VOLUME II

COURIER ANNUAL REPORT 2000

ADVANCED VISUAL BASIC BUILDING DATABASE E-COMMERCE WEB SITE INTERNET E-MAIL PROTOCOL INVENTOR MENTOR
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VOLUME II

COURIER ANNUAL REPORT 2000

To Our Readers

VOLUME II

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15 WELLMAN AVENUE
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COURIER CORPORATION streamlines the process of bringing books from the point of creation to the point of use. Founded in 1824, today Courier has three lines of business: full-service book manufacturing, customized education content and specialized publishing. The Company is focused on achieving industry-leading financial performance by serving markets with above-average growth rates and strong future prospects. These include educational, religious and specialty book publishing. With headquarters in North Chelmsford, Massachusetts, Courier has approximately 1,500 employees in seven major operating locations throughout the U.S. Courier common stock is traded on the Nasdaq National Market System under the symbol CRRC. For more information, visit www.courier.com.

FINANCIAL HIGHLIGHTS

Dollars in millions except earnings per share	2000	1999
Sales	$188.3	$164.0
Net income	$ 10.6	$ 8.4
Earnings per share	$ 3.15	$ 2.52

1

DOVER COMES OVER

In September 2000 Courier Corporation acquired Dover Publications, Inc., one of the world's most successful, consistently profitable niche publishers.

Hailed this year by *The New York Times* as a publisher "ruthlessly opposed to pretension and in favor of editorial fun," Dover made its mark on the industry in the 1940s as a pioneer of high quality paperback books. It has established an exceptional record of identifying pockets of demand for unique books. Today, its title list is unparalleled in size and variety—7,000 titles in-print in more than 30 specialty categories ranging from military history to paper dolls, and from musical scores to typographic fonts and CD-ROMs.

Dover's other major asset is a diversified, loyal network of retailers. Dover products are sold worldwide by independent booksellers and major bookstore chains, children's stores, craft stores, museum gift shops, hospitals, and many other outlets. Dover also markets directly to consumers through proprietary catalogs and has a mailing list now numbering over half a million readers.


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§ 2. Separate Existence of the Gravitational Field

If we make no restrictive assumption as to the manner in which $\mathfrak{H}$ depends on the $g^{\mu\nu}$, $g^{\mu\nu}_{\sigma}$, $g^{\mu\nu}_{\sigma\tau}$, $q_{(\rho)}$, $q_{(\rho)\alpha}$, the energy-components cannot be divided into two parts, one belonging to the gravitational field, the other to matter. To ensure this feature of the theory, we make the following assumption

$$\mathfrak{H} = \mathfrak{G} + \mathfrak{M} \quad . \quad . \quad . \quad . \quad (6)$$

where $\mathfrak{G}$ is to depend only on the $g^{\mu\nu}$, $g^{\mu\nu}_{\sigma}$, $g^{\mu\nu}_{\sigma\tau}$, and $\mathfrak{M}$ only on $g^{\mu\nu}$, $q_{(\rho)}$, $q_{(\rho)\alpha}$. Equations (4), (4a) then assume the form

$$\frac{\partial}{\partial x_\alpha}\left(\frac{\partial \mathfrak{G}^*}{\partial g^{\mu\nu}_{\alpha}}\right) - \frac{\partial \mathfrak{G}^*}{\partial g^{\mu\nu}} = \frac{\partial \mathfrak{M}}{\partial g^{\mu\nu}} \quad . \quad . \quad . \quad (7)$$

$$\frac{\partial}{\partial x_\alpha}\left(\frac{\partial \mathfrak{M}}{\partial q_{(\rho)\alpha}}\right) - \frac{\partial \mathfrak{M}}{\partial q_{(\rho)}} = 0 \quad . \quad . \quad . \quad (8)$$

Here $\mathfrak{G}^*$ stands in the same relation to $\mathfrak{G}$ as $\mathfrak{H}^*$ to $\mathfrak{H}$.

It is to be noted carefully that equations (8) or (5) would have to give way to others, if we were to assume $\mathfrak{M}$ or $\mathfrak{H}$ to be also dependent on derivatives of the $q_{(\rho)}$ of order higher than the first. Likewise it might be imaginable that the $q_{(\rho)}$ would have to be taken, not as independent of one another, but as connected by conditional equations. All this is of no importance for the following developments, as these are based solely on the equations (7), which have been found by varying our integral with respect to the $g^{\mu\nu}$.

§ 3. Properties of the Field Equations of Gravitation Conditioned by the Theory of Invariants

We now introduce the assumption that

$$ds^2 = g_{\mu\nu}dx_\mu dx_\nu \quad . \quad . \quad . \quad . \quad (9)$$

is an invariant. This determines the transformational character of the $g_{\mu\nu}$. As to the transformational character of the $q_{(\rho)}$, which describe matter, we make no supposition. On the other hand, let the functions $\mathrm{H} = \frac{\mathfrak{H}}{\sqrt{-g}}$, as well as

$G = \dfrac{\mathfrak{G}}{\sqrt{-g}}$, and $M = \dfrac{\mathfrak{M}}{\sqrt{-g}}$, be invariants in relation to any substitutions of space-time co-ordinates. From these assumptions follows the general covariance of the equations (7) and (8), deduced from (1). It further follows that G (apart from a constant factor) must be equal to the scalar of Riemann's tensor of curvature ; because there is no other invariant with the properties required for G.† Thereby $\mathfrak{G}^*$ is also perfectly determined, and consequently the left-hand side of field equation (7) as well.‡

From the general postulate of relativity there follow certain properties of the function $\mathfrak{G}^*$ which we shall now deduce. For this purpose we carry through an infinitesimal transformation of the co-ordinates, by setting

$$x'_\nu = x_\nu + \Delta x_\nu \quad . \quad . \quad . \quad . \quad (10)$$

where the Δx_ν are arbitrary, infinitely small functions of the co-ordinates, and x'_ν are the co-ordinates, in the new system, of the world-point having the co-ordinates x_ν in the original system. As for the co-ordinates, so too for any other magnitude ψ, a law of transformation holds good, of the type

$$\psi' = \psi + \Delta\psi,$$

where $\Delta\psi$ must always be expressible by the Δx_ν. From the covariant property of the $g^{\mu\nu}$ we easily deduce for the $g^{\mu\nu}$ and $g^{\mu\nu}_\sigma$ the laws of transformation

$$\Delta g^{\mu\nu} = g^{\mu\alpha}\frac{\partial(\Delta x_\nu)}{\partial x_\alpha} + g^{\nu\alpha}\frac{\partial(\Delta x_\mu)}{\partial x_\alpha} \quad . \quad . \quad (11)$$

$$\Delta g^{\mu\nu}_\sigma = \frac{\partial(\Delta g^{\mu\nu})}{\partial x_\sigma} - g^{\mu\nu}_\alpha\frac{\partial(\Delta x_\alpha)}{\partial x_\sigma} \quad . \quad . \quad . \quad (12)$$

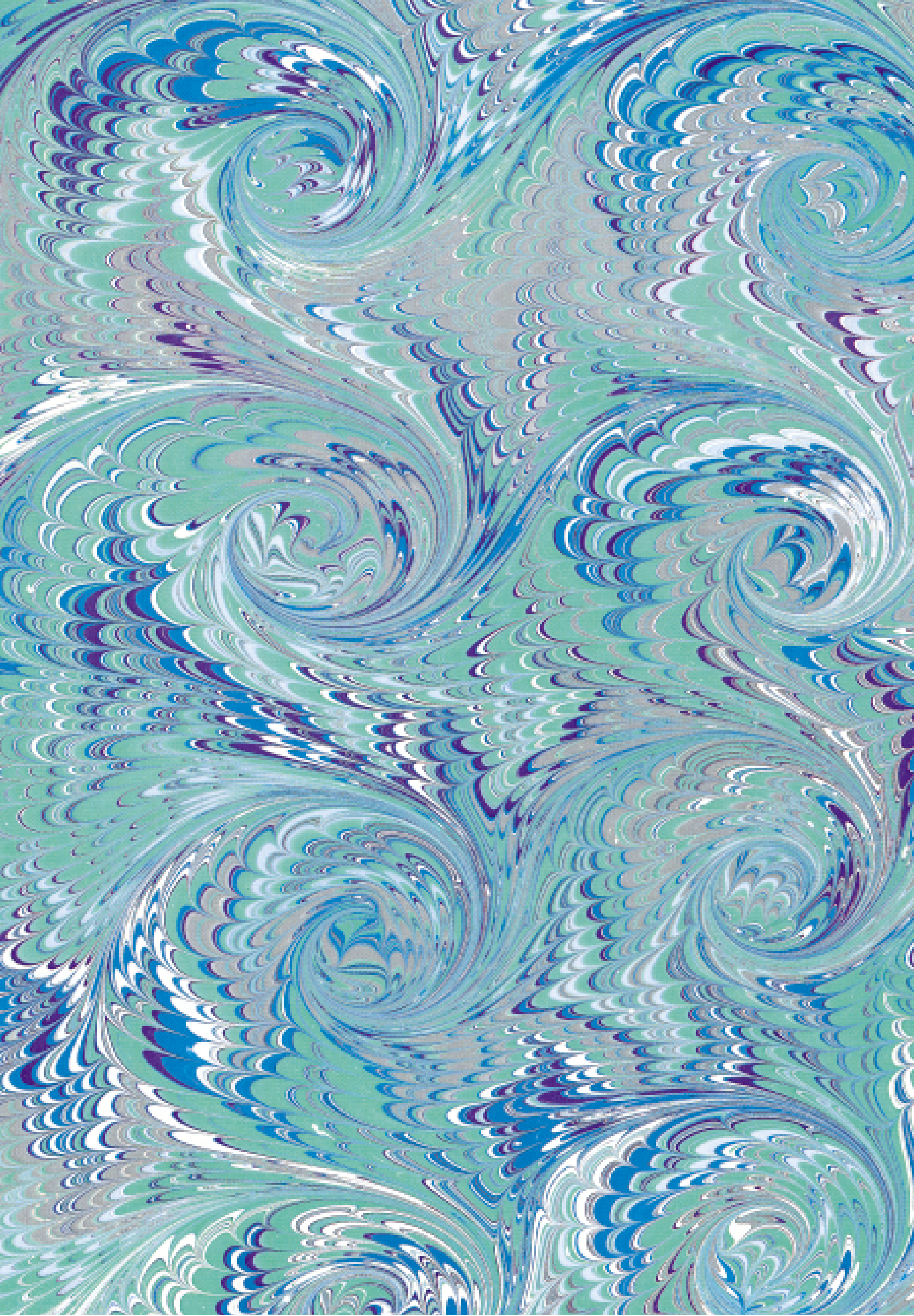
Since $\mathfrak{G}^*$ depends only on the $g^{\mu\nu}$ and $g^{\mu\nu}_\sigma$, it is possible, with the help of (11) and (12), to calculate $\Delta\mathfrak{G}^*$. We thus obtain the equation

$$\sqrt{-g}\,\Delta\left(\frac{\mathfrak{G}^*}{\sqrt{-g}}\right) = \mathfrak{S}^\nu_\sigma\frac{\partial(\Delta x_\sigma)}{\partial x_\nu} + 2\frac{\partial\mathfrak{G}^*}{\partial g^{\mu\sigma}_\alpha}g^{\mu\nu}\frac{\partial^2\Delta x_\sigma}{\partial x_\nu \partial x_\alpha}, \quad (13)$$

† Herein is to be found the reason why the general postulate of relativity leads to a very definite theory of gravitation.

