



United States
Securities and Exchange Commission

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended May 31, 2009 | Commission File No. 000-19860

Scholastic Corporation

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-3385513

(IRS Employer Identification No.)

557 Broadway, New York, New York

(Address of principal executive offices)

10012

(Zip Code)

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

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

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

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

NONE

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes x No o

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of Act.

Yes o No x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The aggregate market value of the Common Stock, par value \$0.01, held by non-affiliates as of November 30, 2008, was approximately \$480,506,205. As of such date, non-affiliates held no shares of the Class A Stock, \$0.01 par value. There is no active market for the Class A Stock.

The number of shares outstanding of each class of the Registrant's voting stock as of June 30, 2009 was as follows: 34,736,024 shares of Common Stock and 1,656,200 shares of Class A Stock.

Documents Incorporated By Reference

Part III incorporates certain information by reference from the Registrant's definitive proxy statement for the Annual Meeting of Stockholders to be held September 23, 2009.

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Part I

Item 1 | Business

Overview

Scholastic Corporation (the “Corporation” and together with its subsidiaries, “Scholastic” or the “Company”) is a global children’s publishing, education and media company. Since its founding in 1920, Scholastic has emphasized quality products and a dedication to reading and learning. The Company is the world’s largest publisher and distributor of children’s books and a leading developer of educational technology products. Scholastic also creates quality educational and entertainment materials and products for use in school and at home, including magazines, children’s reference and non-fiction materials, teacher materials, television programming, film, videos and toys. The Company is a leading operator of school-based book clubs and book fairs in the United States. It distributes its products and services through these proprietary channels, as well as directly to schools and libraries, through retail stores and through the internet. The Company’s website, scholastic.com, is a leading site for teachers, classrooms and parents and an award-winning destination for children. In addition to its operations in the United States, Scholastic has long-established operations in Canada, the United Kingdom, Australia, New Zealand and Asia and newer operations in China, India and Ireland and, through its export business, sells products in over 140 countries.

During fiscal 2008, the Company determined to sell or shut down its domestic, Canadian and UK continuities businesses, and intends to sell a related warehousing and distribution facility located in Maumelle, Arkansas (the “Maumelle Facility”) and an office and distribution facility in Danbury, Connecticut (the “Danbury Facility”). During fiscal 2009, the Company also ceased its operations in Argentina and Mexico, its door-to-door selling operations in Puerto Rico as well as its continuities business in Australia and New Zealand and its corporate book fairs business, and closed its Scarsdale, NY store. The Company also sold a trade magazine. Additionally, the Company sold a non-core market research business and a non-core online resource for teachers business and intends to sell a Spanish language book channel. All of the above businesses are classified as discontinued operations in the Company’s financial statements. All other amounts included herein, unless noted, are attributable to continuing operations.

Reportable Segments – Continuing Operations

The Company categorizes its businesses into four reportable segments: *Children’s Book Publishing and Distribution*; *Educational Publishing*; *Media, Licensing and Advertising* (which collectively represent the Company’s domestic operations); and *International*. Revenues and operating margin related to a segment’s products sold or services rendered through another segment’s distribution channel are reallocated to the segment originating the products or services.

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

	(Amounts in millions)		
	2009	2008	2007
Children’s Book Publishing and Distribution	\$ 913.5	\$ 1,161.4	\$ 928.2
Educational Publishing	384.2	407.1	406.2
Media, Licensing and Advertising	152.6	140.8	148.7
International	399.0	449.8	387.5
Total	\$ 1,849.3	\$ 2,159.1	\$ 1,870.6

Additional financial information relating to the Company’s reportable segments is included in Note 3 of Notes to Consolidated Financial Statements in Item 8, “Consolidated Financial Statements and Supplementary Data,” which is included herein.



CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION
(49.4% of fiscal 2009 revenues)

General

The Company's *Children's Book Publishing and Distribution* segment operates as an integrated business which includes the publication and distribution of children's books in the United States through school-based book clubs and book fairs and the trade channel.

The Company is the world's largest publisher and distributor of children's books and is the largest operator of school-based book clubs and school-based book fairs in the United States. The Company is also a leading publisher of children's books distributed through the trade channel. In fiscal 2009, the Company, excluding its discontinued operations, published or distributed approximately 320 million children's books in the United States.

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

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

School-Based Book Clubs

Scholastic founded its first school-based book club in 1948. The Company's school-based book clubs consist of Honeybee[®], serving children ages 1½ to 4; Firefly[®], serving pre-kindergarten ("pre-K") and kindergarten ("K") students; SeeSaw[®], serving students grades K to 1; Lucky[®] serving students grades 2 to 3; Arrow[®], serving students grades 4 to 6; TAB[®], serving students grades 7 to 12; and Club Leo, which provides Spanish language offers to students in pre-K to grade 8. In addition to its regular offers, the Company creates special theme-based and seasonal offers targeted to different grade levels during the year.

The Company mails promotional materials containing order forms to teachers in the vast majority of the pre-K to grade 8 schools in the United States. Teachers who wish to participate in a school-based book club distribute the order forms to their students, who may choose from selections at substantial reductions from list prices. The teacher aggregates the students' orders and forwards them to the Company by internet, phone, mail or fax. The Company estimates that approximately two out of three elementary school teachers in the United States participate in the Company's school-based book clubs. In fiscal 2009, orders through the internet accounted for 62% of total book club orders. The orders are then shipped to the classroom for distribution to the students. Schools who participate in the book clubs receive bonus points and other promotional incentives, which may be redeemed for the purchase of additional books and other resource materials for their classrooms or the school.

School-Based Book Fairs

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

Book fairs are generally week-long events conducted on school premises, operated by school librarians and/or parent-teacher organizations. Book fair events



provide children with access to hundreds of titles and allow them to purchase books and other select products at the school. The Company provides such products to the schools for resale, and the schools conduct the book fairs as fundraisers for a variety of purposes, such as to purchase books, supplies and equipment for the school, and to make quality books available to their students in order to stimulate interest in reading.

The Company operates school-based book fairs in all 50 states under the name Scholastic Book Fairs[®]. Books and display cases are delivered to schools from the Company's warehouses principally by a fleet of leased vehicles. Sales and customer service functions are performed from regional sales offices and distribution facilities supported by field representatives and from the Company's national distribution facility in Missouri. Approximately 90% of the schools that sponsored a Scholastic book fair in fiscal 2008 sponsored a Scholastic book fair again in fiscal 2009.

Beginning in the Fall of 2009, the Company will deploy a new Point of Sale ("POS") solution in approximately 25% of its book fairs. POS represents a strategic capital investment designed to provide improved inventory control and utilization and enhance school-based financial reporting as well as real time product sales visibility. A pilot program was conducted in the Spring of 2009 in over 500 fairs with positive results for the participating schools and book fairs.

Trade

Scholastic is a leading publisher of children's books sold through bookstores and mass merchandisers in the United States. The Company maintains approximately 6,000 titles for trade distribution. Scholastic's original publications include *Harry Potter*[®], *The 39 Clues*[™], *The Magic School Bus*[®], *I Spy*[™], *Captain Underpants*[®], *Goosebumps*[®], and *Clifford The Big Red Dog*[®], and licensed properties such as *Star Wars*[®], *Rainbow Magic*[®], *Littlest Pet Shop*[®], and *Bakugan*[®]. In addition, the Company's Klutz[®] imprint is a publisher and creator of "books plus" products for children, including titles such as *Paper Fashions*, *Friendship Bracelets*, *Klutz Encyclopedia of Immaturity* and *How to Make Paper Airplanes*.

The Company's trade sales organization focuses on marketing and selling Scholastic's publishing properties to bookstores, mass merchandisers, specialty sales outlets and other book retailers. Scholastic bestsellers during fiscal 2009 included books from *The 39 Clues* series, the *Harry Potter* series, Meg Cabot's *Allie Finkle's Rules for Girls* series, *Goosebumps Horrorland* series and other titles, such as *The Hunger Games* by Suzanne Collins and *Inkdeath* by Cornelia Funke.

EDUCATIONAL PUBLISHING

(20.8% of fiscal 2009 revenues)

General

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

The Company is a leading provider of educational technology products and reading materials for schools and libraries. Scholastic has been providing quality, innovative educational materials to schools and libraries since it began publishing classroom magazines in the 1920s. The Company added supplementary books and texts to its product line in the 1960s, professional books for teachers in the 1980s and early childhood products and core curriculum materials, including educational technology products, in the 1990s. In 2002, the Company acquired Tom Snyder Productions, Inc., a developer and publisher of interactive educational software. The Company markets and sells its *Educational Publishing* products through a combination of field representatives, direct mail, telemarketing and the internet. In 2007, the Company began providing school consulting and professional development services.



Curriculum Publishing and Educational Technology

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

The Company focuses its core curriculum publishing efforts on reading improvement materials and the effective use of technology to support learning. Scholastic's technology-based reading improvement programs include READ 180[®], an intensive reading intervention program for students in grades 4 to 12 reading at least two years below grade level, Scholastic Reading Inventory, which is a research-based, computer-adaptive assessment for grades K to 12 that allows educators to assess a student's reading comprehension, System 44[®], an intensive intervention program for students in grades 4 to 12 who have not yet mastered the 44 sounds and 26 letters of the English language, ReadAbout[®] for grades 3 to 6, which combines adaptive technology with engaging non-fiction content, Scholastic Reading Counts![®], which encourages reading through a school-managed incentive program, and FASTT Math[®], a technology-based program to improve math fluency, developed with the creator of READ 180, as well as Grolier Online[™], which provides subscriptions to reference databases for schools and libraries. The Company considers its educational technology "solutions" business, which provides software products, backed by implementation services, tech support and consulting, to be a growth driver, based on the increasing reliance of schools on technology products which support teaching and learning.

Scholastic Classroom and Library Publishing

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

Scholastic is a leading publisher of classroom magazines. Teachers in grades pre-K to 12 use these magazines as supplementary educational materials. The Company's 30 classroom magazines supplement formal learning programs by bringing subjects of current interest into the classroom. The magazines are designed to encourage students to read and also to cover diverse subjects, including literature, math, science, current events, social studies and foreign languages. The most well-known of the Company's domestic magazines are *Scholastic News*[®] and *Junior Scholastic*[®].

Scholastic's classroom magazine circulation in the United States in fiscal 2009 was more than 8.1 million, with approximately two-thirds of the circulation in grades pre-K to 6. In fiscal 2009, teachers in approximately 64% of the schools in the United States used the Company's classroom magazines. The various classroom magazines are distributed either on a weekly, biweekly or monthly basis during the school year and are supplemented by timely materials featured on the Company's website, scholastic.com. The majority of the magazines purchased are paid for with school or district funds, with teachers or students paying for the balance. Circulation revenue accounted for substantially all of the classroom magazine revenues in fiscal 2009.

Teaching Resources

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



MEDIA, LICENSING AND ADVERTISING
(8.2% of fiscal 2009 revenues)

General

The Company's *Media, Licensing and Advertising* segment includes the production and/or distribution of media, merchandising and advertising revenue, including sponsorship programs and consumer promotions.

Production and Distribution

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

SEI has built a television library of half-hour productions, including: *Clifford The Big Red Dog*[®], *Clifford's Puppy Days*[™], *Word Girl*[®], *Maya & Miguel*[™], *The Magic School Bus*[®], *Turbo Dogs*, *I Spy*, *Goosebumps*[®], *Animorphs*[®], *Dear America*[®], *Horrible Histories*, *Sammy's Storyshop*[™], *Stellaluna*, *The Very Hungry Caterpillar* and *The Baby-sitters Club*[®]. These series have been sold in the United States and throughout the world. These productions have garnered over 125 major awards including Emmy, Peabody and Academy awards. Since 2007, the Company has participated in a children's programming venture which distributes educational children's television programming under the name Qubo. Qubo features bilingual content with a mission to promote literacy and values in children's television. Qubo provides programming on NBC and Telemundo as well as a branded 24/7 digital channel and is now in its third year affording distribution for SEI's television programming and generating awareness for the Scholastic brand.

S2N, an award-winning producer of animated television and web programming, has produced half-hour episodes of television programming, including the animated series *Time Warp Trio* and *O'Grady*. In fiscal 2009, S2N with SEI produced 13 additional half-hour episodes of the Emmy award-winning animated series *WordGirl*.

Weston Woods Studios creates audiovisual adaptations of classic children's picture books, such as *Where the Wild Things Are*, *Chrysanthemum* and *Make Way for Ducklings*, which were initially produced for the school and library market as a supplemental educational resource. SEI has repackaged over 60 titles for sale to the consumer market under the newly rebranded "Scholastic Storybook Treasures" banner. Weston Woods Studios has received numerous awards, including nine Andrew Carnegie Medals for Excellence in Children's Video and an Academy Award nomination.

Brand Marketing and Consumer Products

Scholastic Media creates and develops award-winning global branding campaigns for Scholastic properties in order to extend and strengthen Scholastic's consumer connection with parents, children and teachers. In 2009, Scholastic Media designed and managed consumer product campaigns for key brands including *The 39 Clues*[™], *Clifford the Big Red Dog*[®], *Goosebumps*[™], *WordGirl*, *The Magic School Bus*[®], *I Spy*[™] and *Maya & Miguel*[™].

Software and Interactive Products

Scholastic Media creates and distributes original and licensed consumer software, handheld, and console products with accessories, for grades K to 8 through the Company's school-based software clubs, book clubs and book fairs, as well as the library/teacher market and the trade market. In addition, the Company acquires software and interactive products for distribution in all of these channels through a combination of licensing, purchases of product from software publishers and internal development. The Company's CD-ROM, Nintendo DS, Nintendo Wii, PlayStation 2, Leapster, Tag and Tag Junior titles include the award-winning series *I Spy*, *Brain Play*[®], *Clifford*[®], *Goosebumps*[®], *Animal Genius*[™] and *Math Missions*[®].



Advertising

Certain of the Company's magazine properties generate advertising revenues as their primary source of revenue, including *Instructor*[®] and *Scholastic Administrator*, which are directed to education professionals and are distributed during the academic year. Subscriptions for these magazines are solicited primarily by direct mail, with total circulation of approximately 265,000 in fiscal 2009. *Scholastic Parent and Child*[®] magazine, which is directed at parents and distributed through schools and childcare programs, had circulation of approximately 1.3 million in fiscal 2009. These magazines carry paid advertising (both on the web and in print), advertising for Scholastic products and paid advertising for clients that sponsor customized programs.

Other

Also included in this segment are: Scholastic In-School Marketing, which develops sponsored educational materials and supplementary classroom programs in partnership with corporations, government agencies and nonprofit organizations; and Back to Basics Toys[®], a direct-to-home catalog business specializing in children's toys.

INTERNATIONAL

(21.6% of fiscal 2009 revenues)

General

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

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

Canada

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

United Kingdom

Scholastic UK, founded in 1964, is the largest school-based book club and school-based book fair operator and a leading children's publisher in the United Kingdom. Scholastic UK also publishes magazines for teachers and supplemental educational materials, including professional books and is one of the leading suppliers of original or licensed children's books to the United Kingdom trade market.

Australia

Scholastic Australia, founded in 1968, is the largest school-based book club and book fair operation in Australia, reaching approximately 90% of the country's primary schools. Scholastic Australia publishes quality children's books supplying the Australian trade market. Scholastic Australia also provides value-added distribution services for the software market.



New Zealand

Scholastic New Zealand, founded in 1962, is the largest children's book publisher and the leading book distributor to schools in New Zealand. Through its school-based book clubs and book fairs, Scholastic New Zealand reaches approximately 90% of the country's primary schools. In addition, Scholastic New Zealand provides value-added distribution services for the software market.

Asia

The Company's Asia operations primarily sell English language reference materials and local language products through a network of over 1,600 independent door-to-door sales representatives in India, Indonesia, Malaysia, the Philippines, Singapore and Thailand. In India, the Company also operates school-based book clubs and book fairs and publishes original titles in the English and Hindi languages. In the Philippines, the Company also operates school-based book fairs, and in Malaysia, the Company operates school-based book clubs. The Company operates a book club in China, and in cooperation with local companies, also operates tutorial centers that provide English language training to students.

Foreign Rights and Export

The Company licenses the rights to selected Scholastic titles in over 45 languages to other publishing companies around the world. The Company's export business sells educational materials, software and children's books to schools, libraries, bookstores and other book distributors in over 140 countries that are not otherwise directly serviced by Scholastic subsidiaries. The Company partners with governments and non-governmental agencies to create and distribute books to schools in developing countries, including, for example, the sale of Arabic books to schools in Iraq and other Middle Eastern countries.

PRODUCTION AND DISTRIBUTION

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

In the United States, the Company mainly processes and fulfills school-based book club, trade, curriculum publishing, reference and non-fiction products and export orders from its primary warehouse and distribution facility in Jefferson City, Missouri. Magazine orders are processed at the Jefferson City facility and are shipped directly from printers.

In connection with its trade business, the Company generally outsources certain services, including invoicing, billing, returns processing and collection services. School-based book fair orders are fulfilled through a network of warehouses across the country. The Company's international school-based book club, school-based book fair, trade, and educational operations use distribution systems similar to those employed in the US.

SEASONALITY

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

COMPETITION

The markets for children's educational, educational technology and entertainment materials are highly competitive. Competition is based on the quality and range of materials made available, price, promotion,



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

COPYRIGHT AND TRADEMARKS

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

EMPLOYEES

At May 31, 2009, the Company employed approximately 5,500 people in full-time jobs and 1,500 people in part-time jobs in the United States and approximately 2,100 people outside the United States. The number of part-time employees fluctuates during the year because significant portions of the Company's business are closely correlated with the school year. The Company believes that relations with its employees are good.



Executive Officers

The following individuals have been determined by the Board of Directors to be the executive officers of the Company. Each such individual serves as an executive officer of Scholastic until such officer's successor has been elected or appointed and qualified or until such officer's earlier resignation or removal.

Name	Age	Employed by Registrant Since	Position(s) for Past Five Years
Richard Robinson	72	1962	Chairman of the Board (since 1982), President (since 1974) and Chief Executive Officer (since 1975).
Maureen O'Connell	47	2007	Executive Vice President, Chief Administrative Officer and Chief Financial Officer (since 2007). Prior to joining the Company, Executive Vice President and Chief Financial Officer of Affinion Group, Inc., an affinity marketing company (2006); President and Chief Operating Officer (2003-2004) and Executive Vice President and Chief Financial and Administrative Officer (2002-2003) of Gartner, Inc., an information technology and research advisory firm; and Executive Vice President and Chief Financial Officer of Barnes & Noble, Inc. (2000-2002).
Margery W. Mayer	57	1990	Executive Vice President (since 1990), President, Scholastic Education (since 2002) and Executive Vice President, Learning Ventures (1998-2002).
Judith A. Newman	51	1993	Executive Vice President and President, Book Clubs (since 2005) and Scholastic At Home (2005-2006); Senior Vice President and President, Book Clubs and Scholastic At Home (2004-2005); and Senior Vice President, Book Clubs (1997-2004).
Cynthia Augustine	51	2007	Senior Vice President, Human Resources and Employee Services (since 2007). Prior to joining the Company, Senior Vice President of Talent Management for Time Warner, Inc. (2004-2005); and various positions at The New York Times Company, including Senior Vice President, Human Resources (1998 -2004) and President, Broadcast Group (2000-2004).
Andrew S. Hedden	68	2008	Member of the Board of Directors (since 1991), Executive Vice President, General Counsel and Secretary (since 2008). Prior to joining the Company, partner at the law firm of Baker & McKenzie LLP (2005-2008); partner at the law firm of Coudert Brothers LLP (1975-2005).



Available Information

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

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

Item 1A | Risk Factors

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

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

The Company operates in highly competitive markets that are subject to rapid change, including, in particular, changes in customer preferences and changes and advances in relevant technologies. There are substantial uncertainties associated with the Company's efforts to develop successful educational, trade publishing, entertainment and software and interactive products and services for its customers, as well as to adapt its print materials to new digital technologies, including the internet. The Company makes significant investments in new products and services that may not be profitable, or whose profitability may be significantly lower than the Company has experienced historically. In addition, the Company faces technological risks associated with software product development and service delivery in its educational technology and e-commerce businesses, as well as its internal business support systems, which could involve service failures, delays or internal system failures that result in damages, lost business or failures to be able to fully exploit business opportunities.

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

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



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

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

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

The Company's business is affected significantly by changes in purchasing patterns or trends in, as well as the underlying strength of, the educational, trade, entertainment and software markets. In particular, the Company's educational publishing and technology businesses may be adversely affected by budgetary restraints and other changes in state educational funding as a result of new legislation or regulatory actions, both at the federal and state level, as well as changes in the procurement process, to which the Company may be unable to adapt successfully. Recently, shortfalls in funding have negatively impacted purchasing patterns in the education markets. Continuation of this trend could negatively impact the Company. In this context, while Federal economic stimulus funding under the American Recovery and Reinvestment Act may provide additional educational funding to compensate for budget shortfalls at the state level, the Company may not be successful in meeting its announced targets for incremental educational publishing sales based on such stimulus funding, which would adversely affect the ability of the Company to meet its announced financial plan for fiscal 2010. In addition, there are many competing demands for educational funds, and there can be no guarantee that the Company will otherwise be successful in continuing to obtain sales of its products from any available funding.

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

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

The reputation of the Company is one of its most important assets, and any adverse publicity or adverse events, such as a significant data privacy breach, could cause significant reputational damage and financial loss.

The businesses of the Company focus on learning and education, and its key relationships are with educators, teachers, parents and children. In particular, the Company believes that, in selecting its products, teachers, educators and parents rely on the Company's reputation for quality educational products appropriate for children. Also, in certain of its businesses the Company holds significant volumes of personal data, including that of customers, and, in its educational technology business, students. Adverse publicity, whether or not valid, could reduce demand for the Company's products or adversely affect its relationship with teachers or educators, impacting participation in book clubs or book fairs or decisions to purchase educational technology or other products or services of the Company's educational technology business. Further, a failure to adequately protect personal data, including that of customers or students, could lead to penalties, significant remediation costs and reputational damage, including loss of future business.

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

The Company's future growth depends upon a number of factors, including the ability of the Company to



successfully implement its strategies for the respective business units, the introduction and acceptance of new products and services, including the success of its digital strategy, its ability to expand in the global markets that it serves and its continuing success in implementing on-going cost containment and reduction programs. Difficulties, delays or failures experienced in connection with any of these factors could materially affect the future growth of the Company.

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

The Company's major expense categories include employee compensation and printing, paper and distribution (such as postage, shipping and fuel) costs. The Company offers its employees competitive salaries and benefit packages in order to attract and retain the quality of employees required to grow and expand its businesses. Compensation costs are influenced by general economic factors, including those affecting costs of health insurance, post-retirement benefits and any trends specific to the employee skill sets the Company requires.

Paper prices fluctuate based on worldwide demand and supply for paper, in general, as well as for the specific types of paper used by the Company. If there is a significant disruption in the supply of paper or increase in these costs, which would generally be beyond the control of the Company, or if the Company's strategies to try to manage these costs, including additional cost savings initiatives, are ineffective, the Company's results of operations could be adversely affected.

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

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

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

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

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

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



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

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

These factors should not be construed as exhaustive or as any admission regarding the adequacy of disclosures made by the Company prior to the date hereof.

Forward-Looking Statements:

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

The Company disclaims any intention or obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

Item 1B | Unresolved Staff Comments

None

Item 2 | Properties

The Company maintains its principal offices in the metropolitan New York area, where it owns and leases approximately 600,000 square feet of space. The Company also owns or leases approximately 1.7 million square feet of office and warehouse space for its primary warehouse and distribution facility located in the Jefferson City, Missouri area. In addition, the Company owns or leases approximately 3.0 million square feet of office and warehouse space in more than 60 facilities in the United States, principally for Scholastic Book Fairs.

Additionally, the Company owns or leases approximately 1.5 million square feet of office and warehouse space in over 100 facilities in Canada, the United Kingdom, Australia, New Zealand, Asia and elsewhere around the world for its international businesses.

The Company considers its properties adequate for its current needs. With respect to the Company's leased properties, no difficulties are anticipated in negotiating renewals as leases expire or in finding other satisfactory space, if current premises become unavailable. For further information concerning the Company's obligations under its leases, see Notes 1 and 5 of Notes to Consolidated Financial Statements in Item 8, "Consolidated Financial Statements and Supplementary Data."



Item 3 | Legal Proceedings

As previously reported in the Company's Quarterly Report on Form 10-Q for the period ended August 31, 2007 and the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2008, as amended, the Company is party to certain actions filed by each of Alaska Laborers Employers Retirement Fund and Paul Baicu, which were consolidated on November 8, 2007. On September 25, 2008, the plaintiff sought leave of the Court to file a second amended class action complaint, in order to add allegations relating to the Company's restatement announced in the Company's Annual Report on Form 10-K filed on July 30, 2008. The Court thereafter dismissed the Company's pending motion to dismiss as moot. On October 21, 2008, the plaintiff filed the second amended complaint, and on October 31, 2008, the Company filed a motion to dismiss the second amended complaint, which remains pending. The second amended class action complaint continues to allege securities fraud relating to statements made by the Company concerning its operations and financial results between March 2005 and March 2006 and seeks unspecified compensatory damages. The Company continues to believe that the allegations in such complaint are without merit and is vigorously defending the lawsuit.

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

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

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



Part II

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

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

For fiscal years ended May 31,

	2009		2008	
	High	Low	High	Low
First Quarter	\$ 31.35	\$ 25.03	\$ 36.51	\$ 31.32
Second Quarter	30.00	11.96	39.58	33.69
Third Quarter	17.36	10.60	37.29	31.49
Fourth Quarter	20.34	9.39	35.67	28.11

Holders: The number of holders of Class A Stock and Common Stock as of June 30, 2009 were 3 and approximately 7,700, respectively. The number of holders includes holders of record and an estimate of the number of persons holding in street name.

Dividends: During the first quarter of fiscal 2009, the Company initiated a regular quarterly dividend in the amount of \$0.075 per Common and Class A share, for a total of \$0.30 per share in respect of fiscal 2009. In July 2009, the Board of Directors declared a cash dividend of \$0.075 per Common and Class A share in respect of the first quarter of fiscal 2010. The dividend is payable on September 15, 2009 to stockholders of record on August 31, 2009. All dividends have been in compliance with the Company's debt covenants.

Share purchases: The following table provides information with respect to purchases of shares of Common Stock by the Corporation during the quarter ended May 31, 2009:

Issuer Purchases of Equity Securities

(Amounts in millions, except share and per share amounts)

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value that may yet be purchased under the plans or programs ⁽¹⁾
March 1, 2009 through March 31, 2009	234,169	\$ 9.87	234,169	\$ 1.05
April 1, 2009 through April 30, 2009	—	\$ —	—	\$ 1.05
May 1, 2009 through May 31, 2009	—	\$ —	—	\$ 1.05
Total	234,169	\$ 9.87	234,169	\$ 1.05

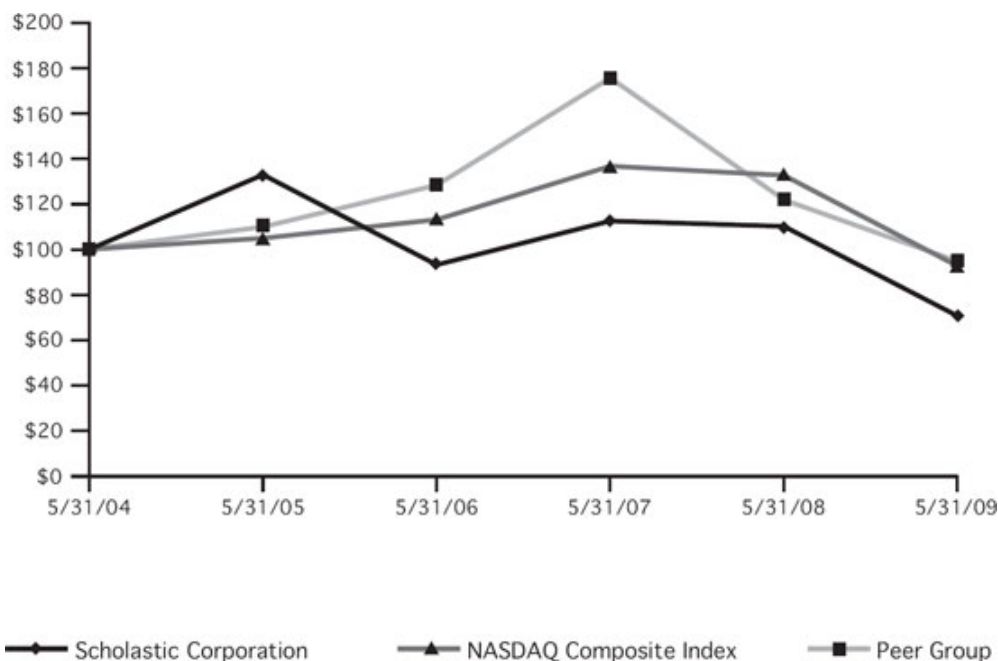
(1) On February 4, 2009, the Corporation announced that its Board of Directors had authorized a new program to purchase up to \$5.0 million of Common Stock, from time to time as conditions allow, on the open market or through negotiated private transactions. As of July 30, 2009, no amounts remain available under this authorization.



Stock Price Performance Graph

The graph below matches Scholastic Corporation's cumulative 5-year total shareholder return on common stock with the cumulative total returns of the NASDAQ Composite index and a customized peer group of three companies that includes: The McGraw-Hill Companies, Pearson PLC and John Wiley & Sons Inc. The graph tracks the performance of a \$100 investment in the Corporation's Common Stock, in the peer group and in the index (with the reinvestment of all dividends) from June 1, 2004 to May 31, 2009.

Comparison of 5 Year Cumulative Total Return
Among Scholastic Corporation, The NASDAQ Composite Index
And A Peer Group



\$100 invested on 6/1/04 in stock or index-including reinvestment of dividends.

Fiscal year ended May 31,

	2004	2005	2006	2007	2008	2009
Scholastic Corporation	\$ 100.00	\$ 132.86	\$ 93.20	\$ 112.50	\$ 110.13	\$ 70.62
NASDAQ Composite Index	100.00	104.91	113.08	136.66	132.60	92.61
Peer Group	100.00	109.90	128.29	175.51	121.79	94.72

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



Item 6 | Selected Financial Data

(Amounts in millions, except per share data)

For fiscal years ended May 31,

	2009	2008	2007	2006	2005
Statement of Operations Data:					
Total revenues	\$ 1,849.3	\$ 2,159.1	\$ 1,870.6	\$ 2,004.6	\$ 1,778.8
Cost of goods sold ⁽¹⁾	868.8	1,035.9	871.4	982.9	850.1
Selling, general and administrative expenses ⁽²⁾	790.1	832.0	759.3	788.0	719.3
Bad debt expense ⁽³⁾	15.8	8.6	11.1	12.0	7.9
Depreciation and amortization ⁽⁴⁾	60.7	62.2	61.4	60.6	59.3
Severance ⁽⁵⁾	26.5	7.0	14.3	12.6	10.3
Goodwill impairment charge ⁽⁶⁾	17.0	—	—	—	—
Operating income	70.4	213.4	153.1	148.5	131.9
Other income ⁽⁷⁾	0.7	2.6	—	—	—
Interest expense, net	23.0	29.8	30.9	32.4	35.7
(Loss) gain on investments ⁽⁸⁾	(13.5)	—	3.0	—	—
Earnings from continuing operations	13.2	117.3	82.7	77.7	63.2
(Loss) gain from discontinued operations, net of tax	(27.5)	(134.5)	(21.8)	(9.1)	(59.9)
Net (loss) income	(14.3)	(17.2)	60.9	68.6	3.3

Share Information:
Earnings from continuing operations:

Basic	\$ 0.35	\$ 3.03	\$ 1.95	\$ 1.87	\$ 1.58
Diluted	\$ 0.35	\$ 2.99	\$ 1.92	\$ 1.84	\$ 1.55
(Loss) gain from discontinued operations:					
Basic	\$ (0.74)	\$ (3.47)	\$ (0.52)	\$ (0.22)	\$ (1.50)
Diluted	\$ (0.73)	\$ (3.43)	\$ (0.50)	\$ (0.21)	\$ (1.47)
Net (loss) income:					
Basic	\$ (0.39)	\$ (0.44)	\$ 1.43	\$ 1.65	\$ 0.08
Diluted	\$ (0.38)	\$ (0.44)	\$ 1.42	\$ 1.63	\$ 0.08
Weighted average shares outstanding – basic	37.2	38.7	42.5	41.6	40.0
Weighted average shares outstanding – diluted	37.4	39.2	43.0	42.2	40.8
Dividends declared per share	\$ 0.30	\$ —	\$ —	\$ —	\$ —

Balance Sheet Data:

Working Capital	\$ 412.4	\$ 475.9	\$ 502.8	\$ 390.0	\$ 564.5
Cash and cash equivalents	143.6	116.1	19.8	199.4	104.4
Total assets	1,608.8	1,761.6	1,816.7	1,991.2	1,870.4
Long-term debt (excluding capital leases)	250.0	295.1	173.4	173.2	476.5
Total debt	303.7	349.7	239.6	502.4	501.4
Long-term capital lease obligations	54.5	56.7	59.8	61.4	63.4
Total capital lease obligations	57.9	61.6	65.3	68.9	74.4
Total stockholders' equity	785.0	873.1	1,068.0	988.3	876.1

(1) In fiscal 2006, the Company recorded pre-tax costs of \$3.2, related to the write-down of certain print reference set assets.

(2) In fiscal 2009, the Company recorded a pre-tax charge of \$1.4 related to fixed asset impairments.

(3) In fiscal 2006, the Company recorded pre-tax bad debt expense of \$2.9, associated with the bankruptcy of a for-profit educational services customer.

(4) In fiscal 2008, the Company recorded a pre-tax charge of \$3.8, related to the impairment of certain intangible assets and prepublication costs.

(5) In fiscal 2009, the Company recorded pre-tax severance expense of \$18.1, which was primarily related to the Company's previously announced voluntary retirement program and a workforce reduction program.

(6) In fiscal 2009, the Company recorded a pre-tax \$17.0 goodwill impairment charge attributable to the Company's UK operations.

(7) In fiscal 2008, the Company recorded a pre-tax gain on note repurchases of \$2.1 and a pre-tax currency gain on settlement of a loan of \$1.4, partially offset by \$0.9 of pre-tax expense from an early termination of one of the Company's subleases.

(8) In fiscal 2009, the Company recorded a pre-tax loss on investments of \$13.5 related to investments in the United Kingdom. In fiscal 2007, the Company sold its remaining portion of an equity investment, resulting in a pre-tax gain of \$3.0.



Item 7 | Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The Company categorizes its businesses into four reportable segments: *Children's Book Publishing and Distribution*; *Educational Publishing*; *Media, Licensing and Advertising* (which collectively represent the Company's domestic operations); and *International*.

The following discussion and analysis of the Company's financial position and results of operations should be read in conjunction with the Company's Consolidated Financial Statements and the related Notes included in Item 8, "Consolidated Financial Statements and Supplementary Data."

Overview and Outlook

Fiscal 2009 revenues from continuing operations decreased 14.3% from fiscal 2008 to \$1.8 billion. This decrease in revenues was primarily attributable to the prior year's release of *Harry Potter and the Deathly Hallows*, the seventh and final book in the series, as well as a fiscal 2009 \$62.5 million unfavorable exchange rate impact.

Operating income from continuing operations decreased in fiscal 2009 to \$70.4 million from \$213.4 million in fiscal 2008 primarily due to the higher revenues in the prior year resulting from the release of *Harry Potter and the Deathly Hallows*.

During fiscal 2008, the Company determined to sell or shut down its domestic, Canadian and UK continuities businesses, and intends to sell the Maumelle Facility and the Danbury Facility. During fiscal 2009, the Company also ceased its operations in Argentina and Mexico, its door-to-door selling operations in Puerto Rico as well as its continuities business in Australia and New Zealand and its corporate book fairs business, and closed its Scarsdale, NY store. The Company also sold a trade magazine. Additionally, the Company sold a non-core market research business and a non-core on-line resource for teachers business and intends to sell a Spanish language book channel. All of the above businesses are classified as discontinued operations in the Company's financial statements.

The Company's goal for fiscal 2010 is to add \$30 million to \$70 million in operating income to its base, as well as to achieve a 9% operating margin if it is successful in reaching the high end of this range. The Company intends to focus on the following sources of profit improvement: 1) profit growth in the *Children's Book Publishing and Distribution* segment driven by improved gross margins from pricing adjustments, consolidated purchasing and publishing, higher online orders from parents in Book Clubs and continued revenue per fair growth in Book Fairs, 2) revenue growth and increased profitability in the *Educational Publishing* segment principally from incremental sales as a result of the Federal American Recovery and Reinvestment Act legislation, and 3) continued cost reductions and operational improvements, in addition to the fully annualized benefit of salary reductions in fiscal 2009.



Critical Accounting Policies and Estimates

General:

The Company's discussion and analysis of its financial condition and results of operations is based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements involves the use of estimates and assumptions by management, which affects the amounts reported in the consolidated financial statements and accompanying notes. The Company bases its estimates on historical experience, current business factors and various other assumptions believed to be reasonable under the circumstances, all of which are necessary in order to form a basis for determining the carrying values of assets and liabilities. Actual results may differ from those estimates and assumptions. On an on-going basis, the Company evaluates the adequacy of its reserves and the estimates used in calculations, including, but not limited to: collectability of accounts receivable; sales returns; amortization periods; stock-based compensation expense; pension and other post-retirement obligations; tax rates; and recoverability of inventories, deferred income taxes and tax reserves, fixed assets, prepublication costs, and royalty advances, and the fair value of goodwill and other intangibles.

The following policies and account descriptions include all those identified by the Company as critical to its business operations and the understanding of its results of operations:

Revenue recognition:

The Company's revenue recognition policies for its principal businesses are as follows:

School-Based Book Clubs – Revenue from school-based book clubs is recognized upon shipment of the products.

School-Based Book Fairs – Revenues associated with school-based book fairs are related to sales of product. Book fairs are typically run by schools and/or parent teacher organizations over a five business-day period. At the end of reporting periods, the Company defers revenue for those fairs that have not been completed as of the period end based on the number of fair days occurring after period end on a straight-line calculation of the full fair's revenue.

Trade – Revenue from the sale of children's books for distribution in the retail channel is primarily recognized when risks and benefits transfer to the customer, which generally is at the time of shipment, or when the product is on sale and available to the public. A reserve for estimated returns is established at the time of sale and recorded as a reduction to revenue. Actual returns are charged to the reserve as received. The calculation of the reserve for estimated returns is based on historical return rates and sales patterns. Actual returns could differ from the Company's estimate. A one percentage point change in the estimated reserve for returns rate would have resulted in an increase or decrease in operating income for the year ended May 31, 2009 of approximately \$2.3 million. A reserve for estimated bad debts is established at the time of sale and is based on the aging of accounts receivable held by the Company's third party administrator. While the Company uses a third party to invoice and collect for shipments made, the Company bears the majority of the responsibility in the case of uncollectible accounts.

Educational Publishing – For shipments to schools revenue is recognized when risks and benefits transfer to the customer. Shipments to depositories are on consignment and revenue is recognized based on actual shipments from the depositories to the schools. For certain software-based products, the Company offers new customers installation and training and, in such cases, revenue is recognized as services are provided or over the life of the contract.

Toy Catalog – Revenue from the sale of children's toys to the home through catalogs is recognized when risks and benefits transfer to the customer, which is generally at the time of shipment. A reserve for estimated returns is established at the time of sale and recorded as a reduction to revenue. Actual returns are



charged to the reserve as received. The calculation of the reserve for estimated returns is based on historical return rates and sales patterns. Actual returns could differ from the Company's estimate.

Film Production and Licensing – Revenue from the sale of film rights, principally for the home video and domestic and foreign television markets, is recognized when the film has been delivered and is available for showing or exploitation. Licensing revenue is recorded in accordance with royalty agreements at the time the licensed materials are available to the licensee and collections are reasonably assured.

Magazines – Revenue is deferred and recognized ratably over the subscription period, as the magazines are delivered.

Magazine Advertising – Revenue is recognized when the magazine is on sale and available to the subscribers.

Scholastic In-School Marketing – Revenue is recognized when the Company has satisfied its obligations under the program and the customer has acknowledged acceptance of the product or service. Certain revenues may be deferred pending future deliverables.

Cash equivalents:

Cash equivalents consist of short-term investments with original maturities of three months or less.

Accounts receivable:

Accounts receivable are recorded net of allowances for doubtful accounts and reserves for returns. In the normal course of business, the Company extends credit to customers that satisfy predefined credit criteria. The Company is required to estimate the collectability of its receivables. Reserves for returns are based on historical return rates and sales patterns. Allowances for doubtful accounts are established through the evaluation of accounts receivable aging and prior collection experience to estimate the ultimate collectability of these receivables. A one percentage point change in the estimated bad debt reserve rates, which are applied to the accounts receivable aging, would have resulted in an increase or decrease in operating income for the year ended May 31, 2009 of approximately \$2.5 million.

Inventories:

Inventories, consisting principally of books, are stated at the lower of cost, using the first-in, first-out method, or market. The Company records a reserve for excess and obsolete inventory based upon a calculation using the historical usage rates and sales patterns of its products. The impact of a one percentage point change in the obsolescence reserve would have resulted in an increase or decrease in operating income for the year ended May 31, 2009 of approximately \$4.1 million.

Leases:

Lease agreements are evaluated to determine whether they are capital or operating leases in accordance with Statement of Financial Accounting Standards ("SFAS") No. 13, "Accounting For Leases," as amended ("SFAS No. 13"). When substantially all of the risks and benefits of property ownership have been transferred to the Company, as determined by the test criteria in SFAS No. 13, the lease then qualifies as a capital lease.

Capital leases are capitalized at the lower of the net present value of the total amount of rent payable under the leasing agreement (excluding finance charges) or the fair market value of the leased asset. Capital lease assets are depreciated on a straight-line basis, over a period consistent with the Company's normal depreciation policy for tangible fixed assets, but generally not exceeding the lease term. Interest charges are expensed over the period of the lease in relation to the carrying value of the capital lease obligation.

Rent expense for operating leases, which may include free rent or fixed escalation amounts in addition to minimum lease payments, is recognized on a straight-line basis over the duration of each lease term.

Prepublication costs:

The Company capitalizes the art, prepress, editorial and other costs incurred in the creation of the master copy of a book or other media (the "prepublication costs"). Prepublication costs are amortized on a



straight-line basis over a three- to seven-year period based on expected future revenues. The Company regularly reviews the recoverability of the capitalized costs based on expected future revenues.

Royalty advances:

Royalty advances are capitalized and expensed as related revenues are earned or when future recovery appears doubtful. The Company records a reserve for the recoverability of its outstanding advances to authors based primarily upon historical earndown experience, and for unpublished titles based upon the likelihood of publication.

Goodwill and intangible assets:

Goodwill and other intangible assets with indefinite lives are not amortized and are reviewed for impairment annually or more frequently if impairment indicators arise.

With regard to goodwill, the Company compares the estimated fair value of its identified reporting units to the carrying value of the net assets. For each of the reporting units, the estimated fair value is determined utilizing the expected present value of the projected future cash flows of the units, in addition to comparisons to similar companies.

With regard to other intangibles with indefinite lives, the Company determines the fair value by asset, which is then compared to its carrying value. The estimated fair value is determined utilizing the expected present value of the projected future cash flows of the asset. Intangible assets with definite lives consist principally of customer lists, covenants not to compete, and certain other intellectual property assets and are amortized over their expected useful lives. Customer lists are amortized on a straight-line basis over a five-year period, while covenants not to compete are amortized on a straight-line basis over their contractual term. Other intellectual property assets are amortized over their remaining useful lives which range primarily from three to five years.

Other noncurrent liabilities:

All of the rate assumptions discussed below impact the Company's calculations of its pension and post-retirement obligations. The rates applied by the Company are based on the portfolios' past average rates of return, discount rates and actuarial information. Any change in market performance, interest rate performance, assumed health care costs trend rate or compensation rates could result in significant changes in the Company's pension and post-retirement obligations.

Pension obligations – Scholastic Corporation and certain of its subsidiaries have defined benefit pension plans covering the majority of their employees who meet certain eligibility requirements. The Company's pension plans and other post-retirement benefits are accounted for using actuarial valuations required by SFAS No. 87, "Employers' Accounting for Pensions," and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." In September 2006, the Financial Accounting Standards Board (the "FASB") released SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of SFAS No. 87, 88, 106, and 132" ("SFAS No. 158").

On May 31, 2007, the Company adopted the recognition and disclosure provisions of SFAS No. 158, which required the Company to recognize the funded status of its pension plans in its May 31, 2007 consolidated balance sheet, with a corresponding adjustment to accumulated other comprehensive income, net of taxes.

The adjustment to accumulated other comprehensive income at adoption represents the net unrecognized actuarial losses (gains) and unrecognized prior service costs under the Company's pension plans and other post-retirement benefits at May 31, 2007. These amounts will be subsequently recognized as net periodic pension cost pursuant to the Company's historical accounting policy for amortizing such amounts, or in the period in which curtailments occur. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost or net periodic post-retirement benefit cost in the same periods will be recognized as a component of comprehensive income. Those amounts



will be subsequently recognized as a component of net periodic pension cost or net periodic post-retirement benefit cost on the same basis as the amounts recognized in accumulated other comprehensive income (loss) at the adoption of SFAS No. 158.

The incremental effect of adopting the provisions of SFAS No. 158 on the Company's consolidated balance sheet at May 31, 2007 was a reduction in stockholders' equity of \$15.7 million, net of tax. The adoption of SFAS No. 158 had no effect on the Company's results of operations or cash flows for the year ended May 31, 2007, or for any prior period presented, and it did not and will not have any effect on the Company's results of operations or cash flows in periods after May 31, 2007. The Company adopted the measurement provision requirements of SFAS No. 158 effective May 31, 2008. The adoption of the measurement provision of SFAS No. 158 did not have any effect on the Company's results of operations or cash flows for the year ended May 31, 2009 and will not have any effect on the Company's results of operations or cash flows in the periods after May 31, 2009.

The Company's pension calculations are based on three primary actuarial assumptions: the discount rate, the long-term expected rate of return on plan assets and the anticipated rate of compensation increases. The discount rate is used in the measurement of the projected, accumulated and vested benefit obligations and the service and interest cost components of net periodic pension costs. The long-term expected return on plan assets is used to calculate the expected earnings from the investment or reinvestment of plan assets. The anticipated rate of compensation increase is used to estimate the increase in compensation for participants of the plan from their current age to their assumed retirement age. The estimated compensation amounts are used to determine the benefit obligations and the service cost. A one percentage point change in the discount rate and expected long-term return on plan assets would have resulted in an increase or decrease in operating income for the year ended May 31, 2009 of approximately \$0.3 million and \$1.1 million, respectively. Pension benefits in the cash balance plan for employees located in the United States are based on formulas in which the employees' balances are credited monthly with interest based on the average rate for one-year United States Treasury Bills plus 1%. Contribution credits are based on employees' years of service and compensation levels during their employment periods.

Other post-retirement benefits – Scholastic Corporation provides post-retirement benefits, consisting of healthcare and life insurance benefits, to retired United States-based employees. The post-retirement medical plan benefits are funded on a pay-as-you-go basis, with the Company paying a portion of the premium and the employee paying the remainder. The Company follows SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," in calculating the existing benefit obligation, which is based on the discount rate and the assumed health care cost trend rate. The discount rate is used in the measurement of the projected and accumulated benefit obligations and the service and interest cost components of net periodic post-retirement benefit cost. The assumed health care cost trend rate is used in the measurement of the long-term expected increase in medical claims. A one percentage point change in the discount rate and the medical cost trend rate would have resulted in an increase or decrease in operating income for the year ended May 31, 2009 of approximately \$0.1 million and \$0.2 million, respectively.

