

Reader's Digest to Buy a Book Discounter

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PLEASANTVILLE, N.Y., Aug. 30— Reader's Digest Association Inc., publisher of the world's most widely read magazine, said today that it had agreed to buy the privately held Books Are Fun Ltd., which sells discounted books and gifts at special events, for \$380 million.

Reader's Digest said the acquisition of the company, a franchising concern based in Fairfield, Iowa, would add to its line of products and provide a new distribution channel for its own publications.

Reader's Digest currently markets its products through direct mail.

Books Are Fun is the nation's leading display marketer of books and gifts.

The deal was expected to contribute significantly in the near term to revenue and operating cash flow at Reader's Digest and slightly raise earnings per share in fiscal year 2000, the company said.

After trimming down and rebounding from five years of financial blues, the company said earlier this month that it would start acquiring new properties and cementing new partnership deals.

Books Are Fun markets its products at special book fairs in schools and businesses in the United States and Canada. The company expects to sell some 20 million books and gift items in 1999 with revenue in excess of \$220 million.

The principal owners of eight-year-old Books Are Fun are the founder Earl Kaplan and Equity Group Investments Inc., an investment firm controlled by the real estate baron Sam Zell.

Reader's Digest said it planned to retain the current Books Are Fun senior management team and to maintain its headquarters.

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