

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the quarterly period ended
February 28, 1999

Commission File Number: 0-19860

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

DELAWARE

13-3385513

(State or other jurisdiction of incorporation (IRS Employer Identification No.)
or organization)

555 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. [X]

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

Title of each class -----	Number of shares outstanding as of March 31, 1999 -----
Common Stock, \$.01 par value	15,628,739
Class A Stock, \$.01 par value	828,100

PART I - FINANCIAL INFORMATION	Page

Item 1. Financial Statements	
Condensed Consolidated Statement of Operations for the Three and Nine Months Ended February 28, 1999 and 1998	1
Condensed Consolidated Balance Sheet at February 28, 1999 and 1998 and May 31, 1998	2
Condensed Consolidated Statement of Cash Flows for the Nine Months Ended February 28, 1999 and 1998	3
Notes to Condensed Consolidated Financial Statements	4
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	9
PART II - OTHER INFORMATION	
Item 1. Legal Proceedings	15
Item 6. Exhibits and Reports on Form 8-K	16
SIGNATURES	17

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	FEBRUARY 28,		FEBRUARY 28,	
	1999	1998	1999	1998
	----	----	----	----
Revenues	\$ 267.3	\$ 239.0	\$ 820.7	\$ 760.5
Operating costs and expenses:				
Cost of goods sold	133.5	121.8	406.6	394.5
Selling, general and administrative expenses	123.6	110.8	360.1	317.6
Depreciation	4.2	3.6	12.4	10.8
Goodwill and trademark amortization	1.1	1.6	3.9	5.0
Impairment of assets	--	11.4	--	11.4
	-----	-----	-----	-----
Total operating costs and expenses	262.4	249.2	783.0	739.3
Operating income/(loss)	4.9	(10.2)	37.7	21.2
Interest expense, net	(4.6)	(4.8)	(14.5)	(15.5)
Gain on sale of SOHO Group	--	10.0	--	10.0
	-----	-----	-----	-----
Income/(loss) before provision/(benefit) for income taxes	0.3	(5.0)	23.2	15.7
Provision/(benefit) for income taxes	0.1	(1.9)	8.8	6.0
	-----	-----	-----	-----
Net income/(loss)	\$ 0.2	\$ (3.1)	\$ 14.4	\$ 9.7
	-----	-----	-----	-----
Net income/(loss) per Class A and Common share:				
Basic	\$ 0.01	\$ (0.19)	\$ 0.88	\$ 0.60
Diluted	\$ 0.01	\$ (0.19)	\$ 0.86	\$ 0.60

SEE ACCOMPANYING NOTES

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

	February 28, 1999	May 31, 1998	February 28, 1998
	(UNAUDITED)		(UNAUDITED)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1.6	\$ 5.1	\$ 0.9
Accounts receivable less allowance for doubtful accounts	129.2	116.7	116.3
Inventories	267.6	199.3	244.2
Deferred taxes	48.1	41.8	29.9
Prepaid and other deferred expenses	24.2	19.8	27.8
Total current assets	470.7	382.7	419.1
Property, plant and equipment, net	143.0	136.8	132.9
Prepublication costs	88.2	86.3	88.8
Other assets and deferred charges	170.1	157.8	161.6
Total assets	\$ 872.0	\$ 763.6	\$ 802.4
LIABILITIES & STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Lines of credit	\$ 15.7	\$ 9.8	\$ 3.3
Accounts payable	105.5	76.9	82.3
Accrued royalties	35.6	19.4	31.4
Deferred revenue	21.8	10.5	21.6
Other accrued expenses	55.7	65.1	51.2
Total current liabilities	234.3	181.7	189.8
NONCURRENT LIABILITIES:			
Long-term debt	277.9	243.5	287.9
Other noncurrent liabilities	22.0	20.3	18.7
Total noncurrent liabilities	299.9	263.8	306.6
STOCKHOLDERS' EQUITY:			
Class A Stock, \$.01 par value	0.0	0.0	0.0
Common Stock, \$.01 par value	0.2	0.2	0.2
Additional paid-in capital	211.5	205.1	204.8
Accumulated earnings	169.0	154.6	140.7
Accumulated other comprehensive income:			
Foreign currency translation adjustment	(6.1)	(5.0)	(2.9)
Less shares held in treasury	(36.8)	(36.8)	(36.8)
Total stockholders' equity	337.8	318.1	306.0
	\$ 872.0	\$ 763.6	\$ 802.4

SEE ACCOMPANYING NOTES

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

	NINE MONTHS ENDED 1999	FEBRUARY 28, 1998
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 45.1	\$ 43.5
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Prepublication costs	(28.8)	(18.3)
Additions to property, plant and equipment	(18.1)	(11.3)
Royalty advances	(18.1)	(23.4)
Business and trademark acquisition-related payments	(15.7)	(0.4)
Production costs	(11.9)	(8.9)
Proceeds from the sale of the SOHO Group	--	19.2
Other	(3.1)	(3.5)
	-----	-----
Net cash used in investing activities	(95.7)	(46.6)
CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES:		
Borrowings under loan agreement and revolver	213.1	210.3
Repayments of loan agreement and revolver	(178.9)	(210.6)
Borrowings under lines of credit	49.3	39.9
Repayments of lines of credit	(42.9)	(41.4)
Other	6.5	0.9
	-----	-----
Net cash provided by/(used in) financing activities	47.1	(0.9)
	-----	-----
Net decrease in cash and cash equivalents	(3.5)	(4.0)
Cash and cash equivalents at beginning of period	5.1	4.9
	-----	-----
Cash and cash equivalents at end of period	\$ 1.6	\$ 0.9
	-----	-----
SUPPLEMENTAL INFORMATION:		
Income taxes paid	\$ 20.2	\$ 11.4
Interest paid	\$ 17.2	\$ 18.7

SEE ACCOMPANYING NOTES

1. COMPANY

Scholastic Corporation (together with its subsidiaries, the "Company" or "Scholastic") is a global children's publishing and media company producing and distributing material for children, teachers and parents. Scholastic is among the leading publishers and distributors of children's books, classroom and professional magazines and other educational materials, with operations in the United States, the United Kingdom, Canada, Australia, New Zealand, Mexico, Hong Kong and India. Scholastic distributes most of its products directly to children and teachers in elementary and secondary schools. During its seventy-nine years of serving schools, Scholastic has developed strong name recognition associated with quality and dedication to learning and has achieved a leading market position in the school-based distribution of children's books and magazines. The Company has also used its proven system to develop successful children's books and then build these brands into multimedia assets.

2. BASIS OF PRESENTATION

The accompanying condensed consolidated 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 1997/1998 Annual Report to Stockholders.

The results of operations for the three and nine months ended February 28, 1999 and 1998 are not necessarily indicative of the results expected for the full year. Due to the seasonal fluctuations that occur, the prior year's February 28 balance sheet is included for comparative purposes.

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

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

3. RECENT ACCOUNTING PRINCIPLES

Effective June 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income." This statement establishes the standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. The components of comprehensive income are described in Note 6.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131 (SFAS 131), "Disclosures About Segments of an Enterprise and

3. RECENT ACCOUNTING PRINCIPLES (CONTINUED)

Related Information." This statement requires that public business enterprises report certain information about operating segments in financial statements of the enterprise issued to stockholders. It also requires that public business enterprises report certain information about their products and services, the geographic areas in which they operate, and their major customers. The Company is required to adopt the provisions of SFAS 131 for the fiscal year ending May 31, 1999. The Company expects to disclose additional information about the segments of the enterprise as required by SFAS 131.

