

Growing Enrollments in Key Adoption States

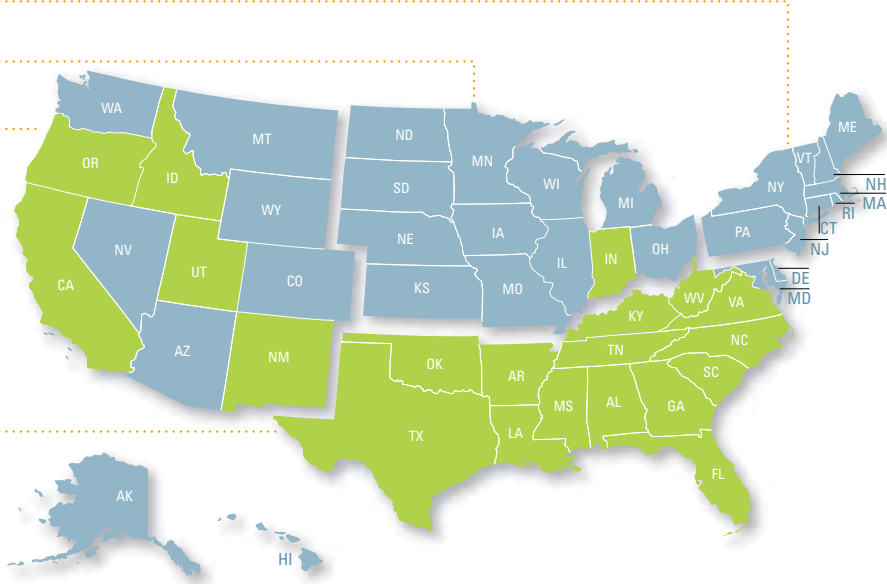
Changing U.S. Pre-K–12 Enrollment by Region and State, 2006–2018

Northeast:
– 5.0%

Midwest:
+ <1.0%

West:
+ 15.0%

South:
+ 18.0%



Total U.S. Enrollment Growth: 8.0%

Between 2006 and 2018 enrollment in public elementary and secondary schools is projected to increase in 34 states as well as the District of Columbia and decline in 16 states, translating into an 8.0% national increase in public school enrollment.

Projected Enrollment Growth in Key Adoption States, 2006–2018

Texas	32.1%
Florida	24.0%
North Carolina	22.9%
Virginia	11.5%
California	8.6%

Source: U.S. Department of Education, National Center for Education Statistics, "Projections of Education Statistics to 2018"

Mapping the Adoption Process

In the adoption process, a state education board selects elementary and secondary textbooks to be placed on an approved list. To use state education funds, local school districts must choose textbooks from the approved list. In adoption states, the state board issues curriculum guidelines and schedules the purchase of new books in each subject area. In the remaining states, known as "open territories," textbooks are purchased independently by local school districts or individual schools. There are no statewide purchasing schedules or state selected lists of textbooks.

Adoption States (20 States)

States in which school districts must purchase educational materials that have been "adopted" at the state level in order to qualify for state funding

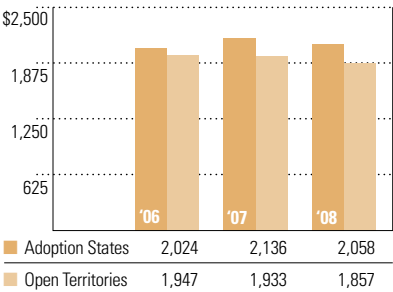
Open Territories (30 States)

States in which schools purchase educational materials independently

Notes:
California: Adopts for grades K–8; grades 9–12 are open territory
Utah and Oregon: Issue state-recommended lists, but do not tie textbook purchases to funding

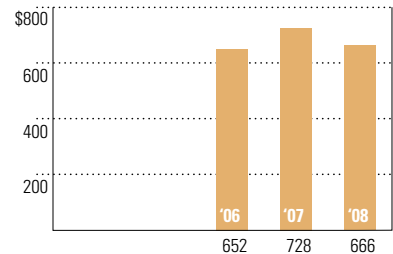
Adoption States, Open Territories, and Supplemental Sales

Industry Textbook Sales: Adoption States, Open Territories (Pre-K–12)
(dollars in millions)



Source: AAP, as reported by 6 publishers. Includes non grade-specific basal and supplemental materials. Excludes non-domestic sales of \$80 million, \$74 million, and \$79 million for 2008, 2007, and 2006, respectively

Supplemental Materials Market (Pre-K–12)
(dollars in millions)



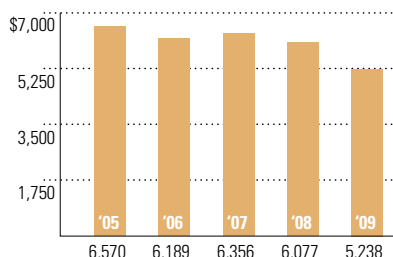
Source: AAP, as reported by 6 publishers. Includes non grade-specific materials

Pre-K-12 Market Sales

In 2009, sales of textbooks and educational materials for the pre-K-12 school market decreased approximately 14% to \$5.2 billion, according to the Association of American Publishers (AAP).

