

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended February 29, 2000 Commission File No. 0-19860

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.)

555 BROADWAY, NEW YORK, NEW YORK

(Address of principal executive offices)

10012

(Zip Code)

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

TITLE
OF EACH CLASS

NUMBER OF SHARES OUTSTANDING
AS OF MARCH 31, 2000

Common Stock, \$.01 par value
Class A Stock, \$.01 par value

16,164,307
828,100

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SCHOLASTIC CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS - UNAUDITED
(AMOUNTS IN MILLIONS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	FEBRUARY 29, 2000	FEBRUARY 28, 1999	FEBRUARY 29, 2000	FEBRUARY 28, 1999
REVENUES	\$ 312.8	\$ 267.3	\$ 1,000.6	\$ 820.7
Operating costs and expenses:				
Cost of goods sold	155.6	133.5	500.7	406.6
Selling, general and administrative expenses	143.1	123.6	427.9	360.1
Depreciation	5.1	4.2	14.4	12.4
Goodwill and trademark amortization	1.3	1.1	3.5	3.9
Non-recurring charge	-	-	8.5	-
TOTAL OPERATING COSTS AND EXPENSES	305.1	262.4	955.0	783.0
Operating income	7.7	4.9	45.6	37.7
Interest expense, net	(4.5)	(4.6)	(14.6)	(14.5)
Income before income taxes	3.2	0.3	31.0	23.2
Provision for income taxes	1.2	0.1	11.3	8.8
NET INCOME	\$ 2.0	\$ 0.2	\$ 19.7	\$ 14.4
Net income per Class A and Common Share:				
Basic	\$ 0.12	\$ 0.01	\$ 1.18	\$ 0.88
Diluted	\$ 0.11	\$ 0.01	\$ 1.16	\$ 0.86

SEE ACCOMPANYING NOTES

SCHOLASTIC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET
(AMOUNTS IN MILLIONS, EXCEPT PER SHARE DATA)

	FEBRUARY 29, 2000	MAY 31, 1999	FEBRUARY 28, 1999
	(UNAUDITED)		(UNAUDITED)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 5.6	\$ 5.9	\$ 1.6
Accounts receivable less allowance for doubtful accounts	183.8	136.4	129.2
Inventories, net	319.5	227.4	267.6
Deferred taxes	41.9	41.8	48.1
Prepaid and other deferred expenses	29.6	22.7	24.2
TOTAL CURRENT ASSETS	580.4	434.2	470.7
Property, plant and equipment, net	166.0	152.2	143.0
Prepublication costs	99.7	95.3	88.2
Other assets and deferred charges	154.3	160.6	170.1
TOTAL ASSETS	\$ 1,000.4	\$ 842.3	\$ 872.0
LIABILITIES & STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Lines of credit	\$ 21.2	\$ 18.0	\$ 15.7
Accounts payable	131.7	97.0	105.5
Accrued royalties	56.8	23.7	35.6
Deferred revenue	23.6	6.7	21.8
Other accrued expenses	61.5	66.4	55.7
TOTAL CURRENT LIABILITIES	294.8	211.8	234.3
NONCURRENT LIABILITIES:			
Long-term debt	281.2	248.0	277.9
Other noncurrent liabilities	23.7	21.1	22.0
TOTAL NONCURRENT LIABILITIES	304.9	269.1	299.9
STOCKHOLDERS' EQUITY:			
Preferred Stock, \$1.00 par value	--	--	--
Class A Stock, \$.01 par value	0.0	0.0	0.0
Common Stock, \$.01 par value	0.2	0.2	0.2
Additional paid-in capital	223.0	212.3	211.5
Accumulated other comprehensive loss:			
Foreign currency translation adjustment	(7.6)	(5.7)	(6.1)
Retained earnings	211.1	191.4	169.0
Less shares of Common Stock held in treasury	(26.0)	(36.8)	(36.8)
TOTAL STOCKHOLDERS' EQUITY	400.7	361.4	337.8
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,000.4	\$ 842.3	\$ 872.0

SEE ACCOMPANYING NOTES

SCHOLASTIC CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - UNAUDITED
(AMOUNTS IN MILLIONS)

	NINE MONTHS ENDED	
	FEBRUARY 29,	FEBRUARY 28,
	2000	1999
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 42.7	\$ 45.1
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Prepublication costs	(35.3)	(28.8)
Additions to property, plant and equipment	(28.8)	(18.1)
Royalty advances	(17.1)	(18.1)
Production costs	(8.1)	(11.9)
Business and trademark acquisition-related payments	(0.2)	(15.7)
Other	(1.4)	(3.1)
Net cash used in investing activities	(90.9)	(95.7)
CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES:		
Borrowings under Loan Agreement and Revolver	282.4	213.1
Repayments of Loan Agreement and Revolver	(249.3)	(178.9)
Borrowings under lines of credit	48.3	49.3
Repayments of lines of credit	(49.9)	(42.9)
Proceeds from the exercise of stock options and related tax benefits	17.0	0.0
Other	(0.6)	6.5
Net cash provided by financing activities	47.9	47.1
Net decrease in cash and cash equivalents	(0.3)	(3.5)
Cash and cash equivalents at beginning of period	5.9	5.1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 5.6	\$ 1.6

SEE ACCOMPANYING NOTES

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements, which include the accounts of Scholastic Corporation and all wholly owned subsidiaries (the "Company"), have not been audited, but reflect those adjustments consisting of normal recurring items which management considers necessary for a fair presentation of financial position, results of operations and cash flow. These financial statements should be read in conjunction with the consolidated financial statements and related notes in the fiscal 1999 Annual Report to Stockholders.

The Company's business is closely correlated to the school year. Consequently, the results of operations for the nine months ended February 29, 2000 and February 28, 1999 are not necessarily indicative of the results expected for the full year. Due to the seasonal fluctuations that occur, the February 28, 1999 condensed consolidated balance sheet is included for comparative purposes.

Certain prior year amounts have been reclassified in the accompanying condensed consolidated financial statements to conform to the current year presentation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates and assumptions. Significant estimates that affect the financial statements include, but are not limited to: book returns; recoverability of inventory; recoverability of advances to authors; amortization periods; recoverability of prepublication and film production costs; and recoverability of other long-lived assets.

2. RECENT ACCOUNTING PRINCIPLES

Effective May 31, 1999, the Company adopted Statement of Financial Accounting Standards No. 131 (SFAS 131), "Disclosures About Segments of an Enterprise and Related Information." This statement requires that public business enterprises report certain information about operating segments in financial statements of the enterprise issued to shareholders. It also requires that public business enterprises report certain information about their products and services, the geographic areas in which they operate, and their major customers. The required disclosures are presented in Note 3 included herein.

The Financial Accounting Standards Board issued, in June 1998, Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 requires all derivatives to be recorded on the balance sheet at fair value and establishes special accounting for the following three different types of hedges: hedges of changes in the fair value of assets, liabilities, or firm commitments (fair value hedges); hedges of the variable cash flows of forecasted transactions (cash flow hedges); and hedges of foreign currency exposures of net investments in foreign operations. Though the accounting treatment and criteria for each of the three types of hedges is unique, they all result in offsetting changes in fair values or cash flows of both the hedge and the hedged item recognized in earnings or in accumulated comprehensive income in the same period. Changes in the fair value of derivatives that do not meet the criteria of one of these three categories of

hedges are included in income. The Company is required to adopt the provisions of SFAS 133 in the first quarter of fiscal 2002.

3. SEGMENT INFORMATION

The Company is a global children's publishing and media company with operations in the United States, the United Kingdom, Canada, Australia, New Zealand, Mexico, Hong Kong, India and Argentina, and distributes its products and services through a variety of channels, including book clubs, book fairs and trade.

The Company's operations are categorized in the following four segments: CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION; EDUCATIONAL PUBLISHING; MEDIA, LICENSING AND ADVERTISING; and INTERNATIONAL. Such segment 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.

The following tables set forth the Company's segment information for the periods indicated:

	CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION	EDUCATIONAL PUBLISHING	MEDIA, LICENSING AND ADVERTISING	TOTAL DOMESTIC	INTERNATIONAL	OVERHEAD(1)	CONSOLIDATED
THREE MONTHS ENDED FEBRUARY 29, 2000							
Revenues	\$ 200.5	\$ 40.0	\$ 24.2	\$ 264.7	\$ 48.1	\$ 0.0	\$ 312.8
Depreciation	0.9	0.3	0.4	1.6	0.9	2.6	5.1
Amortization (2)	3.4	7.2	2.4	13.0	0.5	0.0	13.5
Royalty advance expense	4.1	0.2	0.2	4.5	0.0	0.0	4.5
Segment profit/(loss)(3)	35.4	(10.5)	(2.6)	22.3	0.7	(15.3)	7.7
Expenditures for long-lived assets (4)	8.5	7.6	6.0	22.1	1.0	8.9	32.0
THREE MONTHS ENDED FEBRUARY 28, 1999							
Revenues	\$ 162.5	\$ 32.9	\$ 30.7	\$ 226.1	\$ 41.2	\$ 0.0	\$ 267.3
Depreciation	0.7	0.3	0.1	1.1	1.0	2.1	4.2
Amortization (2)	3.1	6.3	5.4	14.8	0.4	0.0	15.2
Royalty advance expense	2.8	0.2	0.6	3.6	0.0	0.0	3.6
Segment profit/(loss)(3)	25.8	(10.8)	1.1	16.1	(1.4)	(9.8)	4.9
Expenditures for long-lived assets (4)	8.7	10.4	2.9	22.0	0.1	4.9	27.0

TABLES AND NOTES CONTINUED ON THE FOLLOWING PAGE

3. SEGMENT INFORMATION (continued)

	CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION	EDUCATIONAL PUBLISHING	MEDIA, LICENSING AND ADVERTISING	TOTAL DOMESTIC	INTERNATIONAL	OVERHEAD(1)	CONSOLIDATED
AS OF AND FOR THE NINE MONTHS ENDED FEBRUARY 29, 2000							
Revenues	\$ 632.7	\$ 147.2	\$ 73.7	\$ 853.6	\$ 147.0	\$ 0.0	\$ 1,000.6
Depreciation	2.7	0.8	0.9	4.4	2.7	7.3	14.4
Amortization (2)	10.1	21.1	7.6	38.8	1.4	0.0	40.2
Royalty advance expense	17.2	0.7	1.0	18.9	1.2	0.0	20.1
Segment profit/(loss) (3)	115.5	(16.2)	(11.3)	88.0	1.4	(43.8)	45.6
Segment assets	435.7	191.1	49.4	676.2	147.2	177.0	1,000.4
Long-lived assets (5)	94.6	98.1	30.0	222.7	54.6	118.2	395.5
Expenditures for long-lived assets (4)	27.4	25.2	15.4	68.0	3.4	17.9	89.3
AS OF AND FOR THE NINE MONTHS ENDED FEBRUARY 28, 1999							
Revenues	\$ 470.1	\$ 143.0	\$ 72.1	\$ 685.2	\$ 135.5	\$ 0.0	\$ 820.7
Depreciation	2.3	0.7	0.5	3.5	2.6	6.3	12.4
Amortization (2)	9.3	18.2	12.9	40.4	1.6	0.0	42.0
Royalty advance expense	10.9	0.2	2.2	13.3	0.0	0.0	13.3
Segment profit/(loss) (3)	70.8	0.4	(4.5)	66.7	(1.7)	(27.3)	37.7
Segment assets	352.8	159.2	50.3	562.3	147.7	162.0	872.0
Long-lived assets (5)	96.9	89.6	25.2	211.7	56.1	102.3	370.1
Expenditures for long-lived assets (4)	26.9	21.5	15.1	63.5	5.5	7.9	76.9

(1) OVERHEAD INCLUDES UNALLOCATED DOMESTIC CORPORATE-RELATED ITEMS AND AS IT RELATES TO THE SEGMENT PROFIT/(LOSS), EXPENSES NOT ALLOCATED TO REPORTABLE SEGMENTS INCLUDING COSTS RELATED TO THE MANAGEMENT OF CORPORATE ASSETS, NET INTEREST EXPENSE, PROVISION FOR INCOME TAXES, AND A PRE-TAX \$8.5 MILLION NON-RECURRING CHARGE PRIMARILY RELATED TO THE ESTABLISHMENT OF A LITIGATION RESERVE. UNALLOCATED ASSETS ARE PRINCIPALLY COMPRISED OF DEFERRED INCOME TAXES AND PROPERTY, PLANT AND EQUIPMENT RELATED TO THE COMPANY'S HEADQUARTERS IN THE METROPOLITAN NEW YORK AREA AND ITS NATIONAL SERVICE OPERATION LOCATED IN MISSOURI.

