



New York
13 September 2006

I am pleased to announce that Lloyd G. “Buzz” Waterhouse will join Harcourt as President and Chief Operating Officer effective immediately. He will report to me and will be based in Austin, TX.

Buzz comes to us with a wealth of experience and a track record of accomplishment in senior management roles at large education, information, and technology-based businesses. Most recently, he was Chairman and CEO of Reynolds and Reynolds Co., Inc., a leading provider of retailing solutions for the automotive industry. Buzz also had a very successful career at IBM, where he held general manager positions for key IBM divisions including IBM’s highly successful Academic/Education sector, where he increased revenue four-fold to over \$1 billion through new learning technologies, library management solutions, and innovative merchandising programs. He played a leading role in creating IBM Global Services, the world’s largest services business (with current revenues over \$40 billion), helped build IBM’s very successful e-Business services operations, and, as IBM Director of Strategy, helped develop a strategy that transformed IBM from a hardware product orientation to a higher margin, faster growth technology and services solutions company. He has been active in education, both professionally and through service to the community, during much of his career.

Buzz is both a talented operational executive and an exceptional strategist. With the increasing importance of technology in our business, his experience in that arena will be especially valuable. His addition to our senior team will allow me to spend more time on business strategy and development, which are taking on increasing importance in our changing markets.

In order to best leverage Buzz’s talents, and to ensure that we continue to improve our strong position in the education markets, we will be making several significant changes in Harcourt’s organizational structure:

- The corporate staff functions of Finance, Business Development, Legal, Human Resources, and Government Relations will continue to report directly to me. Therefore, Ray Fagan, David Kim, Bill Bayers, Michael Pilnick and Rick Blake will continue to report on a direct line basis to me. These functions will continue to provide their professional services across the entire Harcourt portfolio.
- Harcourt Assessment will also continue to report to me. We have both great opportunities and some significant challenges in our Assessment business, and Michael Hansen, our new CEO, will work closely with me to continue to improve our business in the test and assessment markets.

- Harcourt International will likewise report to me. Chris Jones will continue working directly with me to develop further international market opportunities.
- Julie McGee will report to me and head a new business organization which will provide our customers with full solutions from across Harcourt to meet their educational program requirements. The organization currently reporting to Jim Bowler will be part of this new group, and Jim will report to Julie. This group will work closely with the e-Learning and Information Technology groups in the e-solutions space. Julie's new organization will be the subject of a separate announcement to be made shortly.
- The domestic businesses providing instructional materials and related services and products will now report to Buzz, who will assume day-to-day operational responsibility for leading those businesses. Those businesses include Harcourt School Publishers, headed by Jan Spalding; Holt, Rinehart and Winston, headed by Allen Wheatcroft; Harcourt Achieve, headed by Tim McEwen; Greenwood-Heinemann headed by Wayne Smith; and Harcourt Trade, headed by Dan Farley. We have a set of truly outstanding businesses in this sector, and Buzz will work with the management teams to optimize their individual performances and to continue exploring ways for them to leverage their capabilities together where appropriate.
- Linda Vande Ven and her Information Technology group will now report to Buzz. The IT organization has primarily supported the businesses described directly above and will continue to do so. The other Shared Services organizations will continue to report to Ray Fagan.
- Ann Foster and her e-Learning team will also now report to Buzz. Once again, Ann and her group have supported the businesses now reporting to Buzz and will continue with that primary focus. As electronic platforms, products and distribution continue to become more critical to our offerings, Ann's group will support the development and coordination needed to insure that we build further upon our already strong position in this arena.

To remain a leader in the changing markets for educational products and services, it is imperative that we leverage resources across the organization and continuously innovate to find new and better ways to serve our customers. I believe that the structure I am announcing today and Buzz's addition to the team will enhance our ability to do those things, while at the same time making us stronger and more efficient operationally. Our ability and willingness to work together as a team across divisions will go a long way towards determining our success as a company.

I ask you to join me in welcoming him and thank you in advance for working closely with the two of us to build upon Harcourt's successes into the future.

