



Department of Justice

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JUSTICE DEPARTMENT REQUIRES DIVESTITURES IN CENGAGE'S ACQUISITION OF HOUGHTON MIFFLIN COLLEGE DIVISION

Divestitures Will Preserve Competition for Textbooks in 14 College Courses

WASHINGTON — The Department of Justice announced today that it will require Cengage Learning Inc. (Cengage) to divest assets related to textbooks and educational materials used in 14 college level courses in order to proceed with Cengage's proposed \$750 million acquisition of Houghton Mifflin Harcourt Publishing Company's College Division (HM College). The divestiture assets include all tangible and non-tangible assets related to the textbooks and materials including, among other things, finished textbooks, publishing and licensing rights, author contracts and original artwork. The Department said that the transaction, as originally proposed, would have eliminated competition between Cengage and HM College and would have likely resulted in lower quality of textbooks and related educational materials or higher textbook prices.

The Department's Antitrust Division filed a civil lawsuit today in U.S. District Court in Washington, D.C., to block the proposed transaction. At the same time, the Department filed a proposed settlement that, if approved by the court, would resolve the lawsuit and the Department's competitive concerns.

"Without these divestitures, college students likely would have paid higher prices or suffered a decrease in product quality for a variety of important textbooks and related instructional materials," said Thomas O. Barnett, Assistant Attorney General in charge of the Department's Antitrust Division. "These divestitures will ensure that consumers will continue to receive the benefits of competition in these markets."

The divestitures of textbooks and related materials used to teach 14 college level courses are required to assure continued competition in markets where the transaction would otherwise result in a significant loss of competition. According to the complaint, Cengage and HM College compete head-to-head in the development and sale of textbooks and related print and electronic, including Internet-based, educational materials in these courses. The 14 courses are in the fields of business, foreign languages, history and interdisciplinary studies. Under the terms of the proposed settlement, the textbooks must be divested to publishers approved by the Department's Antitrust Division.

Cengage, headquartered in Stamford, Conn., is one of the world's largest commercial publishers and is the second largest publisher of college textbooks and ancillary materials in the

United States. Cengage had total revenues of about \$1.7 billion in the 12 month period ending Sept. 20, 2007, including about \$1 billion in revenues from the sale of higher education textbooks and ancillary materials.

HM College is a division of Houghton Mifflin Harcourt Publishing Company, headquartered in Boston, and a subsidiary of Education Media and Publishing Group Limited, a Cayman Islands corporation headquartered in Dublin, Ireland. HM College is the fifth largest publisher of higher education textbooks in the United States. HM College had estimated 2007 revenues of \$230 million.

As required by the Tunney Act, the proposed settlement, along with the Department's competitive impact statement, will be published in the Federal Register. Any person may submit written comments concerning the proposed decree during a 60-day comment period to James Tierney, Chief, Networks and Technology Section, Antitrust Division, U.S. Department of Justice, 600 E Street N.W., Suite 9500, Washington, D.C. 20530. At the conclusion of the 60-day comment period, the court may enter the final judgment upon a finding that it serves the public interest.

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