life, AD&D and disability insurance; and in 2003, \$887 paid for term life, AD&D and disability insurance.

The Company has not entered into employment agreements with any of the Company's executive officers.

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***Option/SAR Grants in Last Fiscal Year***

The Company did not grant any stock options or stock appreciation rights to the Company's President and Chief Operating Officer or the Named Officers during the fiscal year ended December 31, 2005.



**Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values**

The following table sets forth information regarding the aggregate number of shares underlying options exercised in 2005 and the value at December 31, 2005 of options, whether or not exercisable, held by the Company's President and Chief Operating Officer and the Named Officers:

	Shares Acquired on Exercise(#)	Value Realized \$(1)	Number of Securities Underlying Unexercised Options/SARs at December 31, 2005(#)		Value of Unexercised In-The-Money Options/SARs at December 31, 2005\$(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Steven B. Lapin			387,500	12,500	1,628,250	43,250
W. Phillip Niemeyer			100,000		461,000	
Dean T. Johnson			50,000		220,500	
Brian R. Schlier			13,750	1,250	47,575	4,325
H. William Smith			50,000		213,500	

- (1) "Value Realized" is the difference between the exercise price and the market price on the exercise date, multiplied by the number of options or SARs exercised, as the case may be. "Value Realized" numbers do not necessarily reflect what the holder might receive



if such holder sells the shares acquired upon the option exercise, since the market price of the shares at the time of sale may be higher or lower than the price on the exercise date of the option.

- (2) The value of both exercisable and unexercisable “in-the-money” options at December 31, 2005 is the difference between (a) the closing price of the Common Stock on December 31, 2005, as reported by NASDAQ (\$7.56) and (b) the per share option exercise price, multiplied by the number of shares of Common Stock underlying the options.

***Equity Compensation Plan Information***

The following table summarizes the Company’s Equity Compensation Plans as of December 31, 2005:

<b>Plan Category</b>	<b>(a) Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights(#)</b>	<b>(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Right(\$)</b>	<b>(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))(#)</b>
Equity Compensation Plans Approved by Security Holders			
1997 Stock Plan	5,000 (1)	5.63	
2002 Stock Plan	809,025 (2)	3.59	523,066
Equity Compensation Plans Not Approved by Security Holders			
	814,025	3.60	523,066

- (1) Includes 2,500 shares of Common Stock and 2,500 shares of Series I Preferred Stock to be issued upon the exercise of outstanding options granted pursuant to the Company's 1997 Employee and Director Stock Plan (the "1997 Stock Plan"). Options granted under the 1997 Plan are exercisable for one share of Common Stock and one share of Series I Preferred Stock. The Company does not currently intend to grant any additional options under the 1997 Stock

Plan.

- (2) Options granted under the 2002 Stock Plan are exercisable for one share of Common Stock.

### ***Defined Benefit Pension Plan***

Prior to December 31, 2005, the Company had a noncontributory defined benefit pension plan (the “Pension Plan”) covering a significant number of its employees, including Messrs. Niemeyer and Johnson. The Pension Plan’s benefits were computed based on years of service and average compensation. Compensation under the Pension Plan was defined as base salary including bonuses and commissions. The Named Officers, other than Messrs. Niemeyer and Johnson, were not eligible to participate in the Pension Plan. The Pension Plan benefits for single and married participants are computed as a 10-year certain and life annuity and joint-and-survivor annuity, respectively. Benefits payable under the Pension Plan are not reduced for Social Security or other offsets.

On December 31, 2005, the Company froze the plan benefits under the Pension Plan for all hourly employees and certain salaried employees, including Messrs. Niemeyer and Johnson. The Pension Plan continues in effect for certain salaried employees.

### ***Supplemental Employee Retirement Plan***

On February 22, 2006, the Company entered into Supplemental Employee Retirement Plan Agreements (“SERPA”) with certain senior employees of the Company, including Messrs. Niemeyer and Johnson. The benefits payable under the SERPA replace, on an equivalent basis, those which otherwise would have been payable to Messrs. Niemeyer and Johnson under the Pension Plan. As of December 31, 2005, the credited years of service for Messrs. Niemeyer and Johnson were 34 years and 12 years, respectively. The remaining Named Officers are not eligible to participate in the SERPA.

