SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended November 30, 2002 Commission File No. 0-19860

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

DELAWARE	13-3385513
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
557 BROADWAY, NEW YORK, NEW YORK	10012
(Address of principal executive offices)	(Zip Code)

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

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes /X/ No / /

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

Title	Number of shares outstanding of each class as of December 31, 2002
Common Stock, $.01 par value	37,516,262
Class A Stock, $.01 par value	1,656,200

SCHOLASTIC CORPORATION
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 2002
INDEX

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	THREE MONTHS ENDED NOVEMBER 30,		SIX MONTHS ENDED NOVEMBER 30,	
	2002	2001	2002	2001
REVENUES	$ 660.3	$ 637.2	$ 967.2	$ 943.3
Operating costs and expenses:				
Cost of goods sold	281.8	275.1	442.0	434.6
Selling, general and administrative expenses	226.0	220.3	404.0	381.3
Bad debt expense	18.4	21.1	36.7	40.6
Depreciation and amortization	10.7	8.5	21.3	16.3
Litigation and related charges	-	-	1.9	-
Total operating costs and expenses	536.9	525.0	905.9	872.8
OPERATING INCOME	123.4	112.2	61.3	70.5
Interest expense, net	8.2	8.2	15.8	16.3
Earnings before income taxes and cumulative effect of accounting change	115.2	104.0	45.5	54.2
Provision for income taxes	40.2	37.5	15.1	19.5
EARNINGS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	75.0	66.5	30.4	34.7
Cumulative effect of accounting change (net of income taxes of $2.9)	-	-	-	(5.2)
NET INCOME	$ 75.0	$ 66.5	$ 30.4	$ 29.5
EARNINGS PER SHARE OF CLASS A AND COMMON STOCK:				
Earnings before cumulative effect of accounting change:				
Basic	$ 1.92	$ 1.88	$ 0.78	$ 0.98
Diluted	$ 1.85	$ 1.69	$ 0.75	$ 0.92
Cumulative effect of accounting change (net of income taxes):				
Basic	-	-	-	$ (0.14)
Diluted	-	-	-	$ (0.13)
Net income:				
Basic	$ 1.92	$ 1.88	$ 0.78	$ 0.84
Diluted	$ 1.85	$ 1.69	$ 0.75	$ 0.79

SEE ACCOMPANYING NOTES

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

	NOVEMBER 30, 2002	MAY 31, 2002	NOVEMBER 30, 2001
	(UNAUDITED)		(UNAUDITED)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 8.1	$ 10.7	$ 11.4
Accounts receivable, net	335.8	243.8	314.6
Inventories	423.6	359.5	390.1
Deferred promotion costs	48.9	44.6	42.9
Deferred income taxes	82.0	81.3	87.5
Prepaid and other current assets	65.1	58.6	49.2
TOTAL CURRENT ASSETS	963.5	798.5	895.7
Property, plant and equipment, net	327.4	301.4	274.8
Prepublication costs	111.2	113.6	106.8
Production costs	6.9	9.1	7.0
Goodwill	248.9	256.2	226.4
Other intangibles	63.6	63.8	63.8
Other assets and deferred charges	135.7	95.6	79.6
TOTAL ASSETS	$ 1,857.2	$ 1,638.2	$ 1,654.1
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Lines of credit and short-term debt	$ 28.1	$ 23.5	$ 382.4
Accounts payable	177.0	134.3	163.5
Accrued royalties	46.5	38.5	53.3
Deferred revenue	44.1	16.2	46.9
Other accrued expenses	132.2	119.2	136.0
TOTAL CURRENT LIABILITIES	427.9	331.7	782.1
NONCURRENT LIABILITIES:			
Long-term debt	622.1	525.8	291.2
Other noncurrent liabilities	55.3	61.8	46.6
TOTAL NONCURRENT LIABILITIES	677.4	587.6	337.8
COMMITMENTS AND CONTINGENCIES	-	-	-
STOCKHOLDERS' EQUITY:			
Preferred Stock, $1.00 par value	-	-	-
Class A Stock, $.01 par value	0.0	0.0	0.0
Common Stock, $.01 par value	0.4	0.4	0.3
Additional paid-in capital	378.1	373.7	241.5
Deferred compensation	(1.3)	(0.4)	(0.6)
Accumulated other comprehensive loss	(28.3)	(27.4)	(15.6)
Retained earnings	403.0	372.6	308.6
TOTAL STOCKHOLDERS' EQUITY	751.9	718.9	534.2
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,857.2	$ 1,638.2	$ 1,654.1

SEE ACCOMPANYING NOTES

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

SIX MONTHS ENDED NOVEMBER 30,	2002	2001
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Net income	$ 30.4	$ 29.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of prepublication and production costs	30.7	24.6
Depreciation and amortization	21.3	16.3
Royalty advances expensed	9.0	9.8
Tax benefit realized from stock option transactions	0.5	2.3
Deferred income taxes	(0.5)	1.5
Non-cash portion of accounting change	-	8.1
Changes in assets and liabilities:		
Accounts receivable, net	(91.6)	(94.6)
Inventories	(64.1)	(50.2)
Prepaid and other current assets	(5.7)	12.3
Deferred promotion costs	(4.3)	1.2
Accounts payable and other accrued expenses	55.6	8.9
Accrued royalties	8.8	8.5
Deferred revenue	27.4	34.8
Other, net	(12.2)	(4.9)
Total adjustments	(25.1)	(21.4)
Net cash provided by operating activities	5.3	8.1
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(46.4)	(32.6)
Prepublication costs	(21.4)	(25.2)
Equity investment	(18.3)	-
Royalty advances	(16.1)	(18.3)
Production costs	(5.4)	(6.7)
Acquisition related payments	-	(4.1)
Other	0.1	0.2
Net cash used in investing activities	(107.5)	(86.7)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:		
Borrowings under Loan Agreement and Revolver	366.4	364.8
Repayments of Loan Agreement and Revolver	(225.1)	(308.8)
Borrowings under Grolier Facility	102.0	-
Repayments of Grolier Facility	(152.0)	-
Borrowings under lines of credit	53.8	73.3
Repayments of lines of credit	(48.5)	(63.2)
Proceeds pursuant to employee stock plans	3.0	8.0
Other	-	2.1
Net cash provided by financing activities	99.6	76.2
Net decrease in cash and cash equivalents	(2.6)	(2.4)
Cash and cash equivalents at beginning of period	10.7	13.8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 8.1	$ 11.4

SEE ACCOMPANYING NOTES

SCHOLASTIC CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(AMOUNTS IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements consist of the accounts of Scholastic Corporation and all wholly-owned subsidiaries ("Scholastic" or the "Company"). These financial statements have not been audited, but reflect those adjustments consisting of normal recurring items which management considers necessary for a fair presentation of financial position, results of operations and cash flow. These financial statements should be read in conjunction with the consolidated financial statements and related notes in the Annual Report on Form 10-K for the fiscal year ended May 31, 2002.

The Company's business is closely correlated to the school year. Consequently, the results of operations for the three and six months ended November 30, 2002 and 2001 are not necessarily indicative of the results expected for the full year. Due to the seasonal fluctuations that occur, the November 30, 2001 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. The preparation of these financial statements involves the use of estimates and assumptions by management which affect 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 making judgments about the carrying values of assets and liabilities. Actual results may differ from those estimates and assumptions. On an on-going basis, the Company evaluates the adequacy of its reserves and the estimates used in their calculations including, but not limited to: collectability of accounts receivable; sales returns; amortization periods; and recoverability of inventories, deferred promotion costs, prepublication costs, royalty advances, goodwill and other intangibles.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation. Additionally, in November 2001, the Financial Accounting Standards Board ("FASB") Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products." The issue addresses the recognition, measurement and income statement classification of sales incentives or other consideration, free or discounted product or services and cash given by a vendor to a customer. The Company adopted the provisions of EITF Issue No. 01-9 for fiscal 2002. This adoption resulted in a reclassification of Selling, general and administrative expenses to Cost of goods sold totaling $15.4 and $22.2 in the three and six months ended November 30, 2001, respectively, with no change to reported net income.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations." This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company is required to adopt this statement by the first quarter of fiscal 2004. The Company does not expect that the adoption of SFAS No. 143 will have a material impact on its financial position, results of operations or cash flows.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. This statement supercedes the guidance provided by the EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The Company does not expect that the adoption of SFAS No. 146 will have a material impact on its financial position, results of operations or cash flows.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition to the fair value method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure provisions of SFAS No. 123 to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. SFAS No. 148 is effective for fiscal years ending after December 15, 2002, with earlier application permitted for entities with fiscal years ending prior to December 15, 2002 under certain circumstances. The disclosure requirements for interim financial statements containing condensed consolidated financial statements are effective for interim periods beginning after December 15, 2002. The Company is assessing the impact of adoption of the transition guidelines provided by SFAS No. 148.

(AMOUNTS IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)

2. ACQUISITIONS

FISCAL 2002 ACQUISITIONS

During fiscal 2002, the Company completed the acquisitions of the stock or assets of the following companies: Troll Book Fairs LLC, a national school-based book fair operator; Tom Snyder Productions, Inc., a developer and publisher of interactive educational software and producer of television programming; Sandvik Publishing Ltd., d/b/a Baby's First Book Club(R), a direct marketer of age-appropriate books and toys for young children; Klutz, a publisher and creator of "books plus" products for children; Teacher's Friend Publications, Inc., a producer and marketer of materials that teachers use to decorate their classrooms; and Nelson B. Heller & Associates, a publisher of business-to-business newsletters. The aggregate purchase price for these acquisitions, net of cash received, was $66.7, and the related goodwill and other intangibles was $35.9. In addition to the initial purchase price paid for Klutz of $42.8, additional payments of up to $31.3 may be made to the seller in 2004 and 2005, contingent upon the achievement of certain revenue thresholds. The assets and liabilities of each business acquired were adjusted to their fair values as of the date of acquisition, with the purchase price in excess of the fair market value assigned to goodwill.

The following summarizes the allocation of the initial purchase price of the fiscal 2002 acquisitions:

	VALUE
Accounts receivable	$ 8.0
Inventory	8.6
Other current assets	6.4
Property, plant and equipment	1.2
Goodwill and other intangibles	35.9
Noncurrent deferred taxes	18.6
Other assets	0.4
Current liabilities	(12.4)
CASH PAID FOR ACQUISITIONS, NET OF CASH RECEIVED	$ 66.7

The allocation of the aggregate purchase price is preliminary and will be finalized during fiscal 2003. Future adjustments to the purchase price allocation are not expected to be material. The operating results of each fiscal 2002 acquisition have been included in the Company's consolidated results of operations since the respective dates of acquisition. The effect on operating results of including the acquired business operations on a pro forma basis would not be material.

In connection with the fiscal 2002 acquisitions, the Company has established liabilities of $3.2 at May 31, 2002, relating primarily to severance and other exit costs. As of November 30, 2002, $2.4 of these liabilities remain unpaid.

