

SCHOLASTIC CORP  
Form 10-K  
July 30, 2007

---

United States  
Securities and Exchange Commission  
Washington, D.C. 20549

Form 10-K

**Annual Report pursuant to section 13 or 15(d) of  
the Securities Exchange Act of 1934**

For the fiscal year ended May 31, 2007 | Commission File No. 000-19860

**Scholastic Corporation**

(Exact name of Registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**13-3385513**

(IRS Employer Identification No.)

**557 Broadway, New York, New York**

(Address of principal executive offices)

**10012**

(Zip Code)

Registrant's telephone number, including area code: (212) 343-6100

Securities Registered Pursuant to Section 12(b) of the Act:

---

Title of class	Name of Each Exchange on Which Registered
Common Stock, \$0.01 par value	The NASDAQ Stock Market LLC

---

Securities Registered Pursuant to Section 12(g) of the Act:  
NONE

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of Act. Yes o No x

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

## Edgar Filing: SCHOLASTIC CORP - Form 10-K

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

☒ Large accelerated filer    ☐ Accelerated filer    ☐ Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

The aggregate market value of the Common Stock, par value \$0.01, held by non-affiliates as of November 30, 2006, was approximately \$1,134,508,532. As of such date, non-affiliates held no shares of the Class A Stock, \$0.01 par value. There is no active market for the Class A Stock.

The number of shares outstanding of each class of the Registrant's voting stock as of June 30, 2007 was as follows: 36,583,142 shares of Common Stock and 1,656,200 shares of Class A Stock.

### Documents Incorporated By Reference

Part III incorporates certain information by reference from the Registrant's definitive proxy statement for the Annual Meeting of Stockholders to be held September 19, 2007.

---

---

## Table of Contents

		PAGE
<b><u>Part I</u></b>		
<b><u>Item 1.</u></b>	<u>Business</u>	1
<b><u>Item 1A.</u></b>	<u>Risk Factors</u>	11
<b><u>Item 1B.</u></b>	<u>Unresolved Staff Comments</u>	14
<b><u>Item 2.</u></b>	<u>Properties</u>	14
<b><u>Item 3.</u></b>	<u>Legal Proceedings</u>	14
<b><u>Item 4.</u></b>	<u>Submission of Matters to a Vote of Security Holders</u>	14
<b><u>Part II</u></b>		
<b><u>Item 5.</u></b>	<u>Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	15
<b><u>Item 6.</u></b>	<u>Selected Financial Data</u>	17
<b><u>Item 7.</u></b>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	18
<b><u>Item 7A.</u></b>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	33
<b><u>Item 8.</u></b>	<u>Consolidated Financial Statements and Supplementary Data</u>	35
	<u>Consolidated Statements of Income</u>	37
	<u>Consolidated Balance Sheets</u>	38
	<u>Consolidated Statements of Changes in Stockholders’ Equity and Comprehensive Income</u>	40
	<u>Consolidated Statements of Cash Flows</u>	42
	<u>Notes to Consolidated Financial Statements</u>	43
	<u>Reports of Independent Registered Public Accounting Firm</u>	68
	<u>Supplementary Financial Information</u>	70
<b><u>Item 9.</u></b>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	71
<b><u>Item 9A.</u></b>	<u>Controls and Procedures</u>	71
<b><u>Item 9B.</u></b>	<u>Other Information</u>	71
<b><u>Part III</u></b>		
<b><u>Item 10.</u></b>	<u>Directors, Executive Officers and Corporate Governance</u>	72
<b><u>Item 11.</u></b>	<u>Executive Compensation</u>	72
<b><u>Item 12.</u></b>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	72
<b><u>Item 13.</u></b>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	72
<b><u>Item 14.</u></b>	<u>Principal Accounting Fees and Services</u>	72
<b><u>Part IV</u></b>		
<b><u>Item 15.</u></b>	<u>Exhibits and Financial Statement Schedules</u>	73
	<u>Signatures</u>	76
	<u>Power of Attorney</u>	76
	<u>Schedule II: Valuation and Qualifying Accounts and Reserves</u>	S-2

## Part I

### Item 1 | Business

#### Overview

Scholastic Corporation (the “Corporation” and together with its subsidiaries, “Scholastic” or the “Company”) is a global children’s publishing, education and media company. Since its founding in 1920, Scholastic has emphasized quality products and a dedication to reading and learning. The Company is the world’s largest publisher and distributor of children’s books and a leading developer of educational technology products. Scholastic also creates quality educational and entertainment materials and products for use in school and at home, including magazines, children’s reference and non-fiction materials, teacher materials, television programming, film, videos and toys. The Company is a leading operator of school-based book clubs and book fairs and continuity programs in the United States. It distributes its products and services through these proprietary channels, as well as directly to schools and libraries, through retail stores and the internet. The Company’s website, [scholastic.com](http://scholastic.com), is a leading site for teachers, classrooms and parents and an award-winning destination for children. In addition to its operations in the United States, Scholastic has long-established operations in Canada, the United Kingdom, Australia, New Zealand and Asia and newer operations in Argentina, China, India, Ireland and Mexico and, through its export business, sells products in over 135 countries.

#### Operating Segments

The Company categorizes its businesses into four operating segments: *Children’s Book Publishing and Distribution*; *Educational Publishing*; *Media, Licensing and Advertising* (which collectively represent the Company’s domestic operations); and *International*. This classification reflects the nature of products and services consistent with the method by which the Company’s chief operating decision-maker assesses operating performance and allocates resources. Revenues and operating margin related to a segment’s products sold or services rendered through another segment’s distribution channel are reallocated to the segment originating the products or services.

The following table sets forth revenues by operating segment for the three fiscal years ended May 31:

	(Amounts in millions)					
	2007		2006		2005	
Children’s Book Publishing and Distribution	\$	1,155.3	\$	1,304.0	\$	1,152.5
Educational Publishing		412.7		416.1		404.6
Media, Licensing and Advertising		162.5		151.6		133.1
International		448.6		412.1		389.7
<b>Total</b>	<b>\$</b>	<b>2,179.1</b>	<b>\$</b>	<b>2,283.8</b>	<b>\$</b>	<b>2,079.9</b>

Additional financial information covering the Company’s operating segments is included in Note 2 of Notes to Consolidated Financial Statements in Item 8, “Consolidated Financial Statements and Supplementary Data,” which is included herein.

