



**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended November 30, 2011

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

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 No

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 No

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

Title of each class	Number of shares outstanding as of November 30, 2011
Common Stock, \$.01 par value	29,397,813
Class A Stock, \$.01 par value	1,656,200

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Item 1. Financial Statements

SCHOLASTIC CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED

(Dollar amounts in millions, except per share data)

	Three months ended November 30,		Six months ended November 30,	
	2011	2010	2011	2010
Revenues	\$ 685.3	\$ 667.9	\$ 1,003.3	\$ 958.3
Operating costs and expenses:				
Cost of goods sold (exclusive of depreciation and amortization)	285.7	291.2	446.1	438.5
Selling, general and administrative expenses (exclusive of depreciation and amortization)	229.6	229.1	400.6	399.1
Bad debt expense	3.3	3.0	4.7	5.9
Depreciation and amortization	15.5	14.5	30.6	28.9
Loss on leases	6.2	—	6.2	—
Severance	5.0	1.0	8.3	3.1
Total operating costs and expenses	545.3	538.8	896.5	875.5
Operating income	140.0	129.1	106.8	82.8
Other expense	—	(0.4)	—	(0.4)
Interest expense, net	3.9	4.0	7.8	7.8
Earnings from continuing operations before income taxes	136.1	124.7	99.0	74.6
Provision for income taxes	52.8	47.6	40.8	31.4
Earnings from continuing operations	83.3	77.1	58.2	43.2
Loss from discontinued operations, net of tax	(0.5)	(2.2)	(2.5)	(3.5)
Net income	\$ 82.8	\$ 74.9	\$ 55.7	\$ 39.7
Basic and diluted earnings (loss) per Share of Class A and Common Stock				
Basic:				
Earnings from continuing operations	\$ 2.66	\$ 2.23	\$ 1.86	\$ 1.22
Loss from discontinued operations, net of tax	\$ (0.02)	\$ (0.06)	\$ (0.08)	\$ (0.10)
Net income	\$ 2.64	\$ 2.17	\$ 1.78	\$ 1.12
Diluted:				
Earnings from continuing operations	\$ 2.62	\$ 2.20	\$ 1.83	\$ 1.21
Loss from discontinued operations, net of tax	\$ (0.02)	\$ (0.06)	\$ (0.08)	\$ (0.10)
Net income	\$ 2.60	\$ 2.14	\$ 1.75	\$ 1.11
Dividends declared per common share	\$ 0.100	\$ 0.075	\$ 0.200	\$ 0.150

See accompanying notes

SCHOLASTIC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED
(Dollar amounts in millions, except per share data)

	November 30, 2011	May 31, 2011	November 30, 2010
ASSETS			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 114.0	\$ 105.3	\$ 53.2
Accounts receivable, net	288.1	220.3	287.5
Inventories, net	376.2	308.7	367.9
Deferred income taxes	56.6	56.2	59.8
Prepaid expenses and other current assets	45.6	57.1	48.4
Current assets of discontinued operations	9.3	10.5	18.2
Total current assets	889.8	758.1	835.0
Property, plant and equipment, net	328.7	339.0	343.5
Prepublication costs	118.4	117.7	109.8
Royalty advances, net	37.0	35.5	38.6
Production costs	7.1	7.4	7.6
Goodwill	155.1	154.2	163.7
Other intangibles	18.9	19.8	15.0
Noncurrent deferred income taxes	20.0	20.2	33.4
Other assets and deferred charges	35.9	35.1	37.8
Total assets	\$ 1,610.9	\$ 1,487.0	\$ 1,584.4
LIABILITIES AND STOCKHOLDERS' EQUITY			
<i>Current Liabilities:</i>			
Lines of credit, short-term debt and current portion of long-term debt	\$ 5.7	\$ 43.5	\$ 50.0
Capital lease obligations	0.6	0.5	0.5
Accounts payable	146.0	120.1	162.5
Accrued royalties	50.8	35.4	48.8
Deferred revenue	92.2	49.1	81.7
Other accrued expenses	205.1	173.3	165.8
Current liabilities of discontinued operations	0.7	0.8	3.7
Total current liabilities	501.1	422.7	513.0
<i>Noncurrent Liabilities:</i>			
Long-term debt	152.7	159.9	181.2
Capital lease obligations	55.5	55.0	54.5
Other noncurrent liabilities	110.1	109.4	115.0
Total noncurrent liabilities	318.3	324.3	350.7
<i>Commitments and Contingencies:</i>			
	—	—	—
<i>Stockholders' Equity:</i>			
Preferred Stock, \$1.00 par value	—	—	—
Class A Stock, \$.01 par value	0.0	0.0	0.0
Common Stock, \$.01 par value	0.4	0.4	0.4
Additional paid-in capital	583.2	576.6	577.7
Accumulated other comprehensive loss	(57.0)	(53.9)	(72.6)
Retained earnings	685.2	635.8	642.4
Treasury stock at cost	(420.3)	(418.9)	(427.2)
Total stockholders' equity	791.5	740.0	720.7
Total liabilities and stockholders' equity	\$ 1,610.9	\$ 1,487.0	\$ 1,584.4

See accompanying notes

SCHOLASTIC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS – UNAUDITED
(Dollar amounts in millions)

	Six months ended November 30,	
	2011	2010
Cash flows provided by (used in) operating activities:		
Net income	\$ 55.7	\$ 39.7
Loss from discontinued operations, net of tax	(2.5)	(3.5)
Earnings from continuing operations	58.2	43.2
Adjustments to reconcile earnings from continuing operations to net cash provided by operating activities of continuing operations:		
Provision for losses on accounts receivable	4.7	5.9
Provision for losses on inventory	11.6	12.0
Provision for losses on royalty	2.3	1.7
Amortization of prepublication and production costs	24.4	24.5
Depreciation and amortization	30.6	28.9
Deferred income taxes	—	1.0
Stock-based compensation	7.8	8.4
Loss on leases	6.2	—
Changes in assets and liabilities:		
Accounts receivable	(76.0)	(75.5)
Inventories	(83.5)	(60.1)
Other current assets	(8.1)	(10.4)
Deferred promotion costs	(1.8)	(1.6)
Royalty advances	(4.1)	(1.9)
Accounts payable	25.3	57.6
Other accrued expenses	55.1	9.5
Accrued royalties	15.9	5.8
Deferred revenue	43.2	41.6
Pension and post-retirement liability	(2.8)	(4.3)
Other, net	0.1	(0.1)
Total adjustments	50.9	43.0
Net cash provided by operating activities of continuing operations	109.1	86.2
Net cash used in operating activities of discontinued operations	(1.3)	(2.7)
Net cash provided by operating activities	107.8	83.5
Cash flows used in investing activities:		
Prepublication and production expenditures	(25.4)	(23.4)
Additions to property, plant and equipment	(20.8)	(24.2)
Land acquisition	—	(24.3)
Acquisition-related payments (net of cash received of \$2.5)	—	(9.2)
Net cash used in investing activities of continuing operations	(46.2)	(81.1)
Net cash used in investing activities	(46.2)	(81.1)

See accompanying notes

SCHOLASTIC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS – UNAUDITED
(Dollar amounts in millions)

	Six months ended November 30,	
	2011	2010
Cash flows (used in) provided by financing activities:		
Repayment of term loan	(50.2)	(21.4)
Borrowings under Credit Agreement and Revolver	28.8	70.0
Repayment of Credit Agreement and Revolver	(28.8)	(70.0)
Borrowings under lines of credit	52.0	78.6
Repayment of lines of credit	(45.0)	(79.8)
Repayment of capital lease obligations	(0.2)	(1.8)
Reacquisition of common stock	(5.0)	(165.7)
Proceeds pursuant to stock-based compensation plans	3.4	1.0
Payment of dividends	(6.2)	(5.4)
Other	(0.6)	(0.9)
Net cash used in financing activities of continuing operations	(51.8)	(195.4)
Net cash used in financing activities	(51.8)	(195.4)
Effect of exchange rate changes on cash and cash equivalents	(1.1)	3.3
Net increase (decrease) in cash and cash equivalents	8.7	(189.7)
Cash and cash equivalents at beginning of period, including cash of discontinued operations of \$0.0 and \$0.0 at June 1, 2011 and 2010, respectively.	105.3	244.1
Cash and cash equivalents at end of period, including cash of discontinued operations of \$0.0 and \$1.2 at November 30, 2011 and 2010, respectively.	\$ 114.0	\$ 54.4

See accompanying notes

1. Basis of Presentation

Principles of consolidation

The accompanying condensed consolidated financial statements include the accounts of Scholastic Corporation (the “Corporation”) and all wholly-owned and majority-owned subsidiaries (collectively, “Scholastic” or the “Company”). Intercompany transactions are eliminated in consolidation. These financial statements have not been audited but reflect those adjustments consisting of normal recurring items that management considers necessary for a fair presentation of financial position, results of operations and cash flows. These financial statements should be read in conjunction with the consolidated financial statements and related notes in the Annual Report on Form 10-K for the fiscal year ended May 31, 2011 (the “Annual Report”).

The Company’s fiscal year is not a calendar year. Accordingly, references in this document to fiscal 2011 relate to the twelve month period ended May 31, 2011.

Change in Reportable Segments

During the quarter ended August 31, 2011, the Company determined that its reportable segment structure is now comprised of five reportable segments:

- *Children’s Book Publishing and Distribution*
- *Educational Technology and Services*
- *Classroom and Supplemental Materials Publishing*
- *Media, Licensing and Advertising*
- *International*

Accordingly, the Company has presented segment data in prior periods consistent with this change in reportable segments.

Discontinued Operations

The Company closed or sold several operations during fiscal 2009, fiscal 2010 and the first quarter of fiscal 2012, and presently holds for sale one facility. During the first quarter of fiscal 2012, the Company ceased operations in its direct-to-home catalog business specializing in toys. This business was a separate reporting unit included in the *Media, Licensing and Advertising* segment and is now classified as a discontinued operation in the Company’s financial statements. Reference is made to Note 2, “Discontinued Operations,” for additional information concerning discontinued operations.

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 and fourth quarters of the fiscal year, while revenues from the sale of instructional materials and educational technology products are highest in the first and fourth quarters. The Company typically experiences losses from operations in the first and third quarters of each fiscal year. Due to the seasonal fluctuations that occur, the November 30, 2010 condensed consolidated balance sheet is included for comparative purposes.

Use of estimates

The Company’s condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and with the instructions to Form 10-Q and Regulation S-X. The preparation of these financial statements involves the use of estimates and assumptions by management, which affects the amounts reported in the condensed 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:

- Accounts receivable, returns and allowances
- Pension and other post-retirement obligations
- Uncertain tax positions
- Inventory reserves
- Gross profits for book fair operations during interim periods
- Sales taxes
- Royalty advance reserves
- Customer reward programs
- Impairment testing for goodwill, intangibles and other long-lived assets

Restricted Cash

The condensed consolidated balance sheets include restricted cash of \$0.5, \$0.5 and \$1.3 at November 30, 2011, May 31, 2011 and November 30, 2010, respectively, which is reported in “Other current assets.”

New Accounting Pronouncements

In May 2011, the FASB issued an update to the authoritative guidance related to fair value measurements. The amendments will add new disclosures, with a particular focus on Level 3 measurements. The objective of these amendments is to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and International Financial Reporting Standards (“IFRS”). The disclosure amendments in this update are to be applied prospectively and are effective during interim and annual periods beginning after December 15, 2011. Early application is not permitted.

In June 2011, the FASB issued an update related to the reporting of other comprehensive income. The amendments require that all non-owner changes in stockholders’ equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011.

In September 2011, the FASB issued an update to the authoritative guidance related to goodwill impairment testing. The updated guidance gives companies the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The guidance provides companies with a revised list of examples of events and circumstances to consider, in their totality, to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If a company concludes that this is the case, it must perform the two-step test. Otherwise, a company can skip the two-step test. Companies are not required to perform the qualitative assessment and are permitted to skip the qualitative assessment for any reporting unit in any period and proceed directly to Step 1 of the test. A company that validates its conclusion by measuring fair value can resume performing the qualitative assessment in any subsequent period. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted.

SCHOLASTIC CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED
(Dollar amounts in millions, except per share data)

2. Discontinued Operations

The Company continuously evaluates its portfolio of businesses for both impairment and economic viability. The Company monitors the expected cash proceeds to be realized from the disposition of discontinued operations assets, and adjusts asset values accordingly. In the first quarter of fiscal 2012, the Company ceased operations in its direct-to-home catalog business specializing in toys. This business was a separate reporting unit included in the *Media, Licensing and Advertising* segment.

The following table summarizes the operating results of the discontinued operations for the periods indicated:

	Three months ended November 30,		Six months ended November 30,	
	2011	2010	2011	2010
Revenues	\$ —	\$ 7.8	\$ 0.1	\$ 8.3
Non-cash impairment	—	—	0.9	—
Loss before income taxes	(0.7)	(2.5)	(3.3)	(4.4)
Income tax benefit	0.2	0.3	0.8	0.9
Loss from discontinued operations, net of tax	\$ (0.5)	\$ (2.2)	\$ (2.5)	\$ (3.5)

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 the dates indicated:

	November 30, 2011	May 31, 2011	November 30, 2010
Accounts receivable, net	\$ 0.1	\$ 0.1	\$ 0.2
Inventories, net	—	1.2	3.7
Other assets	9.2	9.2	14.3
Current assets of discontinued operations	\$ 9.3	\$ 10.5	\$ 18.2
Accounts payable	\$ 0.1	\$ 0.2	\$ 1.9
Accrued expenses and other current liabilities	0.6	0.6	1.8
Current liabilities of discontinued operations	\$ 0.7	\$ 0.8	\$ 3.7

3. Segment Information

The Company categorizes its businesses into five reportable segments: *Children’s Book Publishing and Distribution*; *Educational Technology and Services*; *Classroom and Supplemental Materials Publishing*; *Media, Licensing and Advertising*; and *International*. This classification reflects the nature of products and services consistent with the method by which the Company’s chief operating decision-maker assesses operating performance and allocates resources.

- *Children’s Book Publishing and Distribution* operates as an integrated business which includes the publication and distribution of children’s books, media and interactive products 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 Technology and Services* includes the production and distribution to schools of curriculum-based learning technology and materials for grades pre-kindergarten to 12 in the United States, together with related implementation and assessment services and school consulting services. This segment is comprised of one operating segment.
- *Classroom and Supplemental Materials Publishing* includes the publication and distribution to schools and libraries of children’s books, classroom magazines, supplemental classroom materials 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, consumer promotions and merchandising and advertising revenue, including sponsorship programs. This segment is comprised of two 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.

