Skyline Champion Corp
Form SC 13D/A
November 30, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13D

[Rule 13d-101]
INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO §§240.13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO §§240.13d-2(a)

(Amendment No. 4)

Skyline Champion Corporation

(Name of Issuer)

Common Stock, par value $0.0277 per share

(Title of Class of Securities)

830830105

(CUSIP Number)

David N. Smith, Managing Director

MAK Capital One L.L.C.

590 Madison Avenue, Suite 2401

New York, NY 10022

(212) 486-3211

With a copy to each of:

Craig Marcus

Zachary Blume

Ropes & Gray LLP

800 Boylston Street

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(617) 951-7000

Howard M. Berkower

McCarter & English, LLP

825 Eighth Avenue

New York, NY 10019

(212) 609-6800

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

November 27, 2018

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D and is filing this schedule because of §§240.13d-1(e) 240.13d-1(f) or 240.13d-1(g) check the following box.

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7(b) for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, *see* the *Notes*).

CUSIP No. 830830105 SCHEDULE 13D/A Page 2 of 10

1	NAMES OF REPORTING PERSONS MAK Capital One L.L.C.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (see instructions) (a) o (b) x	
3	SEC USE ONLY	
4	SOURCE OF FUNDS (see instructions)	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) o	
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
	8	SHARED VOTING POWER 5,689,759*
	9	SOLE DISPOSITIVE POWER
	10	SHARED DISPOSITIVE POWER 5,689,759*
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 5,689,759	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (see instructions)	

	x
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 10.0% (See Item 5)**
14	TYPE OF REPORTING PERSON IA

* Excludes 9,825,202 shares of Common Stock beneficially owned by affiliates of Sankaty Credit Opportunities, L.P. (the "Bain Entities") and affiliates of Centerbridge Capital Partners, L.P. (the "Centerbridge Entities" and together with Reporting Persons and the Bain Entities (the "Sponsors") that are subject to the Coordination Agreement and Proxy (as defined in Item 4 of the initial statement on Schedule 13D filed with the U.S. Securities and Exchange Commission (the "SEC") on June 11, 2018).

** The calculation is based upon 56,713,294 shares of Common Stock being outstanding upon completion of the offering described herein, as disclosed by the Issuer in its prospectus supplement filed with the SEC on November 29, 2018 pursuant to Rule 424(b)(4).

CUSIP No. 830830105 SCHEDULE 13D/A Page 3 of 10

1	NAMES OF REPORTING PERSONS Michael A. Kaufman
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (see instructions) (a) o (b) x
3	SEC USE ONLY
4	SOURCE OF FUNDS (see instructions)
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) o
6	CITIZENSHIP OR PLACE OF ORGANIZATION United States

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
	8	SHARED VOTING POWER 5,689,759*
	9	SOLE DISPOSITIVE POWER
	10	SHARED DISPOSITIVE POWER 5,689,759*

11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 5,689,759
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES

	CERTAIN SHARES (see instructions) x
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 10.0% (See Item 5)**
14	TYPE OF REPORTING PERSON IN

* Excludes 9,825,202 shares of Common Stock beneficially owned by the Bain Entities and the Centerbridge Entities that are subject to the Coordination Agreement and Proxy (as defined in Item 4 of the initial statement on Schedule 13D filed with the SEC on June 11, 2018).

** The calculation is based upon 56,713,294 shares of Common Stock being outstanding upon completion of the offering described herein, as disclosed by the Issuer in its prospectus supplement filed with the SEC on November 29, 2018 pursuant to Rule 424(b)(4).

CUSIP No. 830830105 SCHEDULE 13D/A Page 4 of 10

1	NAMES OF REPORTING PERSONS MAK Champion Investment LLC		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (see instructions) (a) o (b) x		
3	SEC USE ONLY		
4	SOURCE OF FUNDS (see instructions)		
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) o		
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		7	SOLE VOTING POWER
		8	SHARED VOTING POWER 4,153,524*
		9	SOLE DISPOSITIVE POWER
		10	SHARED DISPOSITIVE POWER 4,153,524*
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 4,153,524		
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES		

CERTAIN SHARES (see instructions)

x

13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 7.3% (Seem Item 5)**
14	TYPE OF REPORTING PERSON OO

* Excludes 9,825,202 shares of Common Stock beneficially owned by the Bain Entities and the Centerbridge Entities that are subject to the Coordination Agreement and Proxy (as defined in Item 4 of the initial statement on Schedule 13D filed with the SEC on June 11, 2018).

** The calculation is based upon 56,713,294 shares of Common Stock being outstanding upon completion of the offering described herein, as disclosed by the Issuer in its prospectus supplement filed with the SEC on November 29, 2018 pursuant to Rule 424(b)(4).

CUSIP No. 830830105 SCHEDULE 13D/A Page 5 of 10

1	NAMES OF REPORTING PERSONS MAK Capital Fund LP	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (see instructions) (a) o (b) x	
3	SEC USE ONLY	
4	SOURCE OF FUNDS (see instructions)	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) o	
6	CITIZENSHIP OR PLACE OF ORGANIZATION Bermuda	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
	8	SHARED VOTING POWER 4,153,524*
	9	SOLE DISPOSITIVE POWER
	10	SHARED DISPOSITIVE POWER 4,153,524*
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 4,153,524	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (see instructions) x	

13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 7.3% (Seem Item 5)**
14	TYPE OF REPORTING PERSON PN

* Excludes 9,825,202 shares of Common Stock beneficially owned by the Bain Entities and the Centerbridge Entities that are subject to the Coordination Agreement and Proxy (as defined in Item 4 of the initial statement on Schedule 13D filed with the SEC on June 11, 2018).

** The calculation is based upon 56,713,294 shares of Common Stock being outstanding upon completion of the offering described herein, as disclosed by the Issuer in its prospectus supplement filed with the SEC on November 29, 2018 pursuant to Rule 424(b)(4).

CUSIP No. 830830105 SCHEDULE 13D/A Page 6 of 10

1	NAMES OF REPORTING PERSONS MAK-ro Capital Master Fund LP	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (see instructions) (a) o (b) x	
3	SEC USE ONLY	
4	SOURCE OF FUNDS (see instructions)	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) o	
6	CITIZENSHIP OR PLACE OF ORGANIZATION Cayman Islands	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
	8	SHARED VOTING POWER 1,536,235*
	9	SOLE DISPOSITIVE POWER
	10	SHARED DISPOSITIVE POWER 1,536,235*
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 1,536,235	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (see instructions) x	

13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 2.7% (Seem Item 5)**
14	TYPE OF REPORTING PERSON PN

* Excludes 9,825,202 shares of Common Stock beneficially owned by the Bain Entities and the Centerbridge Entities that are subject to the Coordination Agreement and Proxy (as defined in Item 4 of the initial statement on Schedule 13D filed with the SEC on June 11, 2018).

** The calculation is based upon 56,713,294 shares of Common Stock being outstanding upon completion of the offering described herein, as disclosed by the Issuer in its prospectus supplement filed with the SEC on November 29, 2018 pursuant to Rule 424(b)(4).

SCHEDULE 13D/A

This Amendment No. 4 to the statement on Schedule 13D ("Amendment No. 4") amends the Schedule 13D originally filed by the Reporting Persons on June 11, 2018, as amended on August 7, 2018, as further amended on August 14, 2018 and as further amended on September 25, 2018 (collectively, the "Schedule 13D"), relates to the shares of common stock, par value $0.0277 per share ("Common Stock"), of Skyline Champion Corporation (the "Issuer"). The principal executive offices of the Issuer are located at P.O. Box 743, 2520 By-Pass Road, Elkhart, IN 46515.