#### CHILDREN’S BOOK PUBLISHING AND DISTRIBUTION

(53.0% of fiscal 2007 revenues)

#### General

The Company’s *Children’s Book Publishing and Distribution* segment includes the publication and distribution of children’s books in the United States through school-based book clubs and book fairs, school-based and direct-to-home continuity programs and the trade channel.

The Company is the world’s largest publisher and distributor of children’s books and is the largest operator of school-based book clubs and school-based book fairs in the United States. The Company is also a leading publisher of children’s books distributed through the trade channel and the leading distributor in the United States of children’s books through direct-to-home continuity programs primarily for children ages five

## Edgar Filing: SCHOLASTIC CORP - Form 10-K

and younger. In fiscal 2007, the Company published or distributed approximately 400 million children's books in the United States.

Scholastic offers a broad range of children's books, many of which have received awards for excellence in children's literature, including the Caldecott and Newbery Awards.

The Company obtains titles for sale through its distribution channels from three principal sources. The first source for titles is the Company's publication of books created under exclusive agreements with authors, illustrators, book packagers or other media companies. Scholastic generally controls the exclusive rights to sell these titles through all channels of distribution in the United States and, to a lesser extent, internationally. Scholastic's second source of titles is licenses to publish books exclusively in specified channels of distribution, including reprints of books originally published by others for which the Company acquires rights to sell in the school market and original publications for exclusive sale in direct-to-home continuity programs. The third source of titles is the Company's purchase of finished books from other publishers to be sold in the school market.

### **School-Based Book Clubs**

Scholastic founded its first school-based book club in 1948. The Company's school-based book clubs consist of *Honeybe*®, serving children ages 1½ to 4; *Firefly*®, serving pre-kindergarten ("pre-K") and kindergarten ("K") students; *SeeSaw*®, serving students grades K to 1; *Lucky*®, serving students grades 2 to 3; *Arrow*®, serving students grades 4 to 6; *TAB*®, serving students grades 7 to 12; and *Club Leo*™, which provides Spanish language offers to students pre-K to grade 8. In fiscal 2007, the Company implemented its previously announced plan to eliminate two of its smaller clubs, *Trumpet*® and *Troll*®/*Carnival*®. In addition to its regular offers, the Company creates special theme-based offers targeted to different grade levels during the year.

The Company mails promotional materials containing order forms to teachers in the vast majority of the pre-K to grade 8 classrooms in the United States. Teachers who wish to participate in a school-based book club distribute the order forms to their students, who may choose from selections at substantial reductions from list prices. The teacher aggregates the students' orders and forwards them to the Company by internet, phone, mail or fax. The Company estimates that over 80% of all elementary school teachers in the United States participate in the Company's school-based book clubs. In fiscal 2007, orders through the internet accounted for approximately 50% of total book club orders. The orders are then shipped to the teacher for distribution to the students. Teachers who participate in the book clubs receive bonus points, which may be redeemed for the purchase of additional books and other resource materials for their classrooms or the school.

### **School-Based Book Fairs**

Scholastic entered the school-based book fair business in 1981. Since that date, the Company has grown this business by expanding into new markets, including through selected acquisitions, and by increasing its business in its existing markets by (i) growing revenue on a per fair basis and (ii) increasing the number of fairs held at its existing school customers. The Company is the leading operator of school-based book fairs in the United States.

Book fairs are generally week-long events conducted on school premises, operated by school librarians and/or parent-teacher organizations. Book fair events provide children with access to hundreds of titles and allow them to purchase books and other select products at the school. The Company provides books to schools for resale, and the schools conduct the book fairs as fundraisers for a variety of purposes, such as to purchase books, supplies and equipment for the school, and to make quality books available to their students in order to stimulate interest in reading.

The Company operates school-based book fairs in all 50 states under the name *Scholastic Book Fairs*®. Books and display cases are delivered to schools from the Company's warehouses principally by a fleet of leased vehicles. Sales and customer service functions are performed from regional sales offices supported by field representatives and from the Company's distribution facilities in Missouri and Arkansas. Over 85% of the schools that sponsored a Scholastic book

fair in fiscal 2006 sponsored a Scholastic book fair again in fiscal 2007.

### Continuity Programs

The Company operates continuity programs whereby families generally place an order to receive multiple shipments of children's books over a period of time. Continuity programs are promoted through (i) direct-to-home offers, primarily through print promotions, the internet, telemarketing and direct mail, and (ii) offers in the Company's school-based book clubs. The Company's direct-to-home continuity business is the leading direct-to-home seller of books for children age five and under. In fiscal 2007, offerings through the Company's direct-to-home continuity business included Scholastic publishing properties, such as *The New Book of Knowledge*® encyclopedia, *My First Steps to Learning*® and Scholastic's *Phonics Reading Program*, as well as licensed programs, such as *Disney Wonderful World of Reading*™, *Dr. Seuss and Friends*™, *Nick Jr.*™, *Play to Learn*, and *Veggie Tales*™. Continuity programs offered through Scholastic's school-based book clubs include *Care Bears*™, *Madeline*™, *Thomas and Friends*™, *Ultimate Spy University*™ and *How to Master Everything*.

### Trade

Scholastic is a leading publisher of children's books sold through bookstores and mass merchandisers in the United States. The Company maintains approximately 6,000 titles for trade distribution. Scholastic's original publications include *Harry Potter*®, *I Spy*™, *Captain Underpants*®, *Clifford The Big Red Dog*®, *Geronimo Stilton*® and *Goosebumps*® and licensed properties such as *Taggies*®, *Scooby-Doo*®, *Star Wars*® and *Littlest Pet Shop*. In addition, the Company's Klutz® imprint is a publisher and creator of "books plus" products for children, including titles such as *Paper Fashions* and *How to Make Paper Airplanes*.