Stock-based compensation – On June 1, 2006, the Company adopted SFAS No. 123 (revised 2004) "Share-Based Payment" ("SFAS No. 123R"). SFAS No. 123R requires companies to measure the cost of services received in exchange for an award of equity instruments based on the grant-date fair value of the award.

That cost is recognized over the vesting period during which an employee is required to provide service in exchange for the award. The Company adopted SFAS No. 123R using the modified-prospective application method and, accordingly, recognizes compensation cost for stock-based compensation for all new or modified grants after the date of adoption. In addition,



the Company recognizes the unvested portion of the grant-date fair value of awards granted prior to the adoption based on the fair values previously calculated for disclosure purposes. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The determination of the assumptions used in the Black-Scholes model requires management to make significant judgments and estimates. The use of different assumptions and estimates in the Black-Scholes option-pricing model could have a material impact on the estimated fair value of option grants and the related expense. The risk-free interest rate is based on a U.S. Treasury rate in effect on the date of grant with a term equal to the expected life. The expected term is determined based on historical employee exercise and post-vesting termination behavior. The expected dividend yield is based on actual dividends paid or to be paid by the Company. When calculating expected stock price volatility, the Company utilizes the information for the preceding ten-year period.

Discontinued Operations – SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS 144”), requires the calculation of estimated fair value less cost to sell of long-lived assets for assets held for sale. The calculation of estimated fair value less cost to sell includes significant estimates and assumptions, including, but not limited to: operating projections; excess working capital levels; real estate values; and the anticipated costs involved in the selling process. The Company recognizes operations as discontinued when the operations have either ceased, or are expected to be disposed of in a sale transaction in the near term, the operations and cash flows of all discontinued operations have been eliminated, or will be eliminated upon consummation of the expected sale transaction, and the Company will not have any significant continuing involvement in the discontinued operations subsequent to the expected sale transaction.

Income Taxes – The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates and laws that will be in effect when the differences are expected to enter into the determination of taxable income.

The Company believes that its taxable earnings, during the periods when the temporary differences giving rise to deferred tax assets become deductible or when tax benefit carryforwards may be utilized, should be sufficient to realize the related future income tax benefits. For those jurisdictions where the expiration date of the tax benefit carryforwards or the projected taxable earnings indicate that realization is not likely, the Company establishes a valuation allowance.

In assessing the need for a valuation allowance, the Company estimates future taxable earnings, with consideration for the feasibility of on-going tax planning strategies and the realizability of tax benefit carryforwards, to determine which deferred tax assets are more likely than not to be realized in the future. Valuation allowances related to deferred tax assets can be impacted by changes to tax laws, changes to statutory tax rates and future taxable earnings. In the event that actual results differ from these estimates in future periods, the Company may need to adjust the valuation allowance.

In July 2006, the FASB issued FIN 48, which clarifies the accounting for uncertainty in income taxes recognized in a company’s financial statements in accordance with SFAS No. 109, “Accounting for Income Taxes.” FIN 48 provides guidance on recognizing, measuring, presenting, and disclosing in the financial statements uncertain tax positions that a company has taken or expects to file in a tax return. FIN 48 states that a tax benefit from an uncertain tax position may be recognized only if it is “more likely than not” that the position is sustainable, based on its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater than 50% likely of being realized upon



settlement with a taxing authority having full knowledge of all relevant information. Prior to the issuance of FIN 48, an uncertain tax position would not be recorded unless it was “probable” that a loss or reduction of benefits would occur. Under FIN 48, the liability for unrecognized tax benefits is classified as noncurrent unless the liability is expected to be settled in cash within twelve months of the reporting date. The Company adopted the provisions of FIN 48 effective as of June 1, 2007.

Management has discussed the development and selection of these critical accounting policies with the Audit Committee of the Corporation’s Board of Directors. The Audit Committee has reviewed the Company’s disclosure relating to the policies described in this Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”



Results of Operations

(Amounts in millions, except per share data)

For fiscal years ended May 31,

	2009		2008		2007	
	\$	% ⁽¹⁾	\$	% ⁽¹⁾	\$	% ⁽¹⁾
Revenues:						
Children's Book Publishing and Distribution	913.5	49.4	1,161.4	53.8	928.2	49.6
Educational Publishing	384.2	20.8	407.1	18.9	406.2	21.7
Media, Licensing and Advertising	152.6	8.2	140.8	6.5	148.7	8.0
International	399.0	21.6	449.8	20.8	387.5	20.7
Total revenues	1,849.3	100.0	2,159.1	100.0	1,870.6	100.0
Cost of goods sold (exclusive of depreciation)	868.8	47.0	1,035.9	48.0	871.4	46.6
Selling, general and administrative expenses ⁽³⁾	790.1	42.7	832.0	38.5	759.3	40.5
Bad debt expense	15.8	0.9	8.6	0.4	11.1	0.6
Depreciation and amortization ⁽²⁾	60.7	3.3	62.2	2.9	61.4	3.3
Severance ⁽³⁾	26.5	1.4	7.0	0.3	14.3	0.8
Goodwill impairment charge ⁽³⁾	17.0	0.9	—	—	—	—
Operating income	70.4	3.8	213.4	9.9	153.1	8.2
Other income ⁽⁴⁾	0.7	—	2.6	0.1	—	—
Interest income	1.2	0.1	3.1	0.1	2.5	0.1
Interest expense	24.2	1.3	32.9	1.5	33.4	1.8
(Loss) gain on investments ⁽³⁾	(13.5)	(0.7)	—	—	3.0	0.2
Earnings from continuing operations before income taxes	34.6	1.9	186.2	8.6	125.2	6.7
Earnings from continuing operations	13.2	0.7	117.3	5.4	82.7	4.4
Loss from discontinued operations, net of tax	(27.5)	(1.5)	(134.5)	(6.2)	(21.8)	(1.2)
Net (loss) income	(14.3)	(0.8)	(17.2)	(0.8)	60.9	3.2
Earnings (loss) per share:						
Basic:						
Earnings from continuing operations	\$ 0.35		\$ 3.03		\$ 1.95	
Loss from discontinued operations	\$ (0.74)		\$ (3.47)		\$ (0.52)	
Net (loss) income	\$ (0.39)		\$ (0.44)		\$ 1.43	
Diluted:						
Earnings from continuing operations	\$ 0.35		\$ 2.99		\$ 1.92	
Loss from discontinued operations	\$ (0.73)		\$ (3.43)		\$ (0.50)	
Net (loss) income	\$ (0.38)		\$ (0.44)		\$ 1.42	

(1) Represents percentage of total revenues.

(2) In fiscal 2008, the Company recorded a pre-tax \$3.8 charge for the impairment of certain intangible assets and prepublication costs.

(3) In fiscal 2009, the Company recorded a pre-tax \$17.0 goodwill impairment charge related to the Company's UK operations and a pre-tax \$13.5 loss on investments in the UK and a pre-tax loss on fixed asset impairments of \$1.4. The Company also recorded a pre-tax severance charge of \$18.1, which was primarily related to the Company's previously announced voluntary retirement program and a workforce reduction program. In fiscal 2007, the Company sold its remaining portion of an equity investment and recorded a pre-tax \$3.0 gain.

(4) In fiscal 2008, the Company recorded a pre-tax gain on note repurchases of \$2.1 and a currency gain pre-tax on settlement of a loan of \$1.4, partially offset by \$0.9 of pre-tax expense from early termination of a sublease.



Results of Operations – Consolidated

Revenues for fiscal 2009 from continuing operations decreased 14.3%, or by \$309.8 million, to \$1,849.3 million, as compared to \$2,159.1 million in fiscal 2008. This decrease was principally related to \$247.9 million in lower revenues from the Children's Book Publishing and Distribution segment primarily due to the prior year release of *Harry Potter and the Deathly Hallows*, the seventh and final book in the series, and \$50.8 million in lower revenues from the International segment, which included a \$62.5 million negative impact of foreign currency exchange rates. Revenues for fiscal 2008 increased 15.4%, or by \$288.5 million, as compared to \$1,870.6 million in fiscal 2007. This increase related principally to \$233.2 million in higher revenues from the Children's Book Publishing and Distribution segment, primarily due to the fiscal 2008 release of *Harry Potter and the Deathly Hallows*, and an increase in the International segment of \$62.3 million, which included a \$39.6 million favorable impact of foreign currency exchange rates.

Cost of goods sold for fiscal 2009 decreased to \$868.8 million, or 47.0% of revenues, compared to \$1,035.9 million, or 48.0% of revenues, in the prior fiscal year. This decrease was primarily due to higher costs related to the Harry Potter release in fiscal 2008. In fiscal 2008, Cost of goods sold increased from \$871.4 million, or 46.6% of revenues, in fiscal 2007, primarily due to the Harry Potter release in fiscal 2008.

Selling, general and administrative expenses for fiscal 2009 decreased to \$790.1 million from \$832.0 million in fiscal 2008, primarily due to lower employee costs related to previously announced cost reduction plans as well as prior year expenses due to the Harry Potter release not incurred in the current year. In fiscal 2008, Selling, general and administrative expenses increased by \$72.7 million from \$759.3 million in the prior fiscal year principally due to costs related to the Harry Potter release in July 2007, higher employee related expenses and planned investments in the sales and service organizations in the Educational Publishing segment. Selling, general and administrative expenses in fiscal 2009 included benefits from the curtailment of the Company's domestic pension and post-retirement plans, that were mostly offset by higher one time benefit expenses. As a percentage of revenue, Selling, general and administrative expenses were 42.7% in fiscal 2009, 38.5% in fiscal 2008 and 40.5% in fiscal 2007, with the lower levels in fiscal 2008 primarily due to the revenue benefits of the Harry Potter release without a corresponding increase in related expense.

Bad debt expense for fiscal 2009 increased by \$7.2 million to \$15.8 million, compared to \$8.6 million in fiscal 2008, primarily due to increases in bad debt reserves in the Children's Book Publishing and Distribution and Educational Publishing segments of \$4.3 million and \$2.5 million, respectively. In fiscal 2008, Bad debt expense decreased by \$2.5 million as compared to \$11.1 million in fiscal 2007.

Severance expense for fiscal 2009 increased by \$19.5 million to \$26.5 million, compared to \$7.0 million in fiscal 2008, primarily due to expenses incurred related to previously announced cost reduction programs. In fiscal 2008, Severance expense decreased by \$7.3 million as compared to \$14.3 million in fiscal 2007.

In fiscal 2009, the Company recorded a non-cash charge for impairment of goodwill in its UK business of \$17.0 million.

The resulting operating income for fiscal 2009 decreased by \$143.0 million, or 67.0%, to \$70.4 million, as compared to \$213.4 million in the prior fiscal year. This decrease reflects lower operating income of \$85.3 million and \$35.0 million from the Children's Book Publishing and Distribution and International segments, respectively, as compared to the prior fiscal year. In fiscal 2008, operating income increased by \$60.3 million, or 39.4%, compared to \$153.1 million in the prior fiscal year.

Interest expense for fiscal 2009 decreased to \$24.2 million, as compared to \$32.9 million in fiscal 2008 and \$33.4 million in fiscal 2007, driven by lower borrowing levels and favorable interest rates.

In fiscal 2009, the Company recorded non-cash unrealized losses on investments in a UK book distribution business and related entities of \$13.5



million. In fiscal 2007, the Company sold its remaining portion of an equity investment, resulting in a pre-tax gain of \$3.0 million.

The Company's provision for income taxes with respect to continuing operations resulted in an effective tax rate of 61.8%, 37.0% and 33.9% for fiscal 2009, 2008 and 2007, respectively. The Company's effective tax rate for fiscal year 2009 exceeds statutory rates as a result of net operating losses experienced in foreign operations, primarily in the United Kingdom, for which the Company does not expect to realize future tax benefits.

Earnings from continuing operations decreased by \$104.1 million to \$13.2 million in fiscal 2009, from \$117.3 million in fiscal 2008, which increased by \$34.6 million from \$82.7 million in fiscal 2007. The basic and diluted earnings from continuing operations per share of Class A Stock and Common Stock were \$0.35 in fiscal 2009, \$3.03 and \$2.99, respectively, in fiscal 2008, and \$1.95 and \$1.92, respectively, in fiscal 2007.

Loss from discontinued operations, net of tax decreased to \$27.5 million in fiscal 2009 as compared to \$134.5 million in fiscal 2008 and \$21.8 million in fiscal 2007. The higher amount in fiscal 2008 was substantially due to the write-down of certain assets associated with the decision to sell the domestic, Canadian and UK continuities businesses.

The resulting net loss for fiscal 2009 was \$14.3 million, or \$0.39 and \$0.38 per basic and diluted share, respectively, as compared to a net loss of \$17.2 million, or \$0.44 per basic and diluted share, in the prior fiscal year. Net income in fiscal 2007 was \$60.9 million, or \$1.43 and \$1.42 per basic and diluted share, respectively. The weighted average shares of Class A Stock and Common Stock outstanding, which is used to calculate earnings or loss per share, were lower in fiscal 2009 and fiscal 2008 as compared to fiscal 2007 primarily due to an accelerated share repurchase agreement entered into by the Corporation on June 1, 2007 (the "ASR"), as more fully discussed in Note 10 of Notes to Consolidated Financial Statements in Item 8, "Consolidated Financial Statements and Supplementary Data".

Results of Operations – Segments

CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION

(\$ amounts in millions)

	2009	2008	2007
Revenues	\$ 913.5	\$ 1,161.4	\$ 928.2
Operating income	89.7	175.0	104.8
Operating margin	9.8%	15.1%	11.3%

Revenues in the *Children's Book Publishing and Distribution* segment accounted for 49.4% of the Company's revenues in fiscal 2009, 53.8% in fiscal 2008 and 49.6% in fiscal 2007. In fiscal 2009, segment revenues decreased by \$247.9 million, or 21.3%, to \$913.5 million from \$1,161.4 million in the prior fiscal year. This decrease was primarily due to lower revenues in the Company's trade business, which declined by \$235.2 million compared to the prior fiscal year, which reflected the release of *Harry Potter and the Deathly Hallows* in July 2007. In fiscal 2008, segment revenues increased by \$233.2 million, or 25.1%, from \$928.2 million in fiscal 2007. This increase was principally attributable to higher revenues of \$245.1 million in the Company's trade business with the release of the seventh book in the Harry Potter series.

Revenues from school book fairs accounted for 43.7% of segment revenues in fiscal 2009, compared to 34.9% in fiscal 2008 and 42.4% in fiscal 2007. In fiscal 2009, school book fair revenues decreased by \$6.2 million, or 1.5%, to \$399.5 million compared to \$405.7 million in fiscal 2008, primarily due to lower revenues from clearance sales and lower fair count, partially offset by higher revenue per fair. In fiscal 2008, school book fair revenues increased by 3.0%, or \$12.0 million, from \$393.7 million in fiscal 2007.

Revenues from school book clubs accounted for 36.2% of segment revenues in fiscal 2009, compared to 29.0% in fiscal 2008 and 38.9% in fiscal 2007. In fiscal 2009, school book club revenues decreased by \$6.5 million, or 1.9%, to \$330.2 million as compared to \$336.7 million in fiscal 2008, primarily due to lower revenue per order partially offset by an increase in order volume. In fiscal 2008, school book clubs revenues



declined by 6.6%, or \$23.9 million, as compared to \$360.6 million in fiscal 2007, principally due to the elimination of certain less profitable mailings.

The trade distribution channel accounted for 20.1% of segment revenues in fiscal 2009, compared to 36.1% in fiscal 2008 and 18.7% in fiscal 2007. Trade revenues decreased by \$235.2 million to \$183.8 million in fiscal 2009, compared to \$419.0 million in fiscal 2008, due to the unprecedented success of *Harry Potter and the Deathly Hallows*, in the prior year partially offset by the fiscal 2009 release of *The Tales of Beedle the Bard*, which does not have a correlating impact on operating income as profits from *The Tales of Beedle the Bard* benefit charity. In fiscal 2008, trade revenues increased by \$245.1 million from \$173.9 million in fiscal 2007, due to higher Harry Potter revenues. Trade revenues for Harry Potter, including *The Tales of Beedle the Bard*, were approximately \$35 million, \$270 million and \$20 million in fiscal 2009, 2008 and 2007, respectively.

Segment operating income in fiscal 2009 declined by \$85.3 million, or 48.7%, to \$89.7 million, compared to \$175.0 million in fiscal 2008. This decline was largely driven by the lower operating results in the Company's trade business related to the prior year's release of *Harry Potter and the Deathly Hallows*. Operating results were relatively flat in school book fairs as improved cost controls substantially offset the decline in revenues.

In fiscal 2008, segment operating income improved by \$70.2 million, or 67.0%, from \$104.8 million in fiscal 2007. The improvement was principally due to better operating results in the trade business, driven by the higher Harry Potter revenues.

EDUCATIONAL PUBLISHING

(\$ amounts in millions)

	2009	2008	2007
Revenues	\$ 384.2	\$ 407.1	\$ 406.2
Operating income	55.8	65.9	77.8
Operating margin	14.5%	16.2%	19.2%

Revenues in the Educational Publishing segment accounted for 20.8% of the Company's revenues in fiscal 2009, 18.9% in fiscal 2008 and 21.7% in fiscal 2007. In fiscal 2009, segment revenues decreased by \$22.9 million, or 5.6%, to \$384.2 million, compared to \$407.1 million in the prior year. This decrease was principally driven by lower sales of READ180 in the first quarter of fiscal 2009 and lower school classroom and library revenues. Revenues from these markets were negatively impacted by a reduction in available public funding during fiscal year 2009. Technology and related services revenues in fiscal 2009 decreased by \$13.0 million, or 8.2%, to \$146.5 million from \$159.5 in the prior fiscal year. In fiscal 2008, segment revenues slightly increased by \$0.9 million from \$406.2 million in fiscal 2007.

In fiscal 2009, segment operating income decreased by \$10.1 million, or 15.3%, to \$55.8 million, as compared to \$65.9 million in the prior fiscal year, primarily due to lower revenues and a non-cash charge for fixed assets impairment of \$1.4 million, partially offset by lower selling expenses. In fiscal 2008, segment operating income decreased by \$11.9 million, or 15.3%, from \$77.8 million in fiscal 2007, due to investments in the sales force.

MEDIA, LICENSING AND ADVERTISING

(\$ amounts in millions)

	2009	2008	2007
Revenues	\$ 152.6	\$ 140.8	\$ 148.7
Operating income	12.1	7.3	13.1
Operating margin	7.9%	5.2%	8.8%

Revenues in the *Media, Licensing and Advertising* segment accounted for 8.2% of the Company's revenues in fiscal 2009, 6.5% in fiscal 2008 and 8.0% in fiscal 2007. In fiscal 2009, segment revenues increased by \$11.8 million, or 8.4%, to \$152.6 million from \$140.8 million in fiscal 2008, primarily due to higher revenues from sales of software and interactive products, higher revenues in the custom publishing business and higher production revenues. In fiscal 2008, segment revenues decreased by \$7.9 million, or 5.3%, from \$148.7 million in fiscal 2007, primarily due to lower revenues from sales of software and interactive products and a decline in television programming revenues.



Segment operating income in fiscal 2009 increased by \$4.8 million to \$12.1 million from \$7.3 million in fiscal 2008 driven by the aforementioned revenue increases. In fiscal 2008, segment operating income decreased \$5.8 million from \$13.1 million in fiscal 2007.

INTERNATIONAL

(\$ amounts in millions)

	2009	2008	2007
Revenues	\$ 399.0	\$ 449.8	\$ 387.5
Operating income	7.3	42.3	35.4
Operating margin	1.8%	9.4%	9.1%

Revenues in the *International* segment accounted for 21.6% of the Company's revenues in fiscal 2009, 20.8% in fiscal 2008 and 20.7% in fiscal 2007. In fiscal 2009, segment revenues decreased by \$50.8 million, or 11.3%, to \$399.0 million from \$449.8 million in the prior fiscal year. This decrease was due to the unfavorable impact of foreign currency exchange rates of \$62.5 million, and a revenue decline in the United Kingdom of \$11.6 million, partially offset by revenue growth in Australia and Canada of \$13.5 million and \$8.0 million, respectively. In fiscal 2008, segment revenues increased by \$62.3 million, or 16.1%, from \$387.5 million in fiscal 2007 primarily due to the favorable impact of foreign currency exchange rates of \$39.6 million, as well as revenue growth in the United Kingdom and Australia of \$10.1 million and \$6.9 million, respectively.

Segment operating income in fiscal 2009 decreased by \$35.0 million, to \$7.3 million, as compared to \$42.3 million in the prior fiscal year, primarily due to lower operating income in the United Kingdom, including a non-cash charge for impairment of goodwill of \$17.0 million as well as the unfavorable impact of foreign currency exchange rates of \$12.1 million. In fiscal 2008, segment operating income increased by \$6.9 million, or 19.5%, from \$35.4 million primarily due to the favorable impact of foreign currency exchange rates.

Liquidity and Capital Resources

The Company's cash and cash equivalents, including the cash of the discontinued operations, totaled \$143.6 million at May 31, 2009, compared to \$120.4 million at May 31, 2008 and \$22.8 million at May 31, 2007. The \$23.2 million increase from May 31, 2008 to May 31, 2009 was primarily due to strong cash from operations and net proceeds from the sale of a non-core market research business, partially offset by debt reduction and reacquisition of common stock. The \$97.6 million increase from May 31, 2007 to May 31, 2008 was primarily due to higher Harry Potter revenues in fiscal 2008.

Net cash provided by operating activities decreased by \$117.9 million to \$188.6 million in fiscal 2009 compared to \$306.5 million in fiscal 2008. This decrease was related to the decline in earnings from continuing operations, excluding non cash items, of \$60.8 million which was primarily attributable to the prior year's release of *Harry Potter and the Deathly Hallows* as well as net tax refunds due to the realization of deferred tax assets. In addition, the working capital changes that had a negative effect on cash flows occurred in accounts receivable, which accounted for \$21.2 million of the decrease and accrued royalties, related to the timing of royalty payments, which accounted for \$13.6 million of the decrease, as well as \$16.2 related to Accounts payable and other accrued expenses. The Company did not pay federal income taxes in fiscal 2009 due to its recognition of certain deferred tax assets. The Company expects to be a federal tax payer in the future.

Net cash used in investing activities decreased by \$50.0 million to \$73.4 million for the fiscal year ended May 31, 2009 from \$123.4 million in the prior fiscal year. This decrease was primarily due to \$33.0 million in proceeds received from sale of businesses and reduced spending of \$11.1 million for property, plant and equipment.



Net cash used in financing activities increased by \$11.9 million to \$86.3 million in fiscal 2009 as compared to \$74.4 million in fiscal 2008. The increase in the use of cash reflects fewer proceeds pursuant to stock-based compensation plans of \$35.3 million as well as greater repayments of the term loan totaling \$21.4 million and dividend payments of \$8.4 million. These financing cash uses were partially offset by fewer net repayments under lines of credit of \$57.2 million. Fiscal 2008 experienced an increase in debt offset by substantial share repurchases.

Due to the seasonality of its businesses, as discussed in Item 1, "Business - Seasonality," the Company typically experiences negative cash flow in the June through October time period. As a result of the Company's business cycle, seasonal borrowings have historically increased during June, July and August, have generally peaked in September and October, and have declined to their lowest levels in May.

The Company's operating philosophy is to use cash provided from operating activities to create value by paying down debt, to reinvest in existing businesses and, from time to time, to make acquisitions that will complement its portfolio of businesses and to engage in shareholder enhancement initiatives, such as share purchases or dividend declarations. The Company believes that funds generated by its operations and funds available under its current credit facilities will be sufficient to finance its short- and long-term capital requirements.

Despite the current economic conditions, the Company has maintained, and expects to maintain for the foreseeable future, sufficient liquidity to fund on-going operations, including pension contributions, dividends, authorized common share repurchases, debt service, planned capital expenditures and other investments. As of May 31, 2009, the Company's primary sources of liquidity consisted of cash and cash equivalents of \$143.6 million, cash from operations, and borrowings remaining available under the Revolving Loan (as described under "Financing" below) totaling \$325.0 million. Approximately 54% of the Company's outstanding debt is not due until fiscal 2013, and the remaining 46% is spread ratably over each preceding period. The Company may at any time, but in any event not more than once in any calendar year, request that the aggregate availability of credit under the Revolving Loan be increased by an amount of \$10.0 million or an integral multiple of \$10.0 million (but not to exceed \$150.0 million). Accordingly, the Company believes these sources of liquidity are sufficient to finance its on-going operating needs, as well as its financing and investing activities.

In March 2009, the Company's credit rating was reduced to "BB-" by Standard & Poor's Rating Services and "Ba2" by Moody's Investors Service. Both agencies have rated the outlook for the Company as "Stable". The Company believes that existing committed credit lines, cash from operations and other sources of cash are sufficient to meet the Company's liquidity needs for the near term, as the Company is currently compliant with its debt covenants and expects to remain compliant for the foreseeable future. The Company's interest rates for the Loan Agreement are associated with certain leverage ratios, and, accordingly, a change in the Company's credit rating does not result in an increase in interest costs under the Company's Loan Agreement.



The following table summarizes, as of May 31, 2009, the Company's contractual cash obligations by future period (see Notes 4 and 5 of Notes to Consolidated Financial Statements in Item 8, "Consolidated Financial Statements and Supplementary Data"):

Contractual Obligations ⁽²⁾	Payments Due by Period				
	1 Year or Less	Years 2-3	Years 4-5	After Year 5	Total
Minimum print quantities	\$ 39.3	\$ 81.2	\$ 84.7	\$ 277.0	\$ 482.2
Royalty advances	3.7	2.2	0.4	—	6.3
Lines of credit and short-term debt	10.9	—	—	—	10.9
Capital leases ⁽¹⁾	8.6	11.6	11.3	201.3	232.8
Debt ⁽¹⁾	51.2	102.4	172.8	—	326.4
Pension and post-retirement plans	16.4	32.9	27.0	68.1	144.4
Operating leases	36.4	55.3	38.7	58.0	188.4
Total	\$ 166.5	\$ 285.6	\$ 334.9	\$ 604.4	\$ 1,391.4

(1) Includes principal and interest.

(2) Obligations for income tax uncertainties pursuant to FIN 48 of approximately \$33.6 are not included in the table.

Financing

On June 1, 2007, Scholastic Corporation and Scholastic Inc. (each, a "Borrower" and together, the "Borrowers") elected to replace the Company's then-existing credit facilities with a new \$525.0 million credit facility with certain banks (the "Loan Agreement"), consisting of a \$325.0 million revolving credit component (the "Revolving Loan") and a \$200.0 million amortizing term loan component (the "Term Loan"). The Loan Agreement is a contractually committed unsecured credit facility that is scheduled to expire on June 1, 2012. The \$325.0 million Revolving Loan component allows the Company to borrow, repay or prepay and reborrow at any time prior to the stated maturity date, and the proceeds may be used for general corporate purposes, including financing for acquisitions and share repurchases. The Loan Agreement also provides for an increase in the aggregate Revolving Loan commitments of the lenders of up to an additional \$150.0 million. The \$200.0 million Term Loan component was established in order to fund the reacquisition by the Corporation of shares of its Common Stock pursuant to an Accelerated Share Repurchase Agreement (as more fully described in Note 10 of Notes to Consolidated Financial Statements in Item 8, "Consolidated Financial Statements and Supplementary Data") and was fully drawn on June 28, 2007 in connection with that transaction. The Term Loan, which may be prepaid at any time without penalty, requires quarterly principal payments of \$10.7 million, with the first payment made on December 31, 2007, and a final payment of \$7.4 million due on June 1, 2012. Interest on both the Term Loan and Revolving Loan is due and payable in arrears on the last day of the interest period (defined as the period commencing on the date of the advance and ending on the last day of the period selected by the Borrower at the time each advance is made). At the election of the Borrower, the interest rate charged for each loan made under the Loan Agreement is based on (1) a rate equal to the higher of (a) the prime rate or (b) the prevailing Federal Funds rate plus 0.500% or (2) an adjusted LIBOR rate plus an applicable margin, ranging from 0.500% to 1.250% based on the Company's prevailing consolidated debt to total capital ratio. As of May 31, 2009 and 2008, the applicable margin on the Term Loan was 0.875 % and the applicable margin on the Revolving Loan was 0.700%. The Loan Agreement also provides for the payment of a facility fee ranging from 0.125% to 0.250% per annum on the Revolving Loan only, which at May 31, 2009 and 2008 was 0.175 %. As of May 31, 2008, \$178.6 million was outstanding under the Term Loan at an interest rate of 3.8%. There was no outstanding borrowings under the Revolving Loan as of May 31, 2008. As of May 31, 2009, \$135.8 million was outstanding under the Term Loan at an interest rate of 1.2%. There were no outstanding borrowings under the Revolving Loan as of May 31, 2009. As of May 31, 2009, there was \$0.5 million of outstanding standby letters of



credit issued under the Loan Agreement. The Loan Agreement contains certain covenants, including interest coverage and leverage ratio tests and certain limitations on the amount of dividends and other distributions, and at May 31, 2009 the Company was in compliance with these covenants.

In May 2009 and during the fourth quarter of fiscal 2008, the Company entered into unsecured money market bid rate credit lines totaling \$20.0 million and \$50.0 million, respectively. There were no outstanding borrowings under these credit lines at May 31, 2009 and May 31, 2008. On March 20, 2009, the Company's aggregate credit lines available under these facilities were reduced to \$20 million, resulting from a lender's cancellation of its \$25.0 million line. All loans made under these credit lines are at the sole discretion of the lender and at an interest rate and term, agreed to at the time each loan is made but not to exceed 180 days for fiscal 2009 and 364 days for fiscal 2008. These credit lines are typically available for loans up to 180 days in fiscal 2009 and 364 days in fiscal 2008, and may be renewed, if requested by the Company, at the sole option of the lender.

As of May 31, 2009, the Company also had various local currency credit lines, with maximum available borrowings in amounts equivalent to \$40.4 million, underwritten by banks primarily in the United States, Canada and the United Kingdom. These credit lines are typically available for overdraft borrowings or loans up to 364 days and may be renewed, if requested by the Company, at the sole option of the lender. There were borrowings outstanding under these facilities equivalent to \$10.9 million at May 31, 2009 at a weighted average interest rate of 3.3% as compared to the equivalent of \$11.8 million at May 31, 2008 at a weighted average interest rate of 6.4%. In December 2008, the Company recapitalized its United Kingdom operations via a cash contribution from the Company's domestic operations, due to the cancellation of the local currency credit line in the United Kingdom.

At May 31, 2009, the Company had open standby letters of credit of \$7.4 million issued under certain credit lines, as compared to \$8.4 million as of May 31, 2008. These letters of credit are scheduled to expire within one year; however, the Company expects that substantially all of these letters of credit will be renewed, at similar terms, prior to expiration.

The Company's total debt obligations were \$303.7 million at May 31, 2009 and \$349.7 million at May 31, 2008. The lower level of debt at May 31, 2009 compared to the level at May 31, 2008 was primarily due to repayments made on the Term Loan and repurchases of the Company's 5% Notes on the open market.

For a more complete description of the Company's debt obligations, see Note 4 of Notes to Consolidated Financial Statements in Item 8, "Consolidated Financial Statements and Supplementary Data."

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.

NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. In February 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13," and FSP No. FAS 157-2, "Effective Date of FASB Statement No. 157."



Collectively, these Staff Positions allow a one-year deferral of adoption of SFAS 157 for nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a non-recurring basis and amend SFAS 157 to exclude FASB Statement No. 13 and its related interpretive accounting pronouncements that address leasing transactions.

The Company adopted SFAS 157 beginning June 1, 2008, except for non financial assets and liabilities measured at fair value on a non-recurring basis, which will be effective for the Company June 1, 2009. The impact of the adoption on June 1, 2008 was not material to the Company's consolidated financial statements. The Company is currently evaluating the impact that the adoption of the deferred portion of SFAS 157 will have on its consolidated financial position, results of operations and cash flows.

SFAS 157 establishes a three-level hierarchy for fair value measurements to prioritize the inputs used in the valuation techniques to derive fair values. The basis for fair value measurements for each level within the hierarchy is described below with Level 1 having the highest priority and Level 3 having the lowest.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The Company's assets and liabilities measured at fair value on a recurring basis subject to the presentation requirements of SFAS 157 at May 31, 2009 consisted of cash and cash equivalents and foreign currency forward contracts. The foreign currency forward contracts were not material as of the reporting date. Cash and cash equivalents are comprised of bank deposits and short-term investments, such as money market funds, the fair value of which is based on quoted market prices, a Level 1 fair value measure. The fair values of foreign currency forward contracts, used by the Company to manage the impact of foreign exchange rate changes to the financial statements, are based on quotations from financial institutions, a Level 2 fair value measure.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"), to provide companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS 159 is to reduce both the complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 was effective for the Company beginning June 1, 2008. The Company has not elected to measure any financial assets and financial liabilities at fair value which were not previously required to be measured at fair value. Therefore, the adoption of this standard has had no impact on the Company's consolidated financial position, results of operations and cash flows.

In December 2007, the FASB issued SFAS No. 141 (revised), "Business Combinations" ("SFAS 141R"). SFAS 141R establishes principles and requirements for how an acquirer accounts for business combinations. SFAS 141R includes guidance for the recognition and measurement of the identifiable assets acquired, the liabilities assumed, and any noncontrolling or minority interest in the acquiree. It also provides guidance for the measurement of goodwill, the recognition of contingent consideration, the accounting for pre-acquisition gain and loss contingencies and acquisition-related transaction costs, and the recognition of changes in the acquirer's income tax valuation allowance. SFAS 141R applies prospectively and is effective for business combinations made by the Company beginning June 1, 2009.



In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51,” (“SFAS 160”). SFAS 160 amends Accounting Research Bulletin No. 51, “Consolidated Financial Statements,” to establish accounting and reporting standards for any noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 clarifies that a noncontrolling interest in a subsidiary should be reported as a component of equity in the consolidated financial statements and requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolled interest. SFAS 160 is effective for the Company beginning June 1, 2009 and is to be applied prospectively, except for the presentation and disclosure requirements, which upon adoption will be applied retrospectively for all periods presented. The Company is currently evaluating the impact, if any, that SFAS 160 will have on its consolidated financial position, results of operations and cash flows.

In April 2008, the FASB issued FSP No. FAS 142-3, “Determination of the Useful Life of Intangible Assets” (“FAS 142-3”). FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, “Goodwill and Other Intangible Assets.” FAS 142-3 is effective for fiscal years beginning after December 15, 2008 and early adoption is prohibited. The Company is currently evaluating the impact, if any, that FAS 142-3 will have on its consolidated financial position, results of operations and cash flows.

In June 2008, the FASB issued FSP No. EITF 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities” (“FSP 03-6-1”), which classifies unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents as participating securities and requires them to be included in the computation of earnings per share, pursuant to the two-class method described in SFAS No. 128, “Earnings per Share.” FSP 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. It requires all prior period earnings per share data presented to be adjusted retrospectively. The adoption of FSP EITF 03-6-1 did not materially impact the disclosures of historical earnings per share.

In May 2009, the FASB issued SFAS No. 165, “Subsequent Events” (“SFAS 165”), which establishes standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, i.e., whether that date represents the date the financial statements were issued or were available to be issued. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009.

In June 2009, the FASB issued SFAS No. 168, “Accounting Standards Codification” (“SFAS 168”), which will become the source of authoritative U.S. generally accepted accounting principles or “GAAP.” Rules and interpretive releases of the Securities and Exchange Commission or “SEC” under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. SFAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009, and applies to financial statements of nongovernmental entities that are presented in conformity with GAAP.



Item 7A | Quantitative and Qualitative Disclosures about Market Risk

The Company conducts its business in various foreign countries, and as such, its cash flows and earnings are subject to fluctuations from changes in foreign currency exchange rates. The Company manages its exposures to this market risk through internally established procedures and, when deemed appropriate, through the use of short-term forward exchange contracts. All foreign exchange hedging transactions are supported by an identifiable commitment or a forecasted transaction. The Company does not enter into derivative transactions or use other financial instruments for trading or speculative purposes.

Market risks relating to the Company's operations result primarily from changes in interest rates, which are managed through the mix of variable-rate versus fixed-rate borrowings. Additionally, financial instruments, including swap agreements, have been used to manage interest rate exposures. Approximately 48% of the Company's debt at May 31, 2009 bore interest at a variable rate and was sensitive to changes in interest rates, compared to approximately 53% at May 31, 2008. The decrease in variable-rate debt as of May 31, 2009 compared to May 31, 2008 was primarily due to repayments made on the Term Loan and the repurchase of 5% Notes on the open market. The Company is subject to the risk that market interest rates and its cost of borrowing will increase and thereby increase the interest charged under its variable-rate debt.

Additional information relating to the Company's outstanding financial instruments is included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The following table sets forth information about the Company's debt instruments as of May 31, 2009 (see Note 4 of Notes to Consolidated Financial Statements in Item 8, "Consolidated Financial Statements and Supplementary Data"):

\$ amounts in millions

	2010	Fiscal Year Maturity 2011	2012	2013	Thereafter	Total	Fair Value as of May 31, 2009
Debt Obligations							
Lines of credit and short-term debt	\$ 10.9	\$ —	\$ —	\$ —	\$ —	\$ 10.9	\$ 10.9
Average interest rate	3.3%						
Long-term debt, including Current portion:							
Fixed-rate debt	\$ —	\$ —	\$ —	\$ 158.0	\$ —	\$ 158.0	\$ 129.6
Average interest rate	5.0%						
Variable-rate debt	\$ 42.8	\$ 42.8	\$ 42.8	7.4 ⁽¹⁾	\$ —	135.8	\$ 135.8
Interest rate ⁽²⁾	1.2%						

(1) Represents the final payment under the Term Loan, which has a final maturity of June 1, 2012 but may be repaid at any time.

(2) Represents the interest rate under the Term Loan at May 31, 2009; the interest rate is subject to change over the life of the Term Loan.



Item 8 | Consolidated Financial Statements and Supplementary Data

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<u>The following consolidated financial statement schedule for the years ended May 31, 2009, 2008 and 2007 is filed with this annual report on Form 10-K:</u>	
<u>Schedule II — Valuation and Qualifying Accounts and Reserves</u>	S-2

All other schedules have been omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements or the Notes thereto.



Consolidated Statements of Operations

(Amounts in millions, except per share data)
For fiscal years ended May 31,

	2009	2008	2007
Revenues	\$ 1,849.3	\$ 2,159.1	\$ 1,870.6
Operating costs and expenses:			
Cost of goods sold (exclusive of depreciation)	868.8	1,035.9	871.4
Selling, general and administrative expenses	790.1	832.0	759.3
Bad debt expense	15.8	8.6	11.1
Depreciation and amortization	60.7	62.2	61.4
Severance	26.5	7.0	14.3
Goodwill impairment charge	17.0	—	—
Total operating costs and expenses	1,778.9	1,945.7	1,717.5
Operating income	70.4	213.4	153.1
Other income	0.7	2.6	—
Interest income	1.2	3.1	2.5
Interest expense	24.2	32.9	33.4
(Loss) gain on investments	(13.5)	—	3.0
Earnings from continuing operations before income taxes	34.6	186.2	125.2
Provision for income taxes	21.4	68.9	42.5
Earnings from continuing operations	13.2	117.3	82.7
Loss from discontinued operations, net of tax	(27.5)	(134.5)	(21.8)
Net (loss) income	\$ (14.3)	\$ (17.2)	\$ 60.9
Basic and diluted earnings (loss) per share of Class A and Common Stock			
Basic:			
Earnings from continuing operations	\$ 0.35	\$ 3.03	\$ 1.95
Loss from discontinued operations	\$ (0.74)	\$ (3.47)	\$ (0.52)
Net (loss) income	\$ (0.39)	\$ (0.44)	\$ 1.43
Diluted:			
Earnings from continuing operations	\$ 0.35	\$ 2.99	\$ 1.92
Loss from discontinued operations	\$ (0.73)	\$ (3.43)	\$ (0.50)
Net (loss) income	\$ (0.38)	\$ (0.44)	\$ 1.42
Dividends declared per share	\$ 0.30	—	—

See accompanying notes



Consolidated Balance Sheets

ASSETS	2009	2008
Current Assets:		
Cash and cash equivalents	\$ 143.6	\$ 116.1
Accounts receivable (less allowance for doubtful accounts of \$15.2 at May 31, 2009 and \$14.2 at May 31, 2008)	197.4	202.8
Inventories	344.8	358.9
Deferred income taxes	62.7	116.9
Prepaid expenses and other current assets	40.3	58.7
Current assets of discontinued operations	31.0	64.5
Total current assets	819.8	917.9
Property, Plant and Equipment		
Land	10.6	10.7
Buildings	92.0	96.3
Capitalized software	199.1	188.8
Furniture, fixtures and equipment	249.7	281.5
Leasehold improvements	179.6	178.2
	731.0	755.5
Less accumulated depreciation and amortization	(415.6)	(416.9)
Net property, plant and equipment	315.4	338.6
Other Assets and Deferred Charges:		
Prepublication costs	121.5	110.6
Royalty advances (less allowance for reserves of \$72.6 at May 31, 2009 and \$64.0 at May 31, 2008)	41.5	48.4
Production costs	6.0	4.9
Goodwill	157.0	164.4
Other intangibles	46.8	47.4
Other assets and deferred charges	100.8	101.0
Noncurrent assets of discontinued operations	—	28.4
Total other assets and deferred charges	473.6	505.1
Total assets	\$ 1,608.8	\$ 1,761.6

See accompanying notes



LIABILITIES AND STOCKHOLDERS' EQUITY	2009	2008
Current Liabilities:		
Lines of credit and current portion of long-term debt	\$ 53.7	\$ 54.6
Capital lease obligations	3.4	4.9
Accounts payable	128.2	108.7
Accrued royalties	41.7	45.5
Deferred revenue	34.2	35.4
Other accrued expenses	138.9	171.0
Current liabilities of discontinued operations	7.3	21.9
Total current liabilities	407.4	442.0
Noncurrent Liabilities:		
Long-term debt	250.0	295.1
Capital lease obligations	54.5	56.7
Other noncurrent liabilities	111.9	94.7
Total noncurrent liabilities	416.4	446.5
Commitments and Contingencies:	—	—
Stockholders' Equity:		
Preferred Stock, \$1.00 par value Authorized - 2,000,000; Issued - None	—	—
Class A Stock, \$.01 par value Authorized - 4,000,000; Issued and Outstanding 1,656,200 shares		
Common Stock, \$.01 par value Authorized - 70,000,000 shares; Issued - 42,911,624; Outstanding - 34,740,275 (42,882,304 shares Issued and 36,444,518 Outstanding at May 31, 2008)	0.4	0.4
Additional paid-in capital	552.9	539.1
Accumulated other comprehensive loss	(77.1)	(34.7)
Retained earnings	562.8	588.3
Treasury stock at cost	(254.0)	(220.0)
Total stockholders' equity	785.0	873.1
Total liabilities and stockholders' equity	\$ 1,608.8	\$ 1,761.6



Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income (Loss)

	Class A Stock		Common Stock		Additional
	Shares	Amount	Shares	Amount	Paid-in Capital
Balance at May 31, 2006	1,656,200	\$ 0.0	40,282,246	\$ 0.4	\$ 458.7
Comprehensive income:					
Net income					
Other comprehensive income, net:					
Foreign currency translation adjustment					
Minimum pension liability adjustment (net of tax of \$1.2)					
Total other comprehensive income					
Total comprehensive income					
Adoption of SFAS No. 158, net of tax \$(8.5)					
Stock-based compensation (SFAS No. 123R)			22,148	0.0	1.6
Proceeds from issuance of common stock pursuant to employee stock-based plans			1,117,727	0.0	26.8
Tax benefit realized from employee stock-based plans					3.2
Balance at May 31, 2007	1,656,200	\$ 0.0	41,422,121	\$ 0.4	\$ 490.3
Comprehensive loss:					
Net loss					
Other comprehensive loss, net:					
Foreign currency translation adjustment					
Pension and postretirement adjustments recognized in accordance with SFAS 158 (net of tax of \$(1.2))					
Total other comprehensive loss					
Total comprehensive loss					
Stock-based compensation (SFAS No. 123R)					7.0
Adoption of FIN 48					
Proceeds from issuance of common stock pursuant to employee stock-based plans			1,460,183	0.0	37.6
Tax benefit realized from employee stock-based plans					4.2
Purchases of treasury stock at cost			(6,437,786)		
Balance at May 31, 2008	1,656,200	\$ 0.0	36,444,518	\$ 0.4	\$ 539.1
Comprehensive loss:					
Net loss					
Other comprehensive loss, net:					
Foreign currency translation adjustment					
Pension and postretirement adjustments recognized in accordance with SFAS 158 (net of tax of \$(3.4))					
Total other comprehensive loss					
Total comprehensive loss					
Stock-based compensation (SFAS No. 123R)					11.6
Proceeds from issuance of common stock pursuant to employee stock-based plans			234,446		2.2
Purchases of treasury stock at cost			(1,938,689)		
Dividends					
Balance at May 31, 2009	1,656,200	\$ 0.0	34,740,275	\$ 0.4	\$ 552.9

See accompanying notes



	Deferred Compensation	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock At Cost	Total Stockholders' Equity
Balance at May 31, 2006	\$ (1.6)	\$ (20.1)	\$ 550.9	\$ 0.0	\$ 988.3
Comprehensive income:					
Net income			60.9		60.9
Other comprehensive income, net:					
Foreign currency translation adjustment		(1.0)			(1.0)
Minimum pension liability adjustment (net of tax of \$(1.2))		2.3			2.3
Total other comprehensive income					1.3
Total comprehensive income					62.2
Adoption of SFAS No. 158, net of tax \$(8.5)		(15.7)			(15.7)
Stock-based compensation (SFAS No. 123R)	1.6				3.2
Proceeds from issuance of common stock pursuant to employee stock-based plans					26.8
Tax benefit realized from employee stock-based plans					3.2
Balance at May 31, 2007	\$ 0.0	\$ (34.5)	\$ 611.8	\$ 0.0	\$ 1,068.0
Comprehensive loss:					
Net loss			(17.2)		(17.2)
Other comprehensive loss, net:					
Foreign currency translation adjustment		1.9			1.9
Pension and postretirement adjustments recognized in accordance with SFAS 158 (net of tax of \$(1.2))		(2.1)			(2.1)
Total other comprehensive loss					(0.2)
Total comprehensive loss					(17.4)
Stock-based compensation (SFAS No. 123R)					7.0
Adoption of FIN 48			(6.3)		(6.3)
Proceeds from issuance of common stock pursuant to employee stock-based plans					37.6
Tax benefit realized from employee stock-based plans					4.2
Purchases of treasury stock at cost				(220.0)	(220.0)
Balance at May 31, 2008	\$ 0.0	\$ (34.7)	\$ 588.3	\$ (220.0)	\$ 873.1
Comprehensive loss:					
Net loss			(14.3)		(14.3)
Other comprehensive loss, net:					
Foreign currency translation adjustment		(30.3)			(30.3)
Pension and postretirement adjustments recognized in accordance with SFAS 158 (net of tax of \$(3.4))		(12.1)			(12.1)
Total other comprehensive loss					(42.4)
Total comprehensive loss					(56.7)
Stock-based compensation (SFAS No. 123R)					11.6
Proceeds from issuance of common stock pursuant to employee stock-based plans					2.2
Purchases of treasury stock at cost				(34.0)	(34.0)
Dividends			(11.2)		(11.2)
Balance at May 31, 2009	\$ 0.0	\$ (77.1)	\$ 562.8	\$ (254.0)	\$ 785.0



Consolidated Statements of Cash Flows

(Amounts in millions)
Years ended May 31,

	2009	2008	2007
Cash flows provided by operating activities:			
Net (loss) income	\$ (14.3)	\$ (17.2)	\$ 60.9
Loss from discontinued operations, net of tax	(27.5)	(134.5)	(21.8)
Earnings from continuing operations	13.2	117.3	82.7
Adjustments to reconcile earnings from continuing operations to net cash provided by operating activities of continuing operations:			
Provision for losses on accounts receivable and other reserves	56.8	43.7	42.2
Amortization of prepublication and production costs	44.8	46.1	55.1
Depreciation and amortization	60.7	62.2	61.4
Deferred income taxes	38.7	14.4	4.2
Non cash write off related to asset impairment	17.0	—	—
Unrealized loss on investment	13.5	—	—
Changes in assets and liabilities:			
Accounts receivable	(17.7)	3.5	(13.3)
Inventories	(25.8)	(17.9)	(14.1)
Prepaid expenses and other current assets	7.3	10.0	(5.9)
Deferred promotion costs	0.3	0.2	—
Royalty advances	(6.6)	(5.0)	(8.8)
Accounts payable and other accrued expenses	(2.7)	13.5	(25.7)
Accrued royalties	(2.5)	11.1	2.1
Deferred revenue	(0.5)	12.5	2.3
Pension and postretirement liability	(4.4)	(7.3)	17.3
Other net	13.5	11.0	0.9
Total adjustments	192.4	198.0	117.7
Net cash provided by operating activities of continuing operations	205.6	315.3	200.4
Net cash used in operating activities of discontinued operations	(17.0)	(8.8)	(20.9)
Net cash provided by operating activities	188.6	306.5	179.5
Cash flows used in investing activities:			
Prepublication expenditures	(52.9)	(54.3)	(42.9)
Additions to property, plant and equipment	(45.1)	(56.2)	(47.2)
Net proceeds from sale of businesses	33.0	—	—
Production expenditures	(4.9)	(4.5)	(5.5)
Repayment of loan from investee	6.0	6.2	5.6
Loan to investee	(4.4)	(6.1)	(7.7)
Acquisition related payments	(4.4)	(2.6)	(7.3)
Other	0.1	—	6.2
Net cash used in investing activities of continuing operations	(72.6)	(117.5)	(98.8)
Net cash used in investing activities of discontinued operations	(0.8)	(5.9)	(8.3)
Net cash used in investing activities	(73.4)	(123.4)	(107.1)
Cash flows used in financing activities:			
Borrowings under credit agreement and revolving loan	220.3	190.0	349.0
Repayment of credit agreement and revolving loan	(220.3)	(190.0)	(349.0)
Borrowings under term loan	—	200.0	—
Repayment of term loan	(42.8)	(21.4)	—
Repurchase of 5.00% notes	(2.1)	(12.4)	—
Repurchase of 5.75% notes	—	—	(294.0)
Borrowings under lines of credit	465.0	470.9	270.0
Repayment under lines of credit	(461.4)	(524.5)	(238.6)
Repayment of capital lease obligations	(4.9)	(5.5)	(7.5)
Reacquisition of common stock	(34.0)	(220.0)	—
Proceeds pursuant to stock-based compensation plans	2.3	37.6	26.8
Payment of dividends	(8.4)	—	—
Other	—	0.9	(0.6)
Net cash used in financing activities of continuing operations	(86.3)	(74.4)	(243.9)
Net cash used in financing activities	(86.3)	(74.4)	(243.9)
Effect of exchange rate changes on cash and cash equivalents	(5.7)	(11.1)	(11.0)
Net increase (decrease) in cash and cash equivalents	23.2	97.6	(182.5)
Cash and cash equivalents at beginning of period, including cash of discontinued operations of \$4.3, \$3.0 and \$5.9 at June 1, 2008, 2007 and 2006, respectively	120.4	22.8	205.3
Cash and cash equivalents at end of period, including cash of discontinued operations of \$0.0, \$4.3 and \$3.0 at May 31, 2009, 2008 and 2007, respectively	\$ 143.6	\$ 120.4	\$ 22.8



Consolidated Statements of Cash Flows

(Amounts in millions)
Years ended May 31,

	2009	2008	2007
Supplemental Information:			
Income taxes (refunds) payments, net	\$ (5.3)	\$ 45.9	\$ 24.7
Interest paid	15.3	33.1	28.1
Non-cash investing and financing activities: Capital leases	0.1	1.9	2.6

See accompanying notes



Notes to Consolidated Financial Statements

(Amounts in millions, except share and per share data)

1. DESCRIPTION OF THE BUSINESS, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the business

Scholastic Corporation (the “Corporation” and together with its subsidiaries, “Scholastic” or the “Company”) is a global children’s publishing, education and media company. Since its founding in 1920, Scholastic has emphasized quality products and a dedication to reading and learning. The Company is the world’s largest publisher and distributor of children’s books and a leading developer of educational technology products. Scholastic also creates quality educational and entertainment materials and products for use in school and at home, including magazines, children’s reference and non-fiction materials, teacher materials, television programming, film, videos and toys. The Company is a leading operator of school-based book clubs and book fairs in the United States. It distributes its products and services through these proprietary channels, as well as directly to schools and libraries, through retail stores and through the internet. The Company’s website, scholastic.com, is a leading site for teachers, classrooms and parents and an award-winning destination for children. In addition to its operations in the United States, Scholastic has long-established operations in Canada, the United Kingdom, Australia, New Zealand and portions of Asia and newer operations in China, India and Ireland and, through its export business, sells products in over 140 countries.