FISCAL 2001 ACQUISITION - GROLIER

On June 22, 2000, Scholastic Inc., a subsidiary of Scholastic Corporation, acquired all of the issued and outstanding capital stock of Grolier Incorporated ("Grolier"), a Delaware corporation. In connection with the Grolier acquisition, the Company established a plan for integrating Grolier's operations. Accordingly, the Company established liabilities of approximately $17.7 relating primarily to severance, fringe benefits and related salary continuance, as well as certain exit costs associated with the integration of certain of Grolier's operational and administrative functions. This amount, originally established at $12.4, was increased at May 31, 2001 by $5.3 as the Company refined its estimate of the costs of the integration plan. At May 31, 2002, the established liabilities for integration costs were in excess of the expected costs related to severance and other exit costs by $2.1, resulting in a decrease in the recorded liabilities and a reduction of Selling, general and administrative expenses, which are reflected in the table below. As of November 30, 2002, $2.9 of these liabilities remained unpaid and are expected to be paid over the next three years. A summary of the activity in the established liabilities is detailed in the following table:

SEVERANCE AND OTHER EXIT RELATED COSTS COSTS TOTAL - -------------------------
-- Liabilities established

at acquisition $ 13.3 $ 4.4 $ 17.7 Fiscal 2001 payments (1.8) (1.2) (3.0) - --- -- BALANCE AT MAY 31, 2001 11.5 3.2 14.7 Fiscal 2002 payments (7.3) (0.7) (8.0) Fiscal 2002 adjustment (1.2) (0.9) (2.1) - -- BALANCE AT MAY 31, 2002 3.0 1.6 4.6 Fiscal 2003 payments to date (1.4) (0.3) (1.7) - -- BALANCE AT NOVEMBER 30, 2002 $ 1.6 $ 1.3 $ 2.9
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3. INVESTMENT

On June 24, 2002, the Company entered into a joint venture with The Book People, Ltd., a direct marketer of books in the United Kingdom, to distribute books to the home under the Red House name and through schools under the Scholastic School Link name. Accordingly, $9.1 relating to Red House has been recorded as an investment in the joint venture (See Note 9). The Company also acquired a 15% equity interest in The Book People Group, Ltd. for 12.0 Pounds Sterling (equivalent to $17.9 as of the date of the transaction) with a possible additional payment of 3.0 Pounds Sterling based on operating results and contingent on repayment of all borrowings under a 3.0 Pounds Sterling revolving credit facility established at the date of the transaction by the Company in favor of The Book People Group, Ltd. The revolving credit facility is available to fund the expansion of The Book People and for working capital purposes. As of November 30, 2002, there were no borrowings outstanding under the revolving credit facility.

4. SEGMENT INFORMATION

The Company is a global children's publishing and media company with operations in the United States, the United Kingdom, Canada, Australia, New Zealand, Mexico, Hong Kong, India, Ireland, Argentina and Southeast Asia and distributes its products and services through a variety of channels, including school-based book clubs, school-based book fairs, school-based and direct-to-home continuity programs, retail stores, schools, libraries, television networks and the Internet.

The Company categorizes its businesses into four operating segments: CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION; EDUCATIONAL PUBLISHING; MEDIA, LICENSING AND ADVERTISING (which collectively represent the Company's domestic operations); and INTERNATIONAL. This classification reflects the nature of products and services consistent with the method by which the Company's chief operating decision-maker assesses operating performance and allocates resources.

- - CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION includes the publication and distribution of children's books in the United States through school-based book clubs and book fairs, school-based and direct-to-home continuity programs and the trade channel.

- - EDUCATIONAL PUBLISHING includes the publication and distribution to schools and libraries of curriculum materials, classroom magazines and print and on-line reference and non-fiction products for Kindergarten through grade 12 in the United States.

- - MEDIA, LICENSING AND ADVERTISING includes the production and/or distribution in the United States of software and Internet services and the production and/or distribution by and through the Company's subsidiary, Scholastic Entertainment Inc. ("SEI"), of programming and consumer products (including children's television programming, videos, software, feature films, promotional activities and non-book merchandise).

- - 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.

The following table sets forth information for the periods indicated for the Company's segments. Certain prior year amounts have been reclassified to conform with the current year presentation.

CHILDREN'S
MEDIA, BOOK
LICENSING
PUBLISHING AND

EDUCATIONAL AND
TOTAL
DISTRIBUTION
PUBLISHING
ADVERTISING
OVERHEAD(1)
DOMESTIC
INTERNATIONAL
CONSOLIDATED -

THREE MONTHS
ENDED NOVEMBER
30, 2002 - ----

Revenues $
438.2 $ 76.6 $
46.8 $ 0.0 $
561.6 $ 98.7 $
660.3 Bad debt
16.3 0.3 0.2
0.0 16.8 1.6
18.4
Depreciation
2.0 0.4 1.5 5.6
9.5 1.1 10.6
Amortization(2)
4.4 6.4 6.6 0.0
17.4 0.1 17.5
Royalty
advances
expensed 4.1
0.5 0.1 0.0 4.7
0.6 5.3 Segment
profit/(loss)
(3) 110.6 16.1
0.2 (18.0)
108.9 14.5
123.4
Expenditures
for long-lived
assets(4) 14.6
7.6 6.9 5.1
34.2 3.3 37.5
THREE MONTHS
ENDED NOVEMBER
30, 2001 - ----

Revenues $
426.8 $ 74.1 $
46.8 $ 0.0 $
547.7 $ 89.5 $
637.2 Bad debt
18.3 0.3 0.6
0.0 19.2 1.9
21.1
Depreciation
1.4 0.4 1.0 4.4
7.2 1.1 8.3
Amortization(2)
3.8 6.0 2.8 0.0
12.6 0.6 13.2
Royalty
advances
expensed 4.4

0.4 0.6 0.0 5.4
0.0 5.4 Segment
profit/(loss)
(3) 102.2 11.4
0.0 (11.2)
102.4 9.8 112.2
Expenditures
for long-lived
assets(4) 17.9
9.1 9.4 5.7
42.1 2.3 44.4
SIX MONTHS
ENDED NOVEMBER
30, 2002 - ----

Revenues $
578.4 $ 164.6 $
63.9 $ 0.0 $
806.9 $ 160.3 $
967.2 Bad debt
32.1 0.5 0.5
0.0 33.1 3.6
36.7
Depreciation
3.8 0.8 3.1
11.1 18.8 2.3
21.1
Amortization(2)
8.7 13.1 9.0
0.0 30.8 0.1
30.9 Royalty
advances
expensed 7.5
0.8 0.1 0.0 8.4
0.6 9.0 Segment
profit/(loss)
(3) 71.4 28.8
(10.2) (40.0)
50.0 11.3 61.3
Segment assets
821.1 283.9
83.8 395.8
1,584.6 272.6
1,857.2
Goodwill 129.8
82.9 10.0 0.0
222.7 26.2
248.9
Expenditures
for long-lived
assets(4) 29.7
11.0 11.7 31.6
84.0 23.6 107.6
Long-lived
assets(5) 286.4
179.0 44.0
248.1 757.5
96.4 853.9 SIX
MONTHS ENDED
NOVEMBER 30,
2001 ----------

- Revenues $
567.9 $ 165.8 $
65.1 $ 0.0 $
798.8 $ 144.5 $
943.3 Bad debt
35.3 0.5 1.4
0.0 37.2 3.4
40.6
Depreciation
2.7 0.8 1.9 8.3
13.7 2.2 15.9

Amortization(2)
8.0 12.3 4.1
0.0 24.4 0.6
25.0 Royalty
advances
expensed 8.4
0.7 0.7 0.0 9.8
0.0 9.8 Segment
profit/(loss)
(3) 73.9 26.9
(8.8) (28.7)
63.3 7.2 70.5
Segment assets
750.6 273.9
69.0 326.3
1,419.8 234.3
1,654.1
Goodwill 113.5
71.1 8.4 0.0
193.0 33.4
226.4
Expenditures
for long-lived
assets(4) 38.3
15.8 15.9 13.1
83.1 3.8 86.9
Long-lived
assets(5) 264.5
168.1 40.7
203.3 676.6
70.6 747.2

(1) OVERHEAD INCLUDES ALL DOMESTIC CORPORATE AMOUNTS NOT ALLOCATED TO REPORTABLE SEGMENTS, WHICH INCLUDES UNALLOCATED EXPENSES AND COSTS RELATED TO THE MANAGEMENT OF CORPORATE ASSETS. THE SIX MONTHS ENDED NOVEMBER 30, 2002 INCLUDES $1.9 FOR THE SETTLEMENT OF A SECURITIES LAWSUIT INITIATED IN 1997. UNALLOCATED ASSETS ARE PRINCIPALLY COMPRISED OF DEFERRED INCOME TAXES AND PROPERTY, PLANT AND EQUIPMENT RELATED TO THE COMPANY'S HEADQUARTERS IN THE METROPOLITAN NEW YORK AREA, ITS NATIONAL SERVICE OPERATION LOCATED IN MISSOURI AND ARKANSAS, AND AN INDUSTRIAL/OFFICE BUILDING COMPLEX IN CONNECTICUT.

(2) INCLUDES AMORTIZATION OF PREPUBLICATION COSTS, PRODUCTION COSTS AND OTHER INTANGIBLES WITH DEFINITE LIVES.

(3) SEGMENT PROFIT/(LOSS) REPRESENTS EARNINGS BEFORE INTEREST AND INCOME TAXES. THE SIX MONTHS ENDED NOVEMBER 30, 2001 EXCLUDES THE CUMULATIVE AFTER-TAX EFFECT OF ACCOUNTING CHANGE OF $5.2 ($0.13 PER DILUTED SHARE) RELATED TO THE MEDIA, LICENSING AND ADVERTISING SEGMENT.

(4) INCLUDES EXPENDITURES FOR PROPERTY, PLANT AND EQUIPMENT, INVESTMENTS IN PREPUBLICATION AND PRODUCTION COSTS, ROYALTY ADVANCES AND ACQUISITIONS OF, AND INVESTMENTS IN, BUSINESSES.

(5) INCLUDES PROPERTY, PLANT AND EQUIPMENT, PREPUBLICATION COSTS, GOODWILL, OTHER INTANGIBLES, ROYALTY ADVANCES, PRODUCTION COSTS AND LONG-TERM INVESTMENTS.