In February 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 132 (SFAS 132), "Employer's Disclosures about Pensions and Other Post-Retirement Benefits." This statement revises employer's disclosures about pension and other post-retirement benefit plans. It standardizes the disclosure requirements for pensions and other post-retirement benefits, requires additional information on changes in the benefit obligations and fair values of plan assets that will facilitate financial analysis, and eliminates certain disclosures required under prior standards. The Company is required to adopt the provisions of SFAS 132 for the fiscal year ending May 31, 1999.

4. DEBT

LOAN AGREEMENT. The Company and Scholastic Inc. are joint and several borrowers under a Loan Agreement (the "Loan Agreement") with certain banks which provides for revolving credit loans and letters of credit. On April 11, 1995, the Company amended and restated the Loan Agreement, extending the expiration date to May 31, 2000 and expanding the facility to \$135.0, with a right, in certain circumstances, to increase it to \$160.0. The Loan Agreement was last amended on November 28, 1997. Interest charged under this facility is either at the prime rate or .325% to .90% over LIBOR (as defined). There is a commitment fee charged which ranges from .10% to .3625% on the unused portion. The amounts charged vary based upon certain financial measurements. The Loan Agreement contains certain financial covenants related to debt to overall capital and interest coverage ratios (as defined), and limits dividends and other distributions. At February 28, 1999, an aggregate of \$8.0 of borrowings and \$1.0 of letters of credit were outstanding under the Loan Agreement.

REVOLVER. The Company and Scholastic Inc. have entered into a Revolving Loan Agreement (the "Revolver") with Sun Bank, N. A., which provides for revolving credit loans and expires on May 31, 2000. The Revolver has certain financial covenants related to debt to overall capital and interest coverage ratios (as defined) and limits dividends and other distributions. On August 14, 1996, the Revolver was amended to increase the aggregate principal amount to \$35.0 and was last amended on November 28, 1997. At February 28, 1999, the aggregate amount of borrowings under the Revolver was \$31.5.

7% NOTES DUE 2003. In December 1996, the Company issued \$125.0 of 7% Notes due 2003 (the "Notes"). The Notes are unsecured and unsubordinated obligations of the Company and will

4. DEBT (CONTINUED)

mature on December 15, 2003. The Notes are not redeemable prior to maturity. Interest on the Notes is payable semi-annually on December 15 and June 15 of each year. The net proceeds (including accrued interest) from the issuance of the Notes were \$123.9 after deducting an underwriting discount and other related offering costs. The Company utilized the net proceeds primarily to repay amounts outstanding under the Loan Agreement and the Revolver.

CONVERTIBLE SUBORDINATED DEBENTURES. In August 1995, the Company sold \$110.0 of 5.0% Convertible Subordinated Debentures due August 15, 2005 (the "Debentures") under Regulation S and Rule 144A of the Securities Act of 1933. The Debentures are listed on the Luxembourg Stock Exchange and the portion sold under Rule 144A is designated for trading in the Portal system of the National Association of Securities Dealers, Inc. Interest on the Debentures is payable semi-annually on August 15 and February 15 of each year. The Debentures are redeemable at the option of the Company, in whole, but not in part, at any time on or after August 15, 1998 at 100% of the principal amount plus accrued interest. Each Debenture is convertible, at the holder's option, any time prior to maturity, into Common Stock of the Company at a conversion price of \$76.86 per share.

OTHER -- SHORT-TERM LINES OF CREDIT. At February 28, 1999, the Company's international subsidiaries had available aggregate lines of credit of \$36.9. There was \$15.7 outstanding under these credit lines at February 28, 1999.

5. CONTINGENCIES

The Company and certain officers have been named as defendants in litigation which alleges, among other things, violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, resulting from purportedly materially false and misleading statements to the investing public concerning the financial condition of the Company. On December 14, 1998, an order was entered granting the Company's motion to dismiss plaintiffs' complaint. In dismissing the complaint, the court held that plaintiffs failed to state a claim upon which relief can be granted and granted plaintiffs leave to amend the complaint. Pursuant to that order, plaintiffs filed a Second Consolidated Amended Complaint, on or about February 16, 1999, alleging substantially similar claims against the Company and one of its officers. The Company continues to believe that the litigation is without merit and will continue to vigorously defend against it.

On February 1, 1999, two subsidiaries of the Company commenced an action in the Supreme Court of the State Court of New York County of New York against Parachute Press, Inc. ("Parachute"), the licensor of certain publication and nonpublication rights to the GOOSEBUMPS-Registered Mark- series, certain affiliated Parachute companies and R.L. Stine, individually, alleging material breach of contract and fraud in connection with the agreements under which such GOOSEBUMPS rights are licensed to the Company. The case, is also, in part, the subject of two litigations commenced by Parachute following repeated notices from the Company to Parachute of material breaches by Parachute of the agreements under which such rights are licensed and the exercise by the Company of its contractual remedies under the agreements. The previously reported first Parachute action, in which two subsidiaries of the Company are defendants and counterclaim plaintiffs, was commenced in the federal court for the Southern

5. CONTINGENCIES (CONTINUED)

District of New York on November 14, 1997 and was dismissed for lack of subject matter jurisdiction on January 29, 1999. Parachute has filed an appeal of the dismissal. The second Parachute action, was filed contemporaneously with the filing of the Company's complaint on February 1, 1999 in the Supreme Court of the State Court of New York County of New York. In its two complaints and in its counterclaims, Parachute alleges that the exercise of contractual remedies by the Company was improper and seeks declaratory relief and unspecified damages for, among other claims, alleged breaches of contract and acts of unfair competition. Damages sought by Parachute include the payment of a total of approximately \$36.1 of advances over the term of the contract, of which approximately \$15.3 had been paid at the time the first Parachute litigation began. The Company is seeking declaratory relief and damages for, among other claims, breaches of contract, fraud and acts of unfair competition. Damages sought by the Company include repayment by Parachute of a portion of the \$15.3 advance already paid. The Company intends to vigorously pursue its claims against Parachute and the other named defendants and to vigorously defend the new lawsuit and the appeal. The Company does not believe that this dispute will have a material adverse effect on its financial condition.