SCHOLASTIC CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED
(Dollar amounts in millions, except per share data)

	Children's Book Publishing and Distribution ⁽¹⁾	Educational Technology and Services ⁽¹⁾⁽²⁾	Classroom and Supplemental Materials Publishing ⁽¹⁾	Media, Licensing and Advertising ⁽¹⁾	Overhead ⁽¹⁾⁽³⁾	Total Domestic	International ⁽⁴⁾	Total
Three months ended November 30, 2011								
Revenues	\$ 388.6	\$ 65.4	\$ 58.7	\$ 28.5	\$ —	\$ 541.2	\$ 144.1	\$ 685.3
Bad debt expense	1.6	0.4	0.5	—	—	2.5	0.8	3.3
Depreciation and amortization ⁽⁴⁾	3.8	0.4	0.2	0.3	9.4	14.1	1.4	15.5
Amortization ⁽⁵⁾	3.1	5.1	1.7	2.1	—	12.0	0.5	12.5
Loss on leases	—	—	—	—	6.2	6.2	—	6.2
Royalty advances expensed	2.7	—	(0.1)	—	—	2.6	0.5	3.1
Segment operating income (loss)	108.6	14.6	10.3	2.6	(22.7)	113.4	26.6	140.0
Expenditures for long-lived assets including royalty advances	12.9	6.0	3.1	2.1	7.6	31.7	1.6	33.3

Three months ended November 30, 2010								
Revenues	\$ 387.3	\$ 49.1	\$ 52.5	\$ 33.1	\$ —	\$ 522.0	\$ 145.9	\$ 667.9
Bad debt expense	2.3	0.2	(0.2)	0.1	—	2.4	0.6	3.0
Depreciation and amortization ⁽⁴⁾	3.9	0.5	0.3	—	8.5	13.2	1.3	14.5
Amortization ⁽⁵⁾	3.0	5.5	1.5	1.6	—	11.6	0.8	12.4
Loss on leases	—	—	—	—	—	—	—	—
Royalty advances expensed	3.2	(0.1)	0.3	0.1	—	3.5	0.8	4.3
Segment operating income (loss)	97.3	3.4	7.6	5.2	(9.7)	103.8	25.3	129.1
Expenditures for long-lived assets including royalty advances	7.9	13.9	1.7	2.2	31.4	57.1	4.0	61.1

SCHOLASTIC CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED
(Dollar amounts in millions, except per share data)

	Children's Book Publishing and Distribution ⁽¹⁾	Educational Technology and Services ⁽¹⁾⁽²⁾	Classroom and Supplemental Materials Publishing ⁽¹⁾	Media, Licensing and Advertising ⁽¹⁾	Overhead ⁽¹⁾⁽³⁾	Total Domestic	International ⁽⁴⁾	Total
Six months ended November 30, 2011								
Revenues	\$ 465.9	\$ 162.0	\$ 104.4	\$ 39.2	\$ —	\$ 771.5	\$ 231.8	\$ 1,003.3
Bad debt expense	1.6	0.7	0.9	—	—	3.2	1.5	4.7
Depreciation and amortization ⁽⁴⁾	7.5	0.7	0.5	0.4	18.6	27.7	2.9	30.6
Amortization ⁽⁵⁾	6.2	10.3	3.1	3.6	—	23.2	1.2	24.4
Loss on leases	—	—	—	—	6.2	6.2	—	6.2
Royalty advances expensed	7.7	0.2	—	0.1	—	8.0	1.3	9.3
Segment operating income (loss)	58.8	53.4	12.4	(2.4)	(41.9)	80.3	26.5	106.8
Segment assets (at 11/30/11)	541.4	157.6	158.8	44.2	419.5	1,321.5	280.1	1,601.6
Goodwill (at 11/30/11)	54.3	22.7	64.0	5.4	—	146.4	8.7	155.1
Expenditures for long-lived assets including royalty advances	21.1	11.3	4.4	4.0	12.6	53.4	3.9	57.3
Long-lived assets (at 11/30/11)	175.6	98.6	81.0	20.2	242.4	617.8	69.9	687.7
Six months ended November 30, 2010								
Revenues	\$ 460.2	\$ 131.2	\$ 89.0	\$ 50.1	\$ —	\$ 730.5	\$ 227.8	\$ 958.3
Bad debt expense	4.3	0.5	(0.5)	0.1	—	4.4	1.5	5.9
Depreciation and amortization ⁽⁴⁾	7.5	0.8	0.6	0.5	16.9	26.3	2.6	28.9
Amortization ⁽⁵⁾	6.3	11.3	2.2	3.3	—	23.1	1.4	24.5
Loss on leases	—	—	—	—	—	—	—	—
Royalty advances expensed	8.3	0.1	0.3	0.2	—	8.9	1.4	10.3
Segment operating income (loss)	45.7	33.6	5.9	3.0	(28.5)	59.7	23.1	82.8
Segment assets (at 11/30/10)	540.0	150.7	153.8	48.2	375.5	1,268.2	298.0	1,566.2
Goodwill (at 11/30/10)	54.3	27.9	67.4	5.4	—	155.0	8.7	163.7
Expenditures for long-lived assets including royalty advances	20.9	20.0	2.5	4.2	36.9	84.5	7.1	91.6
Long-lived assets (at 11/30/10)	182.4	95.2	80.4	19.8	249.9	627.7	73.0	700.7

SCHOLASTIC CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED
(Dollar amounts in millions, except per share data)

- (1) As discussed under “Discontinued Operations” in Note 1, “Basis of Presentation,” the Company closed or sold several operations during fiscal 2009, fiscal 2010 and the first quarter of fiscal 2012 and presently holds for sale one facility. All of these businesses are classified as discontinued operations in the Company’s financial statements and, as such, are not reflected in this table.
- (2) Includes assets and results of operations acquired in a business acquisition as of September 9, 2010.
- (3) 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, its fulfillment and distribution facilities located in Missouri and its facility located in Connecticut. Overhead also includes amounts previously allocated to the Media, Licensing and Advertising segment for the Company’s direct-to-home toy catalog business that was discontinued in the first quarter of fiscal 2012.
- (4) Includes depreciation of property, plant and equipment and amortization of intangible assets.
- (5) Includes amortization of prepublication and production costs.

4. Debt

The following table summarizes debt as of the dates indicated:

	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	November 30, 2011		May 31, 2011		November 30, 2010	
Lines of Credit (weighted average interest rates of 3.7%, 6.7% and 4.0%, respectively)	\$ 5.7	\$ 5.7	\$ 0.7	\$ 0.7	\$ 7.2	\$ 7.2
Loan Agreement:						
Revolving Loan	—	—	—	—	—	—
Term Loan (interest rates of n/a, 1.0% and 1.0%, respectively)	—	—	50.2	50.2	71.6	71.6
5% Notes due 2013, net of discount	152.7	153.8	152.5	156.6	152.4	154.8
Total debt	\$ 158.4	\$ 159.5	\$ 203.4	\$ 207.5	\$ 231.2	\$ 233.6
Less lines of credit, short-term debt and current portion of long-term debt	(5.7)	(5.7)	(43.5)	(43.5)	(50.0)	(50.0)
Total long-term debt	\$ 152.7	\$ 153.8	\$ 159.9	\$ 164.0	\$ 181.2	\$ 183.6

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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 and stable credit rating. 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 Company's debt obligations as of November 30, 2011, for the twelve-month periods ended November 30:

2012	\$	5.7
2013		152.7
Total debt	\$	158.4

Lines of Credit

As of November 30, 2011, the Company's domestic credit lines available under unsecured money market bid rate credit lines totaled \$20.0. There were no outstanding borrowings under these credit lines at November 30, 2011, May 31, 2011 and November 30, 2010. 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 365 days. These credit lines may be renewed, if requested by the Company, at the option of the lender.

As of November 30, 2011, the Company had various local currency credit lines, with maximum available borrowings in amounts equivalent to \$34.1, 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. Borrowings and weighted average interest rates for these lines of credit are presented in the table above.

Loan Agreement

On June 1, 2007, Scholastic Corporation and Scholastic Inc. (each, a "Borrower" and together, the "Borrowers") entered into a \$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 was amended on August 16, 2010, and again on October 25, 2011. The October 25, 2011 amendment effectively extended the maturity of the Revolving Loan facility to June 1, 2014 from June 1, 2012 and provided for the repayment of the outstanding balance of the Term Loan on October 25, 2011.

The Loan Agreement, as amended, is a contractually committed unsecured credit facility that is scheduled to expire on June 1, 2014. The \$325.0 Revolving Loan 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.

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Interest on the 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). The interest pricing under the Revolving Loan is dependent upon the Borrower's election of a rate that is either:

- A Base Rate equal to the higher of (i) the prime rate, (ii) the prevailing Federal Funds rate plus 0.500% or (iii) the Eurodollar Rate for a one month interest period plus 1% plus an applicable spread ranging from 0.18% to 0.60%, as determined by the Company's prevailing Consolidated Debt Ratio, as defined in the Loan Agreement.

- or -

- A Eurodollar Rate equal to the London interbank offered rate (LIBOR) plus an applicable spread ranging from 1.18% to 1.60%, as determined by the Company's prevailing Consolidated Debt Ratio, as defined in the Loan Agreement.

As of November 30, 2011, the indicated spread on Base Rate Advances was 0.25% and the indicated spread on Eurodollar Rate Advances was 1.25%, both based on the Company's prevailing Consolidated Debt Ratio. There were no Revolving Loan Advances outstanding on November 30, 2011.

The Loan Agreement also provides for the payment of a facility fee ranging from 0.20% to 0.40% per annum based upon the Company's prevailing Consolidated Debt Ratio. At November 30, 2011, the facility fee rate was 0.25%.

As of November 30, 2011, standby letters of credit outstanding under the Loan Agreement totaled \$1.4. 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 November 30, 2011, 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.

5. Comprehensive Income

The following table sets forth comprehensive income for the periods indicated:

	Three months ended November 30,		Six months ended November 30,	
	2011	2010	2011	2010
Net income	\$ 82.8	\$ 74.9	\$ 55.7	\$ 39.7
Other comprehensive income, net:				
Foreign currency translation adjustment	(6.4)	4.8	(5.9)	8.2
Pension and post-retirement adjustments	1.5	4.0	2.8	4.6
Total other comprehensive (loss) income, net:	(4.9)	8.8	(3.1)	12.8
Total comprehensive income	\$ 77.9	\$ 83.7	\$ 52.6	\$ 52.5

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6. Earnings (Loss) Per Share

The following table summarizes the reconciliation of the numerators and denominators for the basic and diluted earnings (loss) per share computation for the three and six month periods ended November 30, 2011 and 2010, respectively:

	Three months ended November 30,		Six months ended November 30,	
	2011	2010	2011	2010
Earnings from continuing operations attributable to Class A and Common Shares	\$ 82.9	\$ 76.8	\$ 57.9	\$ 43.0
Loss from discontinued operations attributable to Class A and Common Shares, net of tax	(0.5)	(2.2)	(2.5)	(3.5)
Net income attributable to Class A and Common Shares	\$ 82.4	\$ 74.6	\$ 55.4	\$ 39.5
Weighted average Shares of Class A Stock and Common Stock outstanding for basic earnings per share (in millions)	31.2	34.4	31.1	35.3
Dilutive effect of Class A Stock and Common Stock potentially issuable pursuant to stock-based compensation plans (in millions)	0.5	0.5	0.5	0.4
Adjusted weighted average Shares of Class A Stock and Common Stock outstanding for diluted earnings per share (in millions)	31.7	34.9	31.6	35.7
Earnings (loss) per share of Class A Stock and Common Stock:				
Basic earnings (loss) per share:				
Earnings from continuing operations	\$ 2.66	\$ 2.23	\$ 1.86	\$ 1.22
Loss from discontinued operations, net of tax	\$ (0.02)	\$ (0.06)	\$ (0.08)	\$ (0.10)
Net income	\$ 2.64	\$ 2.17	\$ 1.78	\$ 1.12
Diluted earnings (loss) per share:				
Earnings from continuing operations	\$ 2.62	\$ 2.20	\$ 1.83	\$ 1.21
Loss from discontinued operations, net of tax	\$ (0.02)	\$ (0.06)	\$ (0.08)	\$ (0.10)
Net income	\$ 2.60	\$ 2.14	\$ 1.75	\$ 1.11

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In periods of Net loss, dilutive earnings per share are not reported as the effect of the potentially dilutive shares becomes anti-dilutive.

In a period in which the Company reports a discontinued operation, Earnings (loss) from continuing operations is used as the “control number” in determining whether potentially dilutive common shares are dilutive or anti-dilutive.

A portion of the Company’s Restricted Stock Units (“RSUs”) granted to employees participate in earnings through cumulative non-forfeitable dividends payable to the employees upon vesting of the RSUs. Accordingly, the Company measures earnings per share based upon the two-class method.

Earnings from continuing operations exclude earnings of \$0.4 and \$0.3 for the three and six months ended November 30, 2011, and \$0.3 and \$0.2 for the three and six months ended November 30, 2010, respectively, in respect of earnings attributable to participating RSUs.

Potentially dilutive shares outstanding pursuant to compensation plans that were not included in the diluted earnings per share calculation because they were anti-dilutive were 4.8 million and 4.4 million for the three months ended November 30, 2011 and 2010, respectively, and 4.6 million and 4.8 million for the six months ended November 30, 2011 and 2010, respectively. Options outstanding pursuant to compensation plans were 5.8 million and 5.5 million as of November 30, 2011 and 2010, respectively.

As of November 30, 2011, \$38.9 remains available for future purchases of common shares under the current repurchase authorization of the Board of Directors. See Note 12, “Treasury Stock,” for a more complete description of the Company’s share buy-back program.

7. Goodwill and Other Intangibles

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

The following table summarizes the activity in Goodwill for the periods indicated:

	Six months ended November 30, 2011		Twelve months ended May 31, 2011		Six months ended November 30, 2010	
Gross beginning balance	\$	175.0	\$	174.0	\$	174.0
Accumulated impairment		(20.8)		(17.4)		(17.4)
Beginning balance	\$	154.2	\$	156.6	\$	156.6
Additions		—		1.0		7.1
Impairment charge		—		(3.4)		—
Other		0.9		—		—
Gross ending balance	\$	175.9	\$	175.0	\$	181.1
Accumulated impairment		(20.8)		(20.8)		(17.4)
Ending balance	\$	155.1	\$	154.2	\$	163.7

On September 9, 2010, the Company purchased the assets of Math Solutions, an education resources and professional development company focusing on K-12 math instruction, for \$8.0, net of cash. The Company has integrated this business with its existing educational technology businesses. The Company utilized Level 3 fair value measurement inputs, using its own assumptions, including internally-developed discounted cash flow forecasts, to determine the fair value of the assets acquired and the amount of goodwill to be allocated to the Math Solutions business. As a result, the Company recognized \$1.7 of goodwill and \$5.6 of amortizable intangible assets. In the second quarter of fiscal 2011, the Company also recognized \$0.2 of goodwill associated with a previously acquired international entity.

