



**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 August 31, 2009

Commission File No. 000-19860

SCHOLASTIC CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-3385513

(IRS Employer Identification No.)

557 Broadway, New York, New York
(Address of principal executive offices)

10012

(Zip Code)

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

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the 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 September 30, 2009
Common Stock, \$.01 par value	34,780,638
Class A Stock, \$.01 par value	1,656,200

	Page
<u>Part I – Financial Information</u>	
<u>Item 1.</u>	<u>Financial Statements</u>
	<u>Condensed Consolidated Statements of Operations (Unaudited)</u> 1
	<u>Condensed Consolidated Balance Sheets (Unaudited)</u> 2
	<u>Consolidated Statements of Cash Flows (Unaudited)</u> 3
	<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u> 5
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> 19
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u> 28
<u>Item 4.</u>	<u>Controls and Procedures</u> 29
<u>Part II – Other Information</u>	
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 30
<u>Item 6.</u>	<u>Exhibits</u> 31
<u>Signatures</u>	32

Item 1. Financial Statements

SCHOLASTIC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS – UNAUDITED*(Dollar amounts in millions, except per share data)*

	<i>Three months ended August 31,</i>	
	2009	2008
Revenues	\$ 315.6	\$ 276.4
Operating costs and expenses:		
Cost of goods sold	156.1	146.0
Selling, general and administrative expenses	173.7	172.9
Bad debt expense	2.1	1.1
Depreciation and amortization	14.7	15.7
Severance	4.3	3.0
Total operating costs and expenses	350.9	338.7
Operating loss	(35.3)	(62.3)
Other income	0.9	—
Interest expense, net	3.9	5.9
Loss from continuing operations before income taxes	(38.3)	(68.2)
Benefit for income taxes	(13.7)	(25.3)
Loss from continuing operations	(24.6)	(42.9)
Earnings (loss) from discontinued operations, net of tax	1.6	(6.2)
Net loss	\$ (23.0)	\$ (49.1)
Basic and diluted (loss) earnings per Share of Class A and Common Stock		
Basic:		
Loss from continuing operations	\$ (0.68)	\$ (1.13)
Earnings (loss) from discontinued operations, net of tax	\$ 0.05	\$ (0.17)
Net loss	\$ (0.63)	\$ (1.30)
Diluted:		
Loss from continuing operations	\$ (0.68)	\$ (1.13)
Earnings (loss) from discontinued operations, net of tax	\$ 0.05	\$ (0.17)
Net loss	\$ (0.63)	\$ (1.30)
Dividends declared per common share	\$ 0.075	\$ 0.075

See accompanying notes

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

	August 31, 2009	May 31, 2009	August 31, 2008
ASSETS			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 54.2	\$ 143.6	\$ 29.5
Accounts receivable, net	228.0	197.4	180.4
Inventories, net	435.0	344.8	471.0
Deferred income taxes	83.8	62.7	129.1
Prepaid expenses and other current assets	57.8	40.3	83.6
Current assets of discontinued operations	29.4	31.0	88.9
<i>Total current assets</i>	888.2	819.8	982.5
Property, plant and equipment, net	309.9	315.4	330.0
Prepublication costs	119.7	121.5	111.3
Royalty advances, net	41.1	41.5	48.1
Production costs	6.4	6.0	5.3
Goodwill	157.0	157.0	162.5
Other intangibles	51.7	46.8	47.3
Other assets and deferred charges	96.8	100.8	118.7
Total assets	\$ 1,670.8	\$ 1,608.8	\$ 1,805.7
LIABILITIES AND STOCKHOLDERS' EQUITY			
<i>Current Liabilities:</i>			
Lines of credit, short-term debt and current portion of long-term debt	56.2	53.7	105.8
Capital lease obligations	2.6	3.4	4.7
Accounts payable	167.2	128.2	134.2
Accrued royalties	56.8	41.7	52.7
Deferred revenue	55.5	34.2	45.9
Other accrued expenses	159.5	138.9	148.5
Current liabilities of discontinued operations	6.0	7.3	21.0
<i>Total current liabilities</i>	503.8	407.4	512.8
<i>Noncurrent Liabilities:</i>			
Long-term debt	234.4	250.0	324.4
Capital lease obligations	54.7	54.5	56.1
Other noncurrent liabilities	110.4	111.9	111.1
<i>Total noncurrent liabilities</i>	399.5	416.4	491.6
<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	558.4	552.9	542.3
Accumulated other comprehensive loss	(73.3)	(77.1)	(46.0)
Retained earnings	537.0	562.8	536.3
Treasury stock at cost	(255.0)	(254.0)	(231.7)
<i>Total stockholders' equity</i>	767.5	785.0	801.3
Total liabilities and stockholders' equity	\$ 1,670.8	\$ 1,608.8	\$ 1,805.7

See accompanying notes

SCHOLASTIC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS – UNAUDITED
(Dollar amounts in millions, except per share data)

	<i>Three months ended August 31,</i>	
	2009	2008
Cash flows used in operating activities:		
Net loss	\$ (23.0)	\$ (49.1)
Earnings (loss) from discontinued operations, net of tax	1.6	(6.2)
Loss from continuing operations	(24.6)	(42.9)
Adjustments to reconcile loss from continuing operations to net cash used in operating activities of continuing operations:		
Provision for losses on accounts receivable and other reserves	9.3	8.0
Amortization of prepublication and production costs	12.1	10.0
Depreciation and amortization	14.7	15.7
Deferred income taxes	(20.6)	(31.2)
Changes in assets and liabilities:		
Accounts receivable	(32.4)	16.2
Inventories	(95.0)	(125.9)
Prepaid expenses and other current assets	(11.6)	(11.0)
Deferred promotion costs	(5.8)	(8.5)
Royalty advances	(1.0)	(1.5)
Accounts payable and other accrued expenses	56.0	17.0
Accrued royalties	15.0	5.2
Deferred revenue	21.3	10.9
Pension and postretirement liability	(2.9)	(2.8)
Other net	5.4	3.2
Total adjustments	(35.5)	(94.7)
Net cash used in operating activities of continuing operations	(60.1)	(137.6)
Net cash provided by (used in) operating activities of discontinued operations	1.8	(3.4)
Net cash used in operating activities	(58.3)	(141.0)
Cash flows used in investing activities:		
Prepublication and production expenditures	(10.7)	(11.5)
Additions to property, plant and equipment	(8.5)	(9.8)
Net proceeds from sale of discontinued operations	—	4.0
Other	—	(0.7)
Net cash used in investing activities of continuing operations	(19.2)	(18.0)
Net cash used in investing activities of discontinued operations	—	(0.4)
Net cash used in investing activities	(19.2)	(18.4)

See accompanying notes

SCHOLASTIC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS – UNAUDITED
(Dollar amounts in millions, except per share data)

	<i>Three months ended</i>	
	August 31, 2009	August 31, 2008
Cash flows (used in) provided by financing activities:		
Borrowings under credit agreement and revolving loan	—	40.0
Repayment of term loan	(10.7)	(10.7)
Repurchase of 5.00% notes	(4.1)	—
Borrowings under lines of credit	40.7	114.4
Repayment under lines of credit	(34.5)	(63.2)
Repayment of capital lease obligations	(0.9)	(0.8)
Reacquisition of common stock	(1.0)	(11.7)
Proceeds pursuant to stock-based compensation plans	—	0.3
Net cash (used in) provided by financing activities of continuing operations	(10.5)	68.3
Net cash provided by financing activities of discontinued operations	—	—
Net cash (used in) provided by financing activities	(10.5)	68.3
Effect of exchange rate changes on cash and cash equivalents	(1.4)	2.4
Net decrease in cash and cash equivalents	(89.4)	(88.7)
Cash and cash equivalents at beginning of period, including cash of discontinued operations of \$0.0 and \$4.3 at June 1, 2009 and 2008, respectively	143.6	120.4
Cash and cash equivalents at end of period, including cash of discontinued operations of \$0.0 and \$2.2 at August 31, 2009 and August 31, 2008, respectively	54.2	31.7

See accompanying notes

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

1. Basis of Presentation

The accompanying condensed consolidated financial statements consist of the accounts of Scholastic Corporation (the “Corporation”) and all wholly-owned and majority-owned subsidiaries (collectively, “Scholastic” or the “Company”). 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, 2009.

The Company’s fiscal year is not a calendar year. Accordingly, references in this document to fiscal 2009 relate to the twelve month period ended May 31, 2009.

As more fully described in Note 2, “Discontinued Operations,” the Company closed or sold several operations during fiscal 2008 and 2009, and presently holds for sale other operations. All of these businesses are classified as discontinued operations in the Company’s financial statements.

The remaining assets and liabilities associated with the foregoing discontinued businesses or operations are presented in the Company’s Condensed Consolidated Balance Sheets as “Current assets of discontinued operations” and “Current liabilities of discontinued operations” as of August 31, 2009, May 31, 2009 and August 31, 2008. The aggregate results of operations of these businesses for the three months ended August 31, 2009 and 2008 are included in the Condensed Consolidated Statements of Operations as “Earnings (loss) from discontinued operations, net of tax.” The aggregate cash flows of these businesses are also presented separately in the Company’s Consolidated Statements of Cash Flows for the three months ended August 31, 2009 and 2008. All corresponding prior year periods presented in the Company’s Condensed Consolidated Financial Statements and accompanying notes have been reclassified to reflect the discontinued operations presentation.

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 August 31, 2008 Condensed Consolidated Balance Sheet is included for comparative purposes.

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 ongoing basis, the Company evaluates the adequacy of its reserves and the estimates used in calculations, including, but not limited to: collectability of accounts receivable; sales returns; gross margin rates used to determine inventory values and gross profits for book fair operations during interim periods; amortization periods; stock-based compensation expense; pension and other post-retirement obligations; tax obligations; and recoverability of inventories, deferred income tax benefits, prepublication costs, royalty advances, and the fair value of goodwill and other intangibles.

New Accounting Pronouncements

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

The Company adopted SFAS 157 beginning June 1, 2008, except for non financial assets and liabilities measured at fair value on a non-recurring basis, for which the Company adopted SFAS 157 on June 1, 2009. The impact of the adoptions on June 1, 2008 and June 1, 2009 was not material to the Company’s condensed consolidated financial statements.

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

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

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

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

The Company’s financial assets and liabilities measured at fair value on a recurring basis subject to the presentation requirements of SFAS 157 at August 31, 2009 consisted of cash and cash equivalents, 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 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.

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

- long-lived assets when impaired under the provisions of SFAS 144,
- assets acquired in a business combination,
- goodwill and indefinite-lived intangible assets,
- long-lived assets held for sale,
- long-lived assets held and used,
- pension assets, and
- debt.

Level 2 and level 3 inputs will be employed by the Company in the fair value measurement of these assets and liabilities.

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

In December 2007, the FASB issued SFAS No. 141 (revised), “Business Combinations” (“SFAS 141R”). SFAS 141R establishes principles and requirements for how an acquirer accounts for business combinations. SFAS 141R includes guidance for the recognition and measurement of the identifiable assets acquired, the liabilities assumed, and any non-controlling or minority interest in the acquiree. It also provides guidance for the measurement of goodwill, the recognition of contingent consideration, the accounting for pre-acquisition gain and loss contingencies and acquisition-related transaction costs, and the recognition of changes in the acquirer’s income tax valuation allowance. SFAS 141R applies prospectively and is effective for business combinations made by the Company beginning June 1, 2009. This pronouncement did not impact the Company in the current period.

In December 2008, the FASB issued Staff Position FAS 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets” (“FSP 132R-1”). FSP 132R-1 requires additional disclosure regarding investment allocations, major categories, valuation techniques and concentrations of risk related to plan assets held in an employer’s defined benefit pension or postretirement plan. FSP 132R-1 further requires disclosure of any effects of utilizing significant unobservable inputs as defined in SFAS No. 157, “Fair Value Measurements,” upon the overall change in the fair value of the plan assets during the reporting period. FSP 132R-1 is effective for fiscal years ending after December 15, 2009.

In April 2009, the FASB issued FSP No. FAS 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly” (“FSP No. FAS 157-4”), which provides additional guidance for estimating fair value in accordance with SFAS No. 157, “Fair Value Measurements,” where the volume and level of activity for the asset or liability have significantly decreased. The FSP provides additional guidance on determining fair value when the volume and level of activity for the asset or liability have significantly decreased when compared with normal market activity for the asset or liability (or similar groups of assets or liabilities). FSP No. FAS 157-4 is effective for the Company for interim and annual reporting periods ending after June 15, 2009, and applies prospectively. This pronouncement did not impact the Company’s condensed consolidated financial position, results of operations and cash flows.

In August 2009, the FASB issued Accounting Standard Update No. 2009-05, “Fair Value Measurements and Disclosures - Measuring Liabilities at Fair Value” (“ASU No. 2009-05”). The update provides clarification for circumstances in which a quoted price in an active market for an identical liability is not available. ASU No. 2009-05 is effective for the first reporting period beginning after August 2009. The Company is currently evaluating the effect, if any, that the adoption of ASU No. 2009-05 will have on its condensed consolidated financial position, results of operations and cash flows.

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

2. Discontinued Operations

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

The Company continues to monitor the expected cash proceeds to be realized from the disposition of discontinued operations assets, and adjusts asset values accordingly.

The Company continuously evaluates its portfolio of businesses for both impairment and economic viability. The Company did not cease any additional operations or classify any additional operations as “held for sale” during the three month period ended August 31, 2009.

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

	<i>Three months ended August 31,</i>	
	2009	2008
Revenues	\$ 1.3	\$ 43.1
Gain on sale	—	10.5
Earnings (loss) before income taxes	1.9	(15.2)
Income tax (expense) benefit	(0.3)	(1.5)
Earnings (loss) from discontinued operations, net of tax	\$ 1.6	\$ (6.2)

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:

	<i>August 31, 2009</i>	<i>May 31, 2009</i>	<i>August 31, 2008</i>
Accounts receivable, net	11.8	13.6	36.5
Inventories, net	0.7	0.8	11.5
Other assets	16.9	16.6	40.9
Current assets of discontinued operations	\$ 29.4	\$ 31.0	\$ 88.9
Accounts payable	1.2	2.2	13.0
Accrued expenses and other liabilities	4.8	5.1	8.0
Current liabilities of discontinued operations	\$ 6.0	\$ 7.3	\$ 21.0

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

3. Segment Information

The Company categorizes its businesses into four reportable segments: *Children's Book Publishing and Distribution; Educational Publishing; International; and Media, Licensing and Advertising.*

• *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 Publishing* includes the production and/or publication and distribution to schools and libraries of educational technology products, curriculum materials, children's books, classroom magazines and print and on-line reference and non-fiction products for grades pre-kindergarten to 12 in the United States. This segment is comprised of two operating segments.

• *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.

• *Media, Licensing and Advertising* includes the production and/or distribution of media, merchandising and advertising revenue, including sponsorship programs and consumer promotions. This segment is comprised of three operating segments.