The following table sets forth information regarding the aggregate annual retirement benefits payable under the Pension Plan and SERPA based on years of service that would be payable at normal retirement (age 65) on December 31, 2005:

Final Average Pay(\$)	Years of Service						
	10	15	20	25	30	35	40
100,000	16,000	24,000	32,000	40,000	48,000	56,000	62,000
120,000	19,000	29,000	39,000	49,000	58,000	68,000	74,000
140,000	23,000	34,000	46,000	57,000	68,000	80,000	87,000
160,000	26,000	39,000	52,000	65,000	78,000	91,000	100,000
180,000	29,000	44,000	59,000	73,000	88,000	103,000	112,000

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200,000	33,000	49,000	65,000	82,000	98,000	114,000	125,000
220,000	36,000	54,000	72,000	90,000	108,000	126,000	138,000

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## COMPENSATION COMMITTEE'S REPORT ON EXECUTIVE COMPENSATION

### *General*

The purpose of the Company's compensation policy is to offer compensation packages to attract, retain and motivate the Company's executive officers over the long term. The primary components of the Company's executive compensation program are base salary and bonuses, and long-term incentive compensation in the form of stock options and other awards offered under the 2002 Stock Plan. The Compensation Committee did not retain a compensation consultant.

### *Base Salaries and Bonuses*

Annual base salaries paid to the Company's executive officers have historically been at levels comparable to those generally paid to executive officers with comparable experience and responsibilities in industries similar to that of the Company or other similarly-sized companies. The Compensation Committee makes compensation adjustments based on a review of each individual's performance, the individual's success in achieving Company and personal goals and planned changes in responsibilities. The Compensation Committee also considers an individual's extraordinary efforts resulting in tangible increases in corporate, division or department success in recommending increases in base salary and annual bonuses.

### *Incentive Compensation*

The Compensation Committee believes that executive officers who are able to contribute to the Company's long-term success and help build incremental stockholder value should have a stake in that future success and value. This stake focuses the executive officers' attention on managing the Company as owners with equity positions in the Company and aligns their interests with the long-term interests of the Company's stockholders. Stock options therefore represent an important and significant component of the Company's compensation program for executive officers.

Standard awards under the 2002 Stock Plan are based on a review of the individual employee's performance, years of service, position with the Company and long-term potential contribution to the Company. The number of options to be granted at any one time is based upon consideration of the foregoing factors, the employee's level of responsibility and the number of options previously granted to the employee. The Company does not assign specific weights to these factors, although the employee's position and a subjective evaluation of the employee's performance are considered most important. To encourage executive officers to remain in the Company's employ, options granted under the 2002 Stock Plan generally vest on a quarterly basis over a period of three years and have exercise prices not less than the fair market value of the Company's Common Stock on the date of the grant.

### *Compensation of President and Chief Operating Officer*

Compensation paid to Mr. Lapin for 2005 was primarily based on the achievement of individual performance criteria established by the Compensation Committee including merging the Company's defined benefit pension plans, identifying and acquiring attractive complementary businesses and matters relating to the Company's revenues and earnings.

Section 162(m) of the United States Internal Revenue Code of 1986, as amended, may limit the Company's ability to deduct, for Federal income tax purposes, compensation in excess of \$1,000,000

paid to each of the Company's President and Chief Operating Officer and its Named Officers in any one fiscal year. No executive officer of the Company received any such compensation in excess of this limit during 2005.

Respectfully submitted,

The Aristotle Corporation Compensation Committee

Ira R. Harkavy  
James G. Tatum  
John A. Whritner

The report of the Compensation Committee and the information contained therein shall not be deemed to be "solicited material" or "filed" or incorporated by reference in any filing the Company makes under the Securities Act of 1933 (the "Securities Act") or under the Exchange Act, irrespective of any general statement incorporating by reference this Proxy Statement into any such filing, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that the Company specifically incorporates this information by reference into a document the Company files under the Securities Act or the Exchange Act.