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As of May 31, 2011, the Company determined the carrying value of its Scholastic Library Publishing and Classroom Magazines business within the *Classroom and Supplemental Materials Publishing* segment exceeded the fair value of this reporting unit. The Company employed internally-developed discounted cash flow forecasts and market comparisons to determine the fair value of the reporting unit and the implied fair value of the reporting unit's assets and liabilities. Accordingly, the Company recognized an impairment charge of \$3.4 at May 31, 2011.

The following table summarizes the activity in Total other intangibles subject to amortization for the periods indicated:

	Six months ended		Twelve months ended		Six months ended	
	November 30, 2011		May 31, 2011		November 30, 2010	
Beginning balance - Customer lists	\$	0.7	\$	0.8	\$	0.8
Amortization expense		(0.1)		(0.2)		(0.1)
Foreign currency translation		0.0		0.1		0.1
Customer lists, net of accumulated amortization of \$1.2, \$1.1 and \$1.0, respectively	\$	0.6	\$	0.7	\$	0.8
Beginning balance - other intangibles	\$	17.3	\$	2.2	\$	2.2
Additions due to acquisition		—		5.6		—
Reclassified from indefinite-lived intangible assets		—		10.7		10.7
Amortization expense		(0.8)		(1.2)		(0.5)
Other intangibles, net of accumulated amortization of \$5.0, \$4.2 and \$3.5, respectively	\$	16.5	\$	17.3	\$	12.4
Total other intangibles subject to amortization	\$	17.1	\$	18.0	\$	13.2

Amortization expense for Total other intangibles was \$0.9 for the six months ended November 30, 2011, \$1.4 for the twelve months ended May 31, 2011 and \$0.6 for the six months ended November 30, 2010. 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 weighted-average remaining useful lives of all amortizable intangible assets is 15.2 years.

In fiscal 2011, the Company recognized \$5.6 of amortizable intangible assets as a result of the Math Solutions acquisition. The Company utilized Level 3 fair value measurement inputs, using its own assumptions including internally-developed discounted cash flow forecasts and market comparisons, to determine the fair value of the intangible assets acquired.

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In the three month period ended November 30, 2010, the Company determined that certain intangible assets associated with publishing and trademark rights, which were previously accounted for as indefinite-lived assets, were no longer indefinite-lived. Accordingly, the Company assessed these assets for impairment as of September 1, 2010, and subsequently commenced amortization of the assets. The Company determined that the fair value of the assets exceeded their carrying value as of September 1, 2010, and therefore no impairment was recognized. The Company employed Level 3 fair value measurement techniques to determine the fair value of these assets as of September 1, 2010.

The following table summarizes Other intangibles not subject to amortization at the dates indicated:

	November 30, 2011		May 31, 2011		November 30, 2010	
Net carrying value by major class:						
Trademarks and Other	\$	1.8	\$	1.8	\$	1.8
Total	\$	1.8	\$	1.8	\$	1.8

8. Investments

Included in “Other assets and deferred charges” on the Company’s condensed consolidated balance sheets were investments of \$22.5, \$20.4 and \$22.5 at November 30, 2011, May 31, 2011 and November 30, 2010, respectively.

The Company owns a non-controlling interest in a book distribution business located in the United Kingdom. In fiscal 2011, the Company determined that these assets were other than temporarily impaired. The Company employed Level 3 fair value measures, including discounted cash flow projections, and recognized an impairment loss of \$3.6. The carrying value of these assets was \$5.5 as of November 30, 2011.

The Company maintains an investment in an entity that produces and distributes educational children’s television programming. The Company’s investment, which consists of a 14.0% equity interest, is accounted for using the equity method of accounting. The net value of this investment at November 30, 2011 was \$1.3.

The Company’s 26.2% non-controlling interest in a children’s book publishing business located in the UK is accounted for using the equity method of accounting. The net value of this investment at November 30, 2011 was \$15.7.

Income from equity joint ventures totaled \$1.7 for the six months ended November 30, 2011 and \$1.1 for the six months ended November 30, 2010.

The following table summarizes the Company’s investments as of the dates indicated:

	November 30, 2011		May 31, 2011		November 30, 2010	
Cost method investments:						
UK - based	\$	5.5	\$	5.7	\$	9.1
Total cost method investments	\$	5.5	\$	5.7	\$	9.1
Equity method investments:						
UK - based	\$	15.7	\$	13.4	\$	12.8
U.S. - based		1.3		1.3		0.6
Total equity method investments	\$	17.0	\$	14.7	\$	13.4
Total	\$	22.5	\$	20.4	\$	22.5

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9. Employee Benefit Plans

The following table sets forth components of the net periodic benefit costs for the periods indicated under the Company’s cash balance retirement plan for its United States employees meeting certain eligibility requirements (the “U.S. Pension Plan”), the defined benefit pension plan of Scholastic Ltd., an indirect subsidiary of Scholastic Corporation located in the United Kingdom (the “UK Pension Plan”), and the defined benefit pension plan of Grolier Limited, an indirect subsidiary of Scholastic Corporation located in Canada (the “Canadian Pension Plan” and together with the U.S. Pension Plan and the UK Pension Plan, the “Pension Plans”). Also included are the post-retirement benefits, consisting of certain healthcare and life insurance benefits, provided by the Company to its eligible retired United States-based employees (the “Post-Retirement Benefits”). The Pension Plans and Post-Retirement Benefits include participants associated with both continuing operations and discontinued operations.

	Pension Plans		Post-Retirement Benefits	
	Three months ended November 30,		Three months ended November 30,	
	2011	2010	2011	2010
Components of net periodic benefit costs:				
Service cost	\$ 0.0	\$ 0.1	\$ 0.0	\$ 0.0
Interest cost	2.1	2.2	0.5	0.4
Expected return on assets	(2.7)	(2.3)	—	—
Net amortization of prior service credit	—	—	(0.2)	(0.2)
Amortization of loss	0.3	0.4	1.0	0.6
Settlement of Canadian plan	—	3.4	—	—
Net periodic benefit (credit) costs	\$ (0.3)	\$ 3.8	\$ 1.3	\$ 0.8

	Pension Plans		Post-Retirement Benefits	
	Six months ended November 30,		Six months ended November 30,	
	2011	2010	2011	2010
Components of net periodic benefit costs:				
Service cost	\$ 0.0	\$ 0.2	\$ 0.0	\$ 0.0
Interest cost	4.2	4.4	0.9	0.9
Expected return on assets	(5.4)	(4.7)	—	—
Net amortization of prior service credit	—	—	(0.3)	(0.3)
Amortization of loss	0.7	0.9	2.1	1.1
Settlement of Canadian plan	—	3.4	—	—
Net periodic benefit (credit) costs	\$ (0.5)	\$ 4.2	\$ 2.7	\$ 1.7

In the second quarter of fiscal 2011, the Company completed the settlement of its outstanding liabilities under the Canadian Pension Plan by purchasing non-participating annuities to service these liabilities prospectively.

The Company’s funding practice with respect to the Pension Plans is to contribute on an annual basis at least the minimum amounts required by applicable laws. For the six months ended November 30, 2011, the Company contributed \$0.1 to the U.S. Pension Plan and \$1.3 to the UK Pension Plan.

The Company expects, based on actuarial calculations, to contribute cash of approximately \$8.4 to the Pension Plans for the fiscal year ending May 31, 2012.

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10. Stock-Based Compensation

The following table summarizes stock-based compensation expense included in Selling, general and administrative expenses for the periods indicated:

	Three months ended November 30,		Six months ended November 30,	
	2011	2010	2011	2010
Stock option expense	\$ 3.4	\$ 1.6	\$ 4.8	\$ 5.4
Restricted stock unit expense	2.0	0.9	2.6	2.3
Management stock purchase plan	0.2	0.5	0.2	0.5
Employee stock purchase plan	0.1	0.1	0.2	0.2
Total stock-based compensation expense	\$ 5.7	\$ 3.1	\$ 7.8	\$ 8.4

During each of the three and six-month periods ended November 30, 2011 and 2010, shares of Common Stock issued by the Corporation pursuant to its stock-based compensation plans were not material.

11. Severance and Exit Costs

The Company implemented new cost reduction initiatives, notably a voluntary retirement program, in the current fiscal year and incurred severance expense of \$6.8 related to this program. The table below provides information regarding the severance cost reported in the Company's condensed consolidated statements of operations, including the costs related to this program.

Accrued severance of \$2.4, \$1.9 and \$0.9 as of November 30, 2011, May 31, 2011 and November 30, 2010, respectively, is included in "Other accrued expenses" on the Company's condensed consolidated balance sheets.

	Six months ended November 30, 2011	Twelve months ended May 31, 2011	Six months ended November 30, 2010
Beginning balance	\$ 1.9	\$ 3.4	\$ 3.4
Accruals	8.3	6.7	3.1
Payments	(7.8)	(8.2)	(5.6)
Ending balance	\$ 2.4	\$ 1.9	\$ 0.9

Consistent with the Company's efforts to reduce costs and realign resources, during the three-month period ended November 30, 2011, the Company entered into sublease arrangements for certain leased properties in lower Manhattan. These subleases enable the Company to reduce utilized space, effectively reducing net rental costs prospectively. The sublease arrangements provide for rents to be paid to the Company from unrelated subtenants for the remainder of the Company's lease terms through 2018. The net rents to be received from the subtenants are less than the Company's lease commitments for these properties over the remaining term of the leases. Accordingly, the Company recognized a loss on these subleases of \$6.2 in the three and six-month periods ended November 30, 2011.

12. Treasury Stock

The Company has announced authorizations made by the Board of Directors to repurchase Common Stock, from time to time as conditions allow, on the open market or through negotiated private transactions, as summarized in the table below:

Authorization	Amount
December 2007	\$ 20.0
May 2008	20.0
November 2008	10.0
February 2009	5.0
December 2009	20.0
September 2010 ^(a)	44.0
Subtotal	\$ 119.0
Less Repurchases made from December 2007 to November 2011	(80.1)
Remaining Board Authorization at November 30, 2011	\$ 38.9

(a) Represents the remainder of \$200.0 authorization after giving effect to the purchase of 5,199,699 shares at \$30.00 per share pursuant to a modified Dutch auction tender offer that was completed by the Company on November 3, 2010, for a total cost of \$156.0, excluding related fees and expenses. The Common shares purchased pursuant to the tender offer represented approximately 15.1% of the Common shares outstanding as of October 27, 2010. Fees for the modified Dutch auction tender offer were \$1.2.

The repurchase program may be suspended at any time without prior notice.

13. Fair Value Measurements

The accounting standard regarding fair value measurements requires that the Company determine the appropriate level in the fair value hierarchy for each fair value measurement. The fair value hierarchy prioritizes the inputs, which refer to assumptions that market participants would use in pricing an asset or liability, based upon the highest and best use, into three levels as follows:

- **Level 1** Unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- **Level 2** Observable inputs other than unadjusted quoted prices in active markets for identical assets or liabilities such as
 - Quoted prices for similar assets or liabilities in active markets
 - Quoted prices for identical or similar assets or liabilities in inactive markets
 - Inputs other than quoted prices that are observable for the asset or liability
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means
- **Level 3** Unobservable inputs in which there is little or no market data available, which are significant to the fair value measurement and require the Company to develop its own assumptions.

The Company's financial assets and liabilities measured at fair value consisted of cash and cash equivalents, debt and foreign currency forward contracts, which 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 Company employs Level 2 fair value measurements for the disclosure of the fair value of its 5% Notes and its various lines of credit. See Note 4, "Debt," for a more complete description of fair value measurements employed. 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. See Note 15, "Derivatives and Hedging," for a more complete description of fair value measurements employed.

Non-financial assets and liabilities for which the Company employs fair value measures on a non-recurring basis include:

- long-lived assets
- assets acquired in a business combination
- goodwill and indefinite-lived intangible assets
- long-lived assets held for sale

Level 2 and Level 3 inputs are employed by the Company in the fair value measurement of these assets and liabilities. In fiscal 2011, the Company acquired certain assets in a business combination for \$8.0, net of cash acquired. The Company has completed its purchase price allocation for this acquisition. See Note 7, “Goodwill and Other Intangibles,” for a discussion of the fair value measures employed in these asset impairment and acquisition analyses.

14. Income Taxes

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 and applies that rate to its year to date earnings or losses. The Company’s effective tax rate is based on expected income and statutory tax rates and takes into consideration permanent differences between financial statement and tax return income applicable to the Company in the various jurisdictions in which the Company operates. The effect of discrete items, such as changes in estimates, changes in enacted tax laws or rates or tax status, and unusual or infrequently occurring events, is recognized in the interim period in which the discrete item occurs. The accounting estimates used to compute the provision for income taxes may change as new events occur, additional information is obtained or as the result of new judicial interpretations or regulatory or tax law changes.

The Company’s annual effective tax rate for the fiscal year ending May 31, 2012 is currently expected to be approximately 45%. The Company’s expected full year effective tax rate exceeds statutory rates primarily as a result of net operating losses in foreign jurisdictions, mainly in the United Kingdom, where the Company does not expect to realize future tax benefits. As a result, valuation allowances are provided for the net operating loss carry forwards in these jurisdictions.

The Company recognizes tax benefits of uncertain tax positions in accordance with the current accounting guidance pertaining to uncertainty in income taxes. The Company does not currently anticipate a material change to its unrecognized tax benefits within twelve months of November 30, 2011. However, actual developments can change these expectations, including the final terms of settlement of current audits.

The Corporation, including its domestic subsidiaries, files a consolidated U.S. income tax return, and also files tax returns in various states and other local jurisdictions. Also, certain subsidiaries of the Corporation file income tax returns in 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, 2007, 2008 and 2009. The Company is also currently under audit by New York State for its fiscal years ended May 31, 2002, 2003 and 2004 and New York City for its fiscal years ended May 31, 2005, 2006 and 2007. 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.

15. Derivatives and Hedging

The Company enters into foreign currency derivative contracts to economically hedge the exposure to foreign currency fluctuations associated with the forecasted purchase of inventory and the foreign exchange risk associated with certain receivables denominated in foreign currencies. These derivative contracts are economic hedges and are not designated as cash flow hedges. The Company marks-to-market these instruments and records the changes in the fair value of these items in current earnings, and it recognizes the unrealized gain or loss in other current assets or liabilities. Unrealized gains of \$0.8 and \$0.2 were recognized at November 30, 2011 and 2010, respectively.

16. Subsequent Event

On December 14, 2011, the Company announced that the Board of Directors declared a cash dividend of \$0.125 per Class A and Common share in respect of the third quarter of fiscal 2012. The dividend is payable on March 15, 2012 to shareholders of record on January 31, 2012.