In the first quarter of fiscal 2010, the Company reclassified certain revenues and operating expenses formerly included in the Media, Licensing and Advertising segment to the Children's Book Publishing and Distribution segment. This reclassification consists of revenues and operating expenses derived from sales of media and interactive products sold through the various channels employed by the Children's Book Publishing and Distribution segment. This change in reporting is consistent with changes in the Company's internal financial reporting structure, and reflects the chief operating decision maker's assessment of performance and asset allocation. Prior period results have been reclassified for consistency with this change in reporting structure. Revenues and operating income of \$0.6 and \$0.3 for the quarter ended August 31, 2009, and \$0.8 and \$0.3 for the quarter ended August 31, 2008, respectively, were reclassified and are now reported in the Children's Book Publishing and Distribution segment.

	Children's Book Publishing and Distribution ⁽¹⁾	Educational Publishing ⁽¹⁾	Media, Licensing and Advertising ⁽¹⁾	Overhead ⁽¹⁾⁽²⁾	Total Domestic	International ⁽¹⁾	Total
Three months ended August 31, 2009							
Revenues	\$ 76.2	\$ 148.7	\$ 15.1	\$ —	\$ 240.0	\$ 75.6	\$ 315.6
Bad debt expense	1.0	0.2	—	—	1.2	0.9	2.1
Depreciation and amortization ⁽³⁾	3.3	0.9	0.2	8.8	13.2	1.5	14.7
Amortization ⁽⁴⁾	2.5	6.8	2.2	—	11.5	0.6	12.1
Royalty advances expensed	5.1	0.2	0.1	—	5.4	1.5	6.9
Operating (loss) income	(47.5)	41.3	(3.7)	(23.5)	(33.4)	(1.9)	(35.3)
Segment Assets	512.3	393.7	65.5	410.0	1,381.5	259.9	1,641.4
Goodwill	54.3	88.4	5.8	—	148.5	8.5	157.0
Expenditures for long-lived assets	12.7	5.6	1.6	2.9	22.8	2.8	25.6
Long-lived Assets ⁽⁵⁾	180.6	204.8	30.2	219.0	634.6	74.1	708.7
Three months ended August 31, 2008							
Revenues	61.1	115.1	16.1	—	192.3	84.1	276.4
Bad debt expense	—	0.5	(0.1)	—	0.4	0.7	1.1
Depreciation and amortization ⁽³⁾	6.2	1.3	0.1	6.3	13.9	1.8	15.7
Amortization ⁽⁴⁾	2.6	5.3	1.5	—	9.4	0.6	10.0
Royalty advances expensed	4.6	0.3	0.1	—	5.0	1.0	6.0
Operating (loss) income	(54.6)	21.5	(4.8)	(21.1)	(59.0)	(3.3)	(62.3)
Segment Assets	538.1	355.3	63.9	463.5	1,420.8	296.0	1,716.8
Goodwill	38.2	89.1	5.8	—	133.1	29.4	162.5
Expenditures for long-lived assets	10.7	5.6	3.5	5.5	25.3	3.1	28.4
Long-lived Assets ⁽⁵⁾	176.0	202.3	25.5	229.6	633.4	109.9	743.3

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

(2) *Overhead includes all domestic corporate amounts not allocated to segments, including expenses and costs related to the management of corporate assets. Unallocated assets are principally comprised of deferred income taxes and property, plant and equipment related to the Company's headquarters in the metropolitan New York area and its fulfillment and distribution facilities located in Missouri.*

(3) *Includes depreciation of property, plant and equipment and amortization of intangible assets.*

(4) *Includes amortization of prepublication costs and production costs.*

(5) *Includes property, plant and equipment, prepublication costs, goodwill, other intangibles, royalty advances, production costs and long-term investments.*

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

4. Debt

The following table summarizes debt as of the dates indicated:

	<i>August 31, 2009</i>	<i>May 31, 2009</i>	<i>August 31, 2008</i>
Lines of Credit (weighted average interest rates of 2.9%, 3.3% and 4.1%, respectively)	\$ 13.4	\$ 10.9	\$ 63.0
Loan Agreement:			
Revolving Loan (interest rate of 3.2% as of August 31, 2008)	—	—	40.0
Term Loan (interest rates of 1.2%, 1.2% and 3.3%, respectively)	125.1	135.8	167.9
5% Notes due 2013, net of discount	152.1	157.0	159.3
Total debt	290.6	303.7	430.2
Less lines of credit, short-term debt and current portion of long-term debt	(56.2)	(53.7)	(105.8)
Total long-term debt	\$ 234.4	\$ 250.0	\$ 324.4

The following table sets forth the maturities of the Company's debt obligations as of August 31, 2009 for the remainder of fiscal 2010 and thereafter:

Nine-month period ending May 31:	
2010	\$ 45.5
Fiscal years ending May 31:	
2011	42.8
2012	42.8
2013	159.5
2014	—
Thereafter	—
Total debt	\$ 290.6

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

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 is a contractually committed unsecured credit facility that is scheduled to expire on June 1, 2012. The \$325.0 Revolving Loan component allows the Company to borrow, repay or prepay and reborrow at any time prior to the stated maturity date, and the proceeds may be used for general corporate purposes, including financing for acquisitions and share repurchases. The Loan Agreement also provides for an increase in the aggregate Revolving Loan commitments of the lenders of up to an additional \$150.0. The Term Loan, which may be prepaid at any time without penalty, requires quarterly principal payments of \$10.7, with the first payment on December 31, 2007, and a final payment of \$7.4 due on June 1, 2012.

Interest on both the Term Loan and Revolving Loan is due and payable in arrears on the last day of the interest period (defined as the period commencing on the date of the advance and ending on the last day of the period selected by the Borrower at the time each advance is made). At the election of the Borrower, the interest rate charged for each loan made under the Loan Agreement is based on (1) a rate equal to the higher of (a) the prime rate or (b) the prevailing federal funds rate plus 0.500% or (2) an adjusted LIBOR rate plus an applicable margin, ranging from 0.500% to 1.250% based on the Company’s prevailing consolidated debt to total capital ratio. As of August 31, 2009, the applicable margin of the Term Loan was 0.875% and the applicable margin on the Revolving Loan was 0.700%. The Loan Agreement also provides for the payment of a facility fee ranging from 0.125% to 0.250% per annum on the Revolving Loan only, which at August 31, 2009 was 0.175%.

The fair value of the Loan Agreement approximates its carrying value due to its variable interest rate.

As of August 31, 2009, there was \$0.5 of outstanding standby letters of credit issued under the Loan Agreement. The Loan Agreement contains certain covenants, including interest coverage and leverage ratio tests and certain limitations on the amount of dividends and other distributions, and at August 31, 2009 the Company was in compliance with these covenants.

5% Notes due 2013

In April 2003, Scholastic Corporation issued \$175.0 of 5% Notes (the “5% Notes”). The 5% Notes are senior unsecured obligations that mature on April 15, 2013. Interest on the 5% Notes is payable semi-annually on April 15 and October 15 of each year through maturity. The Company may at any time redeem all or a portion of the 5% Notes at a redemption price (plus accrued interest to the date of the redemption) equal to the greater of (i) 100% of the principal amount, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest discounted to the date of redemption.

The fair value of the 5% notes was \$130.1 as of August 31, 2009, \$129.6 as of May 31, 2009 and \$131.6 as of August 31, 2008, respectively. The fair value of the 5% notes was estimated based on market quotes, where available, or dealer quotes.

The Company repurchased \$2.5 and \$14.5 of the 5% Notes on the open market in fiscal 2009 and 2008, respectively. For the three months ended August 31, 2009, the Company repurchased an additional \$5.0 of the 5% notes on the open market for \$4.1 million.

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

Lines of Credit

As of August 31, 2009, 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 August 31, 2009 and May 31, 2009. The credit lines had an outstanding balance of \$37.8 as of August 31, 2008 at a weighted average interest rate of 2.9%. All loans made under these credit lines are at the sole discretion of the lender and at an interest rate and term, not to exceed 180 days, agreed to at the time each loan is made.

As of August 31, 2009, the Company's foreign operations had various local currency credit lines, with maximum available borrowings in amounts equivalent to \$39.4, underwritten by banks primarily in the United States, Canada and the United Kingdom. These credit lines are typically available for overdraft borrowings or loans up to 364 days and may be renewed, if requested by the Company, at the sole option of the lender. There were borrowings outstanding under these international facilities equivalent to \$13.4 at August 31, 2009 at a weighted average interest rate of 2.9%; \$10.9 at May 31, 2009 at a weighted average interest rate of 3.3%; and \$25.2 at August 31, 2008 at a weighted average interest rate of 5.9%.

The Company's lines of credit carrying value approximates fair value as of August 31, 2009, May 31, 2009 and August 31, 2008, respectively.

As of August 31, 2009 and May 31, 2009, the Company had open standby letters of credit of \$7.4 issued under certain credit lines, as compared to \$8.1 as of August 31, 2008. These letters of credit are scheduled to expire within one year; however, the Company expects that substantially all of these letters of credit will be renewed, at similar terms, prior to expiration.

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

5. Comprehensive Loss

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

	<i>Three months ended August 31,</i>	
	2009	2008
Net loss	\$ (23.0)	\$ (49.1)
Other comprehensive income (loss)		
Foreign currency translation adjustments	3.3	(12.0)
Retirement plans and post-retirement healthcare, net of tax	0.5	0.7
Comprehensive loss	\$ (19.2)	\$ (60.4)

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

6. Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average Shares of Class A Stock and Common Stock outstanding during the period. Diluted earnings (loss) per share is calculated to give effect to potentially dilutive options to purchase Class A and Common Stock and restricted stock units granted pursuant to the Company's stock-based compensation plans that were outstanding during the period. In accordance with SFAS No. 128, "Earnings Per Share," in a period in which the Company reports a discontinued operation, income (loss) from continuing operations is used as the "control number" in determining whether potentially dilutive common shares are dilutive or anti-dilutive. The Company calculates per share figures prior to rounding in millions. The following table summarizes the reconciliation of the numerators and denominators for the basic and diluted earnings (loss) per share computation for the periods indicated:

	<i>Three months ended August 31,</i>	
	2009	2008
Loss from continuing operations	\$ (24.6)	\$ (42.9)
Earnings (loss) from discontinued operations, net of tax	1.6	(6.2)
Net loss	(23.0)	(49.1)
Weighted average Shares of Class A Stock and Common Stock outstanding for basic earnings per share (in millions)	36.4	37.9
Dilutive effect of Class A Stock and Common Stock potentially issuable pursuant to stock-based compensation plans (in millions)	*	*
Adjusted weighted average Shares of Class A Stock and Common Stock outstanding for diluted earnings per share (in millions)	*	*
(Loss) earnings per share of Class A Stock and Common Stock:		
Basic (loss) earnings per share:		
Loss from continuing operations	\$ (0.68)	\$ (1.13)
Earnings (loss) from discontinued operations, net of tax	\$ 0.05	\$ (0.17)
Net loss	\$ (0.63)	\$ (1.30)
Diluted (loss) earnings per share:		
Loss from continuing operations	\$ (0.68)	\$ (1.13)
Earnings (loss) from discontinued operations, net of tax	\$ 0.05	\$ (0.17)
Net loss	\$ (0.63)	\$ (1.30)

* In the three months ended August 31, 2009 and 2008, the Company experienced a loss from continuing operations and therefore did not reflect any dilutive share impact.

Potentially dilutive shares do not impact earnings per share as they are anti-dilutive due to losses in the three months ended August 31, 2009 and 2008, respectively. The number of potentially dilutive options with market prices exceeding exercise prices to purchase Class A and Common Stock and of restricted stock units excluded from the computation of diluted earnings per share, because they were anti-dilutive due to a loss from continuing operations, was approximately 0.1 million and 0.2 million for the three months ended August 31, 2009 and 2008, respectively. Options outstanding pursuant to compensation plans total 6.4 million as of August 31, 2009.

During the three months ended August 31, 2009, the Company repurchased 53,150 common shares for approximately \$1.0 pursuant to share buy-back programs authorized by the Board of Directors.

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

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:

	<i>Three months ended August 31, 2009</i>	<i>Twelve months ended May 31, 2009</i>	<i>Three months ended August 31, 2008</i>
Beginning balance	\$ 157.0	\$ 164.4	\$ 164.4
Impairment charge	—	(17.0)	—
Deferred tax adjustment	—	16.1	—
Purchase adjustment	—	(0.7)	—
Translation adjustment	—	(5.8)	(1.9)
Ending balance	\$ 157.0	\$ 157.0	\$ 162.5

At February 28, 2009, the total market value of the Company's outstanding Common and Class A shares was less than the carrying value of the Company's net assets. Due to the reduced total market value of the Company's Common Stock, the Company evaluated the goodwill for its reporting units for impairment as of February 28, 2009. The Company employed internally developed discounted cash flow forecasts to determine the fair values of its reporting units, based upon the best available financial data. The Company concluded that goodwill associated with the Company's United Kingdom operations was impaired as of February 28, 2009, and recognized a goodwill impairment of \$17.0. Operating results in the United Kingdom have declined in recent periods. The Company performed its annual test for goodwill impairment in the fourth quarter of fiscal 2009, and determined that no additional goodwill, other than the goodwill attributable to the UK operations previously mentioned, was impaired in the prior year. The Company did not experience any goodwill impairment indicators in the current quarter.

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

The following table summarizes Other intangibles subject to amortization:

	<i>Three months ended August 31, 2009</i>	<i>Twelve months ended May 31, 2009</i>	<i>Three months ended August 31, 2008</i>
Customer lists	\$ 1.0	\$ 1.0	\$ 1.0
Additions	5.1	0.0	0.0
Accumulated amortization	(0.9)	(0.9)	(0.8)
Net customer lists	\$ 5.2	\$ 0.1	\$ 0.2
Other intangibles	\$ 8.4	\$ 8.4	\$ 8.7
Accumulated amortization	(5.8)	(5.6)	(5.6)
Net other intangibles	\$ 2.6	\$ 2.8	\$ 3.1
Total other intangibles subject to amortization	\$ 7.8	\$ 2.9	\$ 3.3

During the first quarter of the current fiscal year, the Company and its joint venture partner terminated a book distribution joint venture in the United Kingdom. As a result of this transaction, the Company received a portion of the business and a related customer list previously held by the joint venture, in exchange for the forgiveness of amounts owed to the Company by the joint venture and related entities. Accordingly, the Company recognized this customer list in the current period with a carrying value of \$5.1.

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

Amortization expense for Other intangibles totaled \$0.2 and \$0.2 for the three months ended August 31, 2009 and 2008, respectively, and \$0.7 for the twelve months ended May 31, 2009.

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

	<i>August 31, 2009</i>	<i>May 31, 2009</i>	<i>August 31, 2008</i>
Net carrying value by major class:			
Titles	\$ 28.7	\$ 28.7	\$ 28.7
Trademarks and Other	15.2	15.2	15.3
Total	\$ 43.9	\$ 43.9	\$ 44.0

8. Investments

The Company owns non-controlling interests in a book distribution business located in the United Kingdom. Results of these operations have been negatively impacted by overall market conditions, and in fiscal 2009 the Company determined that these assets are other than temporarily impaired. In the three month period ended February 28, 2009, the Company recorded impairments on investments related to these operations of \$13.5. The Company's aggregate carrying amount of cost method investments is \$10.6, \$10.6 and \$19.9 for the periods ended August 31, 2009, May 31, 2009 and August 31, 2008, respectively. There were no events or changes in circumstances in the current period that have had an adverse effect on the fair value of these investments.

