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

FORM 10-Q

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

For the quarterly period ended August 31, 1999   Commission File No. 0-19860

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

DELAWARE	13-3385513
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
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. Yes X No

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

Title of each class	Number of shares outstanding as of September 30, 1999
Common Stock, $.01 par value	15,711,814
Class A Stock, $.01 par value	828,100

SCHOLASTIC CORPORATION
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED AUGUST 31, 1999
INDEX

	PAGE
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
Condensed Consolidated Statement of Operations for the Three Months Ended August 31, 1999 and 1998	1
Condensed Consolidated Balance Sheet at August 31, 1999 and 1998 and May 31, 1999	2
Condensed Consolidated Statement of Cash Flows for the Three Months Ended August 31, 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
Item 3. Quantitative and Qualitative Disclosures about Market Risk	15
PART II - OTHER INFORMATION	
Item 6. Exhibits and Reports on Form 8-K	16
SIGNATURES	17

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	THREE MONTHS ENDED AUGUST 31,	
	1999	1998
Revenues	$ 180.0	$ 150.2
Operating costs and expenses:		
Cost of goods sold	108.3	85.2
Selling, general and administrative expenses	99.8	83.4
Depreciation	4.6	4.0
Goodwill and trademark amortization	0.9	1.4
TOTAL OPERATING COSTS AND EXPENSES	213.6	174.0
Operating loss	(33.6)	(23.8)
Interest expense, net	4.4	4.4
Loss before benefit for income taxes	(38.0)	(28.2)
Benefit for income taxes	14.4	10.7
NET LOSS	$ (23.6)	$ (17.5)
Net loss per Class A and Common Share:		
Basic	$ (1.43)	$ (1.08)
Diluted	$ (1.43)	$ (1.08)

SEE ACCOMPANYING NOTES

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

	August 31, 1999	May 31, 1999	August 31, 1998
	(UNAUDITED)		(UNAUDITED)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 2.9	$ 5.9	$ 1.1
Accounts receivable less allowance for doubtful accounts	142.2	136.4	110.7
Inventories	315.1	227.4	259.0
Deferred taxes	55.5	41.8	50.3
Prepaid and other deferred expenses	35.6	22.7	31.6
TOTAL CURRENT ASSETS	551.3	434.2	452.7
Property, plant and equipment, net	153.7	152.2	142.4
Prepublication costs	95.4	95.3	84.4
Other assets and deferred charges	163.1	160.6	168.9
TOTAL ASSETS	$ 963.5	$ 842.3	$ 848.4
LIABILITIES & STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Lines of credit	$ 22.0	$ 18.0	$ 14.1
Accounts payable	151.4	97.0	110.0
Accrued royalties	32.8	23.7	25.2
Deferred revenue	14.8	6.7	19.0
Other accrued expenses	53.2	66.4	52.3
TOTAL CURRENT LIABILITIES	274.2	211.8	220.6
NONCURRENT LIABILITIES:			
Long-term debt	329.0	248.0	306.8
Other noncurrent liabilities	22.0	21.1	19.2
TOTAL NONCURRENT LIABILITIES	351.0	269.1	326.0
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	213.1	212.3	206.5
Retained earnings	167.9	191.4	137.1
Accumulated other comprehensive income:			
Foreign currency translation adjustment	(6.1)	(5.7)	(5.2)
Less shares held in treasury	(36.8)	(36.8)	(36.8)
TOTAL STOCKHOLDERS' EQUITY	$ 338.3	$ 361.4	$ 301.8
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 963.5	$ 842.3	$ 848.4

SEE ACCOMPANYING NOTES

SCHOLASTIC CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - UNAUDITED

(AMOUNTS IN MILLIONS)

	THREE MONTHS ENDED AUGUST 31,	
	1999	1998
NET CASH USED IN OPERATING ACTIVITIES	$ (62.3)	$(37.3)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Prepublication costs	(10.3)	(6.7)
Additions to property, plant and equipment	(6.2)	(5.4)
Royalty advances	(5.6)	(4.2)
Production costs	(3.7)	(6.6)
Other	(0.2)	(1.8)
Business and trademark acquisition-related payments	--	(11.7)
Net cash used in investing activities	(26.0)	(36.4)
CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES:		
Borrowings under Loan Agreement and Revolver	120.8	120.5
Repayments of Loan Agreement and Revolver	(39.8)	(57.4)
Borrowings under lines of credit	10.7	22.4
Repayments of lines of credit	(6.7)	(17.2)
Other	0.3	1.4
Net cash provided by financing activities	85.3	69.7
Effect of exchange rate changes on cash	0.0	0.0
Net decrease in cash and cash equivalents	(3.0)	(4.0)
Cash and cash equivalents at beginning of period	5.9	5.1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2.9	$ 1.1

SEE ACCOMPANYING NOTES

1. 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 1998/1999 Annual Report to Stockholders.

The Company's business is closely correlated to the school year. Consequently, the results of operations for the three months ended August 31, 1999 and 1998 are not necessarily indicative of the results expected for the full year. Due to the seasonal fluctuations that occur, the August 31, 1998 consolidated 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, recoverability of prepublication and film production costs and recoverability of other long-lived assets.