The Company's trade sales organization focuses on marketing and selling Scholastic's publishing properties to bookstores, mass merchandisers, specialty sales outlets and other book retailers. Scholastic bestsellers during fiscal 2007 included books from the *Harry Potter*, *Captain Underpants*, *I Spy*, *Taggies*, *Lego* and *Charlie Bone*™ series and individual titles, such as *The Wandmaker's Guidebook*, *The Invention of Hugo Cabret* and *I Love You Through and Through*.

### Other

Also included in this segment is The Book People, a direct seller of books for children and adults through display marketing and corporate book fairs in hospitals, office buildings and other point of sale locations. In fiscal 2007, the Company decided to focus on growing the more profitable corporate book fairs portion of this business and, as a result, exited the display marketing portion of this business.

### EDUCATIONAL PUBLISHING

(18.9% of fiscal 2007 revenues)

#### General

The Company's *Educational Publishing* segment includes the production and/or publication and distribution to schools and libraries of educational technology products, curriculum materials, children's books, classroom magazines and print and on-line reference and non-fiction products for grades pre-K to 12 in the United States.

The Company is a leading provider of educational technology products and reading materials for schools and libraries. Scholastic has been providing quality, innovative educational materials to schools and libraries since it began publishing classroom magazines in the 1920s. The Company added supplementary books and texts to its product line in the 1960s, professional books for teachers in the 1980s and early childhood products and core curriculum materials, including educational technology products, in the 1990s. In 1996, the Company strengthened its Spanish language offerings through the acquisition of Lectorum Publications, Inc., the largest Spanish language book distributor to schools and libraries in the United States. As a result of the acquisition of Grolier Incorporated ("Grolier") in 2000, the Company is the leading print and on-line publisher of children's reference and non-fiction products sold primarily to school libraries in the United States. In 2002, the Company acquired Tom Snyder Productions, Inc., a developer and publisher of interactive educational

software. The Company markets and sells its *Educational Publishing* products through a combination of field representatives, direct mail, telemarketing and the internet.

### **Curriculum Publishing and Educational Technology**

Scholastic's curriculum publishing operations develop and distribute instructional materials directly to schools in the United States, primarily purchased through school and district budgets. These core curriculum operations include reading improvement programs and educational technology products.

The Company focuses its core curriculum publishing efforts on reading improvement materials and the effective use of technology to support learning. Scholastic's technology-based reading improvement programs include *READ 180*, a reading intervention program for students in grades 4 to 12 reading at least two years below grade level, *SCHOLASTIC ZIP ZOOM*™ for grades K to 3, which supports beginning reading skills for English language learners, *ReadAbout*® for grades 3 to 6, which combines adaptive technology with engaging non-fiction content, *Scholastic Reading Counts*™, which encourages reading through a school-managed incentive program, and *FASTT Math*™, a technology-based program to improve math fluency, developed with the creator of *READ 180*, as well as *Grolier Online*®, which provides subscriptions to reference databases for schools and libraries. The Company considers its educational technology products, such as *READ 180*, to be the fastest growing portion of *Educational Publishing* and, as of May 31, 2007, has focused Scholastic Education on technology.

### **Scholastic Classroom and Library Publishing**

The Company distributes paperback collections to schools and school districts for classroom libraries and other uses, as well as to literacy organizations. Scholastic is a leading publisher of quality children's reference and non-fiction products and encyclopedias sold primarily to schools and libraries in the United States. Products include *The New Book of Knowledge* and reference materials published under the Grolier® name. The Company's products also include non-fiction books published in the United States under the imprints Children's Press® and Franklin Watts®, including books from the *America the Beautiful*, *Enchantment of the World* and *True Books* series, as well as Lectorum products.

Scholastic is a leading publisher of classroom magazines. Teachers in grades pre-K to 12 use these magazines as supplementary educational materials. The Company's 31 classroom magazines supplement formal learning programs by bringing subjects of current interest into the classroom.

The magazines are designed to encourage students to read and also to cover diverse subjects, including literature, math, science, current events, social studies and foreign languages. The most well known of the Company's domestic magazines are *Scholastic New!*® and *Junior Scholastic*®.

Scholastic's classroom magazine circulation in the United States in fiscal 2007 was more than 8.1 million, with approximately two-thirds of the circulation in grades pre-K to 6. In fiscal 2007, teachers in approximately 65% of the schools in the United States used the Company's classroom magazines. The various classroom magazines are distributed either on a weekly, biweekly or monthly basis during the school year and are supplemented by timely materials featured on the Company's website, [scholastic.com](http://scholastic.com).

The majority of the magazines purchased are paid for with school or district funds, with teachers or students paying for the balance. Circulation revenue accounted for substantially all of the classroom magazine revenues in fiscal 2007.

### **Teaching Resources**

The Company publishes and sells professional books designed for and generally purchased by teachers, both directly from the Company and through teacher stores and booksellers. The Company also operates its own on-line Teacher Store, which provides professional books and other educational materials to schools and teachers, and [scholastic.com](http://scholastic.com) is a leading website for teachers and classrooms, offering multimedia teaching units, lesson plans, teaching tools and on-line activities.



---

**MEDIA, LICENSING AND ADVERTISING**

(7.5% of fiscal 2007 revenues)

**General**

The Company's *Media, Licensing and Advertising* segment includes the production and/or distribution of media and electronic products and programs (including children's television programming, videos, DVD's, software, feature films, interactive and audio products, promotional activities and non-book merchandise); and advertising revenue, including sponsorship programs.

**Production and Distribution**

Through Scholastic Entertainment Inc. ("SEI"), Soup2Nuts Inc. ("S2N") and the Weston Woods Studio, the Company's entertainment and media division creates and produces television programming, videos, DVD's, feature films, and branded websites. SEI builds consumer awareness and value for the Company's franchises by creating family-focused shows that form the basis for global branding campaigns. Scholastic Media generates revenue by exploiting these assets globally across multiple media formats and by developing and executing brand-marketing campaigns.

SEI has built a television library of over 400 half-hour productions, including: *Clifford The Big Red Dog*, *Clifford's Puppy Days*<sup>TM</sup>, *Maya & Miguel*<sup>TM</sup>, *The Magic School Bus*, *I Spy*, *Goosebumps*, *Animorphs*<sup>®</sup>, *Dear America*<sup>®</sup> and *The Baby-sitters Club*<sup>®</sup>. These series have been sold in the United States and internationally in various media formats. In fiscal 2007, the Company participated in the organization of a new children's programming network, which produces educational children's television programming under the name qubo. This programming network features bilingual content with a mission to promote literacy and values in children's television. The Company offered Dav Pilkey's *Dragon* television series as its first programming contribution to the new network and in addition produced 15 thirty-second pro-literacy public service announcements, which air twice per hour.