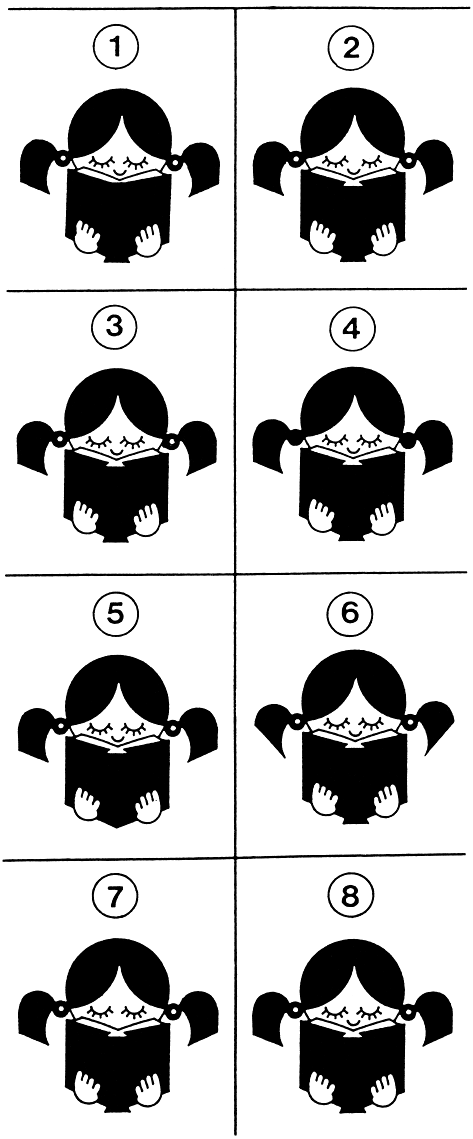
‡ By performing partial integration we obtain

$$\mathfrak{G}^* = \sqrt{-g}\,g^{\mu\nu}[\{\mu\alpha,\,\beta\}\{\nu\beta,\,\alpha\} - \{\mu\nu,\,\alpha\}\{\alpha\beta,\,\beta\}].$$



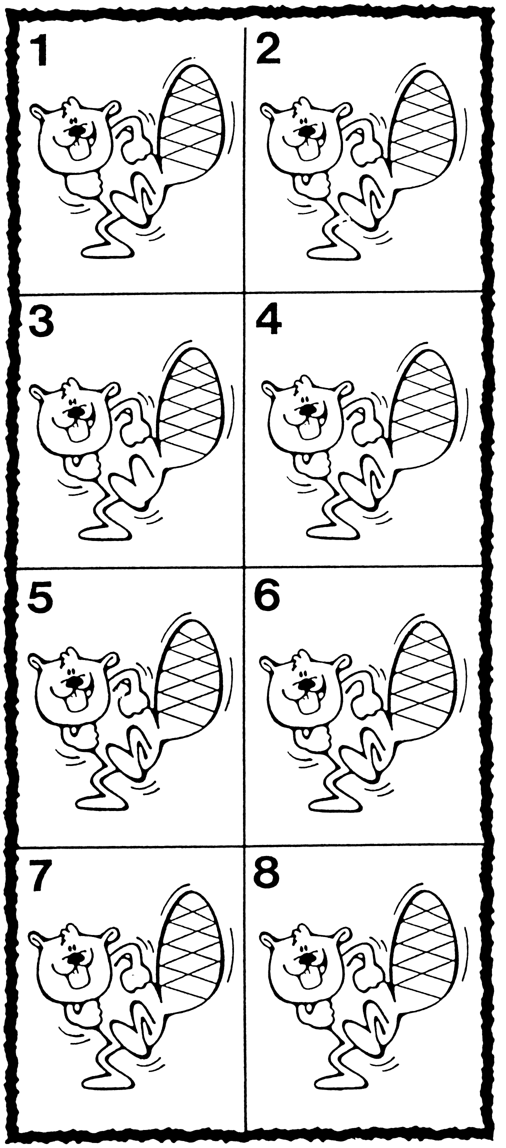
22. Constant Reader

Can you determine which two pictures are identical?

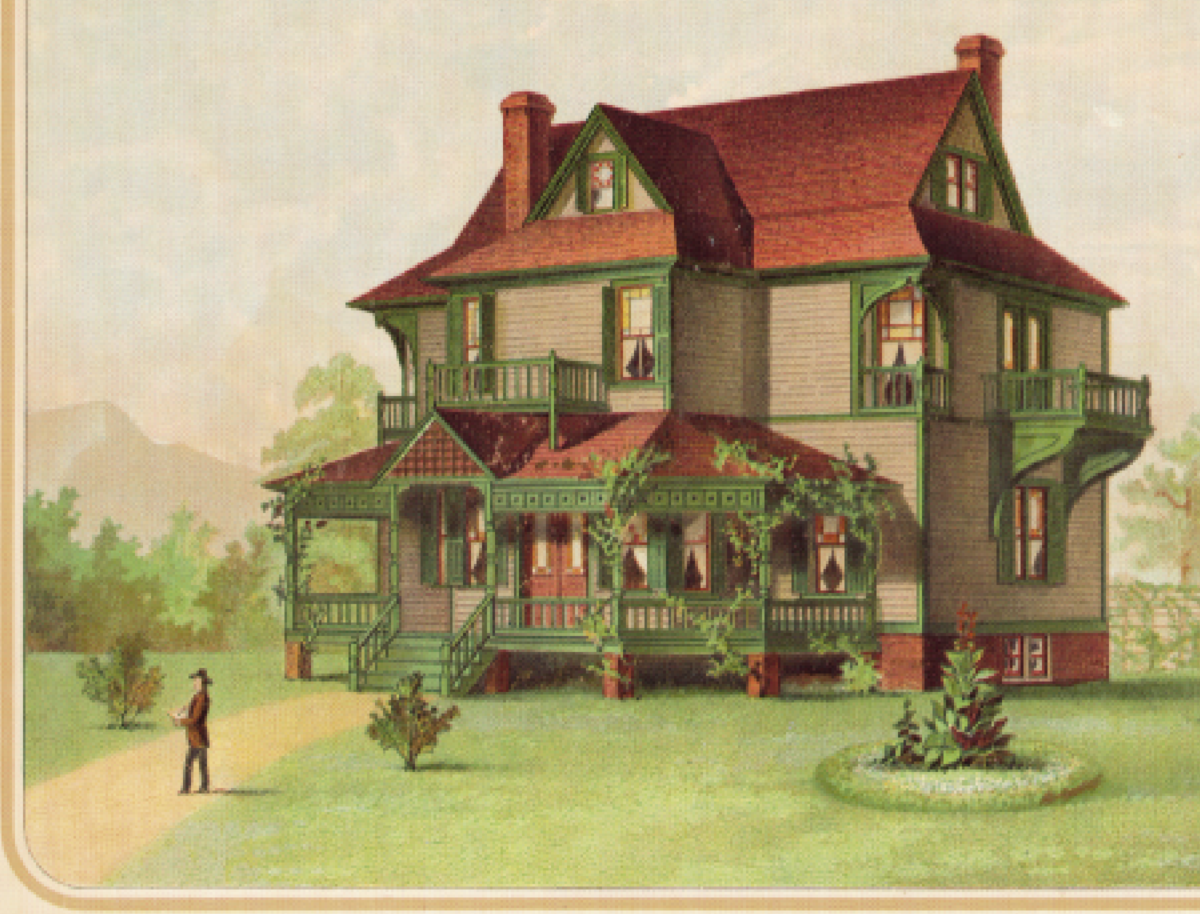


23. Busy Beaver

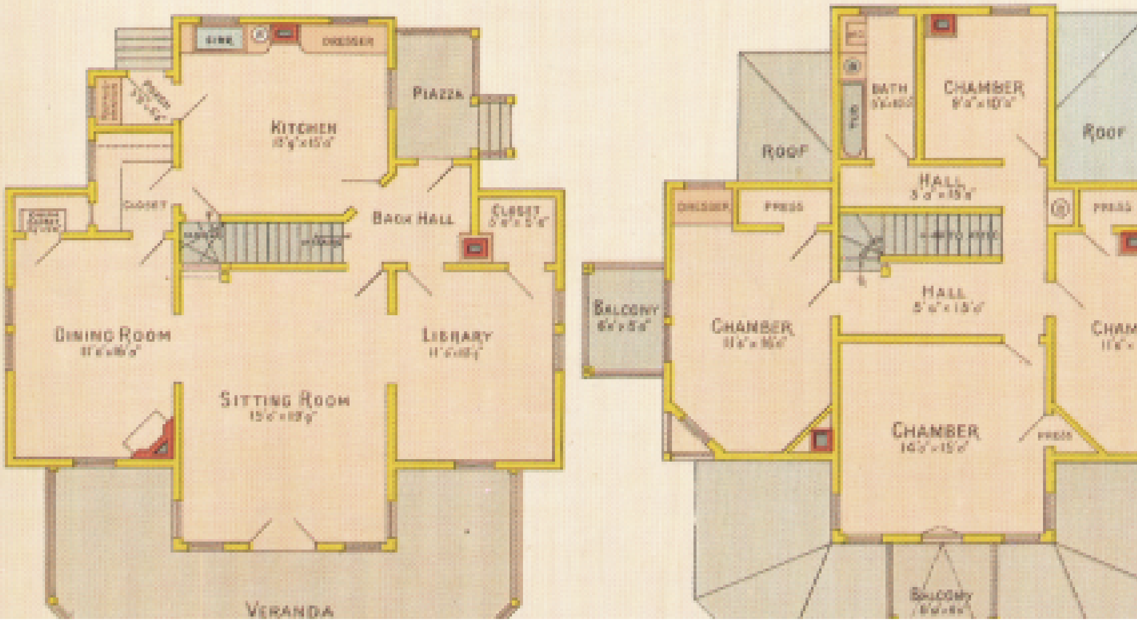
Can you determine which two pictures are identical?



THE FARRAGUT CLUB HOUSE, CHICAGO. ROB. RAE. Jr. Arch



A Two Thousand Six Hundred Dollar Cottage. GEORGE W. CADY, ARC



Try to mobilize center Pawns

EVANS—KASHDAN, U.S. OPEN CHAMPIONSHIP, 1951

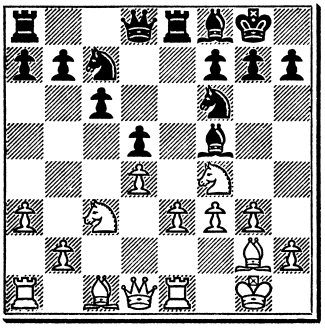


Diagram 22

***White moves.** Despite hypermodern dogma,* occupation *of the center more often than not also means* control—*especially when the center Pawns are mobile.*

White must play to force P–K4 even though this would weaken his QP. It is the only way to open lines for his Q-Bishop and to free his game. Note the elaborate measure each side has taken for and against P–K4. Can White play it yet?

WHITE	BLACK	WHITE	BLACK
1 P–K4	**PxP**	**8 K–B1**	**N–KN5**
2 PxP	**B–KN5**	**9 N–Q3**	**B–N3**
3 Q–Q3	**N–K3**	**10 B–B4**	**QR–Q1**
4 P–R3[1]	**QxPch!**	**11 K–K2**	**N–Q5ch**[2]
5 QxQ	**NxQ**	**12 K–Q2**	**N–N6ch**
6 PxB	**N–B7**	**13 K–K2**	**N–Q5ch**
7 P–N5	**B–B4ch**	***Draw***	

[1] Safer is 4 B–K3, reinforcing the center and threatening P–R3.
[2] 11 . . . NxQR; 12 RxN favors White—two pieces are nearly always better than a Rook (see "Force"). There is no way for White to avert the perpetual check without material loss. If, for instance, 14 K–B1, N–B7; 15 QR–Q1, N(5)–K6ch; 16 K–K2, NxB wins for Black. On 14 K–Q1, N–N6 White will be in trouble if he plays anything but K–B2; therefore, he accepts the draw after N–Q5ch.

Play for the "steamroller"

EVANS—LARSEN, U.S. OPEN CHAMPIONSHIP, 1949

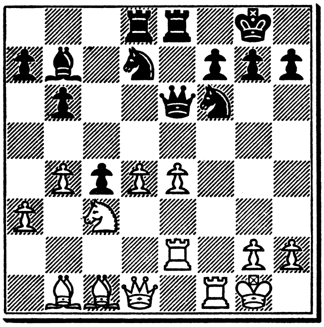


Diagram 23

Black moves. The "steamroller" consists of two or more connected Pawns in the center which are so highly mobile that one or the other is constantly threatening to advance, like molten lava.
The best defense is to try and provoke one or the other Pawn to advance, so that a line of defense (or a blockade) can be established.

WHITE	BLACK	WHITE	BLACK
1 . . .	**N–K4**[1]	**7 Q–B3**	**P–B4**
2 B–N5	**N–B3**	**8 Q–R5!**	**R–KN1**
3 P–Q5	**Q–K4**	**9 R–R3**	**Q–N2**
4 BxN	**PxB**	**10 R–B2**	**P–B5?**
5 R–K3	**N–K2**	**11 Q–R6!**[2]	
6 R–N3ch	**K–R1**		

[1] In order to reach B3 and thus force the Pawn to advance to Q5. The alternative, P–KR3, would prevent White's next move, but create a weakness. Black tries to force White to play P–Q5 so that he can set up a blockade on the dark squares (K4 and Q3). White's steamroller, reinforced by the two Bishops, is already too formidable, however.
[2] Leading to a won endgame because of Black's indefensible KBP. This is a very instructive example of Pawn Structure converted into attack, then re-converted at the proper moment back into Pawn Structure. Black loses this endgame due to his hopeless Pawn Structure.