### **REPORT OF THE AUDIT COMMITTEE**

The role of the Audit Committee is to assist the Company's Board of Directors in its oversight of the Company's financial reporting process, as is more fully described in its charter, which the Board of Directors has adopted and which is attached as Appendix A to this Proxy Statement. The Company's management is responsible for its financial reporting process, including its system of internal controls, and for the preparation and presentation of its consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"). The Company's independent auditors are responsible for auditing those financial statements and expressing an opinion as to their conformity with GAAP. The Audit Committee's responsibility is to monitor and review these processes. It is not the Audit Committee's duty or responsibility to conduct auditing or accounting reviews of procedures. The members of the Audit Committee are not and may not be employees of the Company. Therefore, the Audit Committee has relied without independent verification on representations by the Company's management that its financial statements have been prepared with integrity and objectivity and in conformity with GAAP. The Audit Committee has also relied on representations of the Company's independent auditors included in their report on its financial statements. The Audit Committee's oversight does not provide the Audit Committee with an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or policies or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions with the Company's management and independent auditors do not assure that the Company's financial statements are presented in accordance with GAAP, that the audit of the Company's financial statements has been carried out in accordance with standards of the Public Company Accounting Oversight Board or that the Company's independent auditors are in fact "independent."

In the performance of its oversight function, the Audit Committee reviewed and discussed with the Company's management its audited financial statements for the fiscal year ended December 31, 2005.

The Audit Committee also discussed these financial statements with the Company's independent auditors, KPMG LLP ("KPMG"). The Audit Committee's discussions with the independent auditors included the matters required to be discussed by Statement of Auditing Standards No. 61, "Communication with Audit Committees," as currently in effect. The Audit Committee also discussed with them their independence and any relationship that might affect their objectivity or independence. In connection with these discussions, the Audit Committee received and reviewed the written disclosures from KPMG required by Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees." Finally, the Audit Committee considered whether the non-audit services provided by the independent auditors are compatible with maintaining their independence.

Based on the reviews and discussions referred to above, the Audit Committee is not aware of any relationship between the independent auditors and the Company that affects the objectivity or independence of the independent auditors. Based on these discussions and the Audit Committee's review discussed above, and subject to the limitations on the role and responsibilities of the Audit Committee referred to above and in the Audit Committee Charter, the Audit Committee recommended to the Company's Board of Directors that its audited financial statements for fiscal 2005 be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 for filing with the SEC.

Respectfully submitted,

The Aristotle Corporation Audit Committee

James G. Tatum (Chairperson)  
John L. Lahey  
John A. Whritner

The report of the Audit Committee and the information contained therein shall not be deemed to be "solicited material" or "filed" or incorporated by reference in any filing the Company makes under the Securities Act or under the Exchange Act, irrespective of any general statement incorporating by reference this Proxy Statement into any such filing, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that the Company specifically incorporates this information by reference into a document the Company files under the Securities Act or the Exchange Act.



**PERFORMANCE GRAPH**

The following graph shows the changes in value over the five years ending December 31, 2005 of an assumed investment of \$100 in: (i) the Common Stock; (ii) the stocks that comprise The NASDAQ Stock Market (U.S.) Index; and (iii) a peer group constructed by the Company (the “Peer Group”). The Peer Group is comprised of: Plato Learning, Inc. (TUTR), Renaissance Learning, Inc. (RLRN), Scholastic Corporation (SCHL), School Specialty, Inc. (SCHS) and Excelligence Learning Corporation (LRNS). Excelligence Learning Corporation first commenced public trading of its capital stock in May 2001. The value for assumed investments depicted on the graph has been calculated assuming that cash dividends are reinvested. The Series I Preferred Stock dividend distributed on the date of the Merger is treated as a cash dividend and as reinvested. The stock price performance shown in the graph below should not be considered indicative of future stock price performance.

**Comparison of Five Year Cumulative Total Return  
among the Company, the NASDAQ Stock Market (U.S.) Index  
and the Peer Group**

\* June 17, 2002 (date of Merger)

## **RELATED PARTY TRANSACTIONS**

The Company and Geneve operate under cost-sharing arrangements pursuant to which certain administrative items, such as certain executive officer compensation and benefits, are allocated between the companies. During 2005, the Company accrued and paid to Geneve approximately \$870,000 under such arrangements, and accrued approximately \$652,500 for the nine months ended September 30, 2006. Included in these amounts is consideration paid by the Company to Geneve for the Company's use of office space at Geneve's corporate headquarters. The foregoing is subject to approval of the Audit Committee of the Board of Directors at least annually, and management of the Company believes that the terms thereof are no less favorable than could be obtained by the Company from unrelated parties on an arm's length basis. In addition, certain directors, officers and/or employees of the Company or its subsidiaries, who are also directors, officers and/or employees of Geneve, received compensation and benefits from Geneve for services rendered thereto since January 1, 2005.