Basis of presentation

Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and all wholly-owned and majority-owned subsidiaries. All significant intercompany transactions are eliminated in consolidation. Certain prior period presentations have been modified to reflect current period presentations.

Discontinued Operations

As more fully described in Note 2, “Discontinued Operations,” during fiscal 2008, the Company determined to sell or shut down its domestic, Canadian and UK continuities businesses, and intends to sell a related warehousing and distribution facility located in Maumelle, Arkansas (the “Maumelle Facility”) and an office and distribution facility in Danbury, Connecticut (the “Danbury Facility”). During fiscal 2009, the Company also ceased its operations in Argentina and Mexico, its door-to-door selling operations in Puerto Rico as well as its continuities business in Australia and New Zealand and its corporate book fairs business, and closed its Scarsdale, NY store. The Company also sold a trade magazine. Additionally, the Company sold a non-core market research business and a non-core on-line resource for teachers business and intends to sell a Spanish language book channel. All of the above businesses are classified as discontinued operations in the Company’s financial statements.

Use of estimates

The Company’s consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements involves the use of estimates and assumptions by management, which affects the amounts reported in the consolidated financial statements and accompanying notes. The Company bases its estimates on historical experience, current business factors, and various other assumptions believed to be reasonable under the circumstances, all of which are necessary in order to form a basis for determining the carrying values of assets and liabilities. Actual results may differ from those estimates and assumptions. On an on-going basis, the Company evaluates the adequacy of its reserves and the estimates used in calculations, including, but not limited to: collectability of accounts receivable; sales returns; amortization periods; stock-



based compensation expense; pension and other post-retirement obligations; tax rates; and recoverability of inventories, deferred income taxes and tax reserves, fixed assets, prepublication costs, and royalty advances, and the fair value of goodwill and other intangibles. In addition, for a description of the significant assumptions and estimates used by management in connection with discontinued operations, see Note 2, "Discontinued Operations."

Summary of Significant Accounting Policies

Revenue recognition

The Company's revenue recognition policies for its principal businesses are as follows:

School-Based Book Clubs – Revenue from school-based book clubs is recognized upon shipment of the products.

School-Based Book Fairs – Revenues associated with school-based book fairs are related to sales of product. Book fairs are typically run by schools and/or parent teacher organizations over a five business day period. At the end of reporting periods, the Company defers revenue for those fairs that have not been completed as of the period end based on the number of fair days occurring after period end on a straight-line calculation of the full fair's revenue.

Trade – Revenue from the sale of children's books for distribution in the retail channel is primarily recognized when risks and benefits transfer to the customer, which generally is at the time of shipment, or when the product is on sale and available to the public. A reserve for estimated returns is established at the time of sale and recorded as a reduction to revenue. Actual returns are charged to the reserve as received. The calculation of the reserve for estimated returns is based on historical return rates and sales patterns. A reserve for estimated bad debts is established at the time of sale and is based on the aging of accounts receivable held by the Company's third party administrator. While the Company uses a third party to invoice and collect for shipments made, the Company bears the majority of the responsibility in the case of uncollectible accounts.

Educational Publishing – For shipments to schools revenue is recognized when risks and benefits transfer to the customer. Shipments to depositories are on consignment and revenue is recognized based on actual shipments from the depositories to the schools. For certain software-based products, the Company offers new customers installation and training and, in such cases, revenue is recognized as services are provided.

Toy Catalog – Revenue from the sale of children's toys to the home through catalogs is recognized when risks and benefits transfer to the customer, which generally is at the time of shipment. A reserve for estimated returns is established at the time of sale and recorded as a reduction to revenue. Actual returns are charged to the reserve as received. The calculation of the reserve for estimated returns is based on historical return rates and sales patterns.

Film Production and Licensing – Revenue from the sale of film rights, principally for the home video and domestic and foreign television markets, is recognized when the film has been delivered and is available for showing or exploitation. Licensing revenue is recorded in accordance with royalty agreements at the time the licensed materials are available to the licensee and collections are reasonably assured.

Magazines – Revenue is deferred and recognized ratably over the subscription period, as the magazines are delivered.

Magazine Advertising – Revenue is recognized when the magazine is on sale and available to the subscribers.

Scholastic In-School Marketing – Revenue is recognized when the Company has satisfied its obligations under the program and the customer has acknowledged acceptance of the product or service. Certain revenues may be deferred pending future deliverables.

Cash equivalents

Cash equivalents consist of short-term investments with original maturities of three months or less.



Accounts receivable

Accounts receivable are recorded net of allowances for doubtful accounts and reserves for returns. In the normal course of business, the Company extends credit to customers that satisfy predefined credit criteria. The Company is required to estimate the collectability of its receivables. Reserves for returns are based on historical return rates and sales patterns. Allowances for doubtful accounts are established through the evaluation of accounts receivable agings and prior collection experience to estimate the ultimate collectability of these receivables.

Inventories

Inventories, consisting principally of books, are stated at the lower of cost, using the first-in, first-out method, or market. The Company records a reserve for excess and obsolete inventory based upon a calculation using the historical usage rates and sales patterns of its products.

Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation and amortization are recorded on a straight-line basis, over estimated useful lives. Buildings have an estimated useful life, for purposes of depreciation, of forty years. Capitalized software is depreciated over a period of three to seven years. Capitalized software, net of accumulated amortization, was \$69.6 and \$76.7 as of May 31, 2009 and May 31, 2008, respectively. Amortization expense for capitalized software was \$25.2, \$21.1 and \$22.4 for the fiscal years ended May 31, 2009, 2008 and 2007, respectively. Furniture, fixtures and equipment are depreciated over periods not exceeding ten years. Leasehold improvements are amortized over the life of the lease or the life of the assets, whichever is shorter. Interest is capitalized on major construction projects based on the outstanding construction-in-progress balance for the period and the average borrowing rate during the period. The Company evaluates the depreciation periods of property, plant and equipment to determine whether events or circumstances warrant revised estimates of useful lives.

Leases

Lease agreements are evaluated to determine whether they are capital or operating leases in accordance with Statement of Financial Accounting Standards ("SFAS") No. 13, "Accounting For Leases," as amended ("SFAS No. 13"). When substantially all of the risks and benefits of property ownership have been transferred to the Company, as determined by the test criteria in SFAS No. 13, the lease then qualifies as a capital lease.

Capital leases are capitalized at the lower of the net present value of the total amount of rent payable under the leasing agreement (excluding finance charges) or the fair market value of the leased asset. Capital lease assets are depreciated on a straight-line basis, over a period consistent with the Company's normal depreciation policy for tangible fixed assets, but generally not exceeding the lease term. Interest charges are expensed over the period of the lease in relation to the carrying value of the capital lease obligation.

Rent expense for operating leases, which may include free rent or fixed escalation amounts in addition to minimum lease payments, is recognized on a straight-line basis over the duration of each lease term.

Prepublication costs

The Company capitalizes the art, prepress, editorial and other costs incurred in the creation of the master copy of a book or other media (the "prepublication costs"). Prepublication costs are amortized on a straight-line basis over a three- to seven-year period based on expected future revenues. The Company regularly reviews the recoverability of the capitalized costs based on expected future revenues.

Royalty advances

Royalty advances are capitalized and expensed as related revenues are earned or when future recovery appears doubtful. The Company records a reserve for the recoverability of its outstanding advances to authors based primarily upon historical earndown experience, and for unpublished titles based upon the likelihood of publication.



Goodwill and intangible assets

Goodwill and other intangible assets with indefinite lives are not amortized and are reviewed for impairment annually or more frequently if impairment indicators arise.

With regard to goodwill, the Company compares the estimated fair value of its identified reporting units to the carrying value of the net assets. For each of the reporting units, the estimated fair value is determined utilizing the expected present value of the projected future cash flows of the units, in addition to comparisons to similar companies. The Company reviews its definition of reporting units annually.

With regard to other intangibles with indefinite lives, the Company determines the fair value by asset, which is then compared to its carrying value. The estimated fair value is determined utilizing the expected present value of the projected future cash flows of the asset. Intangible assets with definite lives consist principally of customer lists, covenants not to compete, and certain other intellectual property assets and are amortized over their expected useful lives. Customer lists are amortized on a straight-line basis over a five-year period, while covenants not to compete are amortized on a straight-line basis over their contractual term. Other intellectual property assets are amortized over their remaining useful lives which range primarily from three to five years.

Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates and laws that will be in effect when the differences are expected to enter into the determination of taxable income.

The Company believes that its taxable earnings, during the periods when the temporary differences giving rise to deferred tax assets become deductible or when tax benefit carryforwards may be utilized, should be sufficient to realize the related future income tax benefits. For those jurisdictions where the expiration date of the tax benefit carryforwards or the projected taxable earnings indicate that realization is not likely, the Company establishes a valuation allowance.

In assessing the need for a valuation allowance, the Company estimates future taxable earnings, with consideration for the feasibility of on-going tax planning strategies and the realizability of tax benefit carryforwards, to determine which deferred tax assets are more likely than not to be realized in the future. Valuation allowances related to deferred tax assets can be impacted by changes to tax laws, changes to statutory tax rates and future taxable earnings. In the event that actual results differ from these estimates in future periods, the Company may need to adjust the valuation allowance.

It is the Company's policy to recognize uncertain income tax positions when the tax position is more likely than not to be sustained upon examination. The Company assesses all income tax positions and adjusts its reserves against these positions periodically based upon these criteria. The Company also assesses potential penalties and interest associated with these tax positions, and includes these amounts as a component of income tax expense.

In calculating the provision for income taxes on an interim basis, the Company uses an estimate of the annual effective tax rate based upon the facts and circumstances known. The Company's effective tax rate is based on expected income and statutory tax rates and permanent differences between financial statement and tax return income applicable to the Company in the various jurisdictions in which the Company operates.

Other noncurrent liabilities

All of the rate assumptions discussed below impact the Company's calculations of its pension and post-retirement obligations. The rates applied by the Company are based on the portfolios' past average rates of return, discount rates and actuarial information. Any change in market performance, interest rate performance, assumed health care costs trend rate or compensation rates could result in



significant changes in the Company's pension and post-retirement obligations.

Pension obligations – Scholastic Corporation and certain of its subsidiaries have defined benefit pension plans covering the majority of their employees who meet certain eligibility requirements. The Company's pension plans and other post-retirement benefits are accounted for using actuarial valuations required by SFAS No. 87, "Employers' Accounting for Pensions," and SFAS No. 106, "Employers' Accounting for Post-retirement Benefits Other Than Pensions." In September 2006, the Financial Accounting Standards Board (the "FASB") released SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Post-retirement Plans, an amendment of SFAS No. 87, 88, 106, and 132(R)" ("SFAS No. 158"). On May 31, 2007, the Company adopted the recognition and disclosure provisions of SFAS No. 158, which required the Company to recognize the funded status of its pension plans in its May 31, 2007 consolidated balance sheet, with a corresponding adjustment to accumulated other comprehensive income, net of taxes.

The adjustment to accumulated other comprehensive income at adoption represents the net unrecognized actuarial losses (gains) and unrecognized prior service costs under the Company's pension plans and other post-retirement benefits. These amounts will be subsequently recognized as net periodic pension cost pursuant to the Company's historical accounting policy for amortizing such amounts, or as changes to the plan result in curtailments causing current period recognition. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost or net periodic post-retirement benefit cost in the same periods will be recognized as a component of comprehensive income. Those amounts will be subsequently recognized as a component of net periodic pension cost or net periodic post-retirement benefit cost on the same basis as the amounts recognized in accumulated other comprehensive income (loss) at the adoption of SFAS No. 158.

The incremental effect of adopting the provisions of SFAS No. 158 on the Company's consolidated balance sheet at May 31, 2007 was a reduction in stockholders' equity of \$15.7, net of tax. The adoption of SFAS No. 158 had no effect on the Company's results of operations or cash flows for the year ended May 31, 2007, or for any prior period presented, and it did not and will not have any effect on the Company's results of operations or cash flows in periods after May 31, 2007. The Company adopted the measurement provision requirements of SFAS No. 158 effective May 31, 2008.

The adoption of the measurement provision of SFAS No. 158 did not have any effect on the Company's results of operations or cash flows for the year ended May 31, 2008 and did not have any effect on the Company's results of operations or cash flows in the periods after May 31, 2008.

The Company's pension calculations are based on three primary actuarial assumptions: the discount rate, the long-term expected rate of return on plan assets, and the anticipated rate of compensation increases. The discount rate is used in the measurement of the projected, accumulated and vested benefit obligations and the service and interest cost components of net periodic pension costs. The long-term expected return on plan assets is used to calculate the expected earnings from the investment or reinvestment of plan assets. The anticipated rate of compensation increase is used to estimate the increase in compensation for participants of the plan from their current age to their assumed retirement age. The estimated compensation amounts are used to determine the benefit obligations and the service cost. Pension benefits in the cash balance plan for employees located in the United States are based on formulas in which the employees' balances are credited monthly with interest based on the average rate for one-year United States Treasury Bills plus 1%. Contribution credits are based on employees' years of service and compensation levels during their employment periods.

Other post-retirement benefits – Scholastic Corporation provides post-retirement benefits, consisting of healthcare and life insurance benefits, to



retired United States-based employees. The post-retirement medical plan benefits are funded on a pay-as-you-go basis, with the Company paying a portion of the premium and the employee paying the remainder. The Company follows SFAS No. 106, "Employers' Accounting for Post retirement Benefits Other than Pensions," in calculating the existing benefit obligation, which is based on the discount rate and the assumed health care cost trend rate. The discount rate is used in the measurement of the projected and accumulated benefit obligations and the service and interest cost components of net periodic post-retirement benefit cost. The assumed health care cost trend rate is used in the measurement of the long-term expected increase in medical claims.

Foreign currency translation

The Company's non-United States dollar-denominated assets and liabilities are translated into United States dollars at prevailing rates at the balance sheet date and the revenues, costs and expenses are translated at the average rates prevailing during each reporting period. Net gains or losses resulting from the translation of the foreign financial statements and the effect of exchange rate changes on long-term intercompany balances are accumulated and charged directly to the foreign currency translation adjustment component of stockholders' equity until such time that the operations are substantially liquidated or sold. The Company does not expect to repatriate earnings from foreign corporate subsidiaries and therefore does not provide for taxes on cumulative translation adjustments within stockholders' equity.

Shipping and handling costs

Amounts billed to customers for shipping and handling are classified as revenue. Costs incurred in shipping and handling are recognized in cost of goods sold.

Earnings per share

Basic earnings per share is based on the weighted average shares of Class A Stock and Common Stock outstanding. Diluted earnings per share is based on the weighted average shares of Class A Stock and Common Stock outstanding adjusted for the impact of potentially dilutive securities outstanding. The dilutive impact of options outstanding is calculated using the treasury stock method, which treats the options as if they were exercised at the beginning of the period, adjusted for Common Stock assumed to be repurchased with the proceeds and tax benefit realized upon exercise. Any potentially dilutive security is excluded from the computation of diluted earnings per share for any period in which it has an anti-dilutive effect. Options that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive totaled: 6,198,855 at May 31, 2009, 2,770,635 at May 31, 2008 and 3,311,436 at May 31, 2007.

Discontinued Operations

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), requires the calculation of estimated fair value less cost to sell of long-lived assets for assets held for sale. The calculation of estimated fair value less cost to sell includes significant estimates and assumptions, including, but not limited to: operating projections; excess working capital levels; real estate values; and the anticipated costs involved in the selling process. The Company recognizes operations as discontinued when the operations have either ceased, or are expected to be disposed of in a sale transaction in the near term, the operations and cash flows of all discontinued operations have been eliminated, or will be eliminated upon consummation of the expected sale transaction, and the Company will not have any significant continuing involvement in the discontinued operations subsequent to the expected sale transaction.

Stock-based compensation

The Company adopted the fair value recognition provisions of SFAS No. 123R, "Share Based Payment" ("SFAS No. 123R") as of June 1, 2006, using the modified prospective method. SFAS No. 123R requires the Company to recognize the cost of employee and director services received in exchange for any stock-based awards. Under SFAS No. 123R, the Company recognizes compensation expense on a straight-line basis over an award's requisite service period, which is generally the vesting period, based on the award's fair value at the date of grant.



The fair values of stock options granted by the Company are estimated at the date of grant using the Black-Scholes option-pricing model. The Company's determination of the fair value of share-based payment awards using this option-pricing model is affected by the price of the Common Stock as well as by assumptions regarding highly complex and subjective variables, including, but not limited to, the expected price volatility of the Common Stock over the terms of the awards, the risk-free interest rate, and actual and projected employee stock option exercise behaviors. Estimates of fair value are not intended to predict actual future events or the value that may ultimately be realized by employees or directors who receive these awards.

SFAS No. 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates in order to derive the Company's best estimate of awards ultimately expected to vest. In determining the estimated forfeiture rates for stock-based awards, the Company periodically conducts an assessment of the actual number of equity awards that have been forfeited previously. When estimating expected forfeitures, the Company considers factors such as the type of award, the employee class and historical experience. The estimate of stock-based awards that will ultimately be forfeited requires significant judgment and, to the extent that actual results or updated estimates differ from current estimates, such amounts will be recorded as a cumulative adjustment in the period such estimates are revised.

The table set forth below provides the estimated fair value of options granted during fiscal years 2009, 2008 and 2007 and the significant weighted average assumptions used in determining the fair value for options granted by the Company under the Black-Scholes option pricing model. The expected life represents an estimate of the period of time stock options are expected to remain outstanding based on the historical exercise behavior of the option grantees. The risk-free interest rate was based on the U.S. Treasury yield curve in effect at the time of the grant corresponding to the expected life. The volatility was estimated based on historical volatility corresponding to the expected life.

	2009	2008	2007
Estimated fair value of stock options granted	\$ 9.51	\$ 13.05	\$ 12.22
Assumptions:			
Expected dividend yield	0.7%	0.0%	0.0%
Expected stock price volatility	34.3%	31.2%	32.9%
Risk-free interest rate	3.4%	3.9%	4.7%
Expected life of options	6 years	6 years	6 years

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. In February 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13," and FSP No. FAS 157-2, "Effective Date of FASB Statement No. 157." Collectively, these Staff Positions allow a one-year deferral of adoption of SFAS 157 for nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a non-recurring basis and amend SFAS 157 to exclude FASB Statement No. 13 and its related interpretive accounting pronouncements that address leasing transactions.

The Company adopted SFAS 157 beginning June 1, 2008, except for non financial assets and liabilities measured at fair value on a non-recurring basis, which will be effective for the Company June 1, 2009. The impact of the adoption on June 1, 2008 was not material to the Company's consolidated financial statements. The Company is currently evaluating the impact that the adoption of the deferred portion of



SFAS 157 will have on its consolidated financial position, results of operations and cash flows.

SFAS 157 establishes a three-level hierarchy for fair value measurements to prioritize the inputs used in the valuation techniques to derive fair values. The basis for fair value measurements for each level within the hierarchy is described below with Level 1 having the highest priority and Level 3 having the lowest.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The Company's assets and liabilities measured at fair value on a recurring basis subject to the presentation requirements of SFAS 157 at May 31, 2009 consisted of cash and cash equivalents and foreign currency forward contracts. The foreign currency forward contracts were not material as of the reporting date. Cash and cash equivalents are comprised of bank deposits and short-term investments, such as money market funds, the fair value of which is based on quoted market prices, a Level 1 fair value measure. The fair values of foreign currency forward contracts, used by the Company to manage the impact of foreign exchange rate changes to the financial statements, are based on quotations from financial institutions, a Level 2 fair value measure.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"), to provide companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS 159 is to reduce both the complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 was effective for the Company beginning June 1, 2008. The Company has not elected to measure any financial assets and financial liabilities at fair value which were not previously required to be measured at fair value. Therefore, the adoption of this standard has had no impact on the Company's consolidated financial position, results of operations and cash flows.

In December 2007, the FASB issued SFAS No. 141 (revised), "Business Combinations" ("SFAS 141R"). SFAS 141R establishes principles and requirements for how an acquirer accounts for business combinations. SFAS 141R includes guidance for the recognition and measurement of the identifiable assets acquired, the liabilities assumed, and any noncontrolling or minority interest in the acquiree. It also provides guidance for the measurement of goodwill, the recognition of contingent consideration, the accounting for pre-acquisition gain and loss contingencies and acquisition-related transaction costs, and the recognition of changes in the acquirer's income tax valuation allowance. SFAS 141R applies prospectively and is effective for business combinations made by the Company beginning June 1, 2009.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51," ("SFAS 160"). SFAS 160 amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to establish accounting and reporting standards for any noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 clarifies that a noncontrolling interest in a subsidiary should be reported as a component of equity in the consolidated financial statements and requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolled interest. SFAS 160 is effective for the Company beginning June 1, 2009 and is to be applied prospectively, except for the presentation and disclosure requirements, which upon adoption will be applied retrospectively for all periods presented. The Company is currently evaluating the impact, if any, that SFAS 160 will have on its



consolidated financial position, results of operations and cash flows.

In April 2008, the FASB issued FSP No. FAS 142-3, "Determination of the Useful Life of Intangible Assets" ("FAS 142-3"). FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, "Goodwill and Other Intangible Assets." FAS 142-3 is effective for fiscal years beginning after December 15, 2008 and early adoption is prohibited. The Company is currently evaluating the impact, if any, that FAS 142-3 will have on its consolidated financial position, results of operations and cash flows.

In June 2008, the FASB issued FSP No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("FSP 03-6-1"), which classifies unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents as participating securities and requires them to be included in the computation of earnings per share, pursuant to the two-class method described in SFAS No. 128, "Earnings per Share." FSP 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. It requires all prior period earnings per-share data presented to be adjusted retrospectively. The adoption of FSP EITF 03-6-1 did not materially impact the disclosures of historical earnings per share.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS 165"), which establishes standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, i.e., whether that date represents the date the financial statements were issued or were available to be issued. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009.

In June 2009, the FASB issued SFAS No. 168, "Accounting Standards Codification" ("SFAS 168"), which will become the source of authoritative U.S. generally accepted accounting principles or "GAAP." Rules and interpretive releases of the Securities and Exchange Commission or "SEC" under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. SFAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009, and applies to financial statements of nongovernmental entities that are presented in conformity with GAAP.



2. DISCONTINUED OPERATIONS

During fiscal 2008, the Company determined to sell or shut down its domestic, Canadian and UK continuities businesses, and intends to sell a related warehousing and distribution facility located in Maumelle, Arkansas (the "Maumelle Facility") and an office and distribution facility in Danbury, Connecticut (the "Danbury Facility"). During fiscal 2009, the Company also ceased its operations in Argentina and Mexico, its door-to-door selling operations in Puerto Rico as well as its continuities business in Australia and New Zealand and its corporate book fairs business, and closed its Scarsdale, NY store. The Company also sold a trade magazine. Additionally, the Company sold a non-core market research business and a non-core online resource for teachers business and intends to sell a Spanish language book channel.

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), the results of operations for the aforementioned operations are presented in the Company's Condensed Consolidated Financial Statements as discontinued operations. SFAS 144 requires adjustments to the carrying value of assets held for sale if the carrying value exceeds their estimated fair value less cost to sell. The calculation of estimated fair value less cost to sell includes significant estimates and assumptions, including, but not limited to: operating projections and the discount rate and terminal values developed in connection with the discounted cash flow; excess working capital levels; real estate fair values; and the anticipated costs involved in the selling process. The Company prepared separate financial statements reflecting the discontinued operations presentation, which required management to make significant judgments and estimates for purposes of allocating to the discontinued operations certain operating expenses, such as warehousing and distribution expenses, as well as assets, liabilities and other balance sheet items, including accounts payable and certain noncurrent liabilities. The following table summarizes the operating results of the discontinued operations for the fiscal years ended May 31:

	2009	2008	2007
Revenues	\$ 74.2	\$ 253.6	\$ 308.6
Gain on sale	32.0	—	—
Non-cash impairment charge and loss on operations	62.2	206.6	29.4
Loss before income taxes	30.2	206.6	29.4
Income tax benefit (expense)	2.7	72.1	7.6
Loss from discontinued operations, net of tax	\$ 27.5	\$ 134.5	\$ 21.8

The following table sets forth the assets and liabilities of the discontinued operations included in the Condensed Consolidated Balance Sheets of the Company as of May 31:

	2009	2008
Accounts Receivable, net	\$ 13.6	\$ 33.1
Inventories, net	0.8	15.9
Other assets	16.6	15.5
Current assets of discontinued operations	\$ 31.0	\$ 64.5
Noncurrent assets of discontinued operations	—	28.4
Accounts payable	2.2	9.1
Accrued expenses and other current liabilities	5.1	12.8
Current liabilities of discontinued operations	\$ 7.3	\$ 21.9



3. SEGMENT INFORMATION

The Company categorizes its businesses into four reportable segments: *Children's Book Publishing and Distribution*; *Educational Publishing*; *Media, Licensing and Advertising* (which collectively represent the Company's domestic operations); and *International*.

- **Children's Book Publishing and Distribution** operates as an integrated business which includes the publication and distribution of children's books in the United States through school-based book clubs and book fairs and the trade channel. This segment is comprised of three operating segments.
- **Educational Publishing** includes the production and/or publication and distribution to schools and libraries of educational technology products, curriculum materials, children's books, classroom magazines and print and on-line reference and non-fiction products for grades pre-kindergarten to 12 in the United States. This segment is comprised of two operating segments.
- **Media, Licensing and Advertising** includes the production and/or distribution of media, merchandising and advertising revenue, including sponsorship programs and consumer promotions. This segment is comprised of three operating segments.
- **International** includes the publication and distribution of products and services outside the United States by the Company's international operations, and its export and foreign rights businesses. This segment is comprised of two operating segments.



The following table sets forth information for the three fiscal years ended May 31 for the Company's segments:

	Children's Book Publishing and Distribution ⁽¹⁾	Educational Publishing ⁽¹⁾	Media, Licensing and Advertising ⁽¹⁾	Overhead ⁽¹⁾⁽²⁾	Total Domestic	International ⁽¹⁾	Total
2009							
Revenues	\$ 913.5	\$ 384.2	\$ 152.6	\$ 0.0	\$ 1,450.3	\$ 399.0	\$ 1,849.3
Bad debts	10.0	1.6	0.3	0.0	11.9	3.9	15.8
Depreciation and amortization ⁽³⁾	16.3	3.8	1.0	33.8	54.9	5.8	60.7
Amortization ⁽⁴⁾	12.3	22.5	7.9	0.0	42.7	2.1	44.8
Royalty advances expensed	26.3	1.7	0.6	0.0	28.6	3.6	32.2
Segment profit/(loss)	89.7	55.8	12.1	(94.5)	63.1	7.3	70.4
Segment assets	560.7	331.2	59.4	373.6	1,324.9	252.9	1,577.8
Goodwill	54.3	88.4	5.8	0.0	148.5	8.5	157.0
Expenditures for long-lived assets	48.5	37.7	12.3	25.0	123.5	10.0	133.5
Long-lived assets	186.9	206.3	27.2	221.9	642.3	73.0	715.3
2008							
Revenues	\$ 1,161.4	\$ 407.1	\$ 140.8	\$ 0.0	\$ 1,709.3	\$ 449.8	\$ 2,159.1
Bad debts	5.7	(0.9)	0.6	0.0	5.4	3.2	8.6
Depreciation and amortization ⁽³⁾	18.1	3.2	1.4	32.6	55.3	6.9	62.2
Amortization ⁽⁴⁾	12.4	24.6	6.8	0.0	43.8	2.3	46.1
Royalty advances expensed	23.2	1.2	0.6	0.0	25.0	3.8	28.8
Segment profit/(loss)	175.0	65.9	7.3	(77.1)	171.1	42.3	213.4
Segment assets	538.8	333.8	59.7	430.6	1,362.9	305.8	1,668.7
Goodwill	38.2	89.0	5.8	0.0	133.0	31.4	164.4
Expenditures for long-lived assets	55.7	36.0	14.0	22.4	128.1	16.5	144.6
Long-lived assets	179.8	200.5	26.3	230.1	636.7	117.7	754.4
2007							
Revenues	\$ 928.2	\$ 406.2	\$ 148.7	\$ 0.0	\$ 1,483.1	\$ 387.5	\$ 1,870.6
Bad debts	4.9	1.0	1.7	0.0	7.6	3.5	11.1
Depreciation and amortization ⁽³⁾	16.0	4.0	2.3	31.9	54.2	7.2	61.4
Amortization ⁽⁴⁾	13.8	28.3	11.1	0.0	53.2	1.9	55.1
Royalty advances expensed	19.5	1.4	1.1	0.0	22.0	3.0	25.0
Segment profit/(loss)	104.8	77.8	13.1	(78.0)	117.7	35.4	153.1
Segment assets	464.6	328.8	55.5	388.5	1,237.4	284.6	1,522.0
Goodwill	38.2	90.2	5.8	0.0	134.2	31.3	165.5
Expenditures for long-lived assets	54.5	34.2	11.2	20.9	120.8	12.3	133.1
Long-lived assets	176.8	196.9	23.6	240.3	637.6	111.3	748.9

(1) During fiscal 2008, the Company determined to sell or shut down its domestic, Canadian and UK continuities businesses, and intends to sell the Maumelle Facility and the Danbury Facility. During fiscal 2009, the Company also ceased its operations in Argentina and Mexico, its door-to-door selling operations in Puerto Rico, as well as its continuities business in Australia and New Zealand and its corporate book fairs business, and closed its Scarsdale, NY store. The Company also sold a trade magazine. Additionally, the Company sold a non-core market research business and a non-core on-line resource for teachers business and intends to sell a Spanish language book channel. All of the above businesses are classified as discontinued operations in the Company's financial statements and, as such, are not reflected in this table.

(2) Overhead includes all domestic corporate amounts not allocated to segments, including expenses and costs related to the management of corporate assets. 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 fulfillment and distribution facilities located in Missouri.

(3) Includes depreciation of property, plant and equipment and amortization of intangible assets, but excludes amortization of promotion costs.

(4) Includes amortization of prepublication costs and production costs, but excludes amortization of promotion costs.



4. DEBT

The following table summarizes debt as of May 31:

	Carrying Value	Fair Value	Carrying Value	Fair Value
	2009		2008	
Lines of credit	\$ 10.9	\$ 10.9	\$ 11.8	\$ 11.8
Loan Agreement:				
Revolving Loan	—	—	—	—
Term Loan	135.8	135.8	178.6	178.6
5% Notes due 2013, net of discount	157.0	129.6	159.3	134.8
Total debt	303.7	276.3	349.7	325.2
Less lines of credit, short-term debt and current portion of long-term debt	(53.7)	(53.7)	(54.6)	(54.6)
Total long-term debt	\$ 250.0	\$ 222.6	\$ 295.1	\$ 270.6

Short-term debt's carrying value approximates fair value. Fair value of the Loan Agreement approximates its carrying value due to its variable interest rate. Fair values of the Notes were estimated based on market quotes, where available, or dealer quotes.



The following table sets forth the maturities of the carrying values of the Company's debt obligations as of May 31, 2009 for fiscal years ended May 31:

2010	\$ 53.7
2011	42.8
2012	42.8
2013	164.4
Thereafter	—
Total debt	\$ 303.7

Loan Agreement

On June 1, 2007, Scholastic Corporation and Scholastic Inc. (each, a "Borrower" and together, the "Borrowers") elected to replace the Company's then-existing credit facilities with a new \$525.0 credit facility with certain banks (the "Loan Agreement"), consisting of a \$325.0 revolving credit component (the "Revolving Loan") and a \$200.0 amortizing term loan component (the "Term Loan"). The Loan Agreement is a contractually committed unsecured credit facility that is scheduled to expire on June 1, 2012. The \$325.0 Revolving Loan component allows the Company to borrow, repay or prepay and reborrow at any time prior to the stated maturity date, and the proceeds may be used for general corporate purposes, including financing for acquisitions and share repurchases. The Loan Agreement also provides for an increase in the aggregate Revolving Loan commitments of the lenders of up to an additional \$150.0. The \$200.0 Term Loan component was established in order to fund the reacquisition by the Corporation of shares of its Common Stock pursuant to an Accelerated Share Repurchase Agreement (see Note 10, "Treasury Stock") and was fully drawn on June 28, 2007 in connection with that transaction. The Term Loan, which may be prepaid at any time without penalty, requires quarterly principal payments of \$10.7, with the first payment on December 31, 2007, and a final payment of \$7.4 due on June 1, 2012. Interest on both the Term Loan and Revolving Loan is due and payable in arrears on the last day of the interest period (defined as the period commencing on the date of the advance and ending on the last day of the period selected by the Borrower at the time each advance is made). At the election of the Borrower, the interest rate charged for each loan made under the Loan Agreement is based on (1) a rate equal to the higher of (a) the prime rate or (b) the prevailing Federal Funds rate plus 0.500% or (2) an adjusted LIBOR rate plus an applicable margin, ranging from 0.500% to 1.250% based on the Company's prevailing consolidated debt to total capital ratio. As of May 31, 2009 and 2008, the applicable margin on the Term Loan was 0.875% and the applicable margin on the Revolving Loan was 0.700%. The Loan Agreement also provides for a payment of a facility fee ranging from 0.125% to 0.25% per annum on the Revolving Loan only, which at May 31, 2009 and 2008 was 0.175%. As of May 31, 2008, \$178.6 was outstanding under the Term Loan at an interest rate of 3.8%. There were no outstanding borrowings under the Revolving Loan as of May 31, 2008. As of May 31, 2009, \$135.8 was outstanding under the Term Loan at an interest rate of 1.2%. There were no outstanding borrowings under the Revolving Loan as of May 31, 2009. As of May 31, 2009, standby letters of credit outstanding under the Loan Agreement totaled \$0.5. The Loan Agreement contains certain covenants, including interest coverage and leverage ratio tests and certain limitations on the amount of dividends and other distributions, and at May 31, 2009 the Company was in compliance with these covenants.

5% Notes due 2013

In April 2003, Scholastic Corporation issued \$175.0 of 5% Notes (the "5% Notes"). The 5% Notes are senior unsecured obligations that mature on April 15, 2013. Interest on the 5% Notes is payable semi-annually on April 15 and October 15 of each year through maturity. The Company may at any time redeem all or a portion of the 5% Notes at a redemption price (plus accrued interest to the date of the redemption) equal to the greater of (i) 100% of the principal amount, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest discounted to the date of redemption. In fiscal year 2009, the Company repurchased an additional \$2.5 of the 5% Notes on the open market, while \$14.5 was repurchased in fiscal year 2008. On June 29, 2009, the Company repurchased \$5.0 of the 5% Notes on the open market.



Lines of Credit

In May 2009 and during the fourth quarter of fiscal 2008, the Company entered into unsecured money market bid rate credit lines totaling \$20.0 and \$50.0, respectively. There were no outstanding borrowings under these credit lines at May 31, 2009 and May 31, 2008. All loans made under these credit lines are at the sole discretion of the lender and at an interest rate and term agreed to at the time each loan is made, but not to exceed 180 days for fiscal 2009 and 364 days for fiscal 2008 and may be renewed, if requested by the Company, at the sole option of the lender.

As of May 31, 2009, the Company had various local currency credit lines, with maximum available borrowings in amounts equivalent to \$40.4, underwritten by banks primarily in the United States, Canada and the United Kingdom. These credit lines are typically available for overdraft borrowings or loans up to 364 days and may be renewed, if requested by the Company, at the sole option of the lender. There were borrowings outstanding under these facilities equivalent to \$10.9 at May 31, 2009 at a weighted average interest rate of 3.3%, as compared to the equivalent of \$11.8 at May 31, 2008 at a weighted average interest rate of 6.4%.

5. COMMITMENTS AND CONTINGENCIES

Lease obligations

The Company leases warehouse space, office space and equipment under various capital and operating leases over periods ranging from one to forty years. Certain of these leases provide for scheduled rent increases based on price-level factors. The Company generally does not enter into leases that call for contingent rent. In most cases, management expects that, in the normal course of business, leases will be renewed or replaced. Net rent expense relating to the Company's non-cancelable operating leases for the three fiscal years ended May 31, 2009, 2008 and 2007 was \$45.3, \$45.9 and \$44.1, respectively.

The Company was obligated under capital leases covering land, buildings and equipment in the amount of \$57.9 and \$61.6 at May 31, 2009 and 2008, respectively. Amortization of assets under capital leases is included in depreciation and amortization expense.

The following table sets forth the composition of capital leases reflected as Property, Plant and Equipment in the Consolidated Balance Sheets at May 31:

	2009	2008
Land	\$ 3.5	\$ 3.5
Buildings	39.0	39.0
Equipment	19.0	52.1
	61.5	94.6
Accumulated amortization	(25.3)	(53.0)
Total	\$ 36.2	\$ 41.6

The following table sets forth the aggregate minimum future annual rental commitments at May 31, 2009 under all non-cancelable leases for fiscal years ending May 31:

	Operating Leases	Capital Leases
2010	\$ 36.4	\$ 8.6
2011	30.0	6.0
2012	25.3	5.6
2013	21.6	6.2
2014	17.1	5.1
Thereafter	58.0	201.3
Total minimum lease payments	\$ 188.4	\$ 232.8
Less amount representing interest		174.9
Present value of net minimum capital lease payments		57.9
Less current maturities of capital lease obligations		3.4
Long-term capital lease obligations		\$ 54.5

Other Commitments

The Company had contractual commitments relating to royalty advances at May 31, 2009 totaling \$6.3. The aggregate annual commitments for royalty advances are as follows: fiscal 2010 – \$3.7; fiscal 2011 – \$1.7; fiscal 2012 – \$0.5; fiscal 2013 – \$0.1; fiscal 2014 – \$0.3.

The Company had contractual commitments relating to minimum print quantities at May 31, 2009 totaling \$482.2. The annual commitments relating to minimum print quantities are as follows: fiscal 2010 – \$39.3; fiscal 2011 – \$40.2; fiscal 2012 – \$41.0; fiscal 2013 – \$41.9; fiscal 2014 – \$42.8; thereafter – \$277.0.

At May 31, 2009, the Company had open standby letters of credit of \$7.4 issued under certain credit lines, as compared to \$8.4 as of May 31, 2008. These letters of credit expire within one year; however, the Company expects that substantially all of these letters of credit will be renewed, at similar terms, prior to expiration.

Contingencies

As previously reported in the Company's Quarterly Report on Form 10-Q for the period ended August 31, 2007 and the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2008, as amended, the Company is party to certain actions filed by each of Alaska Laborers Employers Retirement Fund and Paul Baicu, which were consolidated on November 8, 2007. On September 25, 2008, the plaintiff sought leave of the Court to file a second amended class action complaint, in order to add allegations relating to the Company's restatement announced in the Company's Annual Report on Form 10-K filed on July 30, 2008. The Court thereafter dismissed the Company's pending motion to dismiss as moot. On October 21, 2008, the plaintiff filed the second amended complaint, and on October 31, 2008, the Company filed a motion to dismiss the second amended complaint, which remains pending. The second amended class action complaint continues to allege securities fraud relating to statements made by the Company concerning its operations and financial results between March 2005 and March 2006 and seeks unspecified compensatory damages. The Company continues to believe that the allegations in such complaint are without merit and is vigorously defending the lawsuit.

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

6. INVESTMENTS

Included in the Other Assets and Deferred Charges Section of the Company's Consolidated Balance Sheets were investments of \$27.1 and \$40.1 at May 31, 2009 and May 31, 2008, respectively.

The Company owns non-controlling interests in a book distribution business and related entities located in the United Kingdom. Results of these operations have been negatively impacted by overall market conditions, and accordingly, the Company has determined that these assets are partially impaired. For the fiscal year ended May 31, 2009, the Company recorded impairments on investments related to these operations of \$13.5, reducing the Company's carrying value of these assets to \$9.0.

In fiscal 2007, the Company participated in the organization of a new entity, the Children's Network Venture LLC ("Children's Network") that produces and distributes educational children's television programming under the name Qubo. Since inception in August 2006, the Company has contributed a total of \$5.4 in cash and certain rights to existing television programming to the Children's Network. The Company's investment, which consists of a 12.25% equity interest, is accounted for using the equity method of accounting. The net value of this investment at May 31, 2009 was \$1.3.

7. GOODWILL AND OTHER INTANGIBLES

Goodwill and other intangible assets with indefinite lives are reviewed for impairment annually or more frequently if impairment indicators arise.

The following table summarizes the activity in Goodwill for the fiscal years ended May 31:

	2009	2008
Beginning balance	\$ 164.4	\$ 165.5
Impairment charge	(17.0)	—
Deferred tax adjustment	16.1	—
Purchase adjustment	(0.7)	(1.2)
Currency exchange	(5.8)	0.1
Ending balance	\$ 157.0	\$ 164.4

At February 28, 2009, the total market value of the Company's outstanding Common and Class A shares was less than the carrying value of the Company's net assets. Due to the reduced total market value of the Company's Common Stock, the Company evaluated the goodwill for its reporting units for impairment as of February 28, 2009. The Company employed internally



developed discounted cash flow forecasts to determine the fair values of its reporting units, based upon the best available financial data. The Company concluded that goodwill associated with the Company's United Kingdom operations was impaired as of February 28, 2009, and recognized a goodwill impairment of \$17.0. Operating results in the United Kingdom have declined in recent periods. The Company subsequently performed its annual test for goodwill impairment in the fourth quarter of 2009, and determined that no additional goodwill, other than the aforementioned goodwill attributable to the UK operations, is impaired.

The purchase adjustments in fiscal 2009 and 2008 are related to the acquisition of a school consulting and professional development services company in fiscal 2007. The deferred tax adjustment relates to a prior acquisition included in the Children's Book Publishing and Distribution segment.

The following table summarizes Other intangibles subject to amortization as of May 31:

	2009	2008
Customer lists	\$ 1.0	\$ 1.0
Accumulated amortization	(0.9)	(0.8)
Net customer lists	\$ 0.1	\$ 0.2
Other intangibles	\$ 8.4	\$ 8.4
Accumulated amortization	(5.6)	(5.2)
Net other intangibles	\$ 2.8	\$ 3.2
Total	\$ 2.9	\$ 3.4

Amortization expense for Other intangibles totaled \$0.7, \$2.5 and \$0.2 for the fiscal years ended May 31, 2009, 2008 and 2007, respectively. Amortization expense for these assets is currently estimated to be \$0.7, \$0.6, \$0.6, \$0.6 and \$0.5 for fiscal years 2010, 2011, 2012, 2013 and 2014, respectively. Intangible assets with definite lives consist principally of customer lists and covenants not to compete. Intangible assets with definite lives are amortized over their estimated useful lives.