The remaining moves were: 11 . . . B–B1; 12 QxQch, RxQ; 13 QR–B3, N–N3; 14 R–Q2, P–B3; 15 R(3)–B2, B–Q2; 16 N–K2, P–B6; 17 RxP, N–R5; 18 R–KB2, QR–KN1; 19 N–N3, P–KR4; 20 RxP, R–N4; 21 P–K5, RxP; 22 R–R6ch, K–N2; 23 R–R7ch, K–B1; 24 RxB, R–K8ch; 25 K–B2, RxB; 26 R–QB7, R–N5; 27 P–Q6, R–B5ch; 28 K–K3, N–N3; 29 P–Q7, R–N6ch; 30 K–K2, Black Resigns.

Nº 20. Duet: "The Flowers That Bloom in the Spring"
Nanki-Poo, Ko-Ko with Yum-Yum, Pitti-Sing and Pooh-Bah


wine. And that's what we mean when we say that a thing Is wel - come as flow - ers that
21
a tempo
bloom in the spring, Tra la la la la, Tra la la la la, The flow - ers that bloom in the
f
Tra la la la la, Tra la la la la, Tra la la la la
Tra la la la la, Tra la la la la, Tra la la la la
spring. Tra la la la la, Tra la la la la, Tra la la la la
Tra la la la la, Tra la la la la, Tra la la la la

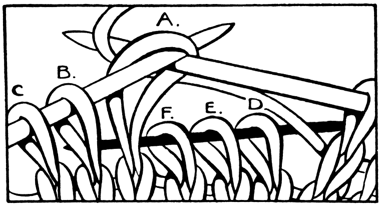


FIG. 78A.—Crossing Left over Right (2 over 2) or (3 over 3) Units.

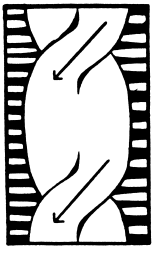


FIG. 78B.—Resulting Left over Right Motif. (Drop to back.)

RIGHT-OVER-LEFT CROSS. *Figs. 79*A *and* B.

△ △ **Abb :** (K. 2 over 2 Front) or (K. 3 over 3 Front).

Slip three stitches on to a spare needle and drop to the △ FRONT (Fig. 79A). Knit the stitches A, B, C, and then knit the stitches off the spare needle lettered D, E, and F.

Fig. 79B shows the result, △ a Right-over-Left Cross. (This is a more convenient method of crossing in Round Knitting.)

Referred to as (K.3 over 3 FRONT) or (K.2 over 2 FRONT).

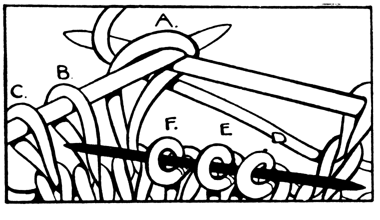


FIG. 79A.—Crossing Right over Left (2 over 2) or (3 over 3) Units.

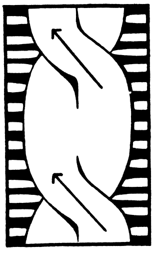


FIG. 79B.—Resulting Right over Left Motif. (Drop to front.)

NOTE.—Any convenient number of stitches can be chosen as a unit, and these can be even (2 over 2, 3 over 3), or odd (3 crossed over 2).

△ Old knitting patterns invariably use an uneven number (3 over 2), making one less stitch on the needle dropped to the back (*see* Fig. 68, where the Cable consists of 5 stitches only). This lessens the pull, and so allows the twist to lie flatter. When knitting in cotton yarns which are void of elasticity, this pull is an important consideration. Another method is to knit the stitches off the spare needle in the following row or round (*see* Old Scottish Stitch, Fig. 91). A third method is to knit the whole Cable Rib in Cross Knit stitches. This also gives a more distinguished appearance (*see* cable on sleeve, Fig. 68, *also* Fig. 85).

DESIGN (TWO OVER TWO) AND (THREE OVER THREE)

These Motifs can be arranged vertically, horizontally, or as spot designs.

Fig. 78 is generally assumed as Cable Stitch, but this is only one of its many arrangements, so the name Cable should only be used when describing this particular pattern. This consists of a vertical arrangement of Fig. 78 only, bordered either side by Purl stitches, or by some other contrasting effect as in Fig. 113. So it is really a rib pattern or Cable Rib Stitch. If the Purl stitches are omitted, the pattern is merely a vertical arrangement of Crossed Motifs, and not Cable at all.

A vertical arrangement of Twin Motifs (Figs. 78 and 79), made to alternate, will produce a Waved Rib (*see* Fig. 86). Twin Motifs are also necessary in forming a Travelling Rib Lattice (Fig. 87), or a Plait (Fig. 91).

Both Motifs, large or small, can be arranged horizontally, and as all-over repeating spot designs. The smaller Motif, 2 over 2, is shown in this form (Figs. 80–82), while the larger Motif, 3 over 3 (Figs. 84–86), is shown in the more familiar vertical patterns, though both can be used in either way.

DOUBLE-PLAITED BASKET STITCH. *Figs. 80A and B.*

The designing principle is the same as Fig. 77, only the Motif has a unit of 4 stitches as shown in chart instead of 2. *See* Figs. 78 and 79 for technique.

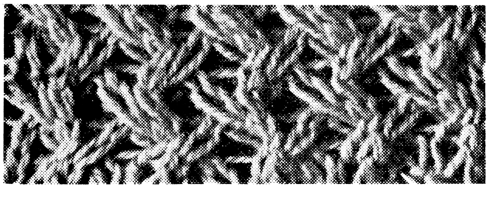
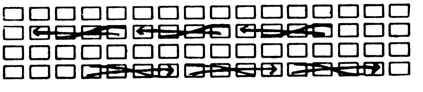


FIG. 80A.—Double-Plaited Basket Stitch.

FIG. 80B.—Double-Plaited Basket Stitch. Chart.



Cast On stitches divisible by 4.

Row 1: Knit.
Row 2: Purl.
Row 3: K.1. * (K.2 over 2 BACK). * Repeat * to *, ending K.3.
Row 4: Purl.
Row 5: K.3. * (K.2 over 2 FRONT). * Repeat * to *, ending K.1.
Row 6: Purl.

Repeat from Row 3.

2

IS THE BOOK DEAD?

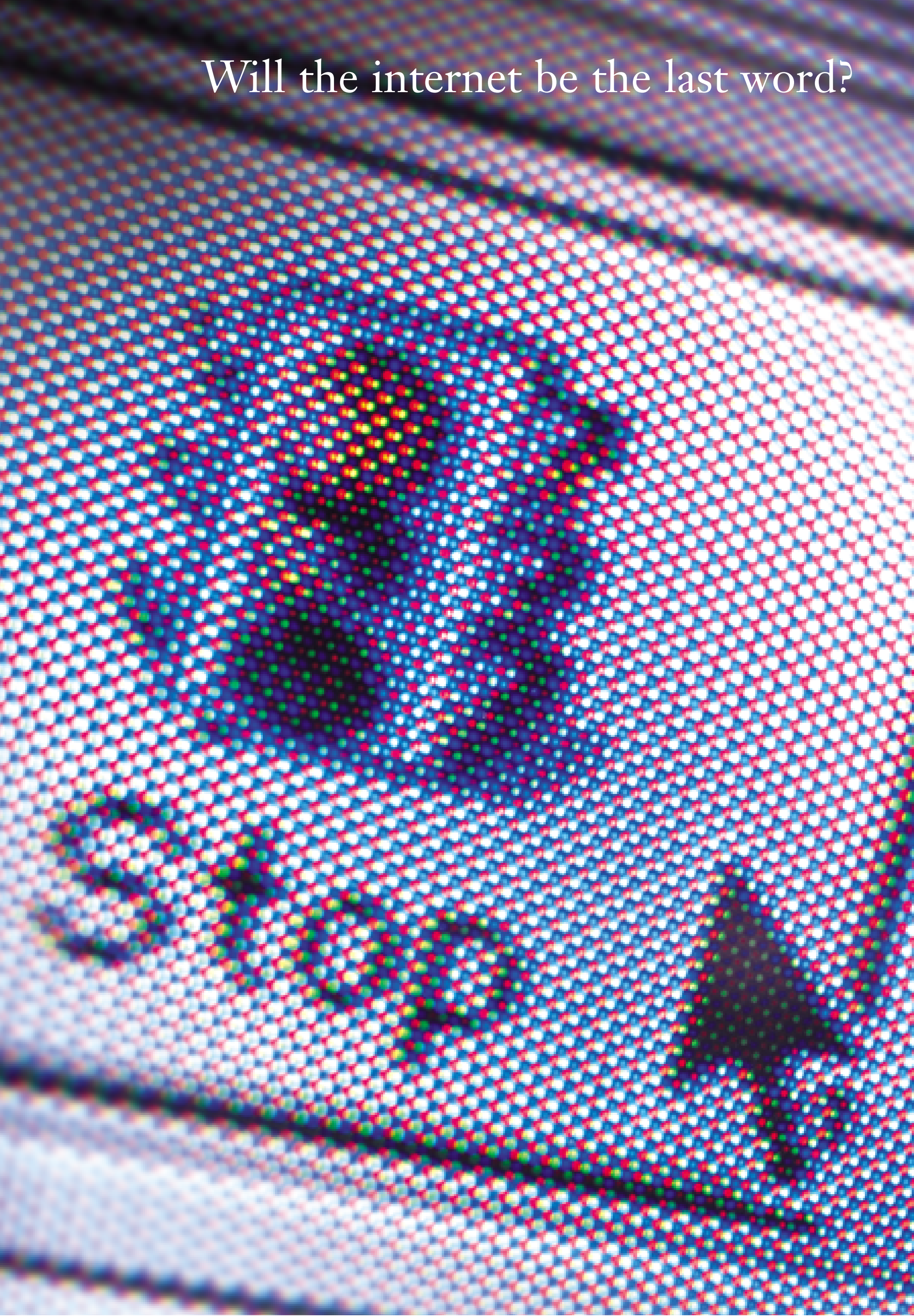
Did radio tune out readers?


Did movies make us forget?

Did TV take our prime time?

Did VCRs make us pause?

Did video games take control?


Will the internet be the last word?

Of course not!

New technologies have been a threat to the book industry throughout our history with dire predictions about our continued interest in reading.

Yet, the printed book has survived. In fact, the book has thrived despite these so-called disruptive technologies. Decade after decade, sales have continued to climb.

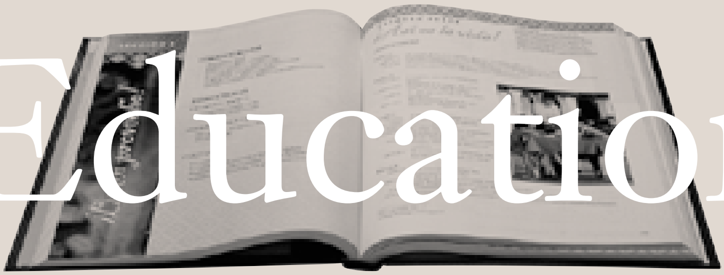
Today, it is easier to buy books than ever before and there are more good books to choose from—making it the best time ever to be a reader.

As we turn the page toward the future, we see the impact of new technology creating more interest in reading. The book has never had a brighter future.

3

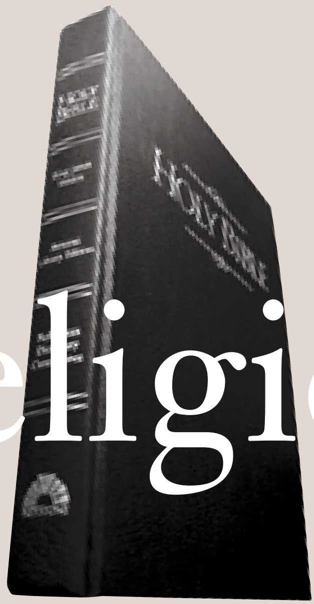
TAKING CARE OF BUSINESS

Education



Enrollments of school aged children are growing steadily with no peak in sight, and spending on books is growing even faster. For adults, technological change is driving demand for lifelong learning including adult education, corporate training and distance learning. In response, Courier has expanded its textbook manufacturing operations and services. It is also allowing educators to choose teaching materials tailored for personal lesson plans through branded web sites where professors can specify and students can order customized textbooks.