Except as specifically provided herein, this Amendment No. 4 does not modify any of the information previously reported on the Schedule 13D. Capitalized terms used but not otherwise defined in this Amendment No. 4 shall have the meanings ascribed to them in the Schedule 13D.

Item 4. Purpose of Transaction.

Item 4 of the Schedule 13D is hereby amended and supplemented as follows:

Underwriting Agreement

After the close of business on November 27, 2018, the MAK Fund and MAK-ro Fund and certain other Sponsors (collectively, the "Selling Shareholders") entered into an underwriting agreement (the "Underwriting Agreement") with Issuer and Morgan Stanley & Co. LLC (the "Underwriter"), pursuant to which the Underwriter agreed to purchase an aggregate of 4,500,000 shares of Common Stock from the Selling Shareholders in a secondary block trade at a price of $21.80 per share. The transaction closed on November 30, 2018. MAK Fund and MAK-ro Fund sold 730,000 and 270,000 shares of Common Stock, respectively. Additionally, pursuant to the Underwriting Agreement, the Underwriter has a 30-day option to purchase an additional 675,000 shares from the Selling Shareholders pursuant to the Underwriting Agreement.

Lock-up Agreement

In connection with the Underwriting Agreement, each of the Selling Shareholders entered into a lock-up agreement (the "Lock-up Agreement") with the Underwriter. Under the Lock-up Agreement, each Selling Shareholder agreed, subject to specified exceptions, not to offer, sell, pledge or otherwise transfer any shares of Common Stock, or securities convertible into or exercisable or exchangeable for shares Common Stock, for 45 days after November 27, 2018 without first obtaining the written consent of the Underwriter.

The summaries of the Underwriting Agreement and Lock-up Agreement contained in this Item 4 are qualified in their entirety by reference to the Underwriting Agreement and the Lock-up Agreement, each of which is filed as an exhibit hereto and incorporated by reference herein.

Item 5. Interest in Securities of the Issuer.

Item 5 of the Schedule 13D is hereby amended and supplemented as follows:

(a) – (b) The information contained in rows 7, 8, 9, 10, 11 and 13 on each of the cover pages of this Amendment No. 4 is incorporated by reference in its entirety into this Item 5.

Pursuant to Rule 13d-3 under the Act, the Reporting Persons may be deemed to beneficially own Common Stock as follows: (i) MAK Capital and Mr. Kaufman possess the voting power and dispositive power in respect of 5,689,759

shares; (ii) MAK Champion and MAK Fund possess the voting power and dispositive power in respect of 4,153,524 shares; and (iii) MAK-ro Fund possesses the voting power and dispositive power in respect of 1,536,235 shares.

By virtue of the Investor Rights Agreement and the Coordination Agreement, the Reporting Persons and other Sponsors may be deemed to be members of a "group" (within the meaning of Rule 13d-5 under the Act) that beneficially owns an aggregate of 15,514,961 shares, or approximately 27.4%, of the outstanding shares of Common Stock (after giving effect to distributions in kind by certain Centerbridge Entities). However, the filing of this Amendment No. 4 to the Schedule 13D shall not be deemed an admission that the Reporting Persons and the other Sponsors are members of any such group. Each of the other Sponsors has separately filed a Schedule 13D reporting its beneficial ownership of the shares of Common Stock held by it. Each Reporting Person disclaims beneficial ownership of the shares of Common Stock held by each of the other Sponsors.

The calculation is based upon 56,713,294 shares of Common Stock being outstanding upon completion of the offering pursuant to the Underwriting Agreement, as disclosed by the Issuer in its prospectus supplement filed with the SEC on November 29, 2018 pursuant to Rule 424(b)(4).

(c) Except for the sales described in Item 4 above and in the Schedule 13D, no Reporting Person has effected any transactions in the shares of Common Stock during the last 60 days.

Item 6. Contracts, Arrangements, Understandings or Relationships with respect to Securities of Issuer.

Item 6 of this Schedule 13D is hereby amended and supplemented as follows

The information set forth in Item 4 of this Amendment No. 4 is incorporated by reference in its entirety into this Item 6.

Item 7. Material to be Filed as Exhibits

Item 7 of this Schedule 13D is hereby amended and supplemented as follows:

Exhibit 7	Underwriting Agreement, dated November 27, 2018, by and among the Issuer, Sankaty Champion Holdings, LLC, Sankaty Credit Opportunities IV, L.P., Centerbridge Capital Partners, L.P., Centerbridge Capital Partners Strategic, L.P., Centerbridge Capital Partners SBS, L.P., CCP Champion Investors, LLC, MAK Champion Investment LLC, MAK-ro Capital Master Fund L.P., and the Underwriter (incorporated by reference to Exhibit 1.1 to the Issuer's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 29, 2018).
Exhibit 8	Form of Lock-up Agreement (incorporated by reference to Exhibit A to Exhibit 1.1 to the Issuer's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 29, 2018).

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: November 30, 2018

MAK CAPITAL ONE L.L.C.

By: /s/ Michael A. Kaufman
Michael A. Kaufman, Managing Member

/s/ Michael A. Kaufman

Gain on sale		10.5		-
Non-cash impairment and other charges		(5.0)		-
Loss before income taxes		(2.0)		(10.0)
Income tax (expense) benefit		(2.4)		3.9
Loss from discontinued operations, net of tax	**$**	**(4.4)**	**$**	**(6.1)**

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

The following table sets forth the assets and liabilities of the discontinued operations included in the Condensed Consolidated Balance Sheets of the Company as of the dates indicated:

	August 31, 2008	*May 31, 2008*	*August 31, 2007*
Accounts receivable, net	20.3	15.8	59.9
Inventories, net	—	4.6	50.5
Deferred promotion costs	—	—	42.7
Other assets	9.3	10.3	71.6
Current assets of discontinued operations	**$ 29.6**	**$ 30.7**	**$ 224.7**
Accounts payable and accrued expenses	14.0	8.0	20.3
Other current liabilities	2.1	8.5	6.4
Current liabilities of discontinued operations	**$ 16.1**	**$ 16.5**	**$ 26.7**

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

4. Segment Information

The Company categorizes its businesses into four reportable segments: *Childrens Book Publishing and Distribution; Educational Publishing; Media, Licensing and Advertising* (which collectively represent the Companys domestic operations); and *International*. This classification reflects the nature of products and services consistent with the method by which the Companys chief operating decision-maker assesses operating performance and allocates resources. Revenues and operating margin related to a segments products sold or services rendered through another segments distribution channel are reallocated to the segment originating the products or services.

 Childrens Book Publishing and Distribution includes the publication and distribution of childrens books in the United States through school-based book clubs and book fairs, and the trade channel.

 Educational Publishing includes the production and/or publication and distribution to schools and libraries of educational technology products, curriculum materials, childrens books, classroom magazines and print and on-line reference and non-fiction products for grades pre-kindergarten to 12 in the United States.

 Media, Licensing and Advertising includes the production and/or distribution of media and electronic products and programs (including childrens television programming, videos, DVDs, software, feature films, interactive and audio products, promotional activities and non-book merchandise), and advertising revenue, including sponsorship programs.

 International includes the publication and distribution of products and services outside the United States by the Companys international operations, and its export and foreign rights businesses.