The Company (including certain qualifying domestic subsidiaries) is included in the Federal income tax return and certain State income tax returns of Geneve. The provision for income taxes for the Company is determined on a separate return basis in accordance with the terms of a tax sharing agreement with Geneve, and payments for Federal and certain State income taxes are made to Geneve. The Company made income tax payments to Geneve under such arrangement of \$705,000 and \$335,000 in 2005 and through the third quarter of 2006, respectively.

During fiscal 2005, the Company invested \$8.2 million in an investment limited partnership. No additional amounts were invested in the investment limited partnership from January 1, 2006 through September 30, 2006. The value of the Company's investment in the investment limited partnership at December 31, 2005 and September 30, 2006 was \$12.9 million and \$14.2 million, respectively. The general partner of the limited partnership is an affiliate of the Company. The assets of the limited partnership are managed exclusively by a non-affiliate of the Company. None of the Company's affiliates received material compensation in connection with such investment activities.

On May 22, 2006, the Company received a proposal from Geneve to acquire in a merger transaction (i) the balance of the outstanding shares of Common Stock for a cash purchase price of \$8.06 per share and (ii) all of the outstanding shares of Series I Preferred Stock for a cash price of \$8.25 per share plus accrued and unpaid dividends to the closing date. At the request of Geneve, the Board of Directors of the Company established a special committee composed of the Company's independent directors solely to consider Geneve's proposal (the "Special Committee"). Despite extensive efforts, Geneve and the Special Committee were unable to reach agreement; as a result, on September 18, 2006, Geneve withdrew its proposal.

### **Code of Ethics and Corporate Code of Business Conduct and Ethics**

The Company has adopted a Code of Ethics that applies to the Company's President and Chief Operating Officer, principal accounting officer or controller and other Company employees performing similar functions. The Company has adopted a Corporate Code of Business Conduct and Ethics which applies to all employees, officers and directors of the Company. The Code of Ethics and Corporate Code of Business Conduct and Ethics are posted on the Company's internet website at [www.aristotlecorp.net](http://www.aristotlecorp.net). In addition, the Company filed its Code of Ethics and Corporate Code of Business Conduct and Ethics as exhibits to its Annual Report on Form 10-K. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K, if applicable, regarding any amendment

to, or waiver from, a provision of the Code of Ethics and Corporate Code of Business Conduct and Ethics by posting such information on the Company's internet website.

**INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

The Audit Committee of the Board of Directors has selected KPMG as the independent auditors of the Company for 2006. It is anticipated that representatives of KPMG, who also served as the Company's independent auditors for 2005, will be present at the annual meeting and will have an opportunity to make a statement if they so desire and to answer any appropriate questions.

**Fees Billed by Independent Auditors for 2005 and 2004**

The following table presents aggregate fees for professional services billed to the Company for the fiscal years ended December 31, 2005 and 2004 by KPMG:

	<b>2005</b>	<b>2004</b>
Audit fees(1)	\$ 217,500	\$ 197,000
Audit related fees(2)	26,000	21,000
Tax fees(3)	11,000	55,000
All other fees		
	\$ 254,500	\$ 273,000

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(1) Audit fees consist of fees billed to the Company by KPMG for professional services for the audit of the Company's financial statements filed with the Company's Annual Report on Form 10-K, review of the financial statements

included in the Company's Quarterly Reports on Form 10-Q and services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements.

- (2) Audit related fees consist of fees billed to the Company by KPMG for professional services for assurance and related services that are reasonably related to the audit or review of the Company's financial statements for 2005 and 2004. These services include employee benefit plan audits and audits of acquired businesses as part of the Company's due diligence procedures.

- (3)

Tax fees consist of fees billed to the Company by KPMG for professional services for tax compliance, tax advice and tax planning.

**Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors**

The Audit Committee approved and adopted pre-approval policies and procedures for non-audit services proposed to be performed by the Company's independent auditors. The policies and procedures were implemented in 2002. Departmental requests for non-audit services are reviewed by management and, once approved, are forwarded to the Chairperson of the Audit Committee for pre-approval. In addition, the Audit Committee reviewed the professional fees billed by KPMG, and determined that the provision of non-audit services was compatible with the maintenance of the auditors' independence. All non-audit services billed to the Company by KPMG in 2005 were pre-approved by the Audit Committee.