Religion



The new millennium has brought about a rebirth in spirituality worldwide. Searching for greater meaning and enlightenment, youth and aging baby boomers alike are joining or returning to religious traditions. And, as literacy rates in developing nations improve, more people want their own Bible. Collaborating with customers to meet special needs, Courier has added new services, including design, manufacturing, packaging and fulfillment for religious education materials. Courier is also greatly expanding manufacturing capacity to meet heightened demand for texts and study aids in 2001.

Specialty

The Web has made it possible for readers to find more books on any topic of interest. In the past decade both the number of publishers and the number of books in print have doubled. Courier is geared to meet the demands of niche publishers who are looking for shorter runs and fast turnaround. Courier's newest acquisition, Dover Publications, is one of the nation's premier specialty publishers.

4

A FEW WORDS FROM JIM

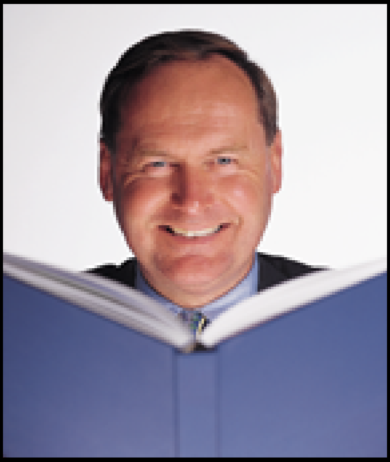


Fig. 1

(Fig. 1)

JAMES F. CONWAY III

Chairman, President and Chief Executive Officer

DEAR SHAREHOLDERS, Customers, Employees and Friends: Fiscal 2000 was another banner year for Courier. We delivered our third consecutive year of record breaking financial results. Revenue for the year ended September 30, 2000 increased 15% to $188 million from $164 million last year. Net income advanced 27% to $10.6 million, or $3.15 per diluted share, from $8.4 million, or $2.52 per diluted share, in fiscal 1999. These results bring Courier's five-year compound annual growth rate to 9.3% for revenue and 15.3% for net income (Fig. 2). During this same period, total return to shareholders increased 133% (Fig. 5), dramatically higher than returns posted by our industry peers.

These results have not gone unrecognized. *Forbes Magazine* recognized Courier in the October 30, 2000 issue as one of "The Best 200 Small Companies in America" and in its profile of the Company rated it as one of 11 companies to watch.

Courier achieved this outstanding performance during a five-year period of unprecedented change in the book industry. New technologies have spawned rapid, sometimes puzzling business changes. It's been far easier to figure out which markets to get out of than which to invest in. Far easier to get excited about the potential of technology than to make money from it.

Courier has thrived through all of this because we have a clear strategy and have made good choices about where to focus and invest for maximum shareholder value. We chose to pursue fast gowing markets—education, religion and specialized publishing—where major social trends are driving book sales, and we became the service leader in each of these markets.

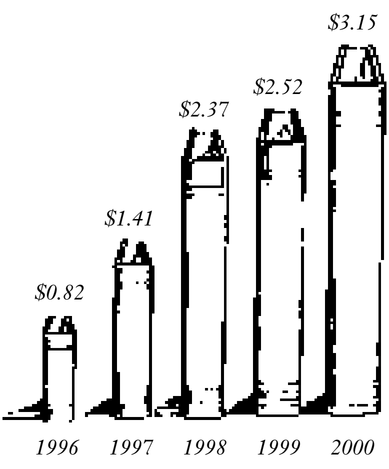


Fig. 2
Courier has delivered a 5-year EPS compounded annual growth rate of more than 15%

Within our chosen markets, we have been agile at anticipating the needs of customers and making timely investments. Early in fiscal 2000, recognizing signs of mounting customer demand (Fig. 3), we invested $16 million in new technology, printing presses and bindery lines—a level of investment nearly three times higher than in previous years. We brought the new equipment in rapidly and had it running smoothly, with no disruption to earnings, and in time to address an industry-wide capacity shortage.

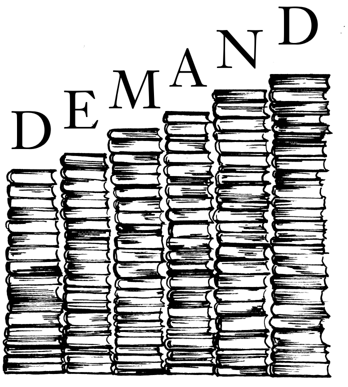


Fig. 3
Just in time to address an industry-wide capacity shortage, Courier invested $16 million in new equipment and technologies and swiftly brought it online.

Courier was the only major book manufacturer in 2000 to respond this quickly to the rapidly developing market opportunity. And we're going to do it again. In 2001 we'll invest an additional $15 million to further increase Courier's capacity and scheduling flexibility. These investments are helping our customers get more books to readers faster, and expanding Courier's market share.

We are also pursuing opportunities that take Courier beyond book manufacturing. In education, we've identified niche markets where readers want something more than off-the-shelf products and where technology can be used to deliver information in new ways. Through our customized education businesses, Copyright Management Services (CMS) and The Home School, we've developed competencies in e-commerce, electronic direct marketing and online customer service. This experience is about to prove extremely valuable, as we apply it to a much bigger and far more profitable venture.

Now begins Volume II.

On September 22, 2000, Courier bought Dover Publications, Inc. with 1999 revenues of about $32 million (Fig. 4). Dover is one of the world's most successful and consistently profitable specialized publishers. It sells not only to major bookstore chains, but to thousands of independent bookstores, children's and craft stores, museums and historical sites, and restaurant and hospital gift shops. It has also sold directly to consumers for more than half a century—today it has relationships with over 500,000 book lovers.

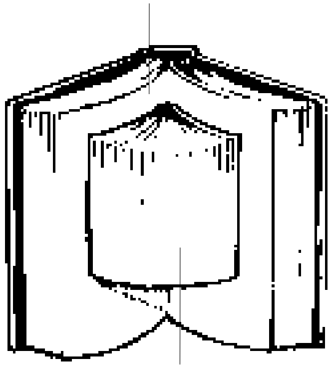


Fig. 4
At the moment when the Internet is increasing demand for specialized books, Courier has acquired one of the world's most successful specialty publishers.

Dover has built this loyal customer base by offering high-quality paperback titles at modest prices, and by publishing and keeping books in print on every topic under the sun—military history, paper dolls, scientific treatises, musical scores, typographic fonts, cooking, crafts—you name it. The company has an active list of over 7,000 titles. It also has a unique process for identifying niche markets and developing content cost-effectively for those markets, enabling Dover to publish about 40 new books every month. Courier has manufactured a majority of these products for many years.

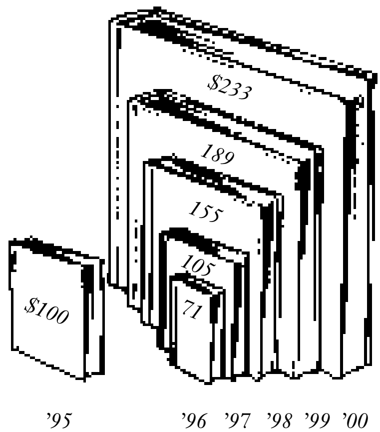


Fig. 5
This data assumes an initial investment of $100 in Courier stock on September 1995 and plots its value over five years.

Courier acquired Dover for $39 million in cash. The company is operating as an autonomous subsidiary under the leadership of an experienced and talented senior management team. The acquisition is expected to have a minimal effect on Courier's net income for fiscal 2001 due to interest expense on acquisition debt, amortization of goodwill of approximately $0.8 million and a required purchase accounting inventory write up which will increase cost of sales when this inventory is sold. Dover is expected to be accretive to earnings after 2001 and to generate substantial cash from operations from the outset.

Dover has amassed a huge, loyal customer base without yet tapping the awesome power of the Internet. Dover's potential contribution to Courier's bottom line is even more impressive in view of the stunning business opportunities the Internet offers. The Internet will allow Dover to reach readers directly to better understand their special interests and develop more and better books for them. It will help Dover identify potential customers, more accurately predict markets for new titles, test and pre-sell products, and provide retail partners with information that will enable them to sell more books. The Internet has the power to increase Dover's sales across all of its distribution channels.

The Internet is also blurring traditional roles and compressing the process of bringing books from author to reader. Tremendous market advantages and economies are emerging for companies that own content, have direct relationships with end users and manufacture the product, thereby adding value to every step in the process (Fig. 6). The combination of Courier and Dover creates just such an end-to-end solution.

Fig. 6
Today's changing markets offer the advantage to those who generate content, have direct relationships with readers, and can add value to every step in between.

Against the backdrop of Dover and the opportunities it presents, Courier is again in the familiar territory of having to make strategic decisions about where to focus and invest for maximum shareholder value. In the year ahead, we need to reevaluate just how much time and energy to put into The Home School and CMS. While these ventures have yet to achieve profitability, they have already made a major contribution to Courier's value by providing knowledge we can transfer to Dover, with its tremendous upside potential.

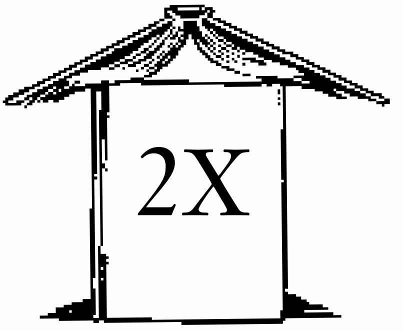


Fig. 7
Publishing houses have doubled to 63,000 today from 31,500 a decade ago. Over the same period, the number of books in print rose 115% to 1,833,786 from 850,012 in 1990.

Clearly, we have much to do in fiscal 2001. Here are our priorities:

- *Continue expanding our book manufacturing business.* The additional $15 million we'll invest next year will go primarily to expand capacity, enhance service and increase workforce productivity through automation.
- *Integrate Dover smoothly into the Courier family of companies.* First steps include upgrading its technological base and improving processes for order taking and tracking.
- *Build Dover's business through all channels.* We'll bring Dover's special magic to the Internet with the launch of consumer and business sites as well as the initiation of electronic direct marketing campaigns to develop a close dialog with our customers.

These are ambitious goals, yet the prospects are thrilling. We see a strong year ahead for the book industry and for Courier (Fig. 7). We're confident that these goals are well within our reach. The skills we developed and experience we gained during the past five years have equipped us to move quickly and surely. In this first year of the new millennium, when the Internet is profoundly changing the book industry, Courier is out of the blocks fast.

Our momentum, of course, comes from people—from Courier shareholders, customers, friends, and employees, including the terrific Dover people who've just "come over" to our team.

Our special thanks to Charles E. Otto, who will retire from our board of directors on January 18, 2001, after more than 13 years of service. We greatfully acknowledge his many contributions to Courier during his term and extend our heartfelt thanks for his commitment and outstanding service.

Thank you, everybody, for your confidence, support and enthusiasm.

JAMES F. CONWAY III

Chairman, President
and Chief Executive Officer

5

IT'S ALL IN THE NUMBERS

FINANCIAL HIGHLIGHTS

+15%

Record sales

+27%

Record net income

+17%

Return on average shareholders' investment

+12.5%

Cash dividend—fourth consecutive year of double-digit increase

#1

Awarded "Best Work Place in America" by Printing Industries of America

FINANCIAL TABLE OF CONTENTS

FIVE-YEAR FINANCIAL SUMMARY

(Dollar amounts in millions except per share data)	2000*	1999	1998	1997	1996
Net sales	$188.3	$164.0	$151.6	$131.4	$125.2
Gross profit	48.1	40.8	37.7	28.1	22.6
Net income	10.6	8.4	7.7	4.3	2.6
Net income per diluted share	3.15	2.52	2.37	1.41	.82
Dividends per share	.48	.42	.385	.32	.32
Working capital	33.3	21.9	16.5	14.1	13.7
LIFO reserve	5.9	5.5	5.3	5.7	6.0
Current ratio (FIFO basis)	2.0	2.0	1.9	1.8	1.9
Total assets	142.2	91.5	87.6	89.6	74.8
Long-term debt	31.3	1.2	6.8	18.6	9.3
Long-term debt as a percentage of capitalization	31.6%	2.0%	12.0%	30.8%	19.3%
Depreciation and amortization	8.1	8.3	8.5	7.2	6.5
Capital expenditures	16.3	5.0	4.1	6.7	7.3
Stockholders' equity	67.8	57.6	49.8	41.7	38.8
Return on stockholders' equity	17.0%	15.6%	16.9%	10.7%	6.7%
Stockholders' equity per share	20.27	17.80	15.70	13.87	12.74
Shares outstanding (in 000's)	3,344	3,233	3,172	3,011	3,044
Number of employees	1,535	1,320	1,254	1,202	1,050

Net income per share is based on weighted average shares outstanding; stockholders' equity per share is based on shares outstanding at year end. Shares outstanding and per share amounts have been retroactively adjusted to reflect a three-for-two stock split effected on June 1, 1998 (see Note A).