The following table summarizes Other intangibles not subject to amortization as of May 31:

	2009	2008
Net carrying value by major class:		
Titles	\$ 28.7	\$ 28.7
Trademarks and Other	15.2	15.3
Total	\$ 43.9	\$ 44.0

8. INCOME TAXES

The provisions for income taxes for the fiscal years ended May 31, 2009, 2008 and 2007 are based on earnings from continuing operations before taxes as follows:

	2009	2008	2007
United States	\$ 50.9	\$ 170.4	\$ 107.1
Non-United States	(16.3)	15.8	18.1
Total	\$ 34.6	\$ 186.2	\$ 125.2

The provisions for income taxes attributable to earnings from continuing operations for the fiscal years ended May 31, 2009, 2008 and 2007 consist of the following components:

	2009	2008	2007
Federal			
Current	\$ 10.4	\$ 49.4	\$ 18.9
Deferred	2.9	4.3	13.1
	\$ 13.3	\$ 53.7	\$ 32.0
State and local			
Current	\$ 1.1	\$ 5.8	\$ 4.3
Deferred	0.3	0.4	(0.3)
	\$ 1.4	\$ 6.2	\$ 4.0

International					
Current	\$	5.5	\$	9.3	\$ 7.5
Deferred		1.2		(0.3)	(1.0)
	\$	6.7	\$	9.0	\$ 6.5
Total					
Current	\$	17.0	\$	64.5	\$ 30.7
Deferred		4.4		4.4	11.8
	\$	21.4	\$	68.9	\$ 42.5



The provisions for income taxes for the fiscal years ended May 31, 2009, 2008 and 2007 differ from the amount of tax determined by applying the federal statutory rate as follows:

	2009	2008	2007
Computed federal statutory provision	\$ 12.1	\$ 65.1	\$ 43.8
State income tax provision, net of federal income tax benefit	1.5	6.2	4.0
Difference in effective tax rates on earnings of foreign subsidiaries	(0.3)	(1.5)	3.0
Charitable contributions	(0.4)	—	(1.0)
Tax credits	—	(2.4)	(4.9)
Valuation allowances	5.1	3.3	—
Other – net	3.4	(1.8)	(2.4)
Total provision for income taxes	\$ 21.4	\$ 68.9	\$ 42.5
Effective tax rates	61.8%	37.0%	33.9%

The undistributed earnings of foreign subsidiaries at May 31, 2009 were \$33.2. Any remittance of foreign earnings would not result in any significant additional tax. The Company does not anticipate repatriating amounts permanently invested in foreign wholly-owned subsidiaries.

The following table sets forth the tax effects of items that give rise to deferred tax assets and liabilities at May 31, 2009 and 2008, including deferred tax assets of discontinued operations:

	2009	2008
Net deferred tax assets		
Tax uniform capitalization	\$ 22.2	\$ 25.3
Inventory reserves	24.8	34.5
Allowance for doubtful accounts	5.0	18.2
Other reserves	8.6	19.2
Post-retirement, post-employment and pension obligations	21.6	27.4
Tax carryforwards	68.7	19.5
Lease accounting	8.0	8.7
Prepaid expenses	—	0.1
Depreciation and amortization	(50.9)	(7.7)
Other – net	43.5	15.3
Subtotal	151.5	160.5
Valuation allowance	(30.1)	(14.5)
Total net deferred tax assets	\$ 121.4	\$ 146.0

Total net deferred tax assets of \$121.4 at May 31, 2009 and \$146.0 at May 31, 2008 include \$62.7 and \$116.9, respectively in Other current assets. Total non current deferred tax assets of \$58.7 and \$29.1 are reflected in Other noncurrent assets at May 31, 2009 and 2008, respectively.

At May 31, 2009, the Company had a charitable deduction carryforward of \$15.9, which expires in various amounts during the fiscal years ending 2010 through 2014, and federal and state operating loss carryforwards of \$84.9 and \$12.8, respectively, which expire annually in varying amounts if not utilized. The Company also had foreign operating loss carryforwards of \$65.8 at May 31, 2009, which either expire at various dates or do not expire.

For the years ended May 31, 2009 and 2008, the valuation allowance increased by \$15.6 and \$1.5, respectively.

On June 1, 2007, the Company adopted the provisions of FIN 48 which clarify the accounting standards for uncertain income tax positions. As of June 1, 2008, the total amount of unrecognized tax benefits was \$33.1 net of \$6.7 accrued for interest and penalties. Of this total, approximately \$16.2 represents the total amount of unrecognized tax benefits. If recognized, these unrecognized benefits may impact the effective tax rate. The June 1, 2008 balance includes \$16.9 of uncertain tax positions where the deductibility is highly certain, but uncertainty exists regarding the timing of such deductions. The disallowance of uncertain tax positions due to timing of deductions would not impact the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period. The Company's policy is to classify interest and penalties related to unrecognized tax benefits as part of its income tax provision.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Gross unrecognized tax benefits at June 1, 2007	\$ 34.0
Gross decreases of tax positions for prior years	(5.4)
Gross increase in tax positions for current year	4.7
Settlements	—
Lapse of statute of limitation	(0.2)
Gross unrecognized tax benefits at May 31, 2008	\$ 33.1
Gross decreases of tax positions for prior years	(1.2)
Gross increase in tax positions for current year	1.7

Settlements	—
Lapse of statute of limitation	—
Gross unrecognized tax benefits at May 31, 2009	\$ 33.6

The net increases in unrecognized tax benefits in the above table were primarily due to the continuation of prior uncertain tax positions. There were no settlements related to income tax positions and no material positions were completed due to statute of limitations. Factors that could cause the recognition of tax benefits include but are not limited to statutory limitations on audits, the settlement of audits with tax authorities, changes in law and changes in estimates.

The Company, including subsidiaries, files income tax returns in the U.S., various states and various foreign jurisdictions. The Company is routinely audited by various tax authorities. The Company is currently under audit by the Internal Revenue Service for its fiscal years ended May 31, 2004, 2005 and 2006, and is also subject to changes for May 2003. The Company is also currently under audit by both New York State and New York City for its fiscal years ended May 31, 2002, 2003 and 2004. If any of these tax examinations are concluded within the next twelve months, the Company will make any necessary adjustments to its unrecognized tax benefits. It is not practicable to estimate the range of reasonably possible changes to unrecognized tax benefits for the upcoming 12 months due in part to the timing and resolution of outstanding audits.



The total amount of unrecognized tax benefits as of May 31, 2009 was \$33.6, net of \$8.5 accrued for interest and penalties. Approximately \$15.1 of this amount would, if recognized, impact income tax expense and have an impact on the effective income tax rate. The May 31, 2009 balance includes \$18.5 of uncertain tax positions where the deductibility is highly certain, but uncertainty exists regarding the timing of such deductions.

9. CAPITAL STOCK AND STOCK-BASED AWARDS

Scholastic Corporation has authorized capital stock of: 4,000,000 shares of Class A Stock; 70,000,000 shares of Common Stock; and 2,000,000 shares of Preferred Stock.

Class A Stock and Common Stock

The only voting rights vested in the holders of Common Stock, except as required by law, are the election of such number of directors as shall equal at least one-fifth of the members of the Board. The Class A Stockholders are entitled to elect all other directors and to vote on all other matters. The Class A Stockholders and the holders of Common Stock are entitled to one vote per share on matters on which they are entitled to vote. The Class A Stockholders have the right, at their option, to convert shares of Class A Stock into shares of Common Stock on a share-for-share basis.

With the exception of voting rights and conversion rights, and as to the rights of holders of Preferred Stock if issued, the Class A Stock and the Common Stock are equal in rank and are entitled to dividends and distributions, when and if declared by the Board.

At May 31, 2009, there were 1,656,200 shares of Class A Stock and 34,740,275 shares of Common Stock outstanding. At May 31, 2009, there were 1,499,000 shares of Class A Stock authorized for issuance under the Company's stock-based compensation plans. At May 31, 2009, Scholastic Corporation had reserved for issuance 10,571,322 shares of Common Stock, which includes both shares of Common Stock that were reserved for issuance under the Company's stock-based compensation plans and the 3,155,200 shares of Common Stock that were reserved for the potential issuance of Common Stock upon conversion of the outstanding shares of Class A Stock and the shares of Class A Stock that were reserved for issuance under the Company's stock-based compensation plans.

Preferred Stock

The Preferred Stock may be issued in one or more series, with the rights of each series, including voting



rights, to be determined by the Board before each issuance. To date, no shares of Preferred Stock have been issued.

Stock-based awards

At May 31, 2009, the Company maintained two stockholder-approved employee stock-based compensation plans with regard to the Common Stock: the Scholastic Corporation 1995 Stock Option Plan (the “1995 Plan”), under which no further awards can be made; and the Scholastic Corporation 2001 Stock Incentive Plan (the “2001 Plan”). The 2001 Plan provides for the issuance of: incentive stock options, which qualify for favorable treatment under the Internal Revenue Code; options that are not so qualified, called non-qualified stock options; restricted stock; and other stock-based awards.

Stock Options – At May 31, 2009, non-qualified stock options to purchase 1,377,642 shares of Common Stock and 2,764,571 shares of Common Stock were outstanding under the 1995 Plan and 2001 Plan, respectively. During fiscal 2009, the Company awarded 666,500 options under the 2001 plan at a weighted average exercise price of \$25.98. At May 31, 2009, 1,716,106 shares of Common Stock were available for additional awards under the 2001 Plan.

The Company also maintains the 1997 Outside Directors’ Stock Option Plan (the “1997 Directors’ Plan”), a stockholder-approved stock option plan for outside directors under which no further awards may be made. The 1997 Directors’ Plan, as amended, provided for the automatic grant to each non-employee director on the date of each annual stockholders’ meeting of non-qualified stock options to purchase 6,000 shares of Common Stock.

At May 31, 2009, options to purchase 312,000 shares of Common Stock were outstanding under the 1997 Directors’ Plan.

In September 2007, the Corporation adopted the Scholastic Corporation 2007 Outside Directors’ Stock Option Plan (the “2007 Directors’ Plan”). The 2007 Directors’ Plan provides for the automatic grant to each non-employee director on the date of each annual stockholders’ meeting of non-qualified stock options to purchase 3,000 shares of Common Stock at a purchase price per share equal to the fair market value of a share of Common Stock on the date of grant and 1,200 restricted stock units. In September 2008, 24,000 options at an exercise price of \$27.93 per share and 9,600 restricted stock units were granted under the 2007 Directors’ Plan. As of May 31, 2009, 48,000 options and 19,200 restricted stock units were outstanding under the 2007 Directors’ Plan and 432,800 shares remained available for additional awards under the 2007 Directors’ Plan.

The Scholastic Corporation 2004 Class A Stock Incentive Plan (the “Class A Plan”) provides for the grant to Richard Robinson, the Chief Executive Officer of the Corporation as of the effective date of the Class A Plan, of options to purchase Class A Stock (the “Class A Options”). In fiscal 2009, the Company awarded 250,000 Class A Options to Mr. Robinson at an exercise price of \$27.93 per share. At May 31, 2009, there were 1,499,000 Class A Options outstanding, and no shares of Class A Stock remained available for additional awards, under the Class A Plan.

Generally, options granted under the various plans may not be exercised for a minimum of one year after the date of grant and expire approximately ten years after the date of grant.

The total aggregate intrinsic value of stock options exercised during the year ended May 31, 2009 and 2008 was \$0.0 and \$10.1, respectively. The intrinsic value of these stock options is deductible by the Company for tax purposes. The total compensation cost for share-based payment arrangements recognized in income for fiscal 2009, 2008 and 2007 was \$11.6, \$7.0 and \$3.6, respectively. The total recognized tax benefit related thereto for fiscal 2009, 2008 and 2007 was \$1.9, \$4.2 and \$3.2, respectively.

As of May 31, 2009, the total pre-tax compensation cost not yet recognized by the Company with regard to outstanding unvested stock options was \$14.1. The weighted average period over which this compensation cost is expected to be recognized is 2.6 years.



The following table sets forth the stock option activity for the Class A Stock and Common Stock plans for the fiscal year ended May 31, 2009:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value
Outstanding at May 31, 2008	5,522,288	\$ 32.58		
Granted	940,500	25.98		
Exercised	(16,800)	24.55		
Forfeitures	(419,756)	32.42		
Outstanding at May 31, 2009	6,026,232	\$ 31.58	5.2	0.4
Vested and expected to vest at May 31, 2009	5,935,396	31.65	5.2	0.4
Exercisable at May 31, 2009	4,281,091	32.43	3.8	0.0

Restricted Stock Units – In addition to stock options, the Company has issued restricted stock units to certain officers and key executives under the 2001 Plan (“Stock Units”). During fiscal 2009 and 2008, the Company granted 144,322 and 147,940 Stock Units, respectively, with weighted average grant date prices of \$26.62 and \$35.71 per share, respectively. Unless otherwise deferred, the Stock Units automatically convert to shares of Common Stock on a one-for-one basis as the award vests, which is typically over a four-year period beginning thirteen months from the grant date and thereafter annually on the anniversary of the grant date. There were 63,966 shares of Common Stock issued upon conversion of Stock Units during fiscal 2009. The Company measures the value of Stock Units at fair value based on the number of Stock Units granted at the price of the underlying Common Stock on the date of grant. The Company amortizes the fair value of outstanding stock units as stock-based compensation expense over the vesting term on a straight-line basis.

Management Stock Purchase Plan

The Company maintains a Management Stock Purchase Plan (“MSPP”), which allows certain members of senior management to defer up to 100% of their annual cash bonus payment in the form of restricted stock units (“RSUs”). The RSUs are purchased by the employee at a 25% discount from the lowest closing price of the Common Stock on NASDAQ during the fiscal quarter in which such bonuses are payable and are converted into shares of Common Stock on a one-for-one basis at the end of the applicable deferral period. During fiscal 2009 and 2008, the Company allocated 57,543 RSUs and 5,787 RSUs, respectively, to participants under the MSPP at a weighted average price of \$18.77 and \$23.49 per RSU, respectively. At May 31, 2009, there were 216,472 shares of Common Stock authorized for issuance under the MSPP. There were 33,786 shares of Common Stock issued upon conversion of RSUs during fiscal 2009. The Company measures the value of RSUs at fair value based on the number of RSUs granted and the price of the underlying Common Stock at the date of grant, giving effect to the 25% discount. The Company amortizes the fair value of RSUs as stock-based compensation expense over the vesting term on a straight-line basis.

The following table sets forth Stock Unit and RSU activity for the year ended May 31, 2009:

	Stock Units	Weighted Average Grant-Date Fair Value
Nonvested as of May 31, 2008	308,993	\$ 27.86
Granted	211,465	21.69
Vested	(151,308)	24.28
Forfeited	(10,048)	29.17
Nonvested as of May 31, 2009	359,102	\$ 24.44



Employee Stock Purchase Plan

The Company maintains an Employee Stock Purchase Plan (the “ESPP”), which is offered to eligible United States employees. The ESPP permits participating employees to purchase Common Stock, with after-tax payroll deductions, on a quarterly basis at a 15% discount from the closing price of the Common Stock on NASDAQ on the last business day of the fiscal quarter. Upon adoption of SFAS No. 123R, the Company began recognizing the fair value of the Common Stock issued under the ESPP as stock-based compensation expense in the quarter in which the employees participated in the plan. During fiscal 2009 and 2008, the Company issued 111,887 shares and 71,680 shares of Common Stock under the ESPP at a weighted average price of \$12.78 and \$28.87 per share, respectively. At May 31, 2009, there were 504,331 shares of Common Stock remaining authorized for issuance under the ESPP. In fiscal 2009, the Board adopted, and the Class A Stockholders approved, an amendment to the ESPP that increased the total number of shares of Common Stock authorized for issuance under the ESPP by 500,000.

10. TREASURY STOCK

On June 1, 2007, the Corporation entered into an agreement with a financial institution to repurchase \$200.0 of its outstanding Common Stock under an Accelerated Share Repurchase Agreement (the “ASR”). The entire \$200.0 repurchase was executed under a “collared” transaction whereby a price range for the shares was established. Under the ASR, the Corporation initially received 5.1 million shares on June 28, 2007 (the “Initial Execution Date”), representing the minimum number of shares to be received based on a calculation using the “cap” or high-end of the price range collar. On October 29, 2007 (the “Settlement Date”), the Corporation received an additional 0.7 million shares at no additional cost, bringing the total number of shares repurchased under the ASR to 5.8 million shares, which is reflected in the Treasury Stock component of Stockholders’ Equity. The total number of shares received under the ASR was determined based on the adjusted volume weighted average price of the Common Stock, as defined in the ASR, during the four month period from the Initial Execution Date through the Settlement Date, which was \$34.64 per share.

On December 20, 2007, the Corporation announced that its Board of Directors had authorized a program to repurchase up to \$20.0 of Common Stock, from time to time as conditions allow, on the open market or through negotiated private transactions. During the five months ended May 31, 2008, the Corporation purchased approximately 0.7 million shares on the open market for approximately \$20.0 at an average cost of \$30.09 per share. On May 28, 2008, the Company announced that its Board of Directors had authorized a new program to repurchase up to \$20.0 of Common Stock as conditions allow, on the open market or through negotiated private transactions. On November 20, 2008 the Board of Directors authorized a further program to repurchase up to an additional \$10.0 of its Common Stock and on February 4, 2009, the Board of Directors authorized an additional program to repurchase up to another \$5.0 of its Common Stock, which will be funded with available cash, pursuant to which the Company may purchase shares, from time to time as conditions allow, on the open market. The repurchase program may be suspended at any time without prior notice. During the twelve months ended May 31, 2009, the Company repurchased approximately 1.9 million shares on the open market for approximately \$34.0 at an average cost of \$17.51 per share. See Part II, Item 5, “Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.”

11. EMPLOYEE BENEFIT PLANS

The Company has a cash balance retirement plan (the “Pension Plan”), which covers the majority of United States employees who meet certain eligibility requirements. The Company funds all of the contributions for the Pension Plan. Benefits generally are based on the Company’s contributions and interest credits allocated to participants’ accounts based on years of benefit service and annual pensionable earnings. It is the Company’s policy to fund the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended.



Effective June 1, 2009, the Company modified the plan, such that no further benefits will accrue to employees under the Pension Plan. Accordingly, the Company recognized a curtailment loss of \$0.5 associated with this action in fiscal 2009. This action was taken by the Company as a cost reduction program.

Scholastic Ltd., an indirect subsidiary of Scholastic Corporation located in the United Kingdom, has a defined benefit pension plan (the “UK Pension Plan”) that covers its employees who meet various eligibility requirements. Benefits are based on years of service and on a percentage of compensation near retirement. The UK Pension Plan is funded by contributions from Scholastic Ltd. and its employees.

Effective as of June 1, 2007, the UK Pension Plan was amended so that no further benefits will accrue to eligible employees under the existing defined benefit scheme. Affected employees were offered the choice to join either an existing Group Personal Pension Plan (the “GPPP”) or a newly established defined contribution scheme. Based upon the employee’s selection, Scholastic Ltd. will (1) make a contribution to the GPPP that will vary based upon the contribution made by an eligible participant, or (2) make a fixed contribution to the newly established defined contribution scheme, provided the employee makes the minimum required contribution.

Grolier Ltd., an indirect subsidiary of Scholastic Corporation located in Canada, provides a defined benefit pension plan (the “Grolier Canada Pension Plan”) that covers its employees who meet certain eligibility requirements. All full-time employees are eligible to participate in the plan after two years of employment. Employees are not required to contribute to the fund.

The Company’s pension plans have a measurement date of May 31, 2009.

Post-Retirement Benefits

The Company provides post-retirement benefits to retired United States-based employees (the “Post-Retirement Benefits”) consisting of certain healthcare and life insurance benefits. Employees may become eligible for these benefits after completing certain minimum age and service requirements. At May 31, 2009, the unrecognized prior service credit remaining was \$2.8.

Effective June 1, 2009, the Company modified the terms of the Post-Retirement Benefits, effectively excluding a large percentage of employees from the plan. Accordingly, the Company recognized a \$3.0 curtailment gain associated with this action in fiscal 2009, resulting from recognition of an unamortized prior service credit. This action was taken by the Company as a cost reduction program.

The Medicare Prescription Drug, Improvement and Modernization Act (the “Medicare Act”) introduced a prescription drug benefit under Medicare (“Medicare Part D”) as well as a Federal subsidy of 28% to sponsors of retiree health care benefit plans providing a benefit that is at least actuarially equivalent to Medicare Part D. In response to the Medicare Act, the FASB issued Staff Position 106-2, “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003,” to provide additional disclosure and guidance in implementing the federal subsidy provided by the Medicare Act. Based on this guidance, the Company has determined that the Post-Retirement Benefits provided to the retiree population are in aggregate the actuarial equivalent of the benefits under Medicare. As a result, in fiscal 2009, 2008 and 2007, the Company recognized a cumulative reduction of its accumulated post-retirement benefit obligation of \$9.4, \$10.5 and \$10.2, respectively, due to the federal subsidy under the Medicare Act.



The following table sets forth the weighted average actuarial assumptions utilized to determine the benefit obligations for the Pension Plan, the UK Pension Plan and the Grolier Canada Pension Plan (collectively the "Pension Plans"), including the Post-Retirement Benefits, at May 31:

	Pension Plans		Post-Retirement Benefits	
	2009	2008	2009	2008
Weighted average assumptions used to determine benefit obligations:				
Discount rate	6.5%	6.5%	6.7%	6.6%
Rate of compensation increase	3.6%	3.6%	—	—
Weighted average assumptions used to determine net periodic benefit cost:				
Discount rate	6.5%	5.8%	6.6%	6.0%
Expected long-term return on plan assets	8.5%	8.5%	—	—
Rate of compensation increase	3.6%	3.6%	—	—

To develop the expected long-term rate of return on assets assumption for the Pension Plans, the Company, with the assistance of its actuaries, considers historical returns and future expectations. Over the 15 year period ended May 31, 2009, the returns on the portfolio, assuming it was invested at the current target asset allocation in the prior periods, would have been a compounded annual average of 8.5%. Considering this information and the potential for lower future returns due to a generally lower interest rate environment, the Company selected an assumed weighted average long-term rate of return of 8.5% for all of the Pension Plans. The following table sets forth the change in benefit obligation for the Pension Plans and Post-Retirement Benefits at May 31:

	Pension Plans		Post-Retirement Benefits	
	2009	2008	2009	2008
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 173.6	\$ 172.9	\$ 31.6	\$ 33.1
Service cost	7.7	8.1	0.1	0.2
Interest cost	10.5	10.2	1.5	1.9
Plan participants' contributions	—	0.1	0.3	0.3
Plan amendments	—	1.4	—	—
Curtailment gain	(5.9)	—	(0.5)	—
Special termination benefits	0.7	—	—	—
Actuarial gains	(5.3)	(10.1)	(7.0)	(1.9)
Foreign currency exchange rate changes	(6.0)	2.1	—	—
Benefits paid	(21.4)	(11.1)	(2.7)	(2.0)
Benefit obligation at end of year	\$ 153.9	\$ 173.6	\$ 23.3	\$ 31.6



The following table sets forth the change in plan assets for the Pension Plans and Post-Retirement Benefits at May 31:

	Pension Plans		Post-Retirement Benefits	
	2009	2008	2009	2008
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 144.0	\$ 140.7	\$ —	\$ —
Actual return on plan assets	(25.7)	(0.4)	—	—
Employer contributions	13.6	13.4	2.4	1.7
Benefits paid, including expenses	(21.6)	(11.8)	(2.7)	(2.0)
Measurement change and other adjustments	0.1	—	—	—
Plan participants' contributions	—	0.1	0.3	0.3
Retiree Medicare drug subsidy	—	—	—	—
Cumulative translation adjustments	(5.1)	2.0	—	—
Fair value of plan assets at end of year	\$ 105.3	\$ 144.0	\$ (0.0)	\$ (0.0)

The following table sets forth the funded status of the Pension Plans and Post-Retirement Benefits and the related amounts recognized on the Company's Consolidated Balance Sheets at May 31:

Amounts recognized in the Consolidated Balance Sheet	Pension Plans		Post-Retirement Benefits	
	2009	2008	2009	2008
Current assets	\$ —	\$ 0.6	\$ —	\$ —
Current liabilities	—	—	(2.7)	(3.3)
Non-current liabilities	(48.6)	(30.3)	(20.6)	(28.3)
Net amounts recognized	\$ (48.6)	\$ (29.7)	\$ (23.3)	\$ (31.6)

The following amounts were recognized in Accumulated other comprehensive loss for the Pension Plans and Post-Retirement Benefits in the Company's Consolidated Balance Sheets at May 31:

	2009			2008		
	Pension Plans	Post-Retirement Benefits	Total	Pension Plans	Post-Retirement Benefits	Total
Net actuarial loss	\$ (61.3)	\$ (8.4)	\$ (69.7)	\$ (39.0)	\$ (16.5)	\$ (55.5)
Net prior service credit (cost)	—	2.8	2.8	(0.4)	6.7	6.3
Net amount recognized in accumulated other comprehensive loss	\$ (61.3)	\$ (5.6)	\$ (66.9)	\$ (39.4)	\$ (9.8)	\$ (49.2)

The estimated net loss and prior service cost for the Pension Plans that will be amortized from Accumulated other comprehensive loss into net periodic benefit cost over the Company's fiscal year ending May 31, 2010 are \$4.0 and \$0.0, respectively. The estimated net loss and prior service credit for the Post-Retirement Benefits that will be amortized from Accumulated other comprehensive loss into net periodic benefit cost over the fiscal year ending May 31, 2010 are \$0.6 and \$0.7, respectively.

The accumulated benefit obligation for the Pension Plans was \$152.8 and \$165.8 at May 31, 2009 and 2008, respectively. The following table sets forth information with respect to the Pension Plans with accumulated benefit obligations in excess of plan assets for the fiscal years ended May 31:



		2009		2008
Projected benefit obligations	\$	153.9	\$	165.9
Accumulated benefit obligations		152.8		158.4
Fair value of plan assets		105.3		135.6

The following table sets forth the net periodic cost for the Pension Plans and Post-Retirement Benefits for the fiscal years ended May 31:

	Pension Plans			Post-Retirement Benefits		
	2009	2008	2007	2009	2008	2007
Components of net periodic benefit cost:						
Service cost	\$ 7.8	\$ 8.2	\$ 8.1	\$ 0.1	\$ 0.2	\$ 0.2
Interest cost	10.5	10.2	9.3	1.5	1.9	1.9
Expected return on assets	(11.5)	(11.9)	(9.6)	—	—	—
Net amortization and deferrals	(0.1)	(0.1)	(0.2)	(0.8)	(0.9)	(0.8)
Curtailed loss (gain)	0.5	—	—	(3.0)	—	—
Special termination benefits	0.7	—	—	—	—	—
Recognized net actuarial loss	1.9	2.0	2.8	0.6	1.4	1.5
Net periodic cost (benefit)	\$ 9.8	\$ 8.4	\$ 10.4	\$ (1.6)	\$ 2.6	\$ 2.8

Plan Assets

The Company's investment policy with regard to the assets in the Pension Plans is to actively manage, within acceptable risk parameters, certain asset classes where the potential exists to outperform the broader market.

The following table sets forth the total weighted average asset allocations for the Pension Plans by asset category at May 31:

	2009	2008
Small cap equities	10.8%	11.5%
International equities	13.7	13.0
Index fund equities	37.1	40.9
Bonds and fixed interest products	37.4	30.6
Real estate	0.8	1.0
Other	0.2	3.0
	100.0%	100.0%

The following table sets forth the weighted average target asset allocations for the Pension Plans included in the Company's investment policy:

	Pension Plan	U.K. Pension Plan	Grolier Canada Pension Plan
Equity	70%	68%	35%
Debt and cash equivalents	30	24	65
Real estate	—	8	—
	100.0%	100.0%	100.0%



Contributions

In fiscal 2010, the Company expects to contribute \$13.7 to the Pension Plan.

Estimated future benefit payments

The following table sets forth the expected future benefit payments under the Pension Plans and the Post-Retirement Benefits by fiscal year:

	Pension Benefits	Post-Retirement	
		Benefit Payments	Medicare Subsidy Receipts
2010	\$ 11.8	\$ 2.7	\$ 0.3
2011	16.4	2.7	0.4
2012	11.1	2.7	0.4
2013	10.7	2.7	0.4
2014	10.9	2.7	0.4
2015-2019	55.2	12.9	2.2

Assumed health care cost trend rates at May 31:

	2009	2008
Health care cost trend rate assumed for the next fiscal year	7.5%	7.0%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	2017	2013

Assumed health care cost trend rates could have a significant effect on the amounts reported for the post-retirement health care plan. A one percentage point change in assumed health care cost trend rates would have the following effects:

	2009	2008
Total service and interest cost	\$ 0.2	\$ 0.2
Post-retirement benefit obligation	2.7	2.6

Defined contribution plans

The Company also provides defined contribution plans for certain eligible employees. In the United States, the Company sponsors a 401(k) retirement plan and has contributed \$7.1, \$6.9 and \$6.3 for fiscal 2009, 2008 and 2007, respectively.

12. ACCRUED SEVERANCE

During fiscal 2009, the Company initiated certain cost reduction measures, including a previously announced Voluntary Retirement Program and a workforce reduction program. The table set forth below provides information regarding severance costs appearing on the Company's Consolidated Statements of Operations associated with these cost reduction measures. The severance accrual of \$3.4 and \$0.4 as of May 31, 2009 and 2008, respectively, is included in Other accrued expenses on the Company's Consolidated Balance Sheets.

	2009	2008
Beginning balance	\$ 0.4	\$ 4.2
Accruals	23.9	1.3
Payments	(20.9)	(5.1)
Ending balance	\$ 3.4	\$ 0.4

13. EARNINGS PER SHARE

The following table sets forth the computation of the dilutive effect of stock-based compensation plans on earnings per share for the fiscal years ended May 31:

	2009	2008	2007
Earnings from continuing operations	\$ 13.2	\$ 117.3	\$ 82.7
Loss from discontinued operations, net of tax	(27.5)	(134.5)	(21.8)
Net (loss) income	(14.3)	(17.2)	60.9
Weighted average Shares of Class A Stock and Common Stock outstanding for basic earnings per share (in millions)	37.2	38.7	42.5

Dilutive effect of Class A Stock and Common Stock potentially issuable pursuant to stock-based compensation plans (in millions)	0.2	0.5	0.5
Adjusted weighted average Shares of Class A Stock and Common Stock outstanding for diluted earnings per share (in millions)	37.4	39.2	43.0

See Note 10, "Treasury Stock."

14. ACCRUED EXPENSES

Accrued expenses consist of the following at May 31:

	2009		2008	
Accrued payroll, payroll taxes and benefits	\$	57.5	\$	64.5
Accrued other taxes		19.3		17.6
Accrued commissions		8.7		12.4
Accrued advertising and promotions		19.6		16.1
Other accrued expenses		33.8		60.4
Total accrued expenses	\$	138.9	\$	171.0



15. OTHER INCOME

Other income, net for fiscal 2009 was \$0.7 consisting of a gain of \$0.4 related to the 5% note repurchase and a gain of \$0.3 related to an accelerated payment of a note. Other income, net for fiscal 2008 was \$2.6 consisting of \$1.4 related to a currency gain on settlement of a loan and income of \$2.1 related to a note repurchase, partially offset by a \$0.9 expense resulting from the early termination of a lease.

16. OTHER FINANCIAL DATA

Advertising, expensed as incurred, was \$137.6, \$142.8 and \$133.0 for the fiscal years ended May 31, 2009, 2008 and 2007, respectively.

Prepublication costs were \$121.5 and \$110.6 at May 31, 2009 and 2008, respectively. The Company amortized \$41.1, \$42.3 and \$48.0 of capitalized prepublication costs for the fiscal years ended May 31, 2009, 2008 and 2007, respectively.

Other accrued expenses include a reserve for unredeemed credits issued in conjunction with the Company's school-based book club and book fair operations of \$11.0 and \$11.5 at May 31, 2009 and 2008, respectively.

The components of Accumulated other comprehensive loss at May 31, 2009 and 2008 include \$30.9 and \$0.4, respectively, of foreign currency translation and \$66.9 (\$46.3 net of tax) and \$34.2 (\$21.2 net of tax), respectively, of pension obligation in accordance with SFAS 158.

17. RELATED PARTY TRANSACTIONS

On October 10, 2008, the Company agreed to purchase 100,000 shares of Common Stock from Richard Robinson, Chairman of the Board, President and Chief Executive Officer of the Company, at a price of \$20.59 per share, or an aggregate purchase price of \$2.1, pursuant to the Company's previously announced stock repurchase program which had been approved by the Board in May 2008. The purchase price was determined with reference to the last transaction price reported on NASDAQ immediately prior to the purchase. The closing price of the Common Stock on NASDAQ on October 10, 2008 was \$23.11 per share. The shares became available for sale due to Mr. Robinson, as a result of current market conditions, being required to sell the shares in order to protect the collateral value underlying a personal loan with a bank secured by the shares. The aforementioned transaction was approved by the Audit Committee and ratified by the Board.

18. SUBSEQUENT EVENTS

On June 29, 2009, the Company repurchased \$5.0 of the 5% Senior Notes due 2013 for \$4.1.

On June 30, 2009, the Company entered into an agreement to dissolve a 50% owned joint venture in the UK.

On July 22, 2009, the Company announced that the Board had declared a quarterly dividend of \$0.075 per share to be paid on September 15, 2009, to shareholders of record of the Corporation's Common Stock and Class A Stock on August 31, 2009.



Report of Independent Registered Public Accounting Firm

**THE BOARD OF DIRECTORS AND STOCKHOLDERS
OF SCHOLASTIC CORPORATION**

We have audited the accompanying consolidated balance sheets of Scholastic Corporation and subsidiaries as of May 31, 2009 and 2008, and the related consolidated statements of operations, changes in stockholders' equity and comprehensive income (loss), and cash flows for each of the three years in the period ended May 31, 2009. Our audit also included the financial statement schedule included in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Scholastic Corporation and subsidiaries at May 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended May 31, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion the audited financial statements schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 8 to the Consolidated Financial Statements, Scholastic Corporation adopted Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," effective June 1, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Scholastic Corporation's internal control over financial reporting as of May 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 30, 2009 expressed an unqualified opinion thereon.

Ernst & Young LLP

New York, New York
July 30, 2009



Report of Independent Registered Public Accounting Firm

**THE BOARD OF DIRECTORS AND STOCKHOLDERS
OF SCHOLASTIC CORPORATION**

We have audited Scholastic Corporation's internal control over financial reporting as of May 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Scholastic Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Scholastic Corporation maintained, in all material respects, effective internal control over financial reporting as of May 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Scholastic Corporation and subsidiaries as of May 31, 2009 and 2008 and the related consolidated statements of operations, changes in stockholders' equity and comprehensive income (loss), and cash flows for each of the three years in the period ended May 31, 2009 and our report dated July 30, 2009 expressed an unqualified opinion thereon.

Ernst & Young LLP

New York, New York
July 30, 2009



	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year Ended May 31,
2009					
Revenues	\$ 276.4	\$ 653.3	\$ 423.6	\$ 496.0	\$ 1,849.3
Cost of goods sold	146.0	281.2	213.3	228.3	868.8
(Loss) earnings from continuing operations	(42.7)	58.6	(34.9)	32.2	13.2
Loss from discontinued operations, net of tax	(6.4)	(15.5)	(1.1)	(4.5)	(27.5)
Net (loss) income	(49.1)	43.1	(36.0)	27.7	(14.3)
(Loss) earnings per share of Class A and Common Stock:					
Basic:					
(Loss) earnings from continuing operations	(1.13)	1.56	(0.94)	0.88	0.35
Loss from discontinued operations	(0.17)	(0.41)	(0.04)	(0.12)	(0.74)
Net (loss) income	(1.30)	1.15	(0.98)	0.76	(0.39)
Diluted:					
(Loss) earnings from continuing operations	(1.13)	1.56	(0.94)	0.88	0.35
Loss from discontinued operations	(0.17)	(0.41)	(0.04)	(0.12)	(0.73)
Net (loss) income	(1.30)	1.15	(0.98)	0.76	(0.38)
2008					
Revenues	\$ 520.1	\$ 676.9	\$ 437.7	\$ 524.4	\$ 2,159.1
Cost of goods sold	294.4	287.0	214.9	239.6	1,035.9
Earnings (loss) from continuing operations	4.9	82.5	(1.4)	31.3	117.3
Loss from discontinued operations, net of tax	(7.7)	(6.9)	(77.9)	(42.0)	(134.5)
Net (loss) income	(2.8)	75.6	(79.3)	(10.7)	(17.2)
Earnings (loss) per share of Class A and Common Stock:					
Basic:					
Earnings (loss) from continuing operations	0.12	2.14	(0.04)	0.82	3.03
Loss from discontinued operations	(0.19)	(0.18)	(2.02)	(1.10)	(3.47)
Net (loss) income	(0.07)	1.96	(2.06)	(0.28)	(0.44)
Diluted:					
Earnings (loss) from continuing operations	0.12	2.11	(0.04)	0.81	2.99
Loss from discontinued operations	(0.19)	(0.18)	(2.02)	(1.09)	(3.43)
Net (loss) income	(0.07)	1.93	(2.06)	(0.28)	(0.44)



Item 9 | Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A | Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer of the Corporation, after conducting an evaluation, together with other members of the Company's management, of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures as of May 31, 2009, have concluded that the Corporation's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Corporation in its reports filed or submitted under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC and accumulated and communicated to members of the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Remediation of Material Weakness from Prior Year

As previously reported in the Corporation's Annual Report on Form 10-K/A for the fiscal year ended May 31, 2008, the Corporation restated its historical financial statements as a result of a reassessment of its accounting regarding goodwill impairment for its United States Direct to Home continuity business (the "DTH business"), which is now reflected as a discontinued operation. Upon the initial decision to dispose of the DTH business and treat such DTH business as a discontinued operation, the Corporation continued its impairment testing of the DTH business at the reporting unit level of its Children's Book Publishing and Distribution segment. Subsequently, at the time the Corporation was preparing its financial statements for the fiscal year ended May 31, 2008, the Corporation reassessed the reporting unit level at which such impairment testing should have been conducted and determined that such testing should more properly have been conducted at the lower reporting unit level of the DTH business itself, which resulted in the Restatement. As a result of this Restatement, management ultimately concluded that the Corporation's internal controls were not effective as of May 31, 2008 due to the existence of a material weakness related to the Corporation's internal control over financial reporting with respect to its goodwill impairment testing within the Corporation's financial statement close process.

The Corporation initiated a number of changes in its internal controls to remediate this material weakness. As of May 31, 2009, the following measures to remediate the control deficiency have been implemented:

- The Corporation ensured that annual control procedures regarding the Corporation's identification of operating segments in accordance with SFAS 131, "Disclosures about Segments of an Enterprise and Related Information," which is a precursor to the identification of reporting units, were adequate for purposes of applying SFAS 142, "Goodwill and Other Intangible Assets."
- The Corporation implemented annual control procedures to clearly identify components of an operating segment. A component of an operating segment is defined as an operating segment or one level below an operating segment that is reviewed by segment management and has discrete financial information.
- The Corporation implemented annual control procedures to apply the aggregation criteria as defined in SFAS 142, EITF Topic D-101, "Clarification of Reporting Unit Guidance in Paragraph 30 of FASB Statement No.



142” and SFAS 131. These new annual procedures include consideration of quantitative and qualitative information in determining if components of an operating segment have similar economic characteristics.

- The Corporation undertook an extensive review of its existing goodwill impairment testing procedures, including a detailed analysis of its valuation of reporting units in accordance with SFAS 142, and, as a result, built and documented additional control procedures for its goodwill impairment testing process. The Corporation ensured that individuals preparing the valuation analysis possessed sufficient expertise, experience and professional resources, including the engagement of subject matter consultants, to thoroughly assess the fair value the Corporation’s reporting units.

The Corporation tested its new procedures and controls in relation to testing for goodwill impairment and financial reporting relating thereto extensively prior to the end of May 31, 2009.

Based upon the implementation of these additional controls and procedures and the subsequent testing of those internal controls for a sufficient period of time, management has concluded that the previously reported material weakness related to the level within a segment at which goodwill impairment testing is to be performed has been remediated.

Management’s Report on Internal Control Over Financial Reporting

The management of the Corporation is responsible for establishing and maintaining adequate internal control over financial reporting for the Corporation. A corporation’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. The Corporation’s Chief Executive Officer and Chief Financial Officer, after conducting an evaluation, together with other members of the Company’s management, of the effectiveness of the Corporation’s internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, concluded that the Corporation’s internal control over financial reporting was effective as of May 31, 2009.

Ernst & Young LLP, an independent registered public accounting firm, has issued an attestation report on the Corporation’s internal control over financial reporting as of May 31, 2009, which is included herein. Apart from the changes involved in the remediation discussed above, there was no other change in the Corporation’s internal control over financial reporting that occurred during the quarter ended May 31, 2009 that materially affected, or is reasonably likely to materially affect, the Corporation’s internal control over financial reporting.

Item 9A (T) | Control and Procedures

Not Applicable

Item 9B | Other Information

None.



Part III

Item 10 | Directors, Executive Officers and Corporate Governance

Information required by this item is incorporated herein by reference from the Corporation's definitive proxy statement for the Annual Meeting of Stockholders to be held September 23, 2009 to be filed with the SEC pursuant to Regulation 14A under the Exchange Act. Certain information regarding the Corporation's Executive Officers is set forth in Part I - Item 1 - Business.

Item 11 | Executive Compensation

Incorporated herein by reference from the Corporation's definitive proxy statement for the Annual Meeting of Stockholders to be held September 23, 2009 to be filed pursuant to Regulation 14A under the Exchange Act.

Item 12 | Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Incorporated herein by reference from the Corporation's definitive proxy statement for the Annual Meeting of Stockholders to be held September 23, 2009 to be filed pursuant to Regulation 14A under the Exchange Act.

Item 13 | Certain Relationships and Related Transactions, and Director Independence

Incorporated herein by reference from the Corporation's definitive proxy statement for the Annual Meeting of Stockholders to be held September 23, 2009 to be filed pursuant to Regulation 14A under the Exchange Act.

Item 14 | Principal Accounting Fees and Services

Incorporated herein by reference from the Corporation's definitive proxy statement for the Annual Meeting of Stockholders to be held September 23, 2009 to be filed pursuant to Regulation 14A under the Exchange Act.



Item 15 | Exhibits, Financial Statement Schedules

(a)(1) Financial Statements:

The following consolidated financial statements are included in Part II, Item 8, "Consolidated Financial Statements and Supplementary Data":

Consolidated Statements of Operations for the years ended May 31, 2009, 2008 and 2007

Consolidated Balance Sheets at May 31, 2009 and 2008

Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income (Loss) for the years ended May 31, 2009, 2008 and 2007

Consolidated Statements of Cash Flows for the years ended May 31, 2009, 2008 and 2007

Notes to Consolidated Financial Statements

(a)(2) Supplementary Financial Information - Summary of Quarterly Results of Operations Financial Statement Schedule:

and (c)

The following consolidated financial statement schedule is included with this report: Schedule II-Valuation and Qualifying Accounts and Reserves.

All other schedules have been omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements or the Notes thereto.

(a)(3) and (b)

Exhibits:

- 3.1 Amended and Restated Certificate of Incorporation of the Corporation, as amended to date (incorporated by reference to the Corporation's Quarterly Report on Form 10-Q as filed with the SEC on October 5, 2006, SEC File No. 000-19860 (the "August 31, 2006 10-Q")).
- 3.2 Bylaws of the Corporation, amended and restated as of December 12, 2007 (incorporated by reference to the Corporation's Current Report on Form 8-K as filed with the SEC on December 14, 2007, SEC File No. 000-19860).
- 4.1 Credit Agreement, dated as of June 1, 2007, among the Corporation and Scholastic Inc., as borrowers, the Initial Lenders named therein, JP Morgan Chase Bank, N.A., as administrative agent, J.P. Morgan Securities Inc. and Bank of America Securities LLC., as joint lead arrangers and joint bookrunners, Bank of America, N. A. and Wachovia Bank, N. A., as syndication agents, and SunTrust Bank and The Royal Bank of Scotland, plc, as Documentation Agents (incorporated by reference to the Corporation's Annual Report on Form 10-K as filed with the SEC on July 30, 2007, SEC File No. 000-19860 (the "2007 10-K")).
- 4.2* Indenture dated April 4, 2003 for 5% Notes due 2013 issued by the Corporation.



- 10.1** Scholastic Corporation 1995 Stock Option Plan, effective as of September 21, 1995 (incorporated by reference to the Corporation's Registration Statement on Form S-8 (Registration No. 33-98186), as filed with the SEC on October 16, 1995), together with Amendment No. 1, effective September 16, 1998 (incorporated by reference to the Corporation's Quarterly Report on Form 10-Q as filed with the SEC on October 15, 1998, SEC File No. 000-19860), Amendment No. 2, effective as of July 18, 2001 (incorporated by reference to the Corporation's Annual Report on Form 10-K as filed with the SEC on August 24, 2001, SEC File No. 000-19860), Amendment No. 3, effective as of May 25, 2006 (incorporated by reference to the Corporation's Annual Report on Form 10-K as filed with the SEC on August 9, 2006, SEC File No. 000-19860 (the "2006 10-K")), Amendment No. 4, dated as of March 21, 2007 (incorporated by reference to the Corporation's Quarterly Report on Form 10-Q as filed with the SEC on March 30, 2007, SEC File No. 000-19860 (the "February 28, 2007 10-Q")) and Amendment No. 5, dated as of May 20, 2008, (incorporated by reference to the Corporation's Annual Report on Form 10-K as filed with the SEC on July 30, 2008, SEC File No. 000-19860 (the "2008 10-K").
- 10.2** Scholastic Corporation Management Stock Purchase Plan, amended and restated effective as of September 23, 2008.
- 10.3** Scholastic Corporation 1997 Outside Directors' Stock Option Plan, amended and restated as of May 25, 1999 (incorporated by reference to the Corporation's Annual Report on Form 10-K as filed with the SEC on August 23, 1999, SEC File No. 000-19860 (the "1999 10-K")), together with Amendment No. 1, dated September 20, 2001 (incorporated by reference to the Corporation's Quarterly Report on Form 10-Q as filed with the SEC on January 14, 2002, SEC File No. 000-19860), Amendment No. 2, effective as of September 23, 2003 (incorporated by reference to Appendix B to the Corporation's definitive Proxy Statement as filed with the SEC on August 19, 2003), and Amendment No. 3, effective as of May 25, 2006 (incorporated by reference to the 2006 10-K).
- 10.4** Scholastic Corporation Director's Deferred Compensation Plan, amended and restated effective effective as of September 23, 2008.
- 10.5** Scholastic Corporation 2007 Outside Directors Stock Incentive Plan (the "2007 Directors' Plan") effective as of September 23, 2008.
- 10.6** Form of Stock Option Agreement under the 2007 Directors' Plan (incorporated by reference to the Corporation's Quarterly Report on Form 10-Q as filed with the SEC on January 9, 2008, SEC File No. 000-19860 (the "November 30, 2007 10-Q")).
- 10.7** Form of Restricted Stock Unit Agreement under the 2007 Directors' Plan effective as of September 23, 2008.
- 10.8** Scholastic Corporation Executive Performance Incentive Plan, effective as of May 21, 2008 (incorporated by reference to Appendix B to the Corporation's definitive Proxy Statement as filed with the SEC on August 11, 2008).
- 10.9** Scholastic Corporation 2001 Stock Incentive Plan (the "2001 Plan") amended and restated as of September 23, 2008 together with Amendment No. 1 thereto dated July 21, 2009.
- 10.10** Form of Restricted Stock Unit Agreement under the 2001 Plan effective as of July 21, 2009.
- 10.11** Amended and Restated Guidelines for Stock Units granted under the 2001 Plan effective as of July 21, 2009.
- 10.12** Form of Stock Option Agreement under the 2001 Plan effective as of July 21, 2009.