Overview and Outlook

Revenue for the quarter ended November 30, 2011 was \$685.3 million, up 2.6% from \$667.9 million in the prior fiscal year period. Net income for the quarter ended November 30, 2011 was \$82.8 million, up 10.5% from \$74.9 million in the prior fiscal year period. Consolidated earnings per diluted share were \$2.60 per share, compared to \$2.14 per diluted share in the prior year period. Improved profits reflected higher sales of educational technology and services, children's books and ebooks, and classroom and supplemental materials. During the second fiscal quarter, the Company also sustained progress on its digital growth initiatives.

In the *Educational Technology and Services* segment, revenue rose more than 30% and operating profit grew substantially driven by *READ 180*[®] *Next Generation*, which continues to perform extremely well, benefitting from the version's enhanced features as well as its proven effectiveness. The Company also experienced strength in the *Children's Book Publishing and Distribution* segment driven by multiple best-selling Scholastic titles in both print and digital formats, which drove significant growth in Trade sales and higher segment profits. At the same time Scholastic moved forward with key digital initiatives, as the Company prepares to introduce a Scholastic children's ereading app and ebookstore in the school channels in the second half of the fiscal year. Further progress with cost reductions in non-digital areas continues to help offset spending on these initiatives.

The Company continues to anticipate total revenue of approximately \$1.9 billion and earnings per diluted share from continuing operations in the range of \$1.75 to \$2.10, before the impact of one-time items associated with cost reduction programs or non-cash, non-operating items.

Results of Continuing Operations and Discontinued Operations

Revenues for the quarter ended November 30, 2011 increased by \$17.4 million, or 2.6%, to \$685.3 million, compared to \$667.9 million in the prior fiscal year quarter, driven by higher revenues in the *Educational Technology and Services* segment, the *Classroom and Supplemental Materials Publishing* segment and the *Children's Book Publishing and Distribution* segment of \$16.3 million, \$6.2 million and \$1.3 million, respectively, offset by lower revenues in the *Media, Licensing and Advertising* and *International* segments of \$4.6 million and \$1.8 million, respectively. Revenues for the six months ended November 30, 2011 increased by \$45.0 million, or 4.7%, to \$1,003.3 million, compared to \$958.3 million in the prior year fiscal period primarily due to higher revenues in the *Educational Technology and Services* segment, the *Classroom and Supplemental Materials Publishing* segment, the *Children's Book Publishing and Distribution* segment and the *International* segment of \$30.8 million, \$15.4 million, \$5.7 million and \$4.0 million, respectively. This was offset by lower revenues in the *Media, Licensing and Advertising* segment of \$10.9 million.

Cost of goods sold as a percentage of revenue for the quarter ended November 30, 2011 decreased to 41.7%, compared to 43.6% in the prior fiscal year quarter. Cost of goods sold as a percentage of revenue for the six months ended November 30, 2011 decreased to 44.5%, compared to 45.8% in the prior fiscal year. The decrease in both periods is primarily related to favorable product mix and decreased postage costs partially offset by increased royalty costs. Components of Cost of goods sold for the three and six months ended November 30, 2011 and 2010 are as follows:

	Three months ended November 30,		Six months ended November 30,	
	2011	2010	2011	2010
Product, service and production costs	\$ 168.2	\$ 176.6	\$ 247.7	\$ 253.7
Royalty costs	34.2	27.4	57.1	46.7
Prepublication and production amortization	12.6	12.7	24.4	24.8
Postage, freight, shipping, fulfillment and all other costs	70.7	74.5	116.9	113.3
Total	\$ 285.7	\$ 291.2	\$ 446.1	\$ 438.5

Bad debt expense increased slightly to \$3.3 million for the quarter ended November 30, 2011 compared to \$3.0 million in the prior fiscal year quarter. Bad debt expense decreased by \$1.2 million to \$4.7 million for the six months ended November 30, 2011, compared to \$5.9 million in the prior fiscal year period, primarily in the *Children's Book Publishing and Distribution* segment.

During the quarter ended November 30, 2011, consistent with the Company's efforts to reduce costs and realign resources, the Company entered into sublease arrangements for certain leased properties in lower Manhattan. These subleases enable the Company to reduce utilized space, effectively reducing net rental costs by approximately \$15 million through 2018. The sublease arrangements provide for rents to be paid to the Company from unrelated subtenants for the remainder of the Company's lease terms through 2018. The net rents to be received from the subtenants are less than the Company's lease commitments for these properties over the remaining term of the leases. Accordingly the Company recognized a loss on these subleases of \$6.2 million in the three and six months ended November 30, 2011.

Severance expense increased by \$4.0 million to \$5.0 million for the quarter ended November 30, 2011, compared to \$1.0 million in the prior fiscal year quarter. For the six months ended November 30, 2011, severance expense increased by \$5.2 million, to \$8.3 million, compared to \$3.1 million in the prior year fiscal period. Of the aforementioned severance expense \$4.7 million and \$6.8 million related to the voluntary retirement program for the three and six-month periods ended November 30, 2011, respectively.

The resulting operating income for the quarter ended November 30, 2011 increased by \$10.9 million to \$140.0 million, compared to \$129.1 million in the prior fiscal year quarter. For the six months ended November 30, 2011, the resulting operating income increased by \$24.0 million to \$106.8 million, compared to \$82.8 million in the prior fiscal year period.

Net interest expense decreased by \$0.1 million to \$3.9 million in the quarter ended November 30, 2011, compared to \$4.0 million in the prior fiscal year quarter, due to lower average borrowings. For the six months ended November 30, 2011 and November 30, 2010, net interest expense remained flat at \$7.8 million.

The Company's effective tax rates were 38.8% and 38.2% for the fiscal quarters ended November 30, 2011 and 2010, and 41.2% and 42.1% for the six months ended November 30, 2011 and 2010, respectively.

Earnings from continuing operations were \$83.3 million, or \$2.62 per diluted share, for the quarter ended November 30, 2011, compared to earnings of \$77.1 million, or \$2.20 per diluted share, for the prior year fiscal quarter. For the six months ended November 30, 2011, earnings from continuing operations were \$58.2 million, or \$1.83 per diluted share, compared to \$43.2 million, or \$1.21 per diluted share, in the prior fiscal year period.

Loss from discontinued operations, net of tax, was \$0.5 million, or \$0.02 per share, for the quarter ended November 30, 2011, compared to a loss of \$2.2 million, or \$0.06 per share, for the prior year fiscal quarter. Loss from discontinued operations for the six months ended November 30, 2011 was \$2.5 million, or \$0.08 per share, compared to \$3.5 million, or \$0.10 per share, for the prior fiscal year period. The prior year periods ended November 30, 2010 include a charge associated with the fiscal 2011 settlement of the Canada Grolier pension plan.

Net income was \$82.8 million or \$2.60 per diluted share, for the quarter ended November 30, 2011, compared to \$74.9 million, or \$2.14 per diluted share, in the prior fiscal year quarter. Net income was \$55.7 million, or \$1.75 per diluted share, for the six months ended November 30, 2011, compared to \$39.7 million, or \$1.11 per diluted share, in the prior fiscal year period.

Results of Continuing Operations

Children's Book Publishing and Distribution

(\$ amounts in millions)	Three months ended November 30,		Six months ended November 30,	
	2011	2010	2011	2010
Revenues	\$ 388.6	\$ 387.3	\$ 465.9	\$ 460.2
Operating income	108.6	97.3	58.8	45.7
Operating margin	27.9%	25.1%	12.6%	9.9%

Revenues in the *Children's Book Publishing and Distribution* segment for the quarter ended November 30, 2011 increased by \$1.3 million, or 0.3%, to \$388.6 million, compared to \$387.3 million in the prior fiscal year quarter. This is primarily due to increased revenue in the Company's trade business driven by strong frontlist titles such as *Wonderstruck*, *The Scorpio Races* and *Can You See What I See? Toyland Express*, sales of the *The Hunger Games* trilogy, in both print and ebook formats, as well as overall favorable return rates. Revenues for the six months ended November 30, 2011 increased by \$5.7 million, or 1.2%, to \$465.9 million, compared to \$460.2 million in the prior fiscal year period. The increase is primarily due to higher backlist sales from *The Hunger Games* trilogy. In both periods, this was partially offset by lower revenues in the Company's book clubs business driven primarily by a decrease in revenue per order partially offset by an increase in the number of orders.

Segment operating income for the quarter ended November 30, 2011 increased by \$11.3 million, or 11.6%, to \$108.6 million, compared to \$97.3 million in the prior fiscal year quarter. Segment operating income for the six months ended November 30, 2011, increased by \$13.1 million, or 28.7%, to \$58.8 million, compared to \$45.7 million in the prior fiscal year period. The operating income increases in both periods were principally related to the favorable results in the trade business and reduced promotional spending in the Company's book clubs business, partially offset by the Company's continued investment in its digital initiatives.

Educational Technology and Services

(\$ amounts in millions)	Three months ended November 30,		Six months ended November 30,	
	2011	2010	2011	2010
Revenues	\$ 65.4	\$ 49.1	\$ 162.0	\$ 131.2
Operating income	14.6	3.4	53.4	33.6
Operating margin	22.3%	6.9%	33.0%	25.6%

Revenues in the *Educational Technology and Services* segment for the quarter ended November 30, 2011 increased by \$16.3 million, or 33.2%, to \$65.4 million, compared to \$49.1 million in the prior fiscal year quarter. Revenues for the six months ended November 30, 2011 increased by \$30.8 million, or 23.5%, to \$162.0 million, compared to \$131.2 million in the prior fiscal year period. The increases in both periods were related to strong sales of educational technology, led by *READ 180*[®] *Next Generation* and *System 44*, as well as continued strength in math and early learning products and consulting and other services.

Segment operating income for the quarter ended November 30, 2011 increased by \$11.2 million to \$14.6 million, compared to \$3.4 million in the prior fiscal year quarter. Segment operating income for the six months ended November 30, 2011 increased by \$19.8 million to \$53.4 million, from \$33.6 million in the prior fiscal year period. Increases in operating income for both periods were primarily related to the revenue increases noted above.

Classroom and Supplemental Materials Publishing

(\$ amounts in millions)	Three months ended November 30,		Six months ended November 30,	
	2011	2010	2011	2010
Revenues	\$ 58.7	\$ 52.5	\$ 104.4	\$ 89.0
Operating income	10.3	7.6	12.4	5.9
Operating margin	17.5%	14.5%	11.9%	6.6%

Revenues in the *Classroom and Supplemental Materials Publishing* segment for the quarter ended November 30, 2011 increased by \$6.2 million, or 11.8%, to \$58.7 million, compared to \$52.5 million in the prior fiscal year quarter. Revenues for the six months ended November 30, 2011 increased by \$15.4 million, or 17.3%, to \$104.4 million, compared to \$89.0 million in the prior fiscal period. The increases in both periods were primarily due to increased sales of books to literacy organizations, as well as increased sales of classroom books and classroom magazines.

Segment operating income for the quarter ended November 30, 2011 increased by \$2.7 million to \$10.3 million, compared to \$7.6 million in the prior year fiscal quarter. Segment operating income for the six months ended November 30, 2011 increased by \$6.5 million to \$12.4 million, compared to \$5.9 million in the prior year fiscal period. The increases in both periods were principally driven by the increase in revenues described above, partially offset by higher selling and bad debt expense.

International

(\$ amounts in millions)	Three months ended November 30,		Six months ended November 30,	
	2011	2010	2011	2010
Revenues	\$ 144.1	\$ 145.9	\$ 231.8	\$ 227.8
Operating income	26.6	25.3	26.5	23.1
Operating margin	18.5%	17.3%	11.4%	10.1%

Revenues in the *International* segment for the quarter ended November 30, 2011 decreased by \$1.8 million to \$144.1 million, compared to \$145.9 million in the prior fiscal year quarter, primarily due to lower local currency revenues in the Company's Australia and New Zealand operations of \$4.5 million, partially offset by the favorable impact of foreign currency exchange rates of \$3.3 million. Revenues for the six months ended November 30, 2011 increased \$4.0 million to \$231.8 million, compared to \$227.8 million during the prior fiscal year period, due to the favorable impact of foreign currency exchange rates of \$13.1 million, partially offset by lower local currency revenues of \$9.7 million in the Company's Australia and New Zealand operations.

Segment operating income for the quarter ended November 30, 2011 increased by \$1.3 million, or 5.1% to \$26.6 million, compared to \$25.3 million in the prior fiscal year quarter. Segment operating income for the six months ended November 30, 2011 increased by \$3.4 million, or 14.7% to \$26.5 million, compared to \$23.1 million in the prior fiscal year period related to the favorable impact of foreign currency exchange rates, as well as improved results in the Company's UK operations.

Media, Licensing and Advertising

(\$ amounts in millions)	Three months ended November 30,		Six months ended November 30,	
	2011	2010	2011	2010
Revenues	\$ 28.5	\$ 33.1	\$ 39.2	\$ 50.1
Operating income (loss)	2.6	5.2	(2.4)	3.0
Operating margin	9.1%	15.7%	*	6.0%

* Not meaningful

Revenues in the *Media, Licensing and Advertising* segment for the quarter ended November 30, 2011 decreased by \$4.6 million to \$28.5 million, compared to \$33.1 million in the prior fiscal year quarter, primarily due a planned decrease in custom marketing programs for third party sponsors, partially offset by increased production revenues. Revenues for the six months ended November 30, 2011 decreased by \$10.9 million to \$39.2 million, compared to \$50.1 million in the prior year fiscal period, primarily due to the decrease in consumer marketing programs, higher production revenues in the prior year and the timing of sales from interactive products.

Segment operating income for the quarter ended November 30, 2011 decreased by \$2.6 million to \$2.6 million, compared to \$5.2 million in the prior fiscal year quarter. Segment operating loss for the six months ended November 30, 2011 was \$2.4 million, compared to segment operating income of \$3.0 million for the prior fiscal year period. The lower results in both periods were primarily driven by the planned reduction in custom marketing programs noted above.

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 and fourth quarters of the fiscal year, while revenues from the sale of instructional materials and educational technology products are highest in the first and fourth quarters. The Company typically experiences losses from operations in the first and third quarters of each fiscal year.

Liquidity and Capital Resources

The Company's cash and cash equivalents totaled \$114.0 million at November 30, 2011, compared to \$105.3 million at May 31, 2011 and \$54.4 million at November 30, 2010.

Cash provided by operating activities improved by \$24.3 million to \$107.8 million for the six months ended November 30, 2011, compared to \$83.5 million in the prior fiscal year period. Primary drivers of the improvement include the higher sales and earnings of *READ 180[®] Next Generation* from the *Educational Technology and Services* segment and increased deferred revenue from this segment. The *Educational Technology and Services* segment defers revenue related to services until the services are rendered to the customer, even if payment for these services has been received by the Company. Cash from operations was also positively impacted by sales and earnings of Children's books and ebooks through the trade channel.