2. RECENT ACCOUNTING PRINCIPLES

Effective May 31, 1999, the Company adopted Statement of Financial Accounting Standards No. 131 (SFAS 131), "Disclosures About Segments of an Enterprise and Related Information." This statement requires that public business enterprises report certain information about operating segments in financial statements of the enterprise issued to shareholders. 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 required disclosures are presented in Note 3 included herein.

The Financial Accounting Standards Board issued, in June 1998, Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 requires all derivatives to be recorded on the balance sheet at fair value and establishes special accounting for the following three different types of hedges: hedges of changes in the fair value of assets, liabilities, or firm commitments (fair value hedges); hedges of the variable cash flows of forecasted transactions (cash flow hedges); and hedges of foreign currency exposures of net investments in foreign operations. Though the accounting treatment and criteria for each of the three types of hedges is unique, they all result in offsetting changes in fair values or cash flows of both the hedge and the hedged item recognized in earnings or in accumulated comprehensive income in the same period. Changes in the fair value of derivatives that do not meet the criteria of one of these three categories of hedges are included in income. The Company is required to adopt the provisions of SFAS 133 in the first quarter of fiscal 2002.

(AMOUNTS IN MILLIONS, EXCEPT PER SHARE DATA)

3. SEGMENT INFORMATION

The Company is a global children's publishing and media company with operations in the United States, the United Kingdom, Canada, Australia, New Zealand, Mexico, Hong Kong and India and distributes its products and services through a variety of channels, including book clubs, book fairs and trade.

The Company's operations are categorized in the four segments: CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION, EDUCATIONAL PUBLISHING, MEDIA, LICENSING AND ADVERTISING and INTERNATIONAL. Such segment classification reflects the nature of products and services consistent with the method by which the chief operating decision maker assesses operating performance and allocates resources.

The following table sets forth information for the fiscal quarters ended August 31, 1999 and 1998 about the Company's segments:

	CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION	EDUCATIONAL PUBLISHING	MEDIA, LICENSING AND ADVERTISING	TOTAL DOMESTIC	INTERNATIONAL	OVERHEAD(1)	CONSOLIDATED
1999							
Revenues	$ 79.2	$ 55.8	$8.9	$143.9	$ 36.1	$ 0.0	$180.0
Depreciation	0.9	0.2	0.2	1.3	0.9	2.4	4.6
Amortization (2)	3.4	7.0	1.6	12.0	0.3	0.0	12.3
Royalty advance expense	4.2	0.1	0.2	4.5	0.5	0.0	5.0
Segment profit/(loss) (3)	(14.4)	1.1	(7.1)	(20.4)	(4.7)	(8.5)	(33.6)
Segment assets	399.8	184.7	58.4	642.9	141.2	179.4	963.5
Long-lived assets (4)	97.0	95.7	27.3	220.0	56.8	109.0	385.8
Expenditures for long-lived assets (5)	8.1	7.6	5.3	21.0	1.1	3.7	25.8
1998							
Revenues	$ 47.8	$ 63.5	$ 6.0	$117.3	$32.9	$ 0.0	$150.2
Depreciation	0.7	0.2	0.2	1.1	0.8	2.1	4.0
Amortization (2)	3.1	6.1	1.5	10.7	0.6	0.0	11.3
Royalty advance expense	3.1	0.1	0.0	3.2	0.0	0.0	3.2
Segment profit/(loss)(3)	(18.4)	13.5	(6.2)	(11.1)	(4.8)	(7.9)	(23.8)
Segment assets	322.4	169.1	48.5	540.0	141.0	167.4	848.4
Long-lived assets (4) .	93.9	85.8	26.2	205.9	57.0	100.1	363.0
Expenditures for long-lived assets (5)	6.5	4.1	7.6	18.2	2.9	1.8	22.9

(1) OVERHEAD INCLUDES UNALLOCATED CORPORATE-RELATED ITEMS AND AS IT RELATES TO THE SEGMENT PROFIT/(LOSS), EXPENSES NOT ALLOCATED TO REPORTABLE SEGMENTS INCLUDING COSTS RELATED TO THE MANAGEMENT OF CORPORATE ASSETS, NET INTEREST EXPENSE AND PROVISION FOR INCOME TAXES. UNALLOCATED ASSETS ARE PRINCIPALLY COMPRISED OF DEFERRED INCOME TAXES AND PROPERTY, PLANT AND EQUIPMENT AS IT RELATES TO THE COMPANY'S HEADQUARTERS IN THE METROPOLITAN NEW YORK AREA AND ITS NATIONAL SERVICE OPERATION LOCATED IN THE JEFFERSON CITY, MISSOURI AREA.

(2) INCLUDES AMORTIZATION OF GOODWILL, INTANGIBLE ASSETS, AND PREPUBLICATION AND PRODUCTION COSTS.

(3) SEGMENT PROFIT/(LOSS) REPRESENTS EARNINGS BEFORE INTEREST AND TAXES.

(4) INCLUDES PROPERTY, PLANT AND EQUIPMENT, PREPUBLICATION COSTS, GOODWILL AND TRADEMARKS, ROYALTY ADVANCES AND PRODUCTION COSTS.

(5) INCLUDES PURCHASE OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENTS IN PREPUBLICATION AND PRODUCTION COSTS, AND ROYALTY ADVANCES.