9. Employee Benefit Plans

The following table sets forth components of the net periodic benefit costs 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"), the defined benefit pension plan of Grolier Ltd., 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"), and the post-retirement benefits, consisting of certain healthcare and life insurance benefits, provided by the Company to its retired United States-based employees, including participants associated with both continuing operations and discontinued operations, for the periods indicated:

	Pension Plans		Post-Retirement Benefits	
	<i>Three months ended August 31,</i>		<i>Three months ended August 31,</i>	
	2009	2008	2009	2008
Components of net periodic benefit costs:				
Service cost	\$ —	\$ 2.1	\$ —	\$ 0.1
Interest cost	2.4	2.7	0.4	0.5
Expected return on assets	(2.0)	(2.9)	—	—
Net amortization of prior service credit		(0.1)	(0.2)	(0.2)
Amortization of loss	1.1	0.5	0.2	0.2
Net periodic benefit costs	\$ 1.5	\$ 2.3	\$ 0.4	\$ 0.6

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

Effective June 1, 2009, the Company modified the terms of the Post-Retirement Benefits, effectively excluding a large percentage of current employees from the plan. Under the plan amendments, only employees with 10 or more years of service to the Company and whose age plus service is at least 65 as of June 1, 2009 will be eligible to receive post-retirement benefits upon retirement. Accordingly, the Company recognized a \$3.0 curtailment gain associated with this action in fiscal 2009, resulting from recognition of an unamortized prior service credit. This action was taken by the Company as a cost reduction measure.

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 three months ended August 31, 2009, the Company contributed \$2.9 to the U.S. Pension Plan.

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

The Company expects, based on actuarial calculations, to contribute cash of approximately \$12.3 to the U.S. Pension Plan, the UK Pension Plan and the Canadian Pension Plan in the aggregate for the fiscal year ending May 31, 2010.

10. Stock-Based Compensation

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

	<i>Three months ended August 31,</i>	
	2009	2008
Stock option expense	\$ 1.8	\$ 1.5
Restricted stock unit expense	3.0	0.6
Management stock purchase plan	—	—
Employee stock purchase plan expense	0.1	0.1
Total stock-based compensation	\$ 4.9	\$ 2.2

During each of the three months ended August 31, 2009 and 2008, shares of Common Stock issued by the Corporation pursuant to its stock-based compensation plans were not material.

11. Accrued Severance

During fiscal 2009, the Company initiated certain cost reduction measures, including employee headcount reductions. The table below provides information regarding severance costs appearing on the Company's Condensed Consolidated Statements of Operations associated with these cost reduction measures. Accrued severance of \$1.4 as of August 31, 2009 and \$3.4 as of May 31, 2009 is included in Other accrued expenses on the Company's Condensed Consolidated Balance Sheets.

	<i>Three months ended August 31, 2009</i>	<i>Twelve months ended May 31, 2009</i>
Beginning balance	\$ 3.4	\$ 0.4
Accruals	4.3	23.9
Payments	(6.3)	(20.9)
Ending balance	\$ 1.4	\$ 3.4

12. Treasury Stock

On May 28, 2008, the Company announced that its Board of Directors had authorized a new program to repurchase up to \$20.0 of Common Stock as conditions allow, on the open market or through negotiated private transactions. On November 20, 2008, the Board of Directors authorized a further program to repurchase up to an additional \$10.0 of its Common Stock and, on February 4, 2009, the Board of Directors authorized an additional program to repurchase up to another \$5.0 of its Common Stock, to be funded with available cash, pursuant to which the Company could purchase shares, from time to time as conditions allow, on the open market. The repurchase program may be suspended at any time without prior notice. During the three months ended August 31, 2009, the Company repurchased 53,150 shares on the open market for approximately \$1.0 at an average cost of \$19.36 per share. As of August 31, 2009, approximately \$0.1 remained of the current authorization and therefore the program is virtually completed. See Part II, "Other Information, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds."

13. Income Taxes

The Company calculates its interim income tax provision in accordance with Accounting Principles Board Opinion No. 28, “Interim Financial Reporting,” and FASB Interpretation No. 18, “Accounting for Income Taxes in Interim Periods” (“FIN 18”). 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 ordinary 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 anticipates a full fiscal year tax rate ranging between 40% and 42% for continuing operations for the current fiscal year, exclusive of discrete items. The Company’s expected full year effective tax rate excluding discrete items exceeds statutory rates primarily as a result of net operating losses in foreign jurisdictions, mainly in the UK, 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. Due to the seasonality of the Company’s operations and discrete items, current period effective tax rates are not meaningful.

The Company recognizes tax benefits of uncertain tax positions in accordance with FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”). The Company does not currently anticipate a material change to its unrecognized tax benefits within twelve months of August 31, 2009; however, actual developments can change these expectations, including settlement of 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 engaged in an IRS examination for the fiscal years ended May 2003, 2004, 2005 and 2006. The Company is also currently under audit by both New York State and New York City for its fiscal years ended May 2002, 2003 and 2004. It is possible that federal, state and foreign tax examinations will be settled during the next twelve months. If any of these tax examinations are settled within that period, the Company will make any necessary adjustments to its unrecognized tax benefits.

14. Subsequent Event

On September 23, 2009, the Company announced that the Board had declared a quarterly dividend of \$0.075 per share payable on December 15, 2009 to shareholders of record of the Corporation’s Common Stock and Class A Stock as of October 30, 2009.

Subsequent events have been evaluated through October 2, 2009, which is the filing date of the Company’s report with the SEC for the quarter ended August 31, 2009.

Overview and Outlook

The Company's first quarter is generally its smallest revenue period as most schools are not in session, resulting in a seasonal loss. Despite this seasonality, as a result of a strong first quarter, the net loss for the quarter ended August 31, 2009 was significantly reduced to \$23.0 million compared to a net loss of \$49.1 million in the fiscal quarter ended August 31, 2008.

Accordingly, the Company is on plan to achieve significantly higher earnings and free cash flow in fiscal 2010, and if it reaches the high end of its guidance range, to achieve its goal of 9% operating margins. In particular, the Educational Publishing segment had a record quarter, with technology sales up more than 50% over the prior year as a result of strong execution, new products and adoptions, and the arrival of federal stimulus funds in local districts. Trade sales of the Company's children's books rose by 25%, driven by best-selling series including *The 39 Clues*[®] and *Harry Potter*[®].

The Company continued to aggressively manage cost, sustaining last year's reductions. Selling, general and administrative expenses were generally flat. Lower payroll, travel and consulting expenses were offset by higher variable costs resulting from increased education revenues as well as increased stock compensation expense. The Company continues to experience difficulties in its UK operations and expects to restructure these operations in the current fiscal year.

The Company has strengthened its balance sheet by carefully controlling working capital and by generating substantial free cash flow over the past twelve months, while continuing to invest in core operations.

Results of Continuing Operations

Revenues for the quarter ended August 31, 2009 increased by \$39.2 million, or 14.2%, to \$315.6 million, compared to \$276.4 million in the prior fiscal year quarter. This was due to higher revenues in the *Educational Publishing* and *Children's Book Publishing and Distribution* segments of \$33.6 million and \$15.1 million, respectively, partially offset by lower revenues in the *International* and *Media, Licensing and Advertising* segments of \$8.5 million and \$1.0 million, respectively.

Cost of goods sold as a percentage of revenue for the quarter ended August 31, 2009 decreased to 49.5%, compared to 52.8% in the prior fiscal year quarter, primarily due to growth in higher margin education technology sales.

Selling, general and administrative expenses as a percentage of revenue decreased to 55.0%, compared to 62.5% in the prior fiscal year quarter, primarily resulting from the higher revenues as well as reduced spending due to the implementation of cost cutting measures, partially offset by an increase in commission expense related to the higher education technology sales as well as higher stock compensation expense.

Bad debt expense increased to \$2.1 million for the quarter ended August 31, 2009, compared to \$1.1 million in the prior fiscal year quarter, primarily in the *Children's Book Publishing and Distribution* segment.

Severance expense increased to \$4.3 million for the quarter ended August 31, 2009, compared to \$3.0 million in the prior fiscal year quarter, as the Company continued to implement its cost reduction plans.

The resulting operating loss for the quarter ended August 31, 2009 was \$35.3 million, compared to \$62.3 million in the prior fiscal year quarter.

Net interest expense decreased to \$3.9 million in the quarter ended August 31, 2009, compared to \$5.9 million in the prior fiscal year quarter, due to lower borrowings and lower interest rates.

The loss from continuing operations was \$24.6 million, or \$0.68 per share, for the quarter ended August 31, 2009, compared to a loss of \$42.9 million, or \$1.13 per share, in the prior fiscal year quarter.

The income from discontinued operations, net of tax, was \$1.6 million, or \$0.05 per share, for the quarter ended August 31, 2009, compared to a loss of \$6.2 million, or \$0.17 per share, in the prior fiscal year quarter. Prior period losses reflect higher severance and

impairment charges. Current period income reflects favorable accounts receivable collections without the higher level of offsetting charges.

The net loss was \$23.0 million, or \$0.63 per share, for the quarter ended August 31, 2009, compared to a net loss of \$49.1 million, or \$1.30 per share, in the prior fiscal year quarter.

Results of Continuing Operations – Segments

Children's Book Publishing and Distribution

(\$ amounts in millions)	Three months ended August 31,	
	2009	2008
Revenues	\$ 76.2	\$ 61.1
Operating loss	(47.5)	(54.6)
Operating margin	*	*

* Not meaningful

Revenues in the *Children's Book Publishing and Distribution* segment for the quarter ended August 31, 2009 increased by \$15.1 million, or 24.7%, to \$76.2 million, compared to \$61.1 million in the prior fiscal year quarter. This improvement was due to an increase in revenues in the Company's trade business in the first fiscal quarter of 2010, driven by the release of *Harry Potter and the Deathly Hallows* paperback book and boxed sets of the series as well as higher sales of the multi platform series *The 39 Clues*[®]. School book clubs and book fairs have minimal activity in the Company's first fiscal quarter, as most schools are not in session.

Segment operating loss for the quarter ended August 31, 2009 decreased by \$7.1 million, or 13.0%, to a loss of \$47.5 million, compared to a loss of \$54.6 million in the prior fiscal year quarter, principally due to the increase in revenues as well as reduced overhead expenses in the segment, driven by previously implemented cost reduction initiatives.

Educational Publishing

(\$ amounts in millions)	Three months ended August 31,	
	2009	2008
Revenues	\$ 148.7	\$ 115.1
Operating income	41.3	21.5
Operating margin	27.8%	18.7%

Revenues in the *Educational Publishing* segment for the quarter ended August 31, 2009 increased by \$33.6 million, or 29.2%, to \$148.7 million, compared to \$115.1 million in the prior fiscal year quarter. This increase was principally driven by higher sales of education technology products of approximately \$35 million, due to improved sales and marketing execution, new product launches, including System 44, and new adoptions, in particular the California adoption of READ180 and System 44, as well as the impact of the federal economic stimulus funding for education, which began to reach school districts in the first quarter.

Segment operating income for the quarter ended August 31, 2009 increased by \$19.8 million to \$41.3 million, compared to \$21.5 million in the prior fiscal year quarter, principally driven by the increase in revenues from education technology sales.

International

(\$ amounts in millions)	Three months ended August 31,	
	2009	2008
Revenues	\$ 75.6	\$ 84.1
Operating loss	(1.9)	(3.3)

Operating margin * *

* Not meaningful

Revenues in the *International* segment for the quarter ended August 31, 2009 decreased by \$8.5 million, or 10.1%, to \$75.6 million, compared to \$84.1 million in the prior fiscal year quarter, primarily due to the unfavorable impact of foreign currency exchange rates of \$7.6 million, in addition to a decrease in revenue of \$1.6 million in the UK.

Segment operating loss for the quarter ended August 31, 2009 decreased to a loss of \$1.9 million, compared to a loss of \$3.3 million in the prior fiscal year quarter, primarily due to reduced employee-related expenses in the Company's Australia operations and the Company's export operations.

Media, Licensing and Advertising

(\$ amounts in millions)	Three months ended August 31,	
	2009	2008
Revenues	\$ 15.1	\$ 16.1
Operating loss	(3.7)	(4.8)

Operating margin * *

* Not meaningful

Revenues in the *Media, Licensing and Advertising* segment for the quarter ended August 31, 2009 decreased by \$1.0 million, or 6.2%, to \$15.1 million, compared to \$16.1 million in the prior fiscal year quarter, primarily due to lower revenues from third party sales of software and interactive products, partially offset by higher revenues in the custom publishing business and higher production revenues. For additional information regarding changes in the Company's reporting structure and segments, please see Note 3 of Notes to Condensed Consolidated Financial Statements - Unaudited in Item 1, "Financial Statements."

Segment operating loss for the quarter ended August 31, 2009 decreased to a loss of \$3.7 million, compared to a loss of \$4.8 million in the prior fiscal year quarter, primarily due to reduced selling, general and administrative expenses in the segment driven by cost reduction initiatives.

Results of Discontinued Operations

In fiscal 2008, the Company determined to sell or shut down its domestic, Canadian and UK continuities businesses, and intends to sell a related warehousing and distribution facility located in Maumelle, Arkansas (the “Maumelle Facility”) and an office and distribution facility in Danbury, Connecticut (the “Danbury Facility”). During fiscal 2009, the Company also ceased its operations in Argentina and Mexico, its door-to-door selling operations in Puerto Rico, its continuities business in Australia and New Zealand and its corporate book fairs business and closed its Scarsdale, NY store. The Company also sold a trade magazine. Additionally, the Company sold a non-core market research business and a non-core on-line resource for teachers business and intends to sell a Spanish language book channel. All of the above businesses are classified as discontinued operations in the Company’s financial statements for fiscal 2010 and prior year periods.

The earnings from discontinued operations, net of tax, were \$1.6 million for the quarter ended August 31, 2009, compared to a loss, net of tax, of \$6.2 million in the prior fiscal year quarter. Prior period losses reflect higher severance and impairment charges, while current period income reflects favorable accounts receivable collections without the higher level of offsetting charges.

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 historically has experienced a loss from operations in the first and third quarters of each fiscal year.

Liquidity and Capital Resources

The Company’s cash and cash equivalents, including cash from discontinued operations, totaled \$54.2 million at August 31, 2009, compared to \$143.6 million at May 31, 2009 and \$31.7 million at August 31, 2008.

Cash used in operating activities decreased by \$82.7 million to \$58.3 million for the three months ended August 31, 2009, compared to \$141.0 million in the prior fiscal year period. In addition to the reduced loss of \$26.1 million, the \$82.7 million decrease was primarily related to favorable working capital changes which included:

- a \$56.0 million increase in accounts payable and other accrued expenses compared to a \$17.0 million increase in the prior year period;
- a \$95.0 million increase in inventory in the current period compared to a \$125.9 million increase in the prior period;
- partially offset by increased accounts receivable of \$32.4 million in the current period compared to decreases of \$16.2 million in the prior year period.