**DEADLINE FOR SUBMISSION OF STOCKHOLDER PROPOSALS  
TO BE PRESENTED AT 2007 ANNUAL MEETING OF STOCKHOLDERS**

The Company will announce the date of the 2007 Annual Meeting of Stockholders in accordance with applicable law, and indicate when any proposal intended to be presented by any stockholder for action at the 2007 Annual Meeting of Stockholders must be received by the Company.

To be considered at the 2007 Annual Meeting of Stockholders, although not included in the proxy statement and proxy relating to the meeting, notice of stockholder proposals and nominations for director must be delivered to the Secretary of the Company not less than thirty days nor more than ninety days prior to the date of the meeting, unless notice or public disclosure of the date of the meeting occurs less than forty-five days prior to the date of the meeting, in which event stockholders may deliver such notice not later than the fifteenth day following the day on which notice of the date of the meeting was mailed or public disclosure thereof was made. Proposals received after that date will not be voted on at the 2007 Annual Meeting of Stockholders. If a proposal is received before that date, the proxies that management solicits for the meeting may still exercise discretionary voting authority on the proposal under circumstances consistent with the proxy rules of the SEC.

Proposals should be sent to the attention of the Secretary at the Company's offices at 96 Cummings Point Road, Stamford, Connecticut 06902.

**OTHER INFORMATION**

One or more persons will be appointed to act as the inspector of election at the 2006 Annual Meeting of Stockholders. As of the date of this Proxy Statement, the Board of Directors has no knowledge of any business that will be presented for consideration at the meeting other than that described above. As to any other business, if any, that may properly come before the meeting, the proxies will vote in accordance with their judgment.

A copy of the Company's 2005 Annual Report to Stockholders is being sent with this Proxy Statement. If, upon receiving this Proxy Statement, you have not received the 2005 Annual Report to Stockholders, please contact H. William Smith, Vice President, General Counsel and Secretary, at the Company's offices at 96 Cummings Point Road, Stamford, Connecticut 06902 to request a copy. **In addition, a copy of the Company's Annual Report on Form 10-K and Form 10K/A for the fiscal year ended December 31, 2005, as filed with the SEC, is available without charge upon written request.**

By Order of the Board of Directors

H. WILLIAM SMITH  
*Vice President, General Counsel and Secretary*

November 22, 2006

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**Exhibit A**

**CHARTER OF THE AUDIT COMMITTEE  
OF THE  
BOARD OF DIRECTORS  
OF  
THE ARISTOTLE CORPORATION**

The Audit Committee (“Audit Committee”), appointed by and acting on behalf of the Board of Directors of The Aristotle Corporation (“Aristotle”), a Delaware corporation, shall be responsible for overseeing Aristotle’s accounting, financial reporting processes, internal controls, and audit of Aristotle’s financial statements. Management is responsible for (a) the preparation, presentation and integrity of Aristotle’s financial statements; (b) accounting and financial reporting principles; and (c) Aristotle’s internal controls and procedures designed to promote compliance with accounting standards and applicable laws and regulations. Aristotle’s independent auditing firm is responsible for performing an independent audit of the consolidated financial statements in accordance with generally accepted auditing standards.

**MEMBERSHIP**

The Audit Committee shall be composed of at least three directors determined by the Board of Directors (the “Board”) to have no relationship with Aristotle that may interfere with the exercise of their independence from management and to meet the independence and financial literacy requirements of The Nasdaq Stock Market, Inc. (“NASDAQ”) and applicable federal law. At least one member must have accounting or other relevant financial management expertise as required by NASDAQ. If an Audit Committee member simultaneously serves on the audit committees of more than three public companies, the Board must determine that such simultaneous service would not impair the ability of such director to effectively serve on Aristotle’s Audit Committee. Appointment to the Audit Committee, including the designation of the Chair of the Audit Committee and the designation of any Audit Committee members as “audit committee financial experts,” shall be made on an annual basis by the full Board.