(2) INCLUDES AMORTIZATION OF GOODWILL, INTANGIBLE ASSETS, AND PREPUBLICATION AND PRODUCTION COSTS.

(3) SEGMENT PROFIT/(LOSS) REPRESENTS EARNINGS BEFORE INTEREST AND TAXES.

(4) INCLUDES PURCHASES OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENTS IN PREPUBLICATION AND PRODUCTION COSTS, AND ROYALTY ADVANCES.

(5) INCLUDES PROPERTY, PLANT AND EQUIPMENT, PREPUBLICATION COSTS, GOODWILL AND TRADEMARKS, ROYALTY ADVANCES AND PRODUCTION COSTS.

4. DEBT

Long-term debt consisted of the following:

	FEBRUARY 29, 2000	MAY 31, 1999	FEBRUARY 28, 1999
Loan Agreement and Revolver	\$ 43.0	\$ 10.0	\$ 39.5
7% Notes due 2003, net of discount	124.8	124.8	124.8
Convertible Subordinated Debentures	110.0	110.0	110.0
Other debt	3.4	3.4	3.6
TOTAL DEBT	281.2	248.2	277.9
Less current portion	0.0	(0.2)	0.0
TOTAL LONG-TERM DEBT	\$ 281.2	\$ 248.0	\$ 277.9

LOAN AGREEMENT. The Company and Scholastic Inc. (a wholly owned subsidiary) are joint and several borrowers under a loan agreement with certain banks which was amended and restated effective August 11, 1999 (the "Loan Agreement"). The Loan Agreement, which expires August 11, 2004, provides for aggregate borrowings of up to \$170.0 (with a right in certain circumstances to increase it to \$200.0) including the issuance of up to \$10.0 in letters of credit (of which \$1.0 was outstanding at February 29, 2000). Interest under this facility is either at the prime rate or 0.325% to 0.90% over LIBOR (as defined). There is a facility fee ranging from 0.10% to 0.30% and a utilization fee ranging from 0.05% to 0.15% if borrowings exceed 33% of the total facility. The amounts charged vary based upon the Company's credit ratings. Based on the Company's current credit ratings, the interest rate, facility fee and utilization fee are 0.475% over LIBOR, 0.150%, and 0.075%, respectively. The Loan Agreement contains certain financial covenants related to debt and interest coverage ratios (as defined) and limits dividends and other distributions.

REVOLVER. The Company and Scholastic Inc. are joint and several borrowers under a Revolving Loan Agreement with SunTrust Bank, which was amended and restated effective November 10, 1999 (the "Revolver") and provides for revolving credit loans of up to \$40.0 and expires on August 11, 2004. Interest under this facility is at the prime rate minus 1% or 0.325% to 0.90% over LIBOR (as defined). There is a facility fee ranging from 0.10% to 0.30%. The amounts charged vary based upon the Company's credit ratings. Based on the Company's current credit ratings, the interest rate and facility fee are 0.475% over LIBOR and 0.150%, respectively. The Revolver has certain financial covenants related to debt and interest coverage ratios (as defined) and limits dividends and other distributions.

7% NOTES DUE 2003. In December 1996, the Company issued \$125.0 of 7% Notes due 2003 (the "Notes"). The Notes are unsecured and unsubordinated obligations of the Company and will mature on December 15, 2003. The Notes are not redeemable prior to maturity. Interest on the Notes is payable semi-annually on December 15 and June 15 of each year.

CONVERTIBLE SUBORDINATED DEBENTURES. In August 1995, the Company sold \$110.0 of 5.0% Convertible Subordinated Debentures due August 15, 2005 (the "Debentures"). Interest on the Debentures is payable semi-annually on August 15 and February 15 of each year. The Debentures are redeemable at the option of the Company, in whole, but not in part, at any time on or after August 15, 1998 at 100% of the

principal amount plus accrued interest. Each Debenture is convertible, at the holder's option, any time prior to maturity, into Common Stock of the Company at a conversion price of \$76.86 per share.

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5. CONTINGENCIES

The Company and certain officers have been named as defendants in litigation which alleges, among other things, violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, resulting from purportedly materially false and misleading statements to the investing public concerning the financial condition of the Company. On January 26, 2000, an order was entered granting the Company's motion to dismiss plaintiffs' Second Amended Consolidated Complaint without leave to further amend the complaint. Previously, on December 14, 1998, an order was entered granting the Company's motion to dismiss plaintiffs' First Amendment Consolidated Complaint and granting plaintiffs leave to amend the complaint. In dismissing both complaints, which alleged substantially similar claims, the court held that plaintiffs failed to state a claim upon which relief can be granted. On February 25, 2000, plaintiffs filed a Notice of Appeal in connection with the most recent dismissal. The Company continues to believe that the litigation is without merit and will continue to vigorously defend against it.

On February 1, 1999, two subsidiaries of the Company commenced an action in the Supreme Court of the State of New York in New York County against Parachute Press, Inc. ("Parachute"), the licensor of certain publication and nonpublication rights to the GOOSEBUMPS-Registered Trademark- series, certain affiliated Parachute companies and R.L. Stine, individually, alleging material breach of contract and fraud in connection with the agreements under which such GOOSEBUMPS rights are licensed to the Company. The issues in the case are also, in part, the subject of two litigations commenced by Parachute following repeated notices from the Company to Parachute of material breaches by Parachute of the agreements under which such rights are licensed and the exercise by the Company of its contractual remedies under the agreements. The first Parachute action, in which two subsidiaries of the Company are defendants and counterclaim plaintiffs, was commenced in the federal court for the Southern District of New York on November 14, 1997 and was dismissed for lack of subject matter jurisdiction on January 29, 1999. Parachute filed an appeal of the dismissal. The second Parachute action was filed contemporaneously with the filing of the Company's complaint on February 1, 1999 in the Supreme Court of the State of New York in New York County. In its two complaints, and in its counterclaims, Parachute alleges that the exercise of contractual remedies by the Company was improper and seeks declaratory relief and unspecified damages for, among other claims, alleged breaches of contract and acts of unfair competition. Damages sought by Parachute include the payment of a total of approximately \$36.1 of advances over the term of the contract (of which approximately \$15.3 had been paid at the time the first Parachute litigation began) and payments of royalties set-off by Scholastic against amounts claimed by the Company. The Company is seeking declaratory relief and damages for, among other claims, breaches of contract, fraud and acts of unfair competition. Damages sought by the Company include lost profits and disgorgement of certain payments received by Parachute. Discovery, which has been consolidated for the litigations, is continuing. The Company intends to vigorously pursue its claims against Parachute and the other named defendants and to vigorously defend its position against the new lawsuit and the appeal. The Company does not believe that this dispute will have a material adverse effect on its financial condition.

The Company is also engaged in various legal proceedings incident to its normal business activities. In the opinion of the Company, none of such proceedings is material to the consolidated financial position of the Company.

6. COMPREHENSIVE INCOME/(LOSS)

The following table sets forth comprehensive income/(loss) for the periods indicated:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	FEBRUARY 29, 2000	FEBRUARY 28, 1999	FEBRUARY 29, 2000	FEBRUARY 28, 1999
Net income	\$ 2.0	\$ 0.2	\$ 19.7	\$ 14.4
Other comprehensive loss:				
Foreign currency translation adjustment net of provision for income taxes	(0.9)	(0.9)	(1.1)	(0.8)

COMPREHENSIVE INCOME/(LOSS)	\$ 1.1	\$ (0.7)	\$ 18.6	\$ 13.6

7. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted-average number of shares outstanding during the period. Diluted earnings per share is calculated to give effect to potentially dilutive stock options and convertible debentures that were outstanding during the period. The following table summarizes the reconciliation of the numerators and denominators for the Basic and Diluted earnings per share ("EPS") computations:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	FEBRUARY 29, 2000	FEBRUARY 28, 1999	FEBRUARY 29, 2000	FEBRUARY 28, 1999
Net income for EPS	\$ 2.0	\$ 0.2	\$ 19.7	\$ 14.4
Weighted-average shares for basic EPS	16.8	16.4	16.6	16.3
Effect of stock options	0.6	0.5	0.4	0.4

WEIGHTED-AVERAGE SHARES FOR DILUTED EPS	17.4	16.9	17.0	16.7

Net income per Class A and Common Share:				
Basic	\$ 0.12	\$ 0.01	\$ 1.18	\$ 0.88
Diluted	\$ 0.11	\$ 0.01	\$ 1.16	\$ 0.86

Note: The effect of the 5.0% Convertible Subordinated Debentures on the weighted-average shares outstanding for diluted EPS was anti-dilutive and not included in the calculation.

8. NON-RECURRING CHARGE

The operating results for the nine months ended February 29, 2000 include a \$8.5 non-recurring charge primarily related to the establishment of a litigation reserve following an adverse decision in a lawsuit, which was received on December 10, 1999. The case, SCHOLASTIC INC. AND SCHOLASTIC PRODUCTIONS, INC. V. ROBERT HARRIS AND HARRIS ENTERTAINMENT, INC., involves stock appreciation rights allegedly granted to Mr. Harris in 1990 in connection with a joint venture formed primarily to produce motion pictures. Although the Company disagrees with the judge's decision and is appealing the ruling, the Company has recorded \$6.7 to fully reserve with respect to the case. The \$8.5 charge also includes an unrelated non-recurring expense of \$1.8 relating to the liquidation of certain stock options.

9. SUBSEQUENT EVENT

On April 13, 2000, the Company entered into a definitive agreement with Lagardere S.C.A. of France to acquire Grolier, Inc. ("Grolier") for \$400 million in cash. Grolier is the leading provider of U.S. direct mail-to-home and e-commerce book clubs for children through age 5, the leading on-line and print publisher of children's reference products (including major encyclopedias) sold primarily to U.S. school libraries and has international operations in the United Kingdom, Canada and Southeast Asia. Grolier also publishes trade books under the Orchard Books, Children's Press and Franklin Watts imprints, sold both to libraries and the trade. Grolier's fiscal 1999 revenues were approximately \$450 million and earnings before interest, taxes, depreciation and amortization were approximately \$45 million. The transaction, which is subject to certain regulatory approvals, is expected to close by early June 2000. The Company plans to finance the acquisition initially through bank debt, under a committed facility, and subsequently through an offering of debt or a combination of debt and equity. The Company intends to account for the acquisition under the purchase method of accounting.

RESULTS OF OPERATIONS - CONSOLIDATED

Revenues for the quarter ended February 29, 2000 increased approximately 17% to \$312.8 million from \$267.3 million in the comparable quarter of the prior fiscal year. For the nine months ended February 29, 2000, revenues increased approximately 22% to \$1,000.6 million from \$820.7 million in the prior fiscal year period. The increases in revenue for the three and nine-month periods were driven primarily by the Company's CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION segment, which was up 23% over the prior year quarter and 35% over the prior year-to-date period. This segment accounted for 64% and 63% of the Company's revenues for the three and nine-month periods ended February 29, 2000, respectively, as compared to 61% and 57%, respectively, in the corresponding prior fiscal year periods.

As a percentage of sales, cost of goods sold for the three and nine-month periods ended February 29, 2000, remained a constant percentage from the comparable periods of the prior fiscal year. Selling, general and administrative expenses also remained constant for the three-month period and decreased 1% as a percentage of revenue for the nine-month period ended February 29, 2000. Operating expenses for the nine months included a non-recurring charge of \$8.5 million primarily related to the establishment of a litigation reserve following an adverse decision in a lawsuit. The case, which the Company is appealing, involves stock appreciation rights allegedly granted in 1990 in connection with a joint venture formed primarily to produce motion pictures. The charge also includes an unrelated non-recurring expense of \$1.8 million relating to the liquidation of certain stock options.