The following table separately sets forth information for the periods indicated for the U.S. direct-to-home continuity business formerly operated by Grolier, which is included in the CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION segment, and for all other businesses included in the segment:

THREE MONTHS
ENDED NOVEMBER
30, -----------

------- Direct-
to-home All
Other Total
2002 2001 2002
2001 2002 2001
-------- ------
-- -------- ---
----- --------

Revenues $ 52.8
$ 53.6 $ 385.4

$ 373.2 $ 438.2 $ 426.8

Bad debt	10.4	11.9	5.9	6.4	16.3	18.3
Depreciation	0.1	0.1	1.9	1.3	2.0	1.4
Amortization(1)	0.4	0.5	4.0	3.3	4.4	3.8
Royalty advances expensed	0.0	0.1	4.1	4.3	4.1	4.4
Business profit(2)	6.1	5.8	104.5	96.4	110.6	102.2
Expenditures for long-lived assets(3)	2.0	1.8	12.6	16.1	14.6	17.9

	SIX MONTHS ENDED NOVEMBER 30,					
	Direct-to-home		All Other		Total	
	2002	2001	2002	2001	2002	2001
Revenues	$ 103.3	$ 110.4	$ 475.1	$ 457.5	$ 578.4	$ 567.9
Bad debt	21.7	24.9	10.4	10.4	32.1	35.3
Depreciation	0.3	0.1	3.5	2.6	3.8	2.7
Amortization(1)	0.7	0.7	8.0	7.3	8.7	8.0
Royalty advances expensed	0.0	0.1	7.5	8.3	7.5	8.4
Business profit(2)	7.9	10.3	63.5	63.6	71.4	73.9
Business assets	252.6	244.8	568.5	505.8	821.1	750.6
Goodwill	93.2	88.6	36.6	24.9	129.8	113.5
Expenditures for long-lived assets(3)	2.6	2.2	27.1	36.1	29.7	38.3
Long-lived assets(4)	144.1	139.0	142.3	125.5	286.4	264.5

(1) INCLUDES AMORTIZATION OF PREPUBLICATION COSTS AND OTHER INTANGIBLES WITH DEFINITE LIVES.

(2) BUSINESS PROFIT REPRESENTS EARNINGS BEFORE INTEREST AND INCOME TAXES.

(3) INCLUDES EXPENDITURES FOR PROPERTY, PLANT AND EQUIPMENT, INVESTMENTS IN PREPUBLICATION COSTS, ROYALTY ADVANCES AND ACQUISITIONS OF BUSINESSES.

(4) INCLUDES PROPERTY, PLANT AND EQUIPMENT, PREPUBLICATION COSTS, GOODWILL, OTHER INTANGIBLES AND ROYALTY ADVANCES.

(AMOUNTS IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)

5. DEBT

The following table sets forth the Company's debt balances as of the dates indicated:

	NOVEMBER 30, 2002	MAY 31, 2002	NOVEMBER 30, 2001
Lines of Credit	$ 28.0	$ 23.3	$ 31.1
Grolier Facility	-	50.0	350.0
Loan Agreement and Revolver	191.3	50.0	56.0
7% Notes due 2003, net of discount	124.9	124.9	124.9
5.75% Notes due 2007, net of discount	305.6	300.7	-
Convertible Subordinated Debentures	-	-	110.0
Other debt	0.4	0.4	1.6
TOTAL DEBT	650.2	549.3	673.6
Less lines of credit and short-term debt	(28.1)	(23.5)	(382.4)
Total long-term debt	$ 622.1	$ 525.8	$ 291.2

The following table sets forth the maturities and carrying values of the Company's debt obligations as of November 30, 2002 for the remainder of fiscal 2003 and the next four fiscal years:

MAY 31,	
Six-month period ending: 2003	$ 28.1
Fiscal years ending:	
2004	125.2
2005	191.3
2006	-
2007	305.6
TOTAL	$ 650.2

GROLIER FACILITY. On June 22, 2000, Scholastic Inc. established a credit facility to finance $350.0 of the $400.0 Grolier purchase price (the "Grolier Facility"). The net proceeds from the issuance of the 5.75% Notes in January 2002 were used to repay a majority of the Grolier Facility (see "5.75% Notes due 2007" below). On June 21, 2002, the Grolier Facility was amended into a revolving credit agreement, which provides for aggregate borrowings of up to $100.0 and expires on June 20, 2003. Under these amended terms, Scholastic Inc. is the borrower, and Scholastic Corporation is the guarantor. Borrowings bear interest at the prime rate or 0.39% to 1.10% over LIBOR (as defined). As amended, the Grolier Facility also provides for a facility fee ranging from 0.085% to 0.25%. The amounts charged vary based upon the Company's credit rating. As of November 30, 2002, the interest rate and facility fee were 0.650% over LIBOR and 0.150%, respectively. The Grolier Facility contains certain financial covenants related to debt and interest coverage ratios (as defined) and limits dividends and other distributions. At November 30, 2002 and 2001, $0 and $350.0, respectively, were outstanding under the Grolier Facility. The weighted average interest rate as of November 30, 2001 was 3.1%. At May 31, 2002, $50.0 was outstanding under the Grolier Facility at a weighted average interest rate of 2.4%.

LOAN AGREEMENT. Scholastic Corporation and Scholastic Inc. are joint and several borrowers under an amended and restated loan agreement with certain banks, effective August 11, 1999 and amended June 22, 2000 (the "Loan Agreement"). The Loan Agreement, which expires on August 11, 2004, provides for aggregate borrowings of up to $170.0 (with a right in certain circumstances to increase borrowings to $200.0), including the issuance of up to $10.0 in letters of credit. Interest under this facility is either at the prime rate or 0.325% to 0.90% over LIBOR (as defined). There is a facility fee ranging from 0.10% to 0.30% and a utilization fee ranging from 0.05% to 0.15% if borrowings exceed 33% of the total facility. The amounts charged vary based upon the Company's credit rating. The interest rate, facility fee and utilization fee (when applicable) as of November 30, 2002 were 0.475% over LIBOR, 0.150% and 0.075%, respectively. The Loan Agreement contains certain financial covenants related to debt and interest coverage ratios (as defined) and limits dividends and other distributions. At November 30, 2002 and 2001, $166.0 and $50.0, respectively, were outstanding under the Loan Agreement at a weighted average interest rate of 2.3% and 3.6%, respectively. At May 31, 2002, $50.0 was outstanding under the Loan Agreement at a weighted average interest rate of 2.7%.

REVOLVER. Scholastic Corporation and Scholastic Inc. are joint and several borrowers under a Revolving Loan Agreement with a bank, effective November 10, 1999 and amended June 22, 2000 (the "Revolver"). The Revolver provides for unsecured revolving credit of up to $40.0 and expires on August 11, 2004. Interest under this facility is at the prime rate minus 1% or 0.325% to 0.90% over LIBOR (as defined). There is a facility fee ranging from 0.10% to 0.30%. The amounts charged vary based upon the Company's credit rating. The interest rate and facility fee as of November 30, 2002 were 0.475% over LIBOR and 0.150%, respectively. The Revolver has certain financial covenants related to debt and interest coverage ratios (as defined) and limits dividends and other distributions. At November 30, 2002 and 2001, $25.3 and $6.0, respectively, were outstanding under the Revolver at a weighted average interest rate of 2.8% and 2.9%, respectively. At May 31, 2002, there were no borrowings outstanding under the Revolver.

(AMOUNTS IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)

7% NOTES DUE 2003. On December 23, 1996, Scholastic Corporation issued $125.0 of 7% Notes (the "7% Notes"). The 7% Notes are unsecured and unsubordinated obligations of the Company and will mature on December 15, 2003. The 7% Notes are not redeemable prior to maturity. Interest on the 7% Notes is payable semi-annually on December 15 and June 15 of each year.

5.75% NOTES DUE 2007. On January 23, 2002, Scholastic Corporation issued $300.0 of 5.75% Notes (the "5.75% Notes"). The 5.75% Notes are unsecured and unsubordinated obligations of the Company and mature on January 15, 2007. Interest on the 5.75% Notes is payable semi-annually on July 15 and January 15 of each year. The Company may, at any time, redeem all or a portion of the 5.75% Notes at a redemption price (plus accrued interest to the date of 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 on a semiannual basis. The net proceeds were used to repay the majority of the $350.0 Grolier Facility.

INTEREST RATE SWAP AGREEMENT. On February 5, 2002, Scholastic Corporation entered into an interest rate swap agreement, designated as a fair value hedge as defined under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," whereby the Company receives a fixed interest rate payment based on a notional amount totaling $100.0 and pays a variable interest rate to the counterparty, which is reset semi-annually based on six-month LIBOR (as defined). This agreement was entered into to exchange the fixed interest rate payments on a portion of the 5.75% Notes for variable interest rate payments. In accordance with SFAS No. 133, the value of the 5.75% Notes was increased by $6.6 to reflect an increase in their fair value as of November 30, 2002 and a corresponding swap asset of $6.6 was recorded in Other assets. Under SFAS No. 133, changes in the fair value of the interest rate swap offset changes in the fair value of the fixed rate debt due to changes in market interest rates. As such, there was no ineffective portion to the hedge recognized in earnings during the six months ended November 30, 2002.

CONVERTIBLE SUBORDINATED DEBENTURES. On August 18, 1995, Scholastic Corporation sold $110.0 of 5.0% Convertible Subordinated Debentures due August 15, 2005 (the "Debentures"). On January 11, 2002, pursuant to the exercise of Scholastic Corporation's optional redemption rights, $109.8 of the Debentures were converted at the option of the holders into 2.9 million shares of Common Stock and $0.2 were redeemed for cash.

6. CONTINGENCIES

On January 14, 2003, Scholastic and its affiliates and Parachute Press, Inc. and its affiliates and R.L. Stine each agreed to dismiss with prejudice the previously disclosed lawsuits, captioned SCHOLASTIC INC. AND SCHOLASTIC ENTERTAINMENT INC. V. PARACHUTE PRESS, INC., PARACHUTE PUBLISHING, LLC, PARACHUTE CONSUMER PRODUCTS, LLC, AND R.L. STINE (Index No. 99/600512); PARACHUTE PRESS, INC. V. SCHOLASTIC INC., SCHOLASTIC PRODUCTIONS, INC. AND SCHOLASTIC ENTERTAINMENT INC. (Index No. 99/600507); and PARACHUTE PRESS, INC. V. SCHOLASTIC INC., SCHOLASTIC PRODUCTIONS, INC. AND SCHOLASTIC ENTERTAINMENT INC., 97 Civ. 8510 (JFK), and to release the other parties from all claims regarding the disputes.