**RESPONSIBILITIES OF AUDIT COMMITTEE**

The Audit Committee shall undertake such functions as it deems appropriate to oversee Aristotle’s accounting, financial reporting processes, internal controls, and audit of Aristotle’s financial statements. Without limiting its scope of activities, the Audit Committee shall, among other things, be responsible for:

- The appointment, replacement, compensation and oversight of the work of Aristotle’s independent auditors.
- Reviewing the adequacy and appropriateness of Aristotle’s system of



internal financial controls, including the need for, and conduct of, an internal auditing function.

- Reviewing and discussing the written statement from the independent auditor concerning any relationship between the auditor and Aristotle or any other relationships that may adversely affect the independence of the auditor, and, based on such review, assessing and assuring the independence of the auditor.
- Establishing policies and procedures for the review and pre-approval by the Audit Committee of all auditing services and permissible non-audit services (including the fees and terms thereof) to be performed by the independent

auditor, with  
exceptions  
provided for de  
minimis  
amounts under  
certain  
circumstances  
as described by  
law.

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- Reviewing, discussing and assessing with the independent auditor: (a) its audit plans, and audit procedures, including the scope, fees and timing of the audit; (b) the results of the annual audit examination and accompanying management letters; and (c) the results of the independent auditor's procedures with respect to interim periods.
- Reviewing and discussing reports from the independent auditors on (a) all critical accounting policies and practices used by Aristotle, (b) alternative accounting treatments within GAAP related to material items that have been discussed with management, including the ramifications of the use of the alternative treatments and the treatment preferred by the

independent auditor, and (c) other material written communications between the independent auditor and management.

- Reviewing with the independent auditor its judgments as to the quality, not just the acceptability, of Aristotle's accounting principles and such matters as are required to be discussed with the Audit Committee under generally accepted auditing standards.
- Reviewing and granting prior approval authority for related party transactions (as defined in the relevant Nasdaq requirements).
- Reviewing the filings made on behalf of Aristotle with the Securities and Exchange Commission (the "SEC"), the Nasdaq National Market System and such other

exchange(s)  
upon which the  
securities of  
Aristotle are  
listed.

- Reviewing Aristotle's audited financial statements and Aristotle's quarterly financial information, in each case prior to the filing with the SEC.
- Reviewing and discussing with management, the independent auditor, and senior financial and accounting employees: (a) the adequacy and effectiveness of Aristotle's internal controls (including any significant deficiencies and significant changes in internal controls reported to the Audit Committee by the independent auditor or management), (b) Aristotle's internal audit procedures; and (c) the adequacy and effectiveness of Aristotle's disclosures controls and procedures, and

management reports thereon.

- Reviewing the procedures established by Aristotle, and actions undertaken on Aristotle's behalf, to protect Aristotle's proprietary intellectual property.
- Reviewing the findings of investigations, examinations, and similar reviews, if any, issued or conducted by regulatory authorities which pertain to Aristotle's internal financial controls and financial reporting functions.
- Establishing procedures for the receipt, retention and treatment of complaints received by Aristotle regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous

submission by employees of concerns regarding questionable accounting or auditing matters.

- Publishing the report of the Audit Committee required by the rules of the SEC to be included in the company's annual proxy statement.

Further, the Audit Committee shall conduct special investigations at its discretion and shall perform such other functions as may be requested from time to time by the Board of Directors.

In the conduct of its responsibilities, the Audit Committee is authorized to communicate directly with any employee of Aristotle or any third party conducting business with Aristotle, to engage professionals, including lawyers, accountants and other advisers who have or have not previously rendered services to Aristotle on terms (including financial) that the Audit Committee deems

appropriate in its discretion, and to undertake such other actions as the Audit Committee deems appropriate in order to fulfill its responsibilities.

### **MEETINGS**

The Audit Committee shall meet at the discretion of its Chairperson or a majority of its members, but shall meet not less frequently than quarterly and as often as necessary to carry out its responsibilities. A majority of the members of the Audit Committee shall constitute a quorum and shall be empowered to act on behalf of the Audit Committee. The Audit Committee shall meet at least annually with Aristotle's independent auditors without management present. The Audit Committee may delegate its authority to any subcommittee or member where appropriate and permitted by relevant law and the rules and regulations of the SEC, Nasdaq and any other exchange(s) upon which the securities of Aristotle are listed. The Audit Committee shall maintain minutes of its proceedings.

