

SCHOLASTIC CORP
Form DEF 14A
August 08, 2005

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934, as amended (Amendment No. __)

Filed by the Registrant /

Filed by a Party other than the Registrant /

Check the appropriate box:

/ Preliminary Proxy Statement

/ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

/ Definitive Proxy Statement

/ Definitive Additional Materials

/ Soliciting Material under Rule 14a-12

Scholastic Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

/ No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:
 - / Fee paid previously with preliminary materials:
 - / Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.
- (1) Amount previously paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

Scholastic 557 Broadway, New York, NY 10012-3999 (212) 343-6100
www.scholastic.com

SCHOLASTIC CORPORATION
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Holders of Class A Stock and Common Stock:

The Annual Meeting of Stockholders of Scholastic Corporation (the Company) will be held at the Company's corporate headquarters located at 557 Broadway, New York, New York on Wednesday, September 21, 2005, at 9:00 a.m., local time, for the following purposes:

Matters to be voted upon by holders of the Class A Stock

1. Electing eight directors to the Board of Directors.

Matters to be voted upon by holders of the Common Stock

1. Electing three directors to the Board of Directors.

In addition to the foregoing purposes, such other business may be transacted as may properly come before the meeting and any adjournments thereof.

A proxy statement describing the matters to be considered at the Annual Meeting of Stockholders is attached to this notice. Only stockholders of record of the Class A Stock and the Common Stock at the close of business on July 25, 2005 are entitled to notice of, and to vote at, the meeting and any adjournments thereof.

We hope that you will be able to attend the meeting. Whether or not you plan to be present at the meeting, we urge you to vote your shares promptly. You can vote your shares in three ways: (i) via the Internet at the website indicated on your proxy card; (ii) via telephone by calling the toll free number on your proxy card; or (iii) by returning the enclosed proxy card.

By order of the Board of Directors

Charles B. Deull
Senior Vice President,
General Counsel and Secretary
August 10, 2005

TABLE OF CONTENTS

<u>Solicitation of Proxies</u>	1
<u>General Information</u>	1
<u>Voting Securities of the Company</u>	2
<u>Principal Holders of Class A Stock and Common Stock</u>	3
<u>Change of Control Arrangements</u>	5
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	5
<u>Share Ownership of Management</u>	6
<u>Executive Compensation</u>	8
<u>Summary Compensation Table</u>	8
<u>Option Grants in Fiscal 2005</u>	9
<u>Aggregated Option Exercises in Fiscal 2005 and 2005 Fiscal Year-End Option Values</u>	10
<u>Pension Plan</u>	10
<u>Employment and Severance Agreements</u>	11
<u>The Human Resources and Compensation Committee's Report on Executive Compensation</u>	12
<u>Stock Price Performance Graph</u>	17
<u>Matters Submitted to Stockholders</u>	18
<u>Election of Directors</u>	18

Edgar Filing: SCHOLASTIC CORP - Form DEF 14A

<u>Nominees for Election by Holders of Class A Stock</u>	19
<u>Nominees for Election by Holders of Common Stock</u>	19
<u>Meetings of the Board and its Committees</u>	21
<u>Corporate Governance</u>	24
<u>Director Compensation</u>	26
<u>Certain Relationships</u>	26
<u>Independent Public Accountants</u>	27
<u>Audit Committee's Report</u>	28
<u>Stockholder Proposals for 2006 Annual Meeting</u>	28
<u>Other Matters</u>	29

SCHOLASTIC CORPORATION

**557 Broadway
New York, New York 10012**

PROXY STATEMENT

**ANNUAL MEETING OF STOCKHOLDERS
September 21, 2005**

SOLICITATION OF PROXIES

General Information

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors (the **Board**) of Scholastic Corporation, a Delaware corporation (the **Company**), to be voted at its Annual Meeting of Stockholders (the **Annual Meeting**), which will be held at 557 Broadway, New York, New York at 9:00 a.m., local time, on Wednesday, September 21, 2005, and at any adjournments thereof.

Shares represented by each proxy properly submitted, either by mail, the internet or telephone as indicated on the enclosed form of proxy, will be voted in accordance with the instructions indicated on such proxies unless revoked. A stockholder may revoke a proxy at any time before it is exercised by: (i) filing with the Secretary of the Company a written revocation thereof or a duly executed proxy bearing a later date, (ii) providing subsequent telephone or internet voting instructions or (iii) voting in person at the Annual Meeting. Any written notice revoking a proxy should be sent to the attention of Charles B. Deull, Senior Vice President, General Counsel and Secretary, Scholastic Corporation, 557 Broadway, New York, New York 10012. If no instructions are specified, your shares will be voted: (i) FOR the election of the directors indicated and (ii) in the discretion of the proxy holders, if any other matter properly comes before the Annual Meeting.