The following tables set forth information for the Companys segments for the periods indicated and reflect the Companys continuing operations:

	Childrens Book Publishing and Distribution(1)	Educational Publishing	Media, Licensing and Advertising	Overhead(1)(2)	Total Domestic
Three months ended August 31, 2008					
Revenues	$ 61.0	$ 116.4	$ 19.5	$ 0.0	$ 196.9
Bad debt expense (income)	(0.1)	0.5	(0.1)	0.0	0.3
Depreciation and amortization[3]	6.3	1.3	0.3	6.4	14.3
Amortization[4]	2.6	5.3	1.5	0.0	9.4
Royalty advances expensed	4.6	0.3	0.1	0.0	5.0
Operating (loss) income	(55.9)	21.0	(4.6)	(21.2)	(60.7)
Segment Assets	542.2	365.0	71.1	480.3	1,458.6
Goodwill	38.2	93.0	9.8	0.0	141.0
Expenditures for long-lived assets	10.7	5.6	3.5	5.5	25.3
Long-lived Assets[5]	176.5	206.6	30.5	246.5	660.1

Three months ended
August 31, 2007

Revenues	$	296.8	$	127.8	$	16.4	$	0.0	$	441.0
Bad debt		0.1		0.0		0.4		0.0		0.5
Depreciation and amortization[3]		4.4		1.0		0.3		8.3		14.0
Amortization[4]		4.1		6.4		1.5		0.0		12.0
Royalty advances expensed		9.3		0.5		0.1		0.0		9.9
Operating (loss) income		12.6		30.4		(5.4)		(20.6)		17.0
Segment Assets		771.8		364.5		67.5		428.1		1,631.9
Goodwill		38.2		92.8		9.8		0.0		140.8
Expenditures for long-lived assets		14.9		4.9		1.5		4.6		25.9
Long-lived Assets[5]		170.3		210.3		28.3		248.4		657.3

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

(1) *As discussed in Note 3, "Discontinued Operations," the DTH business, consisting of the domestic portion of the direct-to-home business, and the SC business, which were formerly included in the Children's Book Publishing and Distribution segment, DTH International, located in the United Kingdom and Canada, which was formerly included in the International segment, and the Maumelle Facility, which was formerly included in Overhead (with the exception of certain charges allocated to the Company's segments), were reclassified as discontinued operations and, as such, are not reflected in this table.*

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

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

(4) *Includes amortization of prepublication costs and production costs, but excludes amortization of promotion costs.*

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

5. Debt

The following table summarizes debt as of the dates indicated:

	August 31, 2008	***May 31, 2008***	***Augus 20***
Lines of Credit	$ 63.0	$ 11.8	$
Loan Agreement:			
Revolving Loan	40.0	—	1
Term Loan	167.9	178.6	2
5% Notes due 2013, net of discount	159.3	159.3	1
Total debt	**430.2**	**349.7**	**5**
Less lines of credit, short-term debt and current portion of long-term debt	(105.8)	(54.6)	
Total long-term debt	**$ 324.4**	**$ 295.1**	**$ 5**

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

The following table sets forth the maturities of the Company's debt obligations as of August 31, 2008 for the remainder of fiscal 2009 and thereafter:

Nine-month period ending May 31:	
2009	$ 95.1
Fiscal years ending May 31:	
2010	42.8
2011	42.8
2012	42.8
2013	206.7
Thereafter	0.0
Total debt	**$ 430.2**

Loan Agreement

On June 1, 2007, Scholastic Corporation and Scholastic Inc. (each, a "Borrower" and together, the "Borrowers") elected to replace the Company's then-existing credit facilities with a new $525.0 credit facility with certain banks (the "Loan Agreement"), consisting of a $325.0 revolving credit component (the "Revolving Loan") and a $200.0 amortizing term loan component (the "Term Loan"). The Loan Agreement is a contractually committed unsecured credit facility that is scheduled to expire on June 1, 2012. The $325.0 Revolving Loan component allows the Company to borrow, repay or prepay and reborrow at any time prior to the stated maturity date, and the proceeds may be used for general corporate purposes, including financing for acquisitions and share repurchases. The Loan Agreement also provides for an increase in the aggregate Revolving Loan commitments of the lenders of up to an additional $150.0. The $200.0 Term Loan component was established in order to fund the reacquisition by the Corporation of shares of its Common Stock pursuant to an Accelerated Share Repurchase Agreement and was fully drawn on June 28, 2007 in connection with that transaction. The Term Loan, which may be prepaid at any time without penalty, requires quarterly principal payments of $10.7, with the first payment on December 31, 2007, and a final payment of $7.4 due on June 1, 2012. Interest on both the Term Loan and Revolving Loan is due and payable in arrears on the last day of the interest period (defined as the period commencing on the date of the advance and ending on the last day of the period selected by the Borrower at the time each advance is made). At the election of the Borrower, the interest rate charged for each loan made under the Loan Agreement is based on (1) a rate equal to the higher of (a) the prime rate or (b) the prevailing Federal Funds rate plus 0.500% or (2) an adjusted LIBOR rate plus an applicable margin, ranging from 0.500% to 1.250% based on the Company's prevailing consolidated debt to total capital ratio. As of August 31, 2008, the applicable margin of the Term Loan was 0.875% and the applicable margin on the Revolving Loan was 0.700% . The Loan Agreement also provides for the payment of a facility fee ranging from 0.125% to 0.250% per annum on the Revolving Loan only, which at August 31, 2008 was 0.175% . As of August 31, 2008, the Term Loan had an outstanding balance of $167.9, at a weighted average interest rate of 3.300% . As of August 31, 2007, the Term Loan had an outstanding balance of $200.0 at a weighted average interest rate of 6.300% . The Revolving Loan has an outstanding balance of $40.0 as of August 31, 2008 at a weighted average interest rate of 3.200% . As of August 31, 2007, $175.0 was outstanding under the Revolving Loan at a weighted average interest rate of 6.200% .. The Loan Agreement contains certain covenants, including interest coverage and leverage ratio tests and certain limitations on the amount of dividends and other distributions, and at August 31, 2008 the Company was in compliance with these covenants.

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

5% Notes due 2013

In April 2003, Scholastic Corporation issued $175.0 of 5% Notes (the 5% Notes). The 5% Notes are senior unsecured obligations that mature on April 15, 2013. Interest on the 5% Notes is payable semi-annually on April 15 and October 15 of each year through maturity. The Company may at any time redeem all or a portion of the 5% Notes at a redemption price (plus accrued interest to the date of the redemption) equal to the greater of (i) 100% of the principal amount, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest discounted to the date of redemption. In fiscal year 2008, the Company repurchased $14.5 of the 5% Notes on the open market.

Lines of Credit

During the fourth quarter of fiscal 2008, the Company renewed unsecured money market bid rate credit lines totaling $50.0 that were originally entered into during the fourth quarter of fiscal 2007. There was an outstanding balance under these credit lines of $37.8 and $5.7 at August 31, 2008 and August 31, 2007, respectively. All loans made under these credit lines are at the sole discretion of the lender and at an interest rate and term, not to exceed 364 days, agreed to at the time each loan is made. The weighted average interest rate for all money market bid rate loans outstanding on August 31, 2008 and August 31, 2007 were 2.900% and 6.100%, respectively. These credit lines are typically available for loans up to 364 days and may be renewed, if requested by the Company, at the sole option of the lender.