4. DEBT

LOAN AGREEMENT. The Company and Scholastic Inc. (a wholly-owned subsidiary) are joint and several borrowers under a loan agreement with certain banks which was amended and restated effective August 11, 1999 (the "Loan Agreement"). The Loan Agreement expires August 11, 2004, provides for aggregate borrowings of up to $170.0 (with a right in certain circumstances to increase it to $200.0) including the issuance of up to $10.0 in letters of credit. Interest under this facility is either at the prime rate or 0.325% to 0.90% over LIBOR (as defined). There is a commitment fee ranging from 0.10% to 0.30% on the facility and a utilization fee ranging from 0.05% to 0.15% if borrowings exceed 33.0% of the total facility. The amounts charged vary based upon the Company's credit ratings. At the Company's current credit ratings, the spread over LIBOR, commitment fee and utilization fee are 0.475%, 0.150% and 0.075%, respectively. The Loan Agreement contains certain financial covenants related to debt and interest coverage ratios (as defined) and limits dividends and other distributions. An aggregate of $0.0 and $58.0 of borrowings and $1.0 of letters of credit were outstanding under the Loan Agreement at May 31, 1999 and August 31, 1999.

REVOLVER. The Company and Scholastic Inc. are joint and several borrowers under a Revolving Loan Agreement (the "Revolver") with Sun Bank, N. A., which provides for revolving credit loans of up to $35.0 and expires on May 31, 2000. The Revolver has certain financial covenants related to debt and interest coverage ratios (as defined) and limits dividends and other distributions. The aggregate amount of borrowings under the Revolver at May 31, 1999 and August 31, 1999 were $10.0 and $32.5, respectively.

The Company has agreed in principle to amend and restate the Revolver during the second quarter of fiscal year 2000 to, among other things, extend the maturity to 2004 and expand the facility to $40.0, subject to required approvals and documentation.

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 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.

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. 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 LINES OF CREDIT -- SHORT TERM. The Company's international subsidiaries had lines of credit available of $37.9 at May 31, 1999 and $36.5 at August 31, 1999. The amounts outstanding under these credit lines were $18.0 and $22.0 at May 31, 1999 and August 31, 1999, respectively. The weighted-average interest rate on the outstanding amounts was 7.2% and 6.3% at May 31, 1999 and August 31, 1999, respectively.

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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 Amended Consolidated 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 of New York in New York County against Parachute Press, Inc. ("Parachute"), the licensor of certain publication and nonpublication rights to the GOOSEBUMPS(R) 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 issues in the case are 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 first Parachute action, 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 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 of New York in New York County. 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) and payments of royalties set-off by Scholastic against amounts claimed by the Company. 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. Discovery, which has been consolidated for the litigations, has commenced. The Company intends to vigorously pursue its claims against Parachute and the other named defendants and to vigorously defend its position against 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.

(AMOUNTS IN MILLIONS, EXCEPT PER SHARE DATA)

6. COMPREHENSIVE LOSS

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

	THREE MONTHS ENDED AUGUST 31,	
	1999	1998
NET LOSS	$ (23.6)	$ (17.5)
OTHER COMPREHENSIVE LOSS:		
Foreign currency translation adjustment net of provision or benefit for income taxes	(0.2)	(0.1)
COMPREHENSIVE LOSS	$ (23.8)	$ (17.6)

7. EARNINGS PER SHARE

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

	THREE MONTHS ENDED AUGUST 31,	
	1999	1998
Net loss	$ (23.6)	$ (17.5)
Weighted-average Class A and Common Shares outstanding for basic earnings per share	16.5	16.3
Net loss per Class A and Common Share:		
Basic	$ (1.43)	$ (1.08)
Diluted	$ (1.43)	$ (1.08)

For the three months ended August 31, 1999 and 1998, the effect of the Convertible Subordinated Debentures, employee stock options, and for the three months ended August 31, 1999, warrants, 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 - CONSOLIDATED

Revenues for the quarter ended August 31, 1999 increased approximately 20% to $180.0 million from $150.2 million in the comparable quarter of the prior fiscal year. This increase in revenue was driven primarily by the Company's CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION segment, which was up 66% over the prior year quarter and which accounted for 44% of the Company's revenues for the quarter ended August 31, 1999, as compared to 32% of the corresponding period of the prior fiscal year.

As a percentage of revenue, variable cost of goods sold increased by approximately 3.5% for the first quarter ended August 31, 1999 when compared to the same period of the prior fiscal year. This increase reflects the impact of product mix in the Company's CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION segment due to higher Trade sales, including the impact of higher sales levels of hardcover product. Selling, general and administrative expenses as a percentage of revenue were flat for the three months ended August 31, 1999 when compared to the corresponding prior year period.

The operating loss for the quarter ended August 31, 1999 increased 41% to $33.6 million from a loss of $23.8 million in the same quarter of the prior fiscal year. This increase reflects the impact of improved sales in CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION due to strong Trade sales, led by the HARRY POTTER(TM) books and a variety of successful series published by the Company. These sales were more than offset by increased losses in EDUCATIONAL PUBLISHING due to the anticipated absence of California SCHOLASTIC LITERACY PLACE(R) sales as well as increased Internet spending.