This proxy statement and the accompanying form of proxy, together with the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2005, are being mailed to stockholders on or about August 10, 2005.

The cost of soliciting proxies will be borne by the Company. Solicitation other than by mail may be made personally or by telephone, facsimile or e-mail by regularly employed officers and employees who will not be additionally compensated therefor. The Company may

also reimburse brokers, custodians, nominees and other fiduciaries for their reasonable expenses in forwarding proxy materials to principals.

Voting Securities of the Company

Only holders of record of the Company's Class A Stock, \$0.01 par value (Class A Stock), and Common Stock, \$0.01 par value (Common Stock), at the close of business on July 25, 2005 (the Record Date), are entitled to vote at the Annual Meeting. As of the Record Date, there were outstanding 1,656,200 shares of Class A Stock and 39,211,821 shares of Common Stock.

The Amended and Restated Certificate of Incorporation of the Company (the Certificate) provides that, except as otherwise provided by law, the holders of shares of Class A Stock, voting as a class, have the right: (i) to fix the size of the Board so long as it does not consist of less than three nor more than 15 directors, (ii) to elect all the directors, subject to the right of the holders of shares of Common Stock, voting as a class, to elect such minimum number of the members of the Board as shall equal at least one-fifth of the members of the Board, and (iii) to exercise, exclusive of the holders of the shares of Common Stock, all other voting rights of stockholders of the Company. The Certificate also provides that, except as otherwise provided by law, the voting rights of the holders of shares of Common Stock are limited to the right, voting as a class, to elect such minimum number of the members of the Board as shall equal at least one-fifth of the members of the Board.

Each share of Class A Stock and Common Stock is entitled to one vote. No holders of either class of stock have cumulative voting rights. At the Annual Meeting, the holders of the Class A Stock will vote on the election of eight members of the Board and the holders of the Common Stock will vote on the election of three members of the Board. If any other matters were to properly come before the Annual Meeting, they would be voted on by the holders of the Class A Stock.

The vote required for each proposal is specified in the description of such proposal. In the election of directors, withheld votes and abstentions have no effect on the vote. Under the Company's Bylaws, for the purpose of determining whether a proposal has received the required vote, abstentions will not be considered as votes cast and will have no effect. Because none of the shares of Class A Stock are held by brokers, the effect of broker non-votes is not applicable in the case of the Class A Stock. Because the only proposal before the holders of Common Stock is the election of three directors, the effect of broker non-votes is not applicable in the case of the Common Stock.

Edgar Filing: SCHOLASTIC CORP - Form DEF 14A

Principal Holders of Class A Stock and Common Stock

The following sets forth information regarding persons who, to the best of the Company's knowledge, beneficially owned five percent or more of the Class A Stock or the Common Stock outstanding on the Record Date. Under the applicable rules and regulations of the Securities and Exchange Commission (the "SEC"), a person who directly or indirectly has, or shares, voting power or investment power with respect to a security is considered a beneficial owner of such security. Voting power is the power to vote or direct the voting of shares, and investment power is the power to dispose of or direct the disposition of shares.

Name and Address of Beneficial Owner	Class A Stock		Common Stock	
	Amount and Nature of Beneficial Ownership (1)	Percent of Class	Amount and Nature of Beneficial Ownership (2)	Percent of Class
Richard Robinson c/o Scholastic Corporation 557 Broadway New York, NY 10012	1,739,450	100%	6,337,516 (3)	15.1%
Barbara Robinson Buckland c/o Scholastic Corporation 557 Broadway New York, NY 10012	648,620	39.2%	2,540,448	6.4%
Mary Sue Robinson Morrill c/o Scholastic Corporation 557 Broadway New York, NY 10012	765,296	46.2%	3,263,468 (4)	8.2%
William W. Robinson c/o Scholastic Corporation 557 Broadway New York, NY 10012	648,620	39.2%	2,585,154 (5)	6.5%
Trust under the Will of Maurice R. Robinson c/o Scholastic Corporation 557 Broadway New York, NY 10012	648,620	39.2%	2,331,712	5.8%
Trust under the Will of Florence L. Robinson c/o Scholastic Corporation 557 Broadway New York, NY 10012	116,676	7.0%	466,676	1.2%
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, MD 21202			5,465,515 (6)	14.3%
Earnest Partners LLC 75 Fourteenth Street, Suite 2300 Atlanta, GA 30309			2,162,545 (7)	5.7%
Barclays Global Investors NA Barclays Global Fund Advisors 45 Fremont Street				

Edgar Filing: SCHOLASTIC CORP - Form DEF 14A

San Francisco, CA
Barclays Capital Inc.
200 Park Ave.
New York, NY 10166

1,917,517 (8)