7. COMPREHENSIVE INCOME

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	NOVEMBER 30,			
	2002	2001	2002	2001
Net income	$ 75.0	$ 66.5	$ 30.4	$ 29.5
Other comprehensive (loss)/income:				
Foreign currency translation adjustment	(0.3)	(1.9)	0.6	0.8
Minimum pension liability	-	-	(1.5)	-
Total other comprehensive (loss)/income	(0.3)	(1.9)	(0.9)	0.8
COMPREHENSIVE INCOME	$ 74.7	$ 64.6	$ 29.5	$ 30.3

SCHOLASTIC CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(AMOUNTS IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)

8. EARNINGS PER SHARE ("EPS")

Basic EPS is computed by dividing net income by the weighted average Shares of Class A Stock and Common Stock outstanding during the period. Diluted EPS is calculated to give effect to potentially dilutive stock options and Debentures that were outstanding during the period. The following table summarizes the reconciliation of the numerators and denominators for the basic and diluted EPS computations for the periods indicated:

(AMOUNTS IN MILLIONS, EXCEPT PER SHARE DATA)	THREE MONTHS ENDED		SIX MONTHS ENDED	
	NOVEMBER 30,			
	2002	2001	2002	2001
Net income for basic EPS	$ 75.0	$ 66.5	$ 30.4	$ 29.5
Dilutive effect of Debentures	-	0.9	-	1.8
Adjusted net income for diluted EPS	$ 75.0	$ 67.4	$ 30.4	$ 31.3
Weighted average Shares of Class A Stock and Common Stock outstanding for basic EPS	39.1	35.4	39.1	35.3
Dilutive effect of Common Stock issued pursuant to employee stock plans	1.5	1.6	1.3	1.5
Dilutive effect of Debentures	-	2.9	-	2.9
Adjusted weighted average Shares of Class A Stock and Common Stock outstanding for diluted EPS	40.6	39.9	40.4	39.7
EARNINGS PER SHARE OF CLASS A STOCK AND COMMON STOCK:				
Earnings before cumulative effect of accounting change:				
Basic	$ 1.92	$ 1.88	$ 0.78	$ 0.98
Diluted	$ 1.85	$ 1.69	$ 0.75	$ 0.92
Cumulative effect of accounting change (net of income taxes):				
Basic	-	-	-	$ (0.14)
Diluted	-	-	-	$ (0.13)
Net income:				
Basic	$ 1.92	$ 1.88	$ 0.78	$ 0.84
Diluted	$ 1.85	$ 1.69	$ 0.75	$ 0.79

SCHOLASTIC CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(AMOUNTS IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)

9. GOODWILL AND OTHER INTANGIBLES

The Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," effective as of June 1, 2001. Under SFAS No. 142, goodwill and other intangible assets with indefinite lives are no longer amortized but are reviewed for impairment annually, or more frequently if impairment indicators arise. In fiscal 2002, the Company completed the required transitional and annual impairment reviews of goodwill. These reviews required the Company to estimate the fair value of its identified reporting units. For each of the reporting units, the estimated fair value was determined utilizing the expected present value of the projected future cash flows of the units. In all instances, the estimated fair value of the reporting units exceeded their book values and therefore no write-down of goodwill was required.

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

	SIX MONTHS ENDED NOVEMBER 30, 2002	TWELVE MONTHS ENDED MAY 31, 2002	SIX MONTHS ENDED NOVEMBER 30, 2001
Beginning balance	$ 256.2	$ 221.9	$ 221.9
Additions due to acquisitions	-	35.4	4.1
Initial investment in joint venture	(9.1)	-	-
Other adjustments	1.8	(1.1)	0.4
TOTAL	$ 248.9	$ 256.2	$ 226.4

The following table summarizes Other intangibles subject to amortization at the dates indicated:

	NOVEMBER 30, 2002	MAY 31, 2002	NOVEMBER 30, 2001
Customer lists	$ 2.8	$ 2.8	$ 2.2
Accumulated amortization	(2.3)	(2.2)	(1.6)
Net customer lists	0.5	0.6	0.6
Other intangibles	3.9	3.9	3.9
Accumulated amortization	(2.2)	(2.1)	(2.1)
Net other intangibles	1.7	1.8	1.8
TOTAL	$ 2.2	$ 2.4	$ 2.4

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

(AMOUNTS IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)

	NOVEMBER 30, 2002	MAY 31, 2002	NOVEMBER 30, 2001
Net carrying value by major class:			
Titles	$ 31.0	$ 31.0	$ 31.0
Licenses	17.2	17.2	17.2
Major sets	11.4	11.4	11.4
Trademarks and Other	1.8	1.8	1.8
TOTAL	$ 61.4	$ 61.4	$ 61.4

Amortization expense for Other intangibles subject to amortization totaled $0.1 and $0.2 for the three and six months ended November 30, 2002, respectively, and $0.2 and $0.4 for the three and six months ended November 30, 2001, respectively. Amortization expense for the twelve months ended May 31, 2002 totaled $1.0. Amortization expense for these assets is currently estimated to total $0.5 for the fiscal year ending May 31, 2003, $0.3 for each of the fiscal years ending May 31, 2004 through 2006, and $0.2 for the fiscal year ending May 31, 2007. The weighted average amortization periods for these assets by major asset class are 3 years and 14 years for customer lists and other intangibles, respectively.

10. CUMULATIVE EFFECT OF ACCOUNTING CHANGE

On June 1, 2001, the Company adopted Statement of Position No. 00-2 ("SOP 00-2"), "Accounting by Producers and Distributors of Films," which replaced SFAS No. 53, "Financial Reporting by Producers and Distributors of Motion Picture Films." SOP 00-2 provides that film costs should be accounted for under an inventory model and discusses various topics such as revenue recognition and accounting for exploitation costs and impairment assessment. In addition, SOP 00-2 establishes criteria for which revenues should be included in the Company's ultimate revenue projections.

The Company recognizes revenue from its film licensing arrangements when the film is complete and delivered, the license period has begun, the fee is fixed or determinable and collection is reasonably assured. The costs of producing a film and acquiring film distribution rights are capitalized and amortized using the individual-film-forecast method. This method amortizes such residual costs in the same ratio that current period revenue bears to estimated remaining unrecognized revenue as of the beginning of the fiscal year. All exploitation costs are expensed as incurred. As a result of the adoption of SOP 00-2, the Company recorded a net of tax charge of $5.2 in the first quarter of fiscal 2002 to reduce the carrying value of its film production costs. This charge is reflected in the Company's condensed consolidated statements of operations as a Cumulative effect of accounting change and is attributed entirely to the MEDIA, LICENSING AND ADVERTISING segment. Management estimates that 100% of the costs of its unamortized films will be amortized over the next three years.

11. LITIGATION AND RELATED CHARGES

On September 23, 2002, the Company announced that it had agreed in principle to settle a class action lawsuit initiated in 1997, captioned IN RE SCHOLASTIC CORPORATION SECURITIES LITIGATION, 97 Civ. 2447 (JFK). The settlement agreement, which is subject to court approval, resulted in a pre-tax charge of $1.9 in the quarter ended August 31, 2002, which represents the portion of the total settlement amount of $7.5 that is not being paid by the insurance carrier.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

RESULTS OF OPERATIONS - CONSOLIDATED

Revenues for the quarter ended November 30, 2002 increased $23.1 million or 3.6% to $660.3 million as compared with revenues of $637.2 million in the second quarter of the prior fiscal year. The revenue increase was due to increased sales in the CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION, INTERNATIONAL and EDUCATIONAL PUBLISHING segments of $11.4 million, $9.2 million and $2.5 million, respectively. In the current year quarter, businesses acquired in fiscal 2002 contributed approximately $17 million of revenues to the Company. For the six months ended November 30, 2002, revenues increased $23.9 million, or 2.5%, to $967.2 million, primarily due to increases in the INTERNATIONAL segment of $15.8 million and the CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION segment of $10.5 million. Businesses acquired in fiscal 2002 contributed approximately $37 million in revenues to the Company for the six months ended November 30, 2002.

Cost of goods sold as a percentage of revenues improved to 42.7% in the quarter ended November 30, 2002 from 43.2% in the prior year quarter. For the six months ended November 30, 2002, cost of goods sold as a percentage of revenues improved to 45.7% from 46.1% in the prior year period. The quarter and six-month improvements were primarily due to favorable vendor pricing as a result of the Company's cost savings initiative.

Selling, general and administrative expenses as a percentage of revenues decreased slightly to 34.2% for the quarter ended November 30, 2002 from 34.6% in the prior year quarter, primarily due to reduced marketing costs resulting from the Company's costs savings program. For the six months ended November 30, 2002, selling, general and administrative expenses as a percentage of revenues increased to 41.8% from 40.4% in the prior fiscal year. The increase was primarily due to higher employee health care and other benefit costs of approximately 1% of revenues, and higher systems and facilities costs of approximately 1% of revenues. Those increases were partially offset by the benefit from the cost savings program of approximately 1% of revenues.

Bad debt expense decreased to $18.4 million, or 2.8% of revenues, for the quarter ended November 30, 2002, compared to $21.1 million, or 3.3% of revenues, in the prior year quarter. For the six months ended November 30, 2002, bad debt expense decreased to $36.7 million, or 3.8% of revenues, compared to $40.6 million, or 4.3% of revenues, in the prior year period. The quarter and six-month improvements were primarily attributable to better credit performance in the direct-to-home continuity business.

Depreciation and amortization for the quarter ended November 30, 2002 increased to $10.7 million from $8.5 million in the prior year quarter. For the six months ended November 30, 2002, depreciation and amortization increased to $21.3 million from $16.3 million in the prior year period. These increases were primarily due to incremental depreciation of $1.7 million for the quarter and $3.7 million for the six months ended November 30, 2002 related to the completion of capital projects, including information technology projects and expansion of facilities.

In the first quarter of the current fiscal year, the Company recorded a $1.9 million pre-tax charge, reflected in Litigation and related charges, due to the settlement of a securities lawsuit initiated in 1997. The after-tax impact on earnings per diluted share of this charge was $0.03 for the six months ended November 30, 2002. (See Note 11 in the Notes to Condensed Consolidated Financial Statements.)

The resulting operating income for the quarter ended November 30, 2002 increased to $123.4 million, or 18.7% of revenues, compared to $112.2 million, or 17.6% of revenues, in the year ago \period. For the six months ended November 30, 2002, operating income decreased to $61.3 million, or 6.3% of revenues, from $70.5 million, or 7.5% of revenues, in the prior fiscal year.

Net interest expense was flat at $8.2 million in the quarter as compared to the prior year period and decreased to $15.8 million for the six months ended November 30, 2002 from $16.3 million in the year ago period.

The Company's effective tax rates were 34.9% and 33.2% for the quarter and year to date period ended November 30, 2002, respectively, as compared to an effective tax rate of 36.0% for the quarter and year-to-date period ended November 30, 2001. The decreases in the effective tax rates as compared to the year ago quarter and six-month period were due to the recognition of net deferred tax assets in certain of the Company's international operations.

In the first quarter of the prior fiscal year, the Company adopted Statement of Position No. 00-2 ("SOP 00-2"), "Accounting by Producers and Distributors of Films." As a result, the Company recorded an after-tax charge of $5.2 million, or $0.13 per diluted share, for the six months ending November 30, 2001, which was reflected as a Cumulative effect of accounting change. (See Note 10 in the Notes to Condensed Consolidated Financial Statements.)