- 10.13** Scholastic Corporation 2004 Class A Stock Incentive Plan (the “Class A Plan”) (incorporated by reference to Appendix A to the Corporation’s definitive Proxy Statement as filed with the SEC on August 2, 2004), Amendment No. 1, effective as of May 25, 2006 (incorporated by reference to the 2006 10-K), Amendment No. 2, dated July 18, 2006 (incorporated by reference to Appendix C to the Corporation’s definitive Proxy Statement as filed with the SEC on August 1, 2006), and Amendment No. 3, dated as of March 20, 2007 (incorporated by reference to the February 28, 2007 10-Q).
- 10.14** Form of Class A Option Agreement under the Class A Plan (incorporated by reference to the Corporation’s Annual Report on Form 10-K as filed with the SEC on August 8, 2005, SEC File No. 000-19860).
- 10.15** Agreement between Lisa Holton and Scholastic Inc., dated October 5, 2007, with regard to certain severance agreements (incorporated by reference to the November 30, 2007 10-Q).
- 10.16** Agreement between Maureen O’Connell and Scholastic Inc., dated February 12, 2007, regarding employment (incorporated by reference to the February 28, 2007 10-Q).
- 10.17 Amended and Restated Lease, effective as of August 1, 1999, between ISE 555 Broadway, LLC, and Scholastic Inc., tenant, for the building known as 555 Broadway, NY, NY (incorporated by reference to the 1999 10-K).
- 10.18 Amended and Restated Sublease, effective as of October 9, 1996, between Kalodop Corp. and Scholastic Inc., as subtenant, for the premises known as 557 Broadway, NY, NY (incorporated by reference to the 1999 10-K).
- 10.19** Agreement between Devereux Chatillon and Scholastic Inc., dated November 30, 2008, with regard to certain severance arrangements.
- 21 Subsidiaries of the Corporation.
- 23 Consent of Ernst & Young LLP.
- 31.1 Certification of the Chief Executive Officer of the Corporation filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Chief Financial Officer of the Corporation filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certifications of the Chief Executive Officer and the Chief Financial Officer of the Corporation filed pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Such long-term debt does not individually amount to more than 10% of the total assets of the Corporation and its subsidiaries on a consolidated basis. Accordingly, pursuant to Item 601(b)(4)(iii) of Regulation S-K, such instrument is not filed herewith. The Corporation hereby agrees to furnish a copy of any such instrument to the SEC upon request.

** The referenced exhibit is a management contract or compensation plan or arrangement described in Item 601(b) (10) (iii) of Regulation S-K.



Signatures

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: July 30, 2009

SCHOLASTIC CORPORATION

By: /s/ Richard Robinson

Richard Robinson, Chairman of the Board,
President and Chief Executive Officer

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Richard Robinson his or her true and lawful attorney-in-fact and agent, with power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing necessary and requisite to be done, as fully and to all the intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Richard Robinson</u> Richard Robinson	Chairman of the Board, President and Chief Executive Officer and Director (principal executive officer)	July 30, 2009
<u>/s/ Maureen O'Connell</u> Maureen O'Connell	Executive Vice President, Chief Administrative Officer and Chief Financial Officer (principal financial officer)	July 30, 2009
<u>/s/ Robert J. Jackson</u> Robert J. Jackson	Senior Vice President, Chief Accounting Officer (principal accounting officer)	July 30, 2009
<u>/s/ James W. Barge</u> James W. Barge	Director	July 30, 2009
<u>/s/ Ramon C. Cortines</u> Ramon C. Cortines	Director	July 30, 2009
<u>/s/ John L. Davies</u> John L. Davies	Director	July 30, 2009
<u>/s/ Andrew S. Hedden</u> Andrew S. Hedden	Director	July 30, 2009



Signature	Title	Date
<u>/s/ Mae C. Jemison</u> Mae C. Jemison	Director	July 30, 2009
<u>/s/ Peter M. Mayer</u> Peter M. Mayer	Director	July 30, 2009
<u>/s/ John G. McDonald</u> John G. McDonald	Director	July 30, 2009
<u>/s/ Augustus K. Oliver</u> Augustus K. Oliver	Director	July 30, 2009
<u>/s/ Richard M. Spaulding</u> Richard M. Spaulding	Director	July 30, 2009



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Scholastic Corporation

Financial Statement Schedule

ANNUAL REPORT ON FORM 10-K
YEAR ENDED MAY 31, 2009
ITEM 15(c)



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Schedule II

Valuation and Qualifying Accounts and Reserves

(Amounts in millions)

Years Ended May 31,

	Balance at Beginning of Year	Expensed	Write-Offs and Other	Balance at End of Year
2009				
Allowance for doubtful accounts	\$ 14.2	\$ 15.8	\$ 14.8	\$ 15.2
Reserve for returns	40.3	66.2	72.0 ⁽¹⁾	34.5
Reserves for obsolescence	69.2	28.4	23.2	74.4
Reserve for royalty advances	64.0	12.6	4.0	72.6
2008				
Allowance for doubtful accounts	\$ 13.8	\$ 8.6	\$ 8.2	\$ 14.2
Reserve for returns	38.5	94.5	92.7 ⁽¹⁾	40.3
Reserves for obsolescence	57.4	29.4	17.6	69.2
Reserve for royalty advances	58.4	6.8	1.2	64.0
2007				
Allowance for doubtful accounts	\$ 10.4	\$ 11.1	\$ 7.7	\$ 13.8
Reserve for returns	47.1	57.5	66.1 ⁽¹⁾	38.5
Reserves for obsolescence	55.1	26.7	24.4	57.4
Reserve for royalty advances	54.7	3.7	—	58.4

(1) Represents actual returns charged to the reserve.



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EXHIBIT INDEX

EXHIBIT #	NAME
10.2**	Scholastic Corporation Management Stock Purchase Plan, amended and restated effective as of September 23, 2008.
10.4**	Scholastic Corporation Director's Deferred Compensation Plan, amended and restated effective as of September 23, 2008.
10.5**	Scholastic Corporation 2007 Outside Directors Stock Incentive Plan (the "2007 Directors' Plan") as of September 23, 2008.
10.7**	Form of Restricted Stock Unit Agreement under the 2007 Directors' Plan as of September 23, 2008.
10.9**	Scholastic Corporation 2001 Stock Incentive Plan (the "2001 Plan") amended and restated as of September 23, 2008 together with Amendment No. 1 thereto dated July 21, 2009.
10.10**	Form of Restrict Stock Unit Agreement under the 2001 Plan as of July 21, 2009.
10.11**	Amended and Restated Guidelines for Stock Units Granted under the 2001 Plan as of July 21, 2009.
10.12**	Form of Option Agreement under the 2001 Plan as of July 21, 2009.
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31.2	Certification of the Chief Financial Officer of the Corporation filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of the Chief Executive Officer and the Chief Financial Officer of the Corporation filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

** The referenced exhibit is a management contract or compensation plan or arrangement described in Item 601(b)(10)(iii) of Regulation S-K.

**SCHOLASTIC CORPORATION
MANAGEMENT STOCK PURCHASE PLAN**

Amended and Restated on September 23, 2008

**SCHOLASTIC CORPORATION
MANAGEMENT STOCK PURCHASE PLAN
(Amended and Restated on September 23, 2008)**

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**SCHOLASTIC CORPORATION
MANAGEMENT STOCK PURCHASE PLAN
(Amended and Restated on September 23, 2008)**

ARTICLE 1 - INTRODUCTION

1.1 Purpose. The purpose of the Scholastic Corporation Management Stock Purchase Plan (the "Plan") is to provide equity incentive compensation to selected management employees of Scholastic Corporation and its Affiliates. Participants in the Plan receive restricted stock units ("RSUs") at a discount in lieu of a portion or all of their bonus awards under the Company's annual incentive plan. Under certain circumstances, the RSUs convert into shares of Common Stock. The Company believes that the Plan creates a means to provide deferred compensation to such selected management employees and to raise the level of stock ownership in the Company by such employees thereby strengthening the mutuality of interests between such employees and the Company's stockholders.

1.2 Restatement. The Company hereby amends and restates the Plan to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended and the final Treasury regulations issued thereunder. The effective date of this amendment and restatement January 1, 2005.

1.3 Plan Bifurcation. RSUs granted under the Plan on and after January 1, 2005 and RSUs granted under the Plan prior to January 1, 2005, which are not vested as of December 31, 2004, shall be governed by the terms and conditions of the plan document as set forth herein. RSUs granted and vested under the Plan prior to January 1, 2005 shall be governed by the terms and conditions of the Plan as in effect on December 31, 2004, which shall be known and referred to as the "Grandfathered Plan." All references hereinafter to "Plan" are to the document set forth herein. Recordkeeping for the Grandfathered Plan and the Plan shall be done separately.

1.4 Section 409A of the Code. This Plan is intended to comply with the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. To the extent that any payment or benefit hereunder is subject to Section 409A of the Code, it shall be paid in a manner that will comply with Section 409A of the Code, including Treasury regulations issued thereunder and any other guidance issued by the Secretary of the Treasury and the Internal Revenue Service with respect thereto. Notwithstanding anything herein to the contrary, any provision in this Plan that is inconsistent with Section 409A of the Code shall be deemed to be amended to comply with Section 409A of the Code and to the extent such provision cannot be amended to comply therewith, such provision shall be null and void.

ARTICLE 2 - DEFINITIONS

2.1 Affiliate. (i) Any corporation, partnership, limited liability company or other entity as to which the Company possesses a direct or indirect ownership interest of at least 50 percent or which possesses a direct or indirect ownership interest of at least 50 percent in the Company including, without limitation, any subsidiary corporation (as defined in Section 424(f) of the Code) and parent corporation (as defined in Section 424(e) of the Code) and (ii) any other entity in which the Company or any of its Affiliates has a material equity interest, as determined by the Committee.

2.2 Award Date. The first business day after the end of the fiscal quarter in which a Bonus for a year is paid or otherwise would have been paid.

2.3 Beneficiary. A beneficiary or beneficiaries designated by the Participant under Article 9.

2.4 Bonus. A Participant's annual award for a Fiscal Year under any annual incentive plan of the Company or its Affiliates that has been designated by the Committee as eligible for deferral under the Plan pursuant to a Subscription Agreement.

2.5 Board of Directors. The Board of Directors of the Company or the Executive Committee of such Board of Directors.

2.6 Cause. Any of the following: (i) any act or acts by the Participant constituting a felony under the laws of the United States, any state thereof, or any political subdivision thereof, (ii) the Participant's willful and continued failure to perform the duties assigned to him or her as an employee of the Company or Affiliate; (iii) any material breach by the Participant of any employment agreement with the Company or Affiliate; (iv) dishonesty, gross negligence or malfeasance by the Participant in the performance of his or her duties as an employee of the Company or any Affiliate or any conduct by the Participant which involves a material conflict of interest with any business of the Company or its Affiliates; or (v) taking or knowingly omitting to take any other action or actions in the performance of the Participant's duties as an employee of the Company or its Affiliates without informing appropriate members of management to whom such Participant reports, which in the determination of the Committee have caused or substantially contributed to the material deterioration in the business of the Company and its Affiliates, taken as a whole.

2.7 Code. The Internal Revenue Code of 1986, as amended from time to time.

2.8 Committee. The committee of the Board of Directors authorized 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. The Committee shall consist of two or more non-employee directors, each of whom is intended to be, to the extent required by Rule 16b-3, a "non-employee director" as defined in Rule 16b-3. If for any reason the appointed Committee does not meet the requirements of Rule 16b-3, such noncompliance shall not affect the validity of any grants of RSUs hereunder, interpretations or other actions of the Committee.

2.9 Common Stock or Stock. Common stock of the Company, par value \$.01 per share.

2.10 Company. Scholastic Corporation, a corporation organized under the laws of the State of Delaware (or any successor).

2.11 Cost. The cost of purchasing an RSU under the Plan as of an Award Date, as determined by the Committee in its sole discretion, but in no event less than 75% of the lowest Fair Market Value of a share of Common Stock during the fiscal quarter immediately preceding the Award Date. The cost shall be established as of the applicable Award Date and shall remain in effect unless modified by the Committee at least 30 days prior to the applicable Award Date.

2.12 Deferral Period. A period of time (expressed in whole years) not less than three years beginning on an Award Date as specified by the Participant in his or her Subscription Agreement with respect to RSUs awarded on that Award Date.

2.13 Disability. The inability of a Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that may result in death and, in any case, is expected to continue for a period of not less than 12 months.

2.14 Exchange Act. The Securities Exchange Act of 1934, as amended.

2.15 Extension of Deferral Election Form. A form used by a Participant to make a subsequent election to extend the Deferral Period applicable to his or her RSUs. An Extension of Deferral Election Form shall contain such provisions, consistent with the provisions of the Plan, as may be established from time to time by the Company or Committee.

2.16 Fair Market Value. 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 or (ii) if not traded on any such national securities exchange or the Nasdaq Stock Market 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 or any automated quotation system sponsored by the National Association of Securities Dealers, Inc., its Fair Market Value shall be set in good faith by the Committee.

2.17 Fiscal Year. The fiscal year of the Company.

2.18 Foreign Jurisdiction. Any jurisdiction outside of the United States including, without limitation, countries, states, provinces and localities.

2.19 Grandfathered Plan. The terms and provisions of the Plan in effect immediately prior to January 1, 2005.

2.20 Participant. A management employee of the Company or any Affiliate who satisfies the eligibility requirements under Article 5 of the Plan and elects to participate in the Plan in accordance with its terms.

2.21 Plan. The Scholastic Corporation Management Stock Purchase Plan, as amended and restated effective as of January 1, 2005, and as may be amended from time to time thereafter.

2.22 Plan Year. The Fiscal Year.

2.23 Retirement. A termination of employment with the Company and all Affiliates (other than for Cause) on or after age 55 in accordance with the Company's standard retirement policies.

2.24 RSU. A unit of measurement of compensation payable to a Participant under the Plan equivalent to one share of Common Stock but with none of the attendant rights of a stockholder of a share of Common Stock, including the right to vote (if any); except that an RSU shall have the dividend equivalent described in Article 8. The fair market value of an RSU on any date shall be deemed to be the Fair Market Value of a share of Common Stock on that date.

2.25 Rule 16b-3. Means Rule 16b-3 promulgated under Section 16(b) of the Exchange Act or any successor provision.

2.26 Specified Employee. For purposes hereof, "specified employee" shall mean such persons as shall be determined by the Company.

2.27 Subscription Agreement. An agreement executed by a Participant setting forth his or her election to defer receipt of a portion or all of his or her Bonus for the Deferral Period and to authorize the Company to credit such amount to the Plan in order to purchase an award of RSUs. A Subscription Agreement shall contain such provisions, consistent with the provisions of the Plan, as may be established from time to time by the Company or Committee.

2.28 Subsequent Deferral Period. A period of time (expressed in whole years) of not less than five years, beginning on the date the Deferral Period is scheduled to end, that is elected by a Participant with respect to his or her RSUs in accordance with the requirements of Section 6.4 of the Plan;

ARTICLE 3 - SHARES RESERVED

The aggregate number of shares of Common Stock reserved for issuance pursuant to the Plan or with respect to which RSUs may be granted shall be 150,000, subject to adjustment as provided in Article 10 hereof.

Such number of shares may be set aside out of the authorized but unissued shares of Common Stock not reserved for any other purpose, or out of issued shares of Common Stock acquired for and held in the treasury of the Company. If any RSU awarded under the Plan is forfeited, terminated or canceled for any reason or is settled without the delivery of Common Stock, the share of Common Stock relating to such RSU shall again be available under the Plan. If Common Stock has been exchanged by a Participant as full or partial payment to the Company

for withholding taxes or otherwise or if the number of shares of Common Stock otherwise deliverable has been reduced for withholding, the number of shares exchanged or reduced shall again be available under the Plan.

ARTICLE 4 - ADMINISTRATION

4.1 Administration of the Plan. The Plan shall be administered by the Committee. The Committee shall have full discretionary 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 construe and interpret any doubtful or disputed provisions of the Plan and remedy any omission, inconsistency or ambiguity in the Plan, to supervise the administration of the Plan, to determine eligibility to receive benefits and the amount of benefits under the Plan, and to take all actions in connection therewith or in relation thereto as it deems necessary or advisable. The Committee may adopt, amend or repeal any guidelines or requirements necessary for the delivery of the Common Stock. The Committee may also 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.

4.2 Decisions Binding. 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 with respect to all matters relating to the Plan.

4.3 Delegation of Authority. The Committee may select an administrator or any other person to whom its duties and responsibilities hereunder may be delegated. In addition, 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 also, in its sole discretion, designate an agent to keep records, send statements of account to Participants and to perform other duties relating to the Plan, as the Committee may request from time to time.

4.4 Indemnification. The Company shall, to the fullest extent permitted by law and the Certificate of Incorporation and By-laws of the Company, to the extent not covered by insurance, indemnify each director, officer or employee of the Company and its Affiliates (including the respective heirs, executors, administrators and other personal representatives of such persons) 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 in the engagement of any such counsel, consultant or agent shall be paid by the Company.

ARTICLE 5 - ELIGIBILITY

Management employees of the Company and its Affiliates as designated by the Committee shall be eligible to participate in the Plan. Eligibility for participation in the Plan shall be determined by the Committee in its sole discretion. The Committee may, in its sole discretion, designate, on a prospective basis, any Participant in the Plan as ineligible to receive awards of RSUs pursuant to Article 6 of the Plan.

ARTICLE 6 - PURCHASES

6.1 General. Each Participant shall be entitled to elect to receive up to 100% of his or her Bonus in an award of RSUs. As of the applicable Award Date, RSUs shall be awarded to Participants and credited to accounts held under the Plan on behalf of Participants on a book-entry basis calculated in the manner provided under Section 6.3 and in accordance with Article 1.

6.2 Voluntary Purchases. Under procedures specified by Company, each Participant may elect to receive up to 100% of his or her Bonus for a Fiscal Year in an award of RSUs by completing a Subscription Agreement and submitting it to the Company no later than the last day of the preceding Fiscal Year or, in the event such Bonus qualifies as "performance-based compensation" (as defined in Treasury Regulation Section 1.409A-1(e)), no later than the last day of the second quarter of the Fiscal Year to which the Bonus relates. Notwithstanding the foregoing, if a management employee of the Company or an Affiliate first becomes eligible to participate in the Plan after the last day of the second quarter of the Fiscal Year in which the Bonus is earned, and the employee is not already eligible to participate in any other nonqualified deferred compensation plan that is required to be aggregated with the Plan under Section 409A, such employee may elect to participate in the Plan for that Plan Year provided he or she completes a Subscription Agreement and submits it to the Company no later than 30 days after the date the Participant first became eligible to participate in the Plan but such Participant's election shall be limited to the pro rata portion of the Bonus earned after the Subscription Agreement is executed and delivered to the Company. Each Subscription Agreement shall provide that the Participant elects to receive RSUs in lieu of a specified portion of his or her Bonus. Such portion may be expressed as:

- (a) a specified percentage of up to 100% (in whole percentages) of the Participant's actual Bonus amount;

- (b) a specified dollar amount, up to 100% of the Participant's actual Bonus amount; or
- (c) the lesser of the amount specified in Section 6.2(a) or (b).

Amounts specified pursuant to any of the methods set forth herein are entirely contingent on, and are limited to, the cash amount of Bonus actually awarded. Each Subscription Agreement, in addition, shall specify a Deferral Period with respect to the RSUs to which it pertains. Other than with respect to a management employee of the Company or an Affiliate who first becomes eligible to participate hereunder during a Plan Year, in order for a Subscription Agreement to be given effect, it must be received by the Company under procedures specified by Company, but no later than the last day of the Fiscal Year preceding the Fiscal Year in which services for such Bonus will be performed or, in the case of a Bonus that is "performance-based compensation" (as defined in Treasury Regulation Section 1.409A-1(e)), no later than the last day of the second quarter of the Fiscal Year to which such Bonus relates. With respect to any Plan Year, a timely election pursuant to a Subscription Agreement to receive RSUs in lieu of a portion or all of a Bonus shall be irrevocable and will be effective on and after the date the Subscription Agreement is executed by the Participant and submitted to the Company. An election by a Participant to receive RSUs in lieu of a portion or all of a Bonus shall be valid solely for the Plan Year to which the election relates. If a Subscription Agreement is not timely submitted by a Participant with respect to any Plan Year, the Bonus earned in that Plan Year shall not be deferred under the Plan.

6.3 Awards of RSUs. The Company shall award RSUs to each Participant's account under the Plan on the Award Date. Each Participant's account shall be credited with a number of whole RSUs (rounded down to the nearest whole share) determined by dividing (a) the amount of the Participant's Bonus to be received as an award of RSUs in accordance with the Participant's Subscription Agreement and the methodology under Section 6.2 by (b) the Cost of an RSU on the Award Date. Any amount in respect of a fractional share shall be promptly paid to the Participant after the Award Date.

6.4 Subsequent Deferral Election. The Committee may, in its sole discretion, permit Participants to make subsequent elections to extend the Deferral Periods otherwise applicable to their respective RSUs. In order to be effective, a subsequent election made by a Participant with respect to his or her RSUs: (i) cannot take effect until at least 12 months after the date on which the election is made; (ii) the subsequent deferral period elected by the Participant may not be less than a five year period beginning on the date the Deferral Period applicable to the RSUs would otherwise end; and (iii) the election is made at least 12 months prior to the date the Deferral Period ends. A Participant shall make his or her subsequent deferral election with respect to his or her RSUs on the Extension of Deferral Period Form (or such other form or agreement specified by the Committee, in its discretion). An election by a Participant to extend the Deferral Period applicable to his or her RSUs shall be valid solely with respect to the RSUs covered by the election.

ARTICLE 7 - VESTING AND PAYMENT OF RSUS

7.1 Vesting. A Participant shall be fully vested in each RSU three years after the Award Date pertaining to that RSU (provided that the Participant is continuously employed (including any period during which the Participant is on a leave of absence, either paid or unpaid, which is approved by the Committee, or any other break in employment which is approved by the Committee) by the Company or any Affiliate for such years) or, if earlier, upon death while employed, Disability while employed or Retirement. The Committee may, in its sole discretion, accelerate (in whole or part) the time at which any such RSUs may be vested but in no event shall the acceleration of vesting result in the acceleration of payment of the RSUs to the Participant.

7.2 Payment on or after Vesting. With respect to each vested RSU, the Company shall issue to the Participant one share of Common Stock upon the earlier of: (i) the end of the Deferral Period specified in the Participant's Subscription Agreement pertaining to such RSU, or, if applicable, the end of the Subsequent Deferral Period elected by the Participant for such RSU or (ii) within 90 days following the Participant's termination of employment with the Company and its Affiliates. In no event shall the payment in respect of a vested RSU be made later than two and one-half months following the later of (i) the close of the Fiscal Year in which the RSU vests, and (ii) March 15 following the year in which the RSU vests.

7.3 Payment Prior to Vesting.

- (a) Voluntary Termination; Termination for Cause. If a Participant voluntarily terminates his or her employment with the Company and its Affiliates for reasons other than death or Disability or is involuntarily terminated by the Company or an Affiliate for Cause, the Participant's nonvested RSUs shall be canceled, and he or she shall receive within 90 days following his or her termination of employment with the Company and its Affiliates a cash payment equal to the lesser of:
- i) an amount equal to the number of those nonvested RSUs awarded on each Award Date multiplied by the respective Cost of those RSUs; or
 - ii) an amount equal to the number of those nonvested RSUs awarded on each Award Date multiplied by the Fair Market Value of a share of Common Stock on the date of the Participant's termination of employment with the Company and its Affiliates.
- (b) Involuntary Termination. If a Participant's employment is terminated by the Company and its Affiliates for any reason other than Cause or by reason of death or Disability, the Participant's nonvested RSUs shall be canceled and he or she shall receive payment within 90 days following his or her termination of employment with the Company and its Affiliates as described below:

- i) The number of nonvested RSUs awarded on each Award Date shall be multiplied by a fraction (not to exceed 100%), the numerator of which is the number of full years that the Participant was employed by the Company and its Affiliates after that Award Date and the denominator of which is three; and the Participant shall receive the resulting number of such whole RSUs in shares of Common Stock, with any fractional RSU paid in cash.
 - ii) With respect to the Participant's remaining nonvested RSUs, the Participant shall receive cash in an amount equal to the lesser of: (A) the number of such nonvested RSUs awarded on each Award Date multiplied by the respective Cost of those RSUs; or (B) the number of those nonvested RSUs awarded on each Award Date multiplied by the Fair Market Value of a share of Common Stock on the date of the Participant's termination of employment with the Company and its Affiliates.
- (c) Committee's Discretion. The Committee shall have complete discretion to determine the circumstances of a Participant's termination of employment with the Company and its Affiliates, including whether the same results from voluntary termination, Disability, Retirement, death or termination by the Company for or not for Cause, and the Committee's determination shall be final and binding on all parties and not subject to review or challenge by any Participant or other person. Notwithstanding anything herein to the contrary, for purposes of this Plan, a Participant shall not experience a termination of employment (the circumstances of which shall be determined by the Committee) unless such termination constitutes a "separation from service" within the meaning of Section 409A(a)(2)(A)(i) of the Code and the Treasury regulations issued thereunder.

7.4 Special Rules for Specified Employees. Notwithstanding anything in this Plan to the contrary, to the extent required by Section 409A of the Code and Treasury regulations issued thereunder, upon a termination of employment (other than due to death) of a Specified Employee, distributions determined, in whole or in part, to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code shall be delayed until six months after such termination of employment and such distribution shall be made to the Participant on the first business day of the seventh month following the month in which the Participant's termination of employment occurred.

7.5 Limitation On Distributions To Covered Employees. Notwithstanding anything in this Plan to the contrary, in the event that a Participant is a "covered employee" (as defined in Section 162(m)(3) of the Code and any applicable regulations or other pronouncements issued by the Internal Revenue Service with respect thereto), or would be a covered employee if the payments were made in accordance with his or her deferral election under this Plan, the value of Stock and cash which may be paid under the Plan in any Plan Year that is not "performance-based" compensation (as defined in Section 162(m)(4)(C) of the Code), shall not exceed one million dollars (\$1,000,000) less the amount of other compensation paid to

the Participant in such Plan Year which is not “performance-based”, which amount shall be reasonably determined by the Company at the time of the proposed payment. Any amount which is not distributed to the Participant in a Plan Year as a result of the limitation set forth in this Section 7.5 shall be distributed to the Participant in the first Plan Year in which distribution of such amount is in compliance with the foregoing limitation set forth in this Section 7.5 and with the provisions of Section 7.4.

ARTICLE 8 - DIVIDEND EQUIVALENT AMOUNTS

Whenever dividends (other than dividends payable only in shares of Common Stock) are paid with respect to shares of Common Stock, each Participant shall be paid an amount in cash equal to the number of his or her vested RSUs multiplied by the dividend value per share. Dividends (other than dividends payable only in shares of Common Stock) shall not be credited or paid with respect to each Participant’s nonvested RSUs.

ARTICLE 9 - DESIGNATION OF BENEFICIARY

A Participant may designate one or more Beneficiaries to receive payments or shares of Common Stock in the event of his or her death. A designation of Beneficiary shall apply to a specified percentage of a Participant’s entire interest in the Plan. Such designation, or any change therein, must be in writing in a form acceptable to the Company and shall be effective upon receipt by the Company. If there is no effective designation of Beneficiary, or if no Beneficiary survives the Participant, the Participant’s estate shall be deemed to be the Beneficiary.

ARTICLE 10 - ADJUSTMENTS

In the event of a stock dividend, stock split, reverse stock split, combination or reclassification of shares, recapitalization, merger, consolidation, exchange, spin-off or other event which affects Common Stock, the Committee shall make appropriate equitable adjustments in:

- (a) the number or kind of shares of Common Stock or securities with respect to which RSUs shall thereafter be granted;
- (b) the number and kind of shares of Common Stock remaining subject to outstanding RSUs;
- (c) the number of RSUs credited to each Participant; and
- (d) the method of determining the value of RSUs.

ARTICLE 11 - AMENDMENT OR TERMINATION OF PLAN

The Company reserves the right to amend, terminate or freeze the Plan at any time, by action of its Board of Directors (or a duly authorized committee thereof) or the Committee, provided that no such action shall adversely affect a Participant's rights under the Plan with respect to RSUs awarded and vested before the date of such action, provided, further that the Company may amend the Plan and any elections hereunder at any time to comply with applicable law (including, without limitation, Section 409A of the Code) without a Participant's consent. No amendment shall be effective unless approved by the stockholders of the Company if stockholder approval of such amendment is required to comply with any applicable law, regulation or stock exchange rule. Upon termination of the Plan, any vested RSUs shall be paid in accordance with Section 7.2 of the Plan and any nonvested RSUs shall be canceled and paid in accordance with Section 7.3(b) of the Plan; provided, however, that any such payments shall be made on the earliest of (i) the date that is 12 months from the date the Company takes all necessary action to irrevocably terminate and liquidate the Plan and (ii) the date on which the RSUs would be payable under the terms of the Plan had the action to terminate the Plan had not occurred. Upon freezing of the Plan, all vested RSUs shall continue to be held under the Plan until their payment or cancellation in accordance with the terms of the Plan and all nonvested RSUs shall vest or become canceled in accordance with the terms of the Plan.

ARTICLE 12 - MISCELLANEOUS PROVISIONS

12.1 No Distribution; Compliance with Legal Requirements. The Committee may require each person acquiring shares of Common Stock under the Plan to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof. No shares of Common Stock shall be issued until all applicable securities law and other legal and stock exchange requirements have been satisfied. The Committee may require the placing of such stop-orders and restrictive legends on certificates for Common Stock as it deems appropriate.

12.2 Withholding. Participation in the Plan is subject to any required tax withholding on wages or other income of the Participant in connection with the Plan. Each Participant agrees, by entering the Plan, that the Company or the Affiliate employing the Participant shall have the right to deduct any minimum federal, state or local income taxes or other taxes, in its sole discretion, from any amount payable to the Participant under the Plan or from any payment of any kind otherwise due to the Participant. Prior to the issuance or delivery of shares of Common Stock or the payment of any cash hereunder, a Participant shall pay all minimum required withholding to the Company and, if applicable, an Affiliate. 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 which may include the Participant delivering shares of Common Stock already owned for at least six months (or such other period to avoid an accounting charge against the Company's earnings) and held free and clear of all encumbrances to the Company; or (iii) by the Participant paying cash directly to the Company.

12.3 Notices; Delivery of Stock Certificates. Any notice required or permitted to be given by the Company or the Committee pursuant to the Plan shall be deemed given when personally delivered or deposited in the United States mail, registered or certified, postage prepaid, addressed to the Participant at the last address shown for the Participant on the records of the Company. Delivery of stock certificates to persons entitled to receive them under the Plan shall be deemed effected for all purposes when the Company or a share transfer agent of the Company shall have deposited such certificates in the United States mail, addressed to such person at his/her last known address on file with the Company.

12.4 Nontransferability of Rights. During a Participant's lifetime, no payment or issuance of shares under the Plan shall be made to anyone except the Participant otherwise than by will or the laws of descent and distribution. No RSU Award or other interest under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, garnishment, execution, levy or charge, and any attempt by a Participant or any Beneficiary under the Plan to do so shall be void. No interest under the Plan shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts or a Participant or Beneficiary entitled thereto.

12.5 Obligations Unfunded and Unsecured. The Plan shall at all times be entirely unfunded, and no provision shall at any time be made with respect to segregating assets of the Company (including Common Stock) for payment of any amounts or issuance of any shares of Common Stock hereunder. No Participant or other person shall own any interest in any particular assets of the Company or any Affiliate (including Common Stock) by reason of the right to receive payment under the Plan, and any Participant or other person shall have only the rights of a general unsecured creditor of the Company with respect to any rights under the Plan. Nothing contained in this Plan and no action taken pursuant to the provisions of this Plan shall create or be construed to create a trust of any kind, or a fiduciary relationship amongst the Company, any Affiliate, the Committee, and the Participants, their designated Beneficiaries or any other person. Any funds which may be invested under the provisions of this Plan shall continue for all purposes to be part of the general funds of the Company and no person other than the Company shall by virtue of the provisions of this Plan have any interest in such funds. If the Company decides to establish any accrued reserve on its books against the future expense of benefits payable hereunder, or if the Company establishes a rabbi trust under this Plan, such reserve or trust shall not under any circumstances be deemed to be an asset of the Plan.

12.6 Governing Law. The Plan is established in order to provide deferred compensation to a select group of management and highly compensated employees within the meanings of Sections 201(2) and 301(a)(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). To the extent legally required, the Code and ERISA shall govern the Plan and, if any provision hereof is in violation of any applicable requirement thereof, the Company reserves the right to retroactively amend the Plan to comply therewith. To the extent not governed by the Code and ERISA, the terms of the Plan shall be governed, construed, administered and regulated in accordance with the laws of Delaware. In the event any provision of this Plan shall be determined to be illegal or invalid for any reason, the other provisions shall continue in full force and effect as if such illegal or invalid provision had never been included herein.

12.7 Claims Procedure. A Participant or Beneficiary shall make any claim (and, in the case of the denial of such claim, any appeal) in writing to the Committee or such other person designated by the Committee in accordance with the claims procedure established by the Committee, which is intended to comply with the claims procedure provided under ERISA and U.S. Department of Labor Regulation § 2560.503-1.

12.8 Rule 16b-3. 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. If a management employee is designated by the Committee to participate hereunder, any election to receive an award of RSUs shall be deemed approved by such Committee and shall be deemed an exempt purchase under Rule 16b-3. Any provisions inconsistent with Rule 16b-3 shall be inoperative and shall not affect the validity of the Plan.

12.9 Certain Section 409A Matters. Neither the Company and its Affiliates nor their current employees, officers, directors, representatives or agents shall have any liability to any current or former Participant with respect to any accelerated taxation, additional taxes, penalties or interest for which any current or former Participant may become liable in the event that any amounts payable under the Plan are determined to violate Section 409A. If, at the time installments of payments are to be made under the Plan, the entitlement to a series of installment payments shall be treated as a series of separate payments for purposes of Section 409A, including for purposes of the subsequent changes of time or form of payment as provided in Treasury Regulation Section 1.409A-2(b)(2).

12.10 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 the Company or Affiliate 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.

12.11 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.

12.12 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.

12.13 Effective Date of Plan. The Plan was originally adopted effective January 1, 1999, subject to approval of the stockholders of the Company as provided under applicable law, regulation or stock exchange rule and was subsequently amended and restated effective December 18, 2002 and January 1, 2005. The Plan, as amended and restated on September 23, 2008, is set forth herein, which amendment and restatement is effective January 1, 2005.

Scholastic Corporation
Directors' Deferred Compensation Plan
(Amended and Restated on September 23, 2008)

Article 1. Introduction.

1.1 Establishment. Scholastic Corporation, a Delaware corporation (the "Company") established the Scholastic Corporation 1995 Directors' Deferred Compensation Plan (the "Plan") effective as of October 1, 1995 (the "Effective Date"). The Company has amended the Plan from time to time since its adoption. The plan was last amended and restated effective as of January 1, 2005 pursuant to which the Plan was renamed the "Scholastic Corporation Directors' Deferred Compensation Plan."

1.2 Purpose. The primary purpose of the Plan is to provide Directors of the Company with the opportunity to voluntarily defer all or a portion of their Compensation, subject to the terms of the Plan. By adopting the Plan, the Company desires to enhance its ability to attract and retain Directors of outstanding competence. All capitalized terms not defined herein shall have the meanings set forth in Article 2 of the Plan.

1.3 Restatement. The Company hereby amends and restates the Plan to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended effective January 1, 2005.

1.4 Effect of Restatement; Plan Bifurcation. Deferrals made under the Plan on and after January 1, 2005 shall be made in accordance with, and shall be governed by, the terms and conditions of the plan document as set forth herein. Deferrals made under the Plan prior to January 1, 2005 and all earnings thereon shall be governed by the terms and conditions of the Plan as in effect on December 31, 2004. The Plan, as in effect immediately prior to January 1, 2005 shall be known and referred to as the "Grandfathered Plan."

1.5 Section 409A of the Code. This Plan is intended to comply with the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. To the extent that any payment or benefit hereunder is subject to Section 409A of the Code, it shall be paid in a manner that will comply with Section 409A of the Code, including regulations or any other guidance issued by the Secretary of the Treasury and the Internal Revenue Service with respect thereto. Notwithstanding anything herein to the contrary, any provision in this Plan that is inconsistent with Section 409A of the Code shall be deemed to be amended to comply with Section 409A of the Code and to the extent such provision cannot be amended to comply therewith, such provision shall be null and void.

Article 2. Definitions

Whenever used herein, the following terms shall have the meanings set forth below, and, when the defined meaning is intended, the term is capitalized:

- (a) "Board" or "Board of Directors" means the Board of Directors of the Company.
 - (b) "Chairperson Fees" means fees paid by the Company to a Director, in cash, for serving as Chairperson of a Board Committee during the relevant Plan Year and which is exclusive of any Retainer or Meetings Fees earned during such Plan Year.
 - (c) "Change in Control" of the Company means, and shall be deemed to have occurred upon, any of the following events:
 - (i) a "change in ownership of the Company" which means the date that any one person, or more than one person acting as a group (as defined below), acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company; provided, that, if any one person or more than one person acting as a group, is considered to own more than 50% of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or persons is not considered to cause a change in the ownership of the Company (or to cause a "change in the effective control" (as
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defined in subsection (ii) below). An increase in the percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which the Company acquires its stock in exchange for property will be treated as an acquisition of stock for purposes of this section.

- (ii) a "change in effective control of the Company," which means the date that either: (A) any one person, or more than one person acting as a group (as defined below), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 35% or more of the total voting power of the stock of the Company; or (B) a majority of members of the Board are replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election.
- (iii) a "a change in the ownership of a substantial portion of the Company's assets," which means the date that any one person, or more than one person acting as a group (as defined below), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. Notwithstanding the foregoing, a Change of Control shall not occur when there is a transfer to an entity that is controlled by the shareholders of the Company immediately after the transfer, as provided

in this paragraph (iii). A transfer of assets by the Company is not treated as a change in the ownership of such assets if the assets are transferred to:

- (a) A shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock;
- (b) An entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company; or
- (c) A person, or more than one person acting as a group, that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of the Company; or
- (d) An entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a person described in paragraph (c).

Persons will not be considered to be acting as a group solely because they purchase or own stock or purchase assets of the same corporation at the same time, or as a result of the same public offering. However, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock or assets, or similar business transaction with the corporation. If a person, including an entity shareholder, owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock or assets, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in a corporation only to the extent of the ownership in that corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the other corporation.

Notwithstanding the foregoing, an event shall not be considered to be a "Change of Control" for payment purposes if, for purposes of Section 409A of the Code, such event would not be considered to be a "Change in Control Event" under Section 409A of the Code and regulations issued thereunder by the Secretary of the Treasury.

- (d) "Code" means the Internal Revenue Code of 1986, as amended. Reference to any section or subsection of the Code includes reference to any comparable or succeeding provisions of any legislation that amends, supplements or replaces such section or subsection.
- (e) "Company" means Scholastic Corporation, a Delaware corporation.
- (f) "Compensation" means the Retainer, Meeting Fees and, if applicable, Chair- person Fees payable to a Participant by the Company for services performed as a Director during a Plan Year. In no event, however, shall amounts paid in the form of Company stock or stock options qualify as Compensation eligible for deferral under the Plan.
- (g) "Director" means each member of the Board of Directors of the Company who receives a Retainer and Meeting Fees for service on the Board of Directors and who is not an employee of the Company.

- (h) "Disability" means the inability of a Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that may result in death and, in any case, is expected to continue for a period of not less than 12 months.
- (i) "Effective Date" means the date the Plan became effective, as set forth in Section 1.1 herein.
- (j) "Grandfathered Plan" means the terms and provisions of the Plan in effect immediately prior to the Restatement Effective Date.
- (k) "Meeting Fees" means fees paid by the Company to a Director, in cash, for attendance at Board and various Board committee meetings during the relevant Plan Year, and which is exclusive of any Retainer or Chairperson Fees earned during such Plan Year. For the purposes of the Plan, "Meeting Fees" shall not include any fees paid or payable in Company stock or stock options.
- (l) "Participant" means any Director who is actively participating in the Plan.
- (m) "Plan" means the Scholastic Corporation Directors' Deferred Compensation Plan.
- (n) "Plan Administrator" means the executive(s) appointed by the Board pursuant to Section 3.1 hereof to administer certain provisions of the Plan as set forth herein and shall initially be the Vice President of Human Resources of Scholastic Inc.
- (o) "Plan Year" means the fiscal year of the Company beginning on June 1st and ending on May 31st.
- (p) "Restatement Effective Date" means January 1, 2005.
- (q) "Retainer" means the annual cash retainer paid by the Company and earned by a Director during the relevant Plan Year with respect to the Director's service on the Board, and which is exclusive of Meeting Fees or Chairperson Fees earned during such Plan Year. For purposes of the Plan, "Retainer" shall not include any retainer paid or payable in Company stock or stock options.
- (r) "Transition Relief" means the extended time period permitted by Q&A-21 of Notice 2005-1 issued by the Internal Revenue Service in which a valid deferral election could be made with respect to compensation to be earned in, or during a portion of, calendar year 2005.

Article 3. Administration

3.1 Administration of the Plan. The Plan shall be administered by, and in the sole and absolute discretion of, the Board. Subject to the provisions set forth herein, the Board shall take such actions as are required or permitted to be taken by it hereunder and shall have full and complete discretionary authority to interpret the Plan, to determine the rights of each Director and the eligibility of a Director to participate in the Plan, the amount of benefits payable to a Director

and the terms and conditions of each Director's participation in the Plan; to construe and interpret the Plan and any agreement or instrument entered into under the Plan, including any unclear, uncertain or disputed terms thereof; to establish, amend, waive or rescind rules and regulations for the Plan's administration; to amend (subject to the provisions of Article 9 herein) the terms and conditions of the Plan and any agreement or instrument entered into under the Plan and to make all other determinations which may be necessary or advisable for the administration of the Plan. The Board may employ accountants and counsel and other persons to assist or render advice to it, all at the expense of the Company.

Subject to the terms of the Plan, the Board may delegate any or all of its authority granted under the Plan to an executive or executives of the Company. The executive or executives to whom the Board has delegated authority to administer the Plan shall be the Plan Administrator.

3.2 Decisions Binding. All determinations and decisions of the Board or the Plan Administrator, as applicable, as to any disputed question or any other issue arising under the Plan, including questions of construction and interpretation, shall be final, conclusive, and binding on all parties.

3.3 Indemnification. Each person who is or shall have been a member of the Board, each person who is or shall have been the Plan Administrator and each executive to whom authority is or has been delegated by the Board pursuant to the Section 3.1, shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party, or in which he or she may be involved by reason of any action taken or failure to act under the Plan. The Company shall, subject to the requirements and limitations of Delaware law, pay such loss, cost, liability or expense imposed on or incurred by such person promptly upon demand by him or her, whether or not he or she has actually advanced such amount prior thereto.

The Company shall also indemnify each such person who is or shall have been a member of the Board, each such person who is or shall have been the Plan Administrator and each executive to whom authority is or has been delegated by the Board pursuant to Section 3.1, against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf.

The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

Article 4. Eligibility and Participation

4.1 Eligibility. Each person who was a Director of the Company immediately prior to the Restatement Effective Date shall be eligible to participate in the Plan on and after the

Restatement Effective Date. Each other person who becomes a member of the Board of Directors on or after the Restatement Effective Date shall be eligible to participate in the Plan.

4.2 Inactive Participant. In the event a Participant no longer meets the requirements for eligibility to participate in the Plan, such Participant shall become an inactive Participant retaining all of the rights described under the Plan, except the right to make any further deferrals hereunder. In the event a Director shall cease to serve as a member of the Board of Directors but shall be designated as a Director Emeritus, such Director shall be deemed to have ceased to serve as a Director for purposes of this Plan.

4.3 Participation. The Plan Administrator shall notify a Director as soon as practicable after he or she first becomes eligible to participate in the Plan. At such time, the Plan Administrator shall provide such Director with an Election to Defer Form which shall be submitted by the Director as provided in Sections 5.2 hereof. Except as otherwise provided in Section 4.4 below, a Director, once notified of eligibility to participate in the Plan, shall be entitled to make deferrals with respect to each subsequent Plan Year by submitting an Election to Defer Form to the Plan Administrator in the time and manner provided in Section 5.2.

4.4 Partial Plan Year Participation. In the event a Director first becomes eligible to participate in the Plan after the beginning of a Plan Year, the Committee may, in its discretion, allow such Director to complete an Election to Defer Form within thirty (30) days after the date the Director first becomes eligible to participate, in which case the deferral election shall be valid and applicable for the Plan Year then in progress; provided that such deferral election will only be effective if the Director does not participate at the time of the election in any other "nonqualified deferred compensation plans" (as defined in Section 409A of the Code) maintained by the Company and its subsidiaries that together with the Plan are treated as a single plan under the regulations issued under Section 409A of the Code. An Election to Defer Form submitted pursuant to this Section 4.3 shall apply only to Compensation earned subsequent to the date on which a valid Election to Defer Form is received by the Board from the Participant.

4.5 Special Deferral Election for 2005 Plan Year. Each Director who was a participant in the Grandfathered Plan immediately prior to the Restatement Effective Date shall be eligible to participate in the Plan on and after the Restatement Effective Date provided the Director makes an election, on or before March 15, 2005 pursuant to the Transition Relief, to defer Compensation under the Plan with respect to the Plan Year beginning on June 1, 2005.

Article 5. Deferral Opportunity

5.1 Amount Which May Be Deferred. A Participant may elect to defer fifty percent (50%) or one hundred percent (100%) of his or her aggregate Compensation in any Plan Year.

5.2 Deferral Election. A Participant may make an election to defer Compensation under the Plan with respect to a Plan Year provided he or she makes such election prior to December 31 of the calendar year preceding such Plan Year or not later than thirty (30) calendar days after the date the Director initially became eligible to participate in the Plan (subject to satisfaction of the terms of Section 4.4), as applicable. All deferral elections shall be irrevocable and shall be made on an Election to Defer Form, as described herein, which shall specify, with regard to the applicable Plan Year, the following: (i) the percentage of Compensation which the Participant elects to defer and (ii) the deferral period, as described in Section 5.4 below. A deferral election must be submitted to the Plan

Administrator on a timely basis in order to be given effect. Once a Participant has submitted an Election to Defer Form, the Participant may only revoke or change the deferral election if he or she notifies the Plan Administrator in writing of the revocation or change prior to December 31 of the calendar year preceding the Plan Year for which the revocation or change is to be effective. All amounts deferred under the Plan for a particular Plan Year shall be paid to the Participant (or Beneficiary) in a single sum cash payment.

5.3 Length of Deferral. Except as otherwise provided herein or in the Election to Defer Form, each deferral hereunder and earnings thereon shall be maintained in deferred status until the later of: (a) the expiration of the deferral period (which may not exceed 15 years) specified by the Director in the Election to Defer Form or (b) termination of the Director's service for any reason other than death or Disability. Notwithstanding the foregoing provisions, in the event of the termination of the Director's service due to Disability or death, payments of all deferred amounts plus earnings thereon shall be made to the Director (or his or her Beneficiary) within 90 days following such Director's termination of service.

5.4 Change in Deferral Period. A Participant may elect to extend the deferral period and thereby defer payment of the deferred amount plus earnings thereon provided that the Participant's subsequent deferral election: (i) may not be effective until 12 months after the date the subsequent election is made; (ii) the subsequent election must be made at least 12 months prior to the date the payment would otherwise be made; (iii) the payment is delayed by at least five years from the original payment date under Section 5.3 (or any subsequent election); and (iv) the original deferral period together with any subsequent deferral period does not provide for the deferral of any Compensation for more 15 years after the date the Compensation would have been paid to the Director in the absence of an deferral election under the Plan.