As of August 31, 2008, the Company had various local currency credit lines, with maximum available borrowings in amounts equivalent to $61.1, underwritten by banks primarily in the United States, Canada and the United Kingdom. These credit lines are typically available for overdraft borrowings or loans up to 364 days and may be renewed, if requested by the Company, at the sole option of the lender. There were borrowings outstanding under these facilities equivalent to $25.2 at August 31, 2008 at a weighted average interest rate of 5.900%, as compared to the equivalent of $35.3 at August 31, 2007 at a weighted average of 6.600% .

6. Comprehensive Loss

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

	Three months ended August 31,	
	2008	**2007**
Net loss	$ (49.1)	$ (2.8)
Other comprehensive loss -		
Foreign currency translation adjustments	(12.0)	(5.1)
Retirement plans and post-retirement healthcare, net of tax	0.7	0.2
Comprehensive loss	**$ (60.4)**	**$ (7.7)**

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

7. Earnings (loss) Per Share

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

	Three months ended August 31,	
	2008	**2007**
(Loss) earnings from continuing operations	$ (44.7)	$ 3.3
Loss from discontinued operations	$ (4.4)	$ (6.1)
Net loss	$ (49.1)	$ (2.8)
Weighted average Shares of Class A Stock and Common Stock outstanding for basic earnings per share (in millions)	37.9	39.7
Dilutive effect of Class A Stock and Common Stock potentially issuable pursuant to stock-based compensation plans (in millions)	*	0.6
Adjusted weighted average Shares of Class A Stock and Common Stock outstanding for diluted earnings per share (in millions)	*	40.3
(Loss) earnings per share of Class A Stock and Common Stock:		
Basic (loss) earnings per share:		
(Loss) earnings from continuing operations	$ (1.18)	$ 0.08
Loss from discontinued operations	$ (0.12)	$ (0.15)
Net loss	$ (1.30)	$ (0.07)
Diluted (loss) earnings per share:		
(Loss) earnings from continuing operations	$ (1.18)	$ 0.08
Loss from discontinued operations	$ (0.12)	$ (0.15)
Net Loss	$ (1.30)	$ (0.07)

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

SCHOLASTIC CORPORATION
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8. Goodwill and Other Intangibles

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

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

	Three months ended August 31, 2008	Twelve months ended May 31, 2008	Three months ended August 31, 2007 (Restated)
Beginning balance	$ 172.3	$ 173.5	$ 173.5
Translation adjustments	(1.9)	(1.2)	(1.0)
Total	**$ 170.4**	**$ 172.3**	**$ 172.5**

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

	August 31, 2008	May 31, 2008	August 31, 2007
Customer lists	$ 3.2	$ 3.2	$ 3.2
Accumulated amortization	(3.0)	(3.0)	(2.9)
Net customer lists	0.2	0.2	0.3
Other intangibles	8.7	8.7	4.1
Accumulated amortization	(5.6)	(5.4)	(3.1)
Net other intangibles	3.1	3.3	1.0
Total	**$ 3.3**	**$ 3.5**	**$ 1.3**

During the fourth quarter of fiscal 2008 the Company reviewed its intangible assets with indefinite lives and determined that certain intangible assets not previously subject to amortization should begin being amortized as of that fiscal period. Accordingly, approximately $4.6 of Other intangibles reported as not subject to amortization as of August 31, 2007 are reported as Other intangibles subject to amortization as of August 31, 2008 and May 31, 2008. This reclassification was based on the Company�s analysis of the cash flows related to these assets.

Amortization expense for Other intangibles totaled $0.2 and $0.1 for the three month periods ended August 31, 2008 and 2007, respectively, and $2.5 for the twelve months ended May 31, 2008. Amortization expense for these assets is currently estimated to total $0.6 for the fiscal years ending May 31, 2009 through 2011 and $0.5 for the fiscal years ending May 31, 2012 and 2013. Intangible assets with definite lives consist principally of customer lists and covenants not to compete. Intangible assets with definite lives are amortized over their estimated useful lives. There were no impairments in the current period.

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

	August 31, 2008	*May 31, 2008*	*August 31, 2007*
Net carrying value by major class:			
Titles	$ 28.7	$ 28.7	$ 31.0
Trademarks and Other	15.3	15.3	17.5
Total	**$ 44.0**	**$ 44.0**	**$ 48.5**

9. Pension and Other Post-Retirement Benefits

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

	Pension Plans *Three months ended August 31,*		**Post-Retirement Benefits** *Three months ended August 31,*	
	2008	*2007*	*2008*	*2007*
Components of Net Periodic Benefit Cost:				
Service cost	$ 2.1	$ 2.2	$ 0.1	$ 0.1
Interest cost	2.7	2.5	0.5	0.5
Expected return on assets	(2.9)	(2.8)	—	—
Net amortization of prior service (credit)/cost	(0.1)	(0.1)	(0.2)	(0.2)
Amortization of loss	0.5	0.4	0.2	0.3
Net periodic benefit cost	**$ 2.3**	**$ 2.2**	**$ 0.6**	**$ 0.7**

SCHOLASTIC CORPORATION
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The Companys funding practice with respect to the Pension Plans is to contribute on an annual basis at least the minimum amounts required by applicable laws. These contributions are intended to provide for future benefits earned to date and those expected to be earned in the future. For the three months ended August 31, 2008, the Company contributed $3.8, $0.2 and $0.1 to the U. S. Pension Plan, the U. K. Pension Plan and the Canadian Pension Plan, respectively. The Company expects, based on actuarial calculations, to contribute cash of approximately $18.2 in the aggregate to the Pension Plans in the fiscal year ending May 31, 2009.

10. Stock-Based Compensation

The following table summarizes stock-based compensation for the periods indicated:

	Three months ended August 31,	
	2008	**2007**
Stock option expense	$ 1.5	$ 0.9
Restricted stock unit expense	0.6	0.3
Employee stock purchase plan expense	0.1	0.1
Total stock-based compensation	**$ 2.2**	**$ 1.3**

During the three month periods ended August 31, 2008 and 2007, shares of Common Stock issued by the Corporation pursuant to its stock-based compensation plans were not material.

11. Treasury Stock

On May 28, 2008, the Corporation announced that its Board of Directors had authorized a new program to repurchase up to $20.0 of Common Stock as conditions allow, on the open market or through negotiated private transactions. During the three months ended August 31, 2008, the Corporation repurchased approximately 0.4 million shares on the open market for approximately $11.7 at an average cost of $27.52 per share. See Part II, Other Information, Item 2, Unregistered Sales of Equity Securities and Use of Proceeds.

12. Income Taxes

The Company calculates its interim income tax provision in accordance with Accounting Principles Board Opinion No. 28, Interim Financial Reporting, and FASB Interpretation No. 18, Accounting for Income Taxes in Interim Periods (FIN 18). In calculating the provision for income taxes on an interim basis, the Company uses an estimate of the annual effective tax rate based upon the facts and circumstances known and applies that rate to its ordinary quarterly earnings or losses. The Companys effective tax rate is based on expected income and statutory tax rates and factors into consideration permanent differences between financial statement and tax return income applicable to the Company in the various jurisdictions in which the Company operates. The effect of discrete items, such as changes in estimates, changes in enacted tax laws or rates or tax status is recognized in

the interim period in which the discrete item occurs. The accounting estimates used to compute the provision for income taxes may change as new events occur, additional information is obtained or as the result of new judicial interpretations or regulatory or tax law changes.