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

6. COMPREHENSIVE INCOME/(LOSS)

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

	THREE MONTHS ENDED FEBRUARY 28,		NINE MONTHS ENDED FEBRUARY 28,	
	1999	1998	1999	1998
	-----	-----	-----	-----
Net income/(loss)	\$ 0.2	\$ (3.1)	\$ 14.4	\$ 9.7
Other comprehensive income/(loss):				
Foreign currency translation adjustment				
net of provision or benefit for income taxes	(0.9)	(0.8)	(0.8)	(1.4)
	-----	-----	-----	-----
Comprehensive income/(loss)	\$ (0.7)	\$ (3.9)	\$ 13.6	\$ 8.3
	-----	-----	-----	-----

7. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	THREE MONTHS ENDED FEBRUARY 28,		NINE MONTHS ENDED FEBRUARY 28,	
	1999	1998	1999	1998
Net income/(loss)	\$ 0.2	\$ (3.1)	\$ 14.4	\$ 9.7
Effect of debentures (1)	-	-	-	-
Net income/(loss) for diluted earnings per share	\$ 0.2	\$ (3.1)	\$ 14.4	\$ 9.7
Weighted average Class A and Common shares outstanding for basic earnings per share	16.4	16.2	16.3	16.2
Effect of debentures (1)	-	-	-	-
Effect of employee stock options(2)	0.5	-	0.4	0.1
Weighted average Class A and Common shares outstanding for diluted earnings per share	16.9	16.2	16.7	16.3
Net income/(loss) per Class A and Common share:				
Basic	\$ 0.01	\$ (0.19)	\$ 0.88	\$ 0.60
Diluted	\$ 0.01	\$ (0.19)	\$ 0.86	\$ 0.60

(1) For the three and nine months ended February 28, 1999 and 1998, the effect of the Debentures on the weighted average Class A and Common shares outstanding for diluted earnings per share was anti-dilutive and, therefore, is not included in the calculation.

(2) For the three months ended February 28, 1998, the effect of the employee stock options on the weighted average Class A and Common shares outstanding for diluted earnings per share was anti-dilutive and, therefore, is not included in the calculation.

RESULTS OF OPERATIONS

Revenues for the quarter ended February 28, 1999 increased 12% to \$267.3 from \$239.0 in the comparable quarter of the prior fiscal year, primarily due to a \$20.3, or 12%, increase in domestic book publishing revenues. Book club and book fair revenues increased by approximately 12% over the comparable quarter of the prior fiscal year. Book club revenues benefited from increased orders and higher revenue per order, reflecting expanded promotion efforts and strong product selection. Book fairs held a greater number of fairs due in part to the acquisition of assets of Pages Book Fairs, Inc. (the "Pages Acquisition") in the first quarter of the current fiscal year. Book fairs also benefited from higher revenue per fair from premium fairs which feature a broader product selection. Trade revenues increased by more than 15% due to the continued success of the Company's branded properties, such as ANIMORPHS(R), DEAR AMERICA(R), I SPY AND CLIFFORD THE BIG RED DOG(R), combined with the success of other properties such as TELETUBBIES(TM) and HARRY POTTER AND THE SORCERER'S STONE by J.K. Rowling. Media, TV/movie production and licensing revenues increased 41% to \$25.9 in the quarter ended February 28, 1999 from \$18.4 in the comparable quarter of the prior fiscal year, due to the strength of CD-ROM and media properties sales. International revenues remained level at \$41.0, although slightly higher in local currencies compared to the corresponding quarter of the prior fiscal year. Total revenues for the nine months ended February 28, 1999 increased 8% to \$820.7 from \$760.5 in the comparable period of the prior fiscal year.

As a percentage of revenue, cost of goods sold decreased by approximately 1.1% for the three months ended February 28, 1999 and approximately 2% for the nine months ended February 28, 1999, over the comparable periods of the prior year. The decrease in cost of goods sold as a percentage of revenue is due to a change in product mix, improved purchasing terms and lower paper costs, as well as modifying specifications in an effort to lower product costs. Selling, general and administrative expenses as a percentage of revenue were flat for the three months ended February 28, 1999 and increased by approximately 2.1% for the nine months ended February 28, 1999, compared to the corresponding periods of the prior year, in the case of the nine month period, reflecting additional operating expenses related to the Pages Acquisition and Year 2000 computer readiness costs, as well as other increases in spending due to higher book club and book fair activity.

Operating income for the quarter ended February 28, 1999 was \$4.9 compared to an operating loss of \$10.2 in the same quarter of the prior fiscal year. Operating income for the nine months ended February 28, 1999 increased by \$16.5, or 78%, versus the nine months ended February 28, 1998. The operating results for the quarter and nine months ended February 28, 1998 were negatively impacted by the \$11.4 non-cash charge relating to the impairment of assets.

Net income for the quarter ended February 28, 1999 was \$0.2, or \$0.01 per diluted share, versus a net loss of \$3.1, or \$0.19 per diluted share, in the comparable quarter of the prior year. Net income for the nine months ended February 28, 1999 was \$14.4, or \$0.86 per diluted share, versus \$9.7, or \$0.60 per diluted share, for the nine months ended February 28, 1998.

SEASONALITY

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

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

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents decreased by \$3.5 during the nine month period ended February 28, 1999, compared to a decrease of \$4.0 during the comparable period in the prior fiscal year.

For the nine months ended February 28, 1999, net cash provided by financing activities was \$47.1 compared to net cash used in financing activities of \$0.9 for the nine months ended February 28, 1998. Financing activities primarily consisted of borrowings and repayments under the Company's Loan Agreement and the Revolver. Borrowings under these facilities have been a primary source of the Company's liquidity.

Cash used in investing activities was \$95.7 and \$46.6 for the nine months ended February 28, 1999 and 1998, respectively. Investing activities consisted primarily of prepublication cost expenditures, capital expenditures, royalty advances, business and trademark acquisition-related payments and production cost expenditures. Prepublication cost expenditures increased \$10.5 to \$28.8 for the nine months ended February 28, 1999 over the comparable period in the prior fiscal year, largely due to the planned revision to SCHOLASTIC LITERACY PLACE(R). Capital expenditures increased \$6.8 to \$18.1 for the nine months ended February 28, 1999 compared to the corresponding period of the prior fiscal year, largely due to the equipping of a new office and distribution facility for the Company's Canadian subsidiary. Royalty advances decreased \$5.3 from fiscal 1998 to \$18.1 in fiscal 1999, reflecting reduced advance payments in connection with the GOOSEBUMPS contract extension and a royalty advance made in the third quarter of fiscal 1998 for the rights to the new STAR WARS(R) trilogy. For the nine months ended February 28, 1999, business and trademark acquisition-related payments were \$15.7, primarily related to business asset purchases referred to below. Production cost expenditures increased \$3.0 to \$11.9 in fiscal 1999 compared to the corresponding period of the prior fiscal year, resulting primarily from increased production costs associated with the first season of the ANIMORPHS(R) and DEAR AMERICA(TM) television series partially offset by decreased costs associated with the GOOSEBUMPS(R) series.

ACQUISITIONS

In the ordinary course of business, the Company explores domestic and international expansion opportunities, including potential niche and strategic acquisitions. As part of this process, the Company engages with interested parties in discussions concerning possible transactions. The Company will continue to evaluate such opportunities and prospects. Consistent with this strategy, in June 1998 the Company acquired certain book fair assets of Pages Book Fairs, Inc. and in January 1999 the Company acquired from International Thomson Publishing Inc., certain assets of Quality Education Data, which provides K-12 education data in the United States and Canada.

FINANCING

The Company currently maintains two unsecured credit facilities which provide for aggregate borrowings of up to \$170.0 (with a right, in certain circumstances, to increase to \$195.0), including the issuance of up to \$10.0 of letters of credit. The Company uses these facilities to fund seasonal cash flow needs and other working capital requirements. At February 28, 1999, the Company had \$39.5 in borrowings outstanding under these facilities at a weighted average interest rate of 6.03%. These two facilities expire May 31, 2000. The Company anticipates extending or replacing these facilities during calendar 1999 and does not anticipate any difficulty in negotiating satisfactory arrangements.