5.5 Payments of Deferred Amounts. Each Participant shall receive payment of the deferred amounts, together with earnings accrued thereon, pursuant to Section 6.2, at the end of the applicable deferral period or termination of service, as determined under Section 5.3. Each payment for a particular Plan Year shall be made in cash, in a single sum payment, on the date specified for payment as determined under Section 5.3 (or within 90 days thereafter in the case of payment on account of termination of service).

Notwithstanding the foregoing, any unpaid deferred amounts and accumulated earnings thereon shall be paid to the Participant in the event that, at any time prior to full payment of such deferred amounts and earnings thereon, a Change in Control of the Company occurs. In such event, payments of all deferred amounts plus earnings thereon shall be made to all Participants in single sum cash payments within 90 days after the effective date of the Change in Control, as applicable.

5.6 Unforeseeable Emergency. If a Participant suffers an unforeseen emergency, as defined herein, the Board, in its sole discretion, may pay to the Participant, within 90 days of a determination by the Board of an unforeseen emergency, only that portion, if any, of his or her account that the Board determines is necessary to satisfy the emergency need, including any amounts necessary to pay any federal, state or local income taxes reasonably anticipated to result from the distribution. A Participant requesting an emergency payment shall apply for the payment in writing in a form approved by the Plan Administrator and shall provide such additional information as the Plan Administrator may require. For purposes of this paragraph, "unforeseen emergency" means a severe financial

hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant, [the Participant's spouse or beneficiary] or of a dependent (as described in Section 152 of the Code, without regard to section 152(b)(1), (b)(2), and (d)(1)(B)) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances constituting an unforeseeable emergency shall depend on the facts of each case, but, in any event, shall not be made to the extent that such emergency is or may be relieved: (a) through liquidation or compensation by insurance or otherwise, (b) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or (c) by cessation of deferrals under an account balance plan (as such term is defined in Treasury Regulation Section 1.409A -1(c)) maintained by the Participant's current employer.

In addition to the requirements set forth in clauses (a), (b), and (c) above, as a precondition to an unforeseen emergency, a Participant must have obtained all distributions, other than hardship distributions of salary reduction contributions under a cash-or-deferred arrangement maintained by any employer pursuant to a plan qualified under Section 401(a) of the Code which contains a cash-or-deferred arrangement and other than in-service withdrawals resulting in a forfeiture, currently available under all plans maintained by any employer.

Article 6. Deferred Compensation Accounts

6.1 Participants' Accounts. The Company shall establish and maintain an individual bookkeeping account for deferrals made by each Participant, and earnings thereon, under Article 5 herein. Each account shall be credited as of the date the amount deferred otherwise would have become due and payable to the Participant. The term "account" and other measures representing the value of a Director's deferrals under the Plan are bookkeeping entries only and shall not constitute property of any kind or any interest in the Company or specific assets thereof.

6.2 Earnings on Deferred Amounts. Compensation deferred under the Plan shall accrue interest on a quarterly basis at a rate equal to the 30-year Treasury Bill rate of interest in effect as of the first business day of each calendar quarter (or, if such rate is not available, interest shall accrue at a rate determined by Scholastic to be equivalent to the investment yield of a 30-year Treasury Bill for such period). Each Participant's deferred compensation account shall be credited on the last day of each calendar quarter until all deferrals have been paid, with interest computed on the average balance in the account during such quarter. Interest earned on deferred amounts shall be paid out to Participants at the same time and in the same manner as the underlying deferred amounts.

6.3 Charges Against Accounts. There shall be charged against each Participant's deferred compensation account any payments made to the Participant or to his or her beneficiary.

Article 7. Beneficiary Designation

Each Participant shall designate a beneficiary or beneficiaries who, upon the Participant's death, will receive the amounts that otherwise would have been paid to the Participant under the Plan. All designations shall be signed by the Participant, and shall be in such form as prescribed

by the Board. Each designation shall be effective as of the date delivered to a Company employee so designated by the Board.

Participants may change their designations of beneficiary on such form as prescribed by the Board. The payment of amounts deferred under the Plan shall be in accordance with the last unrevoked written designation of beneficiary that has been signed by the Participant and delivered by the Participant to the designated employee prior to the Participant's death.

In the event that all the beneficiaries named by a Participant pursuant to this Article 7 predecease the Participant, the deferred amounts that would have been paid to the Participant or the Participant's beneficiaries under the Plan shall be paid to the Participant's estate.

In the event a Participant does not designate a beneficiary, or for any reason such designation is ineffective, in whole or in part, the amounts that otherwise would have been paid to the Participant or the Participant's beneficiaries under the Plan shall be paid to the Participant's estate.

Article 8. Rights of Participants

8.1 Contractual Obligation. The Plan shall create a contractual obligation on the part of the Company to make payments from the Participants' accounts when due. Payment of account balances shall be made out of the general funds of the Company.

8.2 Unfunded Plan. The Plan constitutes an unfunded, unsecured promise of the Company to make payments in the future of the amounts deferred under the Plan and is intended to constitute a nonqualified deferred compensation plan which is unfunded for tax purposes and for the purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Nothing contained in the Plan and no action taken pursuant to the provisions of the Plan shall create, or be construed to create, a trust of any kind, a fiduciary relationship between the Company and any Director or any other person. No special or separate fund shall be established or other segregation of assets made to assure payment of deferred amounts hereunder. No Director or any other person shall have any preferred claim on, or beneficial ownership interest in, any assets of the Company prior to the time that deferred amounts are paid to the Director as provided herein. The rights of a Director to receive benefits from the Company shall be no greater than any general unsecured creditor of the Company.

8.3 Service as a Director. Neither the establishment of the Plan, nor any action taken hereunder, shall in any way obligate (i) the Company to nominate a Director for reelection or to continue to retain a Director; or (ii) a Director to agree to be nominated for reelection or to continue to serve on the Board.

Article 9. Amendment and Termination

The Company hereby reserves the right to amend, modify, or terminate the Plan at any time by action of the Board. No such amendment or termination shall in any material manner adversely affect any Participant's rights to deferred amounts or interest earned thereon, without the consent of the Participant.

Article 10. Miscellaneous

10.1 Notice. Any notice or filing required or permitted to be given to the Company under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail to the Plan Administrator with a copy to sent to the Corporate Secretary of the Company. Such notice, if mailed, shall be addressed to the principal executive offices of the Company. Notice mailed to a Participant shall be at such address as is given in the records of the Company. Notices shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

10.2 Successors. All obligations of the Company under the Plan shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

10.3 Nontransferability. Participants' rights to deferred amounts, contributions, and investment return earned thereon under the Plan may not be sold, transferred, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. In no event shall the Company make any payment under the Plan to any assignee or creditor of a Participant.

10.4 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

10.5 Costs of the Plan. All costs of implementing and administering the Plan shall be borne by the Company.

10.6 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular, and the singular shall include the plural.

10.7 Governing Law. The Plan shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule, subject to preemption by ERISA.

SCHOLASTIC CORPORATION 2007 OUTSIDE DIRECTORS STOCK INCENTIVE PLAN**1. Name and General Purpose**

The name of this plan is the Scholastic Corporation 2007 Outside Directors Stock Incentive Plan (the "Plan"). The purpose of the Plan is to attract and retain the services, for the benefit of Scholastic Corporation, a Delaware corporation (the "Company"), of experienced and knowledgeable directors who are not employees of the Company (the "Outside Directors") and to provide an additional incentive for such Outside Directors through ownership of the common stock, par value \$.01 per share, of the Company (the "Common Stock").

2. Automatic Grants to Outside Directors

Subject to the provisions of Section 13 hereof, each individual (other than any director electing not to participate hereunder) who is, at the conclusion of each annual meeting of the Company's stockholders occurring after the effective date of the Plan, an incumbent Outside Director, shall automatically be granted, as of each such date (or, if applicable, the next succeeding business day), (i) an option to purchase 3,000 shares of Common Stock at a price per share equal to 100% of the Fair Market Value of the Common Stock on such date, and (ii) 1,200 "Restricted Stock Units" (as herein after defined).

For purposes of this Section 2, "Fair Market Value" shall mean the average of the high and low selling prices of the Common Stock on the date on which the Common Stock is to be valued hereunder, or, if none, on the last preceding date prior to such date on which such prices were quoted, as reported on the NASDAQ Stock Market, Inc. L.L.C. ("NASDAQ"). All options granted under the Plan shall be non-qualified stock options.

Restricted Stock Unit" or "RSU" represents an unfunded, unsecured right to receive in the future, if the conditions of an RSU award are met, one share of Common Stock. No shares of Common Stock shall be issued to an Outside Director on the date of the RSU grant.

3. Exercise of Options

Subject to the provisions of Section 5 hereof, an option granted hereunder may not be exercised within twelve (12) months after the date of grant.

Except as provided in Section 5 below, an option may be exercised, in whole or in part at any time and from time to time during the period beginning with the expiration of twelve months following the date of grant and ending on the option expiration date, by following the procedures established by the Company and its designated record keeper at the time of exercise specifying the number of shares of Common Stock to be purchased.

No shares of Common Stock shall be issued until full payment therefor has been made. An Outside Director shall have no rights as a stockholder of the Company with respect to any shares of Common Stock subject to an option until such time as the Outside Director has properly exercised his or her option, paid in full for the shares subject to such option, and executed any representations required by the Company.

Each option granted hereunder shall expire on the tenth anniversary of the date on which it was granted, if not sooner terminated as provided herein.

4. Restricted Stock Units

An RSU award shall not vest until twelve (12) months from the date of grant. shares of Common Stock in respect of a vested RSU award shall be issued to an Outside Director upon the vesting of an RSU.

The record established by the Company of the RSUs awarded to an Outside Director does not constitute any stock or property of the Company. No funds or shares of Common Stock shall be placed in trust or set aside to assure payment of an award of RSUs. RSUs are an unfunded, unsecured promise of the Company to issue Common Stock in the future, subject to vesting and other conditions in the Plan. The right of an Outside Director to receive shares of Common Stock in settlement of an RSU shall be no greater than any general unsecured creditor of the Company. An Outside Director shall have no rights as a stockholder with respect to shares of Common Stock which may be issued in settlement of an RSU until the date of issuance of a certificate for such shares (as evidenced by the appropriate entry on the books of the Company or a duly authorized transfer agent.) No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate is issued.

5. Termination of Services of Outside Directors

(a) In the event that an Outside Director to whom an option has been granted under the Plan shall cease to serve on the Board of Directors, otherwise than by reason of death or disability, such option may be exercised (to the extent that the Outside Director is entitled to do so at the time of such option exercise) at any time and from time to time within six (6) months after such cessation of service, but not thereafter, and in no event after the date on which, except for such cessation of service, the option would otherwise expire. In the event an Outside Director to whom an option has been granted under the Plan shall cease to serve on the Board of Directors but shall have been designated as a Director Emeritus, the Director shall be treated as having ceased to serve as a director.

(b) In the event that an Outside Director to whom an option has been granted under the Plan shall cease to serve on the Board of Directors by reason of disability (as determined by the Board of Directors on the basis of all the facts and circumstances), such option may be exercised, in full or in part, by the Outside Director or his or her legally appointed representative (notwithstanding that the option may not yet otherwise have become exercisable with respect to all or part of such shares as of the date of disability) at any time and from time to time within twelve (12) months after such

cessation of service, but not thereafter, and in no event after the date on which, except for such disability, the option would otherwise expire.

(c) If an Outside Director to whom an option has been granted under the Plan dies (i) while he or she is serving on the Board of Directors, (ii) within three (3) months after cessation of service on the Board of Directors other than by reason of disability, or (iii) within twelve (12) months after cessation of service on the Board of Directors by reason of disability, such option may be exercised:

1) in the case of death while serving on the Board of Directors, as to all or any part of the remaining unexercised portion of the option, notwithstanding that the option may not yet otherwise have become exercisable with respect to all or part of such shares as of the date of death;

2) in the case of death after cessation of service on the Board of Directors or death after termination of such service by reason of disability, to the extent that the Outside Director was entitled to do so at the date of his or her death, giving effect to the provisions of subsections (a) and (b) above of this Section 5; and

3) in each case by the person who acquired the right to exercise such option by bequest or inheritance or by reason of the death of the Outside Director, but in no event after the date on which the option would otherwise expire under Section 3 of the Plan.

4) Notwithstanding the provisions of subsections (b) and (c) above of this Section 5, in no event shall any option granted under the Plan be exercised within six (6) months of the date of grant.

(d) In the event that an Outside Director to whom an RSU has been granted under the Plan for a year shall cease to serve as an Outside Director prior to completion of twelve (12) months from the date of grant for such year otherwise than by reason of death or disability, the RSU award for such year shall be forfeited upon such cessation of services. In the event that an Outside Director to whom an RSU has been granted shall cease to serve on the Board of Directors but shall have been designated as a Director Emeritus, such director shall be treated as having terminated service as an Outside Director for purposes of determining the vesting and payment of an RSU award and cessation of services as a director. In the event that an Outside Director to whom an RSU has been granted under the Plan shall cease to serve as an Outside Director prior to completion of twelve (12) months from the date of grant on account of death or (as determined by the Board of Directors on the basis of all the facts and circumstances) disability, the RSU award shall become immediately vested and non-forfeitable and shares of Common Stock in respect of such RSU award shall be distributed upon such cessation of services. In the event that an Outside Director ceases to serve as an Outside Director, any shares of Common Stock in respect of a vested undistributed RSU award shall be distributed upon such cessation of services.

6. Transferability

No option or Restricted Stock Units granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated, other than by will or by the laws of descent and distribution.

7. Shares Reserved

The aggregate number of shares reserved for issuance pursuant to the Plan shall be 500,000 shares of Common Stock, or the number and kind of shares of stock or other securities which shall be substituted for such shares or to which such shares shall be adjusted as provided in Section 8.

Such number of shares may be set aside out of the authorized but unissued shares of Common Stock not reserved for any other purpose, or out of issued shares of Common Stock acquired for and held in the treasury of the Company.

Shares subject to, but not sold or issued under, any option or Restricted Stock Unit terminating, expiring or cancelled for any reason prior to its exercise in full will again be available for options or RSUs thereafter granted during the balance of the term of the Plan.

8. Adjustments Due to Stock Splits, Mergers, Consolidations, etc.

If, at any time, the Company shall take any action, whether by stock dividend, stock split, combination of shares, or otherwise, which results in a proportionate increase or decrease in the number of shares of Common Stock theretofore issued and outstanding, the number of shares which are reserved under the Plan shall be automatically adjusted, and both (i) the number of shares which, at such time, are subject to outstanding options or Restricted Stock Units, and (ii) the number of options and RSUs that are automatically granted to Outside Directors each year, shall be adjusted in the same proportion (with appropriate adjustments in the option price); provided, however, that the Company shall not be obligated to issue fractional shares.

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 Board of Directors 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 or RSU, the number of shares which shall be the number of the automatic grants to Directors, as well as the price per share of Common Stock covered by each option outstanding under the Plan which has not yet been exercised.

9. Withholding or Deduction of Taxes

If, at any time, the Company is required under applicable laws or regulations to withhold, or to make any deduction for, any taxes or take any other action in connection

with the exercise of any option hereunder or the vesting or delivery of Common Stock in respect of a Restricted Stock Unit, the Company shall have the right to deduct from all amounts payable in cash any taxes required by law to be withheld therefrom, and, in the case of payments in the form of Common Stock, the Outside Director to whom such payments are to be made shall be required to pay to the Company the amount of any taxes required to be withheld, or, in lieu thereof, the Company shall have the right to retain, or sell without notice, a sufficient number of shares of Common Stock to cover the minimum amount required to be withheld.

10. Administration

The Plan shall be administered by the Board of Directors. Subject to the provisions of the Plan, the Board of Directors shall have the discretionary authority to:

(a) adopt, revise and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time to time deem advisable;

(b) interpret the terms of the Plan and any option or RSU award issued under the Plan (and any agreements relating thereto), and otherwise settle all claims and disputes arising under the Plan;

(c) delegate responsibility and authority for the operation and administration of the Plan, including to a committee of the Board of Directors, and appoint employees and officers of the Company and its affiliates to act on its behalf and employ persons to assist in fulfilling its responsibilities under the Plan; and

(d) otherwise supervise the administration of the Plan;

provided, however, that the Board of Directors shall have no discretion with respect to the selection of individuals eligible to receive options or Restricted Stock Units hereunder, the number of shares of Common Stock covered by any such option or Restricted Stock Unit award or the price or timing of any option or RSU granted hereunder (all of which determinations are automatic under the terms of the Plan).

The entire expense of administering the Plan shall be borne by the Company.

11. Compliance with Applicable Law

Notwithstanding any other provision of the Plan, the Company shall not be obligated to issue any shares of Common Stock, or grant any option or RSU with respect thereto, unless it is advised by counsel of its selection that it may do so without violation of the applicable federal and state laws pertaining to the issuance of securities or the provisions of any national securities exchange or NASDAQ, and the Company may require any securities so issued to bear a legend, may give its transfer agent instructions, and may take such other steps as in its judgment are reasonably required to prevent any such violation.

12. Amendment and Termination;

It is the intention of the Company that no payment or entitlement pursuant to this Plan will give rise to any adverse tax consequences to an Outside Director under Section 409A of the Internal Revenue Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including those issued after the date hereof (collectively, "Section 409A"). The Plan shall be interpreted to that end and, consistent with that objective and notwithstanding any provision herein to the contrary, the Company may unilaterally take any action it deems necessary or desirable to amend any provision herein to avoid the application of or excise tax or other penalties under Section 409A. Further, no effect shall be given to any provision herein in a manner that reasonably could be expected to give rise to adverse tax consequences under Section 409A. Neither the Company nor its current or former employees, officers, directors, representatives or agents shall have any liability to any current or former Outside Director with respect to any accelerated taxation, additional taxes, penalties or interest for which any current or former Outside Director may become liable in the event that any amounts payable under the Plan are determined to violate Section 409A.

The Board of Directors may amend or discontinue the Plan at any time and from time to time; provided, however, that (a) unless otherwise required by law, no amendment, alteration or discontinuation shall be made which would impair the rights of an Outside Director with respect to any option or RSU which has been granted under the Plan without such individual's consent and (b) no amendment shall be effective without the approval of the stockholders of the Company if stockholder approval of the amendment is then required pursuant to Rule 16b-3 under the Securities Exchange Act of 1934, as amended, the applicable rules of any national securities exchange or NASDAQ, or the Delaware corporation law or other applicable laws.

13. Effective Date

The effective date of this Plan is July 18, 2007, the date on which it was adopted by the Board of Directors; provided, however, that this Plan is subject to approval by the holders of the Company's Class A Stock, per value \$.01 per share. The Plan shall terminate on July 18, 2017.

14. Governing Law

The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware.

SCHOLASTIC CORPORATION
2007 OUTSIDE DIRECTORS' STOCK INCENTIVE PLAN
Restricted Stock Unit Agreement

SCHOLASTIC CORPORATION, a Delaware corporation (the "Company"), hereby grants to _____ (the "Outside Director") One Thousand Two Hundred (1,200) Restricted Stock Units in respect of shares of common stock, par value \$.01 per share, of the Company (the "Common Stock"), in all respects subject to the terms and provisions of the Scholastic Corporation 2007 Outside Directors' Stock Incentive Plan (the "Plan"), which terms and provisions are incorporated by reference herein. Unless the context herein otherwise requires, the terms defined in the Plan shall have the same meanings in this Agreement.

1. Grant Date. The Restricted Stock Units are granted effective as of September __, 20__ ("Grant Date").

2. Vesting and Payment. The Restricted Stock Units shall vest and shares of Common Stock shall be issued to the Outside Director in settlement thereof as follows:

(a) Except as provided in Section 2(c) of this Agreement, 100% of the Restricted Stock Units granted by this Agreement shall vest on September __, 20__, the expiration of the twelve (12) month period beginning on the Grant Date, provided that the Outside Director shall have continuously served as an Outside Director of the Company from the Grant Date through the date of vesting.

(b) One share of Common Stock shall be issued to the Outside Director with respect to each vested Restricted Stock Unit on the vesting date of the Restricted Stock Units. The certificate or certificates for the Common Stock issued to the Outside Director shall be registered in the name of the Outside Director and may bear a legend as required under the Plan and/or under applicable law.

(c) In the event that an Outside Director shall cease to serve as an Outside Director prior to expiration of the twelve (12) month period beginning on the Grant Date for any reason other than death or disability, all of the Restricted Stock Units shall be forfeited immediately upon such cessation of services. In the event that an Outside Director shall cease to serve on the Board but shall have been designated as a Director Emeritus, such Outside Director shall be deemed to have ceased to serve as an Outside Director for purposes of determining the vesting and payment of the Restricted Stock Units. In the event that an Outside Director shall cease to serve as an Outside Director prior to expiration of the twelve (12) month period beginning on the Grant Date by reason of death or (as determined by the Board on the basis of all the facts and circumstances) disability, all of the Restricted Stock Units shall become immediately vested upon such cessation of services and shares of Common Stock in respect of the Restricted Stock Units shall be issued to the Outside Director as provided in Section 2(b) of this Agreement.

3. Nontransferability of Restricted Stock Unit. The Restricted Stock Units may not be sold, pledged, assigned, hypothecated, gifted, transferred or disposed of in any manner either voluntarily or involuntarily by operation of law, other than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as provided by the Internal Revenue Code of 1986 or the rules thereunder. Subject to the foregoing and the terms of the Plan, the terms of this Restricted Stock Unit Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Outside Director.

4. Restrictions on Common Stock Issuance. Common Stock shall not be issued to the Outside Director following the vesting of the Restricted Stock Units if the issuance of the Common Stock would constitute a violation of any applicable federal or state securities laws or other laws or regulations. As a condition to the issuance of Common Stock, the Company may require the Outside Director to make any representation and warranty to the Company as may be required by any applicable law or regulation.

5. No Shareholder Rights before Issuance of Common Stock. No rights as a shareholder shall exist with respect to the Common Stock as a result of the grant of the Restricted Stock Units. Such rights shall exist only after issuance of a stock certificate following the vesting of the Restricted Stock Units as provided in this Agreement and the Plan.

6. No Enlargement of Rights. Neither the Plan nor the Restricted Stock Units granted hereunder shall confer upon the Outside Director any right to continue as a Director of the Company. The Outside Director shall have only such rights and interests as are expressly provided in this Agreement and the Plan.

7. Withholding Tax Liability. In connection with the vesting of the Restricted Stock Units or the issuance of Common Stock in settlement thereof, the Company and the Outside Director may incur liability for income withholding tax. The Outside Director understands and agrees that if the Company is required to withhold part or all of the Outside Director's annual or meeting fees to pay any such withholding tax, and that if such fees are insufficient, the Company may require the Outside Director, as a condition of the issuance of Common Stock under this Agreement, to pay in cash the amount of any such withholding tax liability.

8. Effect of the Plan on Restricted Stock Unit. The Restricted Stock Unit Agreement is subject to, and the Company and the Outside Director agree to be bound by, all of the terms and conditions of the Plan, as such may be amended from time to time in accordance with the terms thereof, provided that no such amendment shall deprive the Outside Director, without his or her consent, of the Restricted Stock Units or any rights hereunder. Pursuant to the Plan, the Board is authorized to adopt rules and regulations, consistent with the Plan and as it shall deem appropriate and proper with regard to the

Plan. A copy of the Plan in its present form is available for inspection by the Outside Director during the Company's business hours at the Company's principal office.

9. Entire Agreement. The terms of this Agreement and the Plan constitute the entire agreement between the Company and the Outside Director with respect to the Restricted Stock Units and supersede any and all previous agreements between the Company and the Outside Director with respect thereto.

10. Severability. If any provision of this Agreement, or the application of such provision to any person or circumstances, is held valid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held valid or unenforceable, shall not be affected thereby.

11. Section 409A of the Code. It is the intention of the parties to this Restricted Stock Unit Agreement that no payment or entitlement pursuant to this Restricted Stock Unit Agreement will give rise to any adverse tax consequences to the Outside Director under Section 409A of the Code or the regulations and other interpretive guidance issued thereunder, including that issued after the date hereof (collectively, "Section 409A"). The Restricted Stock Unit Agreement and the Plan shall be interpreted to that end and, consistent with that objective and notwithstanding any provision herein or the Plan to the contrary, the Company may unilaterally take any action it deems necessary or desirable to amend any provision herein or in the Plan to avoid the application of, or the excise tax under, Section 409A. Further, no effect shall be given to any provision in the Plan or this Agreement in a manner that reasonably could be expected to give rise to adverse tax consequences under Section 409A. Although the Company shall consult with the Outside Director in good faith regarding implementation of this Section 11, neither the Company nor its current or former employees, officers, directors, agents or representatives shall have any liability to the Outside Director with respect to any additional taxes, excise taxes, accelerated taxation, penalties or interest for which the Outside Director may become liable in the event that any amounts under this Agreement are determined to violate Section 409A.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above.

OUTSIDE DIRECTOR

SCHOLASTIC CORPORATION

By: _____

Name: Richard Robinson
Title: Chairman of the Board, Chief
Executive Officer & President

SCHOLASTIC CORPORATION 2001 STOCK INCENTIVE PLAN
(Amended and Restated as of September 23, 2008)

ARTICLE I
PURPOSE

The purpose of this Scholastic Corporation 2001 Stock Incentive Plan is to enhance the profitability and value of the Company for the benefit of its stockholders by enabling the Company to offer employees of, and Consultants to, the Company and its Affiliates stock-based incentives in the Company, thereby creating a means to raise the level of stock ownership by employees and Consultants in order to attract, retain and reward such individuals and strengthen the mutuality of interests between such individuals and the Company's stockholders.

ARTICLE II
DEFINITIONS

For purposes of this Plan, the following terms shall have the following meanings:

2.1 "ACQUISITION EVENT" has the meaning set forth in Section 4.2(d).

2.2 "AFFILIATE" means each of the following: (i) any Subsidiary; (ii) any Parent; (iii) any corporation, trade or business (including, without limitation, a partnership or limited liability company) which is directly or indirectly controlled 50% or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) by the Company or one of its Affiliates; (iv) any corporation, trade or business (including, without limitation, a partnership or limited liability company) which directly or indirectly controls 50% or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) of the Company or a Parent; and (v) any other entity in which the Company or any of its Affiliates has a material equity interest and which is designated as an "Affiliate" by resolution of the Committee.

2.3 "AWARD" means any award under this Plan of any (a) Stock Option; (b) Restricted Stock; (c) Other Stock-Based Award; or (d) other award providing benefits similar to (a) through (c) designed to meet the requirements of a Foreign Jurisdiction.

2.4 "AWARD AGREEMENT" means, with respect to each Award, a written agreement between the Company and the Participant setting forth the terms and conditions of the Award, including, without limitation, a Stock Option Agreement and Restricted Stock Agreement.

2.5 "BOARD" means the Board of Directors of the Company.

2.6 "CAUSE" shall mean, with respect to the Termination of Employment of an employee or Termination of Consultancy of a Consultant, (1) in the case where there is no employment agreement or consultancy agreement between the Company or an Affiliate and the Participant in effect at the time of the relevant grant or where there is an employment agreement or consultancy agreement in effect at such time, but such agreement does not define "cause" (or words of like import), termination due to a Participant's dishonesty, fraud, insubordination, willful misconduct, refusal to perform services (for any reason other than illness or incapacity) or materially unsatisfactory performance of his or her duties for the Company or an Affiliate, as determined by

the Committee in its sole discretion; or (2) in the case where there is an employment agreement or consultancy agreement between the Company or an Affiliate and the Participant in effect at the time of grant that defines cause (or words of like import), termination that is or would be deemed to be “for cause” (or words of like import) as defined under such employment agreement or consultancy agreement at the time of grant, as determined by the Committee in its sole discretion.

2.7 “CODE” means the Internal Revenue Code of 1986, as amended. Any reference to any section of the Code shall also be a reference to any successor provision.

2.8 “COMMITTEE” means a committee or subcommittee of the Board appointed from time to time by the Board, which committee or subcommittee shall consist of two or more non-employee directors, each of whom is intended to be, to the extent required by Rule 16b-3, a “non-employee director” as defined in Rule 16b-3 and, to the extent required by Section 162(m) of the Code and any regulations thereunder, an “outside director” as defined under Section 162(m) of the Code; provided, however, that if and to the extent that no Committee exists which has the authority to administer this Plan, the functions of the Committee shall be exercised by the Board and all references herein to the Committee shall be deemed to be references to the Board.

2.9 “COMMON STOCK” means the Common Stock, \$.01 par value per share, of the Company.

2.10 “COMPANY” means Scholastic Corporation, a Delaware corporation, and its successors by operation of law.

2.11 “CONSULTANT” means any advisor or consultant to the Company or its Affiliates.

2.12 “DISABILITY” means (1) in the case where there is no employment agreement or consultancy agreement between the Company or an Affiliate and the Participant in effect at the time of the relevant grant, or where there is an employment agreement or consultancy agreement in effect at such time, but such agreement does not define disability, total and permanent disability, as defined in Section 22(e)(3) of the Code, as determined by the Committee in its sole discretion; or (2) in the case where there is an employment agreement or consultancy agreement between the Company or an Affiliate and the Participant at the time of the relevant grant that defines disability, disability as defined under such employment agreement or consultancy agreement, as determined by the Committee in its sole discretion.

2.13 “EFFECTIVE DATE” means the effective date of this Plan as defined in Article XIV.

2.14 “ELIGIBLE EMPLOYEE” means each employee of the Company or an Affiliate.

2.15 “EXCHANGE ACT” means the Securities Exchange Act of 1934, as amended. Any references to any section of the Exchange Act shall also be a reference to any successor provision.

2.16 “FAIR MARKET VALUE” means, unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, as of any date, the mean between the high and low sales prices of a share of 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. (“NASDAQ”) or (ii) if not traded on any such national securities exchange or NASDAQ the mean of the closing bid and asked prices of a share of Common Stock as reported by 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, NASDAQ or any automated quotation system sponsored by the National Association of Securities Dealers, Inc., its Fair Market Value shall be set in good faith by the Committee. Notwithstanding anything herein to the contrary, with respect to Incentive Stock Options, "Fair Market Value" means the price for Common Stock set by the Committee in good faith based on reasonable methods set forth under Section 422 of the Code and the regulations thereunder including, without limitation, a method utilizing the average of prices of the Common Stock reported on the principal national securities exchange on which it is then traded during a reasonable period designated by the Committee. For purposes of the grant of any Stock Option, the applicable date shall be the date for which a mean sales price is available at the time of grant.

2.17 "FAMILY MEMBER" means, solely to the extent provided for in Securities Act Form S-8, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the employee's household (other than a tenant or employee), a trust in which these persons have more than 50% of the beneficial interest, a foundation in which these persons (or the employee) control the management of assets, and any other entity in which these persons (or the employee) own more than 50% of the voting interests or as otherwise defined in Securities Act Form S-8.

2.18 "FOREIGN JURISDICTION" means any jurisdiction outside of the United States including, without limitation, countries, states, provinces and localities.

2.19 "INCENTIVE STOCK OPTION" means any Stock Option awarded to an Eligible Employee under this Plan intended to be, and designated as, an "Incentive Stock Option" within the meaning of Section 422 of the Code.

2.20 "NON-QUALIFIED STOCK OPTION" means any Stock Option awarded under this Plan that is not an Incentive Stock Option.

2.21 "OTHER STOCK-BASED AWARD" means an Award of Common Stock and other Awards made pursuant to Article VIII that are valued in whole or in part by reference to, or are payable in or otherwise based on, Common Stock, including, without limitation, an Award valued by reference to performance of an Affiliate.

2.22 "PARENT" means any parent corporation of the Company within the meaning of Section 424(e) of the Code.

2.23 "PARTICIPANT" means any Eligible Employee or Consultant to whom an Award has been made under this Plan.

2.24 "PERFORMANCE GOALS" has the meaning set forth in Section 9.1.

2.25 "PLAN" means this Scholastic Corporation 2001 Stock Incentive Plan, as amended from time to time.

2.26 "RESTRICTED STOCK" means an Award of shares of Common Stock under this Plan that is subject to restrictions under Article VII.

2.27 “RESTRICTION PERIOD” has the meaning set forth in Section 7.3(a) with respect to Restricted Stock or Other Stock-Based Awards.

2.28 “RULE 16B-3” means Rule 16b-3 under Section 16(b) of the Exchange Act as then in effect or any successor provisions.

2.29 “SECTION 162(M) OF THE CODE” means Section 162(m) of the Code and any Treasury regulations thereunder.

2.30 “SECURITIES ACT” means the Securities Act of 1933, as amended. Any reference to any section of the Securities Act shall also be a reference to any successor provision.

2.31 “STOCK OPTION” or “OPTION” means any option to purchase shares of Common Stock granted to Eligible Employees or Consultants under Article VI.

2.32 “SUBSIDIARY” means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.

2.33 “TEN PERCENT STOCKHOLDER” means a person owning stock possessing more than 10% of the total combined voting power of all classes of stock of the Company, its Subsidiaries or its Parent.

2.34 “TERMINATION OF CONSULTANCY” means (i) the expiration of the contract (or in the case of more than one contract, all contracts) under which services are performed by the Consultant for the Company or an Affiliate; or (ii) when an entity which is retaining a Participant as a Consultant ceases to be an Affiliate unless the Participant otherwise is, or thereupon becomes, a Consultant to the Company or another Affiliate at the time the entity ceases to be an Affiliate. In the event that a Consultant becomes an Eligible Employee or a non-employee director upon the termination of his or her consultancy, the Committee, in its sole and absolute discretion, may determine that no Termination of Consultancy shall be deemed to occur until such time as such individual is no longer a Consultant, an Eligible Employee or a non-employee director. Notwithstanding the foregoing, the Committee may otherwise define Termination of Consultancy in the Award Agreement or, if no rights of a Participant are reduced, may otherwise define Termination of Consultancy thereafter.

2.35 “TERMINATION OF EMPLOYMENT” means: (i) a termination of employment (for reasons other than a military or personal leave of absence granted by the Company) of a Participant from the Company and its Affiliates; or (ii) when an entity which is employing a Participant ceases to be an Affiliate, unless the Participant otherwise is, or thereupon becomes, employed by the Company or another Affiliate at the time the entity ceases to be an Affiliate. In the event that an Eligible Employee becomes a Consultant or non-employee director upon the termination of his or her employment, the Committee, in its sole and absolute discretion, may determine that no Termination of Employment shall be deemed to occur until such time as such individual is no longer an Eligible Employee, a Consultant or a non-employee director. Notwithstanding the foregoing, the Committee may otherwise define Termination of Employment in the Award Agreement or, if no rights of a Participant are reduced, may otherwise define Termination of Employment thereafter.

2.36 “TRANSFER” means (a) when used as a noun, any direct or indirect transfer, sale, assignment, pledge, hypothecation, encumbrance or other disposition (including the issuance of

equity in a Person), whether for value or no value and whether voluntary or involuntary (including by operation of law), and (b) when used as a verb, to directly or indirectly transfer, sell, assign, pledge, hypothecate, encumber, or otherwise dispose of (including the issuance of equity in a Person), whether for value or no value and whether voluntarily or involuntarily (including by operation of law).

ARTICLE III ADMINISTRATION

3.1 THE COMMITTEE. The Plan shall be administered and interpreted by the Committee. If for any reason the appointed Committee does not meet the requirements of Rule 16b-3 or Section 162(m) of the Code, such noncompliance with the requirements of Rule 16b-3 or Section 162(m) of the Code shall not affect the validity of Awards, grants, interpretations or other actions of the Committee.

3.2 GRANTS OF AWARDS. The Committee shall have full authority to grant to Eligible Employees and Consultants, pursuant to the terms of this Plan, (i) Stock Options, (ii) Restricted Stock, (iii) Other Stock-Based Awards or (iv) other awards providing benefits similar to (i) through (iii) designed to meet the requirements of Foreign Jurisdictions. All Awards shall be granted by, confirmed by, and subject to the terms of, a written Award Agreement executed by the Company and the Participant. In particular, the Committee shall have the authority:

(a) to select the Eligible Employees and Consultants to whom Awards may from time to time be granted hereunder;

(b) to determine whether and to what extent Awards, including any combination of two or more Awards, are to be granted hereunder to one or more Eligible Employees or Consultants;

(c) to determine, in accordance with the terms of this Plan, the number of shares of Common Stock to be covered by each Award granted hereunder;

(d) to determine the terms and conditions, not inconsistent with the terms of this Plan, of any Award granted hereunder (including, but not limited to, the exercise or purchase price (if any), any restriction or limitation, any vesting schedule or acceleration thereof and any forfeiture restrictions or waiver thereof, regarding any Award and the shares of Common Stock relating thereto, based on such factors, if any, as the Committee shall determine, in its sole discretion);

(e) to determine whether and under what circumstances or method a Stock Option may be settled;

(f) to determine whether a Stock Option is an Incentive Stock Option or Non-Qualified Stock Option or whether an Award is intended to satisfy Section 162(m) of the Code;

(g) to determine whether to require an Eligible Employee or Consultant, as a condition of the granting of any Award, not to sell or otherwise dispose of shares of Common Stock acquired pursuant to the exercise of an Option or an Award for a period of time as determined by the Committee, in its sole discretion, following the date of the acquisition of such Option or Award;

(h) to modify, extend or renew an Award, subject to Articles XI and XV herein, provided, however, that if an Award is modified, extended or renewed and thereby deemed to be the issuance of a new Award under the Code or the applicable accounting rules, the exercise price of an Award may continue to be the original exercise price even if less than the Fair Market Value of the Common Stock at the time of such modification, extension or renewal; and

(i) to offer to buy out an Option previously granted, based on such terms and conditions as the Committee shall establish and communicate to the Participant at the time such offer is made.

3.3 GUIDELINES. Subject to Articles XI and XV hereof, the Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing this Plan and perform all acts, including the delegation of its administrative responsibilities, as it shall, from time to time, deem advisable; to construe and interpret the terms and provisions of this Plan and any Award issued under this Plan (and any agreements relating thereto); and to otherwise supervise the administration of this Plan. The Committee may correct any defect, supply any omission or reconcile any inconsistency in this Plan or in any Award Agreement relating thereto in the manner and to the extent it shall deem necessary to effectuate the purpose and intent of this Plan. The Committee may adopt special guidelines and provisions for persons who are residing in, or subject to the taxes of, Foreign Jurisdictions to comply with applicable tax, securities and other laws and may impose any limitations and restrictions that it deems necessary to comply with the applicable tax, securities and other laws of such Foreign Jurisdictions. To the extent applicable, this Plan is intended to comply with Section 162(m) of the Code and the applicable requirements of Rule 16b-3 and shall be limited, construed and interpreted in a manner so as to comply therewith.

3.4 DECISIONS FINAL. Any decision, interpretation or other action made or taken in good faith by or at the direction of the Company, the Board or the Committee (or any of its members) arising out of or in connection with this Plan shall be within the absolute discretion of all and each of them, as the case may be, and shall be final, binding and conclusive on the Company and all employees and Participants and their respective heirs, executors, administrators, successors and assigns.

3.5 RELIANCE ON COUNSEL. The Company, the Board or the Committee may consult with legal counsel, who may be counsel for the Company or other counsel, with respect to its obligations or duties hereunder, or with respect to any action or proceeding or any question of law, and shall not be liable with respect to any action taken or omitted by it in good faith pursuant to the advice of such counsel.

3.6 PROCEDURES. If the Committee is appointed, the Board shall designate one of the members of the Committee as chairman and the Committee shall hold meetings, subject to the By-Laws of the Company, at such times and places as it shall deem advisable. A majority of the Committee members shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination reduced to writing and signed by all the Committee members, in accordance with the By-Laws of the Company, shall be fully as effective as if it had been made by a vote at a meeting duly called and held. The Committee shall keep minutes of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable.

3.7 DESIGNATION OF CONSULTANTS/LIABILITY.

(a) The Committee may designate employees of the Company and Affiliates and professional advisors to assist the Committee in the administration of this Plan and may grant authority to officers to execute Award Agreements or other documents on behalf of the Committee.

(b) The Committee may employ such legal counsel, consultants and agents as it may deem desirable for the administration of this Plan and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent. Expenses incurred by the Committee in the engagement of any such counsel, consultant or agent shall be paid by the Company. The Committee, its members and any employee of the Company or Affiliate designated pursuant to Paragraph (a) above shall not be liable for any action or determination made in good faith with respect to this Plan. To the maximum extent permitted by applicable law, no officer of the Company or Affiliate or member or former member of the Committee shall be liable for any action or determination made in good faith with respect to this Plan or any Award granted under it. To the maximum extent permitted by applicable law or the Certificate of Incorporation or By-Laws of the Company (or if applicable, of an Affiliate) and to the extent not covered by insurance, each officer and member or former member of the Committee shall be indemnified and held harmless by the Company (or if applicable, an Affiliate) against any cost or expense (including reasonable fees of counsel reasonably acceptable to the Company) or liability (including any sum paid in settlement of a claim with the approval of the Company), and shall be advanced amounts necessary to pay the foregoing at the earliest time and to the fullest extent permitted, arising out of any act or omission to act in connection with this Plan, except to the extent arising out of such officer's, member's or former member's own fraud or bad faith. Such indemnification shall be in addition to any rights of indemnification the officers, directors or members or former officers, directors or members may have under applicable law or under the Certificate of Incorporation or By-Laws of the Company or any Affiliate. Notwithstanding anything else herein, this indemnification will not apply to the actions or determinations made by an individual with regard to Awards granted to him or her under this Plan.

ARTICLE IV SHARE AND OTHER LIMITATIONS

4.1 SHARES.

(a) GENERAL LIMITATION. The aggregate number of shares of Common Stock which may be issued or used for reference purposes under this Plan or with respect to which Awards may be granted shall not exceed 6,000,000 shares of Common Stock (subject to any increase or decrease pursuant to Section 4.2) with respect to all types of Awards. The shares of Common Stock available under this Plan may be either authorized and unissued Common Stock or Common Stock held in or acquired for the treasury of the Company. If any Stock Option granted under this Plan expires, terminates or is canceled for any reason without having been exercised in full or, with respect to Stock Options, the Company repurchases any Stock Option, the number of shares of Common Stock underlying such unexercised or repurchased Stock Option shall again be available for the purposes of Awards under this Plan. If any shares of Restricted Stock awarded under this Plan to a Participant are forfeited or repurchased by the Company for any reason, the number of forfeited or repurchased shares of Restricted Stock shall again be available for the purposes of Awards under this Plan. If Common Stock has been

delivered or exchanged by a Participant as full or partial payment to the Company of an exercise price or the price of the purchase of an Award other than an Incentive Stock Option, the number of shares of Common Stock exchanged as payment in connection with the exercise or purchase shall again be available for purposes of determining the number of shares of Common Stock available for Awards other than Incentive Stock Options. If Common Stock has been delivered by a Participant for payment of withholding taxes, or if the number of shares of Common Stock otherwise deliverable has been reduced for payment of withholding taxes, the number of shares of Common Stock delivered by such Participant or reduced for payment of withholding taxes shall again be available for purposes of determining the number of shares of Common Stock available for Awards other than Incentive Stock Options.

(b) INDIVIDUAL PARTICIPANT LIMITATIONS.

(i) The maximum number of shares of Common Stock subject to any Stock Option or other Award intended to comply with Section 162(m) of the Code which may be granted under this Plan during any fiscal year of the Company to each Eligible Employee or Consultant shall be 250,000 shares per type of Award (subject to any increase or decrease pursuant to Section 4.2).

(ii) There are no annual individual Eligible Employee or Consultant share limitations on Restricted Stock awards unless the grant of such Award or the lapse of the relevant Restriction Period is subject to attainment of Performance Goals in accordance with Article IX hereof.

(iii) The individual Participant limitations set forth in this Section 4.1(b) shall be cumulative; that is, to the extent that shares of Common Stock for which Awards are permitted to be granted to an Eligible Employee or a Consultant during a fiscal year are not covered by an Award to such Eligible Employee or Consultant in a fiscal year, the number of shares of Common Stock available for Awards to such Eligible Employee or Consultant shall automatically increase in the subsequent fiscal years during the term of the Plan until used.

4.2 CHANGES.

(a) The existence of this Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company or any Affiliate, any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting Common Stock, the dissolution or liquidation of the Company or any Affiliate, any sale or transfer of all or part of the assets or business of the Company or any Affiliate or any other corporate act or proceeding.

(b) Subject to the provisions of Section 4.2(d), in the event of any change in the capital structure or business of the Company by reason of any stock split, reverse stock split, stock dividend, combination or reclassification of shares, recapitalization, or other change in the capital structure of the Company, non-cash distribution with respect to its outstanding Common Stock or capital stock other than Common Stock, merger, consolidation, spin-off, reorganization, partial or complete liquidation, issuance of rights or warrants to purchase any Common Stock or securities convertible into Common Stock, or any other corporate transaction or event having an effect similar to any of the foregoing and effected, then the aggregate number and kind of shares which thereafter may be issued under this Plan, the number and kind of shares or other property (including cash) to be issued upon exercise of an outstanding Stock Option or other Award

granted under this Plan and the purchase price thereof shall be appropriately adjusted consistent with such change in such manner as, and to the extent that, the Committee may deem equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, Participants under this Plan, and any such adjustment determined by the Committee in good faith shall be final, binding and conclusive on the Company and all Participants and employees and their respective heirs, executors, administrators, successors and assigns.

(c) Fractional shares of Common Stock resulting from any adjustment in Options or Awards pursuant to Section 4.2(b) shall be aggregated until, and eliminated at, the time of exercise by rounding-down for fractions less than one-half and rounding-up for fractions equal to or greater than one-half. No cash settlements shall be made with respect to fractional shares eliminated by rounding. Notice of any adjustment shall be given by the Committee to each Participant whose Award has been adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of this Plan.

(d) In the event of a merger or consolidation in which the Company is not the surviving entity or in the event of any transaction that results in the acquisition of substantially all of the Company's outstanding Common Stock by a single person or entity or by a group of persons and/or entities acting in concert, or in the event of the sale or transfer of all or substantially all of the Company's assets (all of the foregoing being referred to as "Acquisition Events"), then the Committee may, in its sole discretion, terminate, effective as of the date of the Acquisition Event, all outstanding Stock Options and Other Stock-Based Awards with respect to which a Participant has a right to exercise, by delivering notice of termination to each Participant at least 30 days prior to the date of consummation of the Acquisition Event, in which case during the period from the date on which such notice of termination is delivered to the consummation of the Acquisition Event, each such Participant shall have the right to exercise in full all of such Awards held by the Participant that are then outstanding (without regard to any limitations on exercisability otherwise contained in the Stock Option or Award Agreements), but any such exercise shall be contingent upon and subject to the occurrence of the Acquisition Event, and, provided that, if the Acquisition Event does not take place within a specified period after giving such notice for any reason whatsoever, the notice and exercise pursuant thereto shall be null and void.

If an Acquisition Event occurs but the Committee does not terminate the outstanding Stock Options pursuant to this Section 4.2(d), then the provisions of Section 4.2(b) shall apply.

4.3 MINIMUM PURCHASE PRICE. Notwithstanding any provision of this Plan to the contrary, if authorized but previously unissued shares of Common Stock are issued under this Plan, such shares shall not be issued for a consideration which is less than as permitted under applicable law.

ARTICLE V ELIGIBILITY

5.1 GENERAL ELIGIBILITY. All Eligible Employees and Consultants and prospective employees of and Consultants to the Company and its Affiliates are eligible to be granted Non-Qualified Stock Options, Restricted Stock, Other Stock-Based Awards and awards providing benefits similar to each of the foregoing designed to meet the requirements of Foreign Jurisdictions under this Plan. Eligibility for the grant of an Award and actual participation in this Plan shall be determined by the Committee in its sole discretion. The vesting and exercise of

Awards granted to a prospective employee or Consultant are conditioned upon such individual actually becoming an Eligible Employee or Consultant.