In fiscal 2007, the Company announced that SEI would be the producer of *The Golden Compass*, which is a feature film, scheduled to be released in late 2007 based on the first book in Philip Pullman's best-selling trilogy, *His Dark Materials*. SEI is also the licensing agent for *The Golden Compass*, and the Company controls worldwide tie-in publishing rights.

S2N, an award-winning producer of animated television and web programming, has produced over 100 half-hour episodes of television programming, including the animated series *Time Warp Trio* and *O'Grady*<sup>TM</sup>. In fiscal 2007, S2N commenced production of a new animated series called *WordGirl*<sup>TM</sup>, scheduled to be broadcast in the fall of 2007, about a fifth grade girl who transforms into a super-heroine and uses vocabulary to defeat villains.

Weston Woods Studios creates audiovisual adaptations of classic children's picture books, such as *Where the Wild Things Are*, *Chrysanthemum* and *Make Way for Ducklings*, that are initially produced for the school and library market as a supplemental educational resource. SEI has repackaged 40 titles for sale to the consumer market under the *Scholastic Video Collection* banner. Weston Woods Studios has received numerous awards, including eight Andrew Carnegie Medals for Excellence in Children's Video and an Academy Award nomination.

**Brand Marketing and Consumer Products**

Scholastic Media creates and develops award-winning global branding campaigns for Scholastic properties in order to extend and strengthen Scholastic's consumer connection with parents, children and teachers. In addition to licensing rights for consumer products, SEI designs, manufactures and distributes consumer products primarily based on Scholastic's literary properties, such as a line of upscale plush toys and wooden puzzles based on *Clifford The Big Red Dog*, *The Magic School Bus*, *The Real Mother Goose*<sup>®</sup>, *Maya & Miguel*, *Kim Parker Kids*<sup>TM</sup>, *No David*<sup>TM</sup>, *Fergus*<sup>TM</sup> and *Dear Mrs. LaRue*<sup>TM</sup>.

The products are available through independent toy/gift stores, specialty chains, department stores,

mail order catalogs and bookstores, as well as through Scholastic's school-based book clubs, school-based book fairs and continuity programs.

### **Software and Interactive Products**

Scholastic Media distributes original and licensed consumer software, handheld and console products with accessories and DVDs for grades K to 8 through its school-based software clubs, book clubs and book fairs and its continuity programs, as well as the library/teacher market and the trade market. The Company acquires software and interactive products for distribution in all of these channels through a combination of licensing, purchases of product from software publishers and internal development. The Company's CD-ROM and Leapster titles include the award-winning series *I Spy*, *Brain Play*, *Clifford*, *Animal Genius* and *Math Missions*<sup>TM</sup>.

### **Advertising**

Certain of the Company's magazine properties generate advertising revenues as their primary source of revenue, including *Instructor*<sup>®</sup>, *Scholastic Administrator*<sup>TM</sup> and *Coach and Athletic Director*<sup>TM</sup>, which are directed to teachers and education professionals and are distributed during the academic year. Subscriptions for these magazines are solicited primarily by direct mail, with total circulation of approximately 330,000 in fiscal 2007. *Scholastic Parent and Child*<sup>®</sup> magazine, which is directed at parents and distributed through schools and childcare programs, had circulation of approximately 1.2 million in fiscal 2007. These magazines carry paid advertising, advertising for Scholastic products and paid advertising for clients that sponsor customized programs.

### **Other**

Also included in this segment are: Scholastic In-School Marketing, which develops sponsored educational materials and supplementary classroom programs in partnership with corporations, government agencies and nonprofit organizations; Back to Basics Toys<sup>®</sup>, a direct-to-home catalog business specializing in children's toys; and Quality Education Data, which develops and markets databases and provides research and analysis focused on teachers, schools and education.

### **INTERNATIONAL**

(20.6% of fiscal 2007 revenues)

### **General**

The *International* segment includes the publication and distribution of products and services outside the United States by the Company's international operations, and its export and foreign rights businesses.

Scholastic has long-established operations in Canada, the United Kingdom, Australia, New Zealand and Asia and also has newer operations in Argentina, China, India, Ireland and Mexico. Scholastic's operations in Canada, the United Kingdom and Australia generally mirror its United States business model. The Company's international operations have original trade and educational publishing programs; distribute children's books, software and other materials through school-based book clubs, school-based book fairs, trade channels and direct-to-home continuity programs; distribute magazines; and offer on-line services. Many of the Company's international operations also have their own export and foreign rights licensing programs and are book publishing licensees for major media properties. Original books published by most of these operations have received awards of excellence in children's literature. In Asia, the Company primarily publishes and distributes reference products and provides services under the Grolier name.

### **Canada**

Scholastic Canada, founded in 1957, is a leading publisher and distributor of English and French language children's books, is the largest school-based book club and school-based book fair operator in Canada and is one of the leading suppliers of original or licensed children's books to the Canadian trade market. Since 1965, Scholastic Canada has also produced quality Canadian-authored books and educational materials, including an early reading program sold to schools for grades K-6. Grolier Canada is a leading operator of direct-to-home continuity programs in Canada.

## **United Kingdom**

Scholastic UK, founded in 1964, is the largest school-based book club and school-based book fair operator and a leading children's publisher in the United Kingdom. Scholastic UK also publishes magazines for teachers and supplemental educational materials, including professional books. Grolier UK is a leading operator of direct-to-home continuity programs in the United Kingdom.

## **Australia**

Scholastic Australia, founded in 1968, is the largest school-based book club and book fair operation in Australia, reaching approximately 90% of the country's primary schools. Scholastic Australia publishes quality children's books supplying the Australian trade market. Scholastic Australia also operates direct-to-home continuity programs.