Estimated Total Pre-K-12 Industry Net Sales

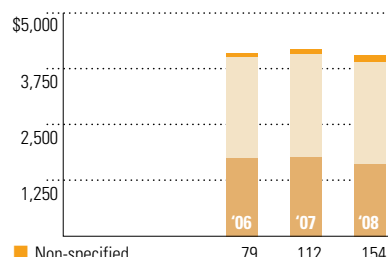
(dollars in millions)



Source: AAP. Includes sales of domestic and non-domestic products

Total Net Elementary/High School Sales

Basal, Supplemental, and Online Materials
(dollars in millions)



Source: AAP, as reported by 6 publishers. Includes sales of U.S. products only. Includes sales to foreign subsidiaries and third parties

Pre-K-6 Net Sales by State⁽¹⁾

Basal and Supplemental Materials

(dollars in thousands)	2008	% of 2008 Total	2007	2006
1 California	\$ 258,424	14.2%	\$ 287,598	\$ 292,475
2 Texas	183,839	10.1%	109,782	134,161
3 Florida	137,876	7.6%	96,573	110,506
Top 3 for 2008	\$ 580,139	31.9%	\$ 493,953	\$ 537,142
4 Illinois	100,553	5.5%	72,297	86,227
5 New York	97,619	5.4%	115,705	117,844
6 Pennsylvania	76,914	4.2%	70,943	74,060
7 Georgia	72,016	4.0%	71,803	47,707
8 New Jersey	58,772	3.2%	57,352	64,516
9 Ohio	57,361	3.2%	67,592	63,933
10 Louisiana	45,697	2.5%	36,318	27,635
Top 10 for 2008	\$1,089,071	59.9%	\$ 985,963	\$1,019,064
11 Alabama	43,680	2.4%	24,555	29,236
12 Arizona	43,493	2.4%	49,500	47,143
13 North Carolina	40,647	2.2%	43,502	61,073
14 Indiana	34,000	1.9%	49,594	35,708
15 Michigan	32,282	1.8%	32,126	43,507
Top 15 for 2008	\$1,283,173	70.6%	\$1,185,240	\$1,235,731
All others	\$ 533,836	29.4%	\$ 597,760	\$ 562,033
Total domestic U.S.	\$1,817,011	100.0%	\$1,783,004	\$1,797,762

6-12 Net Sales by State⁽¹⁾

Basal and Supplemental Materials

(dollars in thousands)	2008	% of 2008 Total	2007	2006
1 California	\$ 225,596	15.9%	\$ 260,283	\$ 248,094
2 New York	106,530	7.5%	91,978	81,428
3 Georgia	79,021	5.6%	56,339	44,227
Top 3 for 2008	\$ 411,147	29.0%	\$ 408,600	\$ 373,749
4 Indiana	63,840	4.5%	12,707	24,344
5 Illinois	63,049	4.5%	76,533	75,754
6 Pennsylvania	52,760	3.7%	57,268	56,657
7 North Carolina	50,057	3.5%	18,987	53,221
8 Ohio	48,657	3.4%	49,204	48,847
9 Texas	46,286	3.3%	188,770	53,152
10 New Jersey	45,735	3.2%	44,084	45,627
Top 10 for 2008	\$ 781,531	55.2%	\$ 856,153	\$ 731,351
11 Tennessee	42,979	3.0%	13,456	41,598
12 Florida	41,689	2.9%	88,101	121,957
13 Michigan	39,496	2.8%	36,370	40,121
14 Missouri	34,850	2.5%	34,766	35,771
15 Louisiana	33,490	2.4%	34,258	17,720
Top 15 for 2008	\$ 974,035	68.8%	\$1,063,104	\$ 988,518
All others	\$ 441,991	31.2%	\$ 481,311	\$ 516,319
Total domestic U.S.	\$1,416,022	100.0%	\$1,544,413	\$1,504,835

Pre-K-6 Sales by Subject Category⁽²⁾

(dollars in millions)	2008	% of 2008 total	2007	% of 2007 total	2006	% of 2006 total
Reading/Literature	\$ 693	38.2%	\$ 652	36.6%	\$ 689	38.3%
Mathematics	652	35.9%	512	28.7%	480	26.7%
Science	176	9.7%	233	13.1%	168	9.4%
Social Studies	127	7.0%	167	9.4%	191	10.6%
Language Arts/English	79	4.3%	86	4.8%	98	5.4%
Music	39	2.1%	53	3.0%	51	2.8%
Computer/Technology	11	0.6%	11	0.6%	10	0.6%
All others	40	2.2%	68	3.8%	110	6.1%
Total	\$1,817	100.0%	\$1,783	100.0%	\$1,798	100.0%

6-12 Sales by Subject Category⁽²⁾

(dollars in millions)	2008	% of 2008 total	2007	% of 2007 total	2006	% of 2006 total
Mathematics	\$ 321	22.7%	\$ 386	25.0%	\$ 261	17.3%
Science	253	17.9%	317	20.5%	297	19.7%
Reading/Literature	237	16.8%	160	10.4%	176	11.7%
Social Studies	231	16.3%	275	17.8%	305	20.3%
Foreign Language	114	8.1%	136	8.8%	108	7.2%
Business Education	45	3.2%	45	2.9%	50	3.3%
Computer/Technology	39	2.8%	35	2.3%	38	2.5%
All others	174	12.3%	189	12.3%	270	17.9%
Total	\$1,416	100.0%	\$1,544	100.0%	\$1,505	100.0%

(1) Source: AAP, as reported by 6 publishers. Excludes supplemental and non grade-specific basal materials. State ranking varies each year in accordance with adoption cycle

(2) Source: AAP, as reported by 6 publishers. Excludes supplemental and non grade-specific basal materials, and non-domestic