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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q/A
(Amendment No. 1)

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

FOR THE QUARTERLY PERIOD ENDED JULY 27, 2013

OR

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

FOR THE TRANSITION PERIOD FROM _________ TO _________

Commission File Number: 000-24385

SCHOOL SPECIALTY, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**39-0971239**
(State or Other Jurisdiction of Incorporation)	**(IRS Employer Identification No.)**

W6316 Design Drive
Greenville, Wisconsin 54942
(Address of Principal Executive Offices)
(Zip Code)

(920) 734-5712
(Registrant's Telephone Number, including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

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

Class	**Outstanding at September 7, 2013**
Common Stock, $0.001 par value	1,000,004

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EXPLANATORY NOTE

This Quarterly Report on Form 10-Q/A ("Form 10-Q/A") is being filed as Amendment No. 1 (the "Amendment") to our Quarterly Report on Form 10-Q for the quarter ended July 27, 2013, which was filed with the Securities and Exchange Commission (the "SEC") on September 16, 2013 (the "Original Quarterly Report"). This Form 10-Q/A is being filed to restate the condensed consolidated statement of operations of the Predecessor Company (as defined below) for the six weeks ended June 11, 2013, the condensed consolidated statement of comprehensive income of the Predecessor Company for the six weeks ended June 11, 2013 and the condensed consolidated statement of cash flows of the Predecessor Company for the six weeks ended June 11, 2013, and certain footnote disclosures thereto.

The Company concluded it needed to restate these condensed consolidated financial statements due to a misstatement in the accounting treatment of the cancellation of certain debt in connection with the issuance of certain shares of common stock pursuant to the Company's Second Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (as corrected), entered by the Bankruptcy Court on June 3, 2013 in connection with the Chapter 11 Cases. The Company has completed this evaluation and determined that the related accounting treatment was incorrect.

The Company will restate its previously issued condensed consolidated statement of operations for the six weeks ended June 11, 2013 to record loss of $21.4 million related to the cancellation of debt in connection with the equity issuance as a reorganization item. This non-cash reorganizational charge represents the excess fair value of equity provided to the Ad Hoc DIP lenders in satisfaction of the portion of the DIP borrowings not satisfied with cash. The restatement did not impact the financial statements of the Successor Company (as defined below).

As of June 11, 2013, the Company adopted fresh start accounting in accordance with ASC 852. The adoption of fresh-start accounting resulted in the Company becoming a new entity for financial reporting purposes. Accordingly, the financial statements on or prior to June 11, 2013 are not comparable with the financial statements for periods after June 11, 2013. References to "Predecessor Company" in this Form 10-Q/A refer to the financial position and results of operations of the Company prior to the bankruptcy emergence and references to "Successor Company" refer to the financial position and results of operations of the reorganized Company subsequent to bankruptcy emergence on June 11, 2013.

The effects of this restatement are described in Note 2 to the condensed consolidated financial statements. We have not updated the financial statement disclosures for any significant events that have occurred subsequent to the filing of the Original Quarterly Report, other than the restatement.

The following sections have been amended from the Original Quarterly Report as a result of the restatement described above:

- Part I - Item 1. Condensed Consolidated Unaudited Financial Statements
- Part I - Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Part I - Item 4. Controls and Procedures

This Form 10-Q/A also includes as exhibits certifications from our Chief Executive Officer and Chief Financial Officer (Exhibits 31.1, 31.2, 32.1 and 32.2) dated as of the date of this filing. Except as described above, no other sections of the Original Quarterly Report have been amended. Accordingly, this Form 10-Q/A should be read in conjunction with the Company's other filings made with the SEC subsequent to the filing of the Original Quarterly Report, including any amendments to those filings.

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SCHOOL SPECIALTY, INC.

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PART I – FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Unaudited Financial Statements

SCHOOL SPECIALTY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In Thousands, Except Share Data)

	Successor Company	Predecessor Company	
	July 27, 2013	April 27, 2013	July 28, 2012
ASSETS			
Current assets:			
Cash and cash equivalents	$ 9,787	$ 20,769	$ 5,542
Restricted cash	25,820	26,302	2,708
Accounts receivable, less allowance for doubtful accounts of $2,176, $926 and $2,597, respectively	138,879	58,942	178,293
Inventories	104,868	92,582	112,467
Deferred catalog costs	5,793	8,924	7,773
Prepaid expenses and other current assets	26,667	29,901	11,050
Refundable income taxes	5,334	9,793	3,580
Deferred taxes	—	—	4,797
Total current assets	317,148	247,213	326,210
Property, plant and equipment, net	46,309	39,209	54,238
Goodwill	23,661	—	41,010
Intangible assets, net	47,427	110,306	121,627
Development costs and other	38,042	30,079	40,274
Deferred taxes long-term	51	51	390
Investment in unconsolidated affiliate	715	715	10,019
Total assets	$ 473,353	$ 427,573	$ 593,768
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Current maturities - long-term debt	$ 62,229	$ 198,302	$ 79,444
Accounts payable	49,124	22,897	103,099
Accrued compensation	7,597	7,197	10,723
Deferred revenue	2,605	2,237	3,354
Accrued fee for early termination of long-term debt	25,582	25,000	—
Other accrued liabilities	34,467	21,905	26,027
Total current liabilities	181,604	277,538	222,647
Long-term debt - less current maturities	152,932	—	285,508
Other liabilities	925	925	587
Liabilities subject to compromise	—	228,302	—
Total liabilities	335,461	506,765	508,742
Commitments and contingencies			
Stockholders' equity (deficit):			
Predecessor preferred stock, $0.001 par value per share, 1,000,000 shares authorized; none outstanding	—	—	—
Predecessor common stock, $0.001 par value per share, 150,000,000 shares authorized; 24,599,159 and 24,597,856 shares issued, respectively	—	24	24
Predecessor capital in excess of par value		446,232	444,456
Predecessor treasury stock, at cost, 5,420,210 and 5,420,210 shares, respectively	—	(186,637)	(186,637)
Successor preferred stock, $0.001 par value per share,			

500,000 shares authorized; none outstanding	—	—	—
Successor common stock, $0.001 par value per share, 2,000,000 shares authorized; 1,000,004 shares outstanding	1	—	—
Successor capital in excess of par value	120,955	—	—
Accumulated other comprehensive income (loss)	(7)	22,381	22,308
Retained earnings (accumulated deficit)	16,943	(361,192)	(195,125)
Total stockholders' equity (deficit)	137,892	(79,192)	85,026
Total liabilities and stockholders' equity (deficit)	$ 473,353	$ 427,573	$ 593,768

See accompanying notes to condensed consolidated financial statements.

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SCHOOL SPECIALTY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In Thousands, Except Per Share Amounts)

	Successor Company	Predecessor Company	
	Seven Weeks Ended July 27, 2013	Six Weeks Ended June 11, 2013 (As Restated, see Note 2)	Three Months Ended July 28, 2012
Revenues	$ 143,499	$ 58,697	$ 252,139
Cost of revenues	83,741	35,079	148,542
Gross profit	59,758	23,618	103,597
Selling, general and administrative expenses	35,867	27,473	75,116
Bankruptcy related restructuring charges	2,595	—	—
Operating income (loss)	21,296	(3,855)	28,481
Other expense:			
Interest expense	2,821	3,235	9,966
Reorganization items, net	1,280	(84,799)	—
Income before provision for income taxes	17,195	77,709	18,515
Provision for income taxes	252	1,641	259
Income before income of unconsolidated affiliate	16,943	76,068	18,256
Income of unconsolidated affiliate	—	—	119
Net income	$ 16,943	$ 76,068	$ 18,375
Weighted average shares outstanding:			
Basic	1,000	18,922	18,899
Diluted	1,000	18,922	18,906
Net Income per Share:			
Basic	$ 16.94	$ 4.02	$ 0.97
Diluted	$ 16.94	$ 4.02	$ 0.97

See accompanying notes to condensed consolidated financial statements.

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SCHOOL SPECIALTY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)

	Successor Company	Predecessor Company	
	Seven Weeks Ended July 27, 2013	Six Weeks Ended June 11, 2013 (As Restated, see Note 2)	Three Months Ended July 28, 2012
Net income	$ 16,943	$ 76,068	$ 18,375
Other comprehensive loss, net of tax:			
Foreign currency translation adjustments	(7)	(101)	(1,323)
Total comprehensive income	$ 16,936	$ 75,967	$ 17,052

See accompanying notes to condensed consolidated financial statements.

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SCHOOL SPECIALTY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In Thousands)

	Successor Company	Predecessor Company	
	Seven Weeks Ended July 27, 2013	Six Weeks Ended June 11, 2013 (As Restated, see Note 2)	Three Months Ended July 28, 2012
Cash flows from operating activities:			
Net income	$ 16,943	$ 76,068	$ 18,375
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and intangible asset amortization expense	2,866	2,983	7,016
Amortization of development costs	1,478	918	2,068
Non-cash reorganization items	—	(99,668)	—
Amortization of debt fees and other	392	9	3,053
(Income) loss of unconsolidated affiliate	—	—	(119)
Share-based compensation expense	—	—	119
Non-cash convertible debt interest expense	—	—	2,222
Changes in current assets and liabilities:			
Accounts receivable	(72,188)	(8,011)	(115,498)
Inventories	(2,182)	(18,255)	(11,966)
Deferred catalog costs	1,377	1,754	3,964
Prepaid expenses and other current assets	5,010	722	49
Accounts payable	10,879	11,012	28,324
Accrued liabilities	(6,067)	12,488	9,492
Net cash used in operating activities	(41,492)	(19,980)	(52,901)
Cash flows from investing activities:			
Additions to property, plant and equipment	(514)	(243)	(1,185)
Change in restricted cash	482	—	(2,708)
Investment in product development costs	(880)	(463)	(1,718)
Net cash used in investing activities	(912)	(706)	(5,611)
Cash flows from financing activities:			
Proceeds from bank borrowings, net	37,042	7,561	478,668
Repayment of debt and capital leases	—	(148,619)	(406,623)
Issuance of debt	—	165,924	—
Payment of debt fees and other	(385)	(9,415)	(8,475)
Net cash provided by financing activities	36,657	15,451	63,570
Net increase/(decrease) in cash and cash equivalents	(5,747)	(5,235)	5,058
Cash and cash equivalents, beginning of period	15,534	20,769	484
Cash and cash equivalents, end of period	$ 9,787	$ 15,534	$ 5,542
Supplemental disclosures of cash flow information:			
Interest paid	$ 2,152	$ 601	$ 4,504
Income taxes paid	$ —	$ —	$ 371

See accompanying notes to condensed consolidated financial statements.

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SCHOOL SPECIALTY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (which are normal and recurring in nature unless otherwise noted) considered necessary for a fair presentation have been included. The balance sheet at April 27, 2013 has been derived from School Specialty, Inc.'s ("School Specialty" or the "Company") audited financial statements for the fiscal year ended April 27, 2013. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended April 27, 2013.