## **New Zealand**

Scholastic New Zealand, founded in 1964, is the largest children's book publisher and the leading book distributor to schools in New Zealand. Through its school-based book clubs and book fairs, Scholastic New Zealand reaches approximately 90% of the country's primary schools.

## **Asia**

The Company's Asia operations primarily sell English language reference materials and local language products through a network of over 1,500 independent door-to-door sales representatives in India, Indonesia, Malaysia, the Philippines, Singapore, and Thailand. In India, the Company also operates school-based book clubs and book fairs and publishes original titles in the English and Hindi languages. In the Philippines, the Company also operates school-based book fairs, and in Malaysia, the Company operates school-based book clubs and continuity programs. In China, Scholastic operates tutorial centers that provide English language training to students.

## **Latin America**

In Latin America, the Company has operations in Mexico, Argentina and Puerto Rico. These businesses principally distribute books and educational material published by Scholastic, as well as merchandise from other publishers, through school-based book clubs and book fairs. In Puerto Rico, Scholastic also distributes Spanish language reference materials through a network of independent door-to-door sales representatives and sells educational books and educational technology programs to public and private schools.

## **Foreign Rights and Export**

The Company licenses the rights to selected Scholastic titles for translation in over 35 languages to other publishing companies around the world. The Company's export business sells educational materials, software and children's books to schools, libraries, bookstores and other book distributors in over 135 countries that are not otherwise directly serviced by Scholastic subsidiaries. The Company partners with governments and non-governmental agencies to create and distribute books to public schools in developing countries.

## **MANUFACTURING AND DISTRIBUTION**

The Company's books, magazines, software and interactive products and other materials and products are manufactured by third parties under contracts entered into through arms-length negotiations or competitive bidding. As appropriate, the Company enters into multi-year agreements that guarantee specified volume in exchange for favorable pricing terms. Paper is purchased from paper mills and other third party sources. The Company does not anticipate any difficulty in continuing to satisfy its manufacturing and paper requirements.

In the United States, the Company mainly processes and fulfills school-based book club, trade, curriculum publishing, reference and non-fiction products and export orders from its primary warehouse and distribution facility in Jefferson City, Missouri. Magazine orders are processed at the Jefferson City facility and are shipped directly from printers. The Company's distribution facility in Maumelle, Arkansas principally serves as the Company's primary packaging and fulfillment center for its continuity programs. In connection with its trade business, the Company generally outsources certain services, including invoicing, billing, returns processing and collection services, and also ships product directly

from printers to customers. School-based book fair orders are fulfilled through a network of warehouses across the country. The Company's international school-based book club, school-based book fair, trade, continuity businesses and educational operations use similar distribution systems.

#### **SEASONALITY**

The Company's school-based book clubs, school-based book fairs and most of its magazines operate on a school-year basis. Therefore, the Company's business is highly seasonal. As a result, the Company's revenues in the first and third quarters of the fiscal year generally are lower than its revenues in the other two fiscal quarters. Typically, school-based book club and book fair revenues are greatest in the second quarter of the fiscal year, while revenues from the sale of instructional materials and educational technology products are highest in the first quarter. The Company experiences a loss from operations in the first and third quarters of each fiscal year.

#### **COMPETITION**

The markets for children's educational, educational technology and entertainment materials are highly competitive. Competition is based on the quality and range of materials made available, price, promotion, customer service and distribution channels. Competitors include numerous other book, textbook, library, reference material and supplementary text publishers, distributors and other resellers (including over the internet) of children's books and other educational materials, national publishers of classroom and professional magazines with substantial circulation, numerous producers of television, video and film programming (many of which are substantially larger than the Company), television and cable networks, publishers of computer software and interactive products, and distributors of products and services on the internet. In the United States, competitors also include regional and local school-based book fair operators, other fundraising activities in schools, and bookstores. Competition may increase to the extent that other entities enter the market and to the extent that current competitors or new competitors develop and introduce new materials that compete directly with the products distributed by the Company or develop or expand competitive sales channels.

#### **COPYRIGHT AND TRADEMARKS**

As an international publisher and distributor of books, software and other media products, Scholastic aggressively utilizes the intellectual property protections of the United States and other countries in order to maintain its exclusive rights to identify and distribute many of its products. Accordingly, SCHOLASTIC is a trademark registered in the United States and in a number of countries where the Company conducts business. The Corporation's principal operating subsidiary in the United States, Scholastic Inc., and the Corporation's international subsidiaries have registered and/or have pending applications to register in relevant territories trademarks for important services and programs. All of the Company's publications, including books, magazines, and software and interactive products, are subject to copyright protection both in the United States and internationally. The Company seeks to obtain the broadest possible intellectual property rights for its products, and because inadequate legal and technological protections for intellectual property and proprietary rights could adversely affect operating results, the Company vigorously defends those rights against infringement.

#### **EMPLOYEES**

At May 31, 2007, the Company employed approximately 6,700 people in full-time jobs and 900 people in part-time jobs in the United States and approximately 2,600 people outside the United States. The number of part-time employees fluctuates during the year because significant portions of the Company's business are closely correlated with the school year. The Company believes that relations with its employees are good.

---

**Executive Officers**

Each of the following individuals serves as an executive officer of Scholastic until the first meeting of the Corporation's Board of Directors following the Annual Meeting of Stockholders of Scholastic Corporation in September 2007 and until their successors have been elected or appointed and qualified or until such officer's earlier resignation or removal.