Accounts payable increases were primarily due to the timing of payments and improved terms with key vendors. Inventory reductions resulted from the timing of purchases and Company initiatives designed to reduce inventory levels. Higher accounts receivable balances resulted from higher August sales of education technology products.

Cash used in investing activities increased by \$0.8 million to \$19.2 million for the three months ended August 31, 2009, compared to \$18.4 million in the prior fiscal year period. This change is related to the receipt of proceeds from the sale of discontinued operations of \$4.0 million in the prior period, partially offset by reduced spending in property, plant and equipment.

Cash used in financing activities was \$10.5 million for the three months ended August 31, 2009, compared to cash provided by financing activities of \$68.3 million for the prior fiscal year period. The change is primarily due to reduced borrowings under lines of credit of \$73.7 million and reduced borrowings under credit agreements and revolving loans of \$40.0 million, partially offset by lower repayments under lines of credit of \$28.7 million and lower repurchases of Common Stock of \$1.0 million in the first fiscal quarter of 2010 compared to \$11.7 million in the prior year fiscal quarter.

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.

Despite the current economic conditions, 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 August 31, 2009, the Company's primary sources of liquidity consisted of cash and cash equivalents of \$54.2 million, cash from operations, and borrowings remaining available under the Revolving Loan (as described under "Financing" below) totaling \$325.0 million. Approximately 55% of the Company's outstanding debt is not due until fiscal 2013, and the remaining 45% is spread ratably over each preceding period. The Company may at any time, but in any event not more than once in any calendar year, request that the aggregate availability of credit under the Revolving Loan be increased by an amount of \$10.0 million or an integral multiple of \$10.0 million (but not to exceed \$150.0 million). Accordingly, the Company believes these sources of liquidity are sufficient to finance its ongoing operating needs, as well as its financing and investing activities.

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

Financing

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 is a contractually committed unsecured credit facility that is scheduled to expire on June 1, 2012. The \$325.0 million Revolving Loan component allows the Company to borrow, repay or prepay and reborrow at any time prior to the stated maturity date, and the proceeds may be used for general corporate purposes, including financing for acquisitions and share repurchases. The Loan Agreement also provides for an increase in the aggregate Revolving Loan commitments of the lenders of up to an additional \$150.0 million. The Term Loan, which may be prepaid at any time without penalty, requires quarterly principal payments of \$10.7 million, with the first payment on December 31, 2007, and a final payment of \$7.4 million due on June 1, 2012.

Interest on both the Term Loan and Revolving Loan is due and payable in arrears on the last day of the interest period (defined as the period commencing on the date of the advance and ending on the last day of the period selected by the Borrower at the time each advance is made). At the election of the Borrower, the interest rate charged for each loan made under the Loan Agreement is based on (1) a rate equal to the higher of (a) the prime rate or (b) the prevailing federal funds rate plus 0.500% or (2) an adjusted LIBOR rate plus an applicable margin, ranging from 0.500% to 1.250% based on the Company's prevailing consolidated debt to total capital ratio. As of August 31, 2009, the applicable margin of the Term Loan was 0.875% and the applicable margin on the Revolving Loan was 0.700%. The Loan Agreement also provides for the payment of a facility fee ranging from 0.125% to 0.250% per annum on the Revolving Loan only, which at August 31, 2009 was 0.175%.

As of August 31, 2009, there was \$0.5 million of outstanding standby letters of credit issued under the Loan Agreement. The Loan Agreement contains certain covenants, including interest coverage and leverage ratio tests and certain limitations on the amount of dividends and other distributions, and at August 31, 2009 the Company was in compliance with these covenants. Please see Note 4 of Notes to Condensed Consolidated Financial Statements – Unaudited in Item 1, for outstanding balances and interest rates for these notes.

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 repurchased \$2.5 million and \$14.5 million of the 5% Notes on the open market in fiscal 2009 and 2008, respectively. For the three months ended August 31, 2009, the Company repurchased an additional \$5.0 million of the 5% notes on the open market.

Lines of Credit

As of August 31, 2009, the Company's 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 August 31, 2009 and May 31, 2009. The credit lines had an outstanding balance of \$37.8 million as of August 31, 2008 at a weighted average interest rate of 2.9%. All loans made under these credit lines are at the sole discretion of the lender and at an interest rate and term, not to exceed 180 days, agreed to at the time each loan is made.

As of August 31, 2009, the Company had various local currency credit lines, with maximum available borrowings in amounts equivalent to \$39.4 million, underwritten by banks primarily in the United States, Canada and the United Kingdom. These credit lines are typically available for overdraft borrowings or loans up to 364 days and may be renewed, if requested by the Company, at the sole option of the lender. There were borrowings outstanding under these international facilities equivalent to \$13.4 million at August 31, 2009 at a weighted average interest rate of 2.9%; \$10.9 million at May 31, 2009 at a weighted average interest rate of 3.3%; and \$25.2 million at August 31, 2008 at a weighted average interest rate of 5.9%.

As of August 31, 2009 and May 31, 2009, the Company had open standby letters of credit of \$7.4 million issued under certain credit lines, as compared to \$8.1 million as of August 31, 2008. These letters of credit are scheduled to expire within one year; however, the Company expects that substantially all of these letters of credit will be renewed, at similar terms, prior to expiration.

The Company's total debt obligations were \$290.6 million at August 31, 2009, \$303.7 million at May 31, 2009 and \$430.2 million at August 31, 2008. The lower level of debt at August 31, 2009 as compared to May 31, 2009 and August 31, 2008 was primarily due to repayments made on the Term Loan, a repurchase of the Company's 5% Notes on the open market and reduced borrowings resulting from lower debt requirements. The Company utilized existing cash balances in the first fiscal quarter of 2010 to meet seasonal working capital requirements. As a result, cash balances declined \$89.4 million in such fiscal quarter.

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

In December 2008, the FASB issued Staff Position FAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" ("FSP 132R-1"). FSP 132R-1 requires additional disclosure regarding investment allocations, major categories, valuation techniques and concentrations of risk related to plan assets held in an employer's defined benefit pension or postretirement plan. FSP 132R-1 further requires disclosure of any effects of utilizing significant unobservable inputs as defined in SFAS No. 157, "Fair Value Measurements," upon the overall change in the fair value of the plan assets during the reporting period. FSP 132R-1 is effective for fiscal years ending after December 15, 2009.

In April 2009, the FASB issued FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP No. FAS 157-4"), which provides additional guidance for estimating fair value in accordance with SFAS No. 157, "Fair Value Measurements," where the volume and level of activity for the asset or liability have significantly decreased. The FSP provides additional guidance on determining fair value when the volume and level of activity for the asset or liability have significantly decreased when compared with normal market activity for the asset or liability (or similar groups of assets or liabilities). FSP No. FAS 157-4 is effective for the Company for interim and annual reporting periods ending after June 15, 2009, and applies prospectively. This pronouncement did not impact the Company's condensed consolidated financial position, results of operations and cash flows.

In August 2009, the FASB issued Accounting Standard Update No. 2009-05, "Fair Value Measurements and Disclosures - Measuring Liabilities at Fair Value" ("ASU No. 2009-05"). The update provides clarification for circumstances in which a quoted price in an active market for an identical liability is not available. ASU No. 2009-05 is effective for the first reporting period beginning after August 2009. The Company is currently evaluating the effect, if any, that the adoption of ASU No. 2009-05 will have on its condensed consolidated financial position, results of operations and cash flows.

Recently Adopted Accounting Pronouncements

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

The Company adopted SFAS 157 beginning June 1, 2008, except for non financial assets and liabilities measured at fair value on a non-recurring basis, for which the Company adopted SFAS 157 on June 1, 2009. The impact of the adoptions on June 1, 2008 and June 1, 2009 was not material to the Company's condensed consolidated financial statements.

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

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

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

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

The Company's financial assets and liabilities measured at fair value on a recurring basis subject to the presentation requirements of SFAS 157 at August 31, 2009 consisted of cash and cash equivalents 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 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.

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

- long-lived assets when impaired under the provisions of SFAS 144,
- assets acquired in a business combination,
- goodwill and indefinite-lived intangible assets,
- long-lived assets held for sale,
- long-lived assets held and used,
- pension assets, and
- debt.

Level 2 and level 3 inputs will be employed by the Company in the fair value measurement of these assets and liabilities.

In December 2007, the FASB issued SFAS No. 141 (revised), "Business Combinations" ("SFAS 141R"). SFAS 141R establishes principles and requirements for how an acquirer accounts for business combinations. SFAS 141R includes guidance for the recognition and measurement of the identifiable assets acquired, the liabilities assumed, and any non-controlling or minority interest in the acquiree. It also provides guidance for the measurement of goodwill, the recognition of contingent consideration, the accounting for pre-acquisition gain and loss contingencies and acquisition-related transaction costs, and the recognition of changes in the acquirer's income tax valuation allowance. SFAS 141R applies prospectively and is effective for business combinations made by the Company beginning June 1, 2009. This pronouncement did not impact the Company in the current period.

Forward Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. These forward-looking statements are subject to various risks and uncertainties, including the conditions of the children's book and educational materials markets and acceptance of the Company's products within those markets, and other risks and factors identified in this Report, in the Annual Report and from time to time in the Company's other filings with the Securities and Exchange Commission (the "SEC"). Actual results could differ materially from those currently anticipated.

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 August 31, 2009, 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 48% of the Company's debt at August 31, 2009 and May 31, 2009 bore interest at a variable rate and was sensitive to changes in interest rates, compared to approximately 63% at August 31, 2008. The decrease in variable-rate debt as of August 31, 2009 and May 31, 2009, compared to August 31, 2008, was primarily due to repayments made on the Term Loan, a repurchase of 5% Notes on the open market and reduced borrowings as a result of lower debt requirements. 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 August 31, 2009 (see Note 4 of Notes to Condensed Consolidated Financial Statements - Unaudited in Item 1, "Financial Statements"):

(\$ amounts in millions)

	Fiscal Year Maturity						
	2010 ⁽³⁾	2011	2012	2013	2014	Thereafter	Total
Debt Obligations							
Lines of Credit	\$ 13.4	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 13.4
Average interest rate	2.9%						
Long-term debt including current							
Fixed-rate debt	\$ —	\$ —	\$ —	\$ 153.0		\$ —	\$ 153.0
Interest rate				5.0%			
Variable rate debt	\$ 32.1	\$ 42.8	\$ 42.8	\$ 7.4 ⁽¹⁾		\$ —	\$ 125.1
Interest rate ⁽²⁾	1.2%	1.2%	1.2%	1.2%			

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

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

(3) 2010 includes the remaining nine months of the current fiscal year.

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 August 31, 2009, have concluded that the Corporation's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Corporation in its reports filed or submitted under the Securities Exchange Act of 1934 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 August 31, 2009 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 August 31, 2009:

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
June 1, 2009 through June 30, 2009	28,195	\$ 19.91	28,195	\$ 0.5(1)
July 1, 2009 through July 31, 2009	24,955	\$ 18.73	24,955	\$ 0.1
August 1, 2009 through August 31, 2009	—	\$ —	—	\$ 0.1
Total	53,150	\$ 19.36	53,150	\$ 0.1

- (1) On May 28, 2008, the Company announced that its Board of Directors had authorized a new program to purchase up to \$20.0 million of Common Stock, from time to time as conditions allow, on the open market or through negotiated private transactions. On November 20, 2008 and February 4, 2009, the Board of Directors authorized further programs to repurchase up to an additional \$10.0 million and \$5.0 million, respectively, of its Common Stock, to be funded with available cash and pursuant to which the Company could purchase shares from time to time as conditions allow on the open market. As of August 31, 2009, approximately \$0.1 remained of the current authorization and therefore the program is virtually completed.

Exhibits:

- 10.1** (1) Scholastic Corporation 2001 Stock Incentive Plan (the "2001 Plan") amended and restated as of July 21, 2009.
- 10.2** (1) Form of Restricted Stock Unit Agreement under the 2001 Plan as of July 21, 2009.
- 10.3** (1) Amended and Restated Guidelines for Stock Units Granted under the 2001 Plan as of July 21, 2009.
- 10.4** (1) Form of Option Agreement under the 2001 Plan as of July 21, 2009.
- 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.

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

(1) Corrected exhibit replacing corresponding exhibits 10.9 through 10.12 (inclusive) of Registrant's Annual Report on Form 10-K for the year-ended May 31, 2009.

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: October 2, 2009

SCHOLASTIC CORPORATION
(Registrant)

By: /s/ Richard Robinson

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

Date: October 2, 2009

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 AUGUST 31, 2009
Exhibits Index

Exhibit Number	Description of Document
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SCHOLASTIC CORPORATION 2001 STOCK INCENTIVE PLAN
(Amended and Restated as of July 21, 2009)

ARTICLE I
PURPOSE

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

ARTICLE II
DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.16 “FAIR MARKET VALUE” means, unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, as of any date, the mean between the high and low sales prices of a share of Common Stock on the applicable date: (i) as reported on the principal national securities exchange on which it is then traded or The Nasdaq Stock Market, Inc. (“NASDAQ”) or (ii) if not traded on any such national securities exchange or NASDAQ the mean of the closing bid and asked prices of a share of Common Stock as reported by an automated quotation system sponsored by the National Association of Securities Dealers, Inc. If

the Common Stock is not readily tradable on a national securities exchange, NASDAQ or any automated quotation system sponsored by the National Association of Securities Dealers, Inc., its Fair Market Value shall be set in good faith by the Committee. Notwithstanding anything herein to the contrary, with respect to Incentive Stock Options, "Fair Market Value" means the price for Common Stock set by the Committee in good faith based on reasonable methods set forth under Section 422 of the Code and the regulations thereunder including, without limitation, a method utilizing the average of prices of the Common Stock reported on the principal national securities exchange on which it is then traded during a reasonable period designated by the Committee. For purposes of the grant of any Stock Option, the applicable date shall be the date for which a mean sales price is available at the time of grant.

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

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

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

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

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

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

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

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

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

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

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

2.27A “RETIREMENT” means, with respect to any Award of Stock Options, Restricted Stock, Other Stock-Based Award or any other award providing benefits similar thereto made on or after July 21, 2009, 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. With respect to any Award of Stock Options, Restricted Stock, Other Stock-Based Award or any other award providing benefits similar thereto made prior to July 21, 2009, “Retirement” shall mean a Termination of Employment on or after age 55 in accordance with the Company’s standard retirement policies.

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

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

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

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

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

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

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

2.35 “TERMINATION OF EMPLOYMENT” means: (i) a termination of employment (for reasons other than a military or personal leave of absence granted by the Company) of a Participant from the Company and its Affiliates; or (ii) when an entity which is employing a Participant ceases to be an Affiliate, unless the Participant otherwise is, or thereupon becomes, employed by the Company or another Affiliate at the time the entity ceases to be an Affiliate. In

the event that an Eligible Employee becomes a Consultant or non-employee director upon the termination of his or her employment, the Committee, in its sole and absolute discretion, may determine that no Termination of Employment shall be deemed to occur until such time as such individual is no longer an Eligible Employee, a Consultant or a non-employee director. Notwithstanding the foregoing, the Committee may otherwise define Termination of Employment in the Award Agreement or, if no rights of a Participant are reduced, may otherwise define Termination of Employment thereafter.