During the period January 28, 2013 through June 11, 2013, School Specialty, Inc. and certain of its subsidiaries operated as debtors-in-possession under bankruptcy court jurisdiction (see Note 3). In accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") 852, Reorganizations, for periods including and subsequent to the filing of the Chapter 11 petition through the bankruptcy emergence date of June 11, 2013, all expenses, gains and losses that resulted from the reorganization were reported separately as reorganization items in Consolidated Statements of Operations. Net cash used for reorganization items was disclosed separately in the Consolidated Statements of Cash Flows, and liabilities subject to compromise were reported separately in the Consolidated Balance Sheets.

As discussed in Note 4 – Fresh Start Accounting, as of June 11, 2013, the Company adopted fresh start accounting in accordance with ASC 852. The adoption of fresh-start accounting resulted in the Company becoming a new entity for financial reporting purposes. Accordingly, the financial statements on or prior to June 11, 2013 are not comparable with the financial statements for periods after June 11, 2013. The consolidated financial statements as of July 27, 2013 and for the seven weeks then ended and any references to "Successor" or "Successor Company" relate to the financial position and results of operations of the reorganized Company subsequent to bankruptcy emergence on June 11, 2013. References to "Predecessor" or "Predecessor Company" refer to the financial position and results of operations of the Company prior to the bankruptcy emergence.

NOTE 2 – RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

In the six week period ended June 11, 2013, the Predecessor Company recorded an adjustment to "Reorganization items, net" on its condensed consolidated statements of operations. The adjustment was due to a correction to the accounting treatment of the cancellation of debt in connection with the issuance of certain shares of common stock.

As part of the Reorganization Plan (defined below), certain lenders received cash and common stock with a fair value in excess of the book value of the corresponding cancelled debt. This excess value of $21,375 was incorrectly excluded from the reported reorganization items. The effect of the correction reduces the reorganization items for the six weeks ended June 11, 2013 from $106,174 as originally reported, to $84,799.

The effects of the restatement on the Predecessor Company's condensed consolidated statement of operations for the six weeks ended June 11, 2013 are presented below.

	Predecessor Company - Six Weeks Ended June 11, 2013		
	As previously filed	Restated	Effects of Adjustment
Revenues	$ 58,697	$ 58,697	$ —
Cost of revenues	35,079	35,079	—
Gross profit	23,618	23,618	—
Selling, general and administrative expenses	27,473	27,473	—
Operating income (loss	(3,855)	(3,855)	—
Other expense:			
Interest expense	3,235	3,235	—
Reorganization items, net	(106,174)	(84,799)	21,375
Income (loss) before provision for income taxes	99,084	77,709	(21,375)
Provision for income taxes	1,641	1,641	—
Net income (loss)	$ 97,443	$ 76,068	$ (21,375)
Weighted average shares outstanding:			
Basic	18,922	18,922	—
Diluted	18,922	18,922	—
Net Income (Loss) per Share:			
Basic	$ 5.15	$ 4.02	$ (1.13)
Diluted	$ 5.15	$ 4.02	$ (1.13)

The effects of the restatement on the Predecessor Company's condensed consolidated statement of comprehensive income for the six weeks ended June 11, 2013 are presented below.

	Predecessor Company - Six Weeks Ended June 11, 2013		
	As previously filed	Restated	Effects of Adjustment
Net income (loss)	$ 97,443	$76,068	$ (21,375)
Other comprehensive loss, net of tax:			
Foreign currency translation adjustments	(101)	(101)	—
Total comprehensive income (loss)	$ 97,342	$75,967	$ (21,375)

The effects of the restatement on the Predecessor Company's condensed consolidated statement of cash flows for the six weeks ended June 11, 2013 are presented below.

	Predecessor Company - Six Weeks Ended June 11, 2013		
	As previously filed	Restated	Effects of Adjustment
Cash flows from operating activities:			
Net income	$ 97,443	$ 76,068	$ (21,375)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and intangible asset amortization expense	2,983	2,983	—
Amortization of development costs	918	918	—
Non-cash reorganization items	(121,043)	(99,668)	21,375
Amortization of debt fees and other	9	9	—
(Income) loss of unconsolidated affiliate	—	—	—
Share-based compensation expense	—	—	—
Non-cash convertible debt interest expense	—	—	—
Changes in current assets and liabilities:			
Accounts receivable	(8,011)	(8,011)	—

Inventories	(18,255)	(18,255)	—
Deferred catalog costs	1,754	1,754	—
Prepaid expenses and other current assets	722	722	—
Accounts payable	11,012	11,012	—
Accrued liabilities	12,488	12,488	—
Net cash used in operating activities	(19,980)	(19,980)	—
Cash flows from investing activities:			
Additions to property, plant and equipment	(243)	(243)	—
Change in restricted ash	—	—	—
Investment in product development costs	(463)	(463)	—
Net cash used in investing activities	(706)	(706)	—
Cash flows from financing activities:			
Proceeds from bank borrowings, net	7,561	7,561	—
Repayment of debt and capital leases	(148,619)	(148,619)	—
Issuance of debt	165,924	165,924	—
Payment of debt fees and other	(9,415)	(9,415)	—
Net cash provided by financing activities	15,451	15,451	—
Net increase/(decrease) in cash and cash equivalents	(5,235)	(5,235)	—
Cash and cash equivalents, beginning of period	20,769	20,769	—
Cash and cash equivalents, end of period	$ (15,534)	$ 15,534	$ —
Supplemental disclosures of cash flow information:			
Interest paid	$ 601	$ 601	$ —
Income taxes paid	$ —	$ —	$ —

NOTE 3 – BANKRUPTCY PROCEEDINGS

On January 28, 2013 (the "Petition Date"), School Specialty, Inc. and certain of its subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief under Chapter 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The cases (the "Chapter 11 Cases") were jointly administered as Case No. 13-10125 (KJC) under the caption "In re School Specialty, Inc., et al." The Debtors continued to operate their business as "debtors-in-possession" ("DIP") under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of Chapter 11 and orders of the Bankruptcy Court. The Company's foreign subsidiaries (collectively, the "Non-Filing Entities") were not part of the Chapter 11 Cases.

The Chapter 11 Cases were filed in response to an environment of ongoing declines in school spending and a lack of sufficient liquidity, including trade credit provided by the Debtors' vendors, to permit the Debtors to pursue their business strategy to position the School Specialty brands successfully for the long term. As a result of the Chapter 11 filing, the Company's common stock was delisted from the NASDAQ Stock Market, effective March 1, 2013.

On May 23, 2013, the Bankruptcy Court entered an order confirming the Debtors' Second Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (the "Reorganization Plan"), and a corrected copy of such order was entered by the Bankruptcy Court on June 3, 2013. The Reorganization Plan, which is described in additional detail below, became effective on June 11, 2013 (the "Effective Date"). Pursuant to the Reorganization Plan, on the Effective Date, the Company's existing credit agreements, outstanding convertible subordinated debentures, equity plans and certain other agreements were cancelled. In addition, all outstanding equity interests of the Company that were issued and outstanding prior to the Effective Date were cancelled on the Effective Date.

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SCHOOL SPECIALTY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

Also on the Effective Date, in accordance with and as authorized by the Reorganization Plan, the Company reincorporated in Delaware and issued a total of 1,000,004 shares of Common Stock of the reorganized Company to holders of certain allowed claims against the Debtors in exchange for such claims. As of June 12, 2013, there were 60 record holders of the new common stock of the reorganized Company issued pursuant to the Reorganization Plan.

Operation and Implication of the Bankruptcy Filing

Under Section 362 of the Bankruptcy Code, the filing of voluntary bankruptcy petitions by the Debtors automatically stayed most actions against the Debtors, including most actions to collect indebtedness incurred prior to the Petition Date or to exercise control over the Company's property. Accordingly, although the Company defaulted on certain of the Debtors' debt obligations, creditors were stayed from taking any actions as a result of such defaults. Absent an order of the Bankruptcy Court, substantially all of the Company's pre-petition liabilities were subject to settlement under a reorganization plan or in connection with a Section 363 sale.

Subsequent to the Petition Date, the Company received approval from the Bankruptcy Court to pay or otherwise honor certain pre-petition obligations generally designed to stabilize the Company's operations. These obligations related to certain employee wages, salaries and benefits, and the payment of vendors and other providers in the ordinary course for goods and services received after the Petition Date. The Company retained, pursuant to Bankruptcy Court approval, legal and financial professionals to advise the Company in connection with the bankruptcy filing and certain other professionals to provide services and advice in the ordinary course of business.

Reorganization Plan

In order for the Company to emerge successfully from Chapter 11, the Company determined that it was in the best interests of the Debtors' estates to seek Bankruptcy Court confirmation of a reorganization plan. A reorganization plan determines the rights and satisfaction of claims of various creditors and security holders, subject to the ultimate outcome of negotiations and Bankruptcy Court decisions ongoing through the date on which the reorganization plan is confirmed.

On May 23, 2013, the Bankruptcy Court entered an order confirming the Debtors' Second Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (the "Reorganization Plan"), and a corrected copy of such order was entered by the Bankruptcy Court on June 3, 2013. The Reorganization Plan became effective on June 11, 2013 (the "Effective Date").

General

The Reorganization Plan generally provided for the payment in full in cash on or as soon as practicable after the Effective Date of specified claims, including:

- All claims (the "DIP Financing Claims") under the Debtor-in-Possession Credit Agreement (the "ABL DIP Agreement") by and among Wells Fargo Capital Finance, LLC (as Administrative Agent, Co-Collateral Agent, Co-Lead Arranger and Joint Book Runner) and GE Capital Markets, Inc. (as Co-Collateral Agent, Co-Lead Arranger and Joint Book Runner and Syndication Agent), General Electric Capital Corporation (as syndication agent), the lenders party to the ABL DIP Facility (as defined below), and the Company and certain of its subsidiaries;
- Certain pre-petition secured claims;
- All claims relating to the costs and expenses of administering the Chapter 11 Cases; and
- All priority claims.

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SCHOOL SPECIALTY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

In addition, the Reorganization Plan generally provides for the treatment of allowed claims against, and equity interests in, the Debtors as follows:

- The lenders under the Senior Secured Super Priority Debtor-in-Possession Credit Agreement (the "Ad Hoc DIP Agreement") by and among the Company, certain of its subsidiaries, U.S. Bank National Association, as Administrative Agent and Collateral Agent and the lenders party thereto were entitled to receive (i) cash in an approximate amount of $98,000, and (ii) 65% of the common stock of the reorganized Company. The fair value of the 65% ownership interest was approximately $78,600 as of the Effective Date. Approximately $57,000 of this value was in satisfaction of the portion of the Ad Hoc DIP not settled in cash with approximately $21,000 representing excess value received by the Ad Hoc DIP lenders;
- Each holder of an allowed general unsecured claim is entitled to receive a deferred cash payment equal to 20% of such allowed claim, plus interest, on the terms described in the Reorganization Plan;
- Each holder of an unsecured claim arising from the provision of goods and/or services to the Debtors in the ordinary course of its pre-petition trade relationship with the Debtors, with whom the reorganized Debtors continue to do business after the Effective Date, is entitled to receive a deferred cash payment equal to 20% of such claim, plus interest, on the terms described in the Reorganization Plan. Such holders may increase their percentage recoveries to 45%, plus interest, by electing to provide the reorganized Debtors with customary trade terms for a specified period, as described in the Reorganization Plan;
- Each holder of the Company's 3.75% Convertible Subordinated Debentures due 2026, as further described elsewhere in this report, received its pro rata share of 35% of the common stock of the reorganized Company;
- Each holder of an allowed general unsecured claim or allowed trade unsecured claim of $3 or less, or any holder of a general unsecured claim or trade unsecured claim in excess of $3 that agreed to voluntarily reduce the amount of its claim to $3 under the terms described in the Reorganization Plan, was entitled to receive a cash payment equal to 20% of such allowed claim on or as soon as practicable after the Effective Date; and
- Holders of equity interests in the Company prior to the Effective Date, including claims arising out of or with respect to such equity interests, were not entitled to receive any distribution under the Reorganization Plan.