---

<b>Name</b>	<b>Age</b>	<b>Employed by Registrant Since</b>	<b>Position(s) for Past Five Years</b>
<b>Richard Robinson</b>	70	1962	Chairman of the Board (since 1982), President (since 1974) and Chief Executive Officer (since 1975).
<b>Maureen O'Connell</b>	45	2007	Executive Vice President, Chief Administrative Officer and Chief Financial Officer (since 2007). Prior to joining the Company, Executive Vice President and Chief Financial Officer of Affinion Group, Inc., an affinity marketing company (2005-2006); President and Chief Operating Officer (2003-2004) and Executive Vice President and Chief Financial and Administrative Officer (2002-2003) of Gartner, Inc., an information technology and research advisory firm; and Executive Vice President and Chief Financial Officer of Barnes & Noble, Inc. (2000-2002).
<b>Deborah A. Forte</b>	53	1983	Executive Vice President (since 1996), President, Scholastic Media (since 2006) and Scholastic Entertainment Inc. (since 2001) and Division Head, Scholastic Entertainment Inc. (1995-2001).
<b>Lisa Holton</b>	45	2005	Executive Vice President and President, Book Fairs and Trade (since 2005). Prior to joining the Company, Senior Vice President, Publisher, Global Disney Children's Books (2001-2005), and Vice President and Group Publisher of Disney Children's Books (1999-2001).
<b>Margery W. Mayer</b>	55	1990	Executive Vice President (since 1990), President, Scholastic Education (since 2002) and Executive Vice President, Learning Ventures (1998-2002).
<b>Judith A. Newman</b>	49	1993	Executive Vice President and President, Book Clubs (since 2005) and Scholastic At Home (2005-2006); Senior Vice President and President, Book Clubs and Scholastic At Home (2004-2005); and Senior Vice President, Book Clubs (1997-2004).

---

Name	Age	Employed by Registrant Since	Position(s) for Past Five Years
<b>Seth Radwell</b>	44	2005	Executive Vice President and President, eScholastic (since 2005) and Scholastic At Home (since 2006). Prior to joining the Company, President, Marketing & Editorial Group, Bookspan (2002-2005); and Chief Executive Officer and President, Doubleday Interactive (1999-2001).
<b>Hugh Roome</b>	55	1991	Executive Vice President (since 1996), President, International Group (since 2001) and Executive Vice President, International (2000-2001).
<b>Cynthia Augustine</b>	49	2007	Senior Vice President, Human Resources and Employee Services (since 2007). Prior to joining the Company, Senior Vice President of Talent Management for Time Warner, Inc. (2004-2005); and various positions at The New York Times Company Company, including Senior Vice President, Human Resources (1998 -2004) and President, Broadcast Group (2000-2004).
<b>Devereux Chatillon</b>	53	2006	Senior Vice President, General Counsel and Corporate Secretary (since 2006). Prior to joining the Company, partner at the law firm of Sonnenschein, Nath and Rosenthal, LLP (2003-2006); and various positions at Miramax Film Corp., including Executive Vice President, Miramax Books and Miramax Film Corp. (2002-2003) and Executive Vice President and General Counsel, Talk Magazine and Talk Miramax Books (1998-2002).
<b>Ernest B. Fleishman</b>	70	1989	Senior Vice President, Education and Corporate Relations (since 1989).
<b>Beth Ford</b>	43	2000	Senior Vice President, Global Operations and Information Technology (since 2002) and Senior Vice President, Global Operations (2000-2002).
<b>Heather J. Myers</b>	42	2003	Senior Vice President, Strategic Planning & Business Development (since 2003). Prior to joining the Company, an independent media & entertainment consultant (2002-2003); and from 1995-2001, various positions at Vivendi Universal (formerly Seagram Company Ltd.), including Executive Vice President/ General Manager, Universal Global e, Universal Music Group (1999-2001).

---

## Available Information

The Corporation's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports are accessible at the Investor Relations portion of its website, [scholastic.com](http://scholastic.com), by clicking on the "SEC Filings" tab and are available, without charge, as soon as reasonably practicable after such reports are electronically filed or furnished to the Securities and Exchange Commission ("SEC"). The Company also posts the dates of its upcoming scheduled financial press releases, telephonic investor calls and investor presentations on the "Calendar and Presentations" portion of its website at least five days prior to the event. The Company's investor calls are open to the public and remain available through the Company's website for at least one year thereafter.

The public may also read and copy materials that the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site, at [sec.gov](http://sec.gov), that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

## Item 1A | Risk Factors

Set forth below and elsewhere in this Annual Report on Form 10-K and in other documents that the Corporation files with the SEC are risks that should be considered in evaluating the Corporation's Common Stock, as well as risks and uncertainties that could cause the actual future results of the Company to differ from those expressed or implied in the forward-looking statements contained in this Report and in other public statements the Company makes. Additionally, because of the following risks and uncertainties, as well as other variables affecting the Company's operating results, the Company's past financial performance should not be considered an indicator of future performance.

### **If we cannot anticipate trends and develop new products or technologies responding to changing customer preferences, this could adversely affect our revenues or profitability.**

The Company operates in highly competitive markets that are subject to rapid change, including, in particular, changes in customer preferences. There are substantial uncertainties associated with the Company's efforts to develop successful educational, trade publishing, entertainment and software and interactive products and services for its customers, as well as to adapt its print materials to new technologies, including the internet. The Company makes significant investments in new products and services that may not be profitable, or whose profitability may be significantly lower than the Company has experienced historically.

### **Our financial results would suffer if we fail to meet successfully market needs in school-based book clubs and book fairs, two of our core businesses.**

The Company's school-based book clubs and book fairs are core businesses, which produce a substantial part of the Company's revenues. The Company is subject to the risk that it will not successfully develop and execute new promotional strategies for its school-based book clubs or book fairs in response to future customer trends or otherwise meet market needs in these businesses in a timely fashion, which would have an adverse effect on the Company's financial results.

### **If we fail to successfully execute our recent change in the business plan for our continuity business, it may adversely affect our financial results.**

The Company's direct-to-home continuity business was affected by the implementation of the National "Do-Not-Call Registry" legislation in 2003, which adversely affected the business and necessitated changes in marketing strategies and the development of new continuity products. In response, the Company adopted a significant change to the business plan for its direct-to-home continuity business, focusing on its more productive customers, which has, as anticipated, resulted in a decline in continuity revenues from historical levels. Recently, the Company has focused on acquiring new continuity customers through the internet and developing strategies to secure greater

---

follow-on sales to such customers. The Company is subject to the risk that it will not successfully execute this plan and that the continuity business may not return to its historical levels of profitability, in which event the Company may determine that it should exit the direct-to-home continuity business, which could adversely affect the Company's financial results.

**If we fail to maintain the continuance of strong relationships with our authors, illustrators and other creative talent, as well as to develop relationships with new creative talent, our business could be adversely affected.**

The Company's business, in particular the trade publishing and media portions of the business, is highly dependent on maintaining strong relationships with the authors, illustrators and other creative talent who produce the products and services that are sold to its customers. Any overall weakening of these relationships, or the failure to develop successful new relationships, could have an adverse impact on the Company's business and financial performance.