The operating profit for the quarter ended February 29, 2000 increased 57% to \$7.7 million from a profit of \$4.9 million in the same quarter of the prior fiscal year. Operating profit for the nine-month period ended February 29, 2000, excluding the non-recurring charge, was up 44% to \$54.1 million when compared to the same period in the prior year. Inclusive of the charge, the year-to-date operating profit was up approximately 21% to \$45.6 million from \$37.7 million in the prior year period. These increases reflect increased revenues in CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION primarily due to strong trade sales, led by the HARRY POTTER-TM- AND POKEMON-TM- books, strong results in book clubs and fairs, and the effect of implementing cost-cutting/margin improvement plans across the Company.

Net income for the quarter ended February 29, 2000, increased \$1.8 million to \$2.0 million, or \$.11 per diluted share, compared to net income of \$0.2 million, or \$.01 per diluted share, in the comparable quarter of the prior year. Net income for the nine months ended February 29, 2000, increased 37% to \$19.7 million or \$1.16 per diluted share compared to the same nine-month period in the prior fiscal year. Excluding the non-recurring charge (and the related tax-effect), net income increased 74% to \$25.1 million or \$1.47 per diluted share for the nine months when compared to the same period in the prior fiscal year.

SUBSEQUENT EVENT

On April 13, 2000, the Company entered into a definitive agreement with Lagardere S.C.A. of France to acquire Grolier, Inc. ("Grolier") for \$400 million in cash. Grolier is the leading provider of U.S. direct mail-to-home and e-commerce book clubs for children through age 5, the leading on-line and print publisher of children's reference products (including major encyclopedias) sold primarily to U.S. school libraries and has international operations in the United Kingdom, Canada and Southeast Asia. Grolier also publishes trade books under the Orchard Books, Children's Press and Franklin Watts imprints, sold both to libraries and the trade. Grolier's fiscal 1999 revenues were approximately \$450 million and earnings before interest, taxes, depreciation and amortization were approximately \$45 million. The transaction, which is subject to certain regulatory approvals, is expected to close by early June 2000. The Company plans to finance the acquisition initially through bank debt, under a committed facility, and subsequently through an offering of debt or a combination of debt and equity. The Company intends to account for the acquisition under the purchase method of accounting.

ITEM 2. MD&A

RESULTS OF OPERATIONS - SEGMENTS

CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION

The Company's CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION segment includes the publication and distribution in the United States of children's books through its school-based book club (including home continuity programs), book fair and trade channels.

(IN MILLIONS)	THREE MONTHS ENDED		NINE MONTHS ENDED	
	FEBRUARY 29, 2000	FEBRUARY 28, 1999	FEBRUARY 29, 2000	FEBRUARY 28, 1999
Revenue	\$ 200.5	\$ 162.5	\$ 632.7	\$ 470.1
Operating Profit	35.4	25.8	115.5	70.8
OPERATING MARGIN	17.7%	15.9%	18.3%	15.1%

Revenues in the CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION segment for the third quarter of fiscal 2000 were up 23% to \$200.5 million from \$162.5 million in the comparable quarter of the prior fiscal year. Year-to-date revenues were up 35% at \$632.7 million compared to the same period of the prior year. As a result, operating results improved approximately 37% to \$35.4 million for the quarter and approximately 63% for the nine months ended February 29, 2000 when compared to the same period in the prior fiscal year. The increased revenue reflects the impact of continued strong trade sales volume of Scholastic properties including HARRY POTTER, DEAR AMERICA-Registered Trademark-, I SPY-TM-, ROYAL DIARIES, CAPTAIN UNDERPANTS-TM-, POKEMON AND EVERWORLD-TM-. Additionally, revenues in the Company's book clubs and book fair were up approximately 12% over the prior year quarter. Book club and book fair revenues benefited from continuing improvements in product marketing and selection. These improvements resulted in a higher level of book club orders, increased fair count and higher revenue per book club order and per book fair.

EDUCATIONAL PUBLISHING

The Company's EDUCATIONAL PUBLISHING segment includes the publication and distribution of K-12 textbooks, supplemental materials (including professional books), classroom magazines and instructional technology for core and supplemental use in schools and libraries in the United States.

(IN MILLIONS)	THREE MONTHS ENDED		NINE MONTHS ENDED	
	FEBRUARY 29, 2000	FEBRUARY 28, 1999	FEBRUARY 29, 2000	FEBRUARY 28, 1999
Revenue	\$ 40.0	\$ 32.9	\$ 147.2	\$ 143.0
Operating Profit (Loss)	(10.5)	(10.8)	(16.2)	0.4
OPERATING MARGIN	*	*	*	0.3%

* - NOT MEANINGFUL

Revenues in the EDUCATIONAL PUBLISHING segment for the quarter increased approximately 22% to \$40.0 million with an operating loss of \$10.5 million as compared to revenues of \$32.9 million and an operating loss of \$10.8 million in the comparable quarter of the prior fiscal year. The increase in revenue is due to

growth from READ 180!-TM-, SCHOLASTIC READING COUNTS!-TM-, Paperback and professional publishing, and supplemental teaching products.

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RESULTS OF OPERATIONS - SEGMENTS (CONTINUED)

The operating loss for the fiscal 2000 quarter reflects the impact of increased marketing and promotional costs related to the Texas reading adoption to be delivered in the summer of 2000. On a year-to-date basis, revenues for the period ended February 29, 2000 increased approximately 3% to \$147.2 million, from \$143.0 million for the comparable period of the prior fiscal year reflecting the growth of READ 180!, SCHOLASTIC READING COUNTS!, and paperback and professional publishing, partially offset by lower order levels for SCHOLASTIC LITERACY PLACE-Registered Trademark-. The year-to-date operating loss for the period ended February 29, 2000 reflects the increased costs related to the Texas reading adoption and certain costs related to the rollout of the Company's READ 180! software.

MEDIA, LICENSING AND ADVERTISING

The Company's MEDIA, LICENSING AND ADVERTISING segment includes the production and distribution in the United States of entertainment products (including television programming, videos and motion pictures), Internet services, CD-ROM-based products and Scholastic-branded licensed properties, as well as advertising and promotional activities.

(IN MILLIONS)	THREE MONTHS ENDED		NINE MONTHS ENDED	
	FEBRUARY 29,	FEBRUARY 28,	FEBRUARY 29,	FEBRUARY 28,
	2000	1999	2000	1999
Revenue	\$ 24.2	\$ 30.7	\$ 73.7	\$ 72.1
Operating Profit (Loss)	(2.6)	1.1	(11.3)	(4.5)
OPERATING MARGIN	*	3.6%	*	*

* - NOT MEANINGFUL

MEDIA, LICENSING AND ADVERTISING revenues decreased 21% to \$24.2 million in the third quarter of fiscal 2000 as compared to the prior year quarter. For the nine months ended February 29, 2000, revenues increased approximately 2% to \$73.7 million from \$72.1 million for the same period of the prior fiscal year. For the quarter ended February 29, 2000, the segment recognized an operating loss of \$2.6 million as compared to a profit of \$1.1 million in the same period of the prior fiscal year. On a year-to-date basis, the operating loss grew to \$11.3 million from an operating loss of \$4.5 million in the same period of the prior fiscal year. These results reflect increased promotional, editorial and other operating costs associated with Scholastic internet development and reduced TV production revenues.

RESULTS OF OPERATIONS - SEGMENTS (CONTINUED)

INTERNATIONAL

The INTERNATIONAL segment consists of the distribution of products and services outside the United States by the Company's operations located in the United Kingdom, Canada, Australia, New Zealand, Mexico, Hong Kong, India, and Argentina.

(IN MILLIONS)	THREE MONTHS ENDED		NINE MONTHS ENDED	
	FEBRUARY 29, 2000	FEBRUARY 28, 1999	FEBRUARY 29, 2000	FEBRUARY 28, 1999
Revenue	\$ 48.1	\$ 41.2	\$ 147.0	\$ 135.5
Operating Profit (Loss)	0.7	(1.4)	1.4	(1.7)
OPERATING MARGIN	1.5%	*	1.0%	*

* - NOT MEANINGFUL

INTERNATIONAL revenues for the quarter ended February 29, 2000 increased 17% to \$48.1 million compared to \$41.2 million in the prior year quarter, benefiting from improved sales and operating margins in the Company's Australian and Canadian operations. On a year-to-date basis, revenues increased approximately 9% to \$147.0 million compared to \$135.5 million in the prior fiscal year period. This improvement reflects strong performance in Canada's book club and trade businesses, and in Australia's book club and software businesses, which was partially offset by weak sales in the United Kingdom. Operating profit for the quarter improved \$2.1 million over the prior year period to \$0.7 million, reflecting the impact of revenue improvements and cost containment efforts. For the nine months ended February 29, 2000, operating profit improved \$3.1 million to \$1.4 million from a loss of \$1.7 million for the prior year fiscal period, reflecting primarily the net impact of revenue improvements and cost reductions.

SEASONALITY

The Company's book clubs, book fairs and most of its magazines operate on a school-year basis; therefore, the Company's business is highly seasonal. As a consequence, the Company's revenues in the first and third quarters of the fiscal year are lower than its revenues in the other two fiscal quarters, and the Company generally experiences a substantial loss from operations in the first quarter. Typically, book club and book fair revenues are proportionately larger in the second quarter of the fiscal year, while revenues from the sale of instructional materials are larger in the first quarter.

LIQUIDITY AND CAPITAL RESOURCES

For the June through October time period, the Company experiences negative cash flow due to the seasonality of its business. Historically, as a result of the Company's business cycle, borrowings have increased during June, July and August and generally have peaked in September or October, and have been at the lowest point in May.

The Company's cash and cash equivalents decreased by \$0.3 million during the nine-month period ended February 29, 2000, compared to a decrease of \$3.5 million during the comparable period in the prior fiscal year.

SCHOLASTIC CORPORATION
ITEM 2. MD&A

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LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

The Company generated \$42.7 million of cash from operating activities during the nine-month period ended February 29, 2000 versus \$45.1 million in the comparable period of the prior fiscal year. Improvements in operating results were more than offset by increased inventory and accounts receivable requirements. Inventory levels increased as a result of higher sales volumes and accelerated purchasing to better ensure high levels of customer service.

Cash used in investing activities was \$90.9 million and \$95.7 million for the nine months February 29, 2000 and February 28, 1999, respectively. Investing activities consisted primarily of prepublication cost expenditures, capital expenditures, royalty advances and production cost expenditures. Prepublication cost expenditures increased \$6.5 million to \$35.3 million for the nine months ended February 29, 2000 over the comparable period of the prior year largely due to the planned revision of SCHOLASTIC LITERACY PLACE and the spending on the Company's new READ 180! program.

Capital expenditures increased \$10.7 million to \$28.8 million in the current year reflecting the construction of a new office facility. Royalty advances decreased \$1.0 million for the nine months ended February 29, 2000 over the same period in the prior fiscal year to \$17.1 million. Production costs decreased \$3.8 million to \$8.1 million for the nine months ended February 29, 2000, as compared to the same period in the prior fiscal year, due to a reduction in the number of shows being produced. Business and trademark acquisition-related payments for the prior fiscal year were primarily related to the acquisition of certain assets of Pages Book Fairs, Inc. and Quality Education Data.

FINANCING

The Company maintains two unsecured credit facilities which provide for aggregate borrowings of up to \$210.0 million (with a right, in certain circumstances, to increase to \$240.0 million), including the issuance of up to \$10.0 million in letters of credit. The Company uses these facilities for various purposes including the funding of seasonal cash flow needs and other working capital requirements. At February 29, 2000, the Company had \$43.0 million in borrowings outstanding. The weighted-average interest rate under these facilities for the nine-month period was 6.6%.