2.36 "TRANSFER" means (a) when used as a noun, any direct or indirect transfer, sale, assignment, pledge, hypothecation, encumbrance or other disposition (including the issuance of equity in a Person), whether for value or no value and whether voluntary or involuntary (including by operation of law), and (b) when used as a verb, to directly or indirectly transfer, sell, assign, pledge, hypothecate, encumber, or otherwise dispose of (including the issuance of equity in a Person), whether for value or no value and whether voluntarily or involuntarily (including by operation of law).

ARTICLE III ADMINISTRATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.7 DESIGNATION OF CONSULTANTS/LIABILITY.

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

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

**ARTICLE IV
SHARE AND OTHER LIMITATIONS**

4.1 SHARES.

(a) GENERAL LIMITATION. The aggregate number of shares of Common Stock which may be issued or used for reference purposes under this Plan or with respect to which Awards may be granted shall not exceed 6,000,000 shares of Common Stock (subject to any

increase or decrease pursuant to Section 4.2) with respect to all types of Awards. The shares of Common Stock available under this Plan may be either authorized and unissued Common Stock or Common Stock held in or acquired for the treasury of the Company. If any Stock Option granted under this Plan expires, terminates or is canceled for any reason without having been exercised in full or, with respect to Stock Options, the Company repurchases any Stock Option, the number of shares of Common Stock underlying such unexercised or repurchased Stock Option shall again be available for the purposes of Awards under this Plan. If any shares of Restricted Stock awarded under this Plan to a Participant are forfeited or repurchased by the Company for any reason, the number of forfeited or repurchased shares of Restricted Stock shall again be available for the purposes of Awards under this Plan. If Common Stock has been delivered or exchanged by a Participant as full or partial payment to the Company of an exercise price or the price of the purchase of an Award other than an Incentive Stock Option, the number of shares of Common Stock exchanged as payment in connection with the exercise or purchase shall again be available for purposes of determining the number of shares of Common Stock available for Awards other than Incentive Stock Options. If Common Stock has been delivered by a Participant for payment of withholding taxes, or if the number of shares of Common Stock otherwise deliverable has been reduced for payment of withholding taxes, the number of shares of Common Stock delivered by such Participant or reduced for payment of withholding taxes shall again be available for purposes of determining the number of shares of Common Stock available for Awards other than Incentive Stock Options.

(b) INDIVIDUAL PARTICIPANT LIMITATIONS.

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

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

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

4.2 CHANGES.

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

(b) Subject to the provisions of Section 4.2(d), in the event of any change in the capital structure or business of the Company by reason of any stock split, reverse stock split, stock dividend, combination or reclassification of shares, recapitalization, or other change in the capital structure of the Company, non-cash distribution with respect to its outstanding Common Stock or capital stock other than Common Stock, merger, consolidation, spin-off, reorganization, partial or complete liquidation, issuance of rights or warrants to purchase any Common Stock or securities convertible into Common Stock, or any other corporate transaction or event having an effect similar to any of the foregoing and effected, then the aggregate number and kind of shares which thereafter may be issued under this Plan, the number and kind of shares or other property (including cash) to be issued upon exercise of an outstanding Stock Option or other Award granted under this Plan and the purchase price thereof shall be appropriately adjusted consistent with such change in such manner as, and to the extent that, the Committee may deem equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, Participants under this Plan, and any such adjustment determined by the Committee in good faith shall be final, binding and conclusive on the Company and all Participants and employees and their respective heirs, executors, administrators, successors and assigns.

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

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

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

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

**ARTICLE V
ELIGIBILITY**

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

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

**ARTICLE VI
STOCK OPTIONS**

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

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

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

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

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

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

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

(i) in cash or by check, bank draft or money order payable to the order of the Company;

(ii) if the Common Stock is traded on a national securities exchange, The Nasdaq Stock Market, Inc. or quoted on a national quotation system sponsored by the National Association of Securities Dealers, through a “cashless exercise” procedure whereby the Participant delivers irrevocable instructions to a broker to deliver promptly to the Company an amount equal to the purchase price; or

(iii) on such other terms and conditions as may be acceptable to the Committee (including, without limitation, the relinquishment of Stock Options or by payment in full or in part in the form of Common Stock owned by the Participant for any minimum period necessary to avoid an accounting charge to the Company’s earnings on its financial statements (and for which the Participant has good title free and clear of any liens and encumbrances) based on the Fair Market Value of the Common Stock on the payment date as determined by the Committee). No shares of Common Stock shall be issued until payment therefor, as provided herein, has been made or provided for.

(e) **INCENTIVE STOCK OPTION LIMITATIONS.** To the extent that the aggregate Fair Market Value (determined as of the time of grant) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an Eligible Employee during any calendar year under this Plan and/or any other stock option plan of the Company, any Subsidiary or any Parent exceeds \$100,000, such Options shall be treated as Non-Qualified Stock Options. In addition, if an Eligible Employee does not remain employed by the Company, any Subsidiary or any Parent at all times from the time an Incentive Stock Option is granted until 3 months prior to the date of exercise thereof (or such other period as required by applicable law), such Stock Option shall be treated as a Non-Qualified Stock Option. Should any provision of this Plan not be necessary in order for the Stock Options to qualify as Incentive Stock Options, or should any additional provisions be required for such purpose, the Committee may amend this Plan accordingly, without the necessity of obtaining the approval of the stockholders of the Company.

(f) **FORM, MODIFICATION, EXTENSION AND RENEWAL OF STOCK OPTIONS.** Subject to the terms and conditions and within the limitations of this Plan, Stock Options shall be evidenced by such form of Award Agreement or grant as is approved by the

Committee, and the Committee may (i) modify, extend or renew outstanding Stock Options granted under this Plan (provided that the rights of a Participant are not reduced without his or her consent), and (ii) accept the surrender of outstanding Stock Options (up to the extent not theretofore exercised) and authorize the granting of new Stock Options in substitution therefor (to the extent not theretofore exercised).

(g) OTHER TERMS AND CONDITIONS. Options may contain such other provisions, which shall not be inconsistent with any of the foregoing terms of this Plan, as the Committee shall deem appropriate including, without limitation, permitting “reloads” such that the same number of Options are granted as the number of shares used to pay for the exercise price of Options and/or shares used to pay withholding taxes (“Reloads”). With respect to Reloads, the exercise price of the new Stock Option shall be the Fair Market Value on the date of the “reload” and the term of the Stock Option shall be the same as the remaining term of the Options that are exercised, if applicable, or such other exercise price and term as determined by the Committee.

ARTICLE VII RESTRICTED STOCK

7.1 AWARDS OF RESTRICTED STOCK. Shares of Restricted Stock may be issued to Eligible Employees or Consultants either alone or in addition to other Awards granted under this Plan. The Committee shall determine the Eligible Employees or Consultants to whom, and the time or times at which, grants of Restricted Stock will be made, the number of shares to be awarded, the price (if any) to be paid by the recipient (subject to Section 7.2), the time or times within which such Awards may be subject to forfeiture, the vesting schedule and rights to acceleration thereof, and all other terms and conditions of the Awards.

7.2 AWARDS AND CERTIFICATES. An Eligible Employee or Consultant selected to receive Restricted Stock shall not have any rights with respect to such Award, unless and until such Participant has delivered to the Company a fully executed copy of the applicable Award Agreement relating thereto and has otherwise complied with the applicable terms and conditions of such Award. Further, such Award shall be subject to the following conditions:

(a) PURCHASE PRICE. The purchase price of Restricted Stock shall be fixed by the Committee. Subject to Section 4.3, the purchase price for shares of Restricted Stock may be zero to the extent permitted by applicable law, and, to the extent not so permitted, such purchase price may not be less than par value.

(b) ACCEPTANCE. Awards of Restricted Stock must be accepted within a period of 30 days (or such shorter period as the Committee may specify at grant) after the Award date by executing a Restricted Stock Award Agreement and by paying whatever price (if any) the Committee has designated thereunder.

(c) CUSTODY. Shares of Restricted Stock shall be recorded by book entry by the transfer agent, unless the Committee elects to use another system, and no stock certificates evidencing shares of Common Stock relating to the Restricted Stock shall be issued until the restrictions thereon shall have lapsed.

7.3 RESTRICTIONS AND CONDITIONS ON RESTRICTED STOCK AWARDS. Shares of Restricted Stock awarded pursuant to this Plan shall be subject to Article XIII and the following restrictions and conditions:

(a) **RESTRICTION PERIOD; VESTING AND ACCELERATION OF VESTING.** The Participant shall not be permitted to Transfer shares of Restricted Stock awarded under this Plan during the period or periods set by the Committee (the "Restriction Period") commencing on the date of such Award, as set forth in the Restricted Stock Award Agreement, and such agreement shall set forth a vesting schedule and any events which would accelerate vesting of the shares of Restricted Stock. Within these limits, based on service, attainment of Performance Goals pursuant to Article IX below and/or such other factors or criteria as the Committee may determine in its sole discretion, the Committee may provide for the lapse of such restrictions in installments in whole or in part, or may accelerate the vesting of all or any part of any Restricted Stock Award and/or waive the deferral limitations for all or any part of any Restricted Stock Award.

(b) **RIGHTS AS STOCKHOLDER.** Except as provided in this Paragraph (b) and Paragraph (a) above and as otherwise determined by the Committee, the Participant shall have, with respect to the shares of Restricted Stock, the rights of a holder of shares of Common Stock of the Company to receive any dividends and the right to vote such shares. The Committee may, in its sole discretion, determine at the time of grant that the payment of dividends shall be deferred until, and conditioned upon, the expiration of the applicable Restriction Period.

(c) **LAPSE OF RESTRICTIONS.** If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock subject to such Restriction Period, the certificates for such shares shall be delivered at the direction of the Participant. All legends shall be removed from said certificates at the time of such delivery to the Participant except as otherwise required by applicable law or other limitations imposed by the Committee.

ARTICLE VIII OTHER STOCK-BASED AWARDS

8.1 **OTHER AWARDS.** Other Stock-Based Awards may be granted either alone or in addition to or in tandem with Stock Options or Restricted Stock. Subject to the provisions of this Plan, the Committee shall have authority to determine the persons to whom and the time or times at which such Awards shall be made, the number of shares of Common Stock to be awarded pursuant to such Awards, and all other conditions of the Awards. The Committee may also provide for the grant of Common Stock under such Awards upon the completion of a specified performance period.

8.2 **TERMS AND CONDITIONS.** Other Stock-Based Awards made pursuant to this Article VIII shall be subject to the following terms and conditions:

(a) **NON-TRANSFERABILITY.** Subject to the applicable provisions of the Award Agreement and this Plan, shares of Common Stock subject to Awards made under this Article VIII may not be Transferred prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses.

(b) **DIVIDENDS.** Unless otherwise determined by the Committee at the time of Award, subject to the provisions of the Award Agreement and this Plan, the recipient of an Award under this Article VIII shall be entitled to receive, currently or on a deferred basis, dividends or dividend equivalents with respect to the number of shares of Common Stock covered by the Award, as determined at the time of the Award by the Committee, in its sole discretion.

(c) VESTING. Any Award under this Article VIII and any Common Stock covered by any such Award shall vest or be forfeited to the extent so provided in the Award Agreement, as determined by the Committee, in its sole discretion.

(d) WAIVER OF LIMITATION. The Committee may, in its sole discretion, waive in whole or in part any or all of the limitations imposed hereunder (if any) with respect to any or all of an Award under this Article VIII.

(e) PRICE. Subject to the next sentence, Common Stock or Other Stock-Based Awards issued on a bonus basis under this Article VIII may be issued for no cash consideration; Common Stock or Other Stock-Based Awards purchased pursuant to a purchase right awarded under this Article VIII shall be priced as determined by the Committee. Subject to Section 4.3, the purchase price of shares of Common Stock or Other Stock-Based Awards may be zero to the extent permitted by applicable law, and, to the extent not so permitted, such purchase price may not be less than par value. The purchase of shares of Common Stock or Other Stock-Based Awards may be made on either an after-tax or pre-tax basis, as determined by the Committee; provided, however, that if the purchase is made on a pre-tax basis, such purchase shall be made pursuant to a deferred compensation program established by the Committee, which will be deemed a part of this Plan.

ARTICLE IX PERFORMANCE GOALS

9.1 PERFORMANCE GOALS, FORMULAE OR STANDARDS. The Committee may condition the grant or vesting of Stock Options, Restricted Stock or Other Stock-Based Awards upon the attainment of specified performance goals (“Performance Goals”), including established Performance Goals intended to meet the requirements of qualified performance-based compensation under Section 162(m) of the Code (“Qualified Performance-Based Compensation”), or such other factors as the Committee may determine, in its sole discretion. If the grant of shares pursuant to an Award or the lapse of restrictions of an Award is intended to constitute Qualified Performance-Based Compensation, the Committee shall establish the Performance Goals and the applicable vesting percentage of the Award applicable to each Participant or class of Participants in writing prior to the beginning of the applicable fiscal year or at such later date as otherwise determined by the Committee and while the outcome of the Performance Goals are substantially uncertain. Such Performance Goals may incorporate provisions for disregarding (or adjusting for) changes in accounting methods, corporate transactions (including, without limitation, dispositions and acquisitions) and other similar type events or circumstances. With regard to an Award that is intended to constitute Qualified Performance-Based Compensation, to the extent any such provision would create impermissible discretion under Section 162(m) of the Code or otherwise violate Section 162(m) of the Code, such provision shall be of no force or effect. The applicable Performance Goals shall be based on one or more of the Performance Criteria set forth in Exhibit A hereto. Qualified Performance-Based Compensation does not include any amount or portion of any amount that will be paid either regardless of performance, or based upon a level of performance that is substantially certain to be met at the time the criteria is established. Compensation may be Qualified Performance-Based Compensation where the amount will be paid regardless of satisfaction of the performance criteria due to the Participant’s death, Disability, or a Change in Control event (as defined in Treasury Regulations § 1.409A-3(i)(5)(i)), provided that a payment made under such circumstances without regard to the satisfaction of the performance criteria will not constitute Qualified Performance-Based Compensation. Restricted Stock Awards or Other Stock-Based

Awards intended to be Qualified Performance-Based Compensation under Code Section 162(m)(4)(C) shall not be payable prior to attainment of the relevant Performance Goals; provided, however, that (i) the Committee may provide, either in connection with the grant of an Award of Restricted Stock or Other Stock-Based Award or by amendment thereafter, that achievement of such performance goals will be waived upon the death or disability (within the meaning of Code Section 162(m)) of the Participant, or in connection with a change in ownership or control of the Company (within the meaning of Code Section 162(m)) and, (ii) solely with respect to performance periods commencing on or prior to December 31, 2008, the Committee may also provide for such waiver upon Termination of Employment or Termination of Consultancy (as applicable) by reason of retirement on or after age 55 in accordance with the Company's standard retirement policies, involuntary termination without Cause, or resignation for good reason, as may be determined by the Committee.