Exit Facilities

As of the Effective Date, the Debtors closed on the exit credit facilities, the proceeds of which were or will be, among other things, used to (i) pay in cash the DIP Financing Claims, to the extent provided for in the Reorganization Plan, (ii) make required distributions under the Reorganization Plan, (iii) satisfy certain Reorganization Plan-related expenses, and (iv) fund the reorganized Company's working capital needs. The terms of the exit credit facilities are described under Note 13 of the Notes to Condensed Consolidated Financial Statements - Debt.

Equity Interests

As mentioned above, all shares of the Company's common stock outstanding prior to the Effective Date were cancelled and extinguished as of the Effective Date. In accordance with the Reorganization Plan, on the Effective Date, the reorganized Company issued the new common stock, subject to dilution pursuant to the Management Incentive Plan (as defined and described below). The Company issued 1,000,004 shares of new common stock on the Effective Date pursuant to the Reorganization Plan, which constitutes the total number of shares of new common stock outstanding immediately following the Effective Date, subject to dilution pursuant to the Management Incentive Plan.

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On the Effective Date, equity interests in the Company's U.S. subsidiaries were deemed cancelled and extinguished and of no further force and effect, and each reorganized subsidiary was deemed to issue and distribute the new subsidiary equity interests. The ownership and terms of such new subsidiary equity interests in the reorganized subsidiaries are the same as the ownership and terms of the equity interests in these subsidiaries immediately prior to the Effective Date, except as otherwise provided in the Reorganization Plan.

Reincorporation in Delaware; Amendments to Articles of Incorporation

On the Effective Date, the Company was reincorporated as a Delaware corporation. Prior to the Effective Date, the Company caused a new wholly owned subsidiary to be formed in Delaware. On the Effective Date, the Company entered into a plan of merger with the Delaware subsidiary, providing for the Company to merge with and into the Delaware subsidiary, so that the Company's separate corporate existence as a Wisconsin corporation ceased and the Delaware subsidiary was the surviving corporation. The certificates of incorporation of the reorganized Company and its reorganized subsidiaries were amended to be consistent with the provisions of the Reorganization Plan and the Bankruptcy Code, including the prohibition of issuance of nonvoting equity securities only for so long as, and to the extent that, the issuance of nonvoting equity securities is prohibited by the Bankruptcy Code. The reorganized Company was authorized to issue the new common stock for distribution in accordance with the terms of this Reorganization Plan and the amended certificate of incorporation without the need for any further corporate or stockholder action.

Financial Statement Presentation and Going Concern

We have prepared the accompanying consolidated financial statements in accordance with FASB ASC Topic 852 "*Reorganizations*" ("FASB ASC 852") and on a going concern basis, which assumes continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business. FASB ASC 852 requires that the financial statements distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain expenses including professional fees, realized gains and losses and provisions for losses that are realized from the reorganization and restructuring process are classified as reorganization items on the condensed consolidated statement of operations. Additionally, on the condensed consolidated balance sheet at April 27, 2013, liabilities subject to compromise are segregated. Liabilities subject to compromise are reported at their pre-petition amounts or current unimpaired values, even if they may be settled for lesser amounts.

During the Chapter 11 Cases, the Company's ability to continue as a going concern was contingent upon its ability to comply with the financial and other covenants contained in its ABL DIP Agreement and Ad Hoc DIP Agreement (see Note 13), the Bankruptcy Court's approval of the Company's Reorganization Plan and the Company's ability to successfully implement the Company's plan and obtain exit financing, among other factors. As a result of the Chapter 11 Cases, the realization of assets and satisfaction of liabilities were subject to uncertainty. The Company emerged from Chapter 11 in June, 2013. As a result of emergence from bankruptcy, as well as projected compliance with applicable financial, affirmative, and negative covenants, management believes that the Company has resolved the previous substantial doubt relative to the Company's ability to continue as a going concern described above.

In connection with the Company's emergence from Chapter 11, the Company was required to adopt fresh start accounting as of June 11, 2013 in accordance with ASC 852 "*Reorganizations*". The Company elected to use June 8, 2013 (the "Convenience Date"), which was the week ended date nearest to the Effective Date, to avoid disruption to the Company's weekly accounting processes. The Company performed a qualitative and quantitative assessment in order to determine the appropriateness of using the Convenience Date for fresh start accounting instead of the Effective Date. The Company's assessment determined that the use of the Convenience Date did not have a material impact on either the predecessor or successor periods in the current fiscal year and there were no qualitative factors that would preclude the use of the Convenience Date for accounting and reporting purposes. The adoption of fresh-start accounting resulted in the Company becoming a new entity for financial reporting purposes. Accordingly, the financial statements on or prior to June 11, 2013 are not comparable with the financial statements for periods after

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June 11, 2013. The consolidated financial statements as of July 27, 2013 and for the seven weeks then ended and any references to "Successor" or "Successor Company" show the financial position and results of operations of the reorganized Company subsequent to bankruptcy emergence on June 11, 2013. References to "Predecessor" or "Predecessor Company" refer to the financial position and results of operations of the Company prior to the bankruptcy emergence.

Prior to the Effective Date, the Predecessor Company's financial statements included in this Quarterly Report on Form 10-Q/A do not purport to reflect or provide for the consequences of the Chapter 11 bankruptcy proceeding. In particular, the financial statements do not purport to show (i) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (ii) as to pre-petition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (iii) as to stockholders' deficit accounts, the effects of any changes that may be made in the Predecessor Company's capitalization; or (iv) as to operations, the effects of any changes that may be made to the Predecessor Company's business.

NOTE 4 – FRESH START ACCOUNTING

On the Effective Date, the Company adopted fresh start accounting and reporting in accordance with FASB ASC 852. The Company was required to apply the provisions of fresh start reporting to its financial statements, as the holders of existing voting shares of the Predecessor Company received less than 50% of the voting shares of the emerging entity and the reorganization value of the Predecessor Company's assets immediately before the date of confirmation was less than the post-petition liabilities and allowed claims.

Fresh start reporting generally requires resetting the historical net book value of assets and liabilities to fair value by allocating the entity's enterprise value as set forth in the Reorganization Plan to its assets and liabilities pursuant to accounting guidance related to business combinations as of the Effective Date. The financial statements as of the Effective Date report the results of the Successor Company with no beginning retained earnings or accumulated deficit. Any presentation of the Successor Company represents the financial position and results of operations of a new reporting entity and is not comparable to prior periods. The consolidated financial statements for periods ended prior to the Effective Date do not include the effect of any changes in capital structure or changes in the fair value of assets and liabilities as a result of fresh start accounting.

In accordance with FASB ASC 852, the Predecessor Company's results of operations prior to the Effective Date include (i) a pre-emergence gain of $161,943 resulting from the discharge of liabilities under the Reorganization Plan, partially offset by the issuance of new School Specialty, Inc. common stock and additional capital; (ii) pre-emergence charges to earnings of $46,878 recorded as reorganization items resulting from certain costs and expenses relating to the Reorganization Plan becoming effective, including the cancellation of certain debt upon issuance of new equity and the cancellation of equity-based awards of the Predecessor; and (iii) a pre-emergence decrease in earnings of $30,266 resulting from the aggregate changes to the net carrying value of our pre-emergence assets and liabilities to reflect their fair values under fresh start accounting, as well as the recognition of goodwill. See Note 5, "Reorganization Items, Net" for additional information.

Enterprise Value / Reorganization Value Determination

Enterprise value represents the fair value of an entity's interest-bearing debt and stockholders' equity. In the disclosure statement associated with the Reorganization Plan, which was confirmed by the Bankruptcy Court, we estimated a range of enterprise values between $275,000 and $325,000, with a midpoint of $300,000. Based on current and anticipated economic conditions and the direct impact these conditions have on our business, we deemed it appropriate to use the midpoint between the low end and high end of the range to determine the final enterprise value of $300,000, comprised of debt valued at approximately $179,000 and equity valued at approximately $121,000.

FASB ASC 852 provides for, among other things, a determination of the value to be assigned to the assets of the reorganized Company as of a date selected for financial reporting purposes. The Company adjusted its enterprise

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value of $300,000 for certain items such as post-petition liabilities to determine a reorganization value attributable to assets of $414,485. Under fresh start accounting, the reorganization value was allocated to the Company's assets based on their respective fair values in conformity with the purchase method of accounting for business combinations included in FASB ASC 805, *Business Combinations*. The excess reorganization value over the fair value of identified tangible and intangible assets of $23,661 was recorded as goodwill.

The reorganization value represents the amount of resources available, or that become available, for the satisfaction of post-petition liabilities and allowed claims, as negotiated between the Company and its creditors (the "Interested Parties"). This value, along with other terms of the Reorganization Plan, was determined only after extensive arms-length negotiations between the Interested Parties. Each Interested Party developed its view of what the value should be based upon expected future cash flows of the business after emergence from Chapter 11, discounted at rates reflecting perceived business and financial risks. This value is viewed as the fair value of the entity before considering liabilities and is intended to approximate the amount a willing buyer would pay for the assets of the Successor Company immediately after restructuring. The reorganization value was determined using numerous projections and assumptions that are inherently subject to significant uncertainties and the resolution of contingencies beyond the control of the Company. Accordingly, there can be no assurance that the estimates, assumptions and amounts reflected in the valuation will be realized.

Methodology, Analysis and Assumptions

The Company's valuation was based upon a discounted cash flow methodology, which included a calculation of the present value of expected un-levered after-tax free cash flows reflected in our long-term financial projections, including the calculation of the present value of the terminal value of cash flows, and supporting analysis that included a comparison of selected financial data of the Company with similar data of other publicly held companies comparable to ours in terms of end markets, operational characteristics, growth prospects and geographical footprint. The Company also considered precedent transaction analysis but ultimately determined there was insufficient data for a meaningful analysis. A detailed discussion of this methodology and supporting analysis is presented below.

The Company's multi-year business plan was the foundation for developing long-term financial projections used in the valuation of our business. The business planning and forecasting process included a review of Company, industry and macroeconomic factors including, but not limited to, achievement of future financial results, projected changes associated with our reorganization initiatives, anticipated changes in general market conditions including variations in market regions, and known new business initiatives and challenges.