The Loan Agreement was amended and restated on August 11, 1999, principally to extend the expiration date of the facility to August 11, 2004 and expand the facility from \$135.0 million to \$170.0 million (with a right, in certain circumstances, to increase to \$200.0 million). In addition, on November 10, 1999, the Company amended and restated the Revolver to increase the amount available thereunder to \$40.0 million and extend its expiration date to be concurrent with the Loan Agreement.

In addition, unsecured lines of credit available to the Company's United Kingdom, Canadian and Australian operations totaled \$39.5 million at February 29, 2000. These lines are used primarily to fund

working capital needs in those countries. At February 29, 2000, \$21.2 million in borrowings were outstanding. Under these lines the weighted-average interest rate for the nine months ended was 6.1%.

The Company believes its existing cash position, combined with funds generated from operations and funds available under the two credit facilities and other lines of credit will be sufficient to finance its ongoing working capital requirements for the remainder of the fiscal year.

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In connection with the acquisition of Grolier, Inc., (See Item 2-MD&A-Results of Operations-Subsequent Event), the Company plans to primarily finance the \$400 million purchase price initially through bank debt under a committed facility and subsequently through an offering of debt or a combination of debt and equity. The Company does not anticipate any difficulties in obtaining permanent financing.

ACQUISITIONS

In the ordinary course of business, the Company explores domestic and international expansion opportunities, including potential niche and strategic acquisitions. As part of this process, the Company engages with interested parties in discussions concerning possible transactions. The Company will continue to evaluate such opportunities and prospects.

YEAR 2000 READINESS DISCLOSURE

Commencing in July 1997, the Company initiated its Year 2000 program, which consisted of the following three components relating to the Company's operations: (i) information technology ("IT") computer systems and applications which were judged to be potentially impacted by the Year 2000 problem and the actions related thereto, (ii) non-IT systems and equipment which include embedded technology which also could have been impacted by the Year 2000 problem and actions related thereto and (iii) third party suppliers and customers with which the Company has material relationships and which could adversely affect the Company if such parties failed to be Year 2000 complaint and the actions related thereto.

The Company completed its Year 2000 Readiness Program on a timely basis and experienced no significant Year 2000 related problems to date with either its internal operations or its material third party vendors. Similarly, there have been no material Year 2000 impacts reported with respect to the Company's products that we classified as Year 2000 ready. The Company estimates the total cost of the Year 2000 program, including consulting fees, infrastructure and facilities enhancements, and expenses related to internal staff, was approximately \$12.0 million, of which \$4.0 million was incurred during the current fiscal year. No additional material Year 2000 program costs are anticipated.

All statements regarding Year 2000 Readiness are "Year 2000 Readiness Disclosures" as defined by the Year 2000 Information and Readiness Disclosure Act of October 19, 1998.

NON-RECURRING CHARGE

The year-to-date operating results include an \$8.5 million non-recurring charge primarily related to the establishment of a litigation reserve following an adverse decision in a lawsuit originally filed in January, 1995. The case, SCHOLASTIC INC. AND SCHOLASTIC PRODUCTIONS, INC. V. ROBERT HARRIS AND HARRIS ENTERTAINMENT, INC., involves stock appreciation rights allegedly granted to Mr. Harris in 1990 in connection with a joint venture formed primarily to produce motion pictures. Although the Company disagrees with the judge's decision and is appealing, the Company has recorded \$6.7 million to fully

reserve with respect to the case. The \$8.5 million charge also includes an unrelated non-recurring expense of \$1.8 million relating to the liquidation of certain stock options.

SCHOLASTIC CORPORATION
ITEM 2. MD&A

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FORWARD LOOKING STATEMENTS

This Report on Form 10-Q contains forward-looking statements, which are subject to various risks and uncertainties, including the conditions of the children's book and instructional materials markets and acceptance of the Company's products within those markets and other risks and factors identified in the Company's Report on Form 10-K for the fiscal year ended May 31, 1999.

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The Company has operations in various foreign countries. In the normal course of business, these operations are exposed to fluctuations in currency values. Management does not consider the impact of such currency fluctuations to represent a significant risk to the Company's results of operations. The Company does not generally enter into derivative financial instruments for material amounts, nor are such instruments used for speculative purposes.

Market risks relating to the Company's operations result primarily from changes in interest rates. The majority of the Company's long-term debt bears interest at a fixed rate. However, the fair market value of the fixed rate debt is sensitive to changes in interest rates. The Company is subject to the risk that market interest rates will decline and the interest rates under the fixed rate debt will exceed the then prevailing market rates. The Company does not generally utilize interest rate derivative instruments to manage its exposure to interest rate changes.

As of February 29, 2000, the balance outstanding under its revolving credit facilities was \$64.2 million. The nine-month weighted-average interest rate was 6.5%. A 15% increase or decrease in the average cost of the Company's variable rate debt under the facility would not have a significant impact on the Company's results of operations.

Additional information relating to the Company's outstanding financial instruments is included in Item 2 - MD&A - Results of Operations - Subsequent Event.

PART II - OTHER INFORMATION

SCHOLASTIC CORPORATION
ITEM 4. LEGAL PROCEEDINGS

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As previously reported, three purported class action complaints were filed in the United States District for the Southern District of New York against the Company and certain officers seeking, among other remedies, damages resulting from defendants' alleged violations of federal securities laws. The complaints were consolidated. The Consolidated Amended Class Action Complaint (the "Complaint") was served and filed on August 13, 1997. The Complaint was styled as a class action, IN RE SCHOLASTIC CORPORATION SECURITIES LITIGATION, 97 Civ. II 2447 (JFK), on behalf of all persons who purchased Company common stock from December 10, 1996 through February 20, 1997. The Complaint alleged, among other things, violations of Sections 10(b) and 20 (a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, resulting from purportedly materially false and misleading statements to the investing public concerning the financial condition of the Company. Specifically, the Complaint alleged misstatements and omissions by the Company pertaining to adverse sales and returns of its popular GOOSEBUMPS book series prior to the Company's interim earnings announcement on February 20, 1997. On January 26, 2000, an order was entered granting the Company's motion to dismiss plaintiffs' Second Amended Consolidated Complaint without leave to further amend the complaint. Previously, on December 14, 1998, an order was entered granting the Company's motion to dismiss plaintiffs' First Amended Consolidated Complaint and granted plaintiffs leave to amend the complaint. In dismissing both complaints, which alleged substantially similar claims, the court held that plaintiffs failed to state a claim upon which relief can be granted. On February 25, 2000, plaintiffs filed a Notice of Appeal in connection with the most recent dismissal. The Company continues to believe that the litigation is without merit and will continue to vigorously defend against it.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----
3.2	Bylaws of the Company, Amended and Restated as of March 16, 2000
10.6	Scholastic Corporation Employee Stock Purchase Plan, amended and restated effective as of March 1, 2000
27.1	Financial Data Schedule as of and for the nine months ended February 29, 2000

(b) Reports on Form 8-K filed during the quarter: none.

SCHOLASTIC CORPORATION
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SCHOLASTIC CORPORATION
(Registrant)

Date: April 14, 2000

/s/ RICHARD ROBINSON

Richard Robinson
CHAIRMAN OF THE BOARD,
PRESIDENT, CHIEF EXECUTIVE
OFFICER AND DIRECTOR

Date: April 14, 2000

/s/ KEVIN J. MCENERY

Kevin J. McEnery
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

SCHOLASTIC CORPORATION
FORM 10-Q FOR QUARTERLY PERIOD ENDED FEBRUARY 29, 2000
EXHIBIT INDEX

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Amended and Restated as of March 16, 2000

BY-LAWS

of

SCHOLASTIC CORPORATION
(a Delaware corporation)

ARTICLE I

OFFICES

Section 1. REGISTERED OFFICE. The registered office shall be established and maintained at 1209 Orange Street, Wilmington, Delaware. The Corporation Trust Company shall be the registered agent of this Corporation in charge thereof.

Section 2. PRINCIPAL OFFICE. The principal office of the Corporation shall be located at 555 Broadway, New York, New York 10012, or at such other location in the State of New York as the Board of Directors may from time to time determine.

Section 3. OTHER OFFICES. The Corporation may also have such other offices, either within or without the State of Delaware, as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

STOCKHOLDERS

Section 1. PLACE OF MEETINGS OF STOCKHOLDERS. All meetings of the stockholders shall be held at the principal office of the Corporation in the State of New York or at such other location, within or without the State, as shall be fixed by the Board of Directors and specified in a notice of meeting or waiver of notice thereof.

Section 2. ANNUAL MEETINGS OF STOCKHOLDERS. Annual meetings of stockholders shall be held at such times and on such dates as the Board of Directors, by resolution, shall determine and as set forth in the notice of the meeting.

Section 3. SPECIAL MEETINGS OF STOCKHOLDERS. Special meetings of the stockholders may be called at any time by the President and shall be called by the Corporate Secretary upon receipt of a written request therefor signed by a majority of the Board of Directors or by the holders of record of at least one-quarter of the outstanding shares of the Corporation entitled to vote on the action proposed to be taken. Such written request shall state the purpose or purposes of the proposed meeting. Business transacted at any special meeting shall be limited to the business stated to be the purpose or purposes of the meeting in such written request and the notice of the meeting or any waiver of notice thereof.

Section 4. NOTICE OF MEETINGS OF STOCKHOLDERS. There shall be written notice of every meeting of stockholders, which shall state the place, date and hour of the meeting and, unless it is the annual meeting, indicate that it is being issued by or at the direction of the person or persons calling the meeting. Notice of a special meeting shall also state the purpose or purposes for which the meeting is called. A copy of the notice of any meeting shall be given, personally or by mail, not less than ten nor more than sixty days before the date of the meeting, to each stockholder entitled to vote at such meeting. If mailed, such notice shall be deemed given when deposited in the United States mail, with postage thereon prepaid, directed to the stockholder at such stockholder's address as it appears on the record of stockholders, or, if such stockholder shall have filed with the Corporate Secretary of the Corporation a written request that notices be mailed to some other address, then directed to such stockholder at such other address.

Section 5. WAIVERS OF NOTICE OF MEETINGS OF STOCKHOLDERS. Notice of meeting need not be given to any stockholder who submits a signed waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of any stockholder at a meeting, in person or by proxy, without objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened, shall constitute a waiver of notice by such stockholder.

Section 6. ADJOURNED MEETINGS. The stockholders present at a meeting of stockholders may adjourn the meeting despite the absence of a quorum. When a determination of stockholders entitled to notice of or to vote at any meeting of stockholders has been made, such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date for the adjourned meeting. When a meeting is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and at the adjourned meeting the Corporation may transact any business that might have been transacted on the original date of the meeting. However, if the adjournment is for more than thirty days or if, at or after the adjournment, the Board of Directors fixes a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 7. QUORUM OF STOCKHOLDERS. The holders of a majority of the shares entitled to vote thereat shall constitute a quorum at a meeting of stockholders for the transaction of any business, provided that, when a specified item of business is required to be voted on by a class or series, voting as a class or series, the holders of a majority of such class or series shall constitute

a quorum for the transaction of such specified item of business. When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any stockholders.

Section 8. FIXING RECORD DATE. The Board of Directors may fix, in advance, a date as the record date for the purpose of determining the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining stockholders entitled to receive payment of any dividend or the allotment of any rights, or for the purpose of any other action. Such date, fixed as the record date, shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action.

Section 9. LIST OF STOCKHOLDERS AT MEETING. A complete list of the stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order, with the address of each and the number of shares held by each, shall be opened to the examination of any stockholder for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list, which shall be certified by the Corporate Secretary or the transfer agent, shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present.

Section 10. PROXIES. Every stockholder entitled to vote at a meeting of stockholders or to express consent or dissent without a meeting may authorize another person or persons to act for him by proxy. Every proxy must be signed by the stockholder or the stockholder's attorney-in-fact. No proxy shall be valid after the expiration of three years from the date thereof unless

otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the stockholder executing it, except in those cases where an irrevocable proxy is provided by law.