** Fiscal 2000 included 53 weeks*

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Sales in fiscal 2000 increased 15% to $188.3 million compared to $164.0 million in fiscal 1999. Fiscal 2000 included 53 weeks compared to 52 weeks in fiscal 1999. Sales from the Company's book manufacturing segment were also up 15% for the year reflecting increased sales in education, religion and specialized publishing markets. Revenues from the Company's customized education segment, which consists of Copyright Management Services and The Home School, grew by 20% in fiscal 2000 to $3.4 million. Total sales in fiscal 1999 increased 8% to $164.0 million compared to $151.6 million in fiscal 1998. Sales from the Company's book manufacturing segment also increased 8% over fiscal 1998 due to increased sales across all of the Company's major publishing markets. Revenues from the Company's customized education segment grew by 37% in fiscal 1999 to $2.8 million.

Gross profits in fiscal 2000 increased by $7.3 million or 18% and, as a percentage of sales, increased to 26% from 25% in fiscal 1999. The improvement in gross profits in fiscal 2000 resulted from increased sales volume combined with productivity gains from investments in capital equipment and increased recycling income. Gross profit increased to $40.8 million in fiscal 1999, up 8% from $37.7 million in fiscal 1998. The increase in gross profit reflected the impact of the increased sales volume. As a percentage of sales, gross profit for fiscal 1999 was comparable to fiscal 1998 at 25% of sales. During the past three years, inflation has not had a significant impact on the Company's gross profits, or on its overall operations.

Selling and administrative expenses increased to $32.0 million in fiscal 2000 from $27.7 million in fiscal 1999, remaining at 17% as a percentage of sales. The increase in selling and administrative expense resulted primarily from the impact of the extra week in fiscal 2000 and from expenses that relate directly to the increase in profitability. Selling and administrative expenses increased to $27.7 million in fiscal 1999, up 4% from $26.7 million in fiscal 1998. The increase was due to costs associated with improvements to the Company's information systems and with expenses that relate directly to the increase in profitability. As a percentage of sales, selling and administrative expenses decreased to 17% in fiscal 1999 from 18% in fiscal 1998.

Interest expense in fiscal 2000 was $0.3 million compared to $0.5 million in fiscal 1999 due to a reduction in average borrowings of approximately $1.3 million. In addition, interest of approximately $0.1 million related to new equipment was capitalized in fiscal 2000. In fiscal 1999, interest expense was $0.8 million lower than fiscal 1998 reflecting a reduction in average borrowings of approximately $13 million due to cash generated from operations as well as a slightly lower average interest rate in fiscal 1999.

Other income (expense) in fiscal 2000 is comprised of net rental income from the Company's Raymond, New Hampshire facility. In February 2000, the Company entered into a five-year lease agreement for this facility, which had been

MANAGEMENT'S DISCUSSION AND ANALYSIS

vacant. The lease provided for a purchase option at a price of $1.3 million. The option was exercised in August 2000 and the building was sold in October 2000. The after-tax gain of approximately $0.6 million, or $.16 per diluted share, will be included in the Company's fiscal 2001 first quarter results. Other income (expense) in fiscal 1998 resulted from a gain on the sale of a former manufacturing facility in Philadelphia that had been vacant. During fiscal 1997, the Company had completed the consolidation of its operations in Philadelphia from this older facility to a recently expanded, more efficient manufacturing facility also in Philadelphia. The selling price of the facility was $4.6 million, resulting in a pretax gain of approximately $2.0 million and an after-tax gain of approximately $1.1 million, or $.34 per diluted share.

The Company's effective tax rate for fiscal 2000 was comparable to the prior year at 33%. In fiscal 1999, the effective tax rate was lower than the 34% rate for fiscal 1998 due to higher state and local taxes in fiscal 1998 related to the sale of the Philadelphia real estate, as well as an increased benefit from export related income in fiscal 1999.

Net income for fiscal 2000 was $10.6 million, an increase of 27% over net income in fiscal 1999 of $8.4 million. Net income per share on a diluted basis was up 25% to $3.15 per share from $2.52 per share in fiscal 1999. Pretax earnings from the Company's book manufacturing segment increased 26% to $19.1 million from $15.2 million in the prior year. In fiscal 2000, the customized education segment incurred a pretax loss of $3.3 million, or $0.64 per diluted share compared to a pretax loss of $2.6 million, or $0.52 per diluted share in fiscal 1999. Results for fiscal 2000 in the customized education segment include a $350,000 pretax charge, or $.07 per diluted share, for the planned sale or closure of The Home School's retail store. In fiscal 1999, net income was $8.4 million, up 27% over net income of approximately $6.6 million in fiscal 1998, when adjusted to exclude the after-tax gain from the sale of real estate of approximately $1.1 million. Net income per share on a diluted basis increased 24% to $2.52 per share compared to $2.03 per diluted share in fiscal 1998, after adjusting to exclude the real estate gain of $.34 per share. Pretax earnings from the Company's book manufacturing segment increased to $15.2 million, a 19% increase over fiscal 1998, reflecting increased sales volume. The Company's customized education segment in fiscal 1999 had a pretax loss of $2.6 million, or $.52 per diluted share, compared to a pretax loss of $3.1 million, or $.62 per diluted share, in fiscal 1998.

For purposes of computing diluted net income per share, weighted average shares outstanding increased by approximately 54,000 shares in fiscal 2000 and 65,000 shares in fiscal 1999. These increases were primarily due to shares exercised and issued under the Company's stock plans and the impact of potentially dilutive shares which increased primarily due to the increase in the price per share of the Company's stock.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" (as amended by SFAS No. 137 in June 1999 and SFAS No. 138 in June 2000), which will be effective at the beginning of the Company's fiscal year ending September 29, 2001. The Company does not expect the adoption of this standard to have a material effect on its consolidated financial statements. The Securities and Exchange Commission has issued Staff Accounting Bulletin (SAB) No. 101 ("Revenue Recognition in Financial Statements"), that will be required to be implemented by the Company in the Company's fiscal year ending September 29, 2001. The Company is currently evaluating the impact, if any, that the adoption of this SAB will have on the consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

In fiscal 2000, operating activities provided approximately $22.5 million of cash. Net income for the year was $10.6 million and depreciation and amortization was $8.1 million. Working capital provided approximately $4.2 million of cash, primarily from an increase in accounts payable related to increased inventories and to capital equipment recently installed with final payments due after September 30, 2000. Accounts receivable and inventories used cash of approximately $3.9 million in fiscal 2000 related to the increase in sales volume.

Investment activities in 2000 used $16.3 million in cash for capital expenditures for new presses, binding lines, computer-to-plate equipment, information system improvements and other equipment to automate work flows and lower costs. Capital expenditures in fiscal 2001 are expected to be approximately $15 million. On September 22, 2000 the Company acquired all of the capital stock of Dover Publications, Inc. for approximately $39 million in cash. The acquisition is expected to have a minimal effect on Courier's net income for fiscal 2001 due to interest expense on acquisition debt, amortization of goodwill of approximately $0.8 million and a required purchase accounting inventory write up which will increase cost of sales when this inventory is sold. Dover is expected to be accretive to earnings thereafter and to generate substantial cash from operations from the outset.

In February 2000, the Company entered into a 5-year lease of its facility in Raymond, NH, which had been vacant and held for sale or lease. The lease provided for a purchase option at a price of $1.3 million. The option was exercised in August and the sale was closed in October 2000, resulting in after-tax cash proceeds of approximately $0.8 million and an after-tax gain of approximately $0.6 million, or $.16 per diluted share, which will be included in the Company's first quarter fiscal 2001 results. In addition, the Company intends to sell the unoccupied and underutilized portions of its multi-building manufacturing complex in Westford, MA, which would result in reductions in building operating costs while maintaining current levels of book manufacturing at the site. In January 2000, the Company signed an agreement to sell this property, but a number of significant contingencies exist. The prospective buyer has until September 2001 to purchase the property.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financing activities in fiscal 2000 provided approximately $29.5 million of cash. Cash of $30.5 million was provided from an increase in long-term borrowings related to the acquisition of Dover. Dividend payments were $1.6 million and proceeds from stock plans were $1.0 million, primarily from the exercise of stock options. In August 2000, the Company amended its long-term revolving bank credit facility, increasing the amount available under this facility from $30 million to $60 million, in contemplation of the acquisition of Dover. At September 30, 2000, borrowings under this credit facility were $30.5 million. This revolving credit facility matures in March 2003. The Company intends to extend this credit facility an additional year during fiscal year 2001. The Company believes that its cash from operations and available credit facilities will be sufficient to meet its cash requirements through 2001.

The Company does not hold any derivative financial instruments, derivative commodity instruments or other financial instruments except as noted in Note A to the financial statements. The Company engages neither in speculative nor derivative trading activities.

FORWARD LOOKING INFORMATION

Statements that describe future expectations, plans or strategies are considered "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995 and releases issued by the Securities and Exchange Commission. The words "believe," "expect," "anticipate," "intend," "estimate" and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those currently anticipated. Factors that could affect actual results include, among others, changes in customers' demand for the Company's products, changes in raw material costs and availability, seasonal changes in customer orders, pricing actions by competitors, changes in copyright laws, consolidation among customers and competitors, success in the integration of acquired businesses, changes in technology, and general changes in economic conditions. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward-looking statements will prove to be accurate. The forward-looking statements included herein are made as of the date hereof, and the Company undertakes no obligation to update publicly such statements to reflect subsequent events or circumstances.

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended	September 30, 2000	September 25, 1999	September 26, 1998
Net sales	$188,320,000	$163,991,000	$151,591,000
Cost of sales	140,226,000	123,184,000	113,923,000
Gross profit	48,094,000	40,807,000	37,668,000
Selling and administrative expenses	32,002,000	27,726,000	26,653,000
Interest expense	325,000	524,000	1,303,000
Other income (expense) (Note J)	119,000	–	2,043,000
Income before taxes	15,886,000	12,557,000	11,755,000
Provision for income taxes (Note C)	5,249,000	4,181,000	4,030,000
Net income	$ 10,637,000	$ 8,376,000	$ 7,725,000
Net income per share (Notes A and K):			
Basic	$3.25	$2.61	$2.49
Diluted	$3.15	$2.52	$2.37
Cash dividends declared per share	$ .48	$ .42	$.385

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

	September 30, 2000	September 25, 1999
ASSETS		
Current assets:		
Cash and cash equivalents (Note A)	$ 562,000	$ 3,460,000
Accounts receivable, less allowance for uncollectible accounts of $1,391,000 in 2000 and $937,000 in 1999	39,811,000	31,388,000
Inventories (Note B)	27,421,000	12,232,000
Deferred income taxes (Note C)	2,543,000	1,915,000
Other current assets	1,016,000	271,000
Total current assets	71,353,000	49,266,000
Property, plant and equipment (Notes A and D):		
Land	1,059,000	1,059,000
Buildings and improvements	20,812,000	19,052,000
Favorable building lease	2,816,000	2,816,000
Machinery and equipment	93,392,000	79,967,000
Furniture and fixtures	1,512,000	1,700,000
Construction in progress	2,850,000	1,723,000
	122,441,000	106,317,000
Less-Accumulated depreciation and amortization	(81,427,000)	(75,689,000)
Property, plant and equipment, net	41,014,000	30,628,000
Real estate held for sale or lease, net (Note J)	323,000	344,000
Goodwill and other intangibles, net (Notes A and H)	26,040,000	10,750,000
Prepublication costs	2,949,000	–
Other assets	562,000	524,000
Total assets	$142,241,000	$91,512,000