Net income for the quarter ended November 30, 2002 increased to $75.0 million, or $1.85 per diluted share, compared to $66.5 million, or $1.69 per diluted share, in the prior year quarter. For the six months ended November 30, 2002, net income was $30.4 million, or $0.75 per diluted share, compared to $29.5 million, or $0.79 per diluted share, in the year ago period.

RESULTS OF OPERATIONS - SEGMENTS

CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION

The Company's CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION segment includes the publication and distribution of children's books in the United States through school-based book clubs and book fairs, school-based and direct-to-home continuity programs and the trade channel.

(IN
MILLIONS)
THREE
MONTHS

	THREE MONTHS ENDED NOVEMBER 30, 2002	2001	SIX MONTHS ENDED 2002	2001
Revenue	$ 438.2	$ 426.8	$ 578.4	$ 567.9
Operating profit	110.6	102.2	71.4	73.9
OPERATING MARGIN	25.2%	23.9%	12.3%	13.0%

The following table highlights the results of the direct-to-home continuity business formerly operated by Grolier, which is included in the CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION segment.

(IN MILLIONS)	THREE MONTHS ENDED NOVEMBER 30, 2002	2001	SIX MONTHS ENDED 2002	2001

Revenue	$ 52.8	$ 53.6	$ 103.3	$ 110.4
Operating profit	6.1	5.8	7.9	10.3
OPERATING MARGIN	11.6%	10.8%	7.6%	9.3%

Revenues in the CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION segment for the quarter ended November 30, 2002 increased to $438.2 million compared to $426.8 million in the prior fiscal year quarter. The $11.4 million increase in segment revenues over the prior fiscal year quarter relates primarily to the Company's school-based book fairs and school-based continuity businesses. Higher school-based book fairs revenues of $11.7 million primarily reflected increased revenue per fair. Revenues for the school-based continuity businesses increased $6.8 million, primarily due to higher enrollments. These increases were partially offset by lower trade revenues of $3.8 million and lower school-based book club revenues of $2.6 million. The school-based book clubs decrease of $2.6 million was primarily due to the shift of orders to school-based continuity enrollments, which are sold through school-based book clubs and reflected as continuity sales. Businesses acquired in fiscal 2002 contributed revenues of approximately $13 million to this segment for the quarter ended November 30, 2002. Excluding the direct-to-home continuity business, segment revenues for the quarter increased by $12.2 million to $385.4 million compared to the prior year quarter. Revenues for the direct-to-home continuity business decreased by 1.5% to $52.8 million compared to the prior year quarter, reflecting the planned elimination of less profitable marketing programs.

The $3.8 million decrease in trade revenues for the quarter was due to net sales of HARRY POTTER titles of approximately $25 million, compared to approximately $45 million in the year ago quarter, partially offset by $10.1 million of revenues from Klutz, which was acquired in April 2002, and an increase in sales of other trade titles of approximately $6 million. The Company and its trade customers had anticipated greater positive impact from the release of the second HARRY POTTER movie on November 15, 2002 than the benefit to retail sales that occurred. Accordingly, the Company increased the allowance for returns (as a percentage of shipments) on current period shipments for the quarter ended November 30, 2002 compared to the prior year quarter, thereby reducing net HARRY POTTER trade revenue by approximately $9 million. The Company and certain of its trade customers have agreed to a program (offered to all its retail accounts) to support retail sales of HARRY POTTER during the Company's third and fourth quarters, that provides for an additional discount equal to 3% of list price for HARRY POTTER titles on hand as of December 31, 2002 that remain in stock as of May, 2003. Participating trade accounts will also be entitled to defer payment for HARRY POTTER titles purchased between September 1, 2002 and December 31, 2002 until May, 2003.

Segment operating profit for the quarter increased $8.4 million to $110.6 million from $102.2 million in the prior year quarter. This increase was related mainly to higher operating results for the school-based book fairs and school-based continuity businesses of $4.8 million and $2.8 million, respectively, in the current year quarter compared to the prior year. Excluding the direct-to-home continuity business, the operating profit for the quarter increased to $104.5 million from $96.4 million in the prior year period. Operating profit for the direct-to-home continuity business increased from the prior year quarter by $0.3 million to $6.1 million in the current year quarter.

Segment revenues for the six months ended November 30, 2002 increased to $578.4 million compared to $567.9 million in the prior fiscal year period. The $10.5 million increase in segment revenues benefited from revenue increases in school-based book fairs, trade, and school-based continuities of $10.4 million, $6.7 million and $4.7 million, respectively. The school-based book fairs increase of $10.4 million was primarily due to increased revenue per fair compared to the prior fiscal year period. The $6.7 million increase in trade revenues was primarily due to the addition of $21.2 million from the acquisition of Klutz, and approximately $6 million in higher revenues of non-HARRY POTTER trade titles, partially offset by approximately $20 million of lower HARRY POTTER net sales. The increase of $4.7 million in the school-based continuity business reflects increased enrollments during the current fiscal year. These revenue increases were partially offset by declines in direct-to-home continuities and school-based book clubs of $7.1 million and $4.2 million, respectively. The revenue decrease of $7.1 million in the direct-to-home continuity business primarily reflects the planned elimination of less profitable marketing programs. Excluding the direct-to-home continuity business, segment revenues for the six months ended November 30, 2002 increased $17.6 million over the prior year period to $475.1 million. Revenues for the direct-to-home continuity business decreased by 6.4% to $103.3 million compared to the prior year period.

Segment operating profit decreased $2.5 million to $71.4 million for the six months ended November 30, 2002 compared to the prior year period. This decrease is related mainly to decreases in the direct-to-home continuity business and school-based book fairs of $2.4 million and $1.3 million, respectively. These decreases were partially offset by operating profit increases of $1.4 million and $0.7 million in school-based book clubs and school-based continuities, respectively. Excluding the direct-to-home continuity business, operating profit remained relatively flat at $63.5 million. Operating profit for the direct-to-home continuity business decreased by $2.4 million from the prior year.

EDUCATIONAL PUBLISHING

The Company's EDUCATIONAL PUBLISHING segment includes the publication and distribution to schools and libraries of curriculum materials, classroom magazines and print and on-line reference and non-fiction products for Kindergarten through grade 12 in the United States.

(IN MILLIONS)	THREE MONTHS ENDED		SIX MONTHS ENDED	
	NOVEMBER 30, 2002	2001	2002	2001
Revenue	$ 76.6	$ 74.1	$ 164.6	$ 165.8
Operating profit	16.1	11.4	28.8	26.9

OPERATING
MARGIN
21.0%
15.4%
17.5%
16.2%

Revenues in the EDUCATIONAL PUBLISHING segment for the quarter ended November 30, 2002 increased by $2.5 million, or 3.4%, to $76.6 million, compared to $74.1 million in the comparable quarter of the prior year. This increase was due to increased revenues of $4.2 million from the READ 180(R) intervention program, $1.1 million from paperbacks and collections, and $1.7 million from Tom Snyder Productions, which was acquired in December 2001. These revenue increases were partially offset by the anticipated revenue decrease related to SCHOLASTIC LITERACY PLACE(R) of $4.8 million. For the six-month period ended November 30, 2002, revenues decreased slightly to $164.6 million as compared to $165.8 million in the comparable prior year period, reflecting the anticipated decrease in SCHOLASTIC LITERACY PLACE revenues of $14.6 million. This decrease in revenue was largely offset by increased revenues of $13.3 million from READ 180.

Second quarter operating profit for this segment increased by $4.7 million over the comparable prior year period, primarily due to higher gross margins of $2.3 million, reflecting the sale of more profitable products, and decreased inventory obsolescence costs of $1.7 million. Operating profit for this segment for the six months ended November 30, 2002 improved by $1.9 million over the comparable period of the prior year, due to higher gross margins of $6.2 million primarily from the sale of more profitable products, partially offset by increased marketing and administrative expenses of $4.3 million.

MEDIA, LICENSING AND ADVERTISING
The Company's MEDIA, LICENSING AND ADVERTISING segment includes the production and/or distribution in the United States of software and Internet services and the production and/or distribution by and through the Company's subsidiary, Scholastic Entertainment Inc. ("SEI"), of programming and consumer products (including children's television programming, videos, software, feature films, promotional activities and non-book merchandise).

(IN
MILLIONS)
THREE
MONTHS
ENDED
SIX
MONTHS
ENDED -

NOVEMBER
30, 2002
2001
2002
2001 - -

Revenue
$ 46.8 $
46.8 $
63.9 $
65.1
Operating
profit

(loss)
0.2 0.0
(10.2)
(8.8) -

OPERATING
MARGIN
0.4%
0.0% * *

* - NOT MEANINGFUL

MEDIA, LICENSING AND ADVERTISING revenues were flat at $46.8 million for the quarter ended November 30, 2002 compared to the prior year quarter. Increased current quarter SEI film revenues of $5.2 million, primarily relating to programming revenues from the animated TV series CLIFFORD THE BIG RED DOG(TM), were offset by lower software revenues of $5.1 million. For the current year six-month period, increased film revenues of $5.4 million, primarily relating to CLIFFORD programming revenue, were more than offset by a decrease in software revenues of $6.4 million.

For the quarter ended November 30, 2002, segment operating profit improved to $0.2 million from break-even in the prior year quarter. For the six-month period ended November 30, 2002, operating loss increased by $1.4 million, primarily due to increased spending related to Scholastic.com to facilitate the launch of e-commerce initiatives.

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

(IN
MILLIONS)
THREE
MONTHS
ENDED
SIX
MONTHS
ENDED -

NOVEMBER
30, 2002
2001
2002
2001 - -

Revenue
$ 98.7 $
89.5 $
160.3 $
144.5
Operating
profit
14.5 9.8
11.3 7.2
- ------

--
OPERATING MARGIN
14.7%
10.9%
7.0%
5.0%

INTERNATIONAL revenues increased by $9.2 million, or 10.3%, to $98.7 million for the quarter ended November 30, 2002 from $89.5 million in the year ago quarter. This increase was due primarily to higher revenues in Canada of $1.9 million, Mexico of $1.4 million, Australia of $0.9 million and Southeast Asia of $0.9 million, as well as the favorable impact of foreign currency exchange rates of approximately $3.2 million. Revenues for the six months ended November 30, 2002 increased to $160.3 million as compared to $144.5 million in the prior year period. This increase of $15.8 million was due primarily to revenue improvements in Canada, Southeast Asia, Australia and Mexico of $3.9 million, $2.2 million, $1.8 million and $1.5 million, respectively, combined with a favorable foreign exchange impact of approximately $5.2 million for the current year to date period.

For the quarter ended November 30, 2002, operating profit increased by $4.7 million, or 48.0%, to $14.5 million from $9.8 million in the year ago quarter. This increase was due to higher operating profits in Canada of $1.1 million, the United Kingdom of $0.9 million and the Export business of $0.7 million. In addition, foreign currency exchange rates had a favorable impact of approximately $1.4 million in the current quarter. Operating profit for the six months ended November 30, 2002 increased by $4.1 million, or 56.9%, to $11.3 million from $7.2 million in the prior year. This increase was due to higher operating profits in Canada, Australia and the United Kingdom of $1.8 million, $0.7 million, and $0.7 million, respectively, as well as the favorable impact of foreign currency exchange rates of approximately $1.0 million.