**If we fail to adapt to new purchasing patterns or requirements, our business and financial results could be adversely affected.**

The Company's business is affected significantly by changes in purchasing patterns or trends in, as well as the underlying strength of, the educational, trade, entertainment and software markets. In particular, the Company's educational publishing businesses may be adversely affected by budgetary restraints and other changes in state educational funding as a result of new legislation or regulatory actions, both at the federal and state level, as well as changes in the procurement process, to which the Company may be unable to adapt successfully.

**The competitive pressures we face in certain of our businesses could adversely affect our financial performance and growth prospects.**

The Company is subject to significant competition, including from other educational and trade publishers and media, entertainment and internet companies, many of which are substantially larger than the Company and have much greater resources. To the extent the Company cannot meet these challenges from existing or new competitors, including in the educational publishing business, and develop new product offerings to meet customer preferences or needs, the Company's revenues and profitability could be adversely affected.

**If we are unsuccessful in implementing our corporate strategy we may not be able to maintain our historical growth.**

Continuance of the Company's historical growth rate depends upon a number of factors, including the ability of the Company to implement successfully its strategies for the respective business units, the introduction and acceptance of new products and services and expansion in the global markets that the Company serves. Difficulties, delays or failures experienced in connection with any of these factors could materially affect the future growth of the Company.

**Increases in certain operating costs and expenses, which are beyond our control and can affect significantly our profitability, could adversely affect our operating performance.**

The Company's major expense categories include employee compensation and printing, paper and distribution (such as postage, shipping and fuel) costs. The Company offers its employees competitive salaries and benefit packages in order to attract and retain the quality of employees required to grow and expand its businesses. Compensation costs are influenced by general economic factors, including those affecting costs of health insurance, post-retirement benefits and any trends specific to the employee skill sets the Company requires. In addition, the Company's reported earnings would be adversely affected by increases in pension costs due to poor investment returns or changes in pension regulations. Paper prices fluctuate based on worldwide demand and supply for paper, in general, as well as for the specific types of paper used by the Company. If there is a significant disruption in the supply of paper or increase in these costs, which would generally be beyond the control of the Company, or if the Company's strategies to try to manage these costs, including additional cost savings initiatives, are



---

ineffective, the Company's results of operations could be adversely affected.

**The loss of or failure to obtain rights to intellectual property material to our businesses would adversely affect our financial results.**

The Company's products generally comprise intellectual property delivered through a variety of media. The ability to achieve anticipated results depends in part on the Company's ability to defend its intellectual property against infringement, as well as the breadth of rights obtained. The Company's operating results could be adversely affected by inadequate legal and technological protections for intellectual property and proprietary rights in some jurisdictions, markets and media, and the Company's revenues could be constrained by limitations on the rights that the Company is able to secure to exploit its intellectual property in different media and distribution channels.

**Because we sell our products and services in foreign countries, changes in currency exchange rates, as well as other risks and uncertainties, could adversely affect our operations and financial results.**

The Corporation has various operating subsidiaries domiciled in foreign countries. In addition, the Company sells products and services to customers located in foreign countries where it does not have operating subsidiaries. Accordingly, the Company could be adversely affected by changes in currency exchange rates, as well as by the political and economic risks attendant to conducting business in foreign countries. These risks include the potential of political instability in developing nations where the Company is conducting business.

**Certain of our activities are subject to weather risks, which could disrupt our operations or otherwise adversely affect our financial performance.**

The Company conducts many of its businesses and maintains warehouse and office facilities in locations that are at risk of being negatively affected by severe weather events, such as hurricanes, floods or snowstorms. For example, in the fall of 2005, a series of hurricanes had a severe impact on the Gulf Coast area of the United States, closing several thousand schools, displacing several hundred thousand students and their families and, in turn, affecting the schools that took in those children. This impacted the Company's school-based book clubs, school-based book fairs, continuities and education businesses. Accordingly, the Company could be adversely affected by any future significant weather event.

**Control of the Company resides in our Chairman of the Board, President and Chief Executive Officer and other members of his family through their ownership of Class A Stock, and the holders of the Common Stock generally have no voting rights in respect of transactions requiring stockholder approval.**

The voting power of the Corporation's capital stock is vested exclusively in the holders of Class A Stock, except for the right of the holders of Common Stock to elect one-fifth of the Board of Directors and except as otherwise provided by law or as may be established in favor of any series of preferred stock that may be issued. Richard Robinson, the Chairman of the Board, President and Chief Executive Officer, and other members of the Robinson family beneficially own all of the outstanding shares of Class A Stock and are able to elect up to four-fifths of the Corporation's Board of Directors and, without the approval of the Corporation's other stockholders, to effect or block other actions or transactions requiring stockholder approval, such as a merger, sale of substantially all assets or similar transactions.

**Forward-Looking Statements:**

This Annual Report on Form 10-K contains forward-looking statements. Additional written and oral forward-looking statements may be made by the Company from time to time in SEC filings and otherwise. The Company cautions readers that results or expectations expressed by forward-looking statements, including, without limitation, those relating to the Company's future business prospects, plans, strategies, goals, revenues, operating margins, working capital, liquidity, capital needs, interest costs and income, are subject to risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements, due

to factors including those noted in this Report and other risks and factors identified from time to time in the Company's filings with the SEC.

These factors should not be construed as exhaustive or as any admission regarding the adequacy of disclosures made by the Company prior to the date hereof. The Company disclaims any intention or obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

#### **Item 1B | Unresolved Staff Comments**

None.

#### **Item 2 | Properties**

The Company maintains its principal offices in the metropolitan New York area, where it leases approximately 600,000 square feet of space. The Company also owns or leases approximately 1.6 million square feet of office and warehouse space for its primary warehouse and distribution facility located in the Jefferson City, Missouri area. The Company's distribution facility in Maumelle, Arkansas, consisting of a 500,000 square foot main floor and a 246,000 square foot mezzanine, serves as the Company's primary packaging and fulfillment center for its continuity programs. In addition, the Company owns or leases approximately 2.8 million square feet of office and warehouse space in over 80 facilities in the United States, principally for Scholastic Book Fairs.