The Company's provision for income taxes with respect to continuing operations resulted in an effective tax rate of 36.8% for the three months ended August 31, 2008, and a tax benefit of $26.0. The Company anticipates a full fiscal year tax rate of approximately 40.0% for the current fiscal year exclusive of expected discrete items. The income tax benefit recognized by the Company in the current quarter is a result of the pretax losses recognized by the Company in the current quarter. The Company experiences seasonality in its earnings, traditionally recognizing significant pretax losses in the first quarter, and pretax income for the remainder of the year. Accordingly, the Company recognizes income tax benefits in the first quarter, which will be offset by tax expense in succeeding quarters. These benefits are presented on the Condensed Consolidated Balance Sheets as a reduction to Other accrued expenses.

In the current period, the Company completed the sale of the DTH business (see Note 3, "Discontinued Operations"). In Fiscal Year 2008, the Company recognized significant pretax losses and deferred tax benefits associated with this transaction. The Company expects to realize the majority of these deferred tax assets in the current fiscal year, reducing the Company's domestic taxable income to levels significantly below the expected pretax income levels. Accordingly, the Company expects reduced federal and state tax payments in the current fiscal year as a result of the realization of these deferred tax assets, and expects a significant reduction in deferred tax assets at the end of the current fiscal year.

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

The Company recognizes tax benefits of uncertain tax positions in accordance with FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). The Company does not currently anticipate a material change to its unrecognized tax benefits within twelve months of August 31, 2008; however, actual developments can change these expectations, including settlement of audits.

The Corporation, including its domestic subsidiaries, files a consolidated U.S. income tax return, and also files tax returns in various states and other local jurisdictions. Also, certain subsidiaries of the Corporation file income tax returns in foreign jurisdictions. The Company is routinely audited by various tax authorities. The Company believes it is no longer subject to an income tax assessment by the United States Internal Revenue Service (IRS) for the years ended on or before May 31, 2003 due to the expiration of the statute of limitations. The Company has been selected for audit by the IRS for its fiscal years ended May 2004, 2005 and 2006. The Companys principal operations are located in New York City. The Company is also currently under audit by both New York State and New York City for fiscal years ended May 2002, 2003 and 2004. It is possible that federal, state and foreign tax examinations will be settled during the next twelve months. If any of these tax examinations are concluded within that period, the Company will make any necessary adjustments to its unrecognized tax benefits.

13. Subsequent Event

On September 24, 2008, the Company announced that the Board had declared a quarterly dividend of $0.075 per share to be paid on December 15, 2008 to shareholders of record of the Corporations Common Stock and Class A Stock on October 31, 2008.

SCHOLASTIC CORPORATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")

Overview and Outlook

During the three months ended August 31, 2008, Scholastic Corporation completed the sale of its U.S. direct-to-home continuities business under its previously announced agreement with Sandvik AS. The Company expects to complete the sale of its direct-to-home continuity businesses located in the United Kingdom and Canada and the Maumelle Facility by the end of the calendar year. The Company views this as an important move for long-term profitability, as it allows the Company to focus its efforts to grow sales to parents and families through our school channels.

The Company's first quarter is generally its smallest revenue period as most schools are not in session, resulting in a seasonal loss. The net loss in the quarter ended August 31, 2008 was $49.1 million, which included a loss from discontinued operations, net of tax, of $4.4 million, compared to a $2.8 million net loss in the quarter ended August 31, 2007, which included a loss from discontinued operations, net of tax, of $6.1 million. The net loss in the prior fiscal quarter was significantly lower due to the benefit of the July 2007 release of *Harry Potter and the Deathly Hallows*, the seventh and final book in the series.

The Corporation paid its first dividend on September 15, 2008, under its previously announced dividend program established to return value to investors. Additionally, the Corporation continues to repurchase shares of its Common Stock under the program approved by its Board of Directors.

Through the first three months of fiscal 2009, the Company remained focused on its long-term financial targets of 9-10% operating margins, and key objectives to:

- Achieve modest revenue growth and improved margins in its core children's book publishing and distribution businesses;
- Drive modest sales growth by capitalizing on opportunities to improve the Company's sales and service organization in a challenging market and by the introduction of new technology products in its *Educational Publishing* segment;
- Reduce costs by restructuring operations, reducing head count, consolidating supplier relationships, and standardizing print formats and paper specifications across all businesses.

Results of Continuing Operations

Revenues for the quarter ended August 31, 2008 decreased $246.3 million, or 46.4%, to $285.0 million, compared to $531.3 million in the prior fiscal year quarter. This decrease related primarily to $235.8 million in lower revenues from the *Children's Book Publishing and Distribution* segment, as compared to the prior fiscal year quarter which included the July 2007 release of *Harry Potter and the Deathly Hallows*.

Cost of goods sold decreased to $149.0 million in the quarter ended August 31, 2008, or 52.3% of revenues, as compared to $298.8 million, or 56.2% of revenues in the quarter ended August 31, 2007, primarily due to higher costs related to the *Harry Potter* release in the prior fiscal year quarter.

Selling, general and administrative expenses decreased $16.5 million to $182.9 million in the quarter ended August 31, 2008 compared to $199.4 million in the prior fiscal year quarter, which included approximately $15 million of costs related to the Harry Potter release in the prior fiscal year period. Selling, general and administrative expenses as a percentage of revenue for the quarter ended August 31, 2008 increased to 64.2% as compared to 37.5 % in the prior fiscal year quarter, primarily due to the revenue benefit from the seventh book in the Harry Potter series which recorded unprecedented sales of approximately $240 million in the prior fiscal year quarter without a proportionate increase in expense.

The resulting operating loss for the quarter ended August 31, 2008 was $64.9 million, compared to operating income of $15.4 million in the prior fiscal year quarter, primarily due to the impact of the prior year's release of

Harry Potter and the Deathly Hallows.

Net interest expense decreased $2.8 million to $5.8 million, or 2.0% of revenues, in the quarter ended August 31, 2008, compared to $8.6 million, or 1.6% of revenues, in the prior fiscal year quarter primarily due to lower borrowings.

The Company's provision for income taxes with respect to continuing operations resulted in an effective tax rate of 36.8% and 51.5% for the quarters ended August 31, 2008 and August 31, 2007, respectively. The higher rate in the prior fiscal year period was the result of discrete items in the amount of $0.5 million representing the Company's interest component adjustment for the accounting for uncertain tax positions and $0.3 million of additional tax expense related to a regulatory change in the statutory tax rate of a foreign subsidiary of the Corporation.

Loss from continuing operations was $44.7 million, or $1.18 per share, for the quarter ended August 31, 2008, compared to income from continuing operations of $3.3 million, or $0.08 per share, in the prior fiscal year quarter.

Loss from discontinued operations, net of tax, was $4.4 million, or $0.12 per share, for the quarter ended August 31, 2008, compared to $6.1 million, or $0.15 per share, in the prior fiscal year quarter.

Net loss was $49.1 million, or $1.30 per share, for the quarter ended August 31, 2008, compared to $2.8 million, or $0.07 per share, in the prior fiscal year quarter.

SCHOLASTIC CORPORATION
Item 2. MD&A

Results of Continuing Operations - Segments

Children�s Book Publishing and Distribution

($ amounts in millions)	***Three months ended August 31,***	
	2008	**2007**
Revenue	$ 61.0	$ 296.8
Operating (loss) income	(55.9)	12.6
Operating margin	*	**4.2%**

* not meaningful

Revenues in the *Children�s Book Publishing and Distribution* segment for the quarter ended August 31, 2008 decreased to $61.0 million from $296.8 million in the prior fiscal year quarter. The decrease was due to the unprecedented success of *Harry Potter and the Deathly Hallows*, the seventh and final book in the series, in the prior year, which included approximately $240 million of Harry Potter revenues. School-based book clubs and book fairs have minimal activity in the Company�s first fiscal quarter, as most schools are not in session.