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 consequence, 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. The Company experiences a substantial loss from operations in the first quarter. Typically, school-based book club and book fair revenues are greatest in the second quarter of the fiscal year, while revenues from the sale of instructional materials are highest in the first quarter.

In the June through October time period, the Company experiences negative cash flow due to the seasonality of its business. As a result of the Company's business cycle, seasonal 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.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents decreased by $2.6 million during the six-month period ended November 30, 2002, compared to a decrease of $2.4 million during the comparable period in the prior year.

Cash flow provided from operations was $5.3 million for the six-month period ended November 30, 2002, resulting from net income, adjusted for non-cash charges, of $90.9 million, partially offset by net working capital decreases of $85.6 million.

Cash outflows for investing activities was $107.5 million for the six-month period ended November 30, 2002. The spending principally consisted of capital expenditures, an investment in The Book People Group, Ltd., prepublication costs and royalty advances. Capital expenditures totaled $46.4 million for the six-month period ended November 30, 2002, an increase of $13.8 million over the same period in fiscal 2002 largely as result of the acquisition of a warehouse facility in Maumelle, Arkansas in June 2002. Investment expenditures totaled $18.3 million due to the Company's 15% equity investment in The Book People Group, Ltd. in June 2002 of 12.0 million Pounds Sterling (equivalent to $17.9 million as of the date of the transaction), and related expenditures of $0.4 million. Expenditures for prepublication and royalty advances of $21.4 million and $16.1 million, respectively, were relatively consistent with the prior year expenditure levels.

The Company believes its existing cash position, combined with funds generated from operations and available under the Loan Agreement, the Revolver and the amended Grolier Facility, each as defined below, will be sufficient to finance its ongoing working capital requirements. The Company anticipates refinancing its debt obligations prior to their respective maturity dates, to the extent not paid through free cash flow.

FINANCING

On January 11, 2002, pursuant to the exercise of Scholastic Corporation's optional redemption rights, $109.8 million of the Company's 5.0% Convertible Subordinated Debentures were converted at the option of the holders into 2.9 million shares of Common Stock and $0.2 million were redeemed for cash.

On January 23, 2002, Scholastic Corporation issued $300.0 million of 5.75% Notes (the "5.75% Notes"). The 5.75% Notes are unsecured and unsubordinated obligations of the Company and mature on January 15, 2007. Interest on the 5.75% Notes is payable semi-annually on July 15 and January 15 of each year. The Company may, at any time, redeem all or a portion of the 5.75% Notes at a redemption price (plus accrued interest to the date of 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 on a semiannual basis. The net proceeds were used to repay the majority of the $350.0 million facility established in connection with the acquisition of Grolier (the "Grolier Facility").

On February 5, 2002, Scholastic Corporation entered into an interest rate swap agreement, designated as a fair value hedge as defined under Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," whereby the Company receives a fixed interest rate payment based on a notional amount totaling $100.0 million and pays a variable interest rate to the counterparty, which is reset semi-annually based on six-month LIBOR (as defined). This agreement was entered into to exchange the fixed interest rate payments on a portion of the 5.75% Notes for variable interest rate payments. Under SFAS No. 133, changes in the fair value of the interest rate swap offset changes in the fair value of the fixed rate debt due to changes in market interest rates. As such, there was no ineffective portion to the hedge recognized in earnings during the six months ended November 30, 2002.

On June 21, 2002, the Grolier Facility was amended into a revolving credit agreement, providing for aggregate borrowings of up to $100.0 million and expiring June 20, 2003. Under these amended terms, Scholastic Inc., a subsidiary of Scholastic Corporation, is the borrower and Scholastic Corporation is the guarantor. Borrowings bear interest at the prime rate or 0.39% to 1.10% over LIBOR (as defined). As amended, the Grolier Facility also provides for a facility fee ranging from 0.085% to 0.25%. The amounts charged vary based upon the Company's credit rating. As of November 30, 2002, the interest rate and facility fee were 0.650% over LIBOR and 0.150%, respectively. The Grolier Facility contains certain financial covenants related to debt and interest coverage ratios (as defined) and limits dividends and other distributions. At November 30, 2002 and 2001, $0 and $350.0 million, respectively, were outstanding under the Grolier Facility. The weighted average interest rate as of November 30, 2001 was 3.1%. At May 31, 2002, $50.0 million was outstanding under the Grolier Facility at a weighted average interest rate of 2.4%.

Scholastic Corporation and Scholastic Inc. are joint and several borrowers under an amended and restated loan agreement with certain banks, effective August 11, 1999 and amended June 22, 2000 (the "Loan Agreement"). The Loan Agreement, which expires on August 11, 2004, provides for aggregate borrowings of up to $170.0 million (with a right in certain circumstances to increase borrowings to $200.0 million), including the issuance of up to $10.0 million in letters of credit. Interest under this facility is either at the prime rate or 0.325% to 0.90% over LIBOR (as defined). There is a facility fee ranging from 0.10% to 0.30% and a utilization fee ranging from 0.05% to 0.15% if borrowings exceed 33% of the total facility. The amounts charged vary based upon the Company's credit rating. The interest rate, facility fee and utilization fee (when applicable) as of November 30, 2002 were 0.475% over LIBOR, 0.150% and 0.075%, respectively. The Loan Agreement contains certain financial covenants related to debt and interest coverage ratios (as defined) and limits dividends and other distributions. At November 30, 2002 and 2001, $166.0 million and $50.0 million, respectively, were outstanding under the Loan Agreement at a weighted average interest rate of 2.3% and 3.6%, respectively. At May 31, 2002, $50.0 million was outstanding under the Loan Agreement at a weighted average interest rate of 2.7%.

Scholastic Corporation and Scholastic Inc. are joint and several borrowers under a Revolving Loan Agreement with a bank, effective November 10, 1999 and amended June 22, 2000 (the "Revolver"). The Revolver provides for unsecured revolving credit of up to $40.0 million and expires on August 11, 2004. Interest under this facility is at the prime rate minus 1% or 0.325% to 0.90% over LIBOR (as defined). There is a facility fee ranging from 0.10% to 0.30%. The amounts charged vary based upon the Company's credit rating. The interest rate and facility fee as of November 30, 2002 were 0.475% over LIBOR and 0.150%, respectively. The Revolver has certain financial covenants related to debt and interest coverage ratios (as defined) and limits dividends and other distributions. At November 30, 2002 and 2001, $25.3 million and $6.0 million, respectively, were outstanding under the Revolver at a weighted average interest rate of 2.8% and 2.9%, respectively. At May 31, 2002, there were no borrowings outstanding under the Revolver.

On December 23, 1996, Scholastic Corporation issued $125.0 million of 7% Notes (the "7% Notes"). The 7% Notes are unsecured and unsubordinated obligations of the Company and will mature on December 15, 2003. The 7% Notes are not redeemable prior to maturity. Interest on the 7% Notes is payable semi-annually on December 15 and June 15 of each year.

In addition, unsecured lines of credit available in local currencies to the Company's international subsidiaries were equivalent to $52.7 million at November 30, 2002. These lines are used primarily to fund local working capital needs. At November 30, 2002, borrowings equivalent to $28.0 million were outstanding under these lines of credit at a weighted average interest rate of 5.8%.

FORWARD LOOKING STATEMENTS

This 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 instructional materials markets and acceptance of the Company's products within those markets and other risks and factors identified in this Report, in the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2002, and from time to time in the Company's other filings with the Securities and Exchange Commission. Actual results could differ materially from those currently anticipated.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has operations in various foreign countries. In the normal course of business, these operations are exposed to fluctuations in currency values. Management believes that the impact of currency fluctuations does not represent a significant risk in the context of the Company's current international operations. In the normal course of business, the Company's non-U.S. operations enter into short-term forward contracts (generally not exceeding $15.0 million) to match purchases not denominated in their respective local currencies.

Market risks relating to the Company's operations result primarily from changes in interest rates, which are managed by balancing the mix of variable- versus fixed-rate borrowings. Additionally, financial instruments, including swap agreements, are used to manage interest rate exposures. Approximately 49% of the Company's debt at November 30, 2002 bore interest at a variable rate and was sensitive to changes in interest rates compared to approximately 40% at May 31, 2002, with the increase due to seasonal borrowings. The Company is subject to the risk that market interest rates will increase and thereby increase the interest rates currently being charged under the 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 and other interest rate sensitive instruments as of November 30, 2002 (see also Note 5 in the Notes to Condensed Consolidated Financial Statements):

($ amounts in millions)
FISCAL YEAR MATURITY -

DEBT
OBLIGATIONS
2003 2004
2005 2006
2007 TOTAL
- --------

Lines of
credit $
28.0 $ - $
- $ - $ -
$ 28.0
Average
interest
rate 5.83%
Long-term
debt
including
current
portion:
Fixed rate
debt $ - $
125.0 $ -
$ - $
300.0 $
425.0
Average
interest
rate 7.00%
5.75%
Variable
rate debt
$ 0.1 $
0.3 $
191.3 $ -
$ - $
191.7
Average
Interest
Rate 5.00%
5.00%
2.38% - --

INTEREST
RATE
DERIVATIVE
FINANCIAL
INSTRUMENTS
RELATED TO
DEBT
Interest
rate
swaps:
Notional
amount $ -
$ - $ - $
- $ 100.0
$ 100.0
Average
variable
pay rate
2.70%
Average
fixed
receive
rate 5.75%
- --------

SCHOLASTIC CORPORATION
ITEM 4. CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer of the Company, after conducting an evaluation, together with other members of the Company's management, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of a date within 90 days of the filing of this report, have concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in its reports filed or submitted under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the "SEC"). There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to that evaluation, and there were no significant deficiencies or material weaknesses in such controls requiring corrective actions.

PART II - OTHER INFORMATION

SCHOLASTIC CORPORATION
ITEM 1. LEGAL PROCEEDINGS

For information concerning the settlement of a previously reported action entitled IN RE SCHOLASTIC CORPORATION SECURITIES LITIGATION, see "Part II - Other Information - Item 1. Legal Proceedings" in the Company's Quarterly Report on Form 10-Q for the period ended August 31, 2002.

On January 14, 2003, Scholastic Inc. acquired all worldwide rights to the "Goosebumps(R)" property, including trademark, copyright, publication and media rights, for an aggregate of $9.65 million in cash from Parachute Press, Inc. and affiliated entities (collectively, "Parachute"). The acquisition is expected to be earnings neutral in fiscal 2003.