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

10.1 **NON-TRANSFERABILITY.** Except as otherwise provided herein, no Stock Option shall be Transferable by the Participant otherwise than by will or by the laws of descent and distribution. Except as otherwise provided herein, all Stock Options shall be exercisable, during the Participant's lifetime, only by the Participant. Shares of Restricted Stock under Article VII may not be Transferred prior to the date on which shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses. No Award shall, except as otherwise specifically provided by law or herein, be Transferable in any manner, and any attempt to Transfer any such Award shall be void, and no such Award shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person who shall be entitled to such Award, nor shall it be subject to attachment or legal process for or against such person. Notwithstanding any provision herein to the contrary, the Committee may determine at the time of grant or thereafter that a Non-Qualified Stock Option that is otherwise not Transferable pursuant to this Section 10.1 is Transferable to, and exercisable by, a Family Member in whole or in part and in such circumstances, and under such conditions, as specified by the Committee. A Non-Qualified Stock Option that is Transferred to a Family Member during the pursuant to the preceding sentence (i) may not be subsequently Transferred during the employee's lifetime other than to the employee or another Family Member and (ii) remains subject to the terms of this Plan and the Award Agreement.

10.2 **TERMINATION OF EMPLOYMENT OR TERMINATION OF CONSULTANCY.** The following rules apply with regard to the Termination of Employment or Termination of Consultancy of a Participant:

(a) **RULES APPLICABLE TO STOCK OPTIONS.** Unless otherwise determined by the Committee at grant or, if no rights of the Participant are reduced, thereafter:

(i) **TERMINATION BY REASON OF DEATH OR DISABILITY.** If a Participant's Termination of Employment or Termination of Consultancy is by reason of death, or Disability, all Stock Options held by such Participant shall become fully exercisable on the date of such Termination of Employment or Termination of Consultancy and may be exercised by the Participant (or, in the case of death, by the legal representative of the Participant's estate) at any time within a period of one year from the date of such Termination of Employment or

Termination of Consultancy, but in no event beyond the expiration of the stated terms of such Stock Options.

(ii) **TERMINATION BY REASON OF RETIREMENT.** In the event of a Participant's Termination of Employment 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.

10.3 **RULES APPLICABLE TO RESTRICTED STOCK AND OTHER STOCK-BASED AWARDS.** Subject to the applicable provisions of the Award Agreement and this Plan and except as provided in Section 9.1 hereof with respect to Qualified Performance-Based Compensation, upon a Participant's Termination of Employment or Termination of Consultancy for any reason during the relevant Restriction Period or other period specified in the Award Agreement, all unvested Restricted Stock and Other Stock-Based Awards will vest or be forfeited in accordance with the terms and conditions established by the Committee at grant or thereafter.

ARTICLE XI TERMINATION OR AMENDMENT OF PLAN

Notwithstanding any other provision of this Plan, the Board or the Committee may at any time, and from time to time, amend, in whole or in part, any or all of the provisions of this Plan (including any amendment deemed necessary to ensure that the Company may comply with any regulatory requirement referred to in Article XIII), or suspend or terminate it entirely, retroactively or otherwise; provided, however, that, unless otherwise required by law or specifically provided herein, the rights of a Participant with respect to Awards granted prior to such amendment, suspension or termination may not be impaired without the consent of such Participant and, provided further, without the approval of the stockholders of the Company in accordance with the Company's Certificate of Incorporation and the laws of the State of

Delaware, to the extent required by the applicable provisions of Rule 16b-3 or Section 162(m) of the Code or, to the extent applicable to Incentive Stock Options, Section 422 of the Code, no amendment may be made which would (i) increase the aggregate number of shares of Common Stock that may be issued under this Plan; (ii) increase the maximum individual Participant limitations for a fiscal year under Section 4.1(b); (iii) change the classification of employees or Consultants eligible to receive Awards under this Plan; (iv) decrease the minimum option price of any Stock Option; (v) extend the maximum option period under Section 6.3; (vi) materially alter the Performance Criteria for Awards as set forth in Exhibit A; or (vii) require stockholder approval in order for this Plan to continue to comply with the applicable provisions of Section 162(m) of the Code or, to the extent applicable to Incentive Stock Options, Section 422 of the Code.

The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, but, subject to Article IV above or as otherwise specifically provided herein, no such amendment or other action by the Committee shall impair the rights of any holder without the holder's consent.

ARTICLE XII
UNFUNDED PLAN

12.1 **UNFUNDED STATUS OF PLAN.** This Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments as to which a Participant has a fixed and vested interest but which are not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company.

ARTICLE XIII
GENERAL PROVISIONS

13.1 **LEGEND.** The Committee may require each person receiving shares pursuant to an Award under this Plan to represent to and agree with the Company in writing that the Participant is acquiring the shares without a view to distribution thereof. In addition to any legend required by this Plan, the certificates for any shares issued under the Plan shall include any legend which the Committee deems appropriate to reflect any restrictions on Transfer if the shares of Common Stock available under Plan are no longer registered under a Securities Act Form S-8 or any successor form. All certificates for shares of Common Stock delivered under this Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed or any national securities association system upon whose system the Common Stock is then quoted, any applicable Federal or state securities law, and any applicable corporate law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

13.2 **OTHER PLANS.** Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

13.3 **NO RIGHT TO EMPLOYMENT/CONSULTANCY.** Neither this Plan nor the grant of any Award hereunder shall give any Participant or other employee or Consultant any right with

respect to continuance of employment or Consultancy by the Company or any Affiliate, nor shall they be a limitation in any way on the right of the Company or any Affiliate by which an employee is employed or a Consultant is retained to terminate his or her employment or Consultancy at any time.

13.4 WITHHOLDING OF TAXES. The Company shall have the right to deduct from any payment to be made to a Participant, or to otherwise require, prior to the issuance or delivery of any shares of Common Stock or the payment of any cash hereunder, payment by the Participant of, any minimum Federal, state or local taxes required by law to be withheld. Upon the vesting of Restricted Stock, or upon making an election under Code Section 83(b), a Participant shall pay all required withholding to the Company.

Any such withholding obligation with regard to any Participant may be satisfied, subject to the consent of the Committee, by reducing the number of shares of Common Stock otherwise deliverable by the Company or by delivering shares of Common Stock already owned by the Participant. Any fraction of a share of Common Stock required to satisfy such tax obligations shall be disregarded and the amount due shall be paid instead in cash by the Participant.

13.5 LISTING AND OTHER CONDITIONS.

(a) Unless otherwise determined by the Committee, as long as the Common Stock is listed on a national securities exchange or system sponsored by a national securities association, the issue of any shares of Common Stock pursuant to an Award shall be conditioned upon such shares being listed on such exchange or system. The Company shall have no obligation to issue such shares unless and until such shares are so listed, and the right to exercise any Stock Option with respect to such shares shall be suspended until such listing has been effected.

(b) If at any time counsel to the Company shall be of the opinion that any sale or delivery of shares of Common Stock pursuant to an Award is or may in the circumstances be unlawful or result in the imposition of excise taxes on the Company under the statutes, rules or regulations of any applicable jurisdiction, the Company shall have no obligation to make such sale or delivery, or to make any application or to effect or to maintain any qualification or registration under the Securities Act or otherwise with respect to shares of Common Stock or Awards, and the right to exercise any Stock Option shall be suspended until, in the opinion of said counsel, such sale or delivery shall be lawful or will not result in the imposition of excise taxes on the Company.

(c) Upon termination of any period of suspension under this Section 13.5, any Award affected by such suspension which shall not then have expired or terminated shall be reinstated as to all shares available before such suspension and as to shares which would otherwise have become available during the period of such suspension, but no such suspension shall extend the term of any Stock Option.

(d) A Participant shall be required to supply the Company with any certificates, representations and information that the Company requests and otherwise cooperate with the Company in obtaining any listing, registration, qualification, exemption, consent or approval the Company deems necessary or appropriate.

13.6 GOVERNING LAW. This Plan shall be governed and construed in accordance with the laws of the State of Delaware (regardless of the law that might otherwise govern under applicable Delaware principles of conflict of laws).

- 13.7 CONSTRUCTION. Wherever any words are used in this Plan in the masculine gender they shall be construed as though they were also used in the feminine gender in all cases where they would so apply, and wherever any words are used herein in the singular form they shall be construed as though they were also used in the plural form in all cases where they would so apply.
- 13.8 OTHER BENEFITS. No Award payment under this Plan shall be deemed compensation for purposes of computing benefits under any retirement plan of the Company or its subsidiaries nor affect any benefits under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation.
- 13.9 COSTS. The Company shall bear all expenses incurred in administering this Plan, including expenses of issuing Common Stock pursuant to any Awards hereunder.
- 13.10 NO RIGHT TO SAME BENEFITS. The provisions of Awards need not be the same with respect to each Participant, and such Awards to individual Participants need not be the same in subsequent years.
- 13.11 DEATH/DISABILITY. The Committee may in its discretion require the transferee of a Participant to supply it with written notice of the Participant's death or Disability and to supply it with a copy of the will (in the case of the Participant's death) or such other evidence as the Committee deems necessary to establish the validity of the transfer of an Award. The Committee may also require the agreement of the transferee to be bound by all of the terms and conditions of this Plan.
- 13.12 SECTION 16(B) OF THE EXCHANGE ACT. All elections and transactions under this Plan by persons subject to Section 16 of the Exchange Act involving shares of Common Stock are intended to comply with any applicable exemptive condition under Rule 16b-3. The Committee may establish and adopt written administrative guidelines, designed to facilitate compliance with Section 16(b) of the Exchange Act, as it may deem necessary or proper for the administration and operation of this Plan and the transaction of business hereunder.
- 13.13 SUCCESSOR AND ASSIGNS. This Plan shall be binding on all successors and permitted assigns of a Participant, including, without limitation, the estate of such Participant and the executor, administrator or trustee of such estate.
- 13.14 SEVERABILITY OF PROVISIONS. If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and this Plan shall be construed and enforced as if such provision had not been included.
- 13.15 HEADINGS AND CAPTIONS. The headings and captions herein are provided for reference and convenience only, shall not be considered part of this Plan, and shall not be employed in the construction of this Plan.

ARTICLE XIV
EFFECTIVE DATE OF PLAN

This Plan became effective upon its adoption by the Board and was approved by the stockholders of the Company in accordance with the requirements of the Company's Certificate of Incorporation and the laws of the State of Delaware. The Plan is hereby amended and restated

on July 21, 2009, which amendment and restatement is effective January 1, 2005; provided, however, that the restatement date for such provisions as were amended prior to the date hereof and after January 1, 2005 shall become effective as of the effective date of the pertinent amendment.

ARTICLE XV
TERM OF PLAN

No Award shall be granted pursuant to this Plan on or after, July 18, 2011 (the tenth anniversary) of the date this Plan was adopted by the Board, but Awards granted prior to such tenth anniversary may extend beyond that date.

PERFORMANCE CRITERIA

Performance Goals established for purposes of conditioning the grant of an Award based on performance or the vesting of performance-based Awards shall be based on one or more of the following performance criteria ("Performance Criteria"): (i) the attainment of certain target levels of, or a specified percentage increase in, revenues, income before income taxes and extraordinary items, net income, earnings before income tax, earnings before interest, taxes, depreciation and amortization or a combination of any or all of the foregoing; (ii) the attainment of certain target levels of, or a percentage increase in, after-tax or pre-tax profits including, without limitation, that attributable to continuing and/or other operations; (iii) the attainment of certain target levels of, or a specified increase in, operational cash flow; (iv) the achievement of a certain level of, reduction of, or other specified objectives with regard to limiting the level of increase in, all or a portion of the Company's bank debt or other long-term or short-term public or private debt or other similar financial obligations of the Company, which may be calculated net of such cash balances and/or other offsets and adjustments as may be established by the Committee; (v) the attainment of a specified percentage increase in earnings per share or earnings per share from continuing operations; (vi) the attainment of certain target levels of, or a specified increase in, return on capital employed or return on invested capital; (vii) the attainment of certain target levels of, or a percentage increase in, after-tax or pre-tax return on stockholders' equity; (viii) the attainment of certain target levels of, or a specified increase in, economic value added targets based on a cash flow return on investment formula; (ix) the attainment of certain target levels in the fair market value of the shares of the Company's Common Stock; and (x) the growth in the value of an investment in the Company's Common Stock assuming the reinvestment of dividends. For purposes of item (i) above, "extraordinary items" shall mean all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to a corporate transaction (including, without limitation, a disposition or acquisition) or related to a change in accounting principle, all as determined in accordance with standards established by Opinion No. 30 of the Accounting Principles Board.

In addition, such Performance Criteria may be based upon the attainment of specified levels of Company (or subsidiary, division or other operational unit of the Company) performance under one or more of the measures described above relative to the performance of other corporations. To the extent permitted under Code Section 162(m), but only to the extent permitted under Code Section 162(m) (including, without limitation, compliance with any requirements for stockholder approval), the Committee may: (i) designate additional business criteria on which the Performance Criteria may be based or (ii) adjust, modify or amend the aforementioned business criteria.

**STOCK UNIT AGREEMENT UNDER THE SCHOLASTIC CORPORATION
2001 STOCK INCENTIVE PLAN**

This Agreement (the "Agreement") is entered into as of _____, by and between Scholastic Corporation (the "Company") and _____ (the "Participant").

WITNESSETH:

WHEREAS, the Company has adopted the Scholastic Corporation 2001 Stock Incentive Plan (as amended to date, the "Plan"), which is administered by a Committee appointed by the Company's Board of Directors (the "Committee"); and

WHEREAS, pursuant to Section 3.3 of the Plan, the Committee has also adopted guidelines for the grant of Stock Units under the Plan (as amended to date, the "Guidelines"), which constitute an Other Stock-Based Award under the Plan.

NOW, THEREFORE, for and in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Grant of Stock Units.**

Subject to the restrictions and other conditions set forth herein, the Committee has authorized this grant of Stock Units on _____ (the "Grant Date").

2. **Vesting and Payment.**

(a) Except as provided in Section 2(c) of this Agreement, 25% of the Award of Stock Units shall vest on a date that is thirteen months after the Grant Date ("Initial Vesting Date") and an additional 25% of such Award of Stock Units shall vest on each succeeding anniversary of the Grant Date, provided that the Participant is continuously employed by the Company or any of its Affiliates (including any period during which the Participant is on leave of absence or any other break in employment in accordance with the Company's policies and procedures) on each applicable vesting date.

(b) Except as provided in Section 2(c) and Section 2A.4 of this Agreement, a share of Common Stock shall be distributed with respect to each vested Stock Unit on the applicable vesting date.