Section 11. INSPECTORS AT MEETINGS OF STOCKHOLDERS. The Board of Directors, in advance of any meeting of stockholders, shall appoint one or more inspectors to act at the meeting or any adjournment thereof and make a written report thereof. In case any person appointed fails to appear or act, the vacancy shall be filled by alternate appointment made by the Board of Directors in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, before entering upon the discharge of the inspector's duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of such inspector's ability. The inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine and retain for a reasonable period a record of the disposition of any challenges determined by them, certify their determination of the number of shares represented at the meeting and their count of all votes, ballots or consents and otherwise do such acts as are proper to conduct the election or vote with fairness to all stockholders. A report or certificate made by them shall be prima facie evidence of the facts stated and of the vote as certified by them.

Section 12. VOTING. Subject to any limitations on the right to vote contained in the Certificate of Incorporation of the Corporation, every stockholder of record shall be entitled at every meeting of stockholders to one vote for every share standing in the stockholder's name on the record of stockholders. Subject to the Certificate of Incorporation of the Corporation and

Article III, Section 4 of these By-laws and except as otherwise required by law, directors shall be elected by a plurality of the votes cast at a meeting of stockholders by the holders of shares entitled to vote in the election. Any other corporate action by vote of the stockholders shall, except as otherwise required by law, be authorized by a majority of the votes cast at a meeting of stockholders by the holders of shares entitled to vote thereon.

Section 13. ACTION WITHOUT MEETING. Unless otherwise provided by the Certificate of Incorporation, any action required to be taken at any annual or special meeting of stockholders, or any action which may be taken at any annual or special meeting, may be taken without a meeting, without prior notice and without a vote, if a consent in writing setting forth the action so taken shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE III

DIRECTORS

Section 1. BOARD OF DIRECTORS. The business of the Corporation shall be managed by its Board of Directors.

Section 2. QUALIFICATIONS OF DIRECTORS. Each director shall be at least 18 years of age. Directors need not be stockholders.

Section 3. NUMBER OF DIRECTORS. The number of directors constituting the entire Board of Directors shall be not less than three nor more than fifteen, such number to be determined annually by the holders of the Class A Stock.

Section 4. ELECTION AND TERM OF DIRECTORS. At each annual meeting of stockholders the holders of the shares of the Corporation's Common Stock voting as a class shall elect one-fifth of the members of the Board of Directors, provided, however, that such holders, voting as a class, shall always be entitled to elect at least one member of the Board of Directors, and the holders of the shares of the Corporation's Class A Stock, voting as a class, shall elect the remaining members of the Board of Directors. Each director shall hold office until the next annual meeting and until such director's successor shall have been elected and qualified or until such director's earlier resignation or removal.

Section 5. VACANCIES. In the event of a vacancy occurring, for any reason, in the seat of a director who has been or would be elected by the holders of the Common Stock, such vacancy shall be filled solely by vote of a majority of the remaining directors, though less than a quorum, who have been elected by the holders of the Common Stock. In the event of a vacancy occurring, for any reason, in the seat of a director who has been or would be elected by the holders of the Class A Stock, such vacancy shall be filled solely by vote of a majority of the remaining directors, though less than a quorum, who have been elected by the holders of the Class A Stock. A director elected to fill a vacancy shall hold office until the next meeting of stockholders at which the election of directors is in the regular order of business and until such director's successor shall have been elected and qualified.

Section 6. REMOVAL OF DIRECTORS. Any director may be removed for cause or without cause by vote of the holders of the class of stock which elected such director.

Section 7. QUORUM OF DIRECTORS. A majority of the entire Board of Directors shall constitute a quorum for the transaction of business or of any specified item of business.

Section 8. ACTION BY THE BOARD OF DIRECTORS. The vote of a majority of the directors present at a meeting of the Board of Directors at the time of the vote, if a quorum is present at such time, shall, except as otherwise provided by law, be the act of the Board of Directors.

Section 9. ACTION WITHOUT MEETING. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting by written consent, setting forth the action so taken, signed by all members of the Board of Directors or of such committee, as the case may be.

Section 10. PARTICIPATION BY CONFERENCE TELEPHONE. Any one or more members of the Board or any committee thereof may participate in a meeting of the Board or such committee by means of conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

Section 11. PLACE AND TIME OF MEETINGS OF THE BOARD OF DIRECTORS. The first meeting of each newly elected Board of Directors shall be held immediately following the annual meeting of stockholders and at the place thereof. Other meetings of the Board of Directors, regular or special, may be held at any place selected by the Board of Directors.

Section 12. NOTICE OF MEETINGS OF THE BOARD OF DIRECTORS. Regular meetings of the Board of Directors may be held without notice if the time and place of such meetings are fixed by these By-laws or the Board of Directors. Special meetings of the Board of Directors may be called by the President and shall be called by the Corporate Secretary upon receipt of a written request therefor signed by any two directors and shall be held upon notice to the directors. The notice shall state the place, date and hour of the meeting and indicate that it is being issued by or at the direction of the person or persons calling the meeting. The notice shall be given personally

(including by telephone) or by mail, telecopier, telegram, cable or other public instrumentality, not less than three business days before the date of the meeting, to each director. Such notice shall be deemed given, if mailed, when deposited in the United States mail, with postage thereon prepaid, if telecopied, upon confirmed receipt, or, if telegraphed, cabled or sent by other public instrumentality, when given to the telegraph company, cable company or other public instrumentality, directed to the director at such director's business address, or, if such director shall have filed with the Corporate Secretary of the Corporation a written request that notices to such director be mailed, telegraphed, cabled or sent to some other address, then directed to such director at such other address. A notice, or waiver of notice, need not specify the purpose of any regular or special meeting of the Board of Directors.

Section 13. WAIVERS OF NOTICE OF MEETINGS OF DIRECTORS. Notice of a meeting need not be given to any director who submits a signed waiver of notice, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director.

Section 14. EXECUTIVE COMMITTEE AND OTHER COMMITTEES. The Board of Directors, by resolution adopted by a majority of the entire Board of Directors, may designate from among its members an executive committee and other committees, each of which shall consist of three or more directors, and each of which, to the extent provided in the resolution or in these By-laws, shall have all the powers and authority of the Board of Directors, except that no such committee shall have the power or authority as to the following matters:

(1) Approving or adopting, or recommending to the stockholders, any action or matter expressly required by the Delaware General Corporation Law to be submitted to stockholders for approval.

(2) The amendment or repeal of the By-laws or the adoption of new By-laws.

The Board of Directors may designate one or more directors as alternative members of any such committee, who may replace an absent or disqualified member or members at any meeting of such committee. In addition, the member or members of any committee present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Each such committee shall serve at the pleasure of the Board of Directors.

Section 15. REIMBURSEMENT AND COMPENSATION OF DIRECTORS. The Board of Directors shall have authority to fix the compensation of directors for services in any capacity. The directors may be paid their expenses of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of the executive committee or any other committee may be allowed similar reimbursement and compensation for their services as such.

ARTICLE IV

OFFICERS

Section 1. NUMBER. The Board of Directors may elect or appoint a Chairman of the Board, one or more Vice Chairmen of the Board, a Chief Executive Officer, a President, one or more Vice Presidents, a Corporate Secretary and a Treasurer, and such other officers as it may determine. Any two or more offices may be held by the same person, except that the same person may not hold both the offices of President and Corporate Secretary.

Section 2. ELECTION AND TERM OF OFFICE. The officers of the Corporation to be elected or appointed by the Board of Directors shall be elected or appointed annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the stockholders. Each officer shall hold office until the first meeting of the Board of Directors following the next annual meeting of stockholders and until such officer's successor shall have been elected or appointed and qualified or until such officer's earlier resignation or removal.

Section 3. CHAIRMAN. The Chairman of the Board of Directors shall preside at all meetings of the Board of Directors and shall have and perform such other duties as from time to time may be assigned to the Chairman by the Board of Directors or the executive committee.

Section 4. VICE CHAIRMAN. The Vice Chairman (or, if there shall be more than one, the Vice Chairman designated by the Chairman) shall preside at the meetings of the Board of Directors in the absence of the Chairman of the Board. Each Vice Chairman shall otherwise have and perform such other duties as from time to time may be assigned to such Vice Chairman by the Board of Directors or the executive committee.

Section 5. CHIEF EXECUTIVE OFFICER. The Chief Executive Officer shall have direct charge of and general supervision over the affairs, property and business of the Corporation, including the power to appoint and remove such employees (other than those specifically mentioned in this Article IV) as the business may require, shall have general supervision over all officers of the Corporation, including the determination of their specific responsibilities and duties, shall determine or approve all additions or changes in management personnel and shall have such other duties as may be assigned to the Chief Executive Officer from time to time by the Board of Directors.

Section 6. PRESIDENT. The President shall have such general powers and duties of supervision and management usually vested in the office of President of the Corporation. The President shall preside at all meetings of the stockholders if present thereat and, in the absence of the Chairman and Vice Chairman of the Board of Directors, at all meetings of the Board of Directors. Except as the Board of Directors shall authorize the execution thereof in some other manner, the President shall execute bonds, mortgages and other contracts on behalf of the Corporation and shall cause the seal to be affixed to any instrument requiring it.

Section 7. VICE PRESIDENTS. Vice Presidents shall have seniority in order designated by the Board of Directors, shall have such powers and shall perform such duties as shall be assigned by the Board of Directors or the Chief Executive Officer and may be designated by such further title descriptive of their duties or seniority as the Board of Directors may approve. In the absence or disability of the President, the Vice President designated by the Board of Directors shall perform the duties and exercise the powers of the President.

Section 8. TREASURER. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate account of receipts and disbursements in books belonging to the Corporation. The Treasurer shall deposit all moneys and other valuables in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors or the President, taking proper vouchers for such disbursements. The Treasurer shall render to the President and the Board of Directors at the regular meetings of the Board of Directors, or whenever they may request it, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of

Directors, the Treasurer shall give the Corporation a bond for the faithful discharge of his or her duties in such amount and with such surety as the Board shall prescribe.

Section 9. CORPORATE SECRETARY. The Corporate Secretary shall give, or cause to be given, notice of all meetings of stockholders and directors, and all other notices required by law or by these By-laws. In case of the absence of or refusal or neglect by the Corporate Secretary to do so, any such notice may be given by any person thereunto directed by the President, or by the directors or stockholders upon whose requisition the meeting is called as provided in these By-laws. The Corporate Secretary shall record all the proceedings of the meetings of the stockholders and of the Board of Directors in a book to be kept for that purpose and shall perform such other duties as may be assigned to the Corporate Secretary by the Board of Directors or the Chief Executive Officer. The Corporate Secretary shall have the custody of the seal of the Corporation and shall affix the same to all instruments requiring it, when authorized by the Board of Directors or the President, and attest the same.

Section 10. ASSISTANT TREASURERS AND ASSISTANT CORPORATE SECRETARIES. Assistant Treasurers and Assistant Corporate Secretaries, if any, shall be elected and shall have such powers and shall perform such duties as shall be assigned to them, respectively, by the Board of Directors or the Chief Executive Officer.

Section 11. REMOVAL. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors with or without cause, but such removal without cause shall be without prejudice to the contract rights, if any, of the person so removed.

Section 12. VACANCIES. A vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

Section 13. COMPENSATION OF OFFICERS. The compensation of the officers shall be fixed from time to time by the Board of Directors or any committee thereof to which such authority has been delegated, and no officer shall be prevented from receiving such compensation by reason of the fact that he or she is also a director of the Corporation.

ARTICLE V

CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. CONTRACTS. The Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument or other document in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 2. CHECKS, DRAFTS, ETC. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 3. DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE VI

CERTIFICATES REPRESENTING SHARES, RECORD

OF STOCKHOLDERS, TRANSFER OF SHARES

Section 1. CERTIFICATES REPRESENTING SHARES. The shares of the Corporation shall be represented by certificates which shall be in such form as shall be determined by the Board of Directors. All such certificates shall be consecutively numbered or otherwise identified. Such certificates shall be signed by the Chairman or a Vice-Chairman of the Board of Directors or the

President or a Vice-President and the Corporate Secretary or an Assistant Corporate Secretary or the Treasurer or an Assistant Treasurer and may, but need not, be sealed with the seal of the Corporation or a facsimile thereof. The signatures of the officers upon a certificate may be facsimiles. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer at the date of issue. Each certificate shall state upon the face thereof: (1) that the Corporation is formed under the laws of the State of Delaware; (2) the name of the person or persons to whom issued; and (3) the number and class of shares and the designation of the series, if any, which such certificate represents.