These favorable variances to cash provided by operations were partially offset by increases in inventory levels. The Company continues to manage its required inventory levels to meet demand and has seasonally increased inventory by \$83.5 million for the current fiscal year compared to an increase in the prior fiscal year of \$60.1 million. Additionally, the Company experienced net income tax payments in the prior fiscal year of \$11.7 million, while experiencing net income tax refunds in the current fiscal year of \$3.2 million.

Cash used in investing activities decreased by \$34.9 million to \$46.2 million for the six months ended November 30, 2011, compared to \$81.1 million in the prior fiscal year period. In the prior fiscal year, the Company spent \$24.3 million on a land purchase and \$9.2 million for business acquisitions. The Company continues to invest in its ongoing digital initiatives via property, plant and equipment development and purchases, and prepublication costs.

Cash used in financing activities was \$51.8 million for the six months ended November 30, 2011, driven by lower overall borrowings of \$43.4 million as the Company moved past its peak seasonal borrowing period in October. The Company also used \$5.0 million of cash to reacquire its common stock and used \$6.2 million to pay dividends. During the six months ended November 30, 2010, Cash used in financing activities was \$195.4 million, with the Company using \$165.7 million of cash to reacquire its common stock, through open market purchases and a modified Dutch auction tender offer, and paying dividends of \$5.4 million.

Due to the seasonal nature of its business as discussed under "Seasonality" above, the Company usually experiences negative cash flows in the June through October time period. As a result of the Company's business cycle, borrowings have historically increased during June, July and August, have generally peaked in September or October, and have been at their lowest point in May.

The Company's operating philosophy is to use cash provided from operating activities to create value by paying down debt, reinvesting in existing businesses and, from time to time, making acquisitions that will complement its portfolio of businesses, as well as engaging in shareholder enhancement initiatives, such as share repurchases 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 for the foreseeable future.

The Company has maintained sufficient liquidity to fund ongoing operations, dividends, authorized common share repurchases, debt service, planned capital expenditures and other investments. As of November 30, 2011, the Company's primary sources of liquidity consisted of cash and cash equivalents of \$114.0 million, cash from operations, and borrowings available under the Revolving Loan (as described under "Financing" below) totaling \$325.0 million. Of the Company's outstanding debt, 96% is not due until fiscal 2013. 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). The Company's credit rating from Standard & Poor's Rating Services is "BB-" and its credit rating from Moody's Investors Service is "Ba2." Moody's Investors Service has rated the outlook for the Company as "Positive," and Standard and Poor's Rating Services has rated the outlook for the Company as "Stable." The Company believes that existing committed credit lines and the ability to obtain similar financing credit upon expiration of current commitments, cash from operations and other sources of cash are sufficient to meet the Company's ongoing operating needs. 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 dependent upon the Company's Consolidated Debt Ratio, 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.

Financing*Lines of Credit*

As of November 30, 2011, the Company's domestic credit lines available under unsecured money market bid rate credit lines totaled \$20.0 million. There were no outstanding borrowings under these credit lines at November 30, 2011, May 31, 2011 and November 30, 2010. 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 365 days. These credit lines may be renewed, if requested by the Company, at the option of the lender.

As of November 30, 2011, the Company had various local currency credit lines, with maximum available borrowings in amounts equivalent to \$34.1 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 international facilities equivalent to \$5.7 million at November 30, 2011 at a weighted average interest rate of 3.7%; \$0.7 million at May 31, 2011 at a weighted average interest rate of 6.7%; and \$7.2 million at November 30, 2010 at a weighted average interest rate of 4.0%. The increased weighted average interest rate at the end of fiscal 2011 was due to higher local borrowing interest rates in Asia.

Loan Agreement

On June 1, 2007, Scholastic Corporation and Scholastic Inc. (each, a “Borrower” and together, the “Borrowers”) entered into a \$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 was amended on August 16, 2010, and again on October 25, 2011. The October 25, 2011 amendment effectively extended the maturity of the Revolving Loan facility to June 1, 2014 from June 1, 2012 and provided for the repayment of the outstanding balance of the Term Loan on October 25, 2011.

The Loan Agreement, as amended, is a contractually committed unsecured credit facility that is scheduled to expire on June 1, 2014. The \$325.0 million Revolving Loan 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.

Interest on the 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). The interest pricing under the Revolving Loan is dependent upon the Borrower’s election of a rate that is either:

- A Base Rate equal to the higher of (i) the prime rate, (ii) the prevailing Federal Funds rate plus 0.500% or (iii) the Eurodollar Rate for a one month interest period plus 1% plus an applicable spread ranging from 0.18% to 0.60%, as determined by the Company’s prevailing Consolidated Debt Ratio, as defined in the Loan Agreement.

- or -

- A Eurodollar Rate equal to the London interbank offered rate (LIBOR) plus an applicable spread ranging from 1.18% to 1.60%, as determined by the Company’s prevailing Consolidated Debt Ratio, as defined in the Loan Agreement.

As of November 30, 2011, the indicated spread on Base Rate Advances was 0.25% and the indicated spread on Eurodollar Rate Advances was 1.25%, both based on the Company’s prevailing Consolidated Debt Ratio. There were no Revolving Loan Advances outstanding on November 30, 2011.

The Loan Agreement also provides for the payment of a facility fee ranging from 0.20% to 0.40% per annum. At November 30, 2011, the facility fee rate was 0.25%.

As of November 30, 2011, standby letters of credit outstanding under the Loan Agreement totaled \$1.4 million. 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 November 30, 2011, the Company was in compliance with these covenants.

5% Notes due 2013

In April 2003, Scholastic Corporation issued \$175.0 million 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. The Company did not make any additional repurchases during the six-month period ended November 30, 2011.

The Company’s total debt obligations were \$158.4 million at November 30, 2011, \$203.4 million at May 31, 2011 and \$231.2 million at November 30, 2010. The lower level of debt at November 30, 2011 was primarily due to the payment of the Term Loan and reduced borrowings resulting from lower debt requirements.

For a more complete description of the Company’s debt obligations, see Note 4 of Notes to condensed consolidated financial statements – unaudited in Item 1, “Financial Statements.”

New Accounting Pronouncements

Reference is made to Note 1 of Notes to condensed consolidated financial statements in Item 1, "Financial Statements," for information concerning recent accounting pronouncements since the filing of the Company's Annual Report.

Forward Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. Additional written and oral forward-looking statements may be made by the Company from time to time in Securities and Exchange Commission (“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, conditions in the children’s book and educational material markets and acceptance of the Company’s products in those markets, earnings per share, levels of government spending for educational programs, e-commerce and digital initiatives strategies, goals, revenues, sublease income, improved efficiencies, general costs, manufacturing costs, medical costs, merit pay, operating margins, working capital, liquidity, capital needs, expected investing activity, 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 the Annual 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.

SCHOLASTIC CORPORATION**Item 3. 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. As of November 30, 2011, these transactions were not significant. 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 4% of the Company's debt at November 30, 2011 bore interest at a variable rate and was sensitive to changes in interest rates, compared to approximately 25% at May 31, 2011 and 34% at November 30, 2010. The decrease in variable-rate debt as of November 30, 2011 compared to May 31, 2011 and November 30, 2010, was primarily due to repayments made on the Term Loan. 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 2, "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 November 30, 2011 (see Note 4 of Notes to condensed consolidated financial statements - unaudited in Item 1, "Financial Statements"):

	Fiscal Year Maturity							Total
	2012 ⁽¹⁾	2013	2014	2015	2016	Thereafter		
Debt Obligations								
Lines of Credit	\$ 5.7	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5.7
Average interest rate	3.7%							
Long-term debt including current								
Fixed-rate debt	\$ —	\$ 153.0	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 153.0
Interest rate		5.0%						

(1) Fiscal 2012 includes the remaining six months of the current fiscal year, ending May 31, 2012.

The Chief Executive Officer and the 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 November 30, 2011, 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 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 Company's management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. There was no change in the Corporation's internal control over financial reporting that occurred during the quarter ended November 30, 2011 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

PART II – OTHER INFORMATION**SCHOLASTIC CORPORATION****Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table provides information with respect to repurchases of shares of Common Stock by the Corporation during the three months ended November 30, 2011:

Issuer Purchases of Equity Securities
(Dollars in millions, except 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	Maximum number of shares (or approximate dollar value) that may yet be purchased under the plans or programs (i)
September 1, 2011 through September 30, 2011	—	\$ —	—	\$ 44.5
October 1, 2011 through October 31, 2011	714	\$ 27.00	714	\$ 44.5
November 1, 2011 through November 30, 2011	219,452	\$ 25.55	219,452	\$ 38.9
Total	220,166	\$ 25.55	220,166	

(i) Represents the remaining amount under the \$20 million Common share repurchase program announced on December 16, 2009 and the further \$200 million Board authorization for Common share repurchases announced in connection with the modified Dutch auction tender offer commenced by the Company on September 28, 2010 and completed in November 2010. Approximately \$156 million was used for repurchases in such tender offer, leaving \$44.5 million at September 1, 2011 for further repurchases, from time to time as conditions allow, on the open market or through negotiated private transactions, under the current Board authorizations.

Exhibits:

4.1	Amendment No. 2, dated as of October 25, 2011 to the 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.
**10.1	Scholastic Corporation 2011 Stock Incentive Plan.
**10.2	Form of Non-Qualified Stock Option Agreement under the Scholastic Corporation 2011 Stock Incentive Plan.
**10.3	Form of Restricted Stock Unit Agreement under the Scholastic Corporation 2011 Stock Incentive Plan.
31.1	Certification of the Chief Executive Officer of Scholastic Corporation filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer of Scholastic Corporation filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certifications of the Chief Executive Officer and Chief Financial Officer of Scholastic Corporation furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Document *
101.DEF	XBRL Taxonomy Extension Definitions Document *
101.LAB	XBRL Taxonomy Extension Labels Document *
101.PRE	XBRL Taxonomy Extension Presentation Document *

* In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be “furnished” and not “filed.”

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

SCHOLASTIC CORPORATION
SIGNATURES

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

Date: December 22, 2011

SCHOLASTIC CORPORATION
(Registrant)

By: /s/ Richard Robinson

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

Date: December 22, 2011

By: /s/ Maureen O'Connell

Maureen O'Connell
Executive Vice President,
Chief Administrative Officer
and Chief Financial Officer
(Principal Financial Officer)

SCHOLASTIC CORPORATION
QUARTERLY REPORT ON FORM 10-Q, DATED NOVEMBER 30, 2011
Exhibits Index

<u>Exhibit Number</u>	<u>Description of Document</u>
4.1	Amendment No. 2 to the Scholastic Corporation Credit Agreement.
**10.1	Scholastic Corporation 2011 Stock Incentive Plan.
**10.2	Form of Non-Qualified Stock Option Agreement under the Scholastic Corporation 2011 Stock Incentive Plan.
**10.3	Form of Restricted Stock Unit Agreement under the Scholastic Corporation 2011 Stock Incentive Plan.
31.1	Certification of the Chief Executive Officer of Scholastic Corporation filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer of Scholastic Corporation filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certifications of the Chief Executive Officer and Chief Financial Officer of Scholastic Corporation furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Document *
101.DEF	XBRL Taxonomy Extension Definitions Document *
101.LAB	XBRL Taxonomy Extension Labels Document *
101.PRE	XBRL Taxonomy Extension Presentation Document *

* In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be “furnished” and not “filed.”

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

AMENDMENT NO. 2

Dated as of October 25, 2011

to

CREDIT AGREEMENT

Dated as of June 1, 2007

THIS AMENDMENT NO. 2 ("Amendment") is made as of October 25, 2011 by and among Scholastic Corporation (the "Holding Company"), Scholastic Inc. (the "Operating Company"; the Holding Company and the Operating Company are, collectively, the "Borrowers" and, individually, each a "Borrower"), the financial institutions listed on the signature pages hereof and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Agent"), under that certain Credit Agreement dated as of June 1, 2007 and as amended to date by and among the Borrowers, the financial institutions party thereto (the "Lenders") and the Agent (the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement.

WHEREAS, the Borrowers, the Lenders party hereto and the Agent have agreed to amend the Credit Agreement on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrowers, the Lenders party hereto and the Agent have agreed to the following amendments to the Credit Agreement.

1. Amendments to Credit Agreement. Effective as of the date of satisfaction of the conditions precedent set forth in Section 3 below (the "Amendment Effective Date"), the Credit Agreement is hereby amended as follows:

(a) Section 1.01 of the Credit Agreement is hereby amended to insert the following definitions in the appropriate alphabetical order:

"Bankruptcy Event" means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority or instrumentality thereof, provided, further, that such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

“Credit Party” means the Agent, any Issuing Bank, the Swingline Lender or any other Lender.

“Defaulting Lender” means any Lender that (a) has failed, within two (2) Business Days of the date required to be funded or paid, to (i) fund any portion of its Advances, (ii) fund any portion of its participations in Letters of Credit or Swingline Advances or (iii) pay over to any Credit Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Agent in writing that such failure is the result of such Lender’s good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Borrowers or any Credit Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender’s good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a loan under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three (3) Business Days after request by a Credit Party, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations (and is financially able to meet such obligations) to fund prospective Advances and participations in then outstanding Letters of Credit and Swingline Advances under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon such Credit Party’s receipt of such certification in form and substance satisfactory to it and the Agent, or (d) has become the subject of a Bankruptcy Event.

“Governmental Authority” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“L/C Exposure” means, at any time, the sum of (a) the aggregate Available Amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all Letter of Credit Advances that have not yet been reimbursed by or on behalf of the Borrowers at such time. The L/C Exposure of any Lender at any time shall be its Pro Rata Share of the total L/C Exposure at such time.

“Parent” means, with respect to any Lender, any Person as to which such Lender is, directly or indirectly, a subsidiary.

(b) The definition of Applicable Rate appearing in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“Applicable Rate” means, for any day, with respect to any Eurodollar Rate Advance or any Base Rate Advance or with respect to the facility fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption “Eurodollar Spread”, “Base Rate Spread” or “Facility Fee Rate”, as the case may be, determined by reference to the Consolidated Debt Ratio as of the most recent determination date:

Consolidated Debt Ratio	Eurodollar Spread	Base Rate Spread	Facility Fee Rate
<u>Level 1</u> Less than 0.20 to 1.0	1.175%	0.175%	0.20%
<u>Level 2</u> Greater than or equal to 0.20 to 1.0 but less than 0.30 to 1.0	1.25%	0.25%	0.25%
<u>Level 3</u> Greater than or equal to 0.30 to 1.0 but less than 0.40 to 1.0	1.325%	0.325%	0.30%
<u>Level 4</u> Greater than or equal to 0.40 to 1.0 but less than 0.50 to 1.0	1.40%	0.40%	0.35%
<u>Level 5</u> Greater than or equal to 0.50 to 1.0	1.60%	0.60%	0.40%

For purposes of the foregoing, (a) the Applicable Rate shall be determined as of the end of each fiscal quarter of the Holding Company based upon the Holding Company's annual or quarterly Consolidated financial statements delivered pursuant to Section 5.01(a), and each change in the Applicable Rate resulting from a change in the Consolidated Debt Ratio shall be effective during the period commencing on and including the date that is five (5) Business Days after such date of delivery to the Agent of such Consolidated financial statements indicating such change and ending on the date immediately preceding the effective date of the next such change, provided that the Consolidated Debt Ratio shall be deemed to be in Level 5 (A) at any time that an Event of Default has occurred and is continuing or (B) at the option of the Agent or at the request of the Required Lenders if the Borrowers fail to deliver the annual or quarterly Consolidated financial statements required to be delivered pursuant to Section 5.01, during the period beginning five (5) Business Days following the expiration of the time for delivery thereof until the date that is five (5) Business Days after such consolidated financial statements are delivered.