5.2 INCENTIVE STOCK OPTIONS. All Eligible Employees of the Company, its Subsidiaries and its Parent (if any) are eligible to be granted Incentive Stock Options under this Plan. Eligibility for the grant of an Award and actual participation in this Plan shall be determined by the Committee in its sole discretion.

ARTICLE VI STOCK OPTIONS

6.1 STOCK OPTIONS. Each Stock Option granted hereunder shall be one of two types: (i) a Non-Qualified Stock Option; or (ii) an Incentive Stock Option intended to satisfy the requirements of Section 422 of the Code.

6.2 GRANTS. The Committee shall have the authority to grant to any Eligible Employee one or more Non-Qualified Stock Options, Incentive Stock Options or both types of Stock Options. To the extent that any Stock Option does not qualify as an Incentive Stock Option (whether because of its provisions or the time or manner of its exercise or otherwise), such Stock Option, or the portion thereof which does not qualify, shall constitute a separate Non-Qualified Stock Option. The Committee shall have the authority to grant to any Consultant one or more Non-Qualified Stock Options. Notwithstanding any other provision of this Plan to the contrary or any provision in an Award Agreement evidencing the grant of a Stock Option to the contrary, any Stock Option granted to an Eligible Employee of an Affiliate (other than an Affiliate which is a Parent or a Subsidiary) shall be a Non-Qualified Stock Option.

6.3 TERMS OF STOCK OPTIONS. Stock Options granted under this Plan shall be subject to the following terms and conditions, and shall be in such form and contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem desirable:

(a) EXERCISE PRICE. The exercise price per share of Common Stock shall be determined by the Committee, but shall not be less than 100% of the Fair Market Value of a share of Common Stock at the time of grant; provided, however, that if an Incentive Stock Option is granted to a Ten Percent Stockholder, the exercise price shall be no less than 110% of the Fair Market Value of the Common Stock at the time of grant.

(b) STOCK OPTION TERM. The term of each Stock Option shall be fixed by the Committee; provided, however, that no Stock Option shall be exercisable more than 10 years after the date such Stock Option is granted; and further provided that the term of an Incentive Stock Option granted to a Ten Percent Stockholder shall not exceed 5 years.

(c) EXERCISABILITY. Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee at grant. If the Committee provides, in its discretion, that any Stock Option is exercisable subject to certain limitations (including, without limitation, that such Stock Option is exercisable only in installments or within certain time periods), the Committee may waive such limitations on exercisability at any time at or after grant in whole or in part (including, without limitation, waiver of the installment exercise provisions or acceleration of the time at which such Stock

Option may be exercised), based on such factors, if any, as the Committee shall determine, in its sole discretion.

(d) **METHOD OF EXERCISE.** Subject to whatever installment exercise and waiting period provisions apply under Paragraph (c) above, Stock Options may be exercised in whole or in part at any time and from time to time during the Stock Option term by giving written notice of exercise to the Company specifying the number of shares to be purchased. Such notice shall be accompanied by payment in full of the purchase price as follows:

(i) in cash or by check, bank draft or money order payable to the order of the Company;

(ii) if the Common Stock is traded on a national securities exchange, The Nasdaq Stock Market, Inc. or quoted on a national quotation system sponsored by the National Association of Securities Dealers, through a “cashless exercise” procedure whereby the Participant delivers irrevocable instructions to a broker to deliver promptly to the Company an amount equal to the purchase price; or

(iii) on such other terms and conditions as may be acceptable to the Committee (including, without limitation, the relinquishment of Stock Options or by payment in full or in part in the form of Common Stock owned by the Participant for any minimum period necessary to avoid an accounting charge to the Company’s earnings on its financial statements (and for which the Participant has good title free and clear of any liens and encumbrances) based on the Fair Market Value of the Common Stock on the payment date as determined by the Committee). No shares of Common Stock shall be issued until payment therefor, as provided herein, has been made or provided for.

(e) **INCENTIVE STOCK OPTION LIMITATIONS.** To the extent that the aggregate Fair Market Value (determined as of the time of grant) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an Eligible Employee during any calendar year under this Plan and/or any other stock option plan of the Company, any Subsidiary or any Parent exceeds \$100,000, such Options shall be treated as Non-Qualified Stock Options. In addition, if an Eligible Employee does not remain employed by the Company, any Subsidiary or any Parent at all times from the time an Incentive Stock Option is granted until 3 months prior to the date of exercise thereof (or such other period as required by applicable law), such Stock Option shall be treated as a Non-Qualified Stock Option. Should any provision of this Plan not be necessary in order for the Stock Options to qualify as Incentive Stock Options, or should any additional provisions be required for such purpose, the Committee may amend this Plan accordingly, without the necessity of obtaining the approval of the stockholders of the Company.

(f) **FORM, MODIFICATION, EXTENSION AND RENEWAL OF STOCK OPTIONS.** Subject to the terms and conditions and within the limitations of this Plan, Stock Options shall be evidenced by such form of Award Agreement or grant as is approved by the Committee, and the Committee may (i) modify, extend or renew outstanding Stock Options granted under this Plan (provided that the rights of a Participant are not reduced without his or her consent), and (ii) accept the surrender of outstanding Stock Options (up to the extent not theretofore exercised) and authorize the granting of new Stock Options in substitution therefor (to the extent not theretofore exercised).

(g) OTHER TERMS AND CONDITIONS. Options may contain such other provisions, which shall not be inconsistent with any of the foregoing terms of this Plan, as the Committee shall deem appropriate including, without limitation, permitting “reloads” such that the same number of Options are granted as the number of shares used to pay for the exercise price of Options and/or shares used to pay withholding taxes (“Reloads”). With respect to Reloads, the exercise price of the new Stock Option shall be the Fair Market Value on the date of the “reload” and the term of the Stock Option shall be the same as the remaining term of the Options that are exercised, if applicable, or such other exercise price and term as determined by the Committee.

ARTICLE VII RESTRICTED STOCK

7.1 AWARDS OF RESTRICTED STOCK. Shares of Restricted Stock may be issued to Eligible Employees or Consultants either alone or in addition to other Awards granted under this Plan. The Committee shall determine the Eligible Employees or Consultants to whom, and the time or times at which, grants of Restricted Stock will be made, the number of shares to be awarded, the price (if any) to be paid by the recipient (subject to Section 7.2), the time or times within which such Awards may be subject to forfeiture, the vesting schedule and rights to acceleration thereof, and all other terms and conditions of the Awards.

7.2 AWARDS AND CERTIFICATES. An Eligible Employee or Consultant selected to receive Restricted Stock shall not have any rights with respect to such Award, unless and until such Participant has delivered to the Company a fully executed copy of the applicable Award Agreement relating thereto and has otherwise complied with the applicable terms and conditions of such Award. Further, such Award shall be subject to the following conditions:

(a) PURCHASE PRICE. The purchase price of Restricted Stock shall be fixed by the Committee. Subject to Section 4.3, the purchase price for shares of Restricted Stock may be zero to the extent permitted by applicable law, and, to the extent not so permitted, such purchase price may not be less than par value.

(b) ACCEPTANCE. Awards of Restricted Stock must be accepted within a period of 30 days (or such shorter period as the Committee may specify at grant) after the Award date by executing a Restricted Stock Award Agreement and by paying whatever price (if any) the Committee has designated thereunder.

(c) CUSTODY. Shares of Restricted Stock shall be recorded by book entry by the transfer agent, unless the Committee elects to use another system, and no stock certificates evidencing shares of Common Stock relating to the Restricted Stock shall be issued until the restrictions thereon shall have lapsed.

7.3 RESTRICTIONS AND CONDITIONS ON RESTRICTED STOCK AWARDS. Shares of Restricted Stock awarded pursuant to this Plan shall be subject to Article XIII and the following restrictions and conditions:

(a) RESTRICTION PERIOD; VESTING AND ACCELERATION OF VESTING. The Participant shall not be permitted to Transfer shares of Restricted Stock awarded under this Plan during the period or periods set by the Committee (the “Restriction Period”) commencing on the date of such Award, as set forth in the Restricted Stock Award Agreement, and such agreement shall set forth a vesting schedule and any events which would accelerate vesting of the

shares of Restricted Stock. Within these limits, based on service, attainment of Performance Goals pursuant to Article IX below and/or such other factors or criteria as the Committee may determine in its sole discretion, the Committee may provide for the lapse of such restrictions in installments in whole or in part, or may accelerate the vesting of all or any part of any Restricted Stock Award and/or waive the deferral limitations for all or any part of any Restricted Stock Award.

(b) **RIGHTS AS STOCKHOLDER.** Except as provided in this Paragraph (b) and Paragraph (a) above and as otherwise determined by the Committee, the Participant shall have, with respect to the shares of Restricted Stock, the rights of a holder of shares of Common Stock of the Company to receive any dividends and the right to vote such shares. The Committee may, in its sole discretion, determine at the time of grant that the payment of dividends shall be deferred until, and conditioned upon, the expiration of the applicable Restriction Period.

(c) **LAPSE OF RESTRICTIONS.** If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock subject to such Restriction Period, the certificates for such shares shall be delivered at the direction of the Participant. All legends shall be removed from said certificates at the time of such delivery to the Participant except as otherwise required by applicable law or other limitations imposed by the Committee.

ARTICLE VIII OTHER STOCK-BASED AWARDS

8.1 **OTHER AWARDS.** Other Stock-Based Awards may be granted either alone or in addition to or in tandem with Stock Options or Restricted Stock. Subject to the provisions of this Plan, the Committee shall have authority to determine the persons to whom and the time or times at which such Awards shall be made, the number of shares of Common Stock to be awarded pursuant to such Awards, and all other conditions of the Awards. The Committee may also provide for the grant of Common Stock under such Awards upon the completion of a specified performance period.

8.2 **TERMS AND CONDITIONS.** Other Stock-Based Awards made pursuant to this Article VIII shall be subject to the following terms and conditions:

(a) **NON-TRANSFERABILITY.** Subject to the applicable provisions of the Award Agreement and this Plan, shares of Common Stock subject to Awards made under this Article VIII may not be Transferred prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses.

(b) **DIVIDENDS.** Unless otherwise determined by the Committee at the time of Award, subject to the provisions of the Award Agreement and this Plan, the recipient of an Award under this Article VIII shall be entitled to receive, currently or on a deferred basis, dividends or dividend equivalents with respect to the number of shares of Common Stock covered by the Award, as determined at the time of the Award by the Committee, in its sole discretion.

(c) **VESTING.** Any Award under this Article VIII and any Common Stock covered by any such Award shall vest or be forfeited to the extent so provided in the Award Agreement, as determined by the Committee, in its sole discretion.

(d) WAIVER OF LIMITATION. The Committee may, in its sole discretion, waive in whole or in part any or all of the limitations imposed hereunder (if any) with respect to any or all of an Award under this Article VIII.

(e) PRICE. Subject to the next sentence, Common Stock or Other Stock-Based Awards issued on a bonus basis under this Article VIII may be issued for no cash consideration; Common Stock or Other Stock-Based Awards purchased pursuant to a purchase right awarded under this Article VIII shall be priced as determined by the Committee. Subject to Section 4.3, the purchase price of shares of Common Stock or Other Stock-Based Awards may be zero to the extent permitted by applicable law, and, to the extent not so permitted, such purchase price may not be less than par value. The purchase of shares of Common Stock or Other Stock-Based Awards may be made on either an after-tax or pre-tax basis, as determined by the Committee; provided, however, that if the purchase is made on a pre-tax basis, such purchase shall be made pursuant to a deferred compensation program established by the Committee, which will be deemed a part of this Plan.

ARTICLE IX PERFORMANCE GOALS

9.1 PERFORMANCE GOALS, FORMULAE OR STANDARDS. The Committee may condition the grant or vesting of Stock Options, Restricted Stock or Other Stock-Based Awards upon the attainment of specified performance goals ("Performance Goals"), including established Performance Goals intended to meet the requirements of qualified performance-based compensation under Section 162(m) of the Code ("Qualified Performance-Based Compensation"), or such other factors as the Committee may determine, in its sole discretion. If the grant of shares pursuant to an Award or the lapse of restrictions of an Award is intended to constitute Qualified Performance-Based Compensation, the Committee shall establish the Performance Goals and the applicable vesting percentage of the Award applicable to each Participant or class of Participants in writing prior to the beginning of the applicable fiscal year or at such later date as otherwise determined by the Committee and while the outcome of the Performance Goals are substantially uncertain. Such Performance Goals may incorporate provisions for disregarding (or adjusting for) changes in accounting methods, corporate transactions (including, without limitation, dispositions and acquisitions) and other similar type events or circumstances. With regard to an Award that is intended to constitute Qualified Performance-Based Compensation, to the extent any such provision would create impermissible discretion under Section 162(m) of the Code or otherwise violate Section 162(m) of the Code, such provision shall be of no force or effect. The applicable Performance Goals shall be based on one or more of the Performance Criteria set forth in Exhibit A hereto. Qualified Performance-Based Compensation does not include any amount or portion of any amount that will be paid either regardless of performance, or based upon a level of performance that is substantially certain to be met at the time the criteria is established. Compensation may be Qualified Performance-Based Compensation where the amount will be paid regardless of satisfaction of the performance criteria due to the Participant's death, Disability, or a Change in Control event (as defined in Treasury Regulations § 1.409A-3(i)(5)(i)), provided that a payment made under such circumstances without regard to the satisfaction of the performance criteria will not constitute Qualified Performance-Based Compensation. Restricted Stock Awards or Other Stock-Based Awards intended to be Qualified Performance-Based Compensation under Code Section 162(m)(4)(C) shall not be payable prior to attainment of the relevant Performance Goals; provided, however, that (i) the Committee may provide, either in connection with the grant of an Award of Restricted Stock or Other Stock-Based Award or by amendment thereafter, that

achievement of such performance goals will be waived upon the death or disability (within the meaning of Code Section 162(m)) of the Participant, or in connection with a change in ownership or control of the Company (within the meaning of Code Section 162(m)) and, (ii) solely with respect to performance periods commencing on or prior to December 31, 2008, the Committee may also provide for such waiver upon Termination of Employment or Termination of Consultancy (as applicable) by reason of retirement on or after age 55 in accordance with the Company's standard retirement policies, involuntary termination without Cause, or resignation for good reason, as may be determined by the Committee.

ARTICLE X
NON-TRANSFERABILITY AND TERMINATION OF
EMPLOYMENT/CONSULTANCY

10.1 NON-TRANSFERABILITY. Except as otherwise provided herein, no Stock Option shall be Transferable by the Participant otherwise than by will or by the laws of descent and distribution. Except as otherwise provided herein, all Stock Options shall be exercisable, during the Participant's lifetime, only by the Participant. Shares of Restricted Stock under Article VII may not be Transferred prior to the date on which shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses. No Award shall, except as otherwise specifically provided by law or herein, be Transferable in any manner, and any attempt to Transfer any such Award shall be void, and no such Award shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person who shall be entitled to such Award, nor shall it be subject to attachment or legal process for or against such person. Notwithstanding any provision herein to the contrary, the Committee may determine at the time of grant or thereafter that a Non-Qualified Stock Option that is otherwise not Transferable pursuant to this Section 10.1 is Transferable to, and exercisable by, a Family Member in whole or in part and in such circumstances, and under such conditions, as specified by the Committee. A Non-Qualified Stock Option that is Transferred to a Family Member during the pursuant to the preceding sentence (i) may not be subsequently Transferred during the employee's lifetime other than to the employee or another Family Member and (ii) remains subject to the terms of this Plan and the Award Agreement.

10.2 TERMINATION OF EMPLOYMENT OR TERMINATION OF CONSULTANCY. The following rules apply with regard to the Termination of Employment or Termination of Consultancy of a Participant:

(a) RULES APPLICABLE TO STOCK OPTIONS. Unless otherwise determined by the Committee at grant or, if no rights of the Participant are reduced, thereafter:

(i) TERMINATION BY REASON OF DEATH OR DISABILITY. If a Participant's Termination of Employment or Termination of Consultancy is by reason of death, or Disability, all Stock Options held by such Participant shall become fully exercisable on the date of such Termination of Employment or Termination of Consultancy and may be exercised by the Participant (or, in the case of death, by the legal representative of the Participant's estate) at any time within a period of one year from the date of such Termination of Employment or Termination of Consultancy, but in no event beyond the expiration of the stated terms of such Stock Options.

(ii) TERMINATION BY REASON OF RETIREMENT. In the event of a Participant's Termination of Employment on or after age 55 in accordance with the Company's

standard retirement policies, all Stock Options held by such Participant may be exercised, to the extent exercisable at the Participant's Termination of Employment, by the Participant at any time within a period of three years from the date of such Termination of Employment, but in no event beyond the expiration of the stated terms of such Stock Options.

(iii) INVOLUNTARY TERMINATION WITHOUT CAUSE. If a Participant's Termination of Employment or Termination of Consultancy is by involuntary termination without Cause, all Stock Options held by such Participant may be exercised, to the extent exercisable at Termination of Employment or Termination of Consultancy, by the Participant at any time within a period of 90 days from the date of such Termination of Employment or Termination of Consultancy, but in no event beyond the expiration of the stated term of such Stock Options.

(iv) TERMINATION FOR CAUSE OR FOR ANY REASON OTHER THAN DEATH, DISABILITY, RETIREMENT OR INVOLUNTARY TERMINATION WITHOUT CAUSE. If a Participant's Termination of Employment or Termination of Consultancy is for Cause, all Stock Options held by such Participant shall thereupon terminate and expire as of the date of such Termination of Employment or Termination of Consultancy. If a Participant's Termination of Employment or Termination of Consultancy is for any reason other than Cause, death, Disability, retirement (as described in clause (ii) above), or other than an involuntary Termination of Employment or Termination of Consultancy without Cause, including, without limitation, a voluntary Termination of Employment or Termination of Consultancy, all Stock Options held by such Participant may be exercised, to the extent exercisable at Termination of Employment or Termination of Consultancy, by the Participant at any time within a period of 90 days from the date of such Termination of Employment or Termination of Consultancy, but in no event beyond the expiration of the stated term of such Stock Options.

10.3 RULES APPLICABLE TO RESTRICTED STOCK AND OTHER STOCK-BASED AWARDS. Subject to the applicable provisions of the Award Agreement and this Plan and except as provided in Section 9.1 hereof with respect to Qualified Performance-Based Compensation, upon a Participant's Termination of Employment or Termination of Consultancy for any reason during the relevant Restriction Period or other period specified in the Award Agreement, all unvested Restricted Stock and Other Stock-Based Awards will vest or be forfeited in accordance with the terms and conditions established by the Committee at grant or thereafter.

ARTICLE XI TERMINATION OR AMENDMENT OF PLAN

Notwithstanding any other provision of this Plan, the Board or the Committee may at any time, and from time to time, amend, in whole or in part, any or all of the provisions of this Plan (including any amendment deemed necessary to ensure that the Company may comply with any regulatory requirement referred to in Article XIII), or suspend or terminate it entirely, retroactively or otherwise; provided, however, that, unless otherwise required by law or specifically provided herein, the rights of a Participant with respect to Awards granted prior to such amendment, suspension or termination may not be impaired without the consent of such Participant and, provided further, without the approval of the stockholders of the Company in accordance with the Company's Certificate of Incorporation and the laws of the State of Delaware, to the extent required by the applicable provisions of Rule 16b-3 or Section 162(m) of the Code or, to the extent applicable to Incentive Stock Options, Section 422 of the Code, no amendment may be made which would (i) increase the aggregate number of shares of Common

Stock that may be issued under this Plan; (ii) increase the maximum individual Participant limitations for a fiscal year under Section 4.1(b); (iii) change the classification of employees or Consultants eligible to receive Awards under this Plan; (iv) decrease the minimum option price of any Stock Option; (v) extend the maximum option period under Section 6.3; (vi) materially alter the Performance Criteria for Awards as set forth in Exhibit A; or (vii) require stockholder approval in order for this Plan to continue to comply with the applicable provisions of Section 162(m) of the Code or, to the extent applicable to Incentive Stock Options, Section 422 of the Code.

The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, but, subject to Article IV above or as otherwise specifically provided herein, no such amendment or other action by the Committee shall impair the rights of any holder without the holder's consent.

**ARTICLE XII
UNFUNDED PLAN**

12.1 UNFUNDED STATUS OF PLAN. This Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments as to which a Participant has a fixed and vested interest but which are not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company.

**ARTICLE XIII
GENERAL PROVISIONS**

13.1 LEGEND. The Committee may require each person receiving shares pursuant to an Award under this 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 any shares issued under the Plan shall include any legend which the Committee deems appropriate to reflect any restrictions on Transfer if the shares of Common Stock available under Plan are no longer registered under a Securities Act Form S-8 or any successor form. All certificates for shares of Common Stock delivered under this Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable 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.

13.2 OTHER PLANS. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

13.3 NO RIGHT TO EMPLOYMENT/CONSULTANCY. Neither this Plan nor the grant of any Award hereunder shall give any Participant or other employee or Consultant any right with respect to continuance of employment or Consultancy by the Company or any Affiliate, nor shall they be a limitation in any way on the right of the Company or any Affiliate by which an

employee is employed or a Consultant is retained to terminate his or her employment or Consultancy at any time.

13.4 WITHHOLDING OF TAXES. The Company shall have the right to deduct from any payment to be made to a Participant, or to otherwise require, prior to the issuance or delivery of any shares of Common Stock or the payment of any cash hereunder, payment by the Participant of, any minimum Federal, state or local taxes required by law to be withheld. Upon the vesting of Restricted Stock, or upon making an election under Code Section 83(b), a Participant shall pay all required withholding to the Company.

Any such withholding obligation with regard to any Participant may be satisfied, subject to the consent of the Committee, by reducing the number of shares of Common Stock otherwise deliverable by the Company or by delivering shares of Common Stock already owned by the Participant. Any fraction of a share of Common Stock required to satisfy such tax obligations shall be disregarded and the amount due shall be paid instead in cash by the Participant.

13.5 LISTING AND OTHER CONDITIONS.

(a) Unless otherwise determined by the Committee, as long as the Common Stock is listed on a national securities exchange or system sponsored by a national securities association, the issue of any shares of Common Stock pursuant to an Award shall be conditioned upon such shares being listed on such exchange or system. The Company shall have no obligation to issue such shares unless and until such shares are so listed, and the right to exercise any Stock Option with respect to such shares shall be suspended until such listing has been effected.

(b) If at any time counsel to the Company shall be of the opinion that any sale or delivery of shares of Common Stock pursuant to an Award is or may in the circumstances be unlawful or result in the imposition of excise taxes on the Company under the statutes, rules or regulations of any applicable jurisdiction, the Company shall have no obligation to make such sale or delivery, or to make any application or to effect or to maintain any qualification or registration under the Securities Act or otherwise with respect to shares of Common Stock or Awards, and the right to exercise any Stock Option shall be suspended until, in the opinion of said counsel, such sale or delivery shall be lawful or will not result in the imposition of excise taxes on the Company.

(c) Upon termination of any period of suspension under this Section 13.5, any Award affected by such suspension which shall not then have expired or terminated shall be reinstated as to all shares available before such suspension and as to shares which would otherwise have become available during the period of such suspension, but no such suspension shall extend the term of any Stock Option.

(d) A Participant shall be required to supply the Company with any certificates, representations and information that the Company requests and otherwise cooperate with the Company in obtaining any listing, registration, qualification, exemption, consent or approval the Company deems necessary or appropriate.

13.6 GOVERNING LAW. This Plan shall be governed and construed in accordance with the laws of the State of Delaware (regardless of the law that might otherwise govern under applicable Delaware principles of conflict of laws).

13.7 CONSTRUCTION. Wherever any words are used in this Plan in the masculine gender they shall be construed as though they were also used in the feminine gender in all cases where they would so apply, and wherever any words are used herein in the singular form they shall be construed as though they were also used in the plural form in all cases where they would so apply.

13.8 OTHER BENEFITS. No Award payment under this Plan shall be deemed compensation for purposes of computing benefits under any retirement plan of the Company or its subsidiaries nor affect any benefits under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation.

13.9 COSTS. The Company shall bear all expenses incurred in administering this Plan, including expenses of issuing Common Stock pursuant to any Awards hereunder.

13.10 NO RIGHT TO SAME BENEFITS. The provisions of Awards need not be the same with respect to each Participant, and such Awards to individual Participants need not be the same in subsequent years.

13.11 DEATH/DISABILITY. The Committee may in its discretion require the transferee of a Participant to supply it with written notice of the Participant's death or Disability and to supply it with a copy of the will (in the case of the Participant's death) or such other evidence as the Committee deems necessary to establish the validity of the transfer of an Award. The Committee may also require the agreement of the transferee to be bound by all of the terms and conditions of this Plan.

13.12 SECTION 16(B) OF THE EXCHANGE ACT. All elections and transactions under this Plan by persons subject to Section 16 of the Exchange Act involving shares of Common Stock are intended to comply with any applicable exemptive condition under Rule 16b-3. The Committee may establish and adopt written administrative guidelines, designed to facilitate compliance with Section 16(b) of the Exchange Act, as it may deem necessary or proper for the administration and operation of this Plan and the transaction of business hereunder.

13.13 SUCCESSOR AND ASSIGNS. This Plan shall be binding on all successors and permitted assigns of a Participant, including, without limitation, the estate of such Participant and the executor, administrator or trustee of such estate.

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

13.15 HEADINGS AND CAPTIONS. The headings and captions herein are provided for reference and convenience only, shall not be considered part of this Plan, and shall not be employed in the construction of this Plan.

ARTICLE XIV EFFECTIVE DATE OF PLAN

This Plan became effective upon its adoption by the Board and was approved by the stockholders of the Company in accordance with the requirements of the Company's Certificate of Incorporation and the laws of the State of Delaware. The Plan is hereby amended and restated

on September 23, 2008, which amendment and restatement is effective January 1, 2005; provided, however, that the restatement date for such provisions as were amended prior to the date hereof and after January 1, 2005 shall become effective as of the effective date of the pertinent amendment.

ARTICLE XV
TERM OF PLAN

No Award shall be granted pursuant to this Plan on or after, July 18, 2011 (the tenth anniversary) of the date this Plan was adopted by the Board, but Awards granted prior to such tenth anniversary may extend beyond that date.

PERFORMANCE CRITERIA

Performance Goals established for purposes of conditioning the grant of an Award based on performance or the vesting of performance-based Awards shall be based on one or more of the following performance criteria ("Performance Criteria"): (i) the attainment of certain target levels of, or a specified percentage increase in, revenues, income before income taxes and extraordinary items, net income, earnings before income tax, earnings before interest, taxes, depreciation and amortization or a combination of any or all of the foregoing; (ii) the attainment of certain target levels of, or a percentage increase in, after-tax or pre-tax profits including, without limitation, that attributable to continuing and/or other operations; (iii) the attainment of certain target levels of, or a specified increase in, operational cash flow; (iv) the achievement of a certain level of, reduction of, or other specified objectives with regard to limiting the level of increase in, all or a portion of the Company's bank debt or other long-term or short-term public or private debt or other similar financial obligations of the Company, which may be calculated net of such cash balances and/or other offsets and adjustments as may be established by the Committee; (v) the attainment of a specified percentage increase in earnings per share or earnings per share from continuing operations; (vi) the attainment of certain target levels of, or a specified increase in, return on capital employed or return on invested capital; (vii) the attainment of certain target levels of, or a percentage increase in, after-tax or pre-tax return on stockholders' equity; (viii) the attainment of certain target levels of, or a specified increase in, economic value added targets based on a cash flow return on investment formula; (ix) the attainment of certain target levels in the fair market value of the shares of the Company's Common Stock; and (x) the growth in the value of an investment in the Company's Common Stock assuming the reinvestment of dividends. For purposes of item (i) above, "extraordinary items" shall mean all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to a corporate transaction (including, without limitation, a disposition or acquisition) or related to a change in accounting principle, all as determined in accordance with standards established by Opinion No. 30 of the Accounting Principles Board.

In addition, such Performance Criteria may be based upon the attainment of specified levels of Company (or subsidiary, division or other operational unit of the Company) performance under one or more of the measures described above relative to the performance of other corporations. To the extent permitted under Code Section 162(m), but only to the extent permitted under Code Section 162(m) (including, without limitation, compliance with any requirements for stockholder approval), the Committee may: (i) designate additional business criteria on which the Performance Criteria may be based or (ii) adjust, modify or amend the aforementioned business criteria.

AMENDMENT NO. 1 TO THE

SCHOLASTIC CORPORATION 2001 STOCK INCENTIVE PLAN

WHEREAS, Scholastic Corporation (the “Company”) maintains the Scholastic

Corporation 2001 Stock Incentive Plan (the “Plan”); and

WHEREAS, pursuant to Article XI of the Plan, the Company reserved the right, by action of its Board of Directors or its Human Resources and Compensation Committee (the “Committee”), to amend the Plan from time to time; and

WHEREAS, the Committee desires to amend the Plan.

NOW, THEREFORE, effective with respect to Stock Options granted on or after July 21, 2009, the Plan is amended as follows:

Section 10.2(a)(ii) of the Plan is amended in its entirety with the following:

Termination by Reason of Retirement. In the event of a Participant’s Termination of Employment or Termination of Consultancy on or after age 55 with at least ten years of continuous employment, in accordance with the Company’s standard retirement policies, all Stock Options held by such Participant shall become fully exercisable on the date of the Participant’s Termination of Employment or Termination of Consultancy, and may be exercised by the Participant at any time within a period of three years from the date of such Termination of Employment or Termination of Consultancy, but in no event beyond the expiration of the stated terms of such Stock Options.

2. Except as otherwise provided herein, the Plan is ratified and confirmed and shall continue in full force and effect.

**STOCK UNIT AGREEMENT UNDER THE SCHOLASTIC CORPORATION
2001 STOCK INCENTIVE PLAN**

This Agreement (the "Agreement") is entered into as of _____, by and between Scholastic Corporation (the "Company") and _____ (the "Participant").

WITNESSETH:

WHEREAS, the Company has adopted the Scholastic Corporation 2001 Stock Incentive Plan (the "Plan"), which is administered by a Committee appointed by the Company's Board of Directors (the "Committee"); and

WHEREAS, pursuant to Section 3.3 of the Plan, the Committee also adopted guidelines for the grant of Stock Units under the Plan (the "Guidelines"), which constitute an Other Stock-Based Award under the Plan.

NOW, THEREFORE, for and in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Grant of Stock Units.

Subject to the restrictions and other conditions set forth herein, the Committee has authorized this grant of Stock Units on _____ (the "Grant Date").

2. Vesting and Payment.

(a) Except as provided in Section 2(c) of this Agreement, 25% of the Award of Stock Units shall vest on a date that is thirteen months after the Grant Date ("Initial Vesting Date") and an additional 25% of such Award of Stock Units shall vest on each succeeding anniversary of the Grant Date, provided that the Participant is continuously employed by the Company or any of its Affiliates (including any period during which the Participant is on leave of absence or any other break in employment in accordance with the Company's policies and procedures) on each applicable vesting date.

(b) Except as provided in Section 2(c) and Section 2A.4 of this Agreement, a share of Common Stock shall be distributed with respect to each vested Stock Unit on the applicable vesting date.

(c) Upon a Termination of Employment or Termination of Consultancy (as applicable) by the Participant for Good Reason (which termination complies with the Guidelines' notice, remedial period and timing of termination for Good Reason provisions), by the Company without Cause or as a result of the Participant's death or Disability, all outstanding unvested Stock Units shall immediately vest and a share of Common Stock with respect to each Stock Unit shall be distributed within ninety

(90) days following such termination; *provided, however*, that, if a Participant has made a deferral election with respect to such Award, the foregoing accelerated vesting and

payment provisions shall not apply to the Award if the Participant's Termination of Employment or Termination of Consultancy (as applicable) under the circumstances described herein occurs on or before the Initial Vesting Date; *provided, further, however*, that, the foregoing accelerated vesting and payment provisions shall apply to any unvested Stock Units covered by such Award if the Participant's Termination of Employment or Termination of Consultancy (as applicable) under the circumstances described herein occurs after the Initial Vesting Date. Upon a Termination of Employment or Termination of Consultancy (as applicable) by reason of a Participant's Retirement after the Initial Vesting Date of an Award, for a period of three years from the date of such Termination of Employment or Termination of Consultancy, unvested Stock Units will continue to vest and shares of Common Stock with respect to such Stock Units shall be distributed on the applicable vesting dates in accordance with the vesting schedule that would have been in effect but for the Termination of Employment or Termination of Consultancy; provided, however, that the foregoing provisions shall not apply if the Termination of Employment or Termination of Consultancy shall occur prior to the Initial Vesting Date of the Award. Notwithstanding the foregoing, to the extent required by Section 409A of the Code and the Treasury Regulations upon a Termination of Employment or Termination of Consultancy (other than as a result of death) of a Specified Employee, distributions determined, in whole or in part, to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code shall be delayed until six months after such Termination of Employment or Termination of Consultancy if such termination constitutes a "separation from service" (within the meaning of Section 409A(a)(2)(A)(i) of the Code and the Treasury regulations issued thereunder) and such distribution shall be made at the beginning of the seventh month following the date of the Specified Employee's Termination of Employment or Termination of Consultancy.

(d) Except as otherwise provided in Section 2(c) of this Agreement, Stock Units that are not vested as of the date of the Participant's Termination of Employment or Termination of Consultancy for any reason shall terminate and be forfeited in their entirety as of the date of such termination. Stock Units that are vested as of the date of the Participant's Termination of Employment or Termination of Consultancy, as applicable, shall be distributed to the Participant as of the date of such termination.

(e) Notwithstanding anything in these guidelines to the contrary, no distribution shall be made upon a Participant's Termination of Employment or a Termination of Consultancy unless such termination constitutes a "separation from service" within the meaning of Section 409A(a)(2)(A)(i) of the Code and the Treasury regulations issued thereunder.

2A. Deferral of Payment Date.

2A.1 *Deferral Election.* In accordance with the Guidelines, the Participant may, no later than 30 days after the Grant Date, elect to defer, for a period of time (expressed in whole years) of not less than five years, the scheduled payment dates of the Stock Units covered by the Award,

provided that:

(a) in order for a deferral election under this Section 2A.1 to be effective, the Participant must make the election at least twelve (12) months prior to the first date on which the first payment is scheduled to vest;

(b) a deferral election made by the Participant pursuant to this Section 2A.1 shall defer each scheduled payment date by the same period of time elected (*e.g.*, if a Participant elects a deferral period of five years, the Stock Units scheduled to be paid on October 19, 2010 will be paid on October 19, 2015, the Stock Units scheduled to be paid on September 19, 2011 will be paid on September 19, 2016, etc.); and

(c) the Participant may not elect a deferral period (expressed in whole years) that is less than five years, measured from each of the payment dates.

2A.2 Subsequent Deferral Elections. The Participant shall also be permitted to extend the deferred payment dates he or she elected pursuant to Section 2A.1, provided that: (a) in order to be effective, the Participant must make the subsequent deferral election at least twelve (12) months prior to the first scheduled deferred payment date; (b) a subsequent deferral election made by the Participant pursuant to this Section 2A shall defer each previously deferred payment date by the same period of time (expressed in whole years) of not less than five years; and (c) the Participant's subsequent deferral election will not become effective until twelve (12) months after the date on which it is made.

2A.3 Procedures. The Participant must make any deferral election permitted under this section in writing on the election form and in accordance with the procedures established by the Company. A deferral election is valid solely with respect to the Stock Units identified on the election form and must comply with the requirements of Section 2A to be given effect.

2A.4 Deferred Distributions. If the Participant defers the payment of Stock Units under this section, the distribution of such units, to the extent vested, shall be made to the Participant on the earlier of: (a) the deferred payment date or (b) within 90 days following the Participant's Termination of Employment or Termination of Consultancy, as applicable, subject to the special rules in such section applicable to distributions to Specified Employees.

2A.5 Section 409A. This Agreement is intended to comply with Section 409A of the Code and the Company shall construe, interpret and amend the provisions of this Agreement in such manner as the Company deems

necessary, in its sole discretion, to comply with Section 409A of the Code but in no event shall the foregoing provisions or any other provision of this Agreement, the Plan or the Guidelines be construed as a guarantee by the Company of any particular tax treatment.

3. Withholding.

Participant shall pay, or make arrangements to pay, in a manner satisfactory to the Company, an amount equal to the minimum amount of all applicable federal, state and local or foreign taxes that the Company is required to withhold at any time. In the absence of such arrangements, the Company or one of its Affiliates shall have the right to withhold such taxes from the Participant's normal pay or other amounts payable to the Participant. In addition, any statutorily required withholding obligation may be satisfied, in whole or in part, at the Participant's election, in the form and manner prescribed by the Committee, by delivery of shares of Common Stock (including shares issuable under this Agreement).

4. Plan and Guidelines.

In addition to the terms and conditions set forth herein, the Stock Units are subject to and governed by the terms and conditions set forth in the Plan and the Guidelines, which are hereby incorporated by reference. Unless otherwise indicated, any capitalized term used but not defined herein shall have the meaning ascribed to such term in the Plan and the Guidelines.

5. Restrictions on Sale.

Affiliates may resell Common Stock only pursuant to an effective registration statement under the Securities Act, pursuant to Rule 144 under the Securities Act, or pursuant to another exemption from registration under the Securities Act.

6. Amendment.

To the extent applicable, the Board or the Committee may at any time and from time to time amend, in whole or in part, any or all of the provisions of this Agreement to comply with Section 409A of the Code and the regulations thereunder or any other applicable law and may also amend, suspend or terminate this Agreement subject to the terms of the Plan.

7. Notices.

Any notice given hereunder shall be in writing and shall be deemed to have been duly given: (i) when delivered in person; (ii) two (2) days after being sent by United States mail; or (iii) on the first business day following the date of deposit if delivered by a nationally recognized overnight delivery service, to the appropriate party at the address set forth below (or such other address as the party shall from time to time specify): If to the Company, to:

Scholastic Corporation
557 Broadway
New York, New York 10012
Attention: Corporate Secretary Department

If to the Participant, to the most recent address on file with the Company.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above.

SCHOLASTIC CORPORATION

By: _____

Title: _____

PARTICIPANT

SCHOLASTIC CORPORATION
GUIDELINES FOR STOCK UNITS
GRANTED UNDER THE
SCHOLASTIC CORPORATION 2001 STOCK INCENTIVE PLAN
(As Amended and Restated as of July 21, 2009)

Grants of Stock Units (as defined below) under the Scholastic Corporation 2001 Stock Incentive Plan (the "Plan") shall be subject to, and governed by, the provisions set forth in these guidelines, the Plan (including, without limitation, Article VIII) and the applicable Award Agreement. An Award of Stock Units shall constitute an Other Stock-Based Award under the Plan. Unless otherwise indicated, any capitalized term used but not defined in these guidelines shall have the meaning ascribed to such term in the Plan.

To the extent applicable, these guidelines are intended to comply with the applicable requirements of Section 409A of the Code (and the regulations thereunder) and shall be limited, construed and interpreted in a manner so as to comply therewith.

The Company initially adopted these guidelines effective as of September 20, 2004. The Company amended and restated these guidelines effective as of May 25, 2006 in order to include a deferral feature that complies with the requirements of Section 409A of the Code. The Company amended and restated these guidelines as of September 23, 2008, effective as of January 1, 2005, in order to provide for deferrals of performance-based awards and comply with the requirements of Treasury Regulations issued under Section 409A. The Company hereby amends and restates these guidelines effective with respect to awards of Stock Units made on or after July 21, 2009 to modify the treatment of Stock Units upon Termination of Employment or Consultancy. These guidelines are part of the Plan and shall expire in accordance with Article XV thereof.

1. **Definitions.** For purposes of these guidelines, the following definitions shall apply:

1.1. "Cause" means, solely for purposes of the grant of Stock Units and notwithstanding the definition of Cause in the Plan: (a) in the case where there is no employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of the Stock Unit (or where there is such an agreement but it does not define "cause" (or words of like import)) any of the following as determined by the Committee in its good faith discretion: (i) willful misconduct of the Participant with regard to the Company; (ii) willful refusal of the Participant to follow the proper direction of the Board or any individual to whom the Participant reports; (iii) the Participant's fraud or dishonesty with regard to the Company (other than good faith expense account disputes); or (iv) the Participant's conviction of, or plea of guilty or nolo contendere to, a felony or other crime involving moral turpitude; or (b) in the case where there is an employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of a Stock Unit that defines "cause" (or words of like import), "cause" as defined under such agreement; provided, however, that with regard to any agreement under which the definition of "cause" only applies on occurrence of a change in control, such definition of "cause" shall not apply until a change in control actually takes place and then only with regard to a termination thereafter.

1.2. “Disability” means, solely for purposes of the grant of Stock Units and notwithstanding the definition of Disability in the Plan, the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

1.3. “Retirement” means a Termination of Employment or Consultancy on or after age 55 and at least 10 years of continuous of service with the Company or its Affiliates in accordance with the Company’s standard retirement policies.

1.4. “Specified Employee” or “Key Employee” shall mean such persons as shall be determined by the Company.

1.5. “Stock Unit” means a restricted stock unit, which is a unit of measurement equivalent to one share of Common Stock but with none of the attendant rights of a holder of a share of Common Stock until a share of Common Stock is ultimately distributed in payment of the obligation (other than the right to receive dividend equivalent amounts in accordance with Section 4 hereof). Upon distribution, all vested Stock Units shall be paid solely in the form of shares of Common Stock.

1.6. “Unforeseeable Emergency” means a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent (as described in Section 152(a) of the Code, without regard to Section 152(b), (b)(2) and (d)(1)(B)) of a Participant, loss of the Participant’s property due to casualty or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

2. Eligibility. Any Eligible Employee or Consultant (or prospective employee of the Company or any of its Affiliates or prospective Consultant) who is designated by the Committee is eligible to receive Stock Units pursuant to these guidelines. Notwithstanding the foregoing, no such person shall be eligible to defer the payment of Stock Units unless such person is an Eligible Employee who is a member of a select group of management and highly compensated employees within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA. To the extent a Participant is no longer considered a member of a select group of management and highly compensated employees within the meaning of Section 201(2), 301(a)(3) and 401(a)(1) of ERISA, the Committee may deem such Participant ineligible to defer any additional Stock Units and all then unvested Stock Units shall continue to vest in accordance with the applicable vesting schedule and all vested Stock Units shall be payable in accordance with the Participant’s then existing elections, subject to the terms of these guidelines.

3. Vesting of Stock Units and Payment.

3.1. Except as otherwise provided in Section 3.3 hereof, Stock Units shall vest in accordance with the vesting schedule and conditions set forth in the relevant Award Agreement, provided that the Participant is continuously employed by (or continuously provides consulting services to) the Company or any of its Affiliates (including any period during which the Participant is on leave of absence or any other break in employment in accordance with the Company’s policies and procedures) on each applicable vesting date and, provided further, that no portion of such Award shall vest or be payable earlier than the date that is thirteen (13) months after the date of its grant (“Initial Vesting Date”). An Award Agreement may condition the grant or vesting of Stock Units upon the attainment of Performance Goals, including established Performance Goals intended to meet the requirements of qualified-performance-based compensation under Section 162(m) of the Code, or such other factors as the Committee may determine, in its sole discretion.

3.2. Except as otherwise provided in this Section 3 or in Section 4.2 hereof, the Company shall distribute one share of Common Stock with respect to each vested Stock Unit on the applicable vesting date.

3.3. (a) For awards granted on or after July 21, 2009, subject to the limitations set forth in Section 3.4 below, upon a Termination of Employment or Termination of Consultancy (as applicable) by reason of a Participant's Retirement after the Initial Vesting Date of an Award, for a period of three years from the date of Termination of Employment or Termination of Consultancy, unvested Stock Units will continue to vest and shares of Common Stock with respect to such Stock Units shall be distributed on the applicable vesting date in accordance with the vesting schedule that would have been in effect pursuant to Section 3.1 but for the Termination of Employment or Termination of Consultancy. The foregoing provision shall not apply if the Termination of Employment or Termination of Consultancy shall occur prior to the Initial Vesting Date of the Award. Notwithstanding the foregoing, to the extent required by Section 409A of the Code and Treasury regulations, upon a Termination of Employment or Termination of Consultancy (other than as a result of death) of a Specified Employee, distributions under the Plan determined, in whole or in part, to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code shall be delayed until six months after such Termination of Employment or Termination of Consultancy if such termination constitutes a "separation from service" (within the meaning of Section 409A(a)(2)(A)(i) of the Code and the Treasury regulations issued thereunder) and such distributions shall be made at the beginning of the seventh month following the date of the Specified Employee's Termination of Employment or Termination of Consultancy.

(b) Subject to the limitations set forth in Section 3.4 below, in the case of awards granted prior to July 21, 2009, upon a Termination of Employment or Termination of Consultancy (as applicable) by a Participant for (i) Good Reason by written notice to the Company within thirty (30) days after the occurrence of the condition giving rise to such claim of Good Reason, which condition is not fully corrected by the Company within thirty (30) days of receipt of such notice and which termination of employment occurs no later than ninety (90) days after the occurrence of the condition giving rise to the claim of Good Reason, (ii) by the Company without Cause or (iii) as a result of a Participant's death, Disability or Retirement, all outstanding unvested Stock Units shall immediately vest and a share of Common Stock with respect to each Stock Unit shall be distributed within 90 days of such termination; *provided, however*, that, if a Participant makes a deferral election with respect to an Award, the foregoing accelerated vesting and payment provisions shall not apply to such Award if the Participant's Termination of Employment or Termination of Consultancy (as applicable) under the circumstances described herein occurs on or before the Initial Vesting Date; *provided, further, however*, that, the foregoing accelerated vesting and payment provisions shall apply to such Award if the Participant's Termination of Employment or Termination of Consultancy (as applicable) under the circumstances described herein occurs after the Initial Vesting Date. Notwithstanding anything herein or in the Plan to the contrary, to the extent required by Section 409A of the Code and Treasury regulations, upon a Termination of Employment or Termination of Consultancy (other than as a result of death) of a Specified Employee, distributions under the Plan determined, in whole or in part, to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code shall be delayed until six months after such Termination of Employment or Termination of Consultancy if such termination constitutes a "separation from service" (within the meaning of Section 409A(a)(2)(A)(i) of the Code and the Treasury regulations issued thereunder) and such distributions shall be made at the beginning of the seventh month following the date of the Specified Employee's Termination of Employment or Termination of Consultancy.

Solely for purpose of this Section 3.3(b), "Retirement" means a Termination of Employment or Consultancy on or after age 55 in accordance with the Company's standard retirement policies and "Good Reason" mean (a) in the case where there is no employment agreement, consulting agreement, change in

control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of the Stock Unit (or where there is such an agreement but it does not define "good reason" (or words of like import)) any of the following as determined by the Committee in its good faith discretion: (i) a material diminution of a Participant's then duties, responsibilities or authority; or (ii) a material decrease in a Participant's annual rate of base salary (other than an across-the-board decrease); or (b) in the case where there is an employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of a Stock Unit that defines "good reason" (or words of like import), "good reason" as defined under such agreement; provided, however, that with regard to any agreement under which the definition of "good reason" only applies on occurrence of a change in control, such definition of "good reason" shall not apply until a change in control actually takes place and then only with regard to a termination thereafter.

3.4 Notwithstanding anything in these guidelines to the contrary, an Award of Stock Units intended to be qualified performance-based compensation under Code Section 162(m)(4)(C) shall not be payable prior to attainment of the relevant Performance Goals.

3.5 Notwithstanding anything in these guidelines to the contrary, no distribution shall be made upon a Participant's Termination of Employment or a Termination of Consultancy unless such termination constitutes a "separation from service" within the meaning of Section 409A(a)(2)(A)(i) of the Code and the Treasury regulations issued thereunder.

3.6 Except as provided in these Guidelines, Stock Units that are not vested as of the date of a Participant's Termination of Employment or Termination of Consultancy for any reason shall terminate and be forfeited in their entirety on the date of such termination.