In addition, unsecured lines of credit available to the Company's United Kingdom, Canadian and Australian operations totaled \$36.9 at February 28, 1999. These lines are used primarily to fund working capital needs. At February 28, 1999, an aggregate of \$15.7 in borrowings were outstanding under these lines at a weighted average interest rate of 6.35%.

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

YEAR 2000 READINESS DISCLOSURE

As previously reported, management has initiated an enterprise-wide program to prepare the Company's computer systems and applications for the Year 2000, as well as to identify and address any other Year 2000 operational issues which may affect the Company. Progress reports on the Company's Year 2000 program are presented regularly to the Company's Board of Directors and senior management.

The Company's Year 2000 program, which was commenced in July 1997 and is administered by internal staff, assisted by outside consultants, consists of the following three components relating to the Company's operations: (i) information technology ("IT") computer systems and applications which may be impacted by the Year 2000 problem and the actions related thereto, (ii) non-IT systems and equipment which include embedded technology which may be impacted by the Year 2000 problem and actions related thereto and (iii) third party suppliers and customers with which the Company has material relationships and which could adversely affect

YEAR 2000 READINESS DISCLOSURE (CONTINUED)

the Company if such parties fail to be Year 2000 compliant and the actions related thereto. The general phases common to all three components of the Company's Year 2000 program are: (1) ASSESSMENT (the identification, assessment and prioritization of the Year 2000 issues facing the Company in each of the above areas and the actions to be taken in respect of such issues or items); (2) REMEDIATION (implementation of the specific actions determined upon assessment, including repair, modification or replacement of items that are determined not to be Year 2000 compliant); (3) TESTING (testing of the new or modified information systems, other systems and equipment to verify Year 2000 readiness); (4) CONTINGENCY PLANNING (designing appropriate contingency and business continuation plans for each Company business unit and location); and (5) IMPLEMENTATION (actual operation of such systems and equipment and, if necessary, the actual implementation of any contingency plans in the event Year 2000 problems occur, notwithstanding the Company's remediation program).

The progress to date of the three components of the Company's Year 2000 program for principal systems, applications or issues affected by the Year 2000 is as follows:

IT SYSTEMS AND APPLICATIONS. The principal IT systems and applications of the Company affected by Year 2000 issues are: order entry, purchasing, distribution and financial reporting. Issues related to vendor supplied software include financial reporting and certain infrastructure and operating system software. The Company has completed the Assessment and Remediation phases with respect to its principal IT systems and applications. In addition, the Company anticipates that the Testing, Contingency Planning and Implementation phases should be substantially completed by the end of May 1999. A test plan is in place. In addition to the foregoing, the Company expects to implement the remainder of Year 2000 remediated IT systems and applications based on current assessments prior to August 31, 1999. Excluding normal system upgrades, the Company estimates that total costs for conversion and testing of new or modified IT systems and applications will aggregate approximately \$13.3 through fiscal 2000, of which an aggregate of \$5.8 has been incurred to date. Total conversion and testing costs through fiscal 1999 are estimated at \$8.3.

NON-IT SYSTEMS AND EQUIPMENT. The principal non-IT systems and equipment of the Company incorporating embedded technology affected by Year 2000 issues include: security systems, phone systems, business machines, computers and distribution systems. The Company has substantially completed the Assessment of its principal non-IT software and applications, and the Remediation phase related to these principal systems was also substantially completed by the end of March 1999. The Testing, Contingency Planning and Implementation phases should be substantially completed by the end of May 1999. In addition to the foregoing, based on current assessments, the Company expects to implement the remainder of Year 2000 remediated non-IT systems and applications prior to August 31, 1999. The Company estimates the total costs for modifying or replacing new systems and equipment in this area will be approximately \$0.5 through fiscal 2000, of which an aggregate of \$0.1 has been incurred to date. Total modification and replacement costs through fiscal 1999 are estimated at \$0.4.

YEAR 2000 READINESS DISCLOSURE (CONTINUED)

MATERIAL THIRD PARTY RELATIONSHIPS. Material third party supplier relationships affected by Year 2000 issues relate primarily to printing, paper supplies, distribution, fulfillment, licensing and financial services. The Assessment and Remediation phases for determining the Year 2000 readiness of the Company's principal suppliers is an ongoing process. Substantially all of the Company's principal suppliers have reported that they have initiated Year 2000 programs. The Company will seek updates from these parties to attempt to ascertain the adequacy of their programs as it relates to the Company. Testing of critical systems or services will be done on an as needed basis. The Company anticipates that it will develop contingency plans with respect to its principal third party suppliers by the end of May 1999. There can be no assurance, however, that the Company will be able to predict adequately Year 2000 problems experienced by its suppliers or to develop adequate contingency plans related thereto. The costs to the Company in implementing its Year 2000 program in this area, excluding costs due to unanticipated third party Year 2000 problems, will principally consist of internal staff costs, which are not expected to be material. No single customer or small group of customers are material to the Company's financial condition.

Including the costs set forth above, the Company estimates that total program costs for implementing its Year 2000 program, which includes total costs noted above for IT systems and applications, will be approximately \$13.8, of which total program costs to date have been \$5.9. Total program costs through fiscal 1999 are estimated at \$8.7. These costs include costs related to the matters described above, as well as consulting and other expenses related to infrastructure and facilities enhancements necessary to prepare the Company for the Year 2000. The costs do not include internal staff costs incurred or to be incurred in connection with the implementation of the program. Costs are generally expected to be expensed as incurred, and it is expected that such costs will be funded by cash generated from the Company's operations or borrowings under its credit agreements. The above-stated amounts have been budgeted for the appropriate fiscal years. Projected Year 2000 costs for fiscal 1999 comprise approximately 25% to 30% of the Company's IT budget for that period. Based on the current progress of the Company's Year 2000 program, the Company anticipates its Year 2000 program will be substantially completed by August 31, 1999. As a result of the Company's Year 2000 program, delays in other new and continuing IT projects have occurred. However, no material adverse effect is anticipated from such delays as the Company has procedures in place in an effort to ensure that critical projects will be handled in a timely manner. The cost of the Company's Year 2000 program and the dates on which the Company plans to complete the components of the Year 2000 program are based on management's best estimates, which were derived utilizing numerous assumptions of future events, many of which are beyond the Company's control.

The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations of the Company. Such failures could materially and adversely affect the Company's financial condition, results of operations and cash flows. Based on current plans and assumptions, the Company does not expect that the Year 2000 issue will have a material adverse impact on the Company as a whole. Due to the general uncertainty inherent in the Year 2000 problem, however, there can be no assurance that all Year 2000 problems will be foreseen and corrected, or if foreseen, corrected on a timely basis, or that no material disruption to the Company's business or operations will occur. Further, the

YEAR 2000 READINESS DISCLOSURE (CONTINUED)

Company's expectations are based on the assumption that there will be no general failure of external local, national or international systems (including power, communication, postal or other transportation systems) necessary for the ordinary conduct of business. The Company is currently assessing those scenarios in which unexpected failures would have a material adverse effect on the Company and will attempt to develop contingency plans designed to deal with such scenarios. There can be no assurance, however, that successful contingency plans can, in fact, be developed or implemented.