Segment operating loss for the quarter ended August 31, 2008 was $55.9 million, compared to operating income of $12.6 million in the prior fiscal year quarter, primarily due to lower operating results for the Company�s trade business resulting from lower Harry Potter revenues, partially offset by cost management in school-based book clubs and book fairs.

Educational Publishing

($ amounts in millions)	***Three months ended August 31,***	
	2008	**2007**
Revenue	$ 116.4	$ 127.8
Operating income	21.0	30.4
Operating margin	**18.0%**	**23.8%**

Revenues in the *Educational Publishing* segment for the quarter ended August 31, 2008 decreased by $11.4 million, or 8.9%, to $116.4 million, compared to $127.8 million in the prior fiscal year quarter. This decrease was

primarily due to lower revenues from sales of educational technology products, primarily due to lower sales of *READ180*, reflecting a challenging market and lower sales productivity. In addition, the prior year period included a large sale totaling approximately $7 million. The decrease in sales of educational technology products for the quarter ended August 31, 2008 was partially offset by higher non-technology classroom and library publishing revenues.

Segment operating income for the quarter ended August 31, 2008 decreased by $9.4 million, or 30.9%, to $21.0 million, compared to $30.4 million in the prior fiscal year quarter, principally driven by lower technology revenues, partially offset by the benefit of better expense management in the current fiscal year period.

SCHOLASTIC CORPORATION
Item 2. MD&A

Media, Licensing and Advertising

($ amounts in millions)	***Three months ended August 31,***	
	2008	**2007**
Revenue	$ 19.5	$ 16.4
Operating loss	(4.6)	(5.4)
Operating margin	*	*

* not meaningful

Revenues in the *Media, Licensing and Advertising* segment for the quarter ended August 31, 2008 increased by $3.1 million, or 18.9%, to $19.5 million, compared to $16.4 million in the prior fiscal year quarter, primarily due to increased custom publishing revenues.

Segment operating loss for the quarter ended August 31, 2008 decreased to $4.6 million, compared to $5.4 million in the prior fiscal year quarter, primarily due to the higher revenues.

International

($ amounts in millions)	***Three months ended August 31,***	
	2008	**2007**
Revenue	$ 88.1	$ 90.3
Operating loss	(4.2)	(1.6)
Operating margin	*	*

* not meaningful

Revenues in the *International* segment for the quarter ended August 31, 2008 decreased by $2.2 million, or 2.4%, to $88.1 million, compared to $90.3 million in the prior fiscal year quarter. Lower revenues in the Company's export business of $7.8 million, primarily due to lower Harry Potter revenues, were partially offset by the favorable impact of foreign currency exchange rates of $2.9 million and higher local currency revenue in

Australia, the United Kingdom, and Canada equivalent to $1.8 million, $1.5 million, and $1.2 million, respectively.

Segment operating loss for the quarter ended August 31, 2008 increased to $4.2 million, as compared to $1.6 million in the prior fiscal year quarter, primarily due to the lower revenues from the Company's export business.

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Results of Discontinued Operations

During the three months ended August 31, 2008, the Company completed the sale of its domestic DTH business. The Company anticipates the sale of the direct-to-home continuities businesses located in the United Kingdom and Canada and the Maumelle Facility to be completed by calendar year-end. In accordance with Statement of Financial Accounting Standards (�SFAS�) No. 144, �Accounting for the Impairment or Disposal of Long-Lived Assets� (�SFAS 144�), the results of operations for the DTH business are presented separately in the Company�s Condensed Consolidated Financial Statements as discontinued operations and the assets and liabilities of the DTH business are treated as held for sale. SFAS 144 requires write-downs of the carrying value of assets held for sale if the carrying value exceeds their estimated fair value, less cost to sell. See Note 3 of Notes to Condensed Consolidated Financial Statements � Unaudited in Item 1, �Financial Statements� for a discussion of estimates and assumptions in calculating estimated fair value less cost to sell.

Loss from discontinued operations, net of tax, was $4.4 million, or $0.12 per share, for the quarter ended August 31, 2008, compared to $6.1 million, or $0.15 per share, in the prior fiscal year quarter. The lower loss in the current year period was primarily related to the gain recorded on the sale of the DTH business.

Seasonality

The Company�s school-based book clubs, school-based book fairs and most of its magazines operate on a school-year basis. Therefore, the Company�s business is highly seasonal. As a result, the Company�s revenues in the first and third quarters of the fiscal year generally are lower than its revenues in the other two fiscal quarters. Typically, school-based book club and book fair revenues are greatest in the second quarter of the fiscal year, while revenues from the sale of instructional materials and educational technology products are highest in the first and fourth quarters. The Company generally experiences a loss from operations in the first and third quarters of each fiscal year.

Liquidity and Capital Resources

The Company�s cash and cash equivalents, including the cash of the discontinued operations, totaled $31.7 million at August 31, 2008, compared to $120.4 million at May 31, 2008 and $42.7 million at August 31, 2007.

Cash used in operating activities was $140.6 million for the three months ended August 31, 2008, compared to $108.2 million in the prior fiscal year period. This $32.4 million increase consists primarily of a $10.9 million higher cash use for inventory in the current fiscal year period, reflecting earlier purchasing of inventory in School Book Fairs, and $11.1 million lower cash inflow from Accounts payable in the current fiscal year period due to the timing of payments.

Cash used in investing activities decreased to $18.4 million for the three months ended August 31, 2008 from $21.5 million for the prior fiscal year period, primarily due to the $4.0 million cash proceeds from the sale of the DTH business.

Cash provided by financing activities was $68.4 million for the three months ended August 31, 2008, compared to $156.5 million for the prior fiscal year period, representing an $88.1 million decrease year over year. The change is primarily attributable to $175.0 million of borrowings on the Revolving Loan as of August 31, 2007 to finance working capital needs, compared to net borrowings on the Revolving Loan of $40.0 million at August 31, 2008. This $135.0 million decrease was partially offset by a $76.3 million year over year increase in the Company�s activity under its lines of credit. The Company had net borrowings under its lines of credit of $51.2 million in the current fiscal year period as compared to net repayments of $25.1 million in the prior fiscal year period.

Due to the seasonal nature of its business as discussed under �Seasonality� above, the Company usually experiences negative cash flows in the June through October time period. As a result of the Company�s business cycle, borrowings have historically increased during June, July and August, have generally peaked in September or October, and have been at their lowest point in May. The Company expects to realize the benefit of deferred tax assets related to the DTH business divestiture in the current fiscal year. Accordingly, net tax payments will be

lower in the current fiscal year than historical levels.

The Company's operating philosophy is to use cash provided from operating activities to create value by paying down debt, to reinvest in existing businesses and, from time to time, to make acquisitions that will complement its portfolio of businesses and to engage in shareholder enhancement initiatives, such as share purchases or dividend declarations. The Company believes that funds generated by its operations and funds available under its current credit facilities will be sufficient to finance its short-and long-term capital requirements.

SCHOLASTIC CORPORATION
Item 2. MD&A

As of August 31, 2008, the Company's primary sources of liquidity consisted of cash and cash equivalents of $31.7 million and borrowings remaining available under the Revolving Loan (as described under "Financing" below) totaling $285.0 million. The Company may at any time, but in any event not more than once in any calendar year, request that the aggregate availability of credit under the Revolving Loan be increased by an amount of $10.0 million or an integral multiple of $10.0 million (but not to exceed $150.0 million). The Company believes these sources of liquidity are sufficient to finance its ongoing operating needs.