Section 2. LOST, DESTROYED OR WRONGFULLY TAKEN CERTIFICATES. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation, alleged to have been lost, apparently destroyed or wrongfully taken, upon the making of an affidavit of that fact by the person claiming the certificate to be lost, apparently destroyed or wrongfully taken. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, apparently destroyed or wrongfully taken certificate or certificates, or the owner's legal representative, to advertise the same in such a manner as it shall require and/or give the Corporation a bond in such sum and with such surety or sureties as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, apparently destroyed or wrongfully taken.

Section 3. RECORD OF STOCKHOLDERS. The Corporation shall keep a record containing the names and addresses of all stockholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof. The Corporation shall be protected in treating the persons in whose names shares stand on the record of stockholders as the owners thereof for all purposes.

Section 4. TRANSFER OF SHARES. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate representing shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, and cancel the old certificate, and every such transfer of shares shall be entered on the record of stockholders of the Corporation.

ARTICLE VII

INDEMNIFICATION

No director of the Corporation shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director of the Corporation; provided, however, that the foregoing is not intended to eliminate or limit the liability of a director of the Corporation for (i) any breach of a director's duty of loyalty to the Corporation or its stockholders, (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) a violation of Section 174 of the General Corporation Law of the State of Delaware or (iv) any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Article VII shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment. The Corporation shall, to the fullest extent permitted by Section 145 of the General Corporation Law of the State of

Delaware, as that Section may be amended and supplemented from time to time, indemnify any director or officer of the Corporation (and any director, trustee or officer of any corporation, business trust or other entity to whose business the Corporation shall have succeeded) which it shall have power to indemnify under that Section against any expenses, liabilities or other matter referred to in or covered by that Section. The indemnification provided for in this Article (a) shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any By-law, agreement or vote of stockholders or disinterested directors or otherwise, both as to action in their official capacities and as to action in another capacity while holding such office, (b) shall continue as to a person who has ceased to be a director or officer and (c) shall inure to the benefit of the heirs, executors and administrators of such a person. To assure indemnification under this Article of all such persons who are determined by the Corporation or otherwise to be or to have been "Fiduciaries" of any employee benefit plan of the Corporation which may exist from time to time and which is governed by the Act of Congress entitled "Employee Retirement Income Security Act of 1974," as amended from time to time, such Section 145 shall, for the purposes of this Article, be interpreted as follows: an "other enterprise" shall be deemed to include such an employee benefit plan; the Corporation shall be deemed to have requested a person to serve an employee benefit plan where the performance by such person of his or her duties to the Corporation also imposes duties on, or otherwise involves services by, such person to the plan or participants or beneficiaries of the plan; excise taxes assessed on a person with respect to an employee benefit plan pursuant to such Act of Congress shall be deemed "fines;" and action taken or omitted by a person with respect to an employee benefit plan in the performance of such person's duties for a purpose reasonably believed by

such person to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is not opposed to the best interests of the Corporation.

Any person made, or threatened to be made, a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including any action by or in the right of the Corporation or any other corporation of any type or kind, domestic or foreign, or of any partnership, joint venture, trust, employee benefit plan or other enterprise, which any director or officer of the Corporation served in any capacity at the request of the Corporation, by reason of the fact that such person, or such person's testator or intestate, was a director or officer of the Corporation, or served such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity at the request of the Corporation, shall be indemnified by the Corporation to the fullest extent permitted by law.

The right to indemnification conferred in this Article VII in respect of directors and officers shall also include the right to be paid by the Corporation the expenses (including attorneys' fees) incurred in defending any civil, criminal, administrative or investigative action, suit or proceeding in advance of its final disposition, provided that any such advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer shall only be made upon delivery to the Corporation of an undertaking, by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this Article, the Certificate of Incorporation of the Corporation or otherwise.

ARTICLE VIII

DIVIDENDS

The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and its Certificate of Incorporation.

ARTICLE IX

FISCAL YEAR

The fiscal year of the Corporation shall begin on June 1 of each year.

ARTICLE X

SEAL

The Board of Directors shall provide a suitable seal containing the name of the Corporation, which seal shall be in the charge of the Corporate Secretary. The Corporation may use the seal by causing it or a facsimile to be affixed or impressed or reproduced in any other manner.

ARTICLE XI

AMENDMENT AND REPEAL

These By-laws may be amended or repealed by vote of the holders of the shares of the Corporation's Class A Stock. These By-laws may also be amended or repealed by the Board of Directors.

SCHOLASTIC CORPORATION
EMPLOYEE STOCK PURCHASE PLAN
(AMENDED AND RESTATED EFFECTIVE AS OF MARCH 1, 2000)

SCHOLASTIC CORPORATION
EMPLOYEE STOCK PURCHASE PLAN
(AMENDED AND RESTATED EFFECTIVE AS OF MARCH 1, 2000)

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SCHOLASTIC CORPORATION

EMPLOYEE STOCK PURCHASE PLAN

(AMENDED AND RESTATED EFFECTIVE AS OF MARCH 1, 2000)

1. PURPOSE.

The purpose of the Scholastic Corporation 1998 Employee Stock Purchase Plan (the "Plan") is to encourage and enable eligible employees of Scholastic Corporation (the "Company") and certain affiliated companies to acquire proprietary interests in the Company through the ownership of Common Stock of the Company. The Company believes that employees who participate in the Plan will have a closer identification with the Company by virtue of their ability as stockholders to participate in the Company's growth and earnings. It is the intention of the Company to have the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code. Accordingly, the provisions of the Plan shall be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

The Plan was originally approved by the holders of the Company's Class A Stock pursuant to written consent dated November 30, 1998 and adopted by the Board of Directors the Company effective as of January 1, 1999 and was amended and restated by action of the Board of Directors of the Company effective as of March 1, 2000.

2. DEFINITIONS.

The following words or terms have the following meanings:

(a) "AGENT" shall mean the agent, broker or other administrator, including without limitation, employees of the Employer, appointed by the Committee pursuant to Section 4(b) hereof.

(b) "ANNUAL PAY" shall mean an amount equal to the sum of (i) the annual basic rate of pay of an Eligible Employee as determined from the payroll records of the Company, Designated Subsidiary or Designated Parent and (ii) all other cash compensation paid to an Eligible Employee during a Purchase Period by the Company, Designated Subsidiary or Designated Parent, including overtime, bonuses, and 401(k) salary deferral contributions and amounts excludable under Section 125 of the Code under certain employee benefit plans, but does not include any contributions by the Company, Designated Parent or Designated Subsidiary, to, or benefits paid under, the Plan or any other pension, profit-sharing, fringe

benefit, group insurance or other employee welfare plan or any deferred compensation arrangement. Notwithstanding the foregoing, the Committee, in its sole discretion, may adjust the types of compensation constituting Annual Pay; provided that any such determination shall be applied on a uniform and consistent basis to all Eligible Employees.

(c) "BOARD OF DIRECTORS" shall mean the Board of Directors of the Company or the Executive Committee of such Board of Directors.

(d) "CODE" shall mean the Internal Revenue Code of 1986, as amended.

(e) "COMMITTEE" shall mean the Human Resources and Compensation Committee of the Board of Directors of the Company or any successor committee, or such other committee of the Board of Directors of the Company appoints to administer the Plan. To the extent that no Committee exists which has the authority to administer the Plan, the functions of the Committee shall be exercised by the Board of Directors.

(f) "COMPANY" shall mean Scholastic Corporation, a corporation organized under the laws of Delaware (or any successor corporation).

(g) "DESIGNATED PARENT" shall mean any Parent of the Company which is specifically designated as eligible to participate in the Plan by the Committee from time to time in its sole discretion.

(h) "DESIGNATED SUBSIDIARIES" shall mean each Subsidiary of the Company on the effective date of the Plan and future Subsidiaries which are not specifically excluded from participation by the Committee from time to time in its sole discretion. Notwithstanding the foregoing, the term "Designated Subsidiaries" shall not include Subsidiaries located in Foreign Jurisdictions, unless the Committee specifically designates such Subsidiary as a Designated Subsidiary.

(i) "ELIGIBLE EMPLOYEE" shall mean any person (i) whose customary employment is for more than twenty (20) hours per week for an Employer; (ii) whose customary employment is for more than five (5) months per year; and (iii) who has completed the Eligibility Period. Notwithstanding the foregoing, the Committee may exclude the employees of any specified Designated Parent or Designated Subsidiary from any offering under the Plan.

(j) "ELIGIBILITY PERIOD" shall mean, with respect to any employee, the ninety (90) day period commencing on the first day of each fiscal quarter of the Company after the employee has completed six (6) continuous months of service with the Employer. Notwithstanding the foregoing, the Committee may, in its sole discretion, increase or decrease the length of the Eligibility Period with respect to the employees of the Company, and any and all Designated Parent and Designated Subsidiaries; provided that such period shall in no event exceed two (2) years.

(k) "EMPLOYER" shall mean, with respect to any employee, the Company or Designated Subsidiary or Designated Parent by which the employee is employed.

(l) "EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended.

(m) "EXERCISE DATE" shall mean the last business day of each Purchase Period in which payroll deductions are made under the Plan.

(n) "FOREIGN JURISDICTION" shall mean any jurisdiction outside of the United States including, without limitation, countries, states, provinces, and localities.

(o) "MARKET PRICE" for purposes of this Plan, unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, as of any date, the last sales price reported for the Common Stock on the applicable date: (i) as reported on the principal

national securities exchange on which it is then traded or the Nasdaq Stock Market, Inc. or (ii) if not traded on any such national securities exchange or the Nasdaq Stock Market, Inc. as quoted on an automated quotation system sponsored by the National Association of Securities Dealers, Inc. If the Common Stock is not readily tradable on a national securities exchange, the Nasdaq Stock Market, Inc. or any automated quotation system sponsored by the National Association of Securities Dealers, Inc., its Market Value shall be set in good faith by the Committee.

(p) "OFFERING DATE" shall mean the first day of each Purchase Period.

(q) "OPTION" shall mean the right or rights granted to Eligible Employees to purchase the Company's Common Stock under an offering made under the Plan and pursuant to such Eligible Employees' elections to purchase.

(r) "PARENT" shall mean any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if, at the time of granting an Option, each of the corporations other than the employer corporation owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(s) "PARTICIPANT" shall mean an Eligible Employee who participates in the Plan.

(t) "PLAN" shall mean the Scholastic Corporation 1998 Employee Stock Purchase Plan, as amended from time to time.

(u) "PURCHASE PERIOD" shall mean the period beginning on the first day of each fiscal quarter of the Company and ending on the last day of each fiscal quarter of the Company, or such other period designated by the Committee, in its sole discretion, during which installment payments for Common Stock purchased under the Plan shall be made.

(v) "RULE 16b-3" shall mean Rule 16b-3 promulgated under Section 16(b) of the Exchange Act as then in effect or any successor provisions.

(w) "SHARES", "STOCK" or "COMMON STOCK" shall mean shares of the Company's common stock, par value \$.01 per share.

(x) "SUBSIDIARY" shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company at the time of granting an Option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(y) "SUBSCRIPTION PERIOD" shall mean the first day of the preceding Purchase Period through the 20th day of the last month of the preceding the Purchase Period, or such other

period of time designated by the Committee, in its sole discretion, in any offer of Common Stock under the Plan beginning on the first day Eligible Employees may elect to purchase Shares and ending on the last day such elections to purchase are authorized to be received and accepted.

3. SHARES RESERVED FOR PLAN.

(a) The Shares of the Company's Common Stock to be sold to Eligible Employees under the Plan may, at the election of the Committee, be purchased by the Agent on the open market or may be treasury shares or newly-issued and authorized Shares delivered to the Plan, upon such terms as the Committee may approve. The maximum number of Shares which shall be reserved and made available for sale under the Plan shall be 200,000, subject to adjustment as provided in paragraph (b) of this Section. The Shares reserved may be issued and sold pursuant to one or more offerings under the Plan. With respect to each offering, the Committee may specify the number of Shares to be made available, the length of the Subscription Period, the length of the Purchase Period, the Offering Dates and such other terms and conditions not inconsistent with the Plan as may be necessary or appropriate. In no event shall the Subscription Period and the Purchase Period together exceed twenty-seven (27) months for any offering.