The net loss for the quarter ended August 31, 1999 was $23.6 million, or $1.43 per share, versus a net loss of $17.5 million, or $1.08 per share, in the comparable quarter of the prior year.

RESULTS OF OPERATIONS - SEGMENTS

CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION
The Company's CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION segment includes the publication and distribution in the United States of children's books through its school-based book club (including home continuity programs), book fair and trade channels.

(IN MILLIONS)	THREE MONTHS ENDED AUGUST 31,	
	1999	1998
Revenue	$ 79.2	$ 47.8
Operating loss	(14.4)	(18.4)

Revenues in the CHILDREN'S BOOK PUBLISHING AND DISTRIBUTION segment were up 66% to $79.2 million from $47.8 million in the comparable quarter of the prior fiscal year. As a result, operating results improved 22% to a seasonal loss of $14.4 million when compared to the same period in the prior fiscal year. The increased revenue reflects the impact of strong sales in the Trade business of properties including three HARRY POTTER books and the ANIMORPHS(R), DEAR AMERICa(TM), I SPY(TM), CLIFFORD THE BIG ReD DOG(R), PokEMON(TM) And EverWoRLD(TM) series.

RESULTS OF OPERATIONS - SEGMENTS (CONTINUED)

EDUCATIONAL PUBLISHING
The Company's EDUCATIONAL PUBLISHING segment includes the publication and distribution of K-12 textbooks, supplemental materials (including professional books), classroom magazines and instructional technology for core and supplemental use in schools and libraries in the United States.

(IN MILLIONS)	THREE MONTHS ENDED AUGUST 31,	
	1999	1998
Revenue	$ 55.8	$ 63.5
Operating profit	1.1	13.5

Revenues for the quarter declined 12% to $55.8 million with an operating profit of $1.1 million compared to revenues of $63.5 million and operating profit of $13.5 million in the comparable quarter of the prior fiscal year. This decline in revenues is directly related to the adoption cycle for reading textbooks. In the prior fiscal year, the Company recognized the benefit of high order levels for SCHOLASTIC LITERACY PLACE(R) related to the California reading adoption. The next major state adoption is in Texas, with shipments of product expected in the summer of 2000. The decline in SCHOLASTIC LITERACY PLACE sales was partially offset by the sales of the Company's new product, READ 180!(TM).

MEDIA, LICENSING AND ADVERTISING
The Company's MEDIA, LICENSING AND ADVERTISING segment includes the production and the distribution by the Company's United States-based operations of entertainment products (including television programming, videos and motion pictures), Internet services and CD-ROM-based products and Scholastic-branded licensed properties, as well as advertising and promotional activities.

(IN MILLIONS)	THREE MONTHS ENDED AUGUST 31,	
	1999	1998
Revenue	$8.9	$6.0
Operating loss	(7.1)	(6.2)

Revenues increased 48% to $8.9 million in the first quarter of fiscal 2000 as compared to the same period in the prior fiscal year. The operating loss for the quarter ended August 31, 1999 increased by 15% from a loss of $6.2 million in the same period of the prior fiscal year. These results reflect the benefit of increased magazine advertising sales which were more than offset by higher Internet-related costs.

INTERNATIONAL
The INTERNATIONAL segment consists of the distribution of products and services outside the United States by the Company's operations located in the United Kingdom, Canada, Australia, New Zealand, Mexico, Hong Kong and India.

(IN MILLIONS)	THREE MONTHS ENDED AUGUST 31,	
	1999	1998
Revenue	$ 36.1	$ 32.9
Operating loss	(4.7)	(4.8)

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RESULTS OF OPERATIONS - SEGMENTS (CONTINUED)

INTERNATIONAL revenues for the quarter ended August 31, 1999 increased 10% to $36.1 million compared to $32.9 million for the same period in the prior fiscal year. Operating losses for the quarter ended August 31, 1999 were comparable to the same period in the prior fiscal year at approximately $4.7 million.

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 October 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 $3.0 million during the quarter ended August 31, 1999, compared to a decrease of $4.0 million during the comparable period in the prior fiscal year.

Cash used in investing activities was $26.0 million and $36.4 million for the three months ended August 31, 1999 and 1998, respectively. Investing activities consisted primarily of prepublication cost expenditures, capital expenditures, royalty advances and production cost expenditures. Business and trademark acquisition-related payments for the prior year quarter were related to the acquisition of certain assets of Pages Book Fairs, Inc. Prepublication cost expenditures increased $3.6 million to $10.3 million for the three months ended August 31, 1999 over the comparable period of the prior year largely due to the planned revision to SCHOLASTIC LITERACY PLACE and the initial spending on the Company's new READ 180! program. Capital expenditures increased to $6.2 million in the current year reflecting the construction of a new office facility. Royalty advances increased $1.4 million for the quarter ended August 31, 1999 over the same period in the prior fiscal year to $5.6 million. Production cost expenditures decreased $2.9 million to $3.7 million for the first quarter ended August 31, 1999 when compared to the same period in the prior fiscal year, due to a reduction in the number of shows being produced.

FINANCING

The Company maintains two unsecured credit facilities, the Loan Agreement and the Revolver, which provide for aggregate borrowings of up to $205.0 million (with a right, in certain circumstances, to increase to $235.0 million), including the issuance of up to $10.0 million in letters of credit. The Company uses these facilities for various purposes including the funding of seasonal cash flow needs and other working capital requirements. At August 31, 1999, the Company had $90.5 million in borrowings outstanding under these facilities at a weighted-average interest rate of 5.8%.