The following represents a detailed discussion of the methodology and supporting analysis used to value our business using the business plan and long-term financial projections developed by the Company:

Discounted Cash Flow Methodology

The Discounted Cash Flow ("DCF") analysis is a forward-looking enterprise valuation methodology that relates the value of an asset or business to the present value of expected future cash flows to be generated by that asset or business. Under this methodology, projected future cash flows are discounted by the business' weighted average cost of capital ("WACC"). The WACC reflects the estimated blended rate of return that debt and equity investors would require to invest in the business based on its capital structure. Our DCF analysis has two components: (1) the present value of the expected un-levered after-tax free cash flows for a determined period, and (2) the present value of the terminal value of cash flows, which represents a firm value beyond the time horizon of the long-term financial projections.

The DCF calculation was based on management's financial projections of un-levered after-tax free cash flows for the period 2014 to 2017. The Company used a WACC to discount future cash flows and terminal values of 13.3%. This WACC was determined based upon an estimated cost of debt for similar sized companies, rather than the anticipated cost of debt of the reorganized Company upon emergence from bankruptcy, and a market cost of equity using a capital asset pricing model. Assumptions used in the DCF analysis, including the appropriate components of the WACC, were deemed to be those of "market participants" upon analysis of peer groups' capital structures.

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In conjunction with our analysis of publicly traded companies described below, the Company used a range of exit multiples of 2013 earnings before interest, taxes, depreciation and amortization ("EBITDA") between 4.4 and 8.1, with a lower than midpoint exit multiple of 5.5 selected, to determine the present value of the terminal value of cash flows. The selected exit multiple is weighted towards those comparable companies which are more similar to the Company's Educational Resources segment which represents a higher percentage of consolidated revenues as compared to the Accelerated Learning segment.

The sum of the present value of the projected un-levered after-tax free cash flows was added to the present value of the terminal value of cash flows to determine the Company's enterprise value.

Publicly Traded Company Analysis

As part of our valuation analysis, the Company identified publicly traded companies whose businesses are relatively similar to each of our reporting segments and have comparable operational characteristics to derive comparable revenue and EBITDA multiples for our DCF analysis. Criteria for selecting comparable companies for the analysis included, among other relevant characteristics, similar lines of businesses, business risks, growth prospects, maturity of businesses, market presence, size, and scale of operations. The analysis included a detailed multi-year financial comparison of each company's income statement, balance sheet and statement of cash flows. In addition, each company's performance, profitability, margins, leverage and business trends were also examined. Based on these analyses, a number of financial multiples and ratios were calculated to gauge each company's relative performance and valuation. The ranges of ratios derived were then applied to the Company's projected financial results to develop a range of implied values

Enterprise Value, Accounting Policies and Reorganized Consolidated Balance Sheet

In determining the final enterprise value attributed to the Company of $300,000, the Company blended its DCF methodology and publicly traded company analysis, with more emphasis on the DCF methodology.

Fresh start accounting and reporting permits the selection of appropriate accounting policies for the Successor Company. The Predecessor Company's significant accounting policies that were disclosed in our Annual Report on Form 10-K for the year ended April 27, 2013 were adopted by the Successor Company as of the Effective Date, though many of the account balances were affected by the reorganization and fresh start adjustments presented below.

The adjustments presented below were made to the June 11, 2013 condensed consolidated balance sheet and contain estimates of fair value. Estimates of fair value represent the Company's best estimates, which are based on industry and data trends, and by reference to relevant market rates and discounted cash flow valuation methods, among other factors. The determination of the fair value of assets and liabilities is subject to significant estimation and assumptions. In accordance with ASC No. 805, the allocation of the reorganization value is subject to additional adjustment until the Company has completed its analysis, but not to exceed one year after emergence from bankruptcy, to provide the Company with the time to complete the valuation of its assets and liabilities. The final determination of the fair value of individual assets and liabilities and the final allocation of the reorganization value may differ from the amount included in the condensed consolidated financial statements and there is no assurance that such adjustments will not be material.

The estimates of value presented herein are preliminary and will be finalized during fiscal 2014. The condensed consolidated balance sheet, reorganization adjustments and fresh start adjustments presented below summarize the impact of the Reorganization Plan and the adoption of fresh start accounting as of the Effective Date.

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REORGANIZED CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS OF JUNE 11, 2013

	June 11, 2013			
	Predecessor Company	Reorganization Adjustments	Fresh Start Adjustments	Successor Company
ASSETS				
Current assets:				
Cash and cash equivalents	$ 11,052	$ 4,363 (1)	$ —	$ 15,415
Restricted cash	26,421	—	—	26,421
Accounts receivable	66,894	—	(250) (8)	66,644
Inventories	110,830	—	(8,147) (8)	102,683
Other current assets	45,819	321 (2)	(2,162) (8)	43,978
Total current assets	261,016	4,684	(10,559)	255,141
Property, plant and equipment, net	37,604	(6,202) (2)	16,895 (8)	48,297
Goodwill	—	—	23,661 (8)(9)	23,661
Intangible assets, net	109,155	—	(61,166) (8)	47,989
Development costs and other	31,142	8,255 (3)	—	39,397
Total assets	$ 438,917	$ 6,737	$ (31,169)	$414,485
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$ 38,226	$ —	$ —	$ 38,226
Accrued compensation	7,229	(315) (2)	—	6,914
Other accrued liabilities	60,301	9,947 (2)(4)(6)	(903) (8)	69,345
Total current liabilities	105,756	9,632	(903)	114,485
Long-term debt	205,863	(39,939) (5)	—	165,924
Other liabilities	925	12,195 (2)(6)	—	13,120
Liabilities subject to compromise	223,988	(223,988) (6)	—	—
Total liabilities	$ 536,532	$ (242,100)	$ (903)	$293,529
Commitments and contingencies				
Stockholders' equity:				
Common stock - Predecessor	$ 24	$ (24) (7)	$ —	$ —
Capital in excess of par value - Predecessor	446,232	(446,232) (7)	—	—
Treasury Stock - Predecessor	(186,637)	186,637 (7)	—	—
Accumulated (deficit) and other comprehensive income - Predecessor	(357,234)	387,500 (7)	(30,266) (7)(8)	—
Common stock - Successor	—	1 (7)	—	1
Capital paid-in excess of par value - Successor	—	120,955 (7)	—	120,955
Total stockholders' equity	(97,615)	248,837	(30,266)	120,956
Total liabilities and stockholders' equity	$ 438,917	$ 6,737	$ (31,169)	$414,485

(1) The Company deposited $7,647 of proceeds from its exit financing into a segregated cash account which is used to pay administrative claims and certain advisors in the bankruptcy proceedings. The Company utilized $3,284 of its cash balance immediately prior to emergence to fund a portion of the cash requirements from exit financing.

(2) The Company recorded adjustments related to various contract rejections or amendments completed as part of the Reorganization Plan. This included a $6,202 write down of property, plant and equipment related to the amendment of capital lease obligations for the Mansfield, OH distribution center and the rejection of capital lease obligations for the Company's Agawam, MA property. In addition, the Company recorded $920 related to various contract damages relating to lease rejections and severance obligations, classified between long-term and short-term liabilities.

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(3) In connection with entering into the exit financing facilities, the Company capitalized $8,255 of deferred financing costs.

(4) Pursuant to bankruptcy proceedings, additional professional fees of $2,057 were recorded. In addition, certain administrative and convenience claims of $8,435 were recorded as current liabilities, offset by accrued interest expense converted to new Successor Company equity.

(5) The table below presents refinancing of the Predecessor long-term debt. The Company issued $78,620 of new Successor Company equity (including $21,375 in excess of debt carrying amount), partially offset by $17,306 of debt discount and other financing costs. The current portion of the reorganized debt was $25,251, which includes of $23,823 of new Successor Company ABL loan.

	June 11, 2013
Predecessor Company long-term debt	$ 205,863
Reorganization adjustments:	
Issuance of Successor Company equity	(78,620)
Equity issuance in excess of debt carrying amount	21,375
Financing costs and professional fees paid with exit financing	17,306
Reorganized Successor Company long-term debt	$ 165,924

(6) Liabilities subject to compromise generally refer to pre-petition obligations, secured or unsecured, that may be impaired by a plan of reorganization. FASB ASC 852 requires such liabilities, including those that became known after filing the Chapter 11 petitions, be reported at the amounts expected to be allowed, even if they may be settled for lesser amounts. These liabilities represented the estimated amount expected to be resolved on known or potential claims through the Chapter 11 process. Liabilities subject to compromise also includes items that may be assumed under the Reorganization Plan, and may be subsequently reclassified to liabilities not subject to compromise. Liabilities subject to compromise also include certain pre-petition liabilities including accrued interest and accounts payable. At April 27, 2013, liabilities subject to compromise were $228,302, of which administrative claim payments of $4,314 were made in the Predecessor period of the current year. The table below identifies the principal categories of liabilities subject to compromise at June 11, 2013:

	June 11, 2013
Accounts payable	$ 47,683
2011 Debentures	163,688
Pre-petition accrued interest on 2011 Debentures	979
Sale-leaseback obligations	11,638
Liabilities subject to compromise	$ 223,988

(7) The Company recorded elimination of (1) Predecessor Company's common stock, (2) Predecessor Company's capital in excess of par value, (3) Predecessor Company's treasury stock, and (4) Predecessor Company's accumulated deficit and accumulated other comprehensive loss. The following table represents reorganization value to be allocated to assets reconciled to the Successor Company Equity. The Company recorded Successor Company common stock of $1 and capital in excess of par value of $120,955.

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	June 11, 2013
Total reorganization value to be allocated to assets	$ 414,485
Less: Debt	(179,044)
Less: Other liabilities	114,485
Successor Company Equity	$ 120,956

(8) The following table represents the adjustments for fresh start accounting primarily related to recording goodwill, recording our intangible assets, fixed assets, and other assets and liabilities at fair value and related deferred income taxes in accordance with ASC 805. Additionally, such fresh start accounting adjustments reflect the increase in inventory reserve of $6,600, and elimination of certain capitalized costs of $1,426. The Company also recorded other fresh start accounting adjustments relating to (1) deferred rent included in current liabilities, (2) vendor rebates receivables in current assets, and (3) other current assets and liabilities as a result of fresh start accounting. In addition, the impact of fresh start accounting adjustments on the accumulated retained earnings was eliminated.