(c) The definition of Pro Rata Share appearing in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"Pro Rata Share" of any amount means, with respect to any Lender at any time, (a) with respect to Revolving Credit Advances, Letter of Credit Advances or Swingline Advances, the product of such amount times a fraction the numerator of which is the amount of such Lender's Revolving Credit Commitment at such time and the denominator of which is the Revolving Credit Facility at such time; provided that in the case of Section 2.22 when a Defaulting Lender shall exist, any such Defaulting Lender's Revolving Credit Commitment shall be disregarded in the calculation and (b) with respect to Term Loan Advances, the product of such amount times a fraction the

numerator of which is the amount of such Lender's outstanding Term Loan Advances and the denominator of which is the aggregate outstanding amount of the Term Loan Advances of all Lenders; provided that in the case of Section 2.22 when a Defaulting Lender shall exist, any such Defaulting Lender's Term Loan Commitment shall be disregarded in the calculation. If the Commitments have terminated or expired, the Pro Rata Share shall be determined based upon the Commitments most recently in effect, giving effect to any assignments and to any Lender's status as a Defaulting Lender at the time of determination.

(d) The definition of Revolving Credit Exposure appearing in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Credit Advances and its L/C Exposure and Swingline Exposure at such time.

(e) The definition of Termination Date appearing in Section 1.01 of the Credit Agreement is amended to delete the reference to "June 1, 2012" appearing therein and replace it with a reference to "June 1, 2014".

(f) The Credit Agreement is hereby amended to add the following as a new Section 2.22 thereof:

"SECTION 2.22 Defaulting Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) fees shall cease to accrue on the Commitment of such Defaulting Lender pursuant to Section 2.21(a);

(b) the Commitment and Revolving Credit Exposure of such Defaulting Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 8.01); provided, that this clause (b) shall not apply to the vote of a Defaulting Lender in the case of an amendment, waiver or other modification requiring the consent of such Lender or each Lender affected thereby;

(c) if any Swingline Exposure or L/C Exposure exists at the time such Lender becomes a Defaulting Lender then:

(i) so long as no Event of Default has occurred and is continuing, all or any part of the Swingline Exposure and L/C Exposure of such Defaulting Lender shall be reallocated among the non-Defaulting Lenders in accordance with their respective Pro Rata Share but only to the extent the sum of all non-Defaulting Lenders' Revolving Credit Exposures plus such Defaulting Lender's Swingline Exposure and L/C Exposure does not exceed the total of all non-Defaulting Lenders' Commitments;

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the applicable Borrower shall within one (1) Business Day following notice by the Agent (x) first, prepay such Swingline Exposure and (y) second, cash collateralize for the benefit of the relevant Issuing Bank only such Borrower's obligations corresponding to such Defaulting Lender's L/C Exposure (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in Section 6.02 for so long as such L/C Exposure is outstanding;

(iii) if any Borrower cash collateralizes any portion of such Defaulting Lender's L/C Exposure pursuant to clause (ii) above, such Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.16(g)(i) with respect to such Defaulting Lender's L/C Exposure during the period such Defaulting Lender's L/C Exposure is cash collateralized;

(iv) if the L/C Exposure of the non-Defaulting Lenders is reallocated pursuant to clause (i) above, then the fees payable to the Lenders pursuant to Section 2.16(g)(i) shall be adjusted in accordance with such non-Defaulting Lenders' Pro Rata Share; and

(v) if all or any portion of such Defaulting Lender's L/C Exposure is neither reallocated nor cash collateralized pursuant to clause (i) or (ii) above, then, without prejudice to any rights or remedies of any Issuing Bank or any other Lender hereunder, all facility fees that otherwise would have been payable to such Defaulting Lender (solely with respect to the portion of such Defaulting Lender's Commitment that was utilized by such L/C Exposure) and letter of credit fees payable under Section 2.16(g)(i) with respect to such Defaulting Lender's L/C Exposure shall be payable to the relevant Issuing Bank until and to the extent that such L/C Exposure is reallocated and/or cash collateralized; and

(d) so long as such Lender is a Defaulting Lender, the Swingline Lender shall not be required to fund any Swingline Advance and no Issuing Bank shall be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the related exposure and the Defaulting Lender's then outstanding L/C Exposure will be 100% covered by the Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with Section 2.22(c), and participating interests in any such newly made Swingline Advance or any newly issued or increased Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with Section 2.22(c)(i) (and such Defaulting Lender shall not participate therein).

If (i) a Bankruptcy Event with respect to a Parent of any Lender shall occur following the date hereof and for so long as such event shall continue or (ii) the Swingline Lender or any Issuing Bank has a good faith belief that any Lender has defaulted in fulfilling its obligations under one or more other agreements in which such Lender commits to extend credit, the Swingline Lender shall not be required to fund any Swingline Advance and such Issuing Bank shall

not be required to issue, amend or increase any Letter of Credit, unless the Swingline Lender or such Issuing Bank, as the case may be, shall have entered into arrangements with the applicable Borrower or such Lender, satisfactory to the Swingline Lender or such Issuing Bank, as the case may be, to defease any risk to it in respect of such Lender hereunder.

In the event that the Agent, the Borrowers, the Swingline Lender and the Issuing Banks each agree that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the Swingline Exposure and L/C Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender's Commitment and on such date such Lender shall purchase at par such of the Advances of the other Lenders (other than Swingline Advances) as the Agent shall determine may be necessary in order for such Lender to hold such Advances in accordance with its Pro Rata Share."

- (g) The Commitment Schedule to the Credit Agreement is hereby replaced in its entirety with the Commitment Schedule attached hereto as

Annex A.

2. Departing Lenders and New Lenders. The parties hereto hereby acknowledge and agree that:

(a) Each of SunTrust Bank, The Royal Bank of Scotland plc and UBS Loan Finance LLC (each a "Departing Lender" and collectively the "Departing Lenders") is entering into this Amendment solely to evidence its exit from the Credit Agreement and shall have absolutely no obligation hereunder. Upon the effectiveness hereof and the payment described in Section 2(c)(iii), each Departing Lender shall no longer (i) constitute a "Lender" for all purposes under the Loan Documents, (ii) be a party to the Credit Agreement and (iii) have any obligations under any of the Loan Documents, in each case, without further action required on the part of any Person;

(b) Each of Branch Banking & Trust Company, Commerce Bank and Fifth Third Bank (each a "New Lender" and collectively the "New Lenders") is entering into this Amendment and the Credit Agreement as a new Lender thereunder. Upon the effectiveness hereof and the execution hereof by each New Lender, such New Lender shall constitute a "Lender" for all purposes under the Loan Documents; and

(c) upon the effectiveness hereof: (i) the Agent shall be entitled to make such reallocations, sales, assignments or other relevant actions in respect of each Lender's Credit Exposure, if any, under the Credit Agreement as it deems necessary to reflect the rights and obligations of the Lenders (including the Departing Lenders and the New Lenders), (ii) each Departing Lender's "Commitment" under the Credit Agreement shall be terminated, (iii) each Departing Lender shall have received payment in full in immediately available funds of all of its Advances, all interest thereon and all other amounts payable to it under the Credit Agreement, (iv) each Departing Lender shall not be a Lender hereunder as evidenced by its execution and delivery of its signature page hereto and (v) the defined term "Lenders" in the Credit Agreement shall exclude the Departing Lenders; provided, however, that, as described in Section 8.04(d) of the Credit Agreement, each Departing Lender shall continue to have the benefit of Sections 2.11, 2.14 and 8.04 of the Credit Agreement.

3. Conditions of Effectiveness. The effectiveness of this Amendment is subject to the conditions precedent that (A) the Agent shall have received (i) counterparts of this Amendment duly executed by the Borrowers, the Lenders (including the Departing Lenders), the New Lenders and the Agent, (ii) from the Borrowers, for the account of each Lender (other than any Departing Lender) that

executes and delivers its counterpart hereto as and by such time as is requested by the Agent, an amendment fee in an amount equal to 0.15% of the sum of such Lender's Revolving Credit Commitment as of the date hereof, (iii) from the Borrowers, for the benefit of the Lenders, payment in full of all Term Loan Advances under the Credit Agreement, and (iv) from the Borrowers, payment and/or reimbursement of the Agent's and its affiliates' fees and reasonable out-of-pocket expenses (including reasonable legal fees and expenses) in connection with this Amendment and (B) each Departing Lender shall have received the payment owing to it as described in Section 2(c)(iii) above.

4. Representations and Warranties of the Borrowers. Each Borrower hereby represents and warrants as follows:

(a) This Amendment and the Credit Agreement as amended hereby constitute legal, valid and binding obligations of such Borrower and are enforceable against such Borrower in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) As of the date hereof and giving effect to the terms of this Amendment, (i) there exists no Default and (ii) the representations and warranties contained in Section 4.01 of the Credit Agreement (excluding the representation and warranty contained in Section 4.01(f)(ii)), as amended hereby, are true and correct; provided that the Lenders hereby acknowledge that an updated list of all Subsidiaries of each of the Borrowers (referenced in Section 4.01(i) of the Credit Agreement) is set forth in Exhibit 21 to the Holding Company's annual report on Form 10-K for the fiscal year ended May 31, 2011.

5. Reference to and Effect on the Credit Agreement.

(a) Upon the effectiveness hereof, each reference to the Credit Agreement in the Credit Agreement or any other Loan Document shall mean and be a reference to the Credit Agreement as amended hereby.

(b) Except as specifically amended above, the Credit Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

6. Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

7. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

8. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Signatures delivered by facsimile or PDF shall have the same force and effect as manual signatures delivered in person.

[Signature Pages Follow

IN WITNESS WHEREOF, this the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

SCHOLASTIC CORPORATION,
as a Borrower

By: /s/ Gil A. Dickoff

Name: Gil A. Dickoff
Title: Vice President and Treasurer

SCHOLASTIC INC.,
as a Borrower

By: /s/ Gil A. Dickoff

Name: Gil A. Dickoff
Title: Vice President and Treasurer

Signature Page to Amendment No. 2
Scholastic Corporation and Scholastic Inc.
Credit Agreement dated as of June 1, 2007

JPMORGAN CHASE BANK, N.A.,
individually as a Lender, as an Issuing Bank, as
Swingline Lender and as Agent

By: /s/ Michelle Cipriani

Name: Michelle Cipriani
Title: Vice President

BANK OF AMERICA, N.A., individually as a Lender
and as an Issuing Bank

By: /s/ Jana L. Baker

Name: Jana L. Baker
Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION
(successor by merger to WACHOVIA BANK,
NATIONAL ASSOCIATION)

By: /s/ Alexandra Alfieri-Weinberg

Name: Jana L. Baker
Title: Vice President

DEUTSCHE BANK AG NEW YORK BRANCH

By: /s/ Yvonne Tilden

Name: Yvonne Tilden
Title: Director

By: /s/ Ming K. Chu

Name: Ming K. Chu
Title: Vice President

HSBC BANK USA, NATIONAL ASSOCIATION

By: /s/ Robert H. Rogers

Name: Robert H. Rogers
Title: Vice President

Signature Page to Amendment No. 2
Scholastic Corporation and Scholastic Inc.
Credit Agreement dated as of June 1, 2007

THE GOVERNOR AND COMPANY OF THE BANK OF IRELAND

By: /s/ Pdraig Rushe

Name: Pdraig Rushe
Title: Authorized Signatory

By: /s/ Orla Jones

Name: Orla Jones
Title: Authorized Signatory

THE BANK OF NEW YORK MELLON

By: /s/ Thomas J. Tarasovich

Name: Thomas J. Tarasovich
Title: Vice President

CAPITAL ONE, NATIONAL ASSOCIATION

By: /s/ Thomas P. Higgins

Name: Thomas P. Higgins
Title: Senior Vice President

TD Bank, N.A.

By: /s/ Todd A. Antico

Name: Todd A. Antico
Title: Senior Vice President

HSBC BANK plc

By: /s/ Mark J. Langford

Name: Mark J. Langford
Title: Senior Corporate Banking Manager

BRANCH BANKING & TRUST COMPANY

By: /s/ William Tsuklas

Name: William Tsuklas
Title: Senior Vice President

Signature Page to Amendment No. 2
Scholastic Corporation and Scholastic Inc.
Credit Agreement dated as of June 1, 2007

COMMERCE BANK

By: /s/ Joseph McCaddon

Name: Joseph McCaddon
Title: Senior Vice President

FIFTH THIRD BANK

By: /s/ George B. Davis

Name: George B. Davis
Title: Vice President

The undersigned Departing Lender hereby acknowledges and agrees that, from and after the Amendment Effective Date, it is no longer a party to the Credit Agreement

SUNTRUST BANK

By: /s/Andrew Cozewith

Name: Andrew Cozewith
Title: Director

The undersigned Departing Lender hereby acknowledges and agrees that, from and after the Amendment Effective Date, it is no longer a party to the Credit Agreement

THE ROYAL BANK OF SCOTLAND plc

By: /s/ Alex Daw

Name: Alex Daw
Title: Director

The undersigned Departing Lender hereby acknowledges and agrees that, from and after the Amendment Effective Date, it is no longer a party to the Credit Agreement

UBS LOAN FINANCE LLC

By: /s/ Richard Eisenberg

Name: Richard Eisenberg
Title: Managing Director

Annex A

COMMITMENTS

<u>Name of Initial Lender</u>	<u>Revolving Credit Commitment</u>
JPMorgan Chase Bank, N.A.	\$51,500,000
Bank of America, N.A.	\$51,500,000
Branch Banking & Trust Company	\$35,000,000
Wells Fargo Bank, National Association	\$35,000,000
Deutsche Bank AG New York Branch	\$23,000,000
Commerce Bank	\$23,000,000
HSBC BANK USA, National Association	\$15,000,000
The Governor and Company of the Bank of Ireland	\$23,000,000
The Bank of New York Mellon	\$15,000,000
Capital One, National Association	\$15,000,000
TDBanknorth, N.A.	\$15,000,000
Fifth Third Bank	\$15,000,000
HSBC Bank plc	\$8,000,000
Total	\$325,000,000

SCHOLASTIC CORPORATION 2011 STOCK INCENTIVE PLAN**ARTICLE I
PURPOSE**

The purpose of this Scholastic Corporation 2011 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 (i) Stock Option; (ii) Restricted Stock Unit; or (iii) other awards providing benefits similar to a Stock Option or Restricted Stock Unit and which are designed to meet the requirements of a Foreign Jurisdiction.