FINANCING (CONTINUED)

The Loan Agreement was amended and restated on August 11, 1999, principally to extend the expiration date of the facility to August 11, 2004 and expand the facility from $135.0 million to $170.0 million (with a right, in certain circumstances, to increase to $200.0 million). The Company anticipates amending and restating the Revolver in the second quarter of fiscal 2000 to increase the amount available thereunder to $40.0 million and extend its expiration to 2004. The Company does not anticipate any difficulty in negotiating satisfactory credit arrangements.

In addition, unsecured lines of credit available to the Company's United Kingdom, Canadian and Australian operations totaled $36.5 million at August 31, 1999. These lines are used primarily to fund working capital needs in those countries. At August 31, 1999, $22.0 million in borrowings were outstanding under these lines at a weighted-average interest rate of 6.3%.

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.

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.

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 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 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

YEAR 2000 READINESS DISCLOSURE (CONTINUED)

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 include 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 substantially completed the Assessment, Remediation, Testing, Contingency Planning and Implementation phases with respect to its principal IT systems and applications. 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 $11.8 million through fiscal 2000, of which $9.3 million has been incurred through August 31, 1999.

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, Remediation, Testing, Contingency Planning and Implementation phases with respect to its principal non-IT systems and equipment. In addition to the foregoing, based on current assessments, the Company expects to implement the remainder of Year 2000 remediated non-IT systems and equipment by the end of October 1999. The Company estimates the total costs for modifying or replacing new systems and equipment in this area will be approximately $0.20 million through fiscal 2000, of which $0.1 million has been incurred through August 31, 1999.

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 and such suppliers have not brought to the Company's attention any problems anticipated to materially and adversely impact the Company's operations taken as a whole. The Company will continue to seek updates from these parties to attempt to ascertain the adequacy of their programs as they relate 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 October 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 $12.0 million, of which total program costs through August 31, 1999 have been $9.3

million. 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

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YEAR 2000 READINESS DISCLOSURE (CONTINUED)

Year 2000. The costs also include expenses related to internal staff incurred in connection with the implementation of the program. The Year 2000 costs for fiscal 2000 comprise approximately 11% of the Company's IT expense budget for the 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 November 30, 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 are 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. However, due to the general uncertainty inherent in the Year 2000 problem 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 Company's expectations are based on the assumption that there will be no general failure of external local, national or international systems (including financial, 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 respond to anticipated scenarios. However, there can be no assurance that successful contingency plans can, in fact, be developed or implemented.

All statements regarding Year 2000 Readiness are "Year 2000 Readiness Disclosures" as defined by the Year 2000 Information and Readiness Disclosure Act of October 19, 1998.

FORWARD-LOOKING STATEMENTS

This Report on Form 10-Q contains forward-looking statements, which are subject to various risks and uncertainties, including the conditions of the children's book and instructional materials markets and acceptance of the Company's products within those markets and other risks and factors identified in the Company's Report on Form 10-K for the fiscal year ended May 31, 1999.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has operations in various foreign countries. In the normal course of business, these operations are exposed to fluctuations in currency values. Management does not consider the impact of currency fluctuations to represent a significant risk. The Company does not generally enter into derivative financial instruments for material amounts, nor are such instruments used for speculative purposes.

Market risks relating to the Company's operations result primarily from changes in interest rates. The majority of the Company's long-term debt bears interest at a fixed rate. However, the fair market value of the fixed rate debt is sensitive to changes in interest rates. The Company is subject to the risk that market interest rates will decline and the interest rates under the fixed rate debt will exceed the then prevailing market rates. The Company does not generally utilize interest rate derivative instruments to manage its exposure to interest rate changes.

As of August 31, 1999, the balance outstanding under the facilities which have variable rates was $90.5 million, at an average interest rate of 5.84%. A 15% increase or decrease in the average cost of the Company's variable rate debt under the facility would not have a significant impact on the Company's results of operations.

Additional information relating to the Company's outstanding financial instruments is included in Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations.

PART II - OTHER INFORMATION

SCHOLASTIC CORPORATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit Number	Description of Document
10.18	Scholastic Corporation Executive Incentive Performance Plan, effective as of June 1, 1999
27.1	Financial Data Schedule for the quarter ended August 31, 1999
27.2	Financial Data Schedule for the quarter ended August 31, 1998

(b) Reports on Form 8-K filed during the quarter: none.

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: October 15, 1999

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

Date: October 15, 1999

____
Kevin J. McEnery
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

SCHOLASTIC CORPORATION
FORM 10-Q FOR QUARTERLY PERIOD ENDED AUGUST 31, 1999
EXHIBIT INDEX

Exhibit Number	Description of Document
10.18	Scholastic Corporation Executive Performance Incentive Plan, effective as of June 1, 1999
27.1	Financial Data Schedule for the quarter ended August 31, 1999
27.2	Financial Data Schedule for the quarter ended August 31, 1998

EXHIBIT 10.18

SCHOLASTIC CORPORATION
EXECUTIVE PERFORMANCE INCENTIVE PLAN

1. PURPOSE

The purpose of this Plan is to attract, retain and motivate key employees by providing annual cash performance awards to designated key employees of the Company, its Parent and its Subsidiaries. This Plan is intended to establish a clear link between performance and the level of awards paid to such designated key employees with a focus on overall corporate growth and performance as well as on divisional or unit growth and performance. This Plan is effective as of June 1, 1999, subject to approval by the stockholders of the Company entitled to vote thereon in accordance with the laws of the State of Delaware.