The Company believes it has adequate access to capital to repay its debt obligations as they become due. As of August 31, 2008, the Company was rated BB by Standard & Poor's Rating Services and Ba1 by Moody's Investors Service.

Financing

On June 1, 2007, Scholastic Corporation and Scholastic Inc. (each, a "Borrower" and together, the "Borrowers") elected to replace the Company's then-existing credit facilities with a new $525.0 million credit facility with certain banks (the "Loan Agreement"), consisting of a $325.0 million revolving credit component (the "Revolving Loan") and a $200.0 million amortizing term loan component (the "Term Loan"). The Loan Agreement is a contractually committed unsecured credit facility that is scheduled to expire on June 1, 2012. The $325.0 million Revolving Loan component allows the Company to borrow, repay or prepay and reborrow at any time prior to the stated maturity date, and the proceeds may be used for general corporate purposes, including financing for acquisitions and share repurchases. The Loan Agreement also provides for an increase in the aggregate Revolving Loan commitments of the lenders of up to an additional $150.0 million. The $200.0 million Term Loan component was established in order to fund the reacquisition by the Corporation of shares of its Common Stock pursuant to the ASR and was fully drawn on June 28, 2007 in connection with that transaction. The Term Loan, which may be prepaid at any time without penalty, requires quarterly principal payments of $10.7 million, with the first payment made on December 31, 2007, and a final payment of $7.4 million due on June 1, 2012. Interest on both the Term Loan and Revolving Loan is due and payable in arrears on the last day of the interest period (defined as the period commencing on the date of the advance and ending on the last day of the period selected by the Borrower at the time each advance is made). At the election of the Borrower, the interest rate charged for each loan made under the Loan Agreement is based on (1) a rate equal to the higher of (a) the prime rate or (b) the prevailing Federal Funds rate plus 0.500% or (2) an adjusted LIBOR rate plus an applicable margin, ranging from 0.500% to 1.250% based on the Company's prevailing consolidated debt to total capital ratio. As of August 31, 2008, the applicable margin on the Term Loan was 0.875% and the applicable margin on the Revolving Loan was 0.700% . The Loan Agreement also provides for the payment of a facility fee ranging from 0.125% to 0.250% per annum on the Revolving Loan only, which at August 31, 2008 was 0.175% . As of August 31, 2008, $167.9 million was outstanding under the Term Loan at a weighted average interest rate of 3.300% . As of August 31, 2007, the Term Loan had an outstanding balance of $200.0 million at a weighted average interest rate of 6.300% . As of August 31, 2008, $40.0 million was outstanding under the Revolving Loan at a weighted average interest rate of 3.200% . As of August 31, 2007, $175.0 million was outstanding under the Revolving Loan at a weighted average interest rate of 6.200% . The Loan Agreement contains certain covenants, including interest coverage and leverage ratio tests and certain limitations on the amount of dividends and other distributions, and at August 31, 2008 the Company was in compliance with these covenants.

During the fourth quarter of fiscal 2008, the Company renewed unsecured money market bid rate credit lines totaling $50.0 million that were originally entered into during the fourth quarter of fiscal 2007. As of August 31, 2008, there were outstanding borrowings under these credit lines of $37.8 million and $5.7 million at August 31, 2007. All loans made under these credit lines are at the sole discretion of the lender and at an interest rate and term, not to exceed 364 days, agreed to at the time each loan is made. The weighted average interest rate for all money market bid rate loans outstanding on August 31, 2008 was 2.900% . These credit lines are typically available for loans up to 364 days and may be renewed, if requested by the Company, at the sole option of the lender.

As of August 31, 2008, the Company had various local currency credit lines, with maximum available borrowings in amounts equivalent to $61.1 million, underwritten by banks primarily in the United States, Canada and the United Kingdom. These credit lines are typically available for overdraft borrowings or loans up to 364 days and may be renewed, if requested by the Company, at the sole option of the lender. There were borrowings

outstanding under these facilities equivalent to $25.2 million at August 31, 2008 at a weighted average interest rate of 5.900%, compared to the equivalent of $11.8 million at May 31, 2008 at a weighted average interest rate of 6.400% and to the equivalent of $35.3 million at August 31, 2007 at a weighted average interest rate of 6.600% .

At August 31, 2008, the Company had open standby letters of credit of $8.1 million issued under certain credit lines, as compared to $8.4 million as of May 31, 2008 and August 31, 2007. These letters of credit are scheduled to expire within one year; however, the Company expects that substantially all of these letters of credit will be renewed, at similar terms, prior to expiration.

The Company's total debt obligations were $430.2 million at August 31, 2008, $349.7 million at May 31, 2008 and $589.5 million at August 31, 2007. The higher level of debt at August 31, 2008 as compared to May 31, 2008 was primarily due to higher borrowings against the Revolving Loan and higher borrowings against the unsecured money market bid rate credit lines. The lower level of debt at August 31, 2008 compared to the levels at August 31, 2007 was due to the lower borrowings by the foreign subsidiaries, lower borrowings against the Revolving Loan, as well as the repayments made on the Term Loan and the repurchase in fiscal 2008 of the 5% Notes on the open market. This was partially offset by the higher borrowings against the Company's unsecured money market bid rate credit lines.

For a more complete description of the Company's debt obligations, see Note 5 of Notes to Condensed Consolidated Financial Statements – Unaudited in Item 1, "Financial Statements."

New Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised), Business Combinations (SFAS 141R). SFAS 141R establishes principles and requirements for how an acquiror accounts for business combinations. SFAS 141R includes guidance for the recognition and measurement of the identifiable assets acquired, the liabilities assumed, and any noncontrolling or minority interest in the acquiree. It also provides guidance for the measurement of goodwill, the recognition of contingent consideration, the accounting for pre-acquisition gain and loss contingencies and acquisition-related transaction costs, and the recognition of changes in the acquirors income tax valuation allowance. SFAS 141R applies prospectively and is effective for business combinations made by the Company beginning June 1, 2009.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51, (SFAS 160). SFAS 160 amends Accounting Research Bulletin No. 51, Consolidated Financial Statements, to establish accounting and reporting standards for any noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 clarifies that a noncontrolling interest in a subsidiary should be reported as a component of equity in the consolidated financial statements and requires disclosure, on the face of the consolidated statement of operations, of the amounts of consolidated net income attributable to the parent and to the noncontrolled interest. SFAS 160 is effective for the Company beginning June 1, 2009 and is to be applied prospectively, except for the presentation and disclosure requirements, which upon adoption will be applied retrospectively for all periods presented. The Company is currently evaluating the impact, if any, that SFAS 160 will have on its consolidated financial position, results of operations and cash flows.

In April 2008, the FASB issued FSP No. FAS 142-3, Determination of the Useful Life of Intangible Assets (FAS 142-3). FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, Goodwill and Other Intangible Assets. FAS 142-3 is effective for fiscal years beginning after December 15, 2008 and early adoption is prohibited. The Company is currently evaluating the impact, if any, that FAS 142-3 will have on its consolidated financial position, results of operations and cash flows.

In June 2008, the FASB issued FSP No. EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP 03-6-1), which classifies unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents as participating securities and requires them to be included in the computation of earnings per share pursuant to the two-class method described in SFAS No. 128, Earnings per Share. FSP 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. It requires all prior period earnings per share data presented to be adjusted retrospectively. The Company is currently evaluating the effect, if any, that the adoption of FSP 03-6-1 will have on its consolidated financial position, results of operations and cash flows.