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

	September 30, 2000	September 25, 1999
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt (Note D)	$ 366,000	$ 338,000
Accounts payable	18,023,000	11,644,000
Accrued payroll	6,708,000	5,173,000
Accrued taxes	5,303,000	5,162,000
Other current liabilities	7,606,000	5,034,000
Total current liabilities	38,006,000	27,351,000
Long-term debt (Note D)	31,327,000	1,193,000
Deferred income taxes (Note C)	2,428,000	2,693,000
Other liabilities	2,709,000	2,716,000
Total liabilities	74,470,000	33,953,000
Commitments and contingencies (Note E)		
Stockholders' equity (Notes A and F):		
Preferred stock, $1 par value–authorized 1,000,000 shares; none issued		
Common stock, $1 par value–authorized 6,000,000 shares; issued 3,750,000 shares; outstanding 3,344,000 shares in 2000 and 3,233,000 shares in 1999	3,750,000	3,750,000
Additional paid-in capital	2,283,000	1,258,000
Retained earnings	65,551,000	56,486,000
Unearned compensation	(513,000)	–
Treasury stock, at cost: 406,000 shares in 2000 and 517,000 shares in 1999	(3,300,000)	(3,935,000)
Total stockholders' equity	67,771,000	57,559,000
Total liabilities and stockholders' equity	$142,241,000	$91,512,000

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended
Operating Activities:
Net income
Adjustments to reconcile net income to cash provided from operating activities:
Depreciation and amortization
Deferred income taxes
Changes in assets and liabilities, net of acquisitions:
Accounts receivable
Inventory
Accounts payable
Accrued taxes
Other elements of working capital
Other, net
Cash provided from operating activities
Investment Activities:
Business acquisitions, net of cash (Note H)
Capital expenditures
Proceeds from sale of assets (Note J)
Cash used for investment activities
Financing Activities:
Scheduled long-term debt repayments
Other long-term borrowings (repayments)
Cash dividends
Stock repurchases
Proceeds from stock plans
Cash provided from (used for) financing activities
Increase (decrease) in cash and equivalents
Cash and equivalents at the beginning of the period
Cash and equivalents at the end of the period
Supplemental cash flow information:
Interest paid
Income taxes paid (net of receipts)

The accompanying notes are an integral part of the consolidated financial statements.

	September 30, 2000	September 25, 1999	September 26, 1998
	$10,637,000	$8,376,000	$7,725,000
	8,062,000	8,282,000	8,541,000
	(893,000)	(456,000)	(499,000)
	(2,639,000)	(3,447,000)	(2,022,000)
	(1,300,000)	(1,404,000)	(1,010,000)
	5,298,000	2,350,000	(263,000)
	(31,000)	227,000	(26,000)
	2,829,000	(245,000)	1,891,000
	557,000	687,000	(1,695,000)
	22,520,000	14,370,000	12,642,000
	(38,571,000)	–	(563,000)
	(16,347,000)	(4,999,000)	(4,147,000)
	–	–	4,600,000
	(54,918,000)	(4,999,000)	(110,000)
	(338,000)	(312,000)	(387,000)
	30,500,000	(5,250,000)	(11,500,000)
	(1,572,000)	(1,354,000)	(1,205,000)
	(114,000)	(455,000)	–
	1,024,000	738,000	1,255,000
	29,500,000	(6,633,000)	(11,837,000)
	(2,898,000)	2,738,000	695,000
	3,460,000	722,000	27,000
	$ 562,000	$3,460,000	$ 722,000
	$ 311,000	$ 396,000	$1,243,000
	$ 6,177,000	$3,939,000	$4,498,000

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Total Stockholders' Equity
Balance, September 27, 1997	$41,748,000
Net income	7,725,000
Cash dividends	(1,205,000)
Stock plan activity	1,522,000
Convert treasury shares (Note A)	–
Stock dividend (Note A)	–
Balance, September 26, 1998	49,790,000
Net income	8,376,000
Cash dividends	(1,354,000)
Stock repurchase	(455,000)
Stock plan activity	1,202,000
Balance, September 25, 1999	57,559,000
Net income	10,637,000
Cash dividends	(1,572,000)
Stock repurchase	(114,000)
Restricted stock grant/amortization activity, net	45,000
Other stock plan activity	1,216,000
Balance, September 30, 2000	$67,771,000

The accompanying notes are an integral part of the consolidated financial statements.

Common Stock	Additional Paid-in Capital	Retained Earnings	Unearned Compensation	Treasury Stock
$4,500,000	$9,277,000	$52,060,000	–	$(24,089,000)
–	–	7,725,000	–	–
–	–	(1,205,000)	–	–
–	734,000	–	–	788,000
(2,000,000)	(9,627,000)	(7,866,000)	–	19,493,000
1,250,000	–	(1,250,000)	–	–
3,750,000	384,000	49,464,000	–	(3,808,000)
–	–	8,376,000	–	–
–	–	(1,354,000)	–	–
–	–	–	–	(455,000)
–	874,000	–	–	328,000
3,750,000	1,258,000	56,486,000	–	(3,935,000)
–	–	10,637,000	–	–
–	–	(1,572,000)	–	–
–	–	–	–	(114,000)
–	386,000	–	(513,000)	172,000
–	639,000	–	–	577,000
$3,750,000	$2,283,000	$65,551,000	$(513,000)	$(3,300,000)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business: Courier Corporation and its subsidiaries ("Courier" or the "Company") is focused on streamlining and enhancing the process by which printed books and digital content reach end-user markets, primarily for educational, religious, and specialty book publishers. Courier has three lines of business: full service book manufacturing, customized education and, beginning in fiscal 2001 with the acquisition of Dover Publications, Inc. ("Dover"), specialized publishing (see Note H).

Principles of Consolidation: The consolidated financial statements, prepared on a fiscal year basis, include the accounts of Courier Corporation and its subsidiaries after elimination of all significant intercompany transactions. Such financial statements have been prepared in conformity with generally accepted accounting principles, which require the use of certain estimates and assumptions. Fiscal year 2000 was a 53-week period compared with fiscal years 1999 and 1998, which were 52-week periods.

Financial Instruments: Financial instruments consist primarily of cash, accounts receivable, accounts payable and debt obligations. The Company classifies as cash and cash equivalents amounts on deposit in banks and cash invested temporarily in various instruments with maturities of three months or less at time of purchase. The Company estimates the fair value of financial instruments based on interest rates available to the Company and by comparison to quoted market prices. At September 30, 2000 and September 25, 1999, the fair market value of the Company's financial instruments approximated their carrying values.

Property, Plant and Equipment: Property, plant and equipment are recorded at cost, including interest on funds borrowed to finance the acquisition or construction of major capital additions. Interest of approximately $102,000 was capitalized in fiscal 2000. No interest was capitalized in fiscal years 1999 and 1998. The Company provides for depreciation of property, plant and equipment on a straight-line basis over periods ranging from 3 to 11 years, except for depreciation on buildings and improvements which is based on estimated useful lives ranging from 10 to 40 years.

Leasehold improvements and a favorable building lease are amortized on a straight-line basis over the shorter of their useful life or the term of the lease. Expenditures for maintenance and repairs are charged against income as incurred; betterments that increase the value or materially extend the life of the related assets are capitalized. When assets are sold or retired, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Goodwill: Goodwill arising from business acquisitions is amortized using the straight-line method over periods ranging from 5 to 20 years. Amortization expense was approximately $596,000 for each of the fiscal years 2000, 1999 and 1998. The Company continues to carry goodwill of approximately $1.2 million arising from the purchase of a company prior to October 31, 1970; such amount is not being amortized because management believes that the value has not diminished.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-Lived Assets: Management periodically reviews long-lived assets for impairment and does not believe that there is any material impairment of any asset of the Company as measured in accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

Prepublication costs: Prepublication costs acquired in the Dover acquistion (see Note H) will be amortized using the straight-line method over an estimated useful life of four years.

Income Taxes: Deferred income tax liabilities and assets are determined based upon the differences between the financial statement and tax bases of assets and liabilities, and are measured by applying enacted tax rates and laws for the taxable years in which these differences are expected to reverse.

Revenue Recognition: Revenue is recognized upon shipment of goods to customers or upon the transfer of ownership for those customers whom the Company provides manufacturing and distribution services. Revenue for distribution services is recognized as services are provided.

Use of Estimates: The process of preparing financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. Actual results may differ from these estimates.

Net Income per Share: Basic net income per share is based on the weighted average number of common shares outstanding each period. Diluted net income per share also includes potentially dilutive items such as options (see Note K).

Stock Split: In June 1998, the Company distributed a three-for-two stock split effected in the form of a 50% stock dividend. Per share amounts for periods prior to June 1998 presented in the accompanying financial statements have been restated to give effect to the stock split. In addition, related to this stock split, the Company converted 2,000,000 shares of treasury stock to authorized but unissued shares.

Treasury Stock: The Company has historically used treasury stock for stock options and grants and intends to continue to use treasury stock for such purposes.

New Accounting Pronouncements: The Financial Accounting Standards Board has issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (as amended by SFAS No. 137 in June 1999 and SFAS No. 138 in June 2000), which will be effective at the beginning of the Company's fiscal year ending September 29, 2001. The Company does not expect the adoption of this standard to have a material effect on its consolidated financial statements. The Securities and Exchange Commission has issued Staff Accounting Bulletin (SAB) No. 101 ("Revenue Recognition in Financial Statements"), that will be required to be implemented by the Company in the Company's fiscal year ending September 29, 2001. The Company is currently evaluating the impact, if any, that the adoption of this SAB will have on the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

B. INVENTORIES

Inventories are valued at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method for approximately 47% and 82% of the Company's inventories at September 30, 2000 and September 25, 1999, respectively. Other inventories are determined using the first-in, first-out (FIFO) method with the exception of inventory relating to the acquisition of Dover ($13.9 million) which, in accordance with purchase accounting requirements (see Note H), is included at its estimated fair market value at September 30, 2000. Inventories at September 30, 2000 and September 25, 1999 consisted of the following:

	2000	1999
Raw materials	$ 3,619,000	$ 2,945,000
Work in process	8,018,000	5,899,000
Finished goods	15,784,000	3,388,000
Total	$27,421,000	$12,232,000

On a FIFO basis, reported year-end inventories would have been higher by $5.9 million in fiscal 2000 and $5.5 million in fiscal 1999.

C. INCOME TAXES

The statutory federal tax rate is 34%. The total provision differs from that computed using the statutory federal income tax rate for the following reasons:

	2000	1999	1998
Federal income taxes at statutory rate	$5,401,000	$4,269,000	$3,997,000
State income taxes, net of federal income tax benefit	474,000	397,000	428,000
Foreign sales corporation (FSC) export related income	(643,000)	(499,000)	(310,000)
Other	17,000	14,000	(85,000)
Total	$5,249,000	$4,181,000	$4,030,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The provision for income taxes consisted of the following:

	2000	1999	1998
Currently payable:			
Federal	$5,353,000	$3,972,000	$3,697,000
State	789,000	665,000	832,000
	6,142,000	4,637,000	4,529,000
Deferred:			
Federal	(822,000)	(392,000)	(315,000)
State	(71,000)	(64,000)	(184,000)
	(893,000)	(456,000)	(499,000)
Total	$5,249,000	$4,181,000	$4,030,000

The following is a summary of the significant components of the Company's deferred tax assets and liabilities as of September 30, 2000 and September 25, 1999:

	2000	1999
Deferred tax assets:		
Vacation accrual not currently deductible	$ 589,000	$ 510,000
Other accruals not currently deductible	567,000	238,000
Non-deductible reserves	1,364,000	1,138,000
Other	23,000	29,000
Classified as current	2,543,000	1,915,000
Deferred compensation arrangements	1,059,000	1,019,000
Other	232,000	133,000
Total deferred tax assets	$3,834,000	$3,067,000
Deferred tax liabilities:		
Accelerated depreciation	$3,719,000	$3,845,000

Non-current deferred tax assets have been netted against non-current deferred tax liabilities for balance sheet classification purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

D. LONG-TERM DEBT

Long-term debt consisted of the following:

	2000	1999
Obligation under revolving bank credit facility at 7.13% as of September 30, 2000	$30,500,000	$ –
Obligation under industrial development bond arrangement at 3%, payable in monthly installments through May 2011	901,000	972,000
9.5% secured promissory note, payable in monthly installments through October 2001	292,000	559,000
	31,693,000	1,531,000
Less: Current maturities	366,000	338,000
Total	$31,327,000	$1,193,000

Scheduled aggregate principal payments of long-term debt are $366,000 in fiscal 2001, $76,000 in fiscal 2002, $30,578,000 in fiscal 2003, $80,000 in fiscal 2004, $83,000 in fiscal 2005 and $510,000 thereafter.