In connection with this transaction, Scholastic and its affiliates and Parachute and R.L. Stine each agreed to dismiss with prejudice the previously disclosed lawsuits, captioned SCHOLASTIC INC. AND SCHOLASTIC ENTERTAINMENT INC. V. PARACHUTE PRESS, INC., PARACHUTE PUBLISHING, LLC, PARACHUTE CONSUMER PRODUCTS, LLC, AND R.L. STINE (Index No. 99/600512); PARACHUTE PRESS, INC. V. SCHOLASTIC INC., SCHOLASTIC PRODUCTIONS, INC. AND SCHOLASTIC ENTERTAINMENT INC. (Index No. 99/600507); and PARACHUTE PRESS, INC. V. SCHOLASTIC INC., SCHOLASTIC PRODUCTIONS, INC. AND SCHOLASTIC ENTERTAINMENT INC., 97 Civ. 8510 (JFK), and to release the other parties from all claims regarding the disputes.

SCHOLASTIC CORPORATION
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Stockholders of the Company was held on September 24, 2002. The following sets forth the results of the proposals presented at the Annual Meeting voted upon by the stockholders of the Company entitled to vote thereon:

Holders of the 1,656,200 shares of Class A Stock (comprising all outstanding shares of Class A Stock) voted in favor of electing Richard Robinson, Rebeca M. Barrera, Ramon Cortines, Charles T. Harris III, Andrew S. Hedden, Mae C. Jemison, Peter M. Mayer, Augustus K. Oliver and Richard M. Spaulding as directors to serve until the next annual meeting of stockholders and until their successors are duly elected and qualified.

Holders of the Common Stock elected the following three nominees as directors to serve until the next Annual Meeting of Stockholders or until their successors are duly elected and qualified. Votes cast by holders of the Common Stock were as follows:

NOMINEE
FOR
WITHHELD -
------ ---

John L. Davies	28,882,605	962,463
Linda B. Keene	28,881,079	963,949
John G. McDonald	28,995,395	849,633

ITEM 5. OTHER INFORMATION

PRE-APPROVAL OF NON-AUDIT SERVICES

In accordance with Section 10A(i) of the Exchange Act, the Audit Committee of the Board of Directors of the Company has pre-approved the provision of certain tax advice to the Company by its independent auditors, Ernst & Young, LLP, as permitted by Section 10A.

INVESTOR RELATIONS

The Company posts on its Web site, www.scholastic.com/aboutscholastic/investor/index.htm, the date of its upcoming financial press releases and telephone analyst calls at least five days prior to dissemination. The Company's analyst calls are open to the public and remain available to the public through the Company's Web site for at least five days thereafter.

GALLIMARD

On December 30, 2002, the Company sold a portion of its approximately 3.0% interest in the French publishing company, Editions Gallimard ("Gallimard"), for $5.2 million, representing a pre-tax gain of $2.9 million (approximately $0.04 per diluted share) to be recorded in the third quarter of fiscal 2003. The Company originally acquired its interest in Gallimard in October, 1996 for $3.4 million. The Company retains an approximately 1% indirect ownership interest in Gallimard.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
10.21	Scholastic Corporation Management Stock Purchase Plan, Amended and Restated effective as of December 18, 2002

(b) Reports on Form 8-K:

None

SIGNATURES

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

SCHOLASTIC CORPORATION
(Registrant)

Date: January 14, 2003

/s/ Richard Robinson

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

Date: January 14, 2003

/s/ Kevin J. McEnery

Kevin J. McEnery
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

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 quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: January 14, 2003 /s/ Richard Robinson

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

SCHOLASTIC CORPORATION
CERTIFICATIONS

I, Kevin J. McEnery, the principle 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 quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: January 14, 2003 /s/ Kevin J. McEnery

Kevin J. McEnery
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

SCHOLASTIC CORPORATION
CURRENT REPORT ON FORM 10-Q, DATED NOVEMBER 30, 2002
EXHIBITS INDEX

EXHIBIT
NUMBER
DESCRIPTION

OF DOCUMENT
------- ---

10.21 Scholastic Corporation Management Stock Purchase Plan, Amended and Restated as of December 18, 2002 (a management compensation plan as described in Item 601 (b)(10)(iii) of Regulation S-K of the SEC).

EXHIBIT 10.21

- --

SCHOLASTIC CORPORATION
MANAGEMENT STOCK PURCHASE PLAN

- --

Effective January 1, 1999

Amended and Restated Effective December 18, 2002

SCHOLASTIC CORPORATION
MANAGEMENT STOCK PURCHASE PLAN
(Amended and Restated Effective December 18, 2002)

Table Of Contents

SCHOLASTIC CORPORATION
MANAGEMENT STOCK PURCHASE PLAN
(AMENDED AND RESTATED EFFECTIVE DECEMBER 18, 2002)

ARTICLE 1 - INTRODUCTION

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

ARTICLE 2 - DEFINITIONS

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

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

2.3 AWARD VALUE - the Fair Market Value of a share of Common Stock on the Award Date.

2.4 BENEFICIARY - a Beneficiary or Beneficiaries designated by the Participant under Article 9.

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

2.6 BOARD OF DIRECTORS - the Board of Directors of the Company or the Executive Committee of such Board of Directors.

2.7 CAUSE - any of the following: (i) any act or acts by the Participant constituting a felony under the laws of the United States, any state thereof, or any political subdivision thereof, (ii) the Participant's willful and continued failure to perform the duties assigned to him or her as an employee of the Company or Affiliate; (iii) any material breach by the

Participant of any employment agreement with the Company or Affiliate; (iv) dishonesty, gross negligence or malfeasance by the Participant in the performance of his or her duties as an employee of the Company or any Affiliate or any conduct by the Participant which involves a material conflict of interest with any business of the Company or its Affiliates; or (v) taking or knowingly omitting to take any other action or actions in the performance of the Participant's duties as an employee of the Company or its Affiliates without informing appropriate members of management to whom such Participant reports, which in the determination of the Committee have caused or substantially contributed to the material deterioration in the business of the Company and its Affiliates, taken as a whole.

2.8 CODE - the Internal Revenue Code of 1986, as amended from time to time.

2.9 COMMITTEE - the committee of the Board of Directors authorized to administer the Plan. To the extent that no Committee exists which has the authority to administer the Plan, the functions of the Committee shall be exercised by the Board of Directors. The Committee shall consist of two or more non-employee directors, each of whom is intended to be, to the extent required by Rule 16b-3, a "non-employee director" as defined in Rule 16b-3. If for any reason the appointed Committee does not meet the requirements of Rule 16b-3, such noncompliance shall not affect the validity of any grants of RSUs hereunder, interpretations or other actions of the Committee.

2.10 COMMON STOCK OR STOCK - common stock of the Company, par value $.01 per share.

2.11 COMPANY - Scholastic Corporation, a corporation organized under the laws of the State of Delaware (or any successor).

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

2.13 DEFERRAL PERIOD - a period of time (expressed in whole years) not less than three years beginning on an Award Date as specified by the Participant in his or her Subscription Agreement (as may be modified by the Participant from time to time in accordance with procedures established by or on behalf of the Committee) with respect to RSUs awarded on that Award Date; provided, however, that the Committee may establish, in its sole discretion, a fixed date as the end of the Deferral Period or fixed period specified with respect to RSUs awarded on that Award Date.

2.14 DISABILITY - complete and permanent inability by reason of illness or accident to perform the duties of the occupation at which the Participant was employed when such disability commenced, as determined by the Committee based on medical evidence available to it.

2.15 EXCHANGE ACT - the Securities Exchange Act of 1934, as amended.

2.16 FAIR MARKET VALUE - unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, as of any date, the last sales price reported for the Common Stock on the applicable date: (i) as reported on the principal national securities exchange on which it is then traded or the NASDAQ Stock Market, Inc. or (ii) if not traded on any such national securities exchange or the NASDAQ Stock Market, Inc. as quoted on an automated quotation system sponsored by the National Association of Securities Dealers, Inc. If the Common Stock is not readily tradable on a national securities exchange, the NASDAQ Stock Market, Inc. or any automated quotation system sponsored by the National Association of Securities Dealers, Inc., its Fair Market Value shall be set in good faith by the Committee.

2.17 FISCAL YEAR - the fiscal year of the Company.

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

2.19 PARTICIPANT - a management employee of the Company or any Affiliate who satisfies the eligibility requirements under Article 5 of the Plan and elects to participate in the Plan in accordance with its terms.

2.20 PLAN - the Scholastic Corporation Management Stock Purchase Plan, as amended from time to time.

2.21 PLAN YEAR - the Fiscal Year, except that the first Plan Year shall be the short year beginning on the effective date of the Plan and ending on May 31, 1999.

2.22 RETIREMENT - termination of employment with the Company and all Affiliates on or after age fifty-five (55); provided that, with respect to any Deferral Period commencing on or after January 1, 2003, "Retirement" shall mean a termination of employment with the Company and all Affiliates on or after age fifty-five (55) in accordance with the Company's standard retirement policies.

2.23 RULE 16b-3 - means Rule 16b-3 promulgated under Section 16(b) of the Exchange Act or any successor provision.

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

2.25 SUBSCRIPTION AGREEMENT - an agreement executed by a Participant setting forth his or her election to defer receipt of a portion or all of his or her Bonus for the Deferral Period and

to authorize the Company to credit such amount to the Plan in order to purchase an award of RSU. A Subscription Agreement shall contain such provisions, consistent with the provisions of the Plan, as may be established from time to time by the Company or Committee. Notwithstanding the foregoing, a Participant may amend a Subscription Agreement to extend a Deferral Period, in such manner prescribed by or on behalf of the Committee; provided that no such amendment shall be effective unless made at least (i) one (1) year prior to his or her termination of employment or (ii) one (1) year prior to the end of the Deferral Period specified in a current Subscription Agreement.

ARTICLE 3 - SHARES RESERVED

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

Such number of shares may be set aside out of the authorized but unissued shares of Common Stock not reserved for any other purpose, or out of issued shares of Common Stock acquired for and held in the treasury of the Company. If any RSU awarded under the Plan is forfeited, terminated or canceled for any reason, the share of Common Stock relating to such RSU shall again be available under the Plan. If Common Stock has been exchanged by a Participant as full or partial payment to the Company for withholding taxes or otherwise or if the number of shares of Common Stock otherwise deliverable has been reduced for withholding, the number of shares exchanged or reduced shall again be available under the Plan.

ARTICLE 4 - ADMINISTRATION

4.1 The Plan shall be administered by the Committee. The Committee may select an administrator or any other person to whom its duties and responsibilities hereunder may be delegated. The Committee shall have full power and authority, subject to the provisions of the Plan, to promulgate such rules and regulations as it deems necessary for the proper administration of the Plan, to interpret the provisions and supervise the administration of the Plan, and to take all actions in connection therewith or in relation thereto as it deems necessary or advisable. The Committee may adopt special guidelines and provisions for persons who are residing in, or subject to the laws of, Foreign Jurisdictions to comply with applicable tax and securities laws. All interpretations and determinations of the Committee shall be made in its sole and absolute discretion based on the Plan document and shall be final, conclusive and binding on all parties with respect to all matters relating to the Plan.