2. DEFINITIONS

Unless the context otherwise requires, the words which follow shall have the following meaning:

(a) "Award"--shall mean the total annual Performance Award as determined under the Plan.

(b) "Board"--shall mean the Board of Directors of the Company.

(c) "Change in Control of the Company"--shall have the meaning set forth in the Participant's employment agreement (if any) or other written agreement approved by the Committee (if any).

(d) "Code"--shall mean the Internal Revenue Code of 1986, as amended and any successor thereto.

(e) "Code Section 162(m)"--shall mean the exception for performance-based compensation under Section 162(m) of the Code or any successor section and the Treasury regulations promulgated thereunder.

(f) "Company"--shall mean Scholastic Corporation and any successor by merger, consolidation or otherwise.

(g) "Committee"--shall mean the Human Resources and Compensation Committee of the Board (or subcommittee thereof) or such other Committee of the Board that is appointed by the Board all of whose members shall be "outside directors," as defined under Code Section 162(m).

(h) "Individual Target Award"--shall mean the targeted performance award for a Plan Year specified by the Committee as provided in Section 5 hereof.

(i) "Parent"--shall mean, other than the Company, (i) any corporation in an unbroken chain of corporations ending with the Company which 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 or (ii) any corporation or trade or business (including, without limitation, a partnership or limited liability company) which controls fifty percent (50%) or more (whether by ownership of stock, assets or an equivalent ownership interest) of the Company.

(j) "Participant"--shall mean an employee of the Company, the Parent or a Subsidiary selected, in accordance with Section 4 hereof, to be eligible to receive an Award in accordance with this Plan.

(k) "Performance Award"--shall mean the amount paid or payable under Section 6 hereof.

(l) "Plan"--shall mean this Scholastic Corporation Executive Performance Incentive Plan.

(m) "Plan Year"--shall mean the fiscal year of the Company.

(n) "Subsidiary"--shall mean, other than the Company, (i) any corporation in an unbroken chain of corporations beginning with the Company which 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; (ii) any corporation or trade or business (including, without limitation, a partnership or limited liability company) which is controlled fifty percent (50%) or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) by the Company or one of its Subsidiaries; or (iii) any other entity in which the Company or any of its Subsidiaries has a material equity interest and which is designated as a "Subsidiary" by resolution of the Committee.

3. ADMINISTRATION AND INTERPRETATION OF THE PLAN

The Plan shall be administered by the Committee. The Committee shall have the exclusive authority and responsibility to: (i) interpret the Plan; (ii) approve the designation of eligible Participants; (iii) set the performance criteria for Awards within the Plan guidelines; (iv) certify attainment of performance goals and other material terms; (v) reduce Awards as provided herein; (vi) authorize the payment of all benefits and expenses of the Plan as they become payable under the Plan; (vii) adopt, amend and rescind rules and regulations relating to the Plan; and (viii) make all other determinations and take all other actions necessary or desirable for the Plan's administration, including, without limitation, correcting any defect, supplying any omission or reconciling any inconsistency in this Plan in the manner and to the extent it shall deem necessary to carry this Plan into effect, but only to the extent any such action would be permitted under Code Section 162(m).

Decisions of the Committee shall be made by a majority of its members. All decisions of the Committee on any question concerning the selection of Participants and the interpretation and administration of the Plan shall be final, conclusive and binding upon all parties. The Committee may rely on information, and consider recommendations, provided by the Board or the senior management of the Company. The Plan is intended to comply with Code Section 162(m), and all provisions contained herein shall be limited, construed and interpreted in a manner to so comply.

4. ELIGIBILITY AND PARTICIPATION

(a) For each Plan Year, the Committee shall select the employees of the Company, its Parent and Subsidiaries who are to participate in the Plan from among the key employees of the Company, its Parent and Subsidiaries.

(b) No person shall be entitled to any Award under this Plan for any Plan Year unless he or she is so designated as a Participant for that Plan Year. The Committee may add to or delete individuals from the list of designated Participants at any time and from time to time, in its sole discretion, subject to any limitations required to comply with Code Section 162(m).

