

Report of Independent Auditors

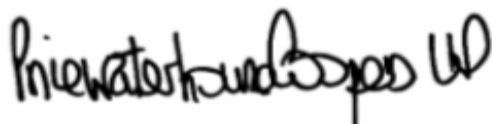
To the Management of Epoch Innovations:

We have examined Epoch Innovations' Management Assertion, included in the accompanying Management's Statement on the Effectiveness of Internal Control, that as of July 9, 2004 Epoch Innovations' internal control provided reasonable assurance that the objectives addressed in the stated Assessment Criteria were met. Epoch Innovations' management is responsible for maintaining effective internal control over the BrightStar® program to achieve the objectives set forth in the Assessment Criteria. Our responsibility is to express an opinion on Management's Assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the internal control over those aspects of the BrightStar® program dealing with the complete and accurate processing and reporting of information addressed in the Assessment Criteria, testing and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

In our opinion, Epoch Innovations' Management Assertion referred to above is fairly stated, in all material respects, based on the Assessment Criteria.



July 9, 2004

Management's Statement on the Effectiveness of Internal Control

Introduction

The BrightStar® program is a treatment for Dyslexia that uses a proprietary computer-based technology and private tutoring sessions to help clients improve their reading, writing and spelling abilities. Clients who sign up for the program undergo an Initial Assessment comprised of multiple standardized tests used to evaluate the client's reading abilities (these abilities will be defined below in the Assessment Criteria). After the Initial Assessment, clients schedule 6 weeks of tutoring (once a week) and BrightStar® sessions (twice a week). Following the 6 week process, the client takes a Final Assessment and the results are compared to the Initial Assessment to evaluate each client's progress.

Management's Assertion

Epoch Innovations is responsible for maintaining internal control over those aspects of the BrightStar® program dealing with the complete and accurate processing and reporting of raw scores and age equivalent calculations as specified in the Assessment Criteria that follow. Epoch Innovations has assessed its internal control over those aspects of the BrightStar® program and has determined, that as of July 9, 2004, its internal control provided reasonable assurance that the objectives addressed in the Assessment Criteria were met.

Assessment Criteria

1. Epoch Innovations uses several standardized reading and dyslexia tests in its BrightStar® Program that have been created by the educational testing industry and are widely accepted by educators and educational psychologists.
2. Epoch Innovations administers and scores these tests according to the administration and scoring directions provided by the test creators. Test results are measured in terms of age equivalency according to the grading directions provided by the test creators.
3. For each BrightStar® client, Epoch Innovations administers the same test before and after the client participates in the program. Epoch Innovations calculates the change in age equivalency between the initial and final assessments to measure the client's level of reading improvement on each standardized test.
4. Epoch Innovations has appropriate processes and systems in place that completely and accurately capture the BrightStar® test result data for all clients
5. Epoch Innovations has complete and accurate processes to perform statistical analyses on its BrightStar® client test results; these analyses produced the following results:
 - a. On average, a child who completed the BrightStar® program increased their reading ability by at least 1½ years in 1 or more core reading areas.
 - b. On average, clients who completed the BrightStar® program increased their reading ability 20 months in 1 or more core reading areas.
 - c. Over 90 percent of clients who completed the BrightStar® program showed substantial improvement in 1 or more core reading areas.
 - d. 90% of children and 88% of adult clients who completed the BrightStar® program progressed significantly in 1 or more core reading areas.
 - e. 75% of clients who completed the BrightStar® program improved at least 1 year in 1 or more core reading areas

- f. 50% of clients who completed the BrightStar® program improved at least 18 months in 1 or more core reading areas
- g. 30% of child clients who completed the BrightStar® program improved at least 2 years and 19% improved at least 2 ½ years in 1 or more core reading areas
- h. On average, clients who completed the BrightStar® program demonstrated increases in the following core reading areas:
 - ii. An increase of 14.4 months in word recognition
 - iii. An increase of 12.3 months in spelling
 - iv. An increase of 13.6 months in reading comprehension
 - v. An increase of 9.8 months in reading accuracy

Glossary of Significant Terms

Definitions:

1. Company and industry

The “BrightStar® program,” “BrightStar® process,” refers to BrightStar®’s proprietary treatment program for dyslexia. During a six week period clients use the BrightStar® technology twice per week and have one-on-one tutoring once per week.

“BrightStar®” is operated by Epoch innovations and owns and distributes the BrightStar® program.

“The educational testing industry” refers to creators and distributors of educational and cognitive assessments, such as reading ability and intelligence.

2. Clients

A “client” is an individual who has completed the BrightStar® program.

A “child” is a client that is older than six and younger than sixteen years of age.

An “adult” is a client that is sixteen years of age or older.

3. Testing

“Widely accepted tests for reading and dyslexia” and “standardized tests” are the Helen Arkell Spelling Test, Wordchains, The Neale Assessment of Reading Ability and the Vernon-Warden Reading Test.

“Tested” refers to having administered the battery of standardized tests .

“Administers” refers to the administration of tests by Epoch Innovations’ staff, who are trained to conduct the standardized tests according to the directions provided by the test creators.

“Scores” refer to the results of a graded standardized test.

“Administration and scoring directions” are the procedures described in the assessment manual that describe how to administer and score that particular assessment.

“Age equivalency” is a type of derived score based on the age in the test standardization population at which the average person earns a given score. This score is often used to measure development in ability and can be expressed in months or years.

4. **Data compilation and analysis**

“Test results” refer to a client’s scores on the battery of standardized tests.

The “Client results data set” is a database of all test results from all BrightStar® clients that is used to track client performance.

“Thoroughly” represents that data is captured in full for all clients for which tests are successfully administered. Periodically some clients are unable to complete certain tests or score below gradable levels, in which case their results are excluded.

“Accurately” refers to the infrequency of errors when the tests are scored and results are recorded.

“Statistical analyses” refers to basic exploratory statistics, such as means and percentiles.

5. **Levels of improvement**

“Months improvement,” “months of gain” or “months achievement” refers to increase in scores from the initial to final assessment. Scores are measured as the grade equivalent score of test results.

“Progress or improve significantly or substantially” is at least 6 months of improvement in one or more of the core reading skill areas.

“On average” is the statistical mean.

“Most” is equal to or more than the statistical median.

“Improvement ratio” refers to the amount of improvement in a specified area.

6. **Areas of improvement**

“Improvement in reading ability” is defined as improvement in one or more of the following core reading areas: word recognition, spelling, reading accuracy, or reading comprehension.

“Improvement in reading skills” is defined as improvement in one or more of the following core reading areas: word recognition, spelling, reading accuracy, or reading comprehension.

“Core reading areas” are defined as the following: word recognition, spelling, reading accuracy, or reading comprehension.