(c) Upon a Termination of Employment or Termination of Consultancy (as applicable) as a result of the Participant's death or Disability, all outstanding unvested Stock Units shall immediately vest and a share of Common Stock with respect to each Stock Unit shall be distributed within ninety (90) days following such termination; *provided, however*, that, if a Participant has made a deferral election

with respect to such Award, the foregoing accelerated vesting and payment provisions shall not apply to the Award if the Participant's Termination of Employment or Termination of Consultancy (as applicable) under the circumstances described herein occurs on or before the Initial Vesting Date; *provided, further, however*, that the foregoing accelerated vesting and payment provisions shall apply to any unvested Stock Units covered by such Award if the Participant's Termination of Employment or Termination of Consultancy (as applicable) under the circumstances described herein occurs after the Initial Vesting Date. Upon a Termination of Employment by reason of a Participant's Retirement, for a period of three years from the date of such Termination of Employment, unvested Stock Units will continue to vest and shares of Common Stock with respect to such Stock Units shall be distributed on the applicable vesting dates in accordance with the vesting schedule that would have been in effect but for the Termination of Employment; *provided, however*, that if a Participant has made a deferral election with respect to such Award, the foregoing provisions shall not apply to the Award if the Participant's Termination of Employment under the circumstances described herein occurs on or before the Initial Vesting Date; *provided, further, however*, that the foregoing provisions shall apply to any unvested Stock Units covered by such Award if the Participant's Termination of Employment under the circumstances described herein occurs after the Initial Vesting Date. Notwithstanding the foregoing, to the extent required by Section 409A of the Code and the Treasury Regulations upon a Termination of Employment or Termination of Consultancy (other than as a result of death) of a Specified Employee, distributions determined, in whole or in part, to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code shall be delayed until six months after such Termination of Employment or Termination of Consultancy if such termination constitutes a "separation from service" (within the meaning of Section 409A(a)(2)(A)(i) of the Code and the Treasury regulations issued thereunder) and such distribution shall be made at the beginning of the seventh month following the date of the Specified Employee's Termination of Employment or Termination of Consultancy.

(d) Except as otherwise provided in Section 2(c) of this Agreement, Stock Units that are not vested as of the date of the Participant's Termination of Employment or Termination of Consultancy for any reason shall terminate and be forfeited in their entirety as of the date of such termination. Stock Units that are vested as of the date of the Participant's Termination of Employment or Termination of Consultancy, as applicable, shall be distributed to the Participant as of the date of such termination.

(e) Notwithstanding anything in these guidelines to the contrary, no distribution shall be made upon a Participant's Termination of Employment or a Termination of Consultancy unless such termination constitutes a "separation from service" within the meaning of Section 409A(a)(2)(A)(i) of the Code and the Treasury regulations issued thereunder.

2A. Deferral of Payment Date.

2A.1 *Deferral Election.* In accordance with the Guidelines, the Participant

may, no later than 30 days after the Grant Date, elect to defer, for a period of time (expressed in whole years) of not less than five years, the scheduled payment dates of the Stock Units covered by the Award, provided that:

- (a) in order for a deferral election under this Section 2A.1 to be effective, the Participant must make the election at least twelve (12) months prior to the first date on which the first payment is scheduled to vest;
- (b) a deferral election made by the Participant pursuant to this Section 2A.1 shall defer each scheduled payment date by the same period of time elected (*e.g.*, if a Participant elects a deferral period of five years, the Stock Units scheduled to be paid on October 19, 2010 will be paid on October 19, 2015, the Stock Units scheduled to be paid on September 19, 2011 will be paid on September 19, 2016, etc.); and
- (c) the Participant may not elect a deferral period (expressed in whole years) that is less than five years, measured from each of the payment dates.

2A.2 Subsequent Deferral Elections. The Participant shall also be permitted to extend the deferred payment dates he or she elected pursuant to Section 2A.1, provided that: (a) in order to be effective, the Participant must make the subsequent deferral election at least twelve (12) months prior to the first scheduled deferred payment date; (b) a subsequent deferral election made by the Participant pursuant to this Section 2A shall defer each previously deferred payment date by the same period of time (expressed in whole years) of not less than five years; and (c) the Participant's subsequent deferral election will not become effective until twelve (12) months after the date on which it is made.

2A.3 Procedures. The Participant must make any deferral election permitted under this section in writing on the election form and in accordance with the procedures established by the Company. A deferral election is valid solely with respect to the Stock Units identified on the election form and must comply with the requirements of Section 2A to be given effect.

2A.4 Deferred Distributions. If the Participant defers the payment of Stock Units under this section, the distribution of such units, to the extent vested, shall be made to the Participant on the earlier of: (a) the deferred payment date or (b) within 90 days following the Participant's Termination of Employment or Termination of Consultancy, as applicable, subject to the special rules in such section applicable to distributions to Specified Employees.

2A.5 *Section 409A*. This Agreement is intended to comply with Section 409A of the Code and the Company shall construe, interpret and amend the provisions of this Agreement in such manner as the Company deems necessary, in its sole discretion, to comply with Section 409A of the Code but in no event shall the foregoing provisions or any other provision of this Agreement, the Plan or the Guidelines be construed as a guarantee by the Company of any particular tax treatment.

3. Withholding.

Participant shall pay, or make arrangements to pay, in a manner satisfactory to the Company, an amount equal to the minimum amount of all applicable federal, state and local or foreign taxes that the Company is required to withhold at any time. In the absence of such arrangements, the Company or one of its Affiliates shall have the right to withhold such taxes from the Participant's normal pay or other amounts payable to the Participant. In addition, any statutorily required withholding obligation may be satisfied, in whole or in part, at the Participant's election, in the form and manner prescribed by the Committee, by delivery of shares of Common Stock (including shares issuable under this Agreement).

4. Plan and Guidelines.

In addition to the terms and conditions set forth herein, the Stock Units are subject to and governed by the terms and conditions set forth in the Plan and the Guidelines, which are hereby incorporated by reference. Unless otherwise indicated, any capitalized term used but not defined herein shall have the meaning ascribed to such term in the Plan and the Guidelines.

5. Restrictions on Sale.

Affiliates may resell Common Stock only pursuant to an effective registration statement under the Securities Act, pursuant to Rule 144 under the Securities Act, or pursuant to another exemption from registration under the Securities Act.

6. Amendment.

To the extent applicable, the Board or the Committee may at any time and from time to time amend, in whole or in part, any or all of the provisions of this Agreement to comply with Section 409A of the Code and the regulations thereunder or any other applicable law and may also amend, suspend or terminate this Agreement subject to the terms of the Plan.

7. Notices.

Any notice given hereunder shall be in writing and shall be deemed to have been duly given: (i) when delivered in person; (ii) two (2) days after being sent by United States mail; or (iii) on the first business day following the date of deposit if delivered by a nationally recognized overnight delivery service, to the appropriate party at the address

set forth below (or such other address as the party shall from time to time specify): If to the Company, to:

Scholastic Corporation
557 Broadway
New York, New York 10012
Attention: Corporate Secretary Department

If to the Participant, to the most recent address on file with the Company.

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

SCHOLASTIC CORPORATION

By: _____

Title: _____

PARTICIPANT

SCHOLASTIC CORPORATION
GUIDELINES FOR STOCK UNITS
GRANTED UNDER THE
SCHOLASTIC CORPORATION 2001 STOCK INCENTIVE PLAN
(As Amended and Restated as of July 21, 2009)

Grants of Stock Units (as defined below) under the Scholastic Corporation 2001 Stock Incentive Plan (the "Plan") shall be subject to, and governed by, the provisions set forth in these guidelines, the Plan (including, without limitation, Article VIII) and the applicable Award Agreement. An Award of Stock Units shall constitute an Other Stock-Based Award under the Plan. Unless otherwise indicated, any capitalized term used but not defined in these guidelines shall have the meaning ascribed to such term in the Plan.

To the extent applicable, these guidelines are intended to comply with the applicable requirements of Section 409A of the Code (and the regulations thereunder) and shall be limited, construed and interpreted in a manner so as to comply therewith.

The Company initially adopted these guidelines effective as of September 20, 2004. The Company amended and restated these guidelines effective as of May 25, 2006 in order to include a deferral feature that complies with the requirements of Section 409A of the Code. The Company amended and restated these guidelines as of September 23, 2008, effective as of January 1, 2005, in order to provide for deferrals of performance-based awards and comply with the requirements of Treasury Regulations issued under Section 409A. The Company hereby amends and restates these guidelines effective with respect to awards of Stock Units made on or after July 21, 2009 to modify the treatment of Stock Units upon Termination of Employment or Consultancy. These guidelines are part of the Plan and shall expire in accordance with Article XV thereof.

1. Definitions. For purposes of these guidelines, the following definitions shall apply:

1.1. "Cause" means, solely for purposes of the grant of Stock Units and notwithstanding the definition of Cause in the Plan: (a) in the case where there is no employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of the Stock Unit (or where there is such an agreement but it does not define "cause" (or words of like import)) any of the following as determined by the Committee in its good faith discretion: (i) willful misconduct of the Participant with regard to the Company; (ii) willful refusal of the Participant to follow the proper direction of the Board or any individual to whom the Participant reports; (iii) the Participant's fraud or dishonesty with regard to the Company (other than good faith expense account disputes); or (iv) the Participant's conviction of, or plea of guilty or nolo contendere to, a felony or other crime involving moral turpitude; or (b) in the case where there is an employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of a Stock Unit that defines "cause" (or words of like import), "cause" as defined under such agreement; provided, however, that with regard to any agreement under which the definition of "cause" only applies on occurrence of a change in control, such definition of "cause" shall not apply until a change in control actually takes place and then only with regard to a termination thereafter.

1.2. "Disability" means, solely for purposes of the grant of Stock Units and notwithstanding the definition of Disability in the Plan, the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

1.3. "Retirement" means, with respect to Awards of Stock Units made on or after July 21, 2009, a Termination of Employment on or after age 55 and at least 10 years of continuous of service with the Company or its Affiliates in accordance with the Company's standard retirement policies. With respect to Awards of Stock Units made prior to July 21, 2009, "Retirement" shall mean a Termination of Employment on or after age 55 in accordance with the Company's standard retirement policies.

1.4. "Specified Employee" or "Key Employee" shall mean such persons as shall be determined by the Company.

1.5. "Stock Unit" means a restricted stock unit, which is a unit of measurement equivalent to one share of Common Stock but with none of the attendant rights of a holder of a share of Common Stock until a share of Common Stock is ultimately distributed in payment of the obligation (other than the right to receive dividend equivalent amounts in accordance with Section 4 hereof). Upon distribution, all vested Stock Units shall be paid solely in the form of shares of Common Stock.

1.6. "Unforeseeable Emergency" means a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent (as described in Section 152(a) of the Code, without regard to Section 152(b), (b)(2) and (d)(1)(B)) of a Participant, loss of the Participant's property due to casualty or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

2. Eligibility. Any Eligible Employee or Consultant (or prospective employee of the Company or any of its Affiliates or prospective Consultant) who is designated by the Committee is eligible to receive Stock Units pursuant to these guidelines. Notwithstanding the foregoing, no such person shall be eligible to defer the payment of Stock Units unless such person is an Eligible Employee who is a member of a select group of management and highly compensated employees within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA. To the extent a Participant is no longer considered a member of a select group of management and highly compensated employees within the meaning of Section 201(2), 301(a)(3) and 401(a)(1) of ERISA, the Committee may deem such Participant ineligible to defer any additional Stock Units and all then unvested Stock Units shall continue to vest in accordance with the applicable vesting schedule and all vested Stock Units shall be payable in accordance with the Participant's then existing elections, subject to the terms of these guidelines.

3. Vesting of Stock Units and Payment.

3.1. Except as otherwise provided in Section 3.3 hereof, Stock Units shall vest in accordance with the vesting schedule and conditions set forth in the relevant Award Agreement, provided that the Participant is continuously employed by (or continuously provides consulting services to) the Company or any of its Affiliates (including any period during which the Participant is on leave of absence or any other break in employment in accordance with the Company's policies and procedures) on each applicable vesting date and, provided further, that no portion of such Award shall vest or be payable earlier than the date that is thirteen (13) months after the date of its grant ("Initial Vesting Date"). An Award Agreement may condition the grant or vesting of Stock Units upon the attainment of Performance Goals, including established Performance Goals intended to meet the requirements of qualified-performance-based compensation under Section 162(m) of the Code, or such other factors as the Committee may determine, in its sole discretion.

3.2. Except as otherwise provided in this Section 3 or in Section 4.2 hereof, the Company shall distribute one share of Common Stock with respect to each vested Stock Unit on the applicable vesting date.

3.3. (a) For awards granted on or after July 21, 2009, subject to the limitations set forth in Section 3.4 below:

(i) upon a Termination of Employment by reason of a Participant's Retirement, for a period of three years from the date of Termination of Employment, unvested Stock Units will continue to vest and shares of Common Stock with respect to such Stock Units shall be distributed on the applicable vesting date in accordance with the vesting schedule that would have been in effect pursuant to Section 3.1 but for the Termination of Employment. The foregoing continuation of vesting and payment provision shall not apply with respect to any award of Stock Units made on or after July 21, 2009 to a Participant who is or may become eligible for Retirement at any time prior to the Initial Vesting Date and has also made a deferral election with respect to such Award and, as a result, such Award shall be forfeited if the Participant's Termination of Employment occurs on or before the Initial Vesting Date; *provided, however*, that, the foregoing continuation of vesting and payment provisions shall apply to such Award if the Participant's Termination of Employment under the circumstances described herein occurs after the Initial Vesting Date.

(ii) upon a Termination of Employment or Termination of Consultancy (as applicable) by reason of a Participant's death or Disability, all outstanding unvested Stock Units granted on or after July 21, 2009 shall immediately vest and a share of Common Stock with respect to each Stock Unit shall be distributed within 90 days of such termination; *provided, however*, that, if a Participant makes a deferral election with respect to an Award, the foregoing accelerated vesting and payment provisions shall not apply to such Award if the Participant's Termination of Employment or Termination of Consultancy (as applicable) under the circumstances described herein occurs on or before the Initial Vesting Date; *provided, further, however*, that, the foregoing accelerated vesting and payment provisions shall apply to such Award if the Participant's Termination of Employment or Termination of Consultancy (as applicable) under the circumstances described herein occurs after the Initial Vesting Date.

(b) Subject to the limitations set forth in Section 3.4 below, in the case of awards granted prior to July 21, 2009, upon a Termination of Employment or Termination of Consultancy (as applicable) by a Participant for (i) Good Reason by written notice to the Company within thirty (30) days after the occurrence of the condition giving rise to such claim of Good Reason, which condition is not fully corrected by the Company within thirty (30) days of receipt of such notice and which termination of employment occurs no later than ninety (90) days after the occurrence of the condition giving rise to the claim of Good Reason, (ii) by the Company without Cause or (iii) as a result of a Participant's death Disability or Retirement, all outstanding unvested Stock Units shall immediately vest and a share of Common Stock with respect to each Stock Unit shall be distributed within 90 days of such termination; *provided, however*, that, if a Participant makes a deferral election with respect to an Award, the foregoing accelerated vesting and payment provisions shall not apply to such Award if the Participant's Termination of Employment or Termination of Consultancy (as applicable) under the circumstances described herein occurs on or before the Initial Vesting Date; *provided, further, however*, that, the foregoing accelerated vesting and payment provisions shall apply to such Award if the Participant's Termination of Employment or Termination of Consultancy (as applicable) under the circumstances described herein occurs after the Initial Vesting Date.

Solely for purpose of this Section 3.3(b), "Good Reason" mean (a) in the case where there is no employment agreement, consulting agreement, change in control agreement or similar agreement in effect

between the Company or an Affiliate and the Participant at the time of the grant of the Stock Unit (or where there is such an agreement but it does not define “good reason” (or words of like import)) any of the following as determined by the Committee in its good faith discretion: (i) a material diminution of a Participant’s then duties, responsibilities or authority; or (ii) a material decrease in a Participant’s annual rate of base salary (other than an across-the-board decrease); or (b) in the case where there is an employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of a Stock Unit that defines “good reason” (or words of like import), “good reason” as defined under such agreement; provided, however, that with regard to any agreement under which the definition of “good reason” only applies on occurrence of a change in control, such definition of “good reason” shall not apply until a change in control actually takes place and then only with regard to a termination thereafter.