5. INDIVIDUAL TARGET AWARD

For each Participant for each Plan Year, the Committee may specify a targeted performance award. The Individual Target Award may be expressed, at the Committee's discretion, as a fixed dollar amount, a percentage of base pay or total pay (excluding payments made under this Plan), or an amount determined pursuant to an objective formula or standard. Establishment of an Individual Target Award for an employee for a Plan Year shall not imply or require that the same level Individual Target Award (if any such award is established by the Committee for the relevant employee) be set for any subsequent Plan Year. At the time the Performance Goals are established (as provided in subsection 6.2 below), the Committee shall prescribe a formula to determine the percentages (which may be greater than one-hundred percent (100%)) of the Individual Target Award which may be payable based upon the degree of attainment of the Performance Goals during the Plan Year. Notwithstanding anything else herein, the Committee may, in its sole discretion, elect to pay a Participant an amount that is less than the Participant's Individual Target Award (or attained percentage thereof) regardless of the degree of attainment of the Performance Goals; provided that no such discretion to reduce an Award earned based on achievement of the applicable Performance Goals shall be permitted for the Plan Year in which a Change in Control of the Company occurs, or during such Plan Year with regard to the prior Plan

Year if the Awards for the prior Plan Year have not been made by the time of the Change in Control of the Company, with regard to individuals who were Participants at the time of the Change in Control of the Company. If a Participant does not have an employment agreement or other written agreement approved by the Committee which defines Change in Control, the foregoing provision and any other provision of this Plan relating to Change in Control shall not apply to such Participant.

6. PERFORMANCE AWARD PROGRAM

6.1 PERFORMANCE AWARDS. Subject to Section 7 herein, each Participant is eligible to receive up to the achieved percentage of their Individual Target Award for such Plan Year (or, subject to the last sentence of Section 5, such lesser amount as determined by the Committee in its sole discretion) based upon the attainment of the objective Performance Goals established pursuant to subsection 6.2 and the formula established pursuant to Section 5. Except as specifically provided in Section 7, no Performance Award shall be made to a Participant for a Plan Year unless the minimum Performance Goals for such Plan Year are attained.

6.2 OBJECTIVE PERFORMANCE GOALS, FORMULAE OR STANDARDS (THE "PERFORMANCE GOALS"). The Committee shall establish the objective performance goals, formulae or standards and the Individual Target Award (if any) applicable to each Participant or class of Participants for a Plan Year in writing prior to the beginning of such Plan Year or at such later date as permitted under Code Section 162(m) and while the outcome of the Performance Goals are substantially uncertain. Such Performance Goals may incorporate, if and only to the extent permitted under Code Section 162(m), provisions for disregarding (or adjusting for) changes in accounting methods, corporate transactions (including, without limitation, dispositions and acquisitions) and other similar type events or circumstances. To the extent any such provision would create impermissible discretion under Code Section 162(m) or otherwise violate Code Section 162(m), such provision shall be of no force or effect. These Performance Goals shall be based on one or more of the following criteria with regard to the Company (or a Subsidiary, Parent, division, operational unit or administrative department of the Company, Subsidiary or Parent): (i) earnings per share or the attainment of a specified percentage increase in earnings per share or earnings per share from continuing operations; (ii) the performance of any Subsidiary, Parent, division, operational unit or administrative department of the Company, a Subsidiary or a Parent whether measured by revenues, net profit, net income, operating income or any combination of any or all of the foregoing (any or all of which may be measured without regard to extraordinary items); (iii) the attainment of a certain level of, reduction of, or other specified objectives with regard to limiting the level of or increase in, all or a portion of controllable expenses or costs or other expenses or costs of the Company, Subsidiary, Parent, division, operational unit or administrative department; (iv) the attainment of certain target levels of, or a specified percentage increase in, revenues, income before income taxes and extraordinary items, net income, earnings before income tax, earnings before interest, taxes, depreciation and amortization, or a combination of any or all of the foregoing; (v) the attainment of certain target levels of, or a percentage increase in, after-tax or pre-tax profits including, without limitation, that attributable to continuing and/or other operations; (vi) the attainment of certain target levels in the fair market value of the shares of the Company's common stock; (vii) the growth in the value of an investment in the Company's common stock assuming the reinvestment of dividends; (viii) the attainment of certain target levels of, or a specified increase in, return on capital employed or return on invested capital; (ix) the attainment of certain target levels of, or a percentage increase in, after-tax or pre-tax return on stockholders' equity; (x) the attainment of certain target levels of, or a specified increase in, economic value added targets based on a cash flow return on investment formula; (xi) the attainment of certain target levels of, or a specified increase in, operational cash flow; and (xii) the achievement of a certain level of, reduction of, or other specified objectives with regard to limiting the level of increase in, all or a portion of, the Company's bank debt or other long-term or short-term public or private debt or other similar financial obligations of the Company, which may be calculated net of such cash balances and/or other offsets and adjustments as may be established by the Committee. For purposes of items (ii) and (iv) above, "extraordinary items" shall mean all items of gain, loss or expense for the Plan Year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to a corporate transaction (including, without limitation, a disposition or acquisition) or related to a change in accounting principle, all as determined in accordance with standards established by Opinion No. 30 of the Accounting Principles Board.

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

6.3 MAXIMUM NONDISCRETIONARY AWARD. The maximum Performance Award payable to a Participant for any Plan Year is $2,000,000.