In August 2000, the Company amended its long-term revolving credit facility increasing the amount available under this facility from $30 million to $60 million in contemplation of the acquisition of Dover Publications, Inc. (see Note H). Under this credit facility, the Company can borrow at a rate not to exceed LIBOR plus 1.5%. The revolving credit facility matures in March 2003 and borrowings of $30,500,000 are included in scheduled aggregate principal payments due in 2003. The Company has not had any short-term borrowings during the three fiscal years ended September 30, 2000.

The revolving credit facility contains restrictive covenants including provisions relating to the maintenance of working capital, the level of capital expenditures, the incurring of additional indebtedness and a quarterly test of EBITDA to debt service. It also provides for a commitment fee not to exceed 3/8% per annum on the unused portion. The industrial bond arrangement and the 9.5% promissory note provide for a lien on the assets acquired with the proceeds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

E. COMMITMENTS AND CONTINGENCIES

The Company is committed under various operating leases to make annual rental payments for certain buildings and equipment. Amounts charged to operations under such leases approximated $3,956,000 in fiscal 2000, $3,553,000 in fiscal 1999 and $2,872,000 in fiscal 1998. As of September 30, 2000, minimum annual rental commitments under the Company's long-term operating leases are approximately $4,821,000 in fiscal 2001, $3,643,000 in fiscal 2002, $3,036,000 in fiscal 2003, $2,872,000 in fiscal 2004, $2,070,000 in fiscal 2005 and $2,756,000 in the aggregate thereafter. The Company leases one of its facilities from a corporation owned in part by an executive of the Company. The lease agreement requires annual payments of approximately $216,000 over the initial term of July 1997 through July 2002. At September 30, 2000 and September 25, 1999, the Company had letters of credit outstanding of $542,000 and $338,000, respectively.

In the ordinary course of business, the Company is subject to various legal proceedings and claims. The Company believes that the ultimate outcome of these matters will not have a material adverse effect on its consolidated financial statements.

F. STOCK ARRANGEMENTS

Stock Option/Incentive Plans: The Courier Corporation 1993 Stock Incentive Plan, as amended and restated, replaced the expiring 1983 Stock Option Plan. The 1993 Stock Incentive Plan, as amended, provides for the granting of stock options and stock grants up to a total of 445,000 shares. Under the provisions of each plan, both non-qualified and incentive stock options to purchase shares of the Company's common stock may be granted to key employees. The option price per share may not be less than the fair market value of stock at the time the option is granted and incentive stock options must expire not later than ten years from the date of grant. During fiscal 2000, 18,000 shares of restricted stock were granted which vest over a four-year period. Amortization expense relating to fiscal 2000 stock grants was $45,000.

Directors' Option Plan: A 1989 plan, as amended and restated, allows members of the Company's Board of Directors to make an election to apply either 50% or 100% of their annual retainer fee, including the committee chair retainer, toward the annual grant of stock options to be offered at a price per share $5 below the fair market value of the Company's common stock at the time the option is granted. Retainer fees for fiscal 2000 amounted to $16,000 per director; in addition, the two committee chair fees amounted to a total of $15,000 for fiscal 2000. The plan, as approved by stockholders, provides a total of 250,000 shares for the issuance of such options.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is a summary of all option activity for these plans:

	Stock Option/Incentive Plans		Directors' Option Plan	
	Shares	Average Exercise Price	Shares	Average Exercise Price
Outstanding at September 27, 1997	371,366	$10.13	42,900	$ 8.69
Issued	35,300	21.46	24,000	11.29
Exercised	(137,510)	8.69	(22,500)	9.43
Canceled	(3,599)	10.11	–	–
Outstanding at September 26, 1998	265,557	$12.39	44,400	$ 9.72
Issued	5,000	23.75	18,000	15.75
Exercised	(59,329)	10.63	(20,600)	10.47
Outstanding at September 25, 1999	211,228	$13.15	41,800	$11.95
Issued	78,800	26.88	20,100	19.14
Exercised	(70,082)	10.42	(12,700)	14.35
Canceled	(7,916)	21.35	–	–
Outstanding at September 30, 2000	212,030	$18.85	49,200	$14.26
Exercisable at September 30, 2000	134,389	$14.42	49,200	$14.26
Available for future grants	70,653		90,400	

The following tables present information with regards to stock options outstanding at September 30, 2000:

	Stock Option/Incentive Plans			
Range of Exercise Prices	$4.67 – $9.17	$ 9.50 – $14.17	$15.58 – $22.83	$23.75 – $31.49
Options outstanding	13,500	75,380	42,850	80,300
Weighted average exercise price of options outstanding	$ 7.67	$ 11.71	$ 19.84	$ 26.89
Weighted average remaining life	1.5 years	2.3 years	3.8 years	6.1 years
Options exercisable	13,500	75,380	31,918	13,591
Weighted average exercise price of options exercisable	$ 7.67	$ 11.71	$ 19.31	$ 24.64

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Directors' Option Plan
Range of Exercise Prices	$7.46 – $19.21
Options outstanding	49,200
Weighted average exercise price of options outstanding	$14.26
Weighted average remaining life	2.8 years
Options exercisable	49,200
Weighted average exercise price of options exercisable	$14.26

Stock Grant Plan: The Company established a stock grant plan in 1977 entitling key employees to receive shares of common stock of the Company. Shares granted are either fully vested or vest over periods up to 5 years. The maximum number of shares of common stock that may be awarded under the stock grant plan is 198,750 and no more than 33,750 shares may be awarded in any one fiscal year. The numbers of shares granted under the plan were 4,000 in fiscal 2000, 100 in fiscal 1999 and 2,000 in fiscal 1998. As of September 30, 2000, there were 828 shares available for future grants under the plan.

Employee Stock Purchase Plan: The Company's 1999 Employee Stock Purchase Plan ("ESPP"), approved by stockholders in January 1999 to replace the expiring 1989 ESPP, covers an aggregate of 100,000 shares of Company common stock for issuance under the plan. Eligible employees may purchase shares of Company common stock at not less than 85% of fair market value at the beginning or end of the grant period. During fiscal 2000, 11,560 shares were issued under the plan at an average price of $20.67 per share. Since inception, 21,297 shares have been issued. At September 30, 2000, an additional 78,703 shares were reserved for future issuances.

Stockholders' Rights Plan: In March 1999, the Board of Directors adopted a ten-year stockholders' rights plan, replacing a plan which expired in October 1998. Under the plan, the Company's stockholders of record at March 19, 1999 received rights to purchase one one-thousandth of a share of preferred stock for each share of common stock held on that date. The rights are not exercisable, or transferable apart from the common stock, until certain events occur.

Pro forma Disclosures: The Company accounts for its stock option plans under APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Had compensation cost for grants under the ESPP and for stock options granted after 1995 been determined under the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

would have been $10,145,000, or $3.01 per diluted share, for fiscal 2000; $8,026,000, or $2.42 per diluted share, for fiscal 1999; and $7,511,000, or $2.31 per diluted share, for fiscal 1998. The pro forma effect on net income and net income per diluted share for fiscal 2000, fiscal 1999 and fiscal 1998 is not representative of the pro forma effect on net income in future years, because it does not take into consideration pro forma compensation expense related to options granted prior to fiscal 1996.

For purposes of pro forma disclosures, the fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model. The following key assumptions were used to value options issued:

	2000	1999	1998
Risk-free interest rate	5.9%	6.3%	4.9%
Expected volatility	39%	42%	35%
Expected dividend yields	1.7%	1.7%	2.0%
Estimated life for grants under:			
1993 Stock Incentive Plan	7 years	7 years	7 years
Directors' Option Plan	5 years	5 years	5 years
ESPP	0.5 years	0.5 years	0.5 years

For purposes of pro forma disclosure, following is a summary of the weighted average fair value per share of options granted during each of the past three fiscal years.

	1993 Stock Incentive Plan			Directors' Option Plan		
	2000	1999	1998	2000	1999	1998
On grant date:						
Exercise price was equal to stock price	$11.44	$10.76	$7.74	–	–	–
Exercise price was in excess of stock price	$ 9.08	–	$5.98	–	–	–
Exercise price was less than stock price	–	–	–	$10.38	$9.31	$5.79

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

G. RETIREMENT PLANS

The Company and its consolidated subsidiaries maintain various defined contribution retirement plans covering substantially all of its employees, except for Dover employees. Dover, acquired in September 2000 (see Note H), provides retirement benefits through a defined benefit plan as described below.

Retirement costs of multi-employer union plans consist of defined contributions determined in accordance with the respective collective bargaining agreements. Retirement benefits for non-union employees are provided through the Courier Profit Sharing and Savings Plan, which includes an Employee Stock Ownership Plan (ESOP). Retirement costs included in the accompanying financial statements amounted to approximately $2,500,000 in fiscal 2000, $2,330,000 in fiscal 1999 and $2,202,000 in fiscal 1998.

The Profit Sharing and Savings Plan is qualified under Section 401(k) of the Internal Revenue Code. The plan allows eligible employees to contribute up to 16% of their compensation, with the Company matching 25% of the first 6% of employee contributions. The Company also makes contributions to the plan annually based on profits each year for the benefit of all eligible non-union employees.

Shares of Company common stock may be allocated to participants' ESOP accounts annually based on their compensation as defined in the plan. During fiscal years 2000, 1999 and 1998, no such shares were allocated to eligible participants. At September 30, 2000, the ESOP held 167,243 shares on behalf of the participants.

Dover has a noncontributory, defined benefit pension plan covering substantially all of its employees. The following table provides the plan's funded status and the amounts recognized in the consolidated balance sheet as of September 30, 2000 for Dover's defined benefit pension plan, as well as the actuarial assumptions used in the determination.

Projected benefit obligation	$3,647,000
Fair value of plan assets	3,471,000
Funded status and accrued pension obligation	$ (176,000)

Weighted average assumptions:	
Discount rate	7.0%
Expected return on plan assets	7.5%
Rate of compensation increase	5.0%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

H. BUSINESS ACQUISITIONS

On September 22, 2000, the Company acquired all of the outstanding capital stock of Dover Publications, Inc., a Mineola, New York publisher of special-interest books. The Company paid approximately $39 million in cash to the former stockholders of Dover for their shares of capital stock.

The acquisition was accounted for as a purchase and, accordingly, Dover's financial results have been included in the consolidated financial statements from the date of acquisition. The financial statements reflect the preliminary allocation of the purchase price to the assets acquired and liabilities assumed, based on their estimated fair value at the date of acquisition. Such estimates are subject to final appraisals for certain assets acquired. The excess purchase price over the fair value of the net assets acquired amounted to approximately $16 million, which has been accounted for as goodwill and will be amortized on a straight-line basis over twenty years.

The following unaudited pro forma information presents a summary of consolidated results of operations of the Company and Dover as if the acquisition had occurred at the beginning of fiscal 2000 and 1999, with pro forma adjustments to give effect to amortization of goodwill, interest expense on acquisition debt and certain other adjustments, together with related income tax effects.

(Unaudited)	2000	1999
Net sales	$216,282,000	$192,071,000
Net income	10,881,000	9,150,000
Net income per diluted share	3.23	2.76

These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the business combination been in effect at the beginning of the fiscal 2000 and 1999 or of future results of operations of the consolidated entities.

On September 30, 1997, the Company purchased The Home School Books & Supplies ("The Home School") based in Arlington, Washington. The Home School is a direct marketer of educational materials to families engaged in educating children at home. The purchase price was approximately $0.5 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I. BUSINESS SEGMENTS

The Company has operated in one primary business segment, book manufacturing, with a second smaller business segment in customized education. On September 22, 2000, the Company acquired Dover Publications, Inc. (see Note H) which operates in a third segment, specialized publishing. The specialized publishing segment is not included in the segment information table below because the results of operations for the period prior to September 30, 2000 were not significant. Dover's assets of $41.5 million at September 30, 2000 are included in "unallocated" assets.

The Company has aggregated its book manufacturing business into one segment because of strong similarities in the economic characteristics, the nature of products and services, production processes, class of customer and distribution methods used. The book-manufacturing segment offers a full range of services from production through storage and distribution for education, religious and specialty book publishers. The customized education segment responds to the demand for increased choice in the way educational information is received and used. Operations include The Home School, a direct marketer of educational materials to families engaged in home-based learning, and Copyright Management Services, a provider of customized college coursepacks and textbooks.