SCHOLASTIC CORPORATION

ITEM 1. LEGAL PROCEEDINGS

As previously reported, three purported class action complaints were filed in the United States District Court for the Southern District of New York against the Company and certain officers seeking, among other remedies, damages resulting from defendants' alleged violations of federal securities laws. The complaints were consolidated. The Consolidated Amended Class Action Complaint (the "Complaint") was served and filed on August 13, 1997. The Complaint was styled as a class action, IN RE SCHOLASTIC SECURITIES LITIGATION, 97 Civ. 2447 (JFK), on behalf of all persons who purchased Company common stock from December 10, 1996 through February 20, 1997. The Complaint alleged, among other things, violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, resulting from purported materially false and misleading statements to the investing public concerning the financial condition of the Company. Specifically, the Complaint alleged misstatements and omissions by the Company pertaining to adverse sales and returns of its popular GOOSEBUMPS (R) book series prior to the Company's interim earnings announcement on February 20, 1997. In an order dated December 14, 1998, the United States District Court for the Southern District of New York granted the Company's motion to dismiss the Complaint. In dismissing the Complaint, the Court held that plaintiffs had failed to state a claim upon which relief could be granted and granted plaintiffs leave to amend and re-file the Complaint. Pursuant to that order, plaintiffs filed a second Consolidated Amended Class Action Complaint, on or about February 16, 1999, alleging substantially similar claims against the Company and one of its officers. The Company continues to believe that the litigation is without merit and shall vigorously defend against it.

On February 1, 1999, two subsidiaries of the Company commenced an action in the Supreme Court of the State Court of New York County of New York against Parachute Press, Inc. ("Parachute"), the licensor of certain publication and nonpublication rights to the GOOSEBUMPS -registered trademark- series, certain affiliated Parachute companies and R.L. Stine, individually, alleging material breach of contract and fraud in connection with the agreements under which such GOOSEBUMPS rights are licensed to the Company. The case, 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), is also, in part, the subject of two litigations commenced by Parachute following repeated notices from the Company to Parachute of material breaches by Parachute of the agreements under which such rights are licensed and the exercise by the Company of its contractual remedies under the agreements. The previously reported first Parachute action, PARACHUTE PRESS, INC. V. SCHOLASTIC INC., SCHOLASTIC PRODUCTIONS, INC. AND SCHOLASTIC ENTERTAINMENT INC., 97 Cir. 8510 (JFK), in which two subsidiaries of the Company are defendants and counterclaim plaintiffs, was commenced in the federal court for the Southern District of New York on November 14, 1997 and was dismissed for lack of subject matter jurisdiction on January 29, 1999. Parachute has filed an appeal of the dismissal. The second action, captioned PARACHUTE PRESS, INC. V. SCHOLASTIC INC., SCHOLASTIC PRODUCTIONS, INC. AND SCHOLASTIC ENTERTAINMENT INC. (Index No. 600507/99),

ITEM 1. LEGAL PROCEEDINGS (CONTINUED)

was filed contemporaneously with the filing of the Company's complaint on February 1, 1999 in the Supreme Court of the State Court of New York County of New York. In its two complaints and in its counterclaims, Parachute alleges that the exercise of contractual remedies by the Company was improper and seeks declaratory relief and unspecified damages for, among other claims, alleged breaches of contract and acts of unfair competition. Damages sought by Parachute include the payment of a total of approximately \$36.1 of advances over the term of the contract, of which approximately \$15.3 had been paid at the time the first Parachute litigation began. The Company is seeking declaratory relief and damages for, among other claims, breaches of contract, fraud and acts of unfair competition. Damages sought by the Company include repayment by Parachute of a portion of the \$15.3 advance already paid. The Company intends to vigorously pursue its claims against Parachute and the other named defendants and to vigorously defend the new lawsuit and the appeal. The Company does not believe that this dispute will have a material adverse effect on its financial condition.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit Number -----	Description of Document -----
10.14	Scholastic Corporation 1998 Employee Stock Purchase Plan, effective January 1, 1999
10.15	Scholastic Corporation 1998 Management Stock Purchase Plan, effective January 1, 1999
10.16	Second Amendment to the Scholastic Inc. 401(k) Savings and Retirement Plan, effective as of January 1, 1999
10.17	Fourth Amendment to the Retirement Income Plan for Employees of Scholastic Inc., effective as of January 1, 1999
27.1	Financial Data Schedule for the Nine Months Ended February 28, 1999
27.2	Financial Data Schedule Restated for the Nine Months Ended February 28, 1998
27.3	Financial Data Schedule Restated for the fiscal year ended May 31, 1998

SCHOLASTIC CORPORATION
SIGNATURES

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

SCHOLASTIC CORPORATION
(Registrant)

Date: April 14, 1999

/s/ Richard Robinson

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

Date: April 14, 1999

/s/ Kevin J. McEnery

Kevin J. McEnery
Executive Vice President and
Chief Financial Officer

SCHOLASTIC CORPORATION
FORM 10-Q FOR QUARTERLY PERIOD ENDED FEBRUARY 28, 1999
EXHIBIT INDEX

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SCHOLASTIC CORPORATION
1998 EMPLOYEE STOCK PURCHASE PLAN

Effective January 1, 1999

SCHOLASTIC CORPORATION
1998 EMPLOYEE STOCK PURCHASE PLAN

TABLE OF CONTENTS

1.	Purpose.....	1
2.	Definitions.....	1
3.	Shares Reserved for Plan.....	4
4.	Administration of the Plan.....	4
5.	Participation in the Plan.....	5
6.	Purchase Price.....	6
7.	Method of Payment.....	6
8.	Employee's Election to Purchase. Grants of Options.....	6
9.	Exercise of Option.....	7
10.	Delivery of Common Stock.....	7
11.	Limitations of Number of Shares Which May Be Purchased.....	8
12.	Stockholder Rights.....	9
13.	Rights to Purchase Shares Not Transferable.....	9
14.	Cancellation of Election to Purchase.....	9
15.	Leave of Absence or Layoff.....	10
16.	Effect of Failure to Make Payments When Due.....	11
17.	Retirement.....	11
18.	Death.....	11
19.	Termination of Employment Other Than for Retirement or Death.....	12

20. Dividends and Interest.....12

21. Application of Funds.....12

22. Amendment and Termination.....12

23. Reports.....13

24. Effective Date; Governmental Approvals or Consents.....13

25. Notices.....13

26. Regulations and Other Approvals; Governing Law.....14

27. Withholding of Taxes.....14

28. Legend.....14

29. No Employment Rights.....15

30. Severability of Provisions.....15

31. Construction.....15

SCHOLASTIC CORPORATION

1998 EMPLOYEE STOCK PURCHASE PLAN

1. PURPOSE.

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

2. DEFINITIONS.

The following words or terms have the following meanings:

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

(b) "ANNUAL PAY" shall mean an amount equal to the sum of (i) the annual basic rate of pay of an Eligible Employee as determined from the payroll records of the Company, a Designated Subsidiary or Designated Parent on the effective date of an offer of Common Stock made pursuant to the Plan and (ii) such other types of compensation that may be paid to the Eligible Employee by the Company, a Designated Subsidiary or Designated Parent, as determined by the Committee to be included as Annual Pay; provided that any such determination shall be applied on a uniform and consistent basis to all Eligible Employees.