4. Deferral of Payment Date.

4.1(a) (i) *September 2004 Stock Unit Grants - Special Rules.* With respect to the payment of a portion of the Stock Units granted on September 20, 2004, a Participant may elect to defer, for a period of time (expressed in whole years), of not less than five years, the scheduled payment date of September 20, 2007 (the date on which the third tranche of such Award (relating to 25% of the Award) is scheduled to vest and be paid) and the scheduled payment date of September 20, 2008 (the date on which the fourth and last tranche of the Award (relating to an additional 25% of the Award) is scheduled to vest and be paid) provided that: (A) in order for a deferral election under this Section 4.1(a)(i) to be effective, the Participant must make the election prior to September 20, 2006; (B) a deferral election made by a Participant pursuant to this Section 4.1(a)(i) shall defer the September 20, 2007 payment date and the September 20, 2008 payment date by the same period of time elected (*e.g.*, if a Participant elects a deferral period of five years, the Stock Units scheduled to be paid on September 20, 2007 shall be paid on September 20, 2012 and the Stock Units scheduled to be paid on September 20, 2008 shall be paid on September 20, 2013); and (C) a Participant may not elect a deferral period (expressed in whole years) that is less than five years, measured from each of the September 20, 2007 and the September 20, 2008 payment dates. It is intended that any deferral election made under this Section 4.1(a)(i) constitute a change in payment election covered by the transition relief available under IRS Notice 2005-1, Q&A-19(c), as modified by the Proposed Treasury regulations under Section 409A of the Code. If a Participant who was granted Stock Units on September 20, 2004 does not make a deferral election by September 20, 2006 or, if, for whatever reason, the Participant's deferral election is not effective, the applicable Stock Units shall be paid in accordance with the terms of the Award, except as otherwise provided in Section 3 above.

(ii) *Initial Deferral Elections.* A Participant may, no later than 30 days after the date on

which an Award of Stock Units has been granted, elect to defer each date on which a portion of the Award is scheduled to be paid, provided that: (A) in order to be effective, the Participant must make the deferral election at least twelve (12) months prior to the first date on which the Award or a portion of the Award is scheduled to vest; (B) a deferral election made by the Participant pursuant to this Section 4.1(a)(ii) shall defer, by the same period of time, every scheduled payment date applicable to the Award (*e.g.*, assuming a Participant makes a deferral election of five years for an Award that vests 25% annually for four years, the first payment of Stock Units shall occur five years after the first originally scheduled payment date; the second payment of Stock Units shall occur five years after the second originally scheduled payment date, with each subsequent originally scheduled payment date being deferred by the same time period); and (C) a Participant's deferral election will not become effective until (12) twelve months after the date on which it is made.

(iii) *Subsequent Deferral Elections.* A Participant shall be permitted to extend the previously deferred payment dates applicable to an Award of Stock Units, provided that: (A) in order to be effective, the Participant must make the subsequent deferral election at least (12) twelve months prior to the first scheduled deferred payment date; (B) a subsequent deferral election made by the Participant pursuant to this Section 4.1(a)(iv) shall defer every previously deferred payment date applicable to the Award by the same period of time (expressed in whole years) of not less than five years (*i.e.*, each previously deferred payment date shall be deferred by the additional deferral period elected by the Participant, with the result that, after the subsequent deferral election has been made, the payment dates will continue to be staggered in time); and (C) a Participant's subsequent deferral election will not become effective until (12) twelve months after the date on which it is made.

(b) Any deferral pursuant to this section must be made in writing on an election form prescribed by, and acceptable to, the Company and in accordance with the procedures established by the Company. A deferral election is valid solely with respect to the Stock Units identified on the election form and must comply with the requirements of Section 4 to be given effect. A Participant's election to defer Compensation shall become irrevocable on the last day the deferral of such Compensation may be elected under Section 4.1(a). A Participant may revoke or change his or her election to defer Compensation at any time prior to the date the election becomes irrevocable. Any such revocation or change shall be made in a form and manner determined by Company.

4.2. If a Participant makes an initial or subsequent deferral election with respect to an Award of Stock Units, distribution of such units, to the extent vested, shall be made to the Participant on the earlier of: (A) the applicable deferred payment dates or (B) the Participant's Termination of Employment or Termination of Consultancy, as applicable, subject to the special rules in Section 3 applicable to distributions on or prior to the Initial Vesting Date and distributions to Specified Employees.

5. Dividend Equivalent Amounts. Cash dividends shall be credited to a Stock Unit dividend book entry account on behalf of each Participant with respect to each Stock Unit held by such Participant, provided that the right of each Participant to actually receive such dividend shall be subject to the same restrictions, including form and time of payment, as the Stock Unit to which the dividend relates. Unless otherwise determined by the Committee, cash dividends shall not be reinvested in Common Stock and shall remain uninvested.

6. Unforeseeable Emergency. Upon the written request of a Participant, the Committee, in its sole discretion, may approve, due to the occurrence of an Unforeseeable Emergency, an immediate distribution of vested Stock Units. Any such distribution shall not exceed the amounts necessary to satisfy the Unforeseeable Emergency plus amounts necessary to pay federal, state, and local taxes and any penalties reasonably anticipated as a result of the distribution, after taking into account the extent to which such Unforeseeable Emergency is or may be relieved through reimbursement or compensation by

insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship). Determinations of the amount reasonably necessary to satisfy the emergency need must take into account any additional compensation available to the Participant upon cancellation of a deferral payment due to an unforeseeable emergency available under other deferred compensation arrangements with the Company. To the extent applicable, the Company shall make a book entry to a Participant's account to reduce such Participant's account to reflect a distribution pursuant to this section.

7. Forfeiture. The Committee may, in its sole discretion, terminate any outstanding Stock Units if the Committee determines that the Participant engaged in conduct that constitutes Cause.

8. Amendment, Suspension or Termination. To the extent applicable, the Board or the Committee may at any time and from time to time amend, in whole or in part, any or all of the provisions of these guidelines or any Award of Stock Units to comply with Section 409A of the Code and the regulations thereunder or any other applicable law and may also amend, suspend or terminate these guidelines and any Award of Stock Units, subject to the terms of the Plan.

9 Section 16(b). To the extent required, these guidelines are intended to comply with Rule 16b and the Committee shall interpret and administer these guidelines in a manner consistent therewith. If an officer (as defined in Rule 16b) is designated by the Committee to receive Stock Units, any such Award shall be deemed approved by the Committee and shall be deemed an exempt purchase under Rule 16b. Any provisions inconsistent with Rule 16b shall be inoperative and shall not affect the validity of these guidelines. Notwithstanding anything herein to the contrary, if the grant of any Award of Stock Units or the payment of a share of Common Stock with respect to a Stock Unit or any election with regard thereto results or would result in a violation of Section 16(b) of the Exchange Act, any such grant, payment or election shall be deemed to be amended to comply therewith, and to the extent such grant, payment or election cannot be amended to comply therewith, such grant, payment or election shall be immediately cancelled and the Participant shall not have any rights thereto.

10. Withholding. The Company shall have the right to deduct from any amounts otherwise payable to a Participant, whether pursuant to the Plan or otherwise, to collect from the Participant, any minimum required withholding taxes, including but not limited to Social Security and Medicare taxes, due upon vesting and/or distribution of an Award of Stock Units hereunder.

11. Governing Law. Except to the extent preempted by the Code, these guidelines shall be governed by the laws of Delaware.

12. Plan Document. These guidelines and an Award of Stock Units are subject to the terms and conditions of the Plan (including, without limitation, Sections 4.1(a) and 4.2 and Articles VIII, IX, XI, XIII and XV).

SCHOLASTIC CORPORATION 2001 STOCK INCENTIVE PLAN
Non-Qualified Stock Option Agreement

Effective as of _____ (the "Grant Date"), SCHOLASTIC CORPORATION, a Delaware corporation (the "Company"), hereby grants to _____ (the "Optionee") a non-qualified option (the "Option") to purchase _____ (_____) shares of common stock, par value \$.01, of the Company (the "Common Stock"), at an exercise price of \$_____ and on the terms set forth herein, and in all respects subject to the terms and provisions of the Scholastic Corporation 2001 Stock Incentive Plan (the "Plan"), which terms and provisions are incorporated by reference herein. Unless the context herein otherwise requires, the terms defined in the Plan shall have the same meanings in this Agreement.

1. Terms of Option Grant and Exercise. Subject to the provisions of the Plan and this Agreement, the Option shall not be exercised prior to the first anniversary date of this Agreement. The Option shall vest, and become exercisable, at the rate of 25% per year beginning one year from the date of grant, except that the minimum number of options that can vest per year is 1,000 (or the total amount of the grant, if less than 1,000).¹ Once exercisable, subject to the provisions of the Plan and this Agreement, the Option may be exercised, in whole or in part, pursuant to the notice and payment procedures then in effect as established by the Company, in its sole discretion. Any written notice of exercise by Optionee shall be irrevocable. The Option may not be exercised if the issuance of the Common Stock would constitute a violation of any applicable federal, state or foreign securities laws or regulations. The Option may not be exercised with respect to a fractional share of Common Stock.

The Option shall cease to be exercisable ten years after the date of grant (the "Expiration Date"), unless earlier terminated or extended, as the case may be, pursuant to the provisions of the Plan and this Agreement, including, but not limited to, the provisions of Section 3 hereof.

2. Termination of Employment of an Optionee.

(a) Death or Disability. In the event of the Optionee's death or Disability while the Option is outstanding, the unexercised portion of the Option shall become immediately vested on the date of death or Disability and may be exercised in full by the Optionee, or his or her estate, personal representative or other legally appointed representative, at any time until the first anniversary of the date of such death or Disability, but in no event beyond the Expiration Date of the Option, if earlier.

(b) Retirement. In the event of the Optionee's retirement, as such is defined in the Plan, the Option shall continue to vest and may be exercised by the Optionee within three (3) years after the date of such retirement, but in no event beyond the Expiration Date of the Option, if earlier.

(c) Involuntary Termination other than for Cause/Retirement. In the event an Optionee's Termination of Employment is involuntary by the Company (or an Affiliate) other than a Termination of Employment for Cause, the Option, to the extent vested on the date of such Termination of Employment, may be exercised by the Optionee within ninety days after the date of such Termination of Employment, but in no event beyond the Expiration Date of the Option, if earlier.

(d) Other Termination. In the event of the Optionee's Termination of Employment for Cause or for any other reason other than as the result of death, Disability, retirement or involuntary Termination of Employment (as set forth in Sections 2(a), (b) and (c) hereof), may be exercised by the Optionee within ninety days after the date of such Termination of Employment, but in no event beyond the Expiration Date of the Option, if earlier.

3. Tax Matters and Withholding Tax Liability. The Option shall be a Non-Qualified Stock Option as that term is defined in the Plan. No part of the Option granted hereby is intended to qualify as an "incentive stock option" under Section 422 of the internal Revenue Code of 1986, as amended (the "Code"). In connection with the exercise of the Option, the Company and the Optionee may incur liability for income or withholding tax. The

¹ Please consult the Company or your online stock option plan database for a detailed schedule of your vesting dates and amounts.

Company will have the right to withhold from any exercise of the Option, transfer of Common Stock or payment made to the Optionee or to any person hereunder, whether such payment is to be made in cash or in Common Stock, all applicable federal, state, city or other taxes as shall be required, in the determination of the Company, pursuant to any statute or governmental regulation or ruling.

4. Nontransferability of Stock Option. The Option may not be sold, pledged, assigned, hypothecated, gifted, transferred or disposed of in any manner either voluntarily or involuntarily by operation of law, whether for value or no value and whether voluntary or involuntary (including by operation of law) other than by will or by the laws of descent and distribution and may be exercised during the lifetime of the Optionee only by the Optionee. Subject to the foregoing and the terms of the Plan, the terms of this Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

5. No Enlargement of Rights. This Agreement is not an agreement of employment. Neither the Plan nor this Agreement shall confer upon the Optionee any right to continue as an officer, employee or consultant of the Company or any Affiliate. Nothing contained in the Plan or this Agreement shall interfere in any way with the rights of the Company or any Affiliate to terminate the employment (or consulting arrangement) of the Optionee at any time or to modify the Optionee's employment or compensation. The Optionee shall have only such rights and interests with respect to the Option as are expressly provided in this Agreement and the Plan.

6. No Shareholder Rights before Exercise and Issuance. No rights as a stockholder shall exist with respect to the Common Stock subject to the Option as a result of the grant of the Option, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such shares, except as otherwise specifically provided for in the Plan. Such rights shall exist only after issuance of stock following the exercise of the Option as provided in the Plan.

7. Effect of the Plan on Option. The Option is subject to, and the Company and the Optionee agree to be bound by, all of the terms and conditions of the Plan, as such may be amended from time to time in accordance with the terms thereof. Without the consent of the Optionee, the Company may amend or modify this Agreement in any manner not inconsistent with the Plan, including without limitation, to change the date or dates as of which a Option becomes exercisable, or to cure any ambiguity, defect or inconsistency, provided such amendment, modification or change does not adversely affect the rights of the Optionee.

8. Entire Agreement. The terms of this Agreement and the Plan constitute the entire agreement between the Company and the Optionee with respect to the subject matter hereof and supersede any and all previous agreements between the Company and the Optionee. This Agreement may be signed in counterparts.

9. Severability. If any provision of this Agreement, or the application of such provision to any person or circumstances, is held valid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held valid or unenforceable, shall not be affected thereby.

10. Notices. Any notice or communication given hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, or by United States mail, to the appropriate party at the address set forth below (or such other address as the party shall from time to time specify): If to the Company, to: Scholastic Corporation, 555 Broadway, New York, New York 10012, Attention: Corporate Secretary. If to the Optionee, to the address indicated after the Optionee's signature at the end of this Agreement.

AGREEMENT AND GENERAL RELEASE

Agreement and General Release ("Agreement"), by and between Devereux Chatillon ("Employee" or "you") a resident of the City of New York and Scholastic Inc. (the "Company").

1. You acknowledge that effective November 30, 2008 (the "Resignation Date"), you shall resign your position as an Officer of Scholastic Inc. and Scholastic Corporation and your position as Senior Vice President, General Counsel and Secretary. You shall also, as of the Resignation Date or as soon as practicable thereafter, resign your positions, if any, as a director and/or officer of any subsidiaries or affiliates of the Company. After the Resignation Date, you shall not represent yourself as being an officer of the Company for any purpose. Following the Resignation Date, you shall continue your employment with the Company from December 1, 2008 through May 31, 2009 unless sooner terminated as provided herein (the "Employment Period"). On the last day of the Employment Period (the "Separation Date"), your employment with the Company shall terminate. After the Separation Date, you shall not represent yourself as being an employee, officer, agent, or representative of the Company for any purpose. The Separation Date shall be the termination date for purposes of participation in and coverage under all benefit plans and programs sponsored by or through the "Company Entities" (as hereinafter defined), except as specified in paragraph 2 below. You acknowledge and agree that the Company Entities shall have no obligation to rehire you, or to consider you for employment, after the Separation Date. You acknowledge that the representations in this paragraph constitute a material inducement for the Company to provide the payment(s) to you pursuant to paragraphs 2 and 3 of this Agreement.

2. Following the Effective Date (as defined in paragraph 19 of this Agreement) and in exchange for your waiver of claims against the Company Entities and compliance with the other terms and conditions of this Agreement, the Company agrees:

(a) That you shall continue your full-time employment with the Company on special assignment through the end of the Employment Period. Your title shall be Special Counsel and you shall report directly to, and shall be subject to the direction and control of, the General Counsel of the Company. Your duties will be to advise the General Counsel and his designees about matters on which you worked prior to the Resignation Date, to assist in the transition of your pre-resignation responsibilities, to provide legal advice on intellectual property matters, and to otherwise provide such legal and other advice or services in connection with such other matters as the General Counsel may request from time to time. You shall continue to receive your current base salary through the end of the Employment Period at the rate in effect on the date of this Agreement. During the Employment Period, business expenses, including the expense of your continuing use of your Blackberry, laptop, and related services, will be handled, or reimbursed in accordance with Company policy. In the event that you commence employment with another entity prior to May 31, 2009, the Employment Period shall terminate on that date, the Separation Date for purposes of this Agreement shall be the date you commence employment with such other entity, and your salary and participation in the Company's benefits and compensation plans and programs shall cease on such date.

(b) That you will continue to be eligible to participate in the Company 401(k) plan, pension plan, group insurance, and flexible spending account through the end of the Employment

Period. Deductions will be made from your salary for any elective or required employee contributions.

(c) To pay you \$200,000, less tax withholdings and applicable deductions, in a lump sum within fifteen (15) days of the Effective Date. In connection with such payment, you shall provide the Company with tax withholding information at least ten (10) days prior to the Effective Date.

(d) To pay you for all accrued but unused vacation time for calendar year 2008 and 2009 through the Separation Date. This payment will be made in the pay period following the Separation Date.

(e) To continue to provide your current Company health care benefits through the end of the Employment Period, by making regular employer contributions for medical, dental and vision benefits (the employee portion of the contributions for such benefits for the Employment Period will be deducted from your salary).

(f) To reimburse you for up to \$3,500.00 in legal fees in connection with the review of this Agreement by your legal counsel.

3. Following the Separation Release Effective Date (as defined in Exhibit A of this Agreement) and in exchange for your waiver of claims against the Company Entities and compliance with the other terms and conditions of this Agreement, the Company agrees:

(a) To pay you twenty-six (26) weeks severance ("the Severance Period"), in the gross amount of \$200,000, less tax withholding and other applicable deductions, in a lump sum amount. This payment will occur within thirty (30) days after your Separation Date, and will be made following your return of a fully executed agreement, provided that you do not revoke such release during the period for revocation. In connection with such payment, you shall provide the Company with tax withholding information at least ten (10) days prior to the Separation Release Effective Date.

(b) That pursuant to the 2001 Stock Incentive Plan, your unvested restricted stock units will fully vest upon the Separation Date and shares in respect of such restricted stock units shall be distributed to you within ninety (90) days of the Separation Date. Your stock options granted under the 2001 Stock Incentive Plan will be exercisable for a period of ninety (90) day following the Separation Date to the extent exercisable on the Separation Date, subject to the restrictions in paragraph 11, but not in any event beyond the expiration of the term of such stock options. Restricted stock units awarded to you under the Management Stock Purchase Plan shall be settled by distribution of shares or cash to you after the Separation Date as provided in such plan.

(c) After the Employment Period, to the extent eligible, you may purchase continuation medical benefits under the federal law known as COBRA. The Company shall pay a portion of the cost of such COBRA coverage, in an amount equal to the cost of coverage under the Company's group medical plan as in effect as of the Separation Release Effective Date, until the date that is the earlier of twelve (12) months after the end of the Employment Period or when you become employed by a company offering the opportunity to participate in another group medical plan (the "COBRA Eligibility Period"). During the COBRA Eligibility Period you shall be responsible to pay that portion of the cost of such COBRA coverage not paid for by the Company, which amount shall be deducted in advance from the payment in paragraph 3(a) above with

any excess payment to be refunded to you should you cease to receive medical benefits within twelve (12) months from the Employment Period.

(d) To provide you with outplacement assistance at the expense of the Company with the Five O'clock Club for up to twenty four months after the Separation Date. To receive such outplacement benefits, you must enroll within ninety (90) days of the Separation Date. There will be no payment in lieu of non-participation.

4. You acknowledge and agree that the payments and other benefits provided pursuant to this Agreement: (i) are in full discharge of any and all liabilities and obligations of the Company to you, monetarily or with respect to employee benefits or otherwise, including but not limited to any and all obligations arising under any alleged written or oral employment agreement offer letter, policy, plan or procedure of the Company and/or any alleged understanding or arrangement between you and the Company; and (ii) exceed any payment, benefit, or other thing of value to which you might otherwise be entitled under any policy, plan or procedure of the Company and/or any agreement between you and the Company.

5. (a) In consideration for the payments and benefits to be provided you pursuant to paragraphs 2 and 3 above, you, for yourself and for your heirs, executors, administrators, trustees, legal representatives and assigns (hereinafter referred to collectively as "Releasers"), forever release and discharge the Company and its past, present and future parent entities, subsidiaries, divisions, affiliates and related business entities, successors and assigns, various benefit committees, employee benefit plans or funds, and each of its or their respective past, present and/or future shareholders, directors, officers, fiduciaries, agents, trustees, administrators, employees and assigns, whether acting on behalf of the Company or in their individual or fiduciary capacities (collectively the "Company Entities"), from any and all claims, demands, causes of action, fees and liabilities of any kind whatsoever, whether known or unknown, which you ever had, now have, or may have against any of the Company Entities by reason of any act, omission, transaction, practice, plan, policy, procedure, conduct, occurrence, or other matter up to and including the date on which you sign this Agreement.

(b) Without limiting the generality of the foregoing, this Agreement is intended to and shall release the Company Entities from any and all claims, whether known or unknown, which Releasers ever had, now have, or may have against the Companies Entities arising out of your employment and/or your separation from that employment, including, but not limited to: (i) any claim under the Age Discrimination in Employment Act ("ADEA"), Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Equal Pay Act, the Family Medical Leave Act, the Sarbanes-Oxley Act, the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (excluding claims for accrued, vested benefits under any tax-qualified profit sharing or pension plan of the Company Entities, subject to the terms and conditions of such plan and applicable law), the Worker Adjustment and Retraining Notification Act, and the Family and Medical Leave Act; (ii) any claim under the New York State Human Rights Law, New York Executive Law, New York City Administrative Code, New York State Constitution, or New York common law, (iii) any other claim (whether based on a constitution, executive order, or federal, state, or local law, statutory, administrative or decisional), relating to or arising out of your employment, the terms and conditions of such

employment, the termination of such employment, and/or any of the events relating directly or indirectly to or surrounding the termination of that employment, including but not limited to breach of contract (express or implied), wrongful discharge, detrimental reliance, defamation, emotional distress or compensatory or punitive damages; and (iv) any claim for attorneys' fees, costs, disbursements and/or the like. Nothing in this Agreement shall be a waiver of claims that may arise after the date on which you sign this Agreement. You further acknowledge that you have been afforded all benefits and have no claims under the Family and Medical Leave Act, the Fair Labor Standards Act, applicable workers' compensation law, the Worker Adjustment and Retraining Notification Act, and ERISA.

(c) You further agree to execute the Separation Date Release Agreement attached hereto as Exhibit A immediately following the Separation Date, which release will be effective on the later of the Separation Date or the date on which you sign the additional release, provided that you do not revoke such release according to its terms.

(d) The releases made by you in this Agreement shall not waive any rights you have to continuing indemnification from the Company under its indemnification policies for officers, which indemnification rights shall survive the termination of your employment and the releases made by you in this Agreement.

6. You represent and warrant that you have not commenced, maintained, prosecuted or participated in any action, suit, charge, grievance, complaint or proceeding of any kind against any Company Entity in any court or before any administrative or investigative body or agency, and agree that you will not do so in the future with respect to any claims and/or causes of action waived by you under this Agreement. You further acknowledge and agree that by virtue of the foregoing, you have waived all relief available to you (including without limitation, monetary damages, equitable relief and reinstatement) under any of the claims and/or causes of action waived in paragraph 5 above. With the exception of your right to bring a proceeding pursuant to the Older Workers Benefit Protection Act of 1990 to challenge the validity of your release of claims under ADEA, you agree, not inconsistent with the EEOC Enforcement Guidance on Non-Waivable Employee Rights under EEOC-Enforced Statutes dated April 11, 1997, and to the fullest extent permitted by law, not to sue or file a charge, compliant, grievance or demand for arbitration against the Company Entities in any forum or assist or otherwise participate willingly or voluntarily in any claim, arbitration, suit, action, investigation or other proceeding of any kind which relates to any matter that involves the Company Entities, and that occurred up to and including the date of execution of this Agreement, unless required to do so by court order, subpoena or other directive by a court, administrative agency, arbitration panel or legislative body or unless required to enforce this Agreement. To the extent any such action may be brought by a third party, you waive any claims to any form of monetary or other damages, or any other form of recovery or relief in connection with any such action. Nothing in this Agreement shall prevent you from commencing an action or proceeding to enforce this Agreement.

7. (a) You agree that you will not disparage or encourage or induce others to disparage any of the Company Entities. For the purposes of this Agreement, the term "disparage" includes, without limitation, comments or statements to the press and/or media, the Company Entities or any individual or entity with whom any of the Company Entities has or has had a business

relationship and which would adversely affect in any manner (i) the conduct of the business of any of the Company Entities (including, without limitation, any business plans or prospects) or (ii) the business reputation of the Company Entities. You agree not to publish or cause to be published, electronically or otherwise, any story, article, column, comment, or book (fiction or non-fiction) about the Company Entities or your association with the Company and not to provide information about the Company or the Company Entities to any person who may contact you about any such story, article, column, comment or book, except that you may make reference to, and briefly describe, your employment at the Company and your responsibilities and accomplishments in a truthful, non-disparaging manner that does not violate your confidentiality obligations as set forth in this Agreement. You shall not make any statements, provide any information or grant any interviews to any press or media representatives, analysts, rating agencies, investor groups, or firms, and existing and potential shareholders, relating to your employment by the Company or your separation from employment or the Company's business; provided, however, that the Company shall make such statements and disclosures to regulatory authorities concerning your employment, including the severance and other financial arrangements between you and the Company, as may be required in the sole judgment of the Company. You shall direct inquiries to the Company concerning you to the Head of Human Resources who will respond thereto. Individuals who reported directly to you will be reminded to refer any inquires about your employment to or the head of Human Resources.

(b) The Company and you agree to use reasonable efforts to provide you with a mutually acceptable written letter of reference, to be signed by the Chief Executive Officer. The Company shall confirm dates of employment, position and provide the letter of reference in response to any inquiry(s) regarding your employment with the Company by prospective employers or others.

(c) The Company further agrees that it will not make any comments or statements to the press and/or other media or other persons which would adversely affect or otherwise demean your character or reputation in regard to matters relating to your employment by the Company or the performance of your duties in the course of such employment. For purposes of this subparagraph only, the Company shall mean the Officers and Directors of the Company.

8. (a) You agree that you will cooperate with the Company and/or the Company Entities and its or their respective counsel in connection with any investigation, administrative proceeding or litigation relating to any matter that occurred during your employment in which you were involved or of which you have knowledge. The Company shall pay or reimburse you for any reasonable expenses associated with such activities, which are approved in advance. Payment or reimbursement shall be made promptly and in no event later than December 31 of the year following the year in which such expenses were incurred, and the amount of expenses eligible for payment or reimbursement in any year shall not affect the amount of such expenses eligible for payment or reimbursement in any other year.

(b) You agree that, in the event you are subpoenaed by any person or entity (including, but not limited to, any government agency) to give testimony (in a deposition, court proceeding or otherwise) or to furnish documents or other information or data which in any way relates to your employment by the Company and/or the Company Entities, you will give prompt notice of such request to Cynthia Augustine, Senior Vice President of Human Resources (or her successor) and the General Counsel, at Scholastic Inc., 557 Broadway, New York, New York

10012 and will make no disclosure until the Company and/or the Company Entities have had a reasonable opportunity to contest the right of the requesting person or entity to such disclosure.

(c) The Company agrees that you shall remain subject to the terms of the Company's current Directors and Officers Liability Insurance Policy for so long as such policy remains in effect as to any claims asserted against you in any court action or other legal proceeding arising out of, or related to, your employment with the Company.

9. The terms and conditions of this Agreement are and shall be deemed to be confidential, and shall not be disclosed by you to any person or entity without the prior written consent of the Company, except if required by law, and to your accountants or attorneys and/or family members, provided that, to the maximum extent permitted by applicable law, rule, code or regulation, they agree to maintain the confidentiality of this Agreement. You further represent that you have not disclosed the terms and conditions of this Agreement to anyone other than your attorneys or accountants and/or family members.

10. (a) You acknowledge that during the course of your employment with the Company and/or any of the Company Entities, you have had access to information relating to the Company and/or the Company Entities and their respective businesses that is not generally known by persons not employed by the Company and/or the Company Entities and that could not easily be determined or learned by someone outside of the Company and/or the Company Entities ("Confidential Information"). You agree not to disclose or use such Confidential Information at any time in the future.

(b) You acknowledge that all work product made or conceived by you during your employment shall be the property of the Company and you hereby assign all of your rights, title, and interest in such work product to the Company without additional consideration. You further acknowledge that all original works of authorship that have been made by you in the course of your employment with the Company are "works made for hire". You hereby waive all moral rights relating to all such work developed or produced by you, including without limitation any and all rights of identification of authorship and any and all rights of approval, restriction, or limitation on use and subsequent modifications.

11. You agree that after your Separation Date you remain subject to the Company's Insider Trading Policy and other Company policies and procedures relating to insider trading, including restrictions on trading outside of designated window periods, notwithstanding your 90-day exercise period. If your Separation Date falls during an open window period, you are free to trade; however, if your Separation Date falls during blackout periods you must wait until the next window period opens to trade. The above is subject, of course, to the general prohibitions on trading if you are in possession of material non-public information.

12. You represent that you have returned (or will return) to the Company all property belonging to the Company and/or the Company Entities, including but not limited to documents, information received from third parties, Blackberry, laptop, cell phone, keys, card access to the

building and office floors, phone card, rolodex (if provided by the Company and/or the Company Entities), computer user name and password, disks and/or voicemail code. Subject to the Company's agreement to provide you an electronic copy of your contacts database in a format to be agreed upon by you and the Company, you agree that you will not retain any copies, duplicates, reproductions, or excerpts of the foregoing in any media. Subject to your right to cure any breach pursuant to paragraph 13(b), you further acknowledge and agree that the Company shall have no obligation to make the payments and provide the benefits referred to in paragraphs 2 and 3 above unless and until you have satisfied all your obligations pursuant to this paragraph.

13. (a) If any provision of this Agreement is held by a court of competent jurisdiction to be illegal, void or unenforceable, such provision shall have no effect; however, the remaining provisions shall be enforced to the maximum extent possible. Further, if a court should determine that any portion of this Agreement is overbroad or unreasonable, such provision shall be given effect to the maximum extent possible by narrowing or enforcing in part that aspect of the provision found overbroad or unreasonable.

(b) Additionally, you agree that if you materially breach this Agreement which breach is not cured (if curable) within 30 days of written notice of such breach by the Company, the Company Entities may seek all relief available under the law and you shall be responsible for all damages suffered by the Company and the Company Entities. Any such breach that is not cured (if curable) shall have the effect of immediately terminating the Employment Period and you shall thereafter have no right to receive any further payments or benefits under this Agreement.

(c) You agree that if you materially breach this Agreement which breach is not cured (if curable) within 30 days of written notice of such breach by the Company, the Company Entities may seek all relief available under the law and you shall be responsible for all damages suffered by the Company and the Company Entities. Any such breach during the Employment Period that is not cured (if curable) shall have the effect of immediately terminating the Employment Period and you shall thereafter have no right to receive any further payments or benefits under this Agreement, and you shall promptly repay the amount paid to you in paragraph 2(c).

14. (a) This Agreement is not intended, and shall not be construed, as an admission that any of the Company Entities has violated any federal, state or local law (statutory or decisional), ordinance or regulation, breached any contract or committed any wrong whatsoever against you. Should any provision of this Agreement require interpretation or construction, it is agreed by the parties that the entity interpreting or constructing this Agreement shall not apply a presumption against one party by reason of the rule of construction that a document is to be construed more strictly against the party who prepared the document.

15. This Agreement is binding upon, and shall inure to the benefit of, the parties and their respective heirs, executors, administrators, successors and assigns.

16. This Agreement shall be construed and enforced in accordance with the laws of the State of New York without regard to the principles of conflicts of law. The parties consent and agree that the courts of the State of New York, New York County shall have exclusive jurisdiction over any dispute between the parties arising hereunder and the parties hereby submit to said jurisdiction and expressly waive any and all rights they may have or that may hereafter arise to contest the propriety of such choice of jurisdiction and venue, including issues of *forum non conveniens*.

17. You understand that this Agreement constitutes the complete understanding between the Company and you, and supersedes any and all agreements, understandings, and discussions, whether written or oral, between you and any of the Company Entities. No other promises or agreements shall be binding unless in writing and signed by both the Company and you after the Effective Date of this Agreement.

18. You acknowledge that you: (a) have carefully read this Agreement in its entirety; (b) are hereby advised by the Company in writing to consult with an attorney of your choice in connection with this Agreement; (c) fully understand the significance of all of the terms and conditions of this Agreement and have discussed them with your independent legal counsel, or have had a reasonable opportunity to do so; (d) have had answered to your satisfaction by your independent legal counsel any questions you have asked with regard to the meaning and significance of any of the provisions of this Agreement; and (e) are signing this Agreement voluntarily and of your own free will and agree to abide by all the terms and conditions contained herein.

19. You acknowledge that you have had an opportunity to consider this Agreement for up to twenty - one (21) days before signing it. You may also revoke this Agreement within seven (7) days after executing it by notifying in writing Cynthia Augustine, Senior Vice President of Human Resources (or her successor) at Scholastic Inc., 557 Broadway, New York, New York 10012. If you revoke this Agreement, all of the terms and conditions contained herein will become null and void. It is understood and agreed that the offer contained in this Agreement will automatically expire on the twenty-first day following the date on which this Agreement is received by you. The effective date of this Agreement shall be the 8th day after which you sign the Agreement (the "Effective Date"). In the event you do not accept this Agreement as set forth above or if you revoke the Agreement within the time period provided herein, this Agreement, including but not limited to the obligation of the Company to provide the payments and other benefits referred to in paragraphs 2 and 3 above, shall be deemed automatically null and void.

Print Name: _____
Devereux Chatillon

Date: 11/24/08 _____

Signature: /s/ Devereux Chatillon

SCHOLASTIC INC.

By: /s/ Cynthia Augustine
Cynthia Augustine
Senior Vice President of Human Resources

Date: _____

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this ___ day of _____ 2008, before me personally came Devereux Chatillon to me known and known to me to be the person described and who executed the foregoing Agreement, and she duly acknowledged to me that she executed the same.

Notary Public

Exhibit A

[To be executed on May 31, 2009 or immediately thereafter or, if sooner, the date of commencement of employment with another entity prior to May 31, 2009]

Separation Date Release Agreement

Pursuant to applicable law, Devereux Chatillon (“Employee” or “you”) acknowledges and agrees that she has had at least twenty-one days in which to consider whether she should sign this Separation Date Release Agreement (“Release”); and if she signs this Release, that she will have seven days following the date on which she signs the Release to revoke it and the Release will not be effective until after this seven day period has elapsed. If you do not revoke this Release during such seven day period, the eighth day following the day on which you sign this Release shall be the Separation Date Release Effective Date.

1. In consideration for the payments, promises and undertakings described in the Agreement and General Release Agreement to which this Exhibit A is attached, which are incorporated into this Separation Date Release Agreement by reference with full force and effect as if set forth herein, and which you acknowledge are cumulatively in excess of those to which you would, except for such Agreement, otherwise be entitled, you, on behalf of yourself and your “Releasers” (as defined in the Agreement and General Release), do hereby completely release and forever discharge the Company Entities (as that term is defined in the Agreement and General Release) from any and all claims, demands, causes of action, fees and liabilities of any kind whatsoever, whether known or unknown, which you ever had, now have, or may have against any of the Company Entities by reason of any act, omission, transaction, practice, plan, policy, procedure, conduct, occurrence, or other matter up to and including the date on which you sign this Agreement.

2. Without limiting the generality of the foregoing, this Agreement is intended to and shall release the Company Entities from any and all claims, whether known or unknown, which Releasers ever had, now have, or may have against the Companies Entities arising out of your employment and/or your separation from that employment, including, but not limited to: (i) any claim under the Age Discrimination in Employment Act (“ADEA”), Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Equal Pay Act, the Family Medical Leave Act, the Sarbanes-Oxley Act, the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) (excluding claims for accrued, vested benefits under any tax qualified profit-sharing or pension plan of the Company Entities, subject to the terms and conditions of such plan and applicable law), the Worker Adjustment and Retraining Notification Act, and the Family and Medical Leave Act; (ii) any claim under the New York State Human Rights Law, New York Executive Law, New York City Administrative Code, New York State Constitution, or New York common law, (iii) any other claim (whether based on a constitution, executive order, or federal, state, or local law, statutory, administrative or decisional), relating to or arising out of your employment, the terms and conditions of such employment, the termination of such employment, and/or any of the events relating directly or indirectly to or surrounding the termination of that employment, including but not limited to

breach of contract (express or implied), wrongful discharge, detrimental reliance, defamation, emotional distress or compensatory or punitive damages; and (iv) any claim for attorneys' fees, costs, disbursements and/or the like. Nothing in this Agreement shall be a waiver of claims that may arise after the date on which you sign this Agreement. You further acknowledge that you have been afforded all benefits and have no claims under the Family and Medical Leave Act, the Fair Labor Standards Act, applicable workers' compensation law, the Worker Adjustment and Retraining Notification Act, and ERISA.

3. You represent and warrant that you have not commenced, maintained, prosecuted or participated in any action, suit, charge, grievance, complaint or proceeding of any kind against Company Entities in any court or before any administrative or investigative body or agency, and agree that you will not do so in the future with respect to any claims and/or causes of action waived by you under this Agreement. You further acknowledge and agree that by virtue of the foregoing, you have waived all relief available to you (including without limitation, monetary damages, equitable relief and reinstatement) under any of the claims and/or causes of action waived in paragraph 2 above. With the exception of your right to bring a proceeding pursuant to the Older Workers Benefit Protection Act of 1990 to challenge the validity of your release of claims under ADEA, you agree, not inconsistent with the EEOC Enforcement Guidance on Non-Waivable Employee Rights under EEOC-Enforced Statutes dated April 11, 1997, and to the fullest extent permitted by law, not to sue or file a charge, complaint, grievance or demand for arbitration against the Company Entities in any forum or assist or otherwise participate willingly or voluntarily in any claim, arbitration, suit, action, investigation or other proceeding of any kind which relates to any matter that involves the Company Entities, and that occurred up to and including the date of execution of this Agreement, unless required to do so by court order, subpoena or other directive by a court, administrative agency, arbitration panel or legislative body or unless required to enforce this Agreement. To the extent any such action may be brought by a third party, you waive any claims to any form of monetary or other damages, or any other form of recovery or relief in connection with any such action. Nothing in this Agreement shall prevent you from commencing an action or proceeding to enforce this Agreement.

4. You understand that this Agreement constitutes the complete understanding between the Company and you, and supersedes any and all agreements, understandings, and discussions, whether written or oral, between you and any of the Company Entities. No other promises or agreements shall be binding unless in writing and signed by both the Company and you after the Effective Date of this Agreement. No oral understandings, statements, promises, inducements contrary to the terms of this Agreement exist. You acknowledge that you are not relying on any representations made by the Company or the Company Entities regarding this Agreement or the implications thereof.

5. This Agreement is binding upon, and shall inure to the benefit of, the parties and their respective heirs, executors, administrators, successors and assigns.

6. This Agreement shall be construed and enforced in accordance with the laws of the State of New York without regard to the principles of conflicts of law. The parties consent and agree that the courts of the State of New York, New York County shall have exclusive jurisdiction over any dispute between the parties arising hereunder and the parties hereby submit to said jurisdiction and expressly waive any and all rights they may have or that may hereafter arise to contest the propriety of such choice of jurisdiction and venue, including issues of *forum non conveniens*.

7. You understand that this Agreement constitutes the complete understanding between the Company and you, and supersedes any and all agreements, understandings, and discussions, whether written or oral, between you and any of the Company Entities. No other promises or agreements shall be binding unless in writing and signed by both the Company and you after the Effective Date of this Agreement.

8. You acknowledge that you: (a) have carefully read this Agreement in its entirety; (b) are hereby advised by the Company in writing to consult with an attorney of your choice in connection with this Agreement; (c) fully understand the significance of all of the terms and conditions of this Agreement and have discussed them with your independent legal counsel, or have had a reasonable opportunity to do so; (d) have had answered to your satisfaction by your independent legal counsel any questions you have asked with regard to the meaning and significance of any of the provisions of this Agreement; and (e) are signing this Agreement voluntarily and of your own free will and agree to abide by all the terms and conditions contained herein.

9. You acknowledge that you have had an opportunity to consider this Agreement for up to twenty - one (21) days before signing it. You may also revoke this Agreement within seven (7) days after executing it by notifying in writing Cynthia Augustine, Senior Vice President of Human Resources (or her successor) at Scholastic Inc., 557 Broadway, New York, New York 10012. If you revoke this Agreement, all of the terms and conditions contained herein will become null and void. It is understood and agreed that the offer contained in this Agreement will automatically expire on the twenty-first day following the date on which this Agreement is received by you. The effective date of this Agreement shall be the 8th day after which you sign the Agreement (the "Separation Date Release Effective Date"). In the event you do not accept this Separation Date Release Agreement as set forth above or if you revoke this Separation Date Release Agreement within the time period provided herein, the Agreement and General Release, including but not limited to the obligation of the Company to provide the payments and other benefits referred to in paragraphs 2 and 3 of the Agreement and General Release to which this Exhibit A is attached, shall be deemed automatically null and void.

Dated: _____

/s/ Devereux Chatillon
Devereux Chatillon

Dated: _____

Scholastic Corporation

By: /s/ Cynthia Augustine
Cynthia Augustine

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this ____ day of _____ 2009, before me personally came Devereux Chatillon to me known and known to me to be the person described and who executed the foregoing Agreement, and she duly acknowledged to me that she executed the same.

SCHOLASTIC CORPORATION
SUBSIDIARY LIST
(subsidiaries are indented under its direct parent)

Scholastic Inc.	New York
Scholastic Book Clubs, Inc.	Missouri
Scholastic Operations Group L.L.C.	Delaware
Scholastic Entertainment Inc.	New York
SE Distribution Inc.	Delaware
524 Films L.L.C.	Delaware
Retroranch LLC	Delaware
Scholastic Interactive LLC	New York
Scholastic Book Services, Inc.	Delaware
Scholastic UK Group L.L.C.	Delaware
Scholastic UK Limited	England
Chicken House Publishing Ltd.	England
Scholastic Book Clubs Ltd. (formerly Red House Books Ltd.)	England
Scholastic Ltd.	England
Catteshall Ltd. ¹	England
Scholastic Ireland Ltd.	Ireland
Weston Woods Studios, Inc.	Delaware
Georgetown Studios, Inc.	Connecticut
Children's Music Library, Inc.	New York
Lectorum Publications, Inc.	New York
The Scholastic Store, Inc.	New York
Scholastic Interactive Xchange, Inc.	Delaware
Tom Snyder Productions, Inc.	Delaware
Soup2Nuts Inc.	Delaware
Scholastic Distribution Services, L.L.C.	Delaware
RetroRanch Inc. (formerly Science Court Inc.)	Delaware
Klutz	California
Sandvik Publishing Ltd.	Nevada
Teacher's Friend Publications, Inc.	California
The Book People Inc. ²	Delaware
Scholastic Export Inc.	Delaware
Learned Realty L.L.C.	New York
Scholastic Book Fairs, Inc.	Delaware
BTBCAT, Inc.	Delaware
Teacher Synergy, Inc.	Delaware
International Center for Leadership in Education, Inc.	New York
Scholastic Australia Pty. Ltd.	Australia
Bookshelf Publishing Australia Pty. Ltd.	Australia
Troll School Book Clubs and Fairs Australia Pty. Ltd.	Australia
Scholastic Australia Superannuation Pty. Ltd.	Australia
Scholastic Executive Superannuation Pty. Ltd.	Australia
Oldmeadow Booksellers (Aust.) Pty. Ltd.	Australia
Scholastic Canada Ltd.	Canada
Scholastic Productions Canada Ltd.	Canada
Scholastic Bookfairs Canada Ltd.	Canada
Scholastic Hong Kong Limited	Hong Kong
Scholastic India Private Limited ³	India
Scholastic Mexico S. de R. L. de C.V.	Mexico
Scholastic New Zealand Ltd.	New Zealand
Scholastic Argentina S.R.L.	Argentina
Scholastic Education Information Consulting (Shanghai) Co., Ltd.	China

¹ 50% owned

² 80% owned

³ 1% owned by Scholastic Export Inc.

Scholastic International IT Support Centre Private Limited ⁴	India
Grolier Incorporated	Delaware
Scholastic at Home Inc. (formerly Grolier Enterprises Inc.)	Delaware
Scholastic Distribution Services L.L.C ⁵	Delaware
Grolier Interactive Inc.	Delaware
Scholastic Library Publishing, Inc. (formerly Grolier Publishing Co., Inc.)	Delaware
Grolier Reading Programs Inc.	Delaware
Grolier Telemarketing, Inc.	Delaware
Grolier (New York) Incorporated	Delaware
Orchard Books, Inc.	New York
Publishers World Trade Corporation	Delaware
Federated Credit Corp.	Delaware
Grolier International, Inc.	Delaware
Grolier Direct Marketing Pty. Ltd.	Australia
Grolier International Finance Inc. (Philippines) ⁶	Philippines
Grolier (Malaysia) SDN BHD ⁷	Malaysia
Grolier Overseas Incorporated	Delaware
Grolier International Private Limited (India) ⁸	India
Grolier Limited (Canada)	Canada
Caribe Grolier, Inc.	Puerto Rico
Grolier International Limited (UK)	England
Grolier Credit Services (UK) Limited	England
Grolier Limited	England
Transtutor Limited	England
Just Books! Limited	England
Waverly House Limited	England

⁴ 1% owned by Scholastic Export Inc.

⁵ 1% owned by Scholastic Book Services, Inc

⁶ 60% owned

⁷ 62% owned

⁸ 1% owned by Scholastic Export Inc.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-62297 and 333-110302) pertaining to the Scholastic Corporation 1997 Outside Directors' Stock Option Plan; Registration Statement (Form S-8 No. 333-65757) pertaining to the Scholastic Corporation 1995 Stock Option Plan; Registration Statement (Form S-8 Nos. 333-68181, 333-110301 and 333-159589) pertaining to the Scholastic Corporation Employee Stock Purchase Plan; Registration Statement (Form S-8 Nos. 33-48644, 33-69058, and 33-91090) pertaining to the Scholastic Corporation 401(k) Savings and Retirement Plan; Registration Statement (Form S-8 No. 333-68185) pertaining to the Scholastic Corporation Management Stock Purchase Plan; Registration Statement (Form S-8 Nos. 333-77010 and 333-148599) pertaining to the Scholastic Corporation 2001 Stock Incentive Plan; and Registration Statement (Form S-8 No. 333-148600) pertaining to the Scholastic Corporation 2007 Outside Directors' Stock Incentive Plan of Our reports dated July 30, 2009, with respect to the consolidated financial statements and schedule of Scholastic Corporation and the effectiveness of internal control over financial reporting of Scholastic Corporation, included in this Annual Report (Form 10-K) for the year ended May 31, 2009.

New York, New York
July 30, 2009

I, Richard Robinson, the principal executive officer of Scholastic Corporation, certify that:

1. I have reviewed this Annual Report on Form 10-K of Scholastic Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2009

/s/Richard Robinson
Richard Robinson
Chairman of the Board,
President and Chief Executive Officer

I, Maureen O'Connell, the principal financial officer of Scholastic Corporation, certify that:

1. I have reviewed this Annual Report on Form 10-K of Scholastic Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2009

/s/ Maureen O'Connell
Maureen O'Connell
Executive Vice President,
Chief Administrative Officer
and Chief Financial Officer

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
with Respect to the Annual Report on Form 10-K
for the Year ended May 31, 2009
of Scholastic Corporation

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Scholastic Corporation, a Delaware corporation (the "Company"), does hereby certify to the best of such officer's knowledge, that:

- 1 The Company's Annual Report on Form 10-K for the year ended May 31, 2009 (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2 Information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 30, 2009

/s/Richard Robinson
Richard Robinson
Chief Executive Officer

Dated: July 30, 2009

/s/Maureen O'Connell
Maureen O'Connell
Chief Financial Officer

The certification set forth above is being furnished as an exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Form 10-K or as a separate disclosure document of the Company or the certifying officers.