The accounting policies of the segments are the same as those described in Note A. Intersegment sales are not significant. In evaluating segment performance, management primarily focuses on income or loss before taxes and other income. Other income is reflected as "unallocated" in the following table. Corporate expenses that are allocated to the segments include various support functions such as information technology services, finance, human resources and engineering, and include depreciation and amortization expense related to corporate assets. The corresponding corporate asset balances are not allocated to the segments. Unallocated corporate assets consist primarily of cash and cash equivalents and fixed assets used by the corporate support functions. For fiscal 2000, such assets also include the assets of Dover.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table provides segment information as required under SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information."

FISCAL 2000
Net sales
Earnings (loss) before income taxes
Assets
Depreciation and amortization
Capital expenditures
Interest expense
FISCAL 1999
Net sales
Earnings (loss) before income taxes
Assets
Depreciation and amortization
Capital expenditures
Interest expense
FISCAL 1998
Net sales
Earnings (loss) before income taxes
Assets
Depreciation and amortization
Capital expenditures
Interest expense

Book Manufacturing	Customized Education	Unallocated	Total Company
$184,959,000	$3,361,000	$ –	$188,320,000
19,066,000	(3,299,000)	119,000	15,886,000
88,748,000	848,000	52,645,000	142,241,000
7,844,000	218,000	–	8,062,000
15,665,000	13,000	669,000	16,347,000
272,000	53,000	–	325,000
$161,186,000	$2,805,000	$ –	$163,991,000
15,155,000	(2,598,000)	–	12,557,000
74,900,000	1,470,000	15,142,000	91,512,000
7,988,000	294,000	–	8,282,000
3,848,000	107,000	1,044,000	4,999,000
445,000	79,000	–	524,000
$149,546,000	$2,045,000	$ –	$151,591,000
12,769,000	(3,057,000)	2,043,000	11,755,000
72,939,000	2,167,000	12,524,000	87,630,000
8,328,000	213,000	–	8,541,000
3,239,000	307,000	601,000	4,147,000
1,221,000	82,000	–	1,303,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Export sales as a percentage of consolidated sales were approximately 18% in both fiscal 2000 and fiscal 1999 and 17% in fiscal 1998. Sales to the Company's largest customer amounted to approximately 26% of consolidated sales in fiscal 2000, 27% in fiscal 1999 and 26% in fiscal 1998. In addition, sales to another customer amounted to 17% of consolidated sales in fiscal 2000, 15% in fiscal 1999 and 12% in fiscal 1998. No other customer accounted for more than 10% of consolidated sales. Customers are granted credit on an unsecured basis.

J. OTHER INCOME (EXPENSE)

Other income (expense) in fiscal 2000 reflects net rental income from the Company's Raymond, New Hampshire facility; such facility comprises the September 30, 2000 balance sheet caption "Real estate held for sale or lease, net." In February 2000, the Company entered into a five-year lease agreement for this facility, which had been vacant. The lease provided for a purchase option at a price of $1.3 million. The option was exercised in August 2000 and closed in October 2000, resulting in an after-tax gain of approximately $0.6 million, or $0.16 per diluted share, which will be included in the Company's fiscal 2001 first quarter results.

In June 1998, the Company completed the sale of a former manufacturing facility in Philadelphia that had been vacant. During fiscal 1997, the Company had consolidated its operations in Philadelphia from this older, multistory facility to a recently expanded, more efficient manufacturing facility also in Philadelphia. The selling price of the property was $4.6 million, resulting in a pretax gain of approximately $2.0 million. The after-tax gain of approximately $1.1 million, or $.34 per diluted share, generated approximately $3.2 million of cash after taxes.

K. NET INCOME PER SHARE

Following is a reconciliation of the shares used in the calculation of basic and diluted net income per share. Potentially dilutive shares, calculated using the treasury stock method, consist of shares issued under the Company's stock option plans.

	2000	1999	1998
Average shares outstanding for basic	3,277,000	3,204,000	3,100,000
Effect of potentially dilutive shares	96,000	115,000	154,000
Average shares outstanding for dilutive	3,373,000	3,319,000	3,254,000

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of Courier Corporation:

We have audited the accompanying consolidated balance sheets of Courier Corporation and subsidiaries ("the Company") as of September 30, 2000 and September 25, 1999, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2000 and September 25, 1999, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2000 in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Boston, Massachusetts
November 9, 2000

QUARTERLY DATA

QUARTERLY FINANCIAL AND MARKET DATA (UNAUDITED)

Fiscal 2000 (Dollars in thousands except per share amounts)	First	Second	Third	Fourth
Operating Results:				
Net sales	$45,143	$44,489	$47,215	$51,473
Gross profit	11,084	11,543	12,159	13,308
Net income	2,169	2,351	2,517	3,600
Net income per diluted share	.65	.70	.75	1.06
Dividends declared per share	.12	.12	.12	.12
Stock Price:				
Highest	24 5/8	25	26 3/4	30 3/4
Lowest	21 3/8	22 1/4	23 1/8	27

Fiscal 1999 (Dollars in thousands except per share amounts)	First	Second	Third	Fourth
Operating Results:				
Net sales	$39,301	$40,480	$40,731	$43,479
Gross profit	9,338	10,224	9,806	11,439
Net income	1,420	1,867	1,826	3,263
Net income per diluted share	.43	.56	.55	.98
Dividends declared per share	.105	.105	.105	.105
Stock Price:				
Highest	31	26	23 3/8	25 3/4
Lowest	18 9/16	19 5/8	18	22 3/4

There were approximately 700 stockholders of record as of September 30, 2000.

CORPORATE INFORMATION

DIRECTORS

James F. Conway III
Chairman, President and Chief Executive Officer

*△ Kathleen Foley Curley
Senior Vice President and Chief Community Builder, Communispace Corp.

*△ Richard K. Donahue
Vice Chairman of NIKE, Inc. and partner in Donahue & Donahue

*△ Edward J. Hoff
President, Leadership Development Inc.

*△ Arnold S. Lerner
Vice Chairman, Enterprise Bank and Trust Co.

George Q. Nichols
Corporate Senior Vice President and Chairman of National Publishing Company

*△ Charles E. Otto
Consultant; Retired Senior Vice President, Xerox Corporation

Robert P. Story, Jr.
Senior Vice President and Chief Financial Officer

*△ W. Nicholas Thorndike
Corporate Director and Trustee

* *Member of Compensation and Management Development Committee*

△ *Member of Audit and Finance Committee*

CORPORATE OFFICERS

James F. Conway III
Chairman, President and Chief Executive Officer

George Q. Nichols
Senior Vice President

Robert P. Story, Jr.
Senior Vice President and Chief Financial Officer

Lee E. Cochrane
Vice President and Treasurer

Peter R. Conway
Vice President

William A. Flavell
Vice President

Peter M. Folger
Vice President and Controller

Gary S. Gluckow
Vice President

David J. LaFauci
Vice President

John W. Pugsley
Vice President

Diana L. Sawyer
Vice President

Clarence C. Strowbridge
Vice President

Peter D. Tobin
Vice President

Eric J. Zimmerman
Vice President

F. Beirne Lovely, Jr.
Clerk and Secretary

NATIONAL PUBLISHING COMPANY

George Q. Nichols
Chairman

William A. Flavell
President

John W. Pugsley
Executive Vice President

William L. Lampe, Jr.
Treasurer

BOOK-MART PRESS, INC.

Gary S. Gluckow
President

Michelle S. Gluckow
Executive Vice President

COURIER COMPANIES, INC.

Peter D. Tobin
Executive Vice President

Joseph L. Brennan
Vice President - Engineering

Anthony F. Caruso
Vice President - Manufacturing

Peter A. Clifford
Vice President - Production Services

Peter R. Conway
Vice President - Sales

Stephen M. Franzino
Vice President - Technology

DOVER PUBLICATIONS, INC.

Clarence C. Strowbridge
President

Paul Negri
Senior Vice President

CORPORATE INFORMATION

CORPORATE OFFICE
Courier Corporation
15 Wellman Avenue
North Chelmsford,
Massachusetts 01863
(978) 251-6000
www.courier.com

SUBSIDIARY LOCATIONS
Courier Companies, Inc.
15 Wellman Avenue
North Chelmsford,
Massachusetts 01863
(978) 251-6000

Courier Kendallville, Inc.
2500 Marion Drive
Kendallville, Indiana 46755
(219) 349-6800

Courier Stoughton, Inc.
200 Shuman Avenue
Stoughton, Massachusetts 02072
(978) 251-6000

Courier Westford, Inc.
22 Town Farm Road
Westford, Massachusetts 01886
(978) 251-6000

National Publishing Company
11311 Roosevelt Boulevard
Philadelphia, Pennsylvania 19154
(215) 676-1863

Copyright Management Services
15 Wellman Avenue
North Chelmsford,
Massachusetts 01863
(978) 251-6000

Book-mart Press, Inc.
2001 Forty-Second Street
North Bergen, New Jersey 07047
(201) 864-1887

The Home School, Inc.
15 Wellman Avenue
North Chelmsford,
Massachusetts 01863
(978) 251-6000

Dover Publications, Inc.
31 East 2nd Street
Mineola, New York 11501
(516) 294-7000

COUNSEL
Goodwin, Procter & Hoar LLP

AUDITORS
Deloitte & Touche LLP

TRANSFER AGENT AND REGISTRAR
State Street Bank and Trust Company

COMMON SHARES
Traded over-the-counter on the Nasdaq National Market as "CRRC"

ANNUAL MEETING OF STOCKHOLDERS
The annual meeting will be held at the Boston University Corporate Education Center
72 Tyng Road
Tyngsboro, Massachusetts
on January 18, 2001

ANNUAL REPORT ON FORM 10-K
The Form 10-K filed with the Securities and Exchange Commission is available to stockholders and may be obtained without charge upon written request to:

Robert P. Story, Jr.
Senior Vice President and Chief Financial Officer
Courier Corporation
15 Wellman Avenue
North Chelmsford,
Massachusetts 01863
(978) 251-6000
(978) 251-8228 Fax

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FORWARD BOUND

As it has proven time and again over its long history, Courier Corporation has built a culture of courage, foresight, decisiveness, flexibility and accountability that enables it to thrive on change. Courier is constantly evaluating new trends and looking toward future opportunities that will benefit our customers, employees and shareholders.

The page is always turning at Courier, and with a new volume just beginning, future chapters of success are still being written…

Not The End

ABULOUS HOLIDAY AND SEASONAL FINGERPLAYS FISH AND WILDLIFE ECOLOGY SPEAKING FOR SUCCESS TELEPHON
TECHNIQUES YOUNG CHILDREN WITH SPECIAL NEEDS WOODEN STICKS & IRON MEN BIOLOGY FOR EVERY KID ABSTRACTIO
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NILES BARTLETT'S CLASSIC ILLUSTRATIONS OF AMERICA BASIC ELECTRICITY BASIC PRINCIPLES OF CLASSICAL BALLET BATTLE
THAT CHANGED HISTORY BEAUTY AND THE BEAST BEETHOVEN AND HIS NINE SYMPHONIES BEST PLAYS OF THE EARLY AMERICA
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BINDING: ITS BACKGROUND & TECHNIQUE BOSTON THEN AND NOW BUGS BUILD YOUR OWN INEXPENSIVE DOLLHOUSE CARLSON'
GUIDE TO LANDSCAPE PAINTING CASTLES OF THE WORLD CELTIC DESIGNS CD-ROM AND BOOK CEZANNE SKETCHBOOK CHESS MAS
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FOLK MOTIFS IRISH CHAIN QUILTS ITALIAN COMEDY JET FIGHTERS LAPSES IN MATHEMATICAL REASONING LEGEND OF SLEEPY HO
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FAREWELL TY COBB VIEW FROM NOWHERE BELOVED ISLAND THE HEADMASTER'S WIFE WRITING DRAMATIC NONFICTION COR
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VOLUME II

COURIER ANNUAL REPORT 2000

The Citizens of Courier chronicled Courier's first 170 years, from newspaper publisher to book manufacturer, with tales of the commitment, leadership and humor of those who came before us. We read how their strategic decisions helped to shape the Courier Corporation of today. But that was just the beginning.

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Form 10-K, Courier Corporation
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Courier

COURIER CORPORATION
15 WELLMAN AVENUE
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