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

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

(e) "COMMITTEE" shall mean the committee of the Board of Directors of the Company appointed to administer the Plan. To the extent that no Committee exists which has the authority to administer the Plan, the functions of the Committee shall be exercised by the Board of Directors.

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

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

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

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

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

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

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

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

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

(o) "MARKET PRICE" for purposes of this Plan, unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, as of any date, the last sales price reported for the Common Stock on the applicable date: (i) as reported on the principal national securities exchange on which it is then traded or the Nasdaq Stock Market, Inc. or (ii) if not traded on any such national securities exchange or the Nasdaq Stock Market, Inc. as quoted on an automated quotation system sponsored by the National Association of Securities Dealers,

Inc. If the Common Stock is not readily tradable on a national securities exchange, the Nasdaq Stock Market, Inc. or any automated quotation system sponsored by the National Association of Securities Dealers, Inc., its Market Value shall be set in good faith by the Committee.

(p) "OFFERING DATE" shall mean such dates designated by the Committee in its sole discretion.

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

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

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

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

(u) "PURCHASE PERIOD" shall mean such period designated by the Committee during which installment payments for Common Stock purchased under the Plan shall be made.

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

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

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

(y) "SUBSCRIPTION PERIOD" shall mean that period of time designated by the Committee in any offer of Common Stock under the Plan beginning on the first day Eligible Employees may elect to purchase Shares and ending on the last day such elections to purchase are authorized to be received and accepted.

3. SHARES RESERVED FOR PLAN.

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

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

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

4. ADMINISTRATION OF THE PLAN.

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

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

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

5. PARTICIPATION IN THE PLAN.

Options to purchase the Company's Common Stock under the Plan shall be granted to all Eligible Employees; provided, however, that solely to the extent allowable under Section 423 of the Code, the Committee may determine that any offering of Common Stock under the Plan will not be extended to all or some officers, highly compensated employees of the Employer or to those employees whose principal duties consist of supervising the work of other employees. Any decision relating to the inclusion or exclusion of any executive officer (as defined in Rule 3b-7 promulgated under the Exchange Act as then in effect or any successor provisions) of the Employer pursuant to this Section shall be made only by the members of the

Committee who are not executive officers of the Employer and who have not participated or been eligible to participate in this Plan or any similar employee stock option plan for a period of at least one year prior to such determination.

6. PURCHASE PRICE.

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

7. METHOD OF PAYMENT.

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

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

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

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

(c) In the event a Participant makes a hardship withdrawal of employee deferral (401 (k)) contributions under a 401 (k) profit sharing plan of the Company, a Subsidiary, or a Parent or an affiliate or any other plan qualified under Section 401(a) of the Code that contains a Code Section 401(k) feature, to the extent required by such plan, such Participant's

payroll deductions and the purchase of Shares under the Plan shall be suspended until the first payroll period following the Offering Date commencing after the twelve (12) month period after such hardship withdrawal. If a Participant who elects a hardship withdrawal under such a 401 (k) profit sharing plan or such other plan has a cash balance accumulated in his or her account at the time of withdrawal that has not already been applied to purchase Shares, such cash balance shall be returned to the Participant as soon as administratively practicable.

9. EXERCISE OF OPTION.

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

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

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

10. DELIVERY OF COMMON STOCK.

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

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

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

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

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

(i) if, immediately after the grant, such individual (or any other person whose stock would be attributed to such individual pursuant to Section 424(d) of the Code) would own stock and/or hold outstanding Options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Subsidiary or Parent; or

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

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

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

12. STOCKHOLDER RIGHTS.

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

13. RIGHTS TO PURCHASE SHARES NOT TRANSFERABLE.

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

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

14. CANCELLATION OF ELECTION TO PURCHASE.

(a) An Eligible Employee who has elected to purchase Shares during a Purchase Period may (i) cancel his or her election with respect to such Purchase Period in the amount which he or she has authorized the Company to withhold from his pay for each payroll period during the Purchase Period. Any such full or partial cancellation shall be effective upon the delivery by the Eligible Employee of sufficient prior written notice of cancellation on a form provided by, or acceptable to, the Committee for such purpose to the office or person designated by the Committee to receive such elections. Such notice of cancellation must be so delivered before the close of business on the Exercise Date. If an Eligible Employee partially cancels his original election by reducing the amount authorized to be withheld from his pay, he or she shall continue to make installment payments at the reduced rate for the remainder of the Purchase Period. Only one partial cancellation may be made during a Purchase Period, unless otherwise determined by the Committee.

(b) An Eligible Employee's rights upon the full or partial cancellation of his or her election to purchase Shares shall be limited to the following:

(i) to receive in cash, as soon as practicable after delivery of the notice of cancellation, the cash balance (without interest) then credited to his or her account, except, in the case of a partial cancellation, he or she must retain in his or her account the cumulative installment payments made through the date of cancellation until the end of the Purchase Period, or

(ii) to have the cash balance credited to his account at the time the cancellation becomes effective applied to the purchase of the number of Shares such amount will then purchase at the end of the Purchase Period.

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

15. LEAVE OF ABSENCE OR LAYOFF.

(a) A Participant who is granted a leave of absence (including a military leave) or is laid off during a Purchase Period may at that time (on a form provided by the Company) elect within such period prescribed by the Committee, one of the following:

(i) to suspend payments during the leave of absence, or, in the case of a layoff, he or she may suspend payments for not more than ninety (90) days, but not in either case beyond the last month of the Purchase Period, or

(ii) to cancel his election in accordance with Section 14.

(b) If the option described in subparagraph (i) of paragraph (a) above is elected by the Participant, the Participant at the end of the suspension period must make up the deficiency in his account either by immediate lump sum payment or with installment payments so that, assuming the maximum purchase price per Share, payment for the maximum number of Shares covered by his option will be completed in the last month of the Purchase Period. If the Participant elects to make increased installment payments, he or she may, nevertheless, at any time make up his or her remaining deficiency by making a lump sum payment.

(c) If a Participant does not return to active service upon the expiration of his or her leave of absence or within ninety (90) days from the date of his or her layoff, his or her election to purchase shall be deemed to have been canceled at the time of the leave of absence or layoff. In the event that such individual's leave of absence ends and such individual again becomes an Eligible Employee, payroll deductions shall resume automatically in accordance with his or her most recent payroll deduction authorization form in effect prior to the leave of absence, unless he or she elects otherwise.

(d) Notwithstanding any other provision in this Section 15 to the contrary, in no event shall a Participant be permitted to complete payment for any Shares after twenty-seven (27) months from the date of the commencement of the Subscription Period.

16. EFFECT OF FAILURE TO MAKE PAYMENTS WHEN DUE.

(a) If in any payroll period, for any reason not set forth in Section 14, a Participant who has filed an election to purchase Shares under the Plan has no pay or his or her pay is insufficient (after other authorized deductions) to permit deduction of his or her installment payment, the Participant may make a payment to the Plan in cash at such time equal to the amount of the installment payment deficiency. If such cash payment is not so made, the Participant, when his or her pay is again sufficient to permit the resumption of installment payments, must pay in cash the amount of the deficiency in his or her account or arrange for uniformly increased installment payments so that, assuming the maximum purchase price per Share, payment for the maximum number of Shares covered by his or her Option will be completed in the last month of the Purchase Period. If the Participant elects to make increased installment payments, he or she may, nevertheless, at any time make up the remaining deficiency by making a lump sum payment.