2.4 "AWARD AGREEMENT" means, with respect to each Award, a written or electronic agreement or communication 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 Unit Agreement. An Award Agreement may, but need not, require as a condition of its effectiveness that such Award Agreement be executed by the Participant, including by electronic signature or other electronic indication of acceptance.

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

2.6 "CAUSE" means, with respect to the Termination of Employment of an employee or Termination of Consultancy of a Consultant, (i) 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 (ii) 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 deemed to include a reference to any successor provision and the Treasury regulations and other guidance promulgated thereunder.

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, an “outside director” as defined under Section 162(m) of the Code, and to satisfy any other independence requirement under the rules of the NASDAQ Stock Market, Inc. (“NASDAQ”); 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 non-employee advisor or consultant to the Company or its Affiliates.

2.12 “DISABILITY” means (i) 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; (ii) 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; or (iii) in the case of an Award that constitutes nonqualified deferred compensation subject to Section 409A of the Code (“Section 409A Award”), “disability” as defined in Section 409A(2)(C) of the Code.

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

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, 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 (including, without limitation, the NASDAQ Stock Market LLC) or (ii) if not traded on any such national securities exchange, 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, 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, taking into account all factors that the Committee deems relevant, and shall be determined by the reasonable application of a reasonable valuation method within the meaning of Section 409A of the Code.

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

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

2.21 "PERFORMANCE GOALS" has the meaning set forth in Section 8.1.

2.22 "PLAN" means this Scholastic Corporation 2011 Stock Incentive Plan, as amended from time to time.

2.23 "RESTRICTED STOCK UNIT" means an Award having 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 settlement of the Award (other than the right to receive dividend equivalent amounts in accordance with Section 7.2 hereof).

2.24 "RETIREMENT" means a Termination of Employment on or after age 55 and at least 10 years of continuous service with the Company or its Affiliates in accordance with the Company's standard retirement policies as in effect from time to time or such other definitions of Retirement as the Committee may determine from time to time in its discretion.

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

2.26 "SECTION 162(M) OF THE CODE" means Section 162(m) of the Code.

2.27 "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.

2.28 "STOCK OPTION" means any option to purchase shares of Common Stock granted to an Eligible Employee or Consultant under Article VI.

2.29 "SUBSIDIARY" means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.

2.30 “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. In the case of a Section 409A Award, “Termination of Consultancy” shall be interpreted to mean “separation from service” as defined in Section 409A of the Code.

2.31 “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. In the case of a Section 409A Award, “Termination of Employment” shall be interpreted to mean “separation from service” as defined in Section 409A.

2.32 “TRANSFER” means (i) 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 (ii) 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 voluntary or involuntary (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 “non-employee director” or “outside director” 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 and discretion to grant to Eligible Employees and Consultants, pursuant to the terms of this Plan, (i) Stock Options, (ii) Restricted Stock Units, or (iii) other awards providing benefits similar to Stock Options or Restricted Stock Units which are designed to meet the requirements of Foreign Jurisdictions. All Awards shall be granted by, confirmed by, and subject to the terms of, a written or electronic Award Agreement. In particular, the Committee shall have the discretionary 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 upon exercise, Performance Goals, 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, from time to time in any particular case, in its sole discretion);

(e) to establish or verify the extent of satisfaction of any Performance Goals or other conditions applicable to an Award;

(f) to determine whether and under what circumstances or method an Award may be settled;

(g) to determine whether an Award is intended to satisfy Section 162(m) of the Code;

(h) 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 a Stock Option or other Award for a period of time as determined by the Committee, in its sole discretion, following the date of the acquisition of such Stock Option or Award;

(i) to modify, extend or renew an Award, subject to Articles X and XIV 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;

(j) 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;

(k) to delegate the day-to-day administration of the Plan to one or more officers of the Company or one or more agents, and such administrators may have the authority to execute and distribute agreements or other documents evidencing or relating to Awards granted under the Plan, to maintain Plan administration records, to interpret the terms of Awards and to take such other actions as the Committee may specify. Any action taken by any such administrator within the scope of its delegation shall be deemed for all purposes to have been taken by the Committee, and references in this Plan to the Committee shall include any such administrator; provided that the actions and interpretations of any such administrator shall be subject to review and approval, disapproval or modification by the Committee; and

(l) to make all other determinations or take such actions deemed necessary, appropriate, or advisable for the administration of the Plan.

3.3 GUIDELINES. Subject to Articles X and XIV hereof, the Committee shall have the discretionary authority to adopt, alter, repeal and interpret and construe 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, employment and other laws, and may impose any limitations and restrictions that it deems necessary to comply with such laws of such Foreign Jurisdictions. To the extent applicable, this Plan is intended to comply with Section 162(m) and Section 409A 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 and any persons claiming rights under this Plan or an Award. A Participant or other person claiming rights under this Plan may contest a decision or action by the Committee with respect to an Award or such other person only on the ground that such decision or action was arbitrary or capricious or was unlawful, and any review of such decision or action by the Board or otherwise shall be limited to determining whether the Committee's decision or action was arbitrary, capricious or unlawful.

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 if the Committee consists of an odd number of members. If the Committee consists of an even number of members, 50% of the Committee members shall constitute a quorum. All determinations of the Committee shall be made by a majority of those members present at a meeting at which there is a quorum. 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 communications (including by electronic signature or electronic acceptance) 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), 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 2,100,000 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 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, 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. 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.

(b) INDIVIDUAL PARTICIPANT LIMITATIONS. The maximum number of shares of Common Stock subject to any Stock Option or Restricted Stock Unit 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 any Eligible Employee or Consultant shall be 500,000 shares per each type of Award (subject to any increase or decrease pursuant to Section 4.2).

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 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 (as determined by the Committee) 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 Stock Options or other 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 electronic or other communication 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 Awards with respect to which a Participant has a right to exercise, by delivering electronic or other notice of termination to each Participant at least 10 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 such 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 the period specified by the Committee after giving such notice for any reason whatsoever, the notice and exercise pursuant thereto shall be null and void.

(e) In the event of an Acquisition Event, the Committee may, in its sole discretion, provide that all Restricted Stock Units shall fully vest on the date of consummation of the Acquisition Event and, if the Restricted Stock Units are subject to the attainment of Performance Goals, the Committee may, in its discretion, determine that such awards shall be considered to be earned in full “at target” as if the applicable Performance Goals established by the Committee have been achieved as of such date. If the Committee determines to vest Restricted Stock Units as provided in the preceding sentence and the Acquisition Event constitutes a “change in control” event as described in Section 409A of the Code, the Restricted Stock Units shall be settled and paid on the date of consummation of the Acquisition Event. If the Acquisition Event does not constitute a “change in control” event as described in Section 409A of the Code, Restricted Stock Units that do not constitute Section 409A Awards shall be settled and paid on the date of consummation of the Acquisition Event and Restricted Stock Units that do constitute Section 409A Awards shall be settled and paid on the date provided for in the Award Agreement or, if sooner, the earliest date on which the Restricted Stock Units may be paid without violating Section 409A of the Code. Any such acceleration of vesting 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 the period specified by the Committee after giving such notice for any reason whatsoever, the acceleration of vesting pursuant thereto shall be null and void.

(f) If an Acquisition Event occurs but the Committee does not terminate the outstanding Stock Options or accelerate the vesting of outstanding Restricted Stock Units or other Awards pursuant to Section 4.2(d) or (e), 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 Stock Options and Restricted Stock Units under this Plan or other Awards under this Plan providing benefits similar to each of the foregoing and which are designed to meet the requirements of Foreign Jurisdictions. 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.

**ARTICLE VI
STOCK OPTIONS**

6.1 STOCK OPTIONS. Stock Options granted hereunder shall not be incentive stock options 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 or Consultant one or more Stock Options.

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.

(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.

(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. Stock Options may not be exercised during any period prohibited by the Company's stock trading policies or applicable securities laws.

(d) METHOD OF EXERCISE. Subject to whatever installment exercise, waiting period, and other provisions and limitations 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 notice of exercise to the Company, pursuant to such electronic or other procedures as may be specified by the Company or its Plan administrator from time to time, 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 pursuant to procedures specified by the Company or its Plan administrator from time to time;
- (ii) if the Common Stock is traded on a national securities exchange, or quoted on a national quotation system sponsored by the National Association of Securities Dealers, Inc., through a "cashless exercise" procedure whereby the Participant delivers irrevocable instructions to a broker approved by the Company to sell a sufficient number of shares of Common Stock acquired upon exercise of the Stock Options and remit

promptly to the Company an amount equal to the purchase price and any applicable withholding taxes; or

- (iii) on such other terms and conditions as may be acceptable to the Company or its Plan administrator from time to time (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 by either actual delivery or attestation (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 exercise date as determined by the Company or its Plan administrator). No shares of Common Stock shall be issued until payment therefor, as provided herein, has been made or provided for.

(e) **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 written or electronic Award Agreement or grant as is approved by the Committee from time to time, and the Committee may 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). Notwithstanding the foregoing, the Company shall not reduce the exercise price of a Stock Option and shall not exchange a Stock Option for a new Award with a lower (or no exercise price) without approval of the stockholders of the Company in accordance with the Company's Certificate of Incorporation and the laws of the State of Delaware.

(f) **OTHER TERMS AND CONDITIONS.** Any Stock Option 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.

ARTICLE VII RESTRICTED STOCK UNITS

7.1 AWARDS OF RESTRICTED STOCK UNITS. Awards of Restricted Stock Units 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 Units will be made, the number of units to be awarded, 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. An Award Agreement may condition the grant or vesting of Restricted Stock Units upon the attainment of Performance Goals, including pre-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.

7.2 RESTRICTED STOCK UNIT AWARDS. Restricted Stock Units represent an unfunded and unsecured obligation of the Company and do not confer any rights of a stockholder until Common Stock is issued thereunder. Settlement of Restricted Stock Units may be settled in shares of Common Stock or otherwise as determined by the Committee or as set forth in the Award Agreement. Dividend equivalent rights shall be payable in cash with respect to Restricted Stock Units only to the extent provided by the Committee or as set forth in the Award Agreement. Until a Restricted Stock Unit is settled, the number of shares represented by the unit shall be subject to adjustment pursuant to Section 4.2.

**ARTICLE VIII
PERFORMANCE GOALS**

8.1 **PERFORMANCE GOALS, FORMULAE OR STANDARDS.** The Committee may condition the grant or vesting of Awards under the Plan upon the attainment of specified performance goals (“Performance Goals”), including pre-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 to the extent permitted by Section 162(m). 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 based upon a level of performance that is substantially certain to be met at the time the criteria is established.

8.2 **DEATH, DISABILITY, CHANGE IN CONTROL.** Restricted Stock Units or other Awards under the Plan intended to be Qualified Performance-Based Compensation under Section 162(m)(4)(C) of the Code may not be payable prior to attainment of the relevant Performance Goals; provided, however, that the Committee may provide, either in connection with the grant of an 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)).

**ARTICLE IX
NON-TRANSFERABILITY AND TERMINATION OF
EMPLOYMENT/CONSULTANCY**

9.1 **NON-TRANSFERABILITY.** Except as otherwise provided herein, no Stock Option, Restricted Stock Unit or other Award 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. 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 Stock Option that is otherwise not Transferable pursuant to this Section 9.1 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 Stock Option that is Transferred to a Family Member 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.

9.2 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. Except as otherwise determined by the Committee or as provided in the applicable provisions of the Award Agreement or, if no rights of the Participant are reduced, as thereafter determined by the Committee:

- (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 by reason of Retirement, for a period of three years from the date of such Termination of Employment, all unvested Stock Options held by such Participant shall continue to vest and all exercisable Stock Options may be exercised by the Participant, 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, 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.

(b) RULES APPLICABLE TO RESTRICTED STOCK UNITS. Except as otherwise provided in the applicable provisions of the Award Agreement and this Plan and except as provided in Article VIII hereof with respect to Restricted Stock Units intended to constitute Qualified Performance-Based Compensation:

- (i) upon a Termination of Employment or Termination of Consultancy by a Participant as a result of a Participant's death, Disability or Retirement, all outstanding unvested Restricted Stock Units shall immediately vest and a share of Common Stock with respect to each Restricted Stock Unit shall be distributed within 30 days of such termination.
- (ii) If a Restricted Stock Unit constitutes a Section 409A Award, 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 of the Code.
- (iii) Except as provided in this Article IX, Restricted 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.

ARTICLE X TERMINATION OR AMENDMENT OF PLAN

10.1 TERMINATION OR AMENDMENT. 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 XII), 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, 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.

10.2 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 Participant without the Participant's consent.

**ARTICLE XI
UNFUNDED PLAN**

11.1 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 unsecured creditor of the Company.

**ARTICLE XII
GENERAL PROVISIONS**

12.1 LEGEND. The Committee may require each person receiving shares pursuant to an Award under this Plan to represent to and agree with the Company electronically or otherwise 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 the 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. The Company reserves the right to issue book entry shares in lieu of share certificates.

12.2 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.

12.3 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.

12.4 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. Any such withholding obligation with regard to any Participant may be satisfied, subject to the consent of the Committee or as provided in the Award Agreement, 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.

12.5 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 12.5, 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 electronically or otherwise 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.

12.6 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).

12.7 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.

12.8 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 Affiliates 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.

12.9 COSTS. The Company shall bear all expenses incurred in administering this Plan, including expenses of issuing Common Stock pursuant to any Awards hereunder.

12.10 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.

12.11 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.

12.12 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 and the Committee shall interpret and administer these guidelines in a manner consistent therewith. The Committee may establish and adopt electronic or other 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. If an officer (as defined in Rule 16b) is designated by the Committee to receive an Award, any such Award shall be deemed approved by the Committee and shall be deemed an exempt purchase under Rule 16b. Any provisions in this Plan or an Award Agreement inconsistent with Rule 16b shall be inoperative and shall not affect the validity of this Section 12.12. Notwithstanding anything herein to the contrary, if the grant of any Award or the payment of a share of Common Stock with respect to an Award 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.

12.13 SECTION 409A. With respect to any Section 409A Award, this Plan and each Award Agreement are intended to be interpreted in a manner that conforms to or exempts such Award from the requirements of Section 409A of the Code. To the extent required by Section 409A of the Code, upon a Termination of Employment or Termination of Consultancy (other than as a result of death) of a "specified employee" (within the meaning of Section 409A), Section 409A Awards 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 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.