(b) In the event of any increase, reduction, or change or exchange of Common Stock for a different number or kind of Shares or other securities of the Company by reason of a reclassification, recapitalization, merger, consolidation, reorganization, stock dividend, stock split or reverse stock split, combination or exchange of Shares, repurchase of Shares, change in corporate structure or otherwise, the Committee shall conclusively determine the appropriate equitable adjustments, if any, to be made under the Plan, including without limitation adjustments to the number of Shares which have been authorized for issuance under the Plan but have not yet been placed under Option, as well as the price per Share of Common Stock covered by each Option under the Plan which has not yet been exercised.

(c) In the event of the complete liquidation of the Company or of a reorganization, consolidation or merger in which the Company is not the surviving Corporation, any Option granted under the Plan shall continue in full force and effect unless either (i) the Committee modifies such Option so that it is fully exercisable with respect to all of the Common Stock subject thereto prior to the effective date of such transaction or (ii) the surviving corporation issues or assumes a stock option as contemplated under Section 424(a) of the Code.

4. ADMINISTRATION OF THE PLAN.

(a) The Plan shall be administered by the Committee and the Committee may select an administrator or any other person to whom its duties and responsibilities hereunder may be delegated. The Committee shall have full power and authority, subject to the provisions of the Plan, to promulgate such rules and regulations as it deems necessary for the proper administration of the Plan, to interpret the provisions and supervise the administration of the Plan, and to take all actions in connection therewith or in relation thereto as it deems necessary or

advisable. The Committee may adopt special guidelines and provisions for persons who are residing in, or subject to the laws of, Foreign Jurisdictions to comply with applicable tax and securities laws. All interpretations and determinations of the Committee shall be made in its sole and absolute discretion based on the Plan document and shall be final, conclusive and binding on all parties.

(b) The Committee may employ such legal counsel, consultants, brokers and agents as it may deem desirable for the administration of the Plan and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant, broker or agent. The Committee may, in its sole discretion, designate an Agent to administer the Plan, purchase and sell Shares in accordance with the Plan, keep records, send statements of account to employees and to perform other duties relating to the Plan, as the Committee may request from time to time. The Agent shall serve as custodian for purposes of the Plan and, unless otherwise requested by the Participant, Common Stock purchased under the Plan shall be held by and in the name of, or in the name of a nominee of, the custodian for the benefit of each Participant, who shall thereafter be a beneficial stockholder of the Company. The Committee may adopt, amend or repeal any guidelines or requirements necessary for the custody and delivery of the Common Stock, including, without limitation, guidelines regarding the imposition of reasonable fees in certain circumstances.

(c) The Company shall, to the fullest extent permitted by law and the Certificate of Incorporation and By-laws of the Company and, to the extent not covered by insurance, indemnify each director, officer or employee of the Employer (including the heirs, executors, administrators and other personal representatives of such person) and each member of the Committee against all expenses, costs, liabilities and losses (including attorneys' fees, judgments, fines, excise taxes or penalties, and amounts paid or to be paid in settlement) actually and reasonably incurred by such person in connection with any threatened, pending or actual suit, action or proceeding (whether civil, criminal, administrative or investigative in nature or otherwise) in which such person may be involved by reason of the fact that he or she is or was serving this Plan in any capacity at the request of the Company, except in instances where any such person engages in willful neglect or fraud. Such right of indemnification shall include the right to be paid by the Company for expenses incurred or reasonably anticipated to be incurred in defending any such suit, action or proceeding in advance of its disposition; provided, however, that the payment of expenses in advance of the settlement or final disposition of a suit, action or proceeding, shall be made only upon delivery to the Company of an undertaking by or on behalf of such person to repay all amounts so advanced if it is ultimately determined that such person is not entitled to be indemnified hereunder. Such indemnification shall be in addition to any rights of indemnification the person may have as a director, officer or employee or under the Certificate of Incorporation of the Company or the By-Laws of the Company. Expenses incurred by the Committee or the Board of Directors in the engagement of any such counsel, consultant or agent shall be paid by the Company.

5. PARTICIPATION IN THE PLAN.

Options to purchase the Company's Common Stock under the Plan shall be granted to all Eligible Employees; provided, however, that solely to the extent allowable under Section 423 of the Code, the Committee may determine that any offering of Common Stock under the Plan will not be extended to all or some officers, highly compensated employees of the Employer or to those employees whose principal duties consist of supervising the work of other employees. Any decision relating to the inclusion or exclusion of any executive officer (as defined in Rule 3b-7 promulgated under the Exchange Act as then in effect or any successor provisions) of the Employer pursuant to this Section shall be made only by the members of the Committee who are not executive officers of the Employer and who have not participated or been eligible to participate in this Plan or any similar employee stock option plan for a period of at least one year prior to such determination.

6. PURCHASE PRICE.

The purchase price for Shares purchased pursuant to the Plan shall be determined by the Committee, in its sole discretion, and shall remain in effect unless modified at least thirty (30) days prior to the applicable Offering Date, but in no event shall be less than the lesser of: (i) eighty-five percent (85%) of the Market Price of a Share of Common Stock on the first business day of the Purchase Period or (ii) eighty-five (85%) of the Market Price of a Share of Common Stock on the Exercise Date. Effective as of the effective date of the Plan until modified by the Committee, the price per Share of the Common Stock subject to an offering shall be the lesser of: (i) eighty-five percent (85%) of the Market Price of a Share of Common Stock on the first business day of the Purchase Period or (ii) eighty-five (85%) of the Market Price of a Share of Common Stock on the Exercise Date.

7. METHOD OF PAYMENT.

Payment for Shares purchased pursuant to the Plan shall be made in installments through payroll deductions, with no right of prepayment.

8. EMPLOYEE'S ELECTION TO PURCHASE. GRANTS OF OPTIONS.

(a) In order to participate in the Plan, an Eligible Employee must sign an election to purchase Shares on a form provided by the Company stating the Eligible Employee's desire to purchase Shares under the Plan and showing the amount which the Eligible Employee elects to have withheld from his or her pay for such payroll period during the Purchase Period. The election to purchase Shares must be delivered on or before the last day of the Subscription Period to the person or office designated to receive and accept such elections. An Eligible Employee may increase or decrease such payroll deductions prior to the beginning of any subsequent Subscription Period by giving sufficient prior written notice to the Committee on a form provided by, or acceptable to, the Committee for such purpose. An Eligible Employee may terminate a payroll deduction authorization at any time pursuant to Section 14(a) hereof on a form provided by the Company. An authorization shall remain in effect until modified or terminated by the Eligible Employee or until the percentage used to determine the Option price is

effectively increased or decreased. Any changes in the election to purchase Shares, other than a full cancellation, shall become effective as of the next succeeding Purchase Period; provided that such election is made during the succeeding Subscription Period.

(b) All payroll deductions made by a Participant shall be credited to such Participant's account under the Plan. A Participant may not make any additional payments into such account except as otherwise provided herein.

(c) In the event a Participant makes a hardship withdrawal of employee deferral (401 (k)) contributions under a 401 (k) profit sharing plan of the Company, a Subsidiary, or a Parent or an affiliate or any other plan qualified under Section 401(a) of the Code that contains a Code Section 401(k) feature, to the extent required by such plan, such Participant's payroll deductions and the purchase of Shares under the Plan shall be suspended until the first payroll period following the Offering Date commencing after the twelve (12) month period after such hardship withdrawal. If a Participant who elects a hardship withdrawal under such a 401 (k) profit sharing plan or such other plan has a cash balance accumulated in his or her account at the time of withdrawal that has not already been applied to purchase Shares, such cash balance shall be returned to the Participant as soon as administratively practicable.

9. EXERCISE OF OPTION.

(a) A Participant's election to purchase Shares shall be exercised automatically on the Exercise Date, and the maximum number of whole and/or fractional Shares subject to such Option shall be purchased for such Participant at the applicable Option price with the accumulated payroll deductions in such Participant's account. If all or any portion of the Shares cannot reasonably be purchased on the Exercise Date in the sole discretion of the Committee because of unavailability or any other reason, such purchase shall be made as soon thereafter as feasible. In no event shall certificates for any fractional Shares be issued under the Plan. Shares shall be credited to the Participant's account as soon as administratively feasible after the Exercise Date.

(b) If the total number of Shares which would otherwise be subject to Options granted on an Offering Date exceeds the number of Shares then available under the Plan (after deduction of all Shares for which Options have been exercised or are then outstanding), the Committee shall make a pro rata allocation of the Shares remaining available for Option grant in as uniform a manner as shall be practicable and as it shall determine to be equitable. In such event, the Committee shall give written notice to each Participant of such reduction of the number of Option Shares affected thereby and shall similarly reduce the rate of payroll deductions, if necessary.

(c) All Shares included in any offering under the Plan in excess of the total number of Shares which all Participants elect to purchase and all Shares with respect to which elections to purchase are canceled as provided in Section 14 shall continue to be reserved for the Plan and shall be available for inclusion in any subsequent offering under the Plan.

10. DELIVERY OF COMMON STOCK.

(a) Certificates for whole shares of Common Stock shall not be issued to Participants unless and until requested or as otherwise provided herein. Such certificates shall be issued as soon as administratively feasible following the Participant's request for issuance. If a Participant requests certificates for whole shares of Common Stock, any fractional shares of Common Stock shall remain in the Participant's account during his or her employment, unless he or she requests cash in lieu of the fractional shares. A fee fixed by the Plan's Agent or transfer agent, as the case may be, may be charged to the Participant for the issuance of certificates of shares of Common Stock and for the replacement of lost certificates. Certificates for a fractional share of Common Stock shall not be issued under any circumstance. The Committee or the Plan's Agent may establish limitations on the issuance of certificates to the extent allowable by applicable law.

(b) A Participant may request the Agent to sell all or a portion of Shares for which certificates have not been issued and receive cash for such Shares, subject to any brokerage fees or commissions.

(c) Notwithstanding any other provision of the Plan to the contrary, following a Participant's termination of employment, death or retirement from the Company, any Subsidiary and any Parent, the Participant (or, in the case of death, his or her legal representative) shall elect, within such period as prescribed by the Committee to (i) direct the Committee or Agent to sell all or a portion of Shares for which certificates have not been issued and receive cash for such Shares, subject to any brokerage fees or commissions; (ii) receive certificates for all of the whole Shares and cash in lieu of any fractional Shares credited to the Participant's account under the Plan; or (iii) receive payment from the Plan for all Shares in such other manner permitted by the Committee in its sole discretion, including permitting the transfer of certificates for all Shares (including fractional Shares) credited to the Participant's account under the Plan to an individual brokerage account established by the Agent for the benefit of the Participant or for the benefit of the Participant and his or her spouse as joint tenants with rights of survivorship. The Committee may establish and adopt rules dictating the default election of a Participant (or, in the case of death, his or her legal representative) who does not make a timely election pursuant to this paragraph (c). A fee fixed by the Plan's Agent may be charged to the Participant for the issuance of certificates of Shares.

11. LIMITATIONS OF NUMBER OF SHARES WHICH MAY BE PURCHASED.

(a) Notwithstanding any provisions of the Plan to the contrary, no individual shall be granted an Option under the Plan:

(i) if, immediately after the grant, such individual (or any other person whose stock would be attributed to such individual pursuant to Section 424(d) of the Code) would own stock and/or hold outstanding Options to purchase stock possessing five percent (5%)

or more of the total combined voting power or value of all classes of stock of the Company or of any Subsidiary or Parent; or

(ii) which permits such individual's right to purchase stock under all employee stock purchase plans (as described in Section 423 of the Code) of the Company and any Subsidiary or Parent to accrue at a rate which exceeds twenty five thousand dollars (\$25,000) of fair market value of such stock (determined at the time such option is granted) for any calendar year in which such option is outstanding at any time; or

(iii) which permits an Eligible Employee to purchase Shares during any one offering pursuant to the Plan for an aggregate purchase price (which shall be computed on an annual basis in the event the Purchase Period is more or less than twelve (12) months) in excess of ten percent (10%) of his or her Annual Pay.