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

17. RETIREMENT.

(a) If a Participant officially retires, as determined by the Committee, at such time that he or she has an election to purchase Shares in effect, he or she may, within three (3) months after the date of his or her retirement date (but in no event later than the end of the Purchase Period), by delivering written notice to the office or person designated to receive elections within such time period as prescribed by the Committee, elect to:

(i) Complete the remaining installment payments in cash;

(ii) Make a lump sum payment in the amount of any deficiency for the remaining portion of the Purchase Period; or

(iii) Cancel his or her election to purchase Shares in accordance with the provisions of Section 14.

If no such notice is given within such period, the election will be deemed canceled as of the date of retirement and the only right of the Participant will be to receive in cash, the cash amount credited to his or her account.

18. DEATH.

If a Participant, including a retired Participant, dies and has an election to purchase Shares in effect at the time of his or her death, the legal representative of the deceased Participant may, within three (3) months from the date of death (but in no event later than the end

of the Purchase Period), by delivering written notice on a form prescribed by the Committee to the office or person designated to receive elections within such time period as prescribed by the Committee, elect to:

(a) Complete the remaining installment payments in cash;

(b) Make a lump sum payment in the amount of any deficiency for the remaining portion of the Purchase Period; or

(c) Cancel the election to purchase Shares in accordance with the provisions of Section 14.

If no such notice is given within such period, the election will be deemed canceled as of the date of death, and the only right of such legal representative will be to receive in cash the amount credited to the deceased Eligible Employee's account.

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

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

20. DIVIDENDS AND INTEREST.

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

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

21. APPLICATION OF FUNDS.

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

22. AMENDMENT AND TERMINATION.

The Company, by action of the Board of Directors (or a duly authorized committee) or the Committee may at any time terminate, amend or freeze the Plan. No such termination shall adversely affect Options previously granted and no amendment may make any change in any Option theretofore granted which adversely affects the rights of any Participant.

No amendment shall be effective unless approved by the stockholders of the Company if stockholder approval of such amendment is required to comply with Section 423 of the Code or to comply with any other applicable law, regulation or stock exchange rule. Upon termination of the Plan, the Company shall return or distribute the payroll deductions credited to a Participant's account (that have not been used to purchase Shares) and shall distribute or credit Shares credited to a Participant's account. Upon the freezing of the Plan, any payroll deductions credited to a Participant's account (that have not been used to purchase Shares) shall be used to purchase Shares in accordance with Section 9, substituting the term Exercise Date with the effective date of the freezing of the Plan.

23. REPORTS.

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

24. EFFECTIVE DATE; GOVERNMENTAL APPROVALS OR CONSENTS.

The Plan is adopted, effective upon January 1, 1999, subject to the approval of the Plan by stockholders of the Company, to the extent required by Section 423 of the Code, in accordance with the Company's Certificate of Incorporation then in effect and applicable state law, within twelve (12) months before or after the Plan is adopted by the Board of Directors. The Plan and any offerings and sales to Eligible Employees under it are subject to any governmental approvals or consents that may be or become applicable in connection therewith. The Board of Directors or the Committee may make such changes in the Plan and include such terms in any offering under the Plan as may be necessary or desirable, in the opinion of counsel, so that the Plan will comply with the rules and regulations of any governmental authority and so that Eligible Employees participating in the Plan will be eligible for tax benefits under the Code or the laws of any state.

25. NOTICES.

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

26. REGULATIONS AND OTHER APPROVALS; GOVERNING LAW.

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

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

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

27. WITHHOLDING OF TAXES.

(a) If the Participant makes a disposition, within the meaning of Section 424(c) of the Code and regulations promulgated thereunder, of any Share or Shares issued to such Participant pursuant to such Participant's exercise of an Option, and such disposition occurs within the two-year period commencing on the day after the Offering Date or within the one-year period commencing on the day after the Exercise Date, such Participant shall immediately, or as soon as practicable thereafter, notify the Company thereof and thereafter immediately deliver to the Company any amount of federal, state or local income taxes and other amounts which the Company informs the Participant the Company is required to withhold.

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

28. LEGEND.

(a) The Committee may require each person receiving shares pursuant to the exercise of an Option under the Plan to represent to and agree with the Company in writing that

the Participant is acquiring the shares without a view to distribution thereof. In addition to any legend required by this Plan, the certificates for such Shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

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

29. NO EMPLOYMENT RIGHTS.

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

30. SEVERABILITY OF PROVISIONS.

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

31. CONSTRUCTION.

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

SCHOLASTIC CORPORATION
MANAGEMENT STOCK PURCHASE PLAN

Effective January 1, 1999

SCHOALSTIC CORPORATION
MANAGEMENT STOCK PURCHASE PLAN

Table Of Contents

Article 1 - Introduction.....	1
Article 2 - Definitions.....	1
Article 3 - Shares Reserved.....	4
Article 4 - Administration.....	4
Article 5 - Eligibility.....	5
Article 6 - Purchases and Award of RSUs.....	5
Article 7 - Vesting and Payment of RSUs.....	6
Article 8 - Dividend Equivalent Amounts.....	8
Article 9 - Designation of Beneficiary.....	8
Article 10 - Adjustments.....	8
Article 11 - Amendment or Termination of Plan.....	9
Article 12 - Miscellaneous Provisions.....	9

SCHOLASTIC CORPORATION
MANAGEMENT STOCK PURCHASE PLAN

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 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 restricted stock units 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 date a Bonus for a year is paid or otherwise would be 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 the Company's Annual Incentive Plan.
- 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 or consultant of the Company or Affiliate; (iii) any material breach by the Participant of any employment or consulting 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 or consultant of the Company or Affiliate or any conduct by the Participant which involves a material conflict of interest

with any business of the Company or Affiliate; or (v) the taking or knowingly omitting to take any other action or actions in the performance of the Participant's duties as an employee or consultant of the Company or Affiliate without informing appropriate members of management to whom such Participant reports, which action or actions, 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 eighty-five (85%) percent of the Fair Market Value of a share of Common Stock on 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. Effective as of the effective date of the Plan until modified by the Committee, the Cost shall be eighty-five (85%) percent of the Fair Market Value of a share of Common Stock on the 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 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).
- 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.

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 and, to the extent not covered by insurance, indemnify each director, officer or employee of the Company and its Affiliates (including the heirs, executors, administrators and other personal representatives of such person) and each member of the Committee against all expenses, costs, liabilities and losses (including attorneys' fees, judgments, fines, excise taxes or penalties, and amounts paid or to be paid in settlement) actually and reasonably incurred by such person in connection with any

threatened, pending or actual suit, action or proceeding (whether civil, criminal, administrative or investigative in nature or otherwise) in which such person may be involved by reason of the fact that he or she is or was serving this Plan in any capacity at the request of the Company, except in instances where any such person engages in willful neglect or fraud. Such right of indemnification shall include the right to be paid by the Company for expenses incurred or reasonably anticipated to be incurred in defending any such suit, action or proceeding in advance of its disposition; provided, however, that the payment of expenses in advance of the settlement or final disposition of a suit, action or proceeding shall be made only upon delivery to the Company of an undertaking by or on behalf of such person to repay all amounts so advanced if it is ultimately determined that such person is not entitled to be indemnified hereunder. Such indemnification shall be in addition to any rights of indemnification the person may have as a director, officer or employee or under the Certificate of Incorporation of the Company or the By-Laws of the Company. Expenses incurred by the Committee or the Board 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, 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 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 a share of Common Stock 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/or 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, 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 or an Affiliate 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 or any Affiliate after that Award Date and the denominator of which is three; and the Participant shall receive the resulting number of such 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 otherwise 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 awarded prior to freezing shall continue to be held under the Plan until the Deferral Period expires and all nonvested RSUs awarded prior to freezing 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, any payment or issuance of shares under the Plan shall be made to him or her 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 of 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 ss. 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.