5.0%

- (1) Each of Richard Robinson, Barbara Robinson Buckland, Mary Sue Robinson Morrill, William W. Robinson and the Maurice R. Robinson Trust have filed Statements on Schedule 13G with the SEC (the "13G Filings") regarding their beneficial ownership of Common Stock. Richard Robinson, Chairman of the Board, President and Chief Executive Officer of the Company, and Barbara Robinson Buckland, Mary Sue Robinson Morrill and William W. Robinson, all of whom are siblings of Richard Robinson, are trustees of the Trust under the Will of Maurice R. Robinson (the "Maurice R. Robinson Trust"), with shared voting and investment power with respect to the shares owned by the Maurice R. Robinson Trust. Under the terms of the Maurice R. Robinson Trust, the vote of a majority of the trustees is required to vote or direct the disposition of the shares held by the Maurice R. Robinson Trust. In addition, Richard Robinson and Mary Sue Robinson Morrill are the co-trustees of the Trust under the Will of Florence L. Robinson (the "Florence L. Robinson Trust"), with shared voting and investment power with respect to the shares owned by the Florence L. Robinson Trust. Any acts by the Florence L. Robinson Trust require the approval of each Trustee. Each such trust directly owns the shares attributed to it in the table and each person listed herein as a trustee of such trust is deemed to be the beneficial owner of the shares directly owned by such trust. Based on their 13G filings and subsequent information made available to the Company, the aggregate beneficial ownership of the Class A Stock by the following persons is: Richard Robinson 974,154 shares, which includes 83,250 shares under options to purchase Class A Stock ("Class A Options") exercisable by Mr. Robinson within 60 days (sole voting and investment power) and 765,296 shares (shared voting and investment power); Barbara Robinson Buckland 0 shares (sole voting and investment power) and 648,620 shares (shared voting and investment power); Mary Sue Robinson Morrill 0 shares (sole voting and investment power) and 765,296 shares (shared voting and investment power); William W. Robinson 0 shares (sole voting and investment power) and 648,620 shares (shared voting and investment power); Maurice R. Robinson Trust 648,620 shares (sole voting and investment power); and Florence L. Robinson Trust 116,676 shares (sole voting and investment power).
- (2) The shares of Class A Stock are convertible at the option of the holder into shares of Common Stock at any time on a share-for-share basis. The number of shares of Common Stock and percentage of the outstanding shares of Common Stock for each beneficial owner of Class A Stock assumes the conversion of such holder's shares of Class A Stock (including shares issuable under Class A Options exercisable within 60 days, in the case of Mr. Robinson) into shares of Common Stock. Based on their 13G filings and subsequent information made available to the Company, the aggregate beneficial ownership of Common Stock by the following holders is: Richard Robinson 3,448,722 shares (sole voting and investment power) and 2,888,794 shares (shared voting and investment power); Barbara Robinson Buckland 208,736 shares (sole voting and investment power) and 2,331,712 shares (shared voting and investment power); Mary Sue Robinson Morrill 0 shares (sole voting and investment power) and 3,263,468 shares (shared voting and investment power); William W. Robinson 253,442 shares (sole voting and investment power) and 2,331,712 shares (shared voting and investment power); Maurice R. Robinson Trust 2,331,712 shares (sole voting and investment power); and Florence L. Robinson Trust 466,676 shares (sole voting and investment power).
- (3) Includes 1,739,450 shares of Common Stock issuable on conversion of the Class A Stock (including the 83,250 shares of Class A Stock subject to the Class A options) described in Notes 1 and 2 above; 1,106,576 shares of Common Stock held directly by Richard Robinson; 350,000 shares held pursuant to a variable pre-paid forward stock sale (the "VPF"), which allows Mr. Robinson to retain all increases in the share price up to 50% and, at an agreed upon future delivery date, to elect to retain these shares and settle the VPF with cash rather than selling the shares; 969,987 shares of Common Stock under options exercisable by Mr. Robinson within 60 days; 3,133 shares of Common Stock with respect to which Mr. Robinson had voting rights at May 31, 2005 under the Scholastic Corporation 401(k) Savings and Retirement Plan (the "401(k) Plan"); 1,683,092 shares of Common Stock owned by the Maurice R. Robinson Trust; 350,000 shares of Common Stock owned by the Florence L. Robinson Trust; 7,594 shares of Common Stock for which Mr. Robinson is custodian under a separate custodial account for one of his sons; 4,212 shares of Common Stock owned directly by his sons; 86,194 shares of Common Stock owned by the Richard Robinson and Helen Benham Charitable Fund; and 37,278 shares of Common Stock underlying restricted stock units ("RSUs") vested or vesting within 60 days held under the Scholastic Corporation Management Stock Purchase Plan (the "MSPP"), as more fully described herein.
- (4) Does not include an aggregate of 212,896 shares of Common Stock held under Trusts for which Ms. Morrill's spouse and sister are trustees, as to which Ms. Morrill disclaims beneficial ownership.
- (5) Does not include 36,460 shares of Common Stock held under Trusts for which Mr. William Robinson's spouse is a trustee, as to which Mr. Robinson disclaims beneficial ownership.
- (6) The information for T. Rowe Price Associates, Inc. ("Price Associates") is derived from a Schedule 13G, dated February 14, 2005, filed with the SEC. These securities are owned by various individual and institutional investors, as to which Price Associates serves as investment adviser with the sole power to direct investments with regard to all such shares and the sole power to vote 844,300 of such shares. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.
- (7) The information for Earnest Partners LLC is derived from a Schedule 13G, dated February 10, 2005, filed with the SEC, which states that, as of December 31, 2004, Earnest Partners LLC, filing as an investment advisor, had sole voting power with regard to 1,171,940 of such shares, sole dispositive power with regard to all of such shares and shared voting power with regard to 628,005 of such shares.
- (8) The information is derived from a Schedule 13G, dated February 14, 2005, filed with the SEC by Barclay Global Investors NA ("BGI"), Barclays Global Fund Advisors ("BGFA") and Barclays Capital Inc. ("BCI"). The shares reported are held in trust accounts for the economic benefit of the account beneficiaries. BGI has sole dispositive power with regard to 1,349,287 of the shares reported and sole voting power with regard to 1,257,455 of the shares reported, BGFA has sole voting and dispositive power with regard to 568,229 of the shares reported, and BCI has sole voting and dispositive power with regard to one of the shares reported.