Additionally, the Company owns or leases approximately 1.8 million square feet of office and warehouse space in over 100 facilities in Canada, the United Kingdom, Australia, New Zealand, Asia and elsewhere around the world for its international businesses.

The Company considers its properties adequate for its current needs. With respect to the Company's leased properties, no difficulties are anticipated in negotiating renewals as leases expire or in finding other satisfactory space, if current premises become unavailable. For further information concerning the Company's obligations under its leases, see Notes 1 and 4 of Notes to Consolidated Financial Statements in Item 8, "Consolidated Financial Statements and Supplementary Data."

#### **Item 3 | Legal Proceedings**

Various claims and lawsuits arising in the normal course of business are pending against the Company. The results of these proceedings are not expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

#### **Item 4 | Submission of Matters to a Vote of Security Holders**

During the fourth quarter of the fiscal year covered by this report, no matter was submitted to the vote of security holders, through the solicitation of proxies or otherwise.

## Part II

### Item 5 | Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Scholastic Corporation's Common Stock, par value \$0.01 per share (the "Common Stock"), is traded on the NASDAQ Global Select Market under the symbol SCHL. Scholastic Corporation's Class A Stock, par value \$0.01 per share (the "Class A Stock"), is convertible, at any time, into Common Stock on a share-for-share basis. There is no public trading market for the Class A Stock. The table below sets forth, for the periods indicated, the quarterly high and low selling prices for the Common Stock as reported by NASDAQ.

For fiscal years ended May 31,

	2007		2006	
	High	Low	High	Low
First Quarter	\$ 30.46	\$ 24.99	\$ 39.74	\$ 35.20
Second Quarter	34.26	29.50	38.00	31.86
Third Quarter	37.08	32.63	34.66	27.33
Fourth Quarter	35.60	29.78	31.25	25.35

On June 1, 2007, Scholastic Corporation entered into an agreement with a major financial institution to repurchase \$200.0 million of its outstanding Common Stock under a "collared" Accelerated Share Repurchase Agreement (the "ASR"). Under the ASR, the Company initially received 5.1 million shares of Common Stock from the financial institution on June 28, 2007, representing the minimum number of shares to be received based on a calculation using the "cap" or high-end of the price range of the collar. The maximum number of shares of Common Stock that can be received under ASR is 6.2 million shares. The actual number of shares to be received by the Corporation from the financial institution will be determined based on the weighted average market price of the Common Stock during the four-month period after the initial execution date. For a discussion of the financing arrangement entered into by the Corporation in the connection with the ASR, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation— Financing."

Scholastic Corporation has not paid any cash dividends since its initial public offering in February 1992 and has no current plans to pay any dividends on the Class A Stock or the Common Stock. In addition, certain of the Company's credit facilities restrict the payment of dividends. See Note 3 of Notes to Consolidated Financial Statements in Item 8, "Consolidated Financial Statements and Supplementary Data," for further information.

The number of holders of record of Class A Stock and Common Stock as of June 30, 2007 were 3 and approximately 11,100, respectively.

### Stock Price Performance Graph

The graph below provides an indicator of cumulative total stockholder returns for the Common Stock for the period May 31, 2002 to May 31, 2007 compared with the NASDAQ Composite Index and a composite peer group of publicly traded companies with which the Company competes in its principal operating segments. The members of the peer group are: The McGraw Hill Companies, John Wiley and Sons, Inc. and Pearson plc. The graph assumes a \$100 investment on June 1, 2002, together with the reinvestment of all dividends, if any. In the Company's proxy materials regarding its annual meeting of stockholders held in 2006, the peer group chosen by the Company for this graph included Reader's Digest Association, Inc., which is no longer a publicly traded company.

	5/31/02	5/31/03	5/31/04	5/31/05	5/31/06	5/31/07
Scholastic Corporation	\$ 100.00	\$ 65.41	\$ 59.34	\$ 78.84	\$ 55.31	\$ 66.76
NASDAQ Composite Index	100.00	98.31	123.42	129.37	141.08	172.42
Peer Group	100.00	91.56	118.65	130.39	152.15	208.11

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

**Item 6 | Selected Financial Data**

(Amounts in millions, except per share data)

For fiscal years ended May 31,

	2007	2006	2005	2004	2003
<b>Statement of Income Data:</b>					
Total revenues	\$ 2,179.1	\$ 2,283.8	\$ 2,079.9	\$ 2,233.8	\$ 1,958.3
Cost of goods sold <sup>(1)(2)</sup>	1,005.3	1,103.1	979.0	1,086.8	882.1
Selling, general and administrative expenses <sup>(1)(4)</sup>	913.0	916.5	840.7	870.1	813.1
Bad debt expense <sup>(1)(3)</sup>	71.1	59.1	62.2	90.3	72.3
Depreciation and amortization	67.0	65.8	63.1	62.1	52.1
Operating income	122.7	139.3	134.9	121.2	125.9
Other income <sup>(5)</sup>	3.0	—	—	8.0	2.9
Interest expense, net	30.1	31.7	35.2	39.6	38.3
Net income	60.9	68.6	64.3	57.8	58.8
<b>Earnings per share:</b>					
Basic	\$ 1.43	\$ 1.65	\$ 1.61	\$ 1.47	\$ 1.50
Diluted	\$ 1.42	\$ 1.63	\$ 1.58	\$ 1.44	\$ 1.46
Weighted average shares outstanding – basic	42.5	41.6	40.0	39.4	39.1
Weighted average shares outstanding – diluted	43.0	42.2	40.8	40.1	40.1
<b>Balance Sheet Data:</b>					
Working capital	\$ 490.6	\$ 389.9	\$ 564.5	\$ 467.4	\$ 381.9
Cash and cash equivalents	22.8	205.3	110.6	17.8	58.6
Total assets	1,877.7	2,052.2	1,931.4	1,831.8	1,863.0
Long-term debt (excluding capital leases)	173.4	173.2	476.5	492.5	482.2
Total debt	239.6	502.4	501.4	516.6	635.9
Long-term capital lease obligations	59.8				