12.14 SUCCESSORS 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.

12.15 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.

12.16 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 XIII
EFFECTIVE DATE OF PLAN

13.1 This Plan was adopted by the Board on July 20, 2011 and shall become effective on September 21, 2011, the date it 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.

ARTICLE XIV
TERM OF PLAN

14.1 No Award shall be granted pursuant to this Plan on or after September 21, 2021 (the tenth anniversary of the date this Plan was approved by the stockholders of the Company), but Awards granted prior to such tenth anniversary may extend beyond that date.

PERFORMANCE CRITERIA

Any Performance Goals established for purposes of conditioning the grant of an Award based on performance or the vesting of performance-based Awards, and which are intended to comply with Section 162(m) of the Code, shall be based on one or more of the following performance criteria either individually, alternatively, or in any combination applied either to the Company, an Affiliate or any business unit thereof, individually, alternatively, or in any combination, and measured either annually or cumulatively over a period of years, or on an absolute basis or relative to previous year's results or to a designated comparison group, in either case as specified by the Committee in the Award ("Performance Criteria"): (i) the attainment of certain target levels of, or a specified percentage increase in, revenues, income before income taxes and extraordinary items, income or 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 or operating revenue; (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; (x) market segment share; (xi) product release schedules; (xii) new product innovation; (xiii) product or other cost reductions; (xiv) brand recognition or acceptance; (xv) product ship targets; (xvi) customer satisfaction; (xvii) total shareholder return; (xviii) return on assets or net assets; (xix) assets, operating margin or profit margin; and (xx) 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 the Financial Accounting Standards Board Codification Topic 225-20-45.

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.

SCHOLASTIC CORPORATION 2011 STOCK INCENTIVE PLAN
Stock Option Agreement

Effective as of _____ (the "Grant Date"), SCHOLASTIC CORPORATION, a Delaware corporation (the "Company"), hereby grants to _____ (the "Participant") a non-qualified stock option (the "Stock Option") to purchase _____ (_____) shares of common stock, par value \$.01 per share, of the Company (the "Common Stock"), at an exercise price of \$_____ per share and on the terms set forth herein, and in all respects subject to the terms and provisions of the Scholastic Corporation 2011 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 Stock Option Grant and Exercise. Subject to the provisions of the Plan and this Agreement, the Stock Option shall not be exercised prior to the first anniversary date of this Agreement. The Stock Option shall vest, and become exercisable, at the rate of 25% per year beginning one year from the Grant Date and on each anniversary thereafter.¹ Once exercisable, subject to the provisions of the Plan and this Agreement, the Stock 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, which procedures may be electronic and may require providing notice to a broker designated by the Company. Any written or electronic notice of exercise by Participant shall be irrevocable. The Stock 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 Stock Option may not be exercised during any period prohibited by the Company's stock trading policies or applicable securities laws. The Stock Option may not be exercised with respect to a fractional share of Common Stock.

The Stock Option shall cease to be exercisable ten years after the Grant Date (the "Expiration Date"), unless earlier terminated or extended, as the case may be, pursuant to the provisions of the Plan and this Agreement.

2. Termination of Employment or Termination of Consultancy.

(a) Death or Disability. If a Participant's Termination of Employment or Termination of Consultancy is by reason of the Participant's death or Disability, the unexercised portion of the Stock Option outstanding on such date shall become immediately vested on the date of death or Disability and may be exercised in full by the Participant (or his or her estate, personal representative or other legally appointed representative in the event of death), 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 Stock Option, if earlier.

(b) Retirement. If a Participant's Termination of Employment or Termination of Consultancy is by reason of the Participant's Retirement, the outstanding unvested portion of the

¹ Please consult the Company or your online Stock Option plan database for a detailed schedule of your vesting dates and amounts.

Stock Option shall continue to vest, and all exercisable Stock Options may be exercised by the Participant, for a period of three (3) years after the date of such Retirement, but in no event beyond the Expiration Date of the Stock Option, if earlier.

(c) Involuntary Termination without Cause. In the event a Participant's Termination of Employment or Termination of Consultancy is involuntary by the Company (or an Affiliate) other than a Termination of Employment or Termination of Consultancy for Cause, the Stock Option, to the extent vested on the date of such Termination of Employment or Termination of Consultancy, may be exercised by the Participant within ninety (90) days from the date of such Termination of Employment or Termination of Consultancy, but in no event beyond the Expiration Date of the Stock Option, if earlier.

(d) Termination for Cause or for Any Reason Other than Death, Disability, Retirement or Involuntary Termination without Cause. In the event the Participant's Termination of Employment or Termination of Consultancy is for Cause, the Stock Option shall terminate and expire as of the date of such Termination of Employment or Termination of Consultancy. In the event that an Participant's Termination of Employment or Termination of Consultancy is for any reason other than Cause or other than as the result of death, Disability, Retirement or involuntary Termination of Employment or Termination of Consultancy Without Cause (as set forth in Sections 2(a), (b) and (c) hereof), including a voluntary Termination of Employment or Termination of Consultancy, the Stock Option, to the extent vested on such Termination of Employment or Termination of Consultancy, may be exercised by the Participant within ninety (90) days from the date of such Termination of Employment or Termination of Consultancy, but in no event beyond the Expiration Date of the Stock Option, if earlier.

3. Withholding Tax Liability. The Stock Option shall be a Non-Qualified Stock Option. No part of the Stock Option granted hereby is intended to qualify as an "incentive stock option" under Section 422 of the Code. In connection with the exercise of the Stock Option, the Company and the Participant will incur liability for income or withholding tax. The Company shall have the right to withhold from any exercise of the Stock Option, transfer of Common Stock, or payment made to the Participant or to any person hereunder, whether such payment is to be made in cash or in Common Stock, all applicable minimum 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. In its discretion, the Company may satisfy such withholding obligation by any one or combination of the following methods: (i) by requiring the Participant to pay such amount in cash or check; (ii) by deducting such amount from the Participant's current compensation; (iii) by allowing the Participant to surrender other shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Participant for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a fair market value on the date of surrender equal to the amount required to be withheld; (iv) by delivery by the Participant of a properly executed exercise notice together with irrevocable instructions to a broker approved by the Company to sell shares of Common Stock acquired upon exercise of the Stock Option and to deliver promptly to the Company the amount of sale or loan proceeds required to pay the amount required to be withheld, or (v) by withholding a number of shares of Common Stock to be issued upon exercise of the Stock Option which have a fair market value equal to the minimum statutory amount required to be withheld with respect to the portion of the Stock Option exercised. For these purposes, the fair market value of the

shares to be withheld shall be determined by the Company on the date that the amount of tax to be withheld is to be determined. The Company shall also be authorized to sell any shares of Common Stock to the extent required to satisfy the Company's withholding obligations.

4. Nontransferability of Stock Option. The Stock 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 Participant only by the Participant. 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 Participant.

5. No Enlargement of Rights. This Agreement is not an agreement of employment. Neither the Plan nor this Agreement shall confer upon the Participant 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 Participant at any time or to modify the Participant's employment or compensation. The Participant shall have only such rights and interests with respect to the Stock 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 Stock Option as a result of the grant of the Stock 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 Stock Option as provided in the Plan.

7. Effect of the Plan on Stock Option. The Stock Option is subject to, and the Company and the Participant 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. The Participant acknowledges that he/she has received a copy of the Plan and has had an opportunity to review the Plan. Without the consent of the Participant, 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 Stock 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 Participant.

8. Entire Agreement. The terms of this Agreement and the Plan constitute the entire agreement between the Company and the Participant with respect to the subject matter hereof and supersede any and all previous agreements between the Company and the Participant and all prior communications, representations and negotiations in respect thereto. No waiver by any party of any breach by the other of any provision of this Agreement shall be deemed to be a waiver of any other breaches thereof or the waiver of any such or other provision of this Agreement. Subject to the restrictions on assignment and transfer set forth above, this Agreement shall be binding upon and inure to the benefit of the parties hereto, their estates, personal representatives, successors and assigns. 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 invalid 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. Governing Law. This Agreement 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).

11. 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, 557 Broadway, New York, New York 10012, Attention: Corporate Secretary. If to the Participant, to the most recent address on file with the Company. Notwithstanding the foregoing, the Company may require that any notice by the Participant be provided electronically or in writing to the Company or to the stock plan administrator pursuant to such procedures as the Company shall establish from time to time in its sole discretion.

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 2011 STOCK INCENTIVE PLAN

Restricted Stock Unit Agreement

Effective as of _____ (the "Grant Date"), SCHOLASTIC CORPORATION, a Delaware corporation (the "Company"), hereby grants to _____ (the "Participant") _____ (____) Restricted Stock Units in respect of shares of common stock, par value \$.01 per share, of the Company (the "Common Stock") on the terms set forth herein, and in all respects subject to the terms and provisions of the Scholastic Corporation 2011 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. Vesting and Payment.

(a) **Vesting.** Except as provided in Section 2 of this Agreement, the Restricted Stock Units shall vest at the rate of 25% per year beginning one year from the Grant Date and on each anniversary thereafter, 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) **Payment.** A share of Common Stock shall be distributed with respect to each vested Restricted Stock Unit on the applicable vesting date, except as provided in Section 2.

2. Termination of Employment or Termination of Consultancy.

(a) **Death, Disability, Retirement or Termination without Cause.** Upon a Termination of Employment or Termination of Consultancy (as applicable) as a result of the Participant's death, Disability or Retirement, all outstanding unvested Restricted Stock Units shall immediately vest and a share of Common Stock with respect to each such vested Restricted Stock Unit shall be distributed within thirty (30) days following such termination.

(b) **Other Termination.** Except as otherwise provided in Section 2(a) of this Agreement, Restricted 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.

(c) **Section 409A Award.** Notwithstanding the foregoing, to the extent required by Section 409A of the Code 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 a Section 409A Award 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 of the Code) 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) **Section 409A Compliance.** No distribution in respect of a Section 409A Award 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 of the Code. 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 with respect to a Section 409A Award but in no event shall the foregoing provisions or any other provision of this Agreement or the Plan be construed as a guarantee by the Company of any particular tax treatment.

3. Withholding Tax Liability. In connection with the vesting and payment of the Restricted Stock Unit, the Company and the Participant will incur liability for income or withholding tax. The Company shall have the right to withhold from any payment in respect of Restricted Stock Units, transfer of Common Stock, or payment made to the Participant or to any person hereunder, whether such payment is to be made in cash or in Common Stock, all applicable minimum 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. In its discretion, the Company may satisfy such withholding obligation by any one or combination of the following methods: (i) by requiring the Participant to pay such amount in cash or check; (ii) by deducting such amount from the Participant’s current compensation; (iii) by allowing the Participant to surrender other shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Participant for such period (if any) as may be required to avoid a charge to the Company’s earnings, and (b) have a fair market value on the date of surrender equal to the amount required to be withheld; (iv) by delivery by the Participant of a properly executed notice together with irrevocable instructions to a broker approved by the Company to sell shares of Common Stock and deliver promptly to the Company the amount of sale or loan proceeds required to pay the amount required to be withheld, or (v) by withholding a number of shares of Common Stock to be issued upon delivery of Common Stock which have a fair market value equal to the minimum statutory amount required to be withheld. For these purposes, the fair market value of the shares to be withheld shall be determined by the Company on the date that the amount of tax to be withheld is to be determined. The Company shall also be authorized to sell any shares of Common Stock to the extent required to satisfy the Company’s withholding obligations.

4. Nontransferability of Restricted Stock Unit. The Restricted Stock Unit 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. 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 Participant.

5. No Enlargement of Rights. This Agreement is not an agreement of employment. Neither the Plan nor this Agreement shall confer upon the Participant 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 Participant at any time or to modify the Participant's employment or compensation. The Participant shall have only such rights and interests with respect to the Restricted Stock Units as are expressly provided in this Agreement and the Plan.

6. No Shareholder Rights before Exercise and Issuance.

(a) **No Shareholder Rights.** No rights as a stockholder shall exist with respect to the Common Stock subject to the Restricted Stock Unit as a result of the grant of the Restricted Stock Unit, 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 or in subparagraph 6(b) below. Shareholder rights shall exist only after issuance of stock following the settlement of vested Restricted Stock Units by delivery of Common Stock as provided in the Plan.

(b) **Dividend Equivalents.** Cash dividend equivalents shall be credited to a separate Restricted Stock Unit dividend book entry account on behalf of each Participant with respect to each Restricted Stock Unit held by a Participant, provided that the right of each Participant to actually receive such dividend equivalent shall be subject to the same vesting restrictions as apply to the Restricted Stock Unit to which the dividend relates. Vested dividend equivalents shall be distributed in cash (or used for tax withholding) to a Participant at the same time a share of Common Stock is distributed with respect to the Restricted Stock Unit to which the dividend equivalent relates.

7. Effect of the Plan on Restricted Stock Unit. The Restricted Stock Unit is subject to, and the Company and the Participant 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. The Participant acknowledges that he/she has received a copy of the Plan and has had an opportunity to review the Plan. Without the consent of the Participant, 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 Restricted Stock Unit becomes vested, or to cure any ambiguity, defect or inconsistency, provided such amendment, modification or change does not adversely affect the rights of the Participant.

8. Entire Agreement. The terms of this Agreement and the Plan constitute the entire agreement between the Company and the Participant with respect to the subject matter hereof and supersede any and all previous agreements between the Company and the Participant and all prior communications, representations and negotiations in respect

thereto. No waiver by any party of any breach by the other of any provision of this Agreement shall be deemed to be a waiver of any other breaches thereof or the waiver of any such or other provision of this Agreement. Subject to the restrictions on assignment and transfer set forth above, this Agreement shall be binding upon and inure to the benefit of the parties hereto, their estates, personal representatives, successors and assigns. 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 invalid 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. **Governing Law.** This Agreement 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).

11. **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, 557 Broadway, New York, New York 10012, Attention: Corporate Secretary. If to the Participant, to the most recent address on file with the Company. Notwithstanding the foregoing, the Company may require that any notice by the Participant be provided electronically or in writing to the Company or to the stock plan administrator pursuant to such procedures as the Company shall establish from time to time in its sole discretion.

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

I, Richard Robinson, the principal executive officer of Scholastic Corporation, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: December 22, 2011

/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 Quarterly Report on Form 10-Q 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: December 22, 2011

/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 Quarterly Report on Form 10-Q
for the Quarter ended November 30, 2011
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 Quarterly Report on Form 10-Q for the quarter ended November 30, 2011 (the "Form 10-Q") 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 22, 2011

/s/Richard Robinson

Richard Robinson
Chief Executive Officer

Date: December 22, 2011

/s/Maureen O'Connell

Maureen O'Connell
Chief Financial Officer

The certification set forth above is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Form 10-Q or as a separate disclosure document of the Company or the certifying officers.