Change of Control Arrangements

Pursuant to an agreement dated July 23, 1990 between the Maurice R. Robinson Trust and Richard Robinson, the Maurice R. Robinson Trust has agreed that if it receives an offer from any person to purchase any or all of the shares of Class A Stock owned by the Maurice R. Robinson Trust and it desires to accept such offer, Richard Robinson shall have the right of first refusal to purchase all, but not less than all, of the shares of Class A Stock that such person has offered to purchase for the same price and on the same terms and conditions offered by such person. In the event Richard Robinson does not elect to exercise such option, the Maurice R. Robinson Trust shall be free to sell such shares of Class A Stock in accordance with the offer it has received. In addition, if Richard Robinson receives an offer from any person to purchase any or all of his shares of Class A Stock and the result of that sale would be to transfer to any person other than Richard Robinson or his heirs voting power sufficient to enable such other person to elect the majority of the Board, either alone or in concert with any person other than Richard Robinson, his heirs or the Maurice R. Robinson Trust (a Control Offer), and Mr. Robinson desires to accept the Control Offer, the Maurice R. Robinson Trust shall have the option to sell any or all of its shares of Class A Stock to the person making the Control Offer at the price and on the terms and conditions set forth in the Control Offer. If the Maurice R. Robinson Trust does not exercise its option, Mr. Robinson shall be free to accept the Control Offer and to sell his shares of Class A Stock in accordance with the terms of the Control Offer. If the Maurice R. Robinson Trust exercises its option, Mr. Robinson cannot accept the Control Offer unless the person making the Control Offer purchases the shares of Class A Stock that the Maurice R. Robinson Trust has elected to sell.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 (the Exchange Act) requires directors, executive officers and persons who are the beneficial owners of more than 10% of the Common Stock and Class A Stock to file reports of their ownership and changes in ownership of the Company's equity securities with the SEC. The reporting persons are required by SEC regulation to furnish the Company with copies of all Section 16 reports they file. Based on a review of the copies of such forms furnished to the Company and other written representations that no other reports were required during the fiscal year ended May 31, 2005, the Company believes its directors, executive officers and greater than ten percent beneficial owners timely filed all Section 16(a) reports required during such fiscal year, except that Mr. Charles Deull, Mr. Ernest Fleishman, Ms. Beth Ford, Ms. Deborah Forte, Mr. Larry Holland, Ms. Margery Mayer, Ms. Heather Myers, Ms. Judith Newman and Mr. Richard Spaulding, executive officers of the Company, did not file timely reports regarding the automatic purchase of RSUs in lieu of bonus effected by the Company on September 1, 2004 pursuant to the MSPP. These reports were filed on September 22, 2004, promptly after the omission was discovered.

Share Ownership of Management

On the Record Date, each director, director nominee and Named Executive reported under the caption **Executive Compensation** and all directors and executive officers as a group beneficially owned shares of the Class A Stock and Common Stock as follows:

Name	Class A Stock		Common Stock	
	Amount and Nature of Beneficial Ownership (1)	Percent of Class	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Directors				