4.2 The Committee may employ such legal counsel, consultants, brokers and agents as it may deem desirable for the administration of the Plan and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant, broker or agent. The Committee may, in its sole discretion, designate an agent to administer the Plan, keep records, send statements of account to Participants and to perform other duties relating to the Plan, as the Committee may request from time to

time. The Committee may adopt, amend or repeal any guidelines or requirements necessary for the delivery of the Common Stock.

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

ARTICLE 5 - ELIGIBILITY

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

ARTICLE 6 - PURCHASES

6.1 GENERAL.
Each Participant shall be entitled to elect to receive up to one hundred (100%) percent of his or her Bonus as an award of RSU. As of the applicable Award Date, RSUs shall be awarded to Participants and credited to accounts held under the Plan on behalf of Participants on a book-entry basis calculated in the manner provided under Section 6.3.

6.2 VOLUNTARY PURCHASES.
No later than the last day of the first quarter of each Fiscal Year, each Participant may elect to receive up to one hundred (100%) percent of his or her Bonus for that Fiscal Year

as an award of RSUs by completing a Subscription Agreement. Notwithstanding the foregoing, for the first Plan Year of any Participant, a Participant may elect to participate in the Plan for that Plan Year no later than the date set by the Committee in its sole discretion pursuant to procedures set by the Committee. If an employee of the Company or an Affiliate first becomes eligible to participate hereunder during a Plan Year, such employee may elect to participate in the Plan for that Plan Year pursuant to procedures established by the Committee (solely with respect to the PRO RATA portion of the Bonus earned after the Subscription Agreement is executed and delivered to the Company). The Subscription Agreement shall provide that the Participant elects to receive RSUs in lieu of a specified portion of his or her Bonus. Such portion may be expressed as:

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

(b) a specified dollar amount, up to one hundred (100%) percent of the Participant's actual Bonus amount; or

(c) the lesser of the amount specified in Section 6.2(a) or (b).

Amounts specified pursuant to any of the methods set forth herein are entirely contingent on, and are limited to, the cash amount of Bonus actually awarded. Each Subscription Agreement, in addition, shall specify a Deferral Period with respect to the RSUs to which it pertains. The Committee may, in its sole discretion, permit the Deferral Period with respect to the RSUs to which it pertains to be changed upon one year's notice to the Committee. Other than with respect to the first Plan Year or with respect to an employee of the Company or an Affiliate who first becomes eligible to participate hereunder during a Plan Year, Subscription Agreements must be received by the Company no later than the last day of the first quarter of the Fiscal Year for which such Bonus amount will be determined. With respect to any Plan Year, an election to receive RSUs in lieu of a portion or all of a Bonus hereunder pursuant to a Subscription Agreement is irrevocable on and after the date the Subscription Agreement must be submitted to the Company and is valid solely for the Plan Year to which the election relates. If no new Subscription Agreement is timely made with respect to any subsequent Plan Year, the Bonus earned in such Plan Year shall not be deferred under the Plan.

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

ARTICLE 7 - VESTING AND PAYMENT OF RSUs

7.1 VESTING.
A Participant shall be fully vested in each RSU three years after the Award Date pertaining to that RSU (provided that the Participant is continuously employed (including any period during which the Participant is on a leave of absence, either paid or unpaid, which is approved by the Committee, or any other break in employment which is approved by the Committee) by the Company or any Affiliate for such years) or, if earlier, upon death while employed, Disability while employed or Retirement. The Committee may, in its sole discretion, accelerate (in whole or part) the time at which any such RSUs may be vested, based on such factors, if any, as the Committee shall determine in its sole discretion.

7.2 PAYMENT ON OR AFTER VESTING.
With respect to each vested RSU, the Company shall issue to the Participant one share of Common Stock and cash in lieu of any fractional RSU as soon as practicable after the end of the Deferral Period specified in the Participant's Subscription Agreement pertaining to such RSU, or, if earlier, the Participant's termination of employment with the Company and its Affiliates or the termination of the Plan.

7.3 PAYMENT PRIOR TO VESTING.

(a) VOLUNTARY TERMINATION; TERMINATION FOR CAUSE. If a Participant voluntarily terminates his or her employment with the Company and its Affiliates for reasons other than death or Disability or is involuntarily terminated by the Company or an Affiliate for Cause, the Participant's nonvested RSUs shall be canceled, and he or she shall receive as soon as practicable after his or her termination of employment with the Company and its Affiliates a cash payment equal to the lesser of:

i) an amount equal to the number of those nonvested RSUs awarded on each Award Date multiplied by the respective Cost of those RSUs; or

ii) an amount equal to the number of those nonvested RSUs awarded on each Award Date multiplied by the Fair Market Value of a share of Common Stock on the date of the Participant's termination of employment with the Company and its Affiliates.

(b) INVOLUNTARY TERMINATION. If a Participant's employment is terminated by the Company and its Affiliates for any reason other than Cause, the Participant's nonvested RSUs shall be canceled and he or she shall receive payment as soon as practicable following his or her termination of employment with the Company and its Affiliates as described below:

i) The number of nonvested RSUs awarded on each Award Date shall be multiplied by a fraction, the numerator of which is the number of full years that the Participant was employed by the Company and its Affiliates after that Award Date and the denominator of which is three; and the Participant shall receive the resulting number of such whole RSUs in shares of Common Stock, with any fractional RSU paid in cash.

ii) With respect to the Participant's remaining nonvested RSUs, the Participant shall receive cash in an amount equal to the lesser of: (A) the number of such nonvested RSUs awarded on each Award Date multiplied by the respective Cost of those RSUs; or (B) the number of those nonvested RSUs awarded on each Award Date multiplied by the Fair Market Value of a share of Common Stock on the date of the Participant's termination of employment with the Company and its Affiliates.

(c) COMMITTEE'S DISCRETION. The Committee shall have complete discretion to determine the circumstances of a Participant's termination of employment with the Company and its Affiliates, including whether the same results from voluntary termination, Disability, Retirement, death or termination by the Company for or not for Cause, and the Committee's determination shall be final and binding on all parties and not subject to review or challenge by any Participant or other person.

ARTICLE 8 - DIVIDEND EQUIVALENT AMOUNTS

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

ARTICLE 9 - DESIGNATION OF BENEFICIARY

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

ARTICLE 10 - ADJUSTMENTS

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

(a) the number or kind of shares of Common Stock or securities with respect to which RSUs shall thereafter be granted;

(b) the number and kind of shares of Common Stock remaining subject to outstanding RSUs;

(c) the number of RSUs credited to each Participant; and

(d) the method of determining the value of RSUs.

ARTICLE 11 - AMENDMENT OR TERMINATION OF PLAN

The Company reserves the right to amend, terminate or freeze the Plan at any time, by action of its Board of Directors (or a duly authorized committee thereof) or the Committee, provided that no such action shall adversely affect a Participant's rights under the Plan with respect to RSUs awarded and vested before the date of such action. No amendment shall be effective unless approved by the stockholders of the Company if stockholder approval of such amendment is required to comply with any applicable law, regulation or stock exchange rule. Upon termination of the Plan, any vested RSU shall be paid in accordance with Section 7.2 of the Plan and any nonvested RSU shall be canceled and paid in accordance with Section 7.3(b) of the Plan except that such amount shall be paid as soon as administratively practicable following the Plan termination. Upon freezing of the Plan, all vested RSUs shall continue to be held under the Plan until the Deferral Period expires and all nonvested RSUs shall vest or become canceled in accordance with the terms of the Plan.

ARTICLE 12 - MISCELLANEOUS PROVISIONS

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

12.2 WITHHOLDING.
Participation in the Plan is subject to any required tax withholding on wages or other income of the Participant in connection with the Plan. Each Participant agrees, by

entering the Plan, that the Company or the Affiliate employing the Participant shall have the right to deduct any federal, state or local income taxes or other taxes, in its sole discretion, from any amount payable to the Participant under the Plan or from any payment of any kind otherwise due to the Participant. Upon the vesting of the RSU, prior to the issuance or delivery of shares of Common Stock or the payment of any cash hereunder, a Participant shall pay all required withholding to the Company and, if applicable, an Affiliate. Without limiting the generality of the foregoing, any withholding obligation with regard to any Participant may be satisfied by: (i) reducing the number of shares of Common Stock otherwise deliverable to the Participant; (ii) subject to the Committee's prior consent, any method approved by the Committee which may include the Participant delivering shares of Common Stock already owned for at least six months (or such other period to avoid an accounting charge against the Company's earnings) and held free and clear of all encumbrances to the Company; or (iii) by the Participant paying cash directly to the Company.

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

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

12.5 OBLIGATIONS UNFUNDED AND UNSECURED.
The Plan shall at all times be entirely unfunded, and no provision shall at any time be made with respect to segregating assets of the Company (including Common Stock) for payment of any amounts or issuance of any shares of Common Stock hereunder. No Participant or other person shall own any interest in any particular assets of the Company or any Affiliate (including Common Stock) by reason of the right to receive payment under the Plan, and any Participant or other person shall have only the rights of a general unsecured creditor of the Company with respect to any rights under the Plan. Nothing contained in this Plan and no action taken pursuant to the provisions of this Plan shall create or be construed to create a trust of any kind, or a fiduciary relationship amongst the

Company, any Affiliate, the Committee, and the Participants, their designated Beneficiaries or any other person. Any funds which may be invested under the provisions of this Plan shall continue for all purposes to be part of the general funds of the Company and no person other than the Company shall by virtue of the provisions of this Plan have any interest in such funds. If the Company decides to establish any accrued reserve on its books against the future expense of benefits payable hereunder, or if the Company establishes a rabbi trust under this Plan, such reserve or trust shall not under any circumstances be deemed to be an asset of the Plan.

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

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

12.8 RULE 16B-3
To the extent required, the Plan is intended to comply with Rule 16b-3 and the Committee shall interpret and administer the provisions of the Plan in a manner consistent therewith. If a management employee is designated by the Committee to participate hereunder, any election to receive an award of RSUs shall be deemed approved by such Committee and shall be deemed an exempt purchase under Rule 16b-3. Any provisions inconsistent with Rule 16b-3 shall be inoperative and shall not affect the validity of the Plan.

12.9 NO EMPLOYMENT RIGHTS.
The establishment and operation of this Plan shall not confer any legal rights upon any Participant or other person for a continuation of employment, nor shall it interfere with the rights of the Company or Affiliate to discharge any employee and to treat him or her without regard to the effect which that treatment might have upon him or her as a Participant or potential Participant under the Plan.

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

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

12.12 EFFECTIVE DATE OF PLAN.
The Plan is adopted, effective upon January 1, 1999, subject to approval of the stockholders of the Company as provided under applicable law, regulation or stock exchange rule.