

STI EDUCATION SYSTEMS HOLDINGS, INC.

Related Party Transactions Policy

1. Statement of Commitment

STI Education Systems Holdings, Inc. (the “Company” or “STI HOLDINGS”) recognizes that Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company’s and its stockholders’ best interests. Therefore, this policy has been adopted by the Company’s Board of Directors in order to ensure that all decisions are made in the best interest of the Company and compliance with the law as well.

2. Introduction

Our Code of Business Conduct and Ethics, which applies to all employees and directors, provides that they shall conduct themselves in a fair, ethical, legal and honest manner and that in conducting the business of the Company, trust and integrity must be the foundation in all of the business dealings and relationships these individuals establish with stockholders, customers, vendors, competitors, government officials, communities, the media and the general public, as well as each other. This Policy is intended to provide guidance and direction on Related Party Transactions.

3. Definition of related party

“Related Party Transaction” means any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships in which STI HOLDINGS or any STI HOLDINGS subsidiary was, is or is proposed to be a participant and in which a Related Party has, had or may have a direct or indirect material interest.

“Related Party” means any of the following:

- (i) Director, nominee for director or executive officer of STI HOLDINGS;
- (ii) Beneficial owner (other than a financial or investment institution) of more than 5% of STI HOLDINGS’s voting securities;
- (iii) Immediate Family Member of a director, executive officer, nominee for director or beneficial owner of more than 5% of STI HOLDINGS’s voting securities;
- (iv) An entity which is owned or controlled by someone who falls within the categories listed above in (i), (ii) or (iii); or
- (v) An entity in which someone listed above in (i), (ii) or (iii) has a substantial ownership interest or control.

“Immediate Family Member” means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of any director, nominee for director or executive officer of STI HOLDINGS, and any person (other than a tenant or employee) sharing the household of any director, executive officer or nominee for director of STI HOLDINGS.

4. Definition of financial benefit

A financial benefit is the giving of financial benefit indirectly through an interposed entity, making an informal, oral or non-binding agreement to give the benefit, and giving a benefit that does not involve paying money. Examples of “giving a financial benefit” to a Related Party include the following:

- (i) Giving or providing the Related Party finance or property.
- (ii) Buying an asset from or selling an asset to the Related Party.
- (iii) Leasing an asset from or to the Related Party.
- (iv) Supplying services to or receiving services from the Related Party.
- (v) Issuing securities or granting an option to the Related Party.
- (vi) Taking up or releasing an obligation of the Related Party.

5. Procedures

Every probable Related Party Transaction should be reported for evaluation to STI HOLDINGS’ Board of Directors in consultation with management and with external advisor, as appropriate, to determine whether the transaction or relationship does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Audit Committee shall be provided with the material facts of all new, existing, or proposed Related Party Transactions including the terms of the transaction, whether those terms are on arms-length basis or such transaction shall be deemed pre-approved as described below in “Pre-Approved Transactions.” It shall also determine whether to refer the Related Party Transaction to the Board of Directors for consideration.

In assessing a Related Party Transaction, the Board of Directors shall consider such factors as it deems appropriate: including without limitation the following:

- (i) The business reasons for STI HOLDINGS to enter into the Related Party Transaction;
- (ii) The commercial reasonableness of the terms of the Related Party Transaction;
- (iii) The materiality of the Related Party Transaction to STI HOLDINGS;
- (iv) Whether the terms of the Related Party Transaction are fair to STI HOLDINGS and on the same basis as would apply if the transaction did not involve a Related Party;
- (v) The extent of the Related Party’s interest in the Related Party Transaction;
- (vi) If applicable, the impact of the Related Party Transaction on a non-employee director’s independence; and
- (vii) The actual or apparent conflict of interest of the Related Party participating in the Related Party Transaction.

In the event that STI HOLDINGS’s Board of Directors becomes aware of a Related Party Transaction that was not previously approved or ratified under this policy, the Board of Directors will consider whether the Related Party Transaction should be ratified or rescinded or other action should be taken.

No director shall participate in the evaluation or approval of any Related Party Transaction for which he or she is a Related Party and will abstain from voting on the approval of the Related Party Transaction, except that the director shall provide all material information concerning the

Related Party Transaction to the Board of Directors and may otherwise participate in some or all of the Board of Directors' discussions if so requested by the Board of Directors.

If a Related Party Transaction will be ongoing, the Board of Directors may, in its discretion, establish guidelines for STI HOLDINGS' management to follow in its ongoing dealings with the Related Party. Thereafter, the Board of Directors shall periodically review and assess ongoing relationships with the Related Party to see that they are in compliance with the Board of Directors' guidelines.

6. Pre-Approved Transactions

The following natures of transactions will be deemed to be pre-approved by the Board of Directors, will not be reviewed by the Board of Directors and do not require approval or ratification:

- (i) Transactions in the ordinary course of business that do not exceed P200,000.00 in any fiscal year;
- (ii) Transactions in which the Related Party's interest is derived solely from the fact that he or she serves as director of another corporation or organization that is a party to the transaction;
- (iii) Transactions in which the Related Party's interest is derived solely from his or her direct or indirect ownership of an entity (other than a general partnership) that is a party to the transaction when such ownership interest is less than ten percent (10%) of the equity interest of such entity; and
- (iv) Transactions available to all employees generally.

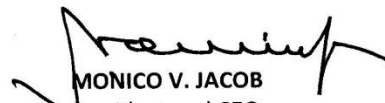
7. Disclosure

All Related Party Transactions that are not exempt pursuant to the section entitled "Pre-Approved Transactions" shall be disclosed in STI HOLDINGS's applicable filings.


STI EDUCATION SYSTEMS HOLDINGS, INC.

Approved By:


EUSEBIO H. TANCO
Chairman of the Board


MONICO V. JACOB
President and CEO

Attested by:


JOHNIP G. CUA
Independent Director and
Chairman of the Audit Committee

Questions and Issues for considering whether a transaction is “arm’s length”

Yes

No

1. Is the transaction a Pre-approved Transaction?
2. How do the terms of the overall transaction compare with those of any comparable transactions on an arm’s length basis?
Note: If there is no comparable transaction available, this may be an indication that shareholders’ approval is required for the proposed transaction.
3. Are there any other options available to the Company?
4. Has any external expert advice been received by the Company (including any professional or expert advice from appropriately qualified advisers)?
5. Are the terms of the proposed transaction fair to the Company and on the same basis that would apply if the transaction did not involve a related party?
6. Are the terms of the proposed transaction on terms that are less favorable to the Related Party than arm’s length?
7. Are there business reasons for the Company to enter into the proposed transaction?
8. Will the proposed transaction prejudice the independence of the relevant director?
9. What are the implications for the Company’s financial position and performance?
10. What is/was the nature and content of the bargaining process (include reference to any unique or unusual terms/content)?