6.4 PAYMENT DATE; COMMITTEE CERTIFICATION. The Performance Awards will be paid as soon as administratively feasible after the Plan Year in which they are earned, but not before the Committee certifies in writing that the Performance Goals specified (except to the extent permitted under Code Section 162(m) and provided in Section 7 with regard to death, disability or Change in Control of the Company or certain other termination situations) pursuant to subsection 6.2 were, in fact, satisfied, except as may otherwise be agreed by a Participant and the Company in a written agreement executed prior to the beginning of the Plan Year to which the Performance Award relates in accordance with any deferred compensation program in effect applicable to such Participant. The Committee shall use its best efforts to make a determination with regard to satisfaction of the Performance Goals within two and one-half (2 1/2) months after the end of each Plan Year. Any Performance Award deferred by a Participant shall not increase (between the date on which the Performance Award is credited to any deferred compensation program applicable to such Participant and the payment date) by a measuring factor for each Plan Year greater than the interest rate on thirty (30) year Treasury Bonds on the first business day of such Plan Year compounded annually, as elected by the Participant in the deferral agreement. The Participant shall have no right to receive payment of any deferred amount until he or she has a right to receive such amount under the terms of the applicable deferred compensation program.

7. EMPLOYMENT ON AWARD DATE GENERALLY REQUIRED FOR AWARD

No Award shall be made to any Participant who is not an active employee of the Company, its Parent or one of its Subsidiaries or affiliates on the date Awards for the Plan Year are generally paid to Participants; PROVIDED, HOWEVER, that the Committee, in its sole and absolute discretion, may make Awards to Participants for a Plan Year in circumstances that the Committee deems appropriate including, but not limited to, a Participant's death, disability, retirement or other termination of employment during such Plan Year and the Committee shall be required to make at least a pro-rata Award through the date of a Change in Control of the Company to each Participant who is a Participant at the time of such Change in Control of the Company. All such Awards shall be based on achievement of the Performance Goals for the Plan Year, except that, to the extent permitted under Code Section 162(m), in the case of death, disability or Change in Control of the Company during the Plan Year (or such other termination situations as permitted under Code Section 162(m)) an amount equal to or less than the Individual Target Awards may be made by the Committee either during or after the Plan Year without regard to actual achievement of the Performance Goals. Furthermore, upon a Change in Control of the Company the Committee may, in its sole discretion but only to the extent permitted under Code Section 162(m), make an award (payable immediately) equal to a pro-rata portion (through the date of the Change in Control of the Company) of the Individual Target Award payable upon achieving, but not surpassing, the Performance Goals for the relevant Plan Year. Any such immediate pro-rata payment shall reduce any other Award made for such Plan Year under this Plan by the amount of the pro-rata payment.

8. NON-ASSIGNABILITY

No Award under this Plan nor any right or benefit under this Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, garnishment, execution or levy of any kind or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber and to the extent permitted by applicable law, charge, garnish, execute upon or levy upon the same shall be void and shall not be recognized or given effect by the Company.

9. NO RIGHT TO EMPLOYMENT

Nothing in the Plan or in any notice of award pursuant to the Plan shall confer upon any person the right to continue in the employment of the Company, its Parent, or one of its Subsidiaries or affiliates nor affect the right of the Company, its Parent or any of its Subsidiaries or affiliates to terminate the employment of any Participant.

10. AMENDMENT OR TERMINATION

The Board (or a duly authorized committee thereof) may, in its sole and absolute discretion, amend, suspend or terminate the Plan or to adopt a new plan in place of this Plan at any time; provided, that no such amendment shall, without the prior approval of the stockholders of the Company entitled to vote thereon in accordance with the laws of the State of Delaware to the extent required under Code Section 162(m): (i) materially alter the Performance Goals as set forth in subsection 6.2; (ii) increase the maximum amount set forth in subsection 6.3 and the interest factor under subsection 6.4, except to the extent permitted under Code Section 162(m) to substitute an approximately equivalent rate in the event that the thirty (30) year Treasury Bond rate ceases to exist; (iii) change the class of eligible employees set forth in Section 4(a); or (iv) implement any change to a provision of the Plan requiring stockholder approval in order for the Plan to continue to comply with the requirements of Code Section 162(m). Furthermore, no amendment, suspension or termination shall, without the consent of the Participant, alter or impair a Participant's right to receive payment of an Award for a Plan Year otherwise payable hereunder.

11. SEVERABILITY

In the event that any one or more of the provisions contained in the Plan shall, for any reason, be held to be invalid, illegal or unenforceable, in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of the Plan and the Plan shall be construed as if such invalid, illegal or unenforceable provisions had never been contained therein.

12. WITHHOLDING

The Company shall have the right to make such provisions as it deems necessary or appropriate to satisfy any obligations it may have to withhold federal, state or local income or other taxes incurred by reason of payments pursuant to the Plan.

13. GOVERNING LAW

This Plan and any amendments thereto shall be construed, administered, and governed in all respects in accordance with the laws of the State of Delaware (regardless of the law that might otherwise govern under applicable principles of conflict of laws).

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0000866729
SCHOLASTIC CORPORATION
1,000
U.S. DOLLARS

3-MOS
MAY-31-2000
AUG-31-1999
1
2,869
0
154,126
11,892
315,063
551,291
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69,709
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274,174
234,806
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0
177
338,170
963,533
180,000
180,000
108,300
208,100
5,500
3,564
4,400
38,000
14,400
23,600
0
0
0
23,600
1.43
1.43

5

0000866729
SCHOLASTIC CORPORATION
1,000
U.S. DOLLARS

3-MOS
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AUG-31-1998
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1,070
0
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234,757
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301,605
848,366
150,200
150,200
85,200
168,600
5,400
2,800
4,400
28,200
10,700
0
0
0
0
17,500
1.08
1.08