SECOND AMENDMENT TO THE
SCHOLASTIC INC. 401(K) SAVINGS AND RETIREMENT PLAN

In accordance with Section 12.1 of the Scholastic Inc. 401(k) Savings and Retirement Plan (the "Plan"), the Plan is hereby amended in the following particulars, effective January 1, 1999:

1. The first three paragraphs of the Plan (the three immediately preceding Article I) are revised to read as follows:

The Plan was originally established effective January 1, 1986, as the Scholastic Inc. Employee Stock Ownership Plan (the "Prior Plan") by Scholastic Inc. for the exclusive benefit of its eligible employees and their beneficiaries. On July 16, 1987, SI Acquisition Inc. merged with Scholastic Inc. and, as a result of such merger, Scholastic Inc. became a wholly-owned subsidiary of Scholastic Corporation (formerly known as SI Holdings Inc.), a Delaware corporation. In addition, effective on the same date, the Prior Plan was renamed the Scholastic Inc. 401(k) Savings and Retirement Plan and converted into a profit-sharing plan with a cash or deferred arrangement and a savings feature (the "Plan").

The Plan is intended to provide employees of Scholastic Inc. and its affiliates that have adopted the Plan with the opportunity to accumulate savings on a pre-tax and after-tax basis. Participation in the Plan by employees is entirely voluntary.

Scholastic Inc. amended and restated the Plan, effective as of June 1, 1992 (except as otherwise specifically provided herein) to comply with the Tax Reform Act of 1986, subsequent legislation and governmental regulations and certain administrative and conforming amendments. The Plan has thereafter been amended from time to time. Scholastic Inc. and Scholastic Corporation have now determined it desirable to amend Section 1.11 of the Plan effective January 1, 1999, to designate Scholastic Corporation as the "Company" with all of the powers, authority and responsibilities of the Company as outlined under the Plan.

2. Section 1.3 is hereby revised to read as follows:

Section 1.3 "AFFILIATE" shall mean, except as otherwise provided in Article XI, the Employer and each of (a) any corporation of which at least 80% of the total combined voting power of all classes of stock entitled to vote is owned at the time of reference, either directly or indirectly, by the Employer, (b) any other trade or business whether or not incorporated, which, at the time of reference, is controlled by or under common control with the Employer, within the meaning of Section 414(c) of the Code, (c) any member, at the time of reference, of an affiliated service group within the meaning of Section 414(m) of the Code, which includes the Employer, and (d) any other entity required to be aggregated with the Employer pursuant to regulations under Section 414(o) of the Code.

3. Section 1.11 of the Plan is hereby revised to read as follows:

Section 1.11 "COMPANY" shall mean Scholastic Corporation, a Delaware corporation and its successors and assigns.

4. Section 1.18 is hereby revised to read as follows:

Section 1.18 "EMPLOYER" shall mean the Company and each of its direct and indirect subsidiaries, except those expressly excluded at Appendix B, which may be modified from time to time by Scholastic Inc.

5. Section 1.34 is revised to read as follows:

Section 1.34 "STOCK" shall mean the common stock of the Company.

6. Section 3.1 is hereby revised to read as follows:

Section 3.1 PARTICIPATION. An Eligible Employee who is employed by the Employer shall become a Participant in the Plan as of the first day following either: (a) the date the Employee authorizes the Employer to reduce his or her Compensation for each pay period by an amount determined in accordance with Section 4.1 and/or Section 4.6, provided that the election is made in advance of the first day for which the election is effective at the time and in the manner required by the Committee pursuant to such uniform rules and regulations as the Committee shall establish; or (b) the date if any, that the Company, in its sole discretion, determines to make Employer Contributions pursuant to Section 4.9 on behalf of such Eligible Employees. An Employee who was a Participant in the Prior Plan on the day before July 16, 1987 shall become a Participant in the Plan on July 16, 1987. An Employee who was employed by an entity set forth in Appendix A on the "date of acquisition" set forth in Appendix A and who became an Employee as of such date of acquisition shall become a Participant on the "participation date" set forth in Appendix A or, if later, the date on which he becomes an Eligible Employee and the requirements of (a) or (b) above are met with respect to such Employee. An Eligible Employee shall cease to be a Participant in the Plan upon the complete distribution of his or her Account.

IN WITNESS WHEREOF, the undersigned have executed this amendment this 10th day of December, 1998.

SCHOLASTIC INC.

By: /s/ RICHARD SPAULDING

Richard Spaulding
Chairman - Fiduciary Committee &
Executive Vice President

Agreed to by Scholastic Corporation

By: /s/ RICHARD SPAULDING

Richard Spaulding
Chairman - Fiduciary Committee
& Executive Vice President

FOURTH AMENDMENT TO THE RETIREMENT INCOME PLAN FOR
EMPLOYEES OF SCHOLASTIC INC.

In accordance with Section 9.1 of the Retirement Income Plan for Employees of Scholastic Inc. (the "Plan"), the Plan is hereby amended in the following particulars, effective January 1, 1999:

1. The paragraph titled "PREFACE" is hereby revised to read as follows:

Effective as of February 1, 1985, the Retirement Income Plan for Employees of Scholastic Inc. was established for eligible employees of Scholastic Inc. and its participating affiliates, which Plan has from time to time been amended. Scholastic Inc. amended and restated the Plan, effective as of July 1, 1989 (except as otherwise specifically provided herein), to comply with the Tax Reform Act of 1986, and subsequent legislation and governmental regulations and certain administrative and conforming amendments. Members who retired or otherwise terminated employment prior to such effective date are governed by the terms of the Plan in effect at the time of their retirement or termination.

Scholastic Inc. and Scholastic Corporation have determined it to be desirable to amend Section 1.10 of the Plan, effective January 1, 1999, to designate Scholastic Corporation as the "Company", with all of the powers, authority and responsibility of the Company as outlined under the Plan.

2. Section 1.10 is hereby amended to read as follows:

1.10 "COMPANY"

Scholastic Corporation and its successors or assigns.

3. Section 1.18 is hereby amended to read as follows:

Section 1.18. "EMPLOYER" shall mean the Company and each of its direct and indirect subsidiaries, except those expressly excluded at Appendix D, which may be modified from time to time by Scholastic Inc.

IN WITNESS WHEREOF, the undersigned has executed this amendment this
10th day of December, 1998.

SCHOLASTIC INC.

By: /s/ RICHARD SPAULDING

Richard Spaulding
Chairman - Fiduciary Committee &
Executive Vice President

Agreed to by:
SCHOLASTIC CORPORATION

By: /s/ RICHARD SPAULDING

Richard Spaulding
Chairman - Fiduciary Committee &
Executive Vice President

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