(c) Notwithstanding anything in this Section 3.3 or in the Plan to the contrary, to the extent required by Section 409A of the Code and Treasury regulations, upon a Termination of Employment or Termination of Consultancy (other than as a result of death) of a Specified Employee, distributions under the Plan determined, in whole or in part, to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code shall be delayed until six months after such Termination of Employment or Termination of Consultancy if such termination constitutes a “separation from service” (within the meaning of Section 409A(a)(2)(A)(i) of the Code and the Treasury regulations issued thereunder) and such distributions shall be made at the beginning of the seventh month following the date of the Specified Employee’s Termination of Employment or Termination of Consultancy.

3.4 Notwithstanding anything in these guidelines to the contrary, an Award of Stock Units intended to be qualified performance-based compensation under Code Section 162(m)(4)(C) shall not be payable prior to attainment of the relevant Performance Goals.

3.5 Notwithstanding anything in these guidelines to the contrary, no distribution shall be made upon a Participant’s Termination of Employment or a Termination of Consultancy unless such termination constitutes a “separation from service” within the meaning of Section 409A(a)(2)(A)(i) of the Code and the Treasury regulations issued thereunder.

3.6 Except as provided in these Guidelines, Stock Units that are not vested as of the date of a Participant’s Termination of Employment or Termination of Consultancy for any reason shall terminate and be forfeited in their entirety on the date of such termination.

4. Deferral of Payment Date.

4.1(a) (i) *September 2004 Stock Unit Grants - Special Rules.* With respect to the payment of a portion of the Stock Units granted on September 20, 2004, a Participant may elect to defer, for a period of time (expressed in whole years), of not less than five years, the scheduled payment date of September 20, 2007 (the date on which the third tranche of such Award (relating to 25% of the Award) is scheduled to vest and be paid) and the scheduled payment date of September 20, 2008 (the date on which the fourth and last tranche of the Award (relating to an additional 25% of the Award) is scheduled to vest and be paid) provided that: (A) in order for a deferral election under this Section 4.1(a)(i) to be effective, the Participant must make the election prior to September 20, 2006; (B) a deferral election made by a Participant pursuant to this Section 4.1(a)(i) shall defer the September 20, 2007 payment date and the September 20, 2008 payment date by the same period of time elected (e.g., if a Participant elects a deferral period of five years, the Stock Units scheduled to be paid on September 20, 2007 shall be paid on September 20, 2012 and the Stock Units scheduled to be paid on September 20, 2008 shall be paid on September 20, 2013); and (C) a Participant may not elect a deferral period (expressed in whole years) that is less than five years, measured from each of the September 20, 2007 and the September 20, 2008

payment dates. It is intended that any deferral election made under this Section 4.1(a)(i) constitute a change in payment election covered by the transition relief available under IRS Notice 2005-1, Q&A-19(c), as modified by the Proposed Treasury regulations under Section 409A of the Code. If a Participant who was granted Stock Units on September 20, 2004 does not make a deferral election by September 20, 2006 or, if, for whatever reason, the Participant's deferral election is not effective, the applicable Stock Units shall be paid in accordance with the terms of the Award, except as otherwise provided in Section 3 above.

(ii) *Initial Deferral Elections.* A Participant may, no later than 30 days after the date on which an Award of Stock Units has been granted, elect to defer each date on which a portion of the Award is scheduled to be paid, provided that: (A) in order to be effective, the Participant must make the deferral election at least twelve (12) months prior to the first date on which the Award or a portion of the Award is scheduled to vest; (B) a deferral election made by the Participant pursuant to this Section 4.1(a)(ii) shall defer, by the same period of time, every scheduled payment date applicable to the Award (*e.g.*, assuming a Participant makes a deferral election of five years for an Award that vests 25% annually for four years, the first payment of Stock Units shall occur five years after the first originally scheduled payment date; the second payment of Stock Units shall occur five years after the second originally scheduled payment date, with each subsequent originally scheduled payment date being deferred by the same time period); and (C) a Participant's deferral election will not become effective until (12) twelve months after the date on which it is made.

(iii) *Subsequent Deferral Elections.* A Participant shall be permitted to extend the previously deferred payment dates applicable to an Award of Stock Units, provided that: (A) in order to be effective, the Participant must make the subsequent deferral election at least (12) twelve months prior to the first scheduled deferred payment date; (B) a subsequent deferral election made by the Participant pursuant to this Section 4.1(a)(iv) shall defer every previously deferred payment date applicable to the Award by the same period of time (expressed in whole years) of not less than five years (*i.e.*, each previously deferred payment date shall be deferred by the additional deferral period elected by the Participant, with the result that, after the subsequent deferral election has been made, the payment dates will continue to be staggered in time); and (C) a Participant's subsequent deferral election will not become effective until (12) twelve months after the date on which it is made.

(b) Any deferral pursuant to this section must be made in writing on an election form prescribed by, and acceptable to, the Company and in accordance with the procedures established by the Company. A deferral election is valid solely with respect to the Stock Units identified on the election form and must comply with the requirements of Section 4 to be given effect. A Participant's election to defer Compensation shall become irrevocable on the last day the deferral of such Compensation may be elected under Section 4.1(a). A Participant may revoke or change his or her election to defer Compensation at any time prior to the date the election becomes irrevocable. Any such revocation or change shall be made in a form and manner determined by Company.

4.2. If a Participant makes an initial or subsequent deferral election with respect to an Award of Stock Units, distribution of such units, to the extent vested, shall be made to the Participant on the earlier of: (A) the applicable deferred payment dates or (B) the Participant's Termination of Employment or Termination of Consultancy, as applicable, subject to the special rules in Section 3 applicable to distributions on or prior to the Initial Vesting Date and distributions to Specified Employees.

5. Dividend Equivalent Amounts. Cash dividends shall be credited to a Stock Unit dividend book entry account on behalf of each Participant with respect to each Stock Unit held by such Participant, provided that the right of each Participant to actually receive such dividend shall be subject to the same restrictions, including form and time of payment, as the Stock Unit to which the dividend relates. Unless

otherwise determined by the Committee, cash dividends shall not be reinvested in Common Stock and shall remain uninvested.

6. Unforeseeable Emergency. Upon the written request of a Participant, the Committee, in its sole discretion, may approve, due to the occurrence of an Unforeseeable Emergency, an immediate distribution of vested Stock Units. Any such distribution shall not exceed the amounts necessary to satisfy the Unforeseeable Emergency plus amounts necessary to pay federal, state, and local taxes and any penalties reasonably anticipated as a result of the distribution, after taking into account the extent to which such Unforeseeable Emergency is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship). Determinations of the amount reasonably necessary to satisfy the emergency need must take into account any additional compensation available to the Participant upon cancellation of a deferral payment due to an unforeseeable emergency available under other deferred compensation arrangements with the Company. To the extent applicable, the Company shall make a book entry to a Participant's account to reduce such Participant's account to reflect a distribution pursuant to this section.

7. Forfeiture. The Committee may, in its sole discretion, terminate any outstanding Stock Units if the Committee determines that the Participant engaged in conduct that constitutes Cause.

8. Amendment, Suspension or Termination. To the extent applicable, the Board or the Committee may at any time and from time to time amend, in whole or in part, any or all of the provisions of these guidelines or any Award of Stock Units to comply with Section 409A of the Code and the regulations thereunder or any other applicable law and may also amend, suspend or terminate these guidelines and any Award of Stock Units, subject to the terms of the Plan.

9. Section 16(b). To the extent required, these guidelines are intended to comply with Rule 16b and the Committee shall interpret and administer these guidelines in a manner consistent therewith. If an officer (as defined in Rule 16b) is designated by the Committee to receive Stock Units, any such Award shall be deemed approved by the Committee and shall be deemed an exempt purchase under Rule 16b. Any provisions inconsistent with Rule 16b shall be inoperative and shall not affect the validity of these guidelines. Notwithstanding anything herein to the contrary, if the grant of any Award of Stock Units or the payment of a share of Common Stock with respect to a Stock Unit or any election with regard thereto results or would result in a violation of Section 16(b) of the Exchange Act, any such grant, payment or election shall be deemed to be amended to comply therewith, and to the extent such grant, payment or election cannot be amended to comply therewith, such grant, payment or election shall be immediately cancelled and the Participant shall not have any rights thereto.

10. Withholding. The Company shall have the right to deduct from any amounts otherwise payable to a Participant, whether pursuant to the Plan or otherwise, to collect from the Participant, any minimum required withholding taxes, including but not limited to Social Security and Medicare taxes, due upon vesting and/or distribution of an Award of Stock Units hereunder.

11. Governing Law. Except to the extent preempted by the Code, these guidelines shall be governed by the laws of Delaware.

12. Plan Document. These guidelines and an Award of Stock Units are subject to the terms and conditions of the Plan (including, without limitation, Sections 4.1(a) and 4.2 and Articles VIII, IX, XI, XIII and XV).

SCHOLASTIC CORPORATION 2001 STOCK INCENTIVE PLAN

Non-Qualified Stock Option Agreement

Effective as of _____ (the "Grant Date"), SCHOLASTIC CORPORATION, a Delaware corporation (the "Company"), hereby grants to _____ (the "Optionee") a non-qualified option (the "Option") to purchase _____ (_____) shares of common stock, par value \$.01, of the Company (the "Common Stock"), at an exercise price of \$ _____ and on the terms set forth herein, and in all respects subject to the terms and provisions of the Scholastic Corporation 2001 Stock Incentive Plan (as amended to date, the "Plan"), which terms and provisions are incorporated by reference herein. Unless the context herein otherwise requires, the terms defined in the Plan shall have the same meanings in this Agreement.

1. Terms of Option Grant and Exercise. Subject to the provisions of the Plan and this Agreement, the Option shall not be exercised prior to the first anniversary date of this Agreement. The Option shall vest, and become exercisable, at the rate of 25% per year beginning one year from the date of grant, except that the minimum number of options that can vest per year is 1,000 (or the total amount of the grant, if less than 1,000).¹ Once exercisable, subject to the provisions of the Plan and this Agreement, the Option may be exercised, in whole or in part, pursuant to the notice and payment procedures then in effect as established by the Company, in its sole discretion. Any written notice of exercise by Optionee shall be irrevocable. The Option may not be exercised if the issuance of the Common Stock would constitute a violation of any applicable federal, state or foreign securities laws or regulations. The Option may not be exercised with respect to a fractional share of Common Stock.

The Option shall cease to be exercisable ten years after the date of grant (the "Expiration Date"), unless earlier terminated or extended, as the case may be, pursuant to the provisions of the Plan and this Agreement, including, but not limited to, the provisions of Section 3 hereof.

2. Termination of Employment of an Optionee.

(a) Death or Disability. In the event of the Optionee's death or Disability while the Option is outstanding, the unexercised portion of the Option shall become immediately vested on the date of death or Disability and may be exercised in full by the Optionee, or his or her estate, personal representative or other legally appointed representative, at any time until the first anniversary of the date of such death or Disability, but in no event beyond the Expiration Date of the Option, if earlier.

(b) Retirement. In the event of the Optionee's Retirement, the Option shall continue to vest and may be exercised by the Optionee within three (3) years after the date of such retirement, but in no event beyond the Expiration Date of the Option, if earlier.

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

3. Tax Matters and Withholding Tax Liability. The Option shall be a Non-Qualified Stock Option as that term is defined in the Plan. No part of the Option granted hereby is intended to qualify as an "incentive stock option" under Section 422 of the internal Revenue Code of 1986, as amended (the "Code"). In connection with the exercise of the Option, the Company and the Optionee may incur liability for income or withholding tax. The

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

Company will have the right to withhold from any exercise of the Option, transfer of Common Stock or payment made to the Optionee or to any person hereunder, whether such payment is to be made in cash or in Common Stock, all applicable federal, state, city or other taxes as shall be required, in the determination of the Company, pursuant to any statute or governmental regulation or ruling.

4. Nontransferability of Stock Option. The Option may not be sold, pledged, assigned, hypothecated, gifted, transferred or disposed of in any manner either voluntarily or involuntarily by operation of law, whether for value or no value and whether voluntary or involuntary (including by operation of law) other than by will or by the laws of descent and distribution and may be exercised during the lifetime of the Optionee only by the Optionee. Subject to the foregoing and the terms of the Plan, the terms of this Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

5. No Enlargement of Rights. This Agreement is not an agreement of employment. Neither the Plan nor this Agreement shall confer upon the Optionee any right to continue as an officer, employee or consultant of the Company or any Affiliate. Nothing contained in the Plan or this Agreement shall interfere in any way with the rights of the Company or any Affiliate to terminate the employment (or consulting arrangement) of the Optionee at any time or to modify the Optionee's employment or compensation. The Optionee shall have only such rights and interests with respect to the Option as are expressly provided in this Agreement and the Plan.

6. No Shareholder Rights before Exercise and Issuance. No rights as a stockholder shall exist with respect to the Common Stock subject to the Option as a result of the grant of the Option, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such shares, except as otherwise specifically provided for in the Plan. Such rights shall exist only after issuance of stock following the exercise of the Option as provided in the Plan.

7. Effect of the Plan on Option. The Option is subject to, and the Company and the Optionee agree to be bound by, all of the terms and conditions of the Plan, as such may be amended from time to time in accordance with the terms thereof. Without the consent of the Optionee, the Company may amend or modify this Agreement in any manner not inconsistent with the Plan, including without limitation, to change the date or dates as of which a Option becomes exercisable, or to cure any ambiguity, defect or inconsistency, provided such amendment, modification or change does not adversely affect the rights of the Optionee.

8. Entire Agreement. The terms of this Agreement and the Plan constitute the entire agreement between the Company and the Optionee with respect to the subject matter hereof and supersede any and all previous agreements between the Company and the Optionee. This Agreement may be signed in counterparts.

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

10. Notices. Any notice or communication given hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, or by United States mail, to the appropriate party at the address set forth below (or such other address as the party shall from time to time specify): If to the Company, to: Scholastic Corporation, 555 Broadway, New York, New York 10012, Attention: Corporate Secretary. If to the Optionee, to the address indicated after the Optionee's signature at the end of this Agreement.

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: October 2, 2009

/s/ Richard Robinson

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

I, Maureen O'Connell, the principal financial officer of Scholastic Corporation, certify that:

1. I have reviewed this 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: October 2, 2009

/s/ Maureen O'Connell

Maureen O'Connell
Executive Vice President
Chief Administrative Officer
and Chief Financial Officer

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
with Respect to the Quarterly Report on Form 10-Q
for the Quarter ended August 31, 2009
of Scholastic Corporation

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Scholastic Corporation, a Delaware corporation (the "Company"), does hereby certify, to the best of such officer's knowledge, that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended August 31, 2009 (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: October 2, 2009

/s/ Richard Robinson

Richard Robinson
Chief Executive Officer

Date: October 2, 2009

/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.