In September 2008, the FASB issued FSP No. 133-1 and FIN 45-4, Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161 (FSP 133-1). FSP 133-1 requires more extensive disclosure regarding potential adverse effects of changes in credit risk on the financial position, financial performance, and cash flows of sellers of credit derivatives. FSP 133-1 also amends FASB Interpretation No. 45, Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, to require additional disclosure about the current status of the payment or performance risk of a guarantee. FSP 133-1 also clarifies the effective date of FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities, by stating that the disclosures required should be provided for any reporting period (annual or quarterly interim) beginning after November 15, 2008. The Company is currently evaluating the effect, if any, that the adoption of FSP 133-1 will have on its consolidated financial position, results of operations and cash flows.

Recently Adopted Accounting Pronouncements

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

The Company adopted SFAS 157 beginning June 1, 2008, except for nonfinancial assets and liabilities measured at fair value on a non-recurring basis, which will be effective for the Company June 1, 2009. The impact of the adoption on June 1, 2008 was not material to the Company's condensed consolidated financial statements. The Company is currently evaluating the impact that the adoption of the deferred portion of SFAS 157 will have on its consolidated financial position, results of operations and cash flows.

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

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

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

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

The Company's assets and liabilities measured at fair value on a recurring basis subject to the presentation requirements of SFAS 157 at August 31, 2008 consisted of cash and cash equivalents and foreign currency forward contracts, neither of which were material as of the reporting date. Cash and cash equivalents are comprised of bank deposits and short-term investments, such as money market funds, the fair value of which is based on quoted market prices, a Level 1 fair value measure. The fair values of foreign currency forward contracts, used by the Company to manage foreign exchange impact to the financial statements, are based on quotations from financial institutions, a Level 2 fair value measure.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"), to provide companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS 159 is to reduce both the complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 was effective for the Company beginning June 1, 2008. The Company has not elected to measure any financial assets and financial liabilities at fair value which were not previously required to be measured at fair value. Therefore, the adoption of this standard has had no impact on the Company's consolidated financial position, results of operations and cash flows.

Since the date of the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2008 (the "Annual Report"), there have been no material changes to the Company's critical accounting policies and estimates.

Forward Looking Statements

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

SCHOLASTIC CORPORATION

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company conducts its business in various foreign countries, and as such, its cash flows and earnings are subject to fluctuations from changes in foreign currency exchange rates. Management believes that the impact of currency fluctuations does not represent a significant risk to the Company given the size and scope of its current international operations. The Company manages its exposures to this market risk through internally established procedures and, when deemed appropriate, through the use of short-term forward exchange contracts. All foreign exchange hedging transactions are supported by an identifiable commitment or a forecasted transaction. The Company does not enter into derivative transactions or use other financial instruments for trading or speculative purposes.

Market risks relating to the Company's operations result primarily from changes in interest rates, which are managed through the mix of variable-rate versus fixed-rate borrowings. Additionally, financial instruments, including swap agreements, have been used to manage interest rate exposures. Approximately 63% of the Company's debt at August 31, 2008 bore interest at a variable rate and was sensitive to changes in interest rates, compared to approximately 55% at May 31, 2008 and approximately 71% at August 31, 2007. The increase in variable-rate debt as of August 31, 2008 compared to May 31, 2008 was primarily due to higher borrowings against the Revolving Credit and higher borrowings against the unsecured money market bid rate credit lines, resulting from seasonality of the business. The decrease in variable-rate debt as of August 31, 2008 compared to August 31, 2007 was due to repayments of the Term Loan and lower borrowings against the Revolving Credit. The Company is subject to the risk that market interest rates and its cost of borrowing will increase and thereby increase the interest charged under its variable-rate debt.

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

The following table sets forth information about the Company's debt instruments as of August 31, 2008 (see Note 5 of Notes to Condensed Consolidated Financial Statements - Unaudited in Item 1, "Financial Statements"):

(*$ amounts in millions*)	**Fiscal Year Maturity**						
	2009	**2010**	**2011**	**2012**	**2013**	**Thereafter**	**To**
Debt Obligations							
Lines of credit	$ 63.0	$ —	$ —	$ —	$ —	$ —	$ 6
Average interest rate	4.1%						
Long-term debt including current							
Fixed-rate debt	$ —	$ —	$ —	—	$ 160.5	$ —	$ 16
Average interest rate					5.0%		
Variable-rate debt	$ 32.1	$ 42.8	$ 42.8	$ 42.8	$ 47.4(1)	$ —	$ 20
Average interest rate(2)	3.3%	3.3%	3.3%	3.3%	3.3%		

(1) Includes the final payment of $7.4 million under the Term Loan, which has a final maturity of June 1, 2012 but may be repaid at any time.

(2) Represents the interest rate under the Term Loan at August 31, 2008; the interest rate is subject to change over the life of the Term Loan.

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SCHOLASTIC CORPORATION

Item 4. Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer of the Corporation, after conducting an evaluation, together with other members of the Company's management, of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures as of August 31, 2008, have concluded that the Corporation's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Corporation in its reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC and accumulated and communicated to members of the Company's management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. There was no change in the Corporation's internal control over financial reporting that occurred during the quarter ended August 31, 2008 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

PART II OTHER INFORMATION

SCHOLASTIC CORPORATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information with respect to repurchases of shares of Common Stock by the Corporation during the quarter ended August 31, 2008:

Issuer Purchases of Equity Securities
(Dollars in millions except per share amou

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Max approxim purchase
June 1, 2008 through June 30, 2008	151,075	$ 28.95	151,075	
July 1, 2008 through July 31, 2008	100,713	$ 27.36	100,713	
August 1, 2008 through August 31, 2008	171,792	$ 26.36	171,792	
Total	423,580	$ 27.52	423,580	

(1) On May 28, 2008, the Corporation announced that its Board of Directors had authorized a new program to purchase up to $20.0 million of Common Stock, from time to time as conditions allow, on the open market or through negotiated private transactions.

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SCHOLASTIC CORPORATION

Item 4. Submission of Matters to a Vote of Security Holders

On July 21, 2008, the holders of the 1,656,200 outstanding shares of the Corporation's Class A Stock approved by written consent an action to fix the number of directors constituting the full Board of Directors of the Corporation (the "Board") at ten, effective as of the annual meeting of the Corporation's stockholders held on September 24, 2008. The Corporation's Amended and Restated Certificate of Incorporation provides that the holders of Class A Stock, voting as a class, have the right to fix the size of the Board so long as it does not consist of less than three nor more than fifteen directors.

SCHOLASTIC CORPORATION
Item 6. Exhibits

Exhibits:

31.1 Certification of the Chief Executive Officer of Scholastic Corporation filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Chief Financial Officer of Scholastic Corporation filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certifications of the Chief Executive Officer and Chief Financial Officer of Scholastic Corporation furnished pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.

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 7, 2008 By: /s/ Richard Robinson

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

Date: October 7, 2008 /s/ Maureen O□Connell

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

SCHOLASTIC CORPORATION
QUARTERLY REPORT ON FORM 10-Q, DATED AUGUST 31, 2008
Exhibits Index

Exhibit Number	Description of Document
31.1	Certification of the Chief Executive Officer of Scholastic Corporation filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer of Scholastic Corporation filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certifications of the Chief Executive Officer and Chief Financial Officer of Scholastic Corporation furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.