### **REPORTING RESPONSIBILITIES**

The Audit Committee shall report to the Board of Directors as the Chairperson, a majority of the members, or the Board of Directors may request. The Audit Committee may, acting on its own initiative, report to, or otherwise communicate with, one or more members of management, including those persons responsible for financial reporting and internal auditing, and Aristotle's independent auditors.

Aristotle's independent auditors shall report directly to the Audit Committee but shall be responsible to the entire Board of Directors.

### **PROCEDURES FOR DISCHARGING AUDIT COMMITTEE RESPONSIBILITIES**

The Audit Committee shall discuss and review:

- The independent auditors' proposed audit plan for the current year, and discuss with the independent auditors its scope, staffing, location, reliance upon management and general audit approach.
- Significant findings during the year, including the status of previous audit recommendations.
- Any difficulties encountered in the course of audit



work, including any restrictions on the scope of activities or access to required information.

- The adequacy of the Audit Committee charter, annually.
- Any matters raised by the audit that the Audit Committee believes should be discussed privately without the presence of management; the Audit Committee shall meet at least annually with Aristotle's independent auditors without management.
- Inquiries as to the auditor's independent qualitative judgments about the appropriateness, not just the acceptability, of the accounting principles and the clarity of the financial disclosure practices used or proposed to be used by Aristotle.

#### **THE CHAIRPERSON**

The Chairperson shall have the authority and responsibility to call the meetings of the Audit Committee, to oversee the conduct of meetings, to report on the deliberations of the Audit Committee to the Board of Directors and, as appropriate, to others. The Chairperson shall have the authority to engage, on behalf of the Audit Committee, counsel,

accountants, and others in the furtherance of the Chairperson's and the Audit Committee's duties. The Audit Committee, acting by majority of its members, may overrule or modify any decision of the Chairperson, or initiate any action on its own.

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**THE ARISTOTLE CORPORATION**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR  
THE 2006 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON  
DECEMBER 20, 2006**

Whether or not you expect to attend the meeting, you are urged to sign and return this proxy, which may be revoked at any time prior to its use.

Steven B. Lapin and Dean T. Johnson, and each of them, with full power of substitution, are hereby authorized to represent and to vote the shares of The Aristotle Corporation's Common Stock and Series I Preferred Stock held of record by the undersigned on November 22, 2006, as directed on the reverse side and, in their discretion, on all other matters which may properly come before the 2006 Annual Meeting of Stockholders to be held at the Hyatt Regency Greenwich, 1800 E. Putnam Avenue, Old Greenwich, Connecticut on December 20, 2006 at 10:00 A.M. EST, and at any adjournment thereof, which matters were unknown to the Board of Directors prior to making this solicitation, as if the undersigned were present and voting at the meeting. The undersigned hereby revokes all previous proxies.

**The shares represented by this proxy, when properly signed, will be voted as directed by the stockholder. Where no direction is given when the duly signed proxy is returned, such shares will be voted FOR all items, and in the case of other matters that legally come before the meeting, as said proxies may deem advisable.**

**CONTINUED ON THE REVERSE SIDE**

**The Board of Directors recommends a vote FOR all items.**

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**Proposal I. ELECTION OF DIRECTORS DULY NOMINATED AND LISTED BELOW:**

FOR ALL NOMINEES  TO WITHHOLD AUTHORITY  EXCEPTION  \*

to vote for all nominees listed below

Nominees: Ira R. Harkavy, John L. Lahey, Steven B. Lapin, Donald T. Netter, Edward Netter, James G. Tatum, Roy T.K. Thung and John A. Whritner.

\*INSTRUCTION: To withhold authority to vote for any nominee(s), write that nominee's name on the space provided below and check Exception box above.

Please note any address changes or comments below and mark here .

DATED \_\_\_\_\_, 2006

Signature

Signature if held jointly

(NOTE: Signature(s) should agree with the name(s) stenciled hereon. When signing as executor, administrator, trustee, guardian or attorney, please give full title as such. For joint accounts or co-fiduciaries, all joint owners or co-fiduciaries should sign. For an account in the name of two or more persons, each should sign or if one signs, he or she should attach evidence of authority.)

Votes must be indicated (x) in Black or Blue ink

Mark here if you plan to attend the 2006 Annual Meeting of Stockholders

**Sign, Date and Return this Proxy Promptly Using the Enclosed Envelope**

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