(b) An Eligible Employee may elect to purchase less than the number of Shares which he or she is entitled to elect to purchase.

12. STOCKHOLDER RIGHTS.

The Common Stock purchased upon exercise of an Option hereunder shall be credited to the Participant's account under the Plan and shall be deemed to be transferred to the Participant on the Exercise Date. Only upon the issuance of Shares to a Participant or his agent (and only in respect to such Shares purchased) shall a Participant obtain the rights of stockholders, including, without limitation, any right to vote the Shares or receive any dividends or any other distributions thereon. The Shares purchased will be issued as soon as practicable after the Exercise Date.

13. RIGHTS TO PURCHASE SHARES NOT TRANSFERABLE.

(a) Neither payroll deductions credited to a Participant's account nor any rights with regard to the exercise of an Option or to receive Shares under the Plan may be sold, pledged, assigned or transferred in any manner otherwise than by will or the laws of descent and distribution. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Section 10 hereof.

(b) All rights of a Participant granted under this Plan, including but not limited to, the grant of an Option, the right to exercise an Option and the ability to authorize payroll deductions shall relate solely to a Participant, except as otherwise provided in Section 17 hereof.

14. CANCELLATION OF ELECTION TO PURCHASE.

(a) An Eligible Employee who has elected to purchase Shares during a Purchase Period may cancel his or her election with respect to such Purchase Period in the amount which he or she has authorized the Company to withhold from his pay for each payroll period during the Purchase Period. Any such cancellation shall be effective as soon as feasible after the delivery by the Eligible Employee of sufficient prior written notice of cancellation on a form provided by, or acceptable to, the Committee for such purpose to the office or person designated by the Committee to receive such elections. Such notice of full cancellation must be so delivered no later than the close of business on the 20th day of the month preceding the Exercise Date.

(b) An Eligible Employee's rights upon the full cancellation of his or her election to purchase Shares shall be limited to receiving in cash, as soon as practicable after delivery of the notice of cancellation, the cash balance (without interest) then credited to his or her account.

(c) A Participant's cancellation of his or her election to purchase Shares in an offering shall not have any effect upon such Participant's eligibility to participate in a subsequent offering or in any similar plan which may hereafter be adopted by the Company.

15. LEAVE OF ABSENCE OR LAYOFF.

(a) If a Participant who is granted a leave of absence (including a military leave) or who is laid off during a Purchase Period, his or her election to purchase shall be deemed to have been canceled at the time of the leave of absence or layoff. An Participant's Eligible Employee's rights upon leave of absence (including a military leave) or layoff shall, subject to any rights under law, be limited to having the cash balance credited to his or her account at the time of such leave of absence or layoff becomes effective applied to the purchase of the number of Shares such amount will then purchase at the end of the Purchase Period.

(b) In the event that such individual's leave of absence ends and such individual again becomes an Eligible Employee within 90 days from the date of his or her leave of absence or layoff, payroll deductions shall resume automatically in accordance with his or her most recent payroll deduction authorization form in effect prior to the leave of absence or layoff.

16. EFFECT OF FAILURE TO MAKE PAYMENTS WHEN DUE.

(a) If in any payroll period, for any reason not set forth in Section 14, a Participant who has filed an election to purchase Shares under the Plan has no pay or his or her pay is insufficient (after other authorized deductions) to permit deduction of his or her installment payment, the Participant may make a payment to the Plan in cash at such time equal to the amount of the installment payment deficiency. If such cash payment is not so made, the Participant, when his or her pay is again sufficient to permit the resumption of installment payments, must pay in cash the amount of the deficiency in his or her account or arrange for uniformly increased installment payments so that, assuming the maximum purchase price per

Share, payment for the maximum number of Shares covered by his or her Option will be completed in the last month of the Purchase Period. If the Participant elects to make increased installment payments, he or she may, nevertheless, at any time make up the remaining deficiency by making a lump sum payment.

(b) Subject to paragraph (a) above and other provisions of the Plan permitting postponement, the Company may treat the failure by a Participant to make any payment as a cancellation of his or her election to purchase Shares. Such cancellation will be affected by mailing notice to him or her at his or her last known business or home address. Upon such mailing, his or her only right will be to receive in cash the amount credited to his or her account.

17. RETIREMENT.

(a) Upon "Retirement" (as hereinafter defined), a Participant will be deemed canceled as of the date of retirement and the only right of the Participant will be to receive in cash, the cash amount credited to his or her account.

(b) For the purposes of this Plan, "Retirement shall mean a Participant's attainment of age sixty-five (65).

18. DEATH.

If a Participant dies and has an election to purchase Shares in effect at the time of his or her death, the election will be deemed canceled as of the date of death, and the only right of such legal representative will be to receive in cash, the cash amount credited to the deceased Participant's account.

19. TERMINATION OF EMPLOYMENT OTHER THAN FOR RETIREMENT OR DEATH.

If an Eligible Employee's employment is terminated for any reason other than Retirement or death prior to the end of the Purchase Period, his or her election to purchase shall thereupon be deemed canceled as of the date on which his or her employment ended. In such an event, no further payments under such election will be permitted, and the Eligible Employee's only right will be to receive in cash the amount credited to his or her account.

20. DIVIDENDS AND INTEREST.

(a) Cash dividends, if any, on Shares acquired through the Plan will be automatically paid by check directly to the Participant by the Company, or if applicable, the transfer agent. Dividends paid in property other than cash or Common Stock shall be distributed to Participants as soon as practicable.

(b) Except as required by law, including without limitation, the Investment Company Act of 1940, as amended, no interest shall accrue on or be payable with respect to the payroll deductions of a Participant in the Plan.

21. APPLICATION OF FUNDS.

All funds received by the Company in payment for Shares purchased under the Plan and held by the Company at any time may be used for any valid corporate purpose.

22. AMENDMENT AND TERMINATION.

The Company, by action of the Board of Directors (or a duly authorized committee) or the Committee may at any time terminate, amend or freeze the Plan. No such termination shall adversely affect Options previously granted and no amendment may make any change in any Option theretofore granted which adversely affects the rights of any Participant. No amendment shall be effective unless approved by the stockholders of the Company if stockholder approval of such amendment is required to comply with Section 423 of the Code or to comply with any other applicable law, regulation or stock exchange rule. Upon termination of the Plan, the Company shall return or distribute the payroll deductions credited to a Participant's account (that have not been used to purchase Shares) and shall distribute or credit Shares credited to a Participant's account. Upon the freezing of the Plan, any payroll deductions credited to a Participant's account (that have not been used to purchase Shares) shall be used to purchase Shares in accordance with Section 9, substituting the term Exercise Date with the effective date of the freezing of the Plan.

23. REPORTS.

Individual accounts shall be maintained for each Participant in the Plan. Statements of account shall be given to Participants at such times prescribed by the Committee; such statements shall set forth the amounts of payroll deductions, the purchase price per Share, the number of Shares purchased, the aggregate Shares in the Participant's account and the remaining cash balance, if any.

24. EFFECTIVE DATE; GOVERNMENTAL APPROVALS OR CONSENTS.

The Plan was originally approved by the holders of the Company's Class A Stock pursuant to written consent dated November 30, 1998 and adopted by the Board of Directors the Company effective as of January 1, 1999 and was amended and restated by action of the Board of Directors of the Company effective as of March 1, 2000. The Plan and any offerings and sales to Eligible Employees under it are subject to any governmental approvals or consents that may be or become applicable in connection therewith. The Board of Directors or the Committee may make such changes in the Plan and include such terms in any offering under the Plan as may be necessary or desirable, in the opinion of counsel, so that the Plan will comply with the rules

and regulations of any governmental authority and so that Eligible Employees participating in the Plan will be eligible for tax benefits under the Code or the laws of any state.

25. NOTICES.

All notices or other communications by a Participant to the Company or the Committee under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company or Committee at the location, or by the person, designated for the receipt thereof and within the time period prescribed by the Company or Committee. Each Participant shall be responsible for furnishing the Committee with the current and proper address for the mailing of notices and the delivery of other information. Any notices or communications by the Company to a Participant shall be deemed given if directed to such address and mailed by regular United States mail, first-class and prepaid. If any item mailed to such address is returned as undeliverable to the addressee, mailing shall be suspended until the Participant furnishes the proper address.

26. REGULATIONS AND OTHER APPROVALS; GOVERNING LAW.

(a) This Plan and the rights of all persons claiming hereunder shall be construed and determined in accordance with the laws of the State of Delaware without giving effect to the choice of law principles thereof, except to the extent that such law is preempted by federal law.

(b) The obligation of the Company to sell or deliver Shares with respect to Options granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.

(c) To the extent required, the Plan is intended to comply with Rule 16b-3 and the Committee shall interpret and administer the provisions of the Plan in a manner consistent therewith. Any provisions inconsistent with Rule 16b-3 shall be inoperative and shall not affect the validity of the Plan. The Committee may establish and adopt administrative guidelines, designed to facilitate compliance with Section 16(b) of the Exchange Act and Rule 16b-3, as it may deem necessary or proper for the administration and operation of the Plan and the transaction of business thereunder.

27. WITHHOLDING OF TAXES.

(a) If the Participant makes a disposition, within the meaning of Section 424(c) of the Code and regulations promulgated thereunder, of any Share or Shares issued to such Participant pursuant to such Participant's exercise of an Option, and such disposition occurs within the two-year period commencing on the day after the Offering Date or within the one-year

period commencing on the day after the Exercise Date, such Participant shall immediately, or as soon as practicable thereafter, notify the Company thereof and thereafter immediately deliver to the Company any amount of federal, state or local income taxes and other amounts which the Company informs the Participant the Company is required to withhold.

(b) Notwithstanding anything herein to the contrary, the Employer shall have the right to make such provisions as it deems necessary to satisfy any obligations to withhold federal, state, or local income taxes or other taxes incurred by reason of the issuance of Common Stock pursuant to the Plan. Notwithstanding anything herein to the contrary, the Employer may require a Participant to remit an amount equal to the required withholding amount and may invalidate any election if the Participant does not remit applicable withholding taxes. Without limiting the generality of the foregoing, any withholding obligation with regard to any Participant may be satisfied by: (i) reducing the number of shares of Common Stock otherwise deliverable to the Participant; (ii) subject to the Committee's prior consent, any method approved by the Committee; or (iii) by the Participant paying cash directly to the Company.

28. LEGEND.

(a) The Committee may require each person receiving shares pursuant to the exercise of an Option under the Plan to represent to and agree with the Company in writing that the Participant is acquiring the shares without a view to distribution thereof. In addition to any legend required by this Plan, the certificates for such Shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

(b) All certificates for Shares delivered under the Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable to assist in the compliance with any applicable tax withholding laws or under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed or any national securities association system upon whose system the Common Stock is then quoted, any applicable Federal or state securities law, and any applicable corporate law and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

29. NO EMPLOYMENT RIGHTS.

The establishment and operation of this Plan shall not confer any legal rights upon any Participant or other person for a continuation of employment, nor shall it interfere with the rights of an Employer to discharge any employee and to treat him or her without regard to the effect which that treatment might have upon him or her as a Participant or potential Participant under the Plan.

30. SEVERABILITY OF PROVISIONS.

If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

31. CONSTRUCTION.

The use of a masculine pronoun shall include the feminine, and the singular form shall include the plural form, unless the context clearly indicates otherwise. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

9-MOS	MAY-31-2000	FEB-29-2000
	1	5,622
	0	197,604
		13,778
		319,496
	580,400	241,529
	75,510	
	1,000,456	
294,821		281,181
0		0
		177
1,000,456		400,523
	1,000,600	
1,000,600		500,690
	940,021	
	14,962	
	11,966	
	14,632	
	30,985	
	11,310	
19,675		
	0	
	0	0
	19,675	
	1.18	
	1.16	