	June 11, 2013
Fresh start accounting adjustments:	
Goodwill	$ 23,661
Fair value adjustment to intangible assets	(61,166)
Fair value adjustment to fixed assets	16,895
Fresh start accounting adjustments relating to inventory	(8,147)
Other fresh start accounting adjustments	(1,509)
Total fresh start accounting adjustments	$ (30,266)

(9) The following table represents a reconciliation of the enterprise value attributed to assets, determination of the total reorganization value to be allocated to these assets and the determination of goodwill:

	June 11, 2013
Enterprise value attributed to School Speciality	$ 300,000
Plus: other liabilities (excluding debt)	114,485
Total reorganization value to be allocated to assets	414,485
Less: fair value assigned to tangible and intangible assets	(390,824)
Value of School Specialty assets in excess of fair value (Goodwill)	$ 23,661

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NOTE 5 – REORGANIZATION ITEMS, NET

Reorganization items directly associated with the process of reorganizing the business under Chapter 11 of the Bankruptcy Code have been recorded on a separate line item on the condensed consolidated statement of operations. The following table displays the details of reorganization items for the seven weeks ended July 27, 2013 and the six weeks ended June 11, 2013:

	Successor Company	Predecessor Company
	Seven Weeks Ended July 27, 2013	Six Weeks Ended June 11, 2013
Liabilities subject to compromise	$ —	$ 223,988
Issuance of capital in excess of par value	—	(42,335)
Reclassified into other balance sheet liability accounts	—	(19,710)
Settlement of liabilities subject to compromise	$ —	$ 161,943
Fresh start accounting adjustments:		
Goodwill	$ —	$ 23,661
Fair value adjustment to intangible assets	—	(61,166)
Fair value adjustment to fixed assets	—	16,895
Fresh start accounting adjustments relating to inventory	—	(8,147)
Other fresh start accounting adjustments	—	(1,509)
Total fresh start accounting adjustments	$ —	$ (30,266)
Other reorganization adjustments:		
Asset write-downs due to contract rejections	$ —	$ (7,011)
Professional fees	(1,280)	(10,512)
Cancellation of equity based awards	—	$ (3,624)
Financing fees	—	(2,853)
Issuance of equity in excess of debt carrying amount	—	(21,375)
Other	—	(1,503)
Total other reorganization adjustments	$ (1,280)	$ (46,878)
Total Reorganization items, net	$ (1,280)	$ 84,799

The 2011 Debentures and related accrued interest within the liabilities subject to compromise at June 11, 2013 were settled by the issuance of new common stock representing 35% ownership in the Successor Company, with an estimated fair value of $42,335. The portion of accounts payable within the liabilities subject to compromise that will be paid in accordance with the Reorganization Plan were classified between long-term and short-term liabilities. Administrative claims totaling $8,335 were classified as short-term with any remaining recoveries under the Reorganization Plan classified as Deferred Cash Payments in long-term debt (see Footnote 13 – Debt). Since the value of Common Stock issued and the amounts to be paid in cash at a later date were less than the liabilities subject to compromise, the Predecessor Company recorded a gain on reorganization of $161,943 for the six weeks ended June 11, 2013.

Fresh start accounting adjustments resulted in a net asset write down of $30,266 which has partially offset the gain related to the settlement of liabilities subject to compromise. The fresh start accounting adjustments are related to the preliminary valuation done in accordance with the adoption of the fresh start accounting. See Note 4 – Fresh Start Accounting for information on these fresh start valuation adjustments.

Further offsetting a portion of the gain related to the settlement of liabilities subject to compromise is $46,878 of other

reorganizational adjustments. Equity issued to the Ad Hoc DIP lenders in excess of the debt carrying amount was $21,375. Professional fees and financing fees associated with the Predecessor Company's debtor-in possession financings were $13,365. The cancellation of equity awards outstanding as of the Effective Date triggered $3,624 of unrecognized stock-based compensation expense. In addition, the rejection of certain leases pursuant to the Reorganization Plan resulted in an additional $7,011 of expense.

NOTE 6 – INCOME TAXES

The Company files income tax returns with the U.S., various U.S. states, and foreign jurisdictions. The most significant tax return the Company files is with the U.S. The Company's tax returns are no longer subject to examination by the U.S. for fiscal years before 2011. The Company has various state tax audits and appeals in process at any given time. It is not anticipated that any adjustments resulting from tax examinations or appeals would result in a material change to the Company's financial position or results of operations.

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that either all, or some portion, of the deferred tax assets will not be realized. The realization is dependent upon the future generation of taxable income, reversal of deferred tax liabilities, tax planning strategies, and expiration of tax attribute carryovers. In fiscal 2012, the Company concluded that the realization of a majority of the deferred tax assets did not meet the more likely than not threshold, and recorded a tax valuation allowance of $32,638. In fiscal 2013, the Company increased its tax valuation allowance to $71,272. As of June 11, 2013 and July 27, 2013, valuation allowances were recorded to offset substantially all deferred tax assets. The Company is continuing to evaluate the impact of fresh-start accounting and cancellation of indebtedness income on its deferred tax assets and related valuation allowances. As of July 27, 2013, the Company had an immaterial amount of unremitted earnings from foreign investments.

The balance of the Company's liability for unrecognized income tax benefits, net of federal tax benefits, at July 27, 2013, April 27, 2013 and July 28, 2012, was $925, $925 and $587, respectively, all of which would have an impact on the effective tax rate if recognized. The Company does not expect any material changes in the amount of unrecognized tax benefits within the next twelve months. The Company classifies accrued interest and penalties related to unrecognized tax benefits as income tax expense in its consolidated statements of operations. The amounts of accrued interest and penalties included in the liability for uncertain tax positions are not material.

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NOTE 7 – STOCKHOLDERS' EQUITY

Changes in condensed consolidated stockholders' equity (deficit) during the six weeks ended June 11, 2013 (Predecessor Company) and the seven weeks ended July 27, 2013 (Successor Company) were as follows:

(in thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
Balance, April 27, 2013 (Predecessor Company)	$ 24	$ 446,232	$ (361,192)	$ (186,637)	$ 22,381	$ (79,192)
Net income	—	—	76,068	—	—	76,068
Foreign currency translation adjustment					(101)	(101)
Cancellation of Predecessor Company common stock	(24)	—	—	—	—	(24)
Elimination of Predecessor Company capital in excess of par	—	(446,232)	—	—	—	(446,232)
Elimination of Predecessor Company accumulated deficit	—	—	285,124	—	—	285,124
Elimination of Predecessor Company treasury stock	—	—	—	186,637	—	186,637
Elimination of Predecessor Company accumulated other comprehensive loss	—				(22,280)	(22,280)
Balance, June 11, 2013 (Predecessor Company)	$ —	$ —	$ —	$ —	$ —	$ —
Issuance of Successor Company Common Stock	$ 1	$ —	$ —	$ —	$ —	$ 1
Establishment of Successor Company capital in excess of par	—	120,955	—	—	—	120,955
Balance, June 12, 2013 (Successor Company)	1	120,955	—	—	—	120,956
Net income			16,943			16,943
Foreign currency translation adjustment					(7)	(7)
Balance, July 27, 2013 (Successor Company)	$ 1	$ 120,955	$ 16,943	$ —	$ (7)	$ 137,892

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NOTE 8 - EARNINGS PER SHARE

Earnings Per Share

The following information presents the Company's computations of basic earnings per share ("basic EPS") and diluted earnings per share ("diluted EPS") for the periods presented in the condensed consolidated statements of operations:

	Income (Numerator)	Shares (Denominator)	Per Share Amount
Seven weeks ended July 27, 2013:			
Basic and diluted EPS	$ 16,943	1,000	$ 16.94
Six weeks ended June 11, 2013:			
Basic EPS	$ 76,068	18,922	$ 4.02
Effect of dilutive stock options		—	
Effect of dilutive non-vested stock and restricted shares		—	
Diluted EPS	$ 76,068	18,922	$ 4.02
Three months ended July 28, 2012:			
Basic EPS	$ 18,375	18,899	$ 0.97
Effect of dilutive stock options		—	
Effect of dilutive non-vested stock and restricted shares		7	
Diluted EPS	$ 18,375	$ 18,906	$ 0.97

All outstanding stock options and restricted shares of the Predecessor Company were cancelled as of the Effective Date.

The Predecessor Company had additional stock options outstanding of 2,180 during the three months ended July 28, 2012 that were not included in the computation of diluted EPS because they were anti-dilutive.

The $157,500, 3.75% convertible subordinated debentures had no impact on the Predecessor Company's denominator for computing diluted EPS because conditions under which the debentures could have been converted were not satisfied.

NOTE 9 - SHARE-BASED COMPENSATION EXPENSE

Employee Stock Plans

Prior to the Effective Date, the Company had three share-based employee compensation plans under which awards were outstanding as of April 27, 2013: the School Specialty, Inc. 1998 Stock Incentive Plan (the "1998 Plan"), the School Specialty, Inc. 2002 Stock Incentive Plan (the "2002 Plan"), and the School Specialty, Inc. 2008 Equity Incentive Plan (the "2008 Plan"). All plans were approved by the Company's stockholders. The Successor Company does not currently have a share-based compensation plan.

In conjunction with the Reorganization Plan which became effective on June 11, 2013 (see Note 3 – Bankruptcy Proceedings), all shares, options, NSUs and restricted shares that were outstanding on the Effective Date were canceled. As a result, the Predecessor Company recognized a $3,624 reorganization item related to the unrecognized share-based compensation expense as of April 27, 2013 which was triggered upon the cancellation of the awards.

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A summary of option activity during the six weeks ended June 11, 2013 follows:

	Options Outstanding		Options Exercisable	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Balance at April 27, 2013	2,550	$ 15.27	1,207	$ 24.76
Granted	—	—		
Exercised	—	—		
Canceled	(2,550)	15.27		
Balance at June 11, 2013	—	$ —	—	$ —

The Predecessor Company had used a combination of Non-Vested Stock Units (NSUs) and restricted shares. There were no time-based NSU awards granted nor restricted stock awarded in the six weeks ended June 11, 2013. The following table presents the amounts granted in the first quarter of fiscal 2013 for these types of awards:

	For the Three Months Ended July 28, 2012	
	# of shares awarded	Approximate fair value
Director NSUs	46	$ 131
Performance-based NSUs	—	$ —
Restricted shares	15	$ 43

Director NSU awards vested one year from the date of grant and the Company recognized share-based compensation expense related to these time-based NSU awards on a straight-line basis over the vesting period. The restricted shares in the above table were granted to Company employees and would have vested over a three year period. The Predecessor Company recognized share-based compensation expense for performance-based NSUs on a straight line basis over the vesting period adjusted for changes in the expected level of performance.

The following table presents the share-based compensation expense recognized during the three months ended July 28, 2012:

	For the Three Months Ended July 28, 2012	
	Gross	Net of Tax
Stock Options	$ 105	64
Director NSUs	44	27
Performance-based NSUs	—	—
Management Restricted shares	(30)	(18)
Total stock-based compensation epense	$ 119	

The stock-based compensation expense is reflected in selling, general and administrative ("SG&A") expenses in the accompanying condensed consolidated statements of operations relating to the Predecessor Company. The income tax benefit related to share-based compensation expense was $46 for the three months ended July 28, 2012. The Predecessor Company recognized share-based compensation expense ratably over the vesting period of each award along with cumulative adjustments for changes in the expected level of attainment for performance-based awards.

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The total unrecognized share-based compensation expense as of July 27, 2013, April 27, 2013 and July 28, 2012 were as follows:

	July 27, 2013	April 27, 2013	July 28, 2012
Stock Options, net of estimated forfeitures	$ —	$ 2,328	$3,488
NSUs	—	225	115
RSUs	—	1,071	1,447

The weighted average fair value of options granted during the three months ended July 28, 2012 was $1.27 per share. The fair value of options was estimated on the date of grant using the Black-Scholes single option pricing model with the following weighted average assumptions:

	For the Three Months Ended July 28, 2012
Average-risk free interest rate	0.95%
Expected volatility	48.15%
Expected term	5.5 years

	For the Three Months Ended July 28, 2012
Total intrinsic value of stock options exercised	$ —
Cash received from stock option exercises	$ —
Income tax deficiency from stock options	$ (91)

NOTE 10 – GOODWILL AND OTHER INTANGIBLE ASSETS

The following table presents details of the Successor Company's intangible assets, excluding goodwill (preliminary values):

July 27, 2013	Gross Value	Accumulated Amortization	Net Book Value
Amortizable intangible assets:			
Customer relationships (13 years)	$ 9,400	$ (96)	$ 9,304
Publishing rights (20 years)	2,500	(17)	2,483
Trademarks (20 years)	22,100	(147)	21,953
Developed technology (7 years)	6,600	(126)	6,474
Content (5 years)	4,400	(117)	4,283
Perpetual license agreements (5 years)	1,500	(40)	1,460
Favorable leasehold interests (10 years)	1,490	(20)	1,470
Total intangible assets	$ 47,990	$ (563)	$47,427

The gross values were determined by the valuation which was completed as part of the fresh-start accounting. In addition to the intangible assets above, the Successor Company recorded $23,661 of estimated goodwill.

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The following tables present details of the Predecessor Company's intangible assets, excluding goodwill:

April 27, 2013	Gross Value	Accumulated Amortization	Net Book Value
Amortizable intangible assets:			
Customer relationships (10 to 17 years)	$ 36,760	$ (25,248)	$ 11,512
Publishing rights (15 to 25 years)	113,260	(40,018)	73,242
Non-compete agreements (3.5 to 10 years)	150	(127)	23
Tradenames and trademarks (10 to 30 years)	4,354	(1,424)	2,930
Order backlog and other (less than 1 to 13 years)	1,766	(1,238)	528
Perpetual license agreements (10 years)	14,506	(6,845)	7,661
Total amortizable intangible assets	170,796	(74,900)	95,896
Non-amortizable intangible assets:			
Tradenames and trademarks	14,410	—	14,410
Total non-amortizable intangible assets	14,410	—	14,410
Total intangible assets	$ 185,206	$ (74,900)	$110,306

July 28, 2012	Gross Value	Accumulated Amortization	Net Book Value
Amortizable intangible assets:			
Customer relationships (10 to 17 years)	$ 36,844	$ (23,542)	$ 13,302
Publishing rights (15 to 25 years)	113,260	(35,810)	77,450
Non-compete agreements (3.5 to 10 years)	5,480	(5,414)	66
Tradenames and trademarks (10 to 30 years)	3,504	(1,280)	2,224
Order backlog and other (less than 1 to 13 years)	1,766	(1,160)	606
Perpetual license agreements (10 years)	14,506	(5,637)	8,869
Total amortizable intangible assets	175,360	(72,843)	102,517
Non-amortizable intangible assets:			
Tradenames and trademarks	19,110	—	19,110
Total non-amortizable intangible assets	19,110	—	19,110
Total intangible assets	$ 194,470	$ (72,843)	$121,627

Intangible asset amortization expense included in selling, general and administrative expense for the seven weeks ended July 27, 2013, six weeks ended June 11, 2013 and three months ended July 28, 2012 was $563, $1,138 and $2,589, respectively.

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Intangible asset amortization expense for each of the five succeeding fiscal years and the remainder of fiscal 2014 is estimated to be:

Fiscal 2014 (nine months remaining)	$3,169
Fiscal 2015	4,225
Fiscal 2016	4,225
Fiscal 2017	4,225
Fiscal 2018	4,225
Fiscal 2019	3,182

The following information presents changes to the Predecessor Company's goodwill during the period beginning July 28, 2012 through April 27, 2013. There were no changes during the six week period ending June 11, 2013.

	Reporting Units			Reporting Units					
	Education Resources	Califone	Educational Resources Segment	Science	Planning and Student Development	Reading	Health	Accelerated Learning Segment	Total
Balance at July 28, 2012									
Goodwill	$ 249,695	$ 14,852	$ 264,547	$ 75,652	$ 181,018	$ 17,474	$ —	$ 274,144	$ 538,691
Accumulated impairment losses	(249,695)	(10,959)	(260,654)	(75,652)	(153,603)	(7,772)	—	(237,027)	(497,681)
	$ —	$ 3,893	$ 3,893	$ —	$ 27,415	$ 9,702	$ —	$ 37,117	$ 41,010
Fiscal 2013 Activity:									
Impairment losses	—	(3,893)	(3,893)	—	(27,494)	(9,702)	—	(37,196)	(41,089)
Currency translation adjustment	—	—	—	—	79	—	—	79	79
Balance at April 27, 2013									
Goodwill	$ 249,695	$ 14,852	$ 264,547	$ 75,652	$ 181,097	$ 17,474	$ —	$ 274,223	$ 538,770
Accumulated impairment losses	(249,695)	(14,852)	(264,547)	(75,652)	(181,097)	(17,474)	—	(274,223)	(538,770)
	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

In the third quarter of fiscal 2013, the Company recorded a goodwill impairment charge of $41,089 and an indefinite-lived asset impairment charge of $4,700 as the Predecessor Company concluded that a triggering event occurred in the quarter. Refer to Footnote 8, Goodwill and Other Intangible Assets in the Company's Form 10-K for the year ended April 27, 2013 for details regarding the fiscal 2013 impairment.

On a preliminary basis, the Successor Company has recorded $23,661 of goodwill. As discussed in Note 4 – Fresh Start Accounting, this goodwill amount may change as the Company finalizes its valuation of assets and liabilities in fiscal 2014.

NOTE 11 – INVESTMENT IN UNCONSOLIDATED AFFILIATE

Investment in unconsolidated affiliate was accounted for under the equity method through the end of the third quarter in fiscal 2013. Effective with the commencement of the Company's Chapter 11 Cases, the Company no longer maintained a seat on the unconsolidated affiliate's board of directors as a result of the Company's Chapter 11 Cases. As a result, the

Company no longer had significant influence over the unconsolidated affiliate and began to account for the investment in unconsolidated affiliate under the cost method effective at the beginning of the fourth quarter of fiscal 2013.

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The investment in unconsolidated affiliate consisted of the following:

	Percent Owned	Successor July 27, 2013	Predecessor April 27, 2013	Predecessor July 28, 2012
Carson- Dellosa Publishing, LLC	35%	$ 715	$ 715	$ 10,019

The Company holds a 35% interest, accounted for under the cost method, in Carson-Dellosa Publishing.

The investment amount represents the Company's maximum exposure to loss as a result of the Company's ownership interest. Income and (losses) are reflected in "Equity in income/ (losses) of investment in unconsolidated affiliate" on the condensed consolidated statement of operations.

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	Successor	Predecessor	
	July 27, 2013	April 27, 2013	July 28, 2012
Land	$ 210	$ 158	$ 158
Projects in progress	2,927	2,953	9,831
Buildings and leasehold improvements	7,288	29,804	29,897
Furniture, fixtures and other	29,277	108,877	101,765
Machinery and warehouse equipment	8,910	40,117	39,438
Total property, plant and equipment	48,612	181,909	181,089
Less: Accumulated depreciation	(2,303)	(142,700)	(126,851)
Net property, plant and equipment	$46,309	$ 39,209	$ 54,238

Depreciation expense for the seven weeks ended July 27, 2013, six weeks ended June 11, 2013 and three months ended July 28, 2012 was $2,303, $1,845 and $4,427, respectively.

NOTE 13 – DEBT

Long-term debt consisted of the following:

	Successor	Predecessor	
	July 27, 2013	April 27, 2013	July 28, 2012
New ABL Facility, maturing in 2018	$ 60,801	$ —	$ —
New Term Loan, maturing in 2019	145,000	—	—
New Term Loan Original Issue Discount	(2,835)	—	—
Deferred Cash Payment Obligations, maturing in 2019	12,195	—	—
ABL DIP Agreement	—	43,302	—
Ad Hoc DIP Agreement	—	155,000	—
Asset-Based Credit Agreement, maturing in 2014	—	—	123,426
Term Loan Credit Agreement, maturing in 2014	—	—	70,000
3.75% Convertible Subordinated Notes due 2026, issued 2006, net of unamortized discount	—	163,688	—
Sale-leaseback obligations, effective rate of 8.97%, expiring in 2020	—	11,684	12,444
Total debt	215,161	373,674	364,952
Less: Current maturities	(62,229)	(198,302)	(79,444)

Less: Debt classified as liabilities subject to compromise (Note 3)	—	(175,372)	—
Total long-term debt	$ 152,932	$ —	$ 285,508

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Successor Company Debt

Credit Agreement

On June 11, 2013, the Company entered into a Loan Agreement (the "Asset-Based Credit Agreement") by and among the Company, Bank of America, N.A, as Agent, SunTrust Bank, as Syndication Agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated and SunTrust Robinson Humphrey, Inc., as Joint Lead Arrangers and Bookrunners, and the Lenders that are party to the Asset-Based Credit Agreement (the "Asset-Based Lenders").

Under the Asset-Based Credit Agreement, the Asset-Based Lenders agreed to provide a revolving senior secured asset-based credit facility (the "New ABL Facility") in an aggregate principal amount of $175,000. Outstanding amounts under the New ABL Facility will bear interest at a rate per annum equal to, at the Company's election: (1) a base rate (equal to the greatest of (*a*) the prime lending rate, (*b*) the federal funds rate plus 0.50%, and (*c*) the 30-day LIBOR rate plus 1.00% per annum) (the "Base Rate") plus an applicable margin (equal to a specified margin based on the interest rate elected by the Company, the fixed charge coverage ratio under the New ABL Facility and the applicable point in the life of the New ABL Facility) (the "Applicable Margin"), or (2) a LIBOR rate plus the Applicable Margin (the "LIBOR Rate"). Interest on loans under the New ABL Facility bearing interest based upon the Base Rate will be due monthly in arrears, and interest on loans bearing interest based upon the LIBOR Rate will be due on the last day of each relevant interest period or, if sooner, on the respective dates that fall every three months after the beginning of such interest period.

The effective interest rate under the New ABL Facility for the seven weeks ended July 27, 2013 was 6.48%, which includes amortization of loan origination fees of $137 and commitment fees on unborrowed funds of $80. As of July 27, 2013, the outstanding balance on the New ABL Facility of $60,801, which was reflected as currently maturing, long-term debt in the accompanying condensed consolidated balance sheets.

The New ABL Facility will mature on June 11, 2018. The Company may prepay advances under the New ABL Facility in whole or in part at any time without penalty or premium. The Company will be required to make specified prepayments upon the occurrence of certain events, including: (1) the amount outstanding on the New ABL Facility exceeding the Borrowing Base (as determined in accordance with the terms of the New ABL Facility), and (2) the Company's receipt of net cash proceeds of any sale or disposition of assets that are first priority collateral for the New ABL Facility.

Pursuant to a Guaranty and Collateral Agreement dated as of June 11, 2013 (the "New ABL Security Agreement"), the New ABL Facility is secured by a first priority security interest in substantially all assets of the Company and the guarantor subsidiaries. Under an intercreditor agreement between the Asset-Based Lenders and the Term Loan Lenders, as defined and described below, the Asset-Based Lenders have a first priority security interest in substantially all working capital assets of the Company and the guarantor subsidiaries, and a second priority security interest in all other assets, subordinate only to the first priority security interest of the New Term Loan Lenders in such other assets.

The Asset-Based Credit Agreement contains customary events of default and financial, affirmative and negative covenants, including but not limited to a springing financial covenant relating to the Company's fixed charge coverage ratio and restrictions on indebtedness, liens, investments, asset dispositions and dividends and other restricted payments.

Term Loan

Also on June 11, 2013, the Company entered into a Credit Agreement (the "New Term Loan Credit Agreement") among the Company, Credit Suisse AG, as Administrative Agent and Collateral Agent, and the Lenders defined in the New Term Loan Credit Agreement (the "Term Loan Lenders").

Under the New Term Loan Credit Agreement, the Term Loan Lenders agreed to make a term loan (the "New Term Loan") to the Company in aggregate principal amount of $145 million including an original issue discount of $2,900. The outstanding principal amount of the New Term Loan will bear interest at a rate per annum equal to the applicable LIBOR rate (with a 1% floor) plus 8.50%, or the base rate plus a margin of 7.50%. Interest on loans under the New Term Loan Credit Agreement bearing interest based upon the base rate will be due quarterly in arrears, and interest on loans bearing interest based upon the

LIBOR Rate will be due on the last day of each relevant interest period or, if sooner, on the respective dates that fall every three months after the beginning of such interest period.

The effective interest rate under the term loan credit facility for the first quarter of fiscal 2013 was 9.5%, which includes amortization of loan origination fees of $135 and original issue discount amortization of $65. As of July 27, 2013, the outstanding balance on the New Term Loan Credit Agreement was $142,165, net of the unamortized original issue discount. Of this amount, $1,428 was reflected as currently maturing, long-term debt in the accompanying condensed consolidated balance sheets. The original issue discount is being amortized as additional interest expense on a straight-line basis over the life of the New Term Loan.

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The New Term Loan matures on June 11, 2019. The New Term Loan Credit Agreement requires prepayments at specified levels upon the Company's receipt of net proceeds from certain events, including: (1) certain dispositions of property, divisions, business units or business lines; and (2) other issuances of debt other than Permitted Debt (as defined in the New Term Loan Credit Agreement). The New Term Loan Credit Agreement also requires prepayments at specified levels from the Company's excess cash flow. The Company is also permitted to voluntarily prepay the New Term Loan in whole or in part. Any prepayments are to be made at par, plus an early payment fee calculated in accordance with the terms of the New Term Loan Credit Agreement if prepaid prior to the second anniversary of the Term Loan Credit Agreement.

Pursuant to a Guarantee and Collateral Agreement dated as of June 11, 2013 (the "New Term Loan Security Agreement"), the Term Loan is secured by a first priority security interest in substantially all assets of the Company and the guarantor subsidiaries. Under an intercreditor agreement between the Asset-Based Lenders and the Term Loan Lenders, the Term Loan Lenders have a second priority security interest in substantially all working capital assets of the Company and the subsidiary guarantors, subordinate only to the first priority security interest of the Asset-Based Lenders in such assets, and a first priority security interest in all other assets.

The New Term Loan Credit Agreement contains customary events of default and financial, affirmative and negative covenants, including but not limited to quarterly financial covenants commencing on the fiscal quarter ending October 26, 2013, relating to the Company's (1) minimum interest coverage ratio and (2) maximum net total leverage ratio and restrictions on indebtedness, liens, investments, asset dispositions and dividends and other restricted payments.

The New Term Loan requires the Company to enter into an interest rate hedge, within 90 day of the Effective Date, in an amount equal to at least 50% of the aggregate principal amount outstanding under the New Term Loan. The purpose of the interest rate hedge is to effectively subject a portion of the New Term Loan to a fixed or maximum interest rate. The Company entered into an interest rate hedge for $72,500 of principal in the second quarter of fiscal 2014.

Deferred Cash Payment Obligations

In connection with the Reorganization Plan, general unsecured creditors are entitled to receive a deferred cash payment obligation of 20% of the allowed claim in full settlement of the allowed unsecured claims. Such payment shall accrue quarterly paid-in-kind interest of 5% per annum beginning on the Effective Date. Trade unsecured creditors had the ability to make a trade election to provide agreed upon customary trade terms. If the election was made, those unsecured trade creditors received a deferred cash payment obligation of 45% of the allowed claim in full settlement of those claims. As of the Effective Date, the deferred payment obligations under the trade elections shall accrue quarterly paid-in-kind interest of 10% per annum. All deferred cash payment obligations, along with interest paid-in-kind, are payable in December 2019.

The Company's reconciliation of general unsecured claims is still in process. The Company currently estimates the deferred payment obligations are $12,195 of which $5,731 represents a 20% recovery for the creditor and $6,464 represents a 45% recovery for the creditor. The Company expects to complete the reconciliation of general unsecured claims in the third quarter of fiscal 2014 and these estimated obligation amounts are subject to change.

Predecessor Company Debt

Bankruptcy-Related Debt

In connection with the filing the Chapter 11 Cases, on January 31, 2013, the Company entered into a Senior Secured Super Priority Debtor-in-Possession Credit Agreement (the "Bayside DIP Agreement") by and among the Company, certain of its subsidiaries, Bayside Finance, LLC ("Bayside") (as Administrative Agent and Collateral Agent), and the lenders party to the Bayside Credit Agreement and a Debtor-in-Possession Credit Agreement (the "ABL DIP Agreement") by and among Wells Fargo Capital Finance, LLC (as Administrative Agent, Co-Collateral Agent, Co-Lead Arranger and Joint Book Runner) and GE Capital Markets, Inc. (as Co-Collateral Agent, Co-Lead Arranger and Joint Book Runner and Syndication Agent), General Electric Capital Corporation (as Syndication Agent), and the lenders that are party to the Asset-Based Credit Agreement (the "Asset-Based Lenders") and the Company and certain of its subsidiaries.

The Bayside DIP Agreement provided for a senior secured, super-priority revolving credit facility of up to $50,000 (the "Bayside DIP Facility"), with an initial borrowing upon closing of $15,000, and subsequent borrowings of $8,000.

Borrowings by the Company under the Bayside DIP Facility were subject to borrowing limitations based on the exhaustion of availability of credit under the ABL DIP Facility (as defined below) and certain other conditions. The principal amounts outstanding under the Bayside DIP Facility bore interest based on applicable LIBOR or base rates plus margins as set forth in the Bayside DIP Agreement. Upon the occurrence of an event of default in the Bayside DIP Agreement, an additional default interest rate of 3.0% per annum applied. The Bayside DIP Agreement also provided for certain additional fees payable to the agents and lenders.

All borrowings under the Bayside DIP Agreement were required to be repaid on the earliest of (i) June 30, 2013, (ii) the date of termination of the Bayside DIP Agreement, whether pursuant to the consummation of a sale of substantially all of the assets of the Debtors under section 363 of the Bankruptcy Code, or (iii) certain other termination events.

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Pursuant to a Security and Pledge Agreement, the Bayside DIP Facility was secured by a first priority security interest in substantially all assets of the Company and the guarantor subsidiaries. Under an intercreditor agreement between the Asset-Based Lenders and the Bayside Lenders (the “Intercreditor Agreement”), the Bayside Lenders had a first priority security interest in all interests in real property, all intellectual property, all equipment and fixtures, and certain other assets of the Company and its subsidiaries, and had a second priority security interest in accounts receivable, inventory and certain other assets of the Company and the subsidiary guarantors, subordinate only to the first priority security interest of the Asset-Based Lenders in such assets. The obligations under the Bayside DIP Facility were extinguished with proceeds from the Ad Hoc DIP Agreement discussed below.

The ABL DIP Agreement provided a revolving senior secured asset-based credit facility (the “ABL DIP Facility”) in an aggregate principal amount of $175,000. The amount of revolving loans made during any one week was based on certain conditions, including the budget supplied by the Company. Outstanding amounts under the ABL DIP Facility bore interest at a rate per annum equal to either: (1) a base rate (equal to the greatest of (a) the prime lending rate, (b) the federal funds rate plus 0.50%, and (c) the 30-day LIBOR rate plus 1.00% per annum) plus 2.75%, or (2) a LIBOR rate plus 3.75%. The default interest rate was three percentage points above the otherwise applicable rate.

Pursuant to a Security and Pledge Agreement, the ABL Facility was secured by substantially all assets of the Company and the guarantor subsidiaries. Under the Intercreditor Agreement, the Asset-Based Lenders had a first priority security interest in accounts receivable, inventory and certain other assets of the Company and the subsidiary guarantors, and had a second priority security interest in all interests in real property, all intellectual property, all equipment and fixtures, and certain other assets of the Company and its subsidiaries, subordinate only to the first priority security interest of the Bayside Lenders in such assets.

The ABL DIP Agreement contained customary events of default and affirmative and negative covenants, including (but not limited to) affirmative covenants relating to reporting, appointment of a chief restructuring officer, and bankruptcy transaction milestones, and negative covenants related to the financing order of the Bankruptcy Court, additional indebtedness, liens, assets, fundamental changes, and use of proceeds.

On February 27, 2013, the Company entered into a Senior Secured Super Priority Debtor-in-Possession Credit Agreement (the “Ad Hoc DIP Agreement”) by and among the Company, certain of its subsidiaries, U.S. Bank National Association, as Administrative Agent and Collateral Agent and the lenders party to the Ad Hoc DIP Agreement, which replaced the Bayside DIP Agreement, the related Bayside Facility and the Term Loan Credit Agreement.

The Ad Hoc DIP Agreement provided for a senior secured, super-priority revolving credit facility of up to $155,000 (the “Ad Hoc DIP Facility”), with an initial borrowing upon closing of $130,000, and subsequent borrowings of $15,000 following the entry of the final order of the Bankruptcy Court and upon the satisfaction of certain conditions.

The principal amounts outstanding under the Ad Hoc DIP Facility bore interest based on applicable LIBOR or base rates plus margins as set forth in the Ad Hoc DIP Agreement. Upon the occurrence of an event of default in the Ad Hoc DIP Agreement, an additional default interest rate of 2.0% per annum applied. The Ad Hoc DIP Agreement also provided for certain additional fees payable to the agents and lenders.

All borrowings under the Ad Hoc DIP Agreement were required to be repaid on the earliest of (i) June 30, 2013, (ii) the date of termination of the Ad Hoc DIP Agreement, whether pursuant to the consummation of a sale of substantially all of the assets of the Debtors under section 363 of the Bankruptcy Code, or (iii) certain other termination events.

Pursuant to a Security and Pledge Agreement, the Ad Hoc DIP Facility was secured by a first priority security interest in substantially all of the assets of the Company and the guarantor subsidiaries.

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Pre-Bankruptcy Filing Debt

On May 22, 2012, the Company entered into an Asset-Based Credit Agreement (the “Asset-Based Credit Agreement”). Under the Asset-Based Credit Agreement, the Asset-Based Lenders agreed to provide a revolving senior secured asset-based credit facility (the “2012 ABL Facility”) in an aggregate principal amount of $200,000.

The 2012 ABL Facility was secured by a first priority security interest in substantially all assets of the Company and the guarantor subsidiaries. Under an intercreditor agreement between the lenders under the 2012 ABL Facility and the Term Loan lenders, as described below, the Asset-Based Lenders had a first priority security interest in substantially all working capital assets of the Company and the guarantor subsidiaries, and a second priority security interest in all other assets, subordinate only to the first priority security interest of the Term Loan lenders in such other assets.

The Asset-Based Credit Agreement contained customary events of default and financial, affirmative and negative covenants, including financial covenants relating to the Company’s (1) minimum fixed charge coverage ratio, (2) maximum secured leverage ratio, (3) maximum total leverage ratio, (4) maximum term loan ratio and (5) minimum interest coverage ratio. In addition, the Asset-Based Credit Agreement contained a minimum liquidity covenant requiring the Company to maintain minimum liquidity levels at the end of each month during the life of the Term Loan (consisting of Qualified Cash, subject to a $2,000 cap, plus availability under the 2012 ABL Facility). The Company was not in compliance with the minimum liquidity covenant as of the end of December, 2012. As a result, the Company entered into a Forbearance Agreement with its 2012 ABL Facility lenders and Bayside Finance, LLC on January 4, 2013 and subsequently filed for protection under Chapter 11 of the U.S. Bankruptcy Code.

Outstanding amounts under the 2012 ABL Facility bore interest at a rate per annum equal to, at the Company’s election: (1) a base rate (equal to the greatest of (*a*) the prime lending rate, (*b*) the federal funds rate plus 0.50%, and (*c*) the 30-day LIBOR rate plus 1.00% per annum) (the “Base Rate”) plus an applicable margin (equal to a specified margin based on the interest rate elected by the Company, the excess availability under the 2012 ABL Facility and the applicable point in the life of the 2012 ABL Facility) (the “Applicable Margin”), or (2) a LIBOR rate plus the Applicable Margin (the “LIBOR Rate”). Interest on loans under the 2012 ABL Facility that bore interest based upon the Base Rate were due monthly in arrears, and interest on loans that bore interest based upon the LIBOR Rate were due on the last day of each relevant interest period. The effective interest rate under the 2012 ABL Facility for the first nine months of fiscal 2013 was 5.41%, which included amortization of loan origination fees of $866 and commitment fees on unborrowed funds of $376. As of January 26, 2013, the outstanding balance on the 2012 ABL Facility was $41,589. The balances under this Credit Agreement on the date of the filing of the Chapter 11 Cases were repaid during the fourth quarter of fiscal 2013 using cash collections from accounts receivable securing the obligations under this facility.

Term Loan

On May 22, 2012, the Company entered into a term loan credit agreement (the “Term Loan Credit Agreement”). Under the Term Loan Credit Agreement, the Term Loan lender agreed to make a term loan (the “Term Loan”) to the Company in aggregate principal amount of $70,000.

The Term Loan was secured by a first priority security interest in substantially all assets of the Company and the guarantor subsidiaries. Under an intercreditor agreement between the lenders under the 2012 ABL Facility and the Term Loan lender, the Term Loan lender had a second priority security interest in substantially all working capital assets of the Company and the subsidiary guarantors, subordinate only to the first priority security interest of the lenders under the 2012 ABL Facility in such assets, and a first priority security interest in all other assets.

The Term Loan Credit Agreement contained customary events of default and financial, affirmative and negative

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covenants, including quarterly financial covenants relating to the Company's (1) maximum secured leverage ratio, (2) maximum total leverage ratio, (3) maximum term loan ratio, (4) minimum fixed charge coverage ratio and (5) minimum interest coverage ratio. In addition, the Term Loan Credit Agreement contained a minimum liquidity covenant requiring the Company to maintain minimum liquidity levels at the end of each month during the life of the Term Loan (consisting of Unrestricted Cash plus availability under the 2012 ABL Facility). The Company was not in compliance with the minimum liquidity covenant as of the end of December, 2012. As a result, the Company entered into a Forbearance Agreement with its ABL lenders and Bayside Finance, LLC on January 4, 2013 and subsequently filed for protection under Chapter 11 of the U.S. Bankruptcy Code.

The outstanding principal amount of the Term Loan bore interest at a rate per annum equal to the applicable LIBOR rate (calculated as the greater of (1) the current three-month LIBOR rate and (2) 1.5%) plus 11.0%, accruing and paid on a quarterly basis in arrears. The term loan was prepaid by $3,000 in the second quarter of fiscal 2013. In the fourth quarter of fiscal 2013 the remaining term loan of $67,000 was retired using the proceeds from the Ad Hoc DIP Agreement. Interest expense on the Term Loan was not accrued subsequent to the Chapter 11 filing.

The Company recorded a $25,054 charge related to the acceleration of the obligations under the Term Loan Credit Agreement, including the early payment fee. The charge was triggered by the Company's non-compliance with the minimum liquidity covenant. The early payment fee represented the present value of all interest payments due to Bayside during the term of the Term Loan Credit Agreement. The Company has incurred $1,295 of interest expense related to the $25,054 early payment fee. The Ad Hoc DIP Agreement required $25,000 to be placed in an escrow account as a deposit for an early termination fee payable to Bayside that was provided under the Term Loan Credit Agreement. The official Committee of Unsecured Creditors is contesting that Bayside is entitled to receive the funds. The Bankruptcy Court has ruled that Bayside is entitled to the funds, but the Official Committee of Unsecured Creditors is contesting the ruling and has filed an appeal in the Federal District Court of Delaware. Subsequent to the end of the first quarter of fiscal 2014, this escrow amount, including interest, was released to Bayside, and additional interest accruals have ceased as of the release date. The ruling is still being contested and final resolution of the early termination fee is pending.

Convertible Notes

FASB ASC TOPIC 470-20, "*Debt with Conversion and Other Options,*" requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the market interest rate at debt issuance without the conversion feature. The Company had two convertible debt instruments outstanding during fiscal 2013. A fair value must be assigned to the equity conversion options of (1) the Company's $100,000 convertible subordinated debentures (the "2011 Debentures"), which were issued on March 1, 2011 of which $0 and $100,000 in aggregate original principal amount was outstanding as of July 27, 2013 and July 28, 2012, respectively; and (2) the additional $57,500 of the 2011 Debentures, which were issued on July 7, 2011, of which $0 and $57,500 in aggregate original principal amount was outstanding as of July 27, 2013 and July 28, 2012, respectively (collectively, the "Convertible Notes"). The value assigned to the equity conversion option results in a corresponding decrease in the value assigned to the carrying value of the debt portion of the instruments.

The values assigned to the debt portions of the Convertible Notes were determined based on market interest rates for similar debt instruments without the conversion feature as of the respective March 1, 2011 and July 7, 2011 issuance dates of the Convertible Notes. The difference in market interest rates versus the coupon rates on the Convertible Notes results in non-cash interest that is amortized into interest expense over the expected terms of the Convertible Notes. For purposes of the valuation, the Company used an expected term of approximately four years for both the Convertible Notes issued March 1, 2011 and July 7, 2011, which corresponds with the first date the holders of the respective Convertible Notes could put their Convertible Notes back to the Company.

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The 2011 Debentures bore interest semi-annually at a rate of 3.75% per year in respect of each $1 original principal amount of 2011 Debentures (the "Original Principal Amount") on each May 30th and November 30th, and the principal accreted on the principal amount of the 2011 Debentures (including the Original Principal Amount) at a rate of 3.9755% per year, compounding on a semi-annual basis (such principal amount, including any accretions thereon, the "Accreted Principal Amount"). The events of default under the 2012 ABL Facility and Term Loan and the acceleration of the obligations thereunder, which are described above, were events of default under the 2011 Debentures. In conjunction with the filing of the Chapter 11 Cases, the trustee or the holders of at least 25% in aggregate accreted principal amount declared the accreted principal amount of the 2011 Debentures and any accrued and unpaid interest on the 2011 Debentures to be immediately due and payable, subject to the subordination provisions of the 2011 Debentures.

The estimated fair value of the Company's $100,000 and $57,500 convertible subordinated debentures at July 28, 2012 was approximately $73,000 and $41,975, respectively and the carrying value was $100,867 and $58,215, respectively. The estimated fair value was determined using Level 2 inputs as described in FASB ASC Topic 820, "*Fair Value Measurements and Disclosures*".

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NOTE 14 – RESTRUCTURING

In the first three months of fiscal 2013, the Company recorded restructuring costs associated with severance related to headcount reductions, which is recorded in SG&A on the condensed consolidated statements of operations. The following is a reconciliation of accrued restructuring costs for the six weeks ended June 11, 2013, the seven weeks ended July 27, 2013 and the three months ended July 28, 2012:

	Educational Resources	Accelerated Learning	Corporate	Total
Accrued Restructuring Costs at April 27, 2013 (Predecessor)	$ (21)	$ 149	$ 588	$ 716
Amounts charged to expense	21	—	—	21
Payments	—	(15)	(167)	(182)
Accrued Restructuring Costs at June 11, 2013 (Predecessor)	$ —	$ 134	$ 421	$ 555
Reclassification	406	—	(406)	—
Amounts charged to expense	—	31	—	31
Payments	(158)	(37)	(3)	(198)
Accrued Restructuring Costs at July 27, 2013 (Successor)	$ 248	$ 128	$ 12	$ 388

	Educational Resources	Accelerated Learning	Corporate	Total
Accrued Restructuring Costs at April 28, 2012 (Predecessor)	$ 80	$ 338	$ 705	$1,123
Amounts charged to expense	381	400	322	1,103
Payments	(101)	(276)	(188)	(565)
Accrued Restructuring Costs at July 28, 2012 (Predecessor)	$ 360	$ 462	$ 839	$1,661

NOTE 15 – SEGMENT INFORMATION

The Company determines its operating segments based on the information utilized by the chief operating decision maker, the Company's Chief Executive Officer, to allocate resources and assess performance. Based on this information, the Company has determined that it operates in two operating segments, Educational Resources and Accelerated Learning, which also constitute its reportable segments. The Company operates principally in the United States, with limited operations in Canada. The Educational Resources segment offers products that include basic classroom supplies and office products, supplemental learning materials, physical education equipment, classroom technology, and furniture. The Accelerated Learning segment is a PreK-12 curriculum-based publisher of proprietary and non-proprietary products in the categories of science, reading and literacy, coordinated school health, and planning and student development. The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies as included in the Company's Form 10-K for the fiscal year ended April 27, 2013. Intercompany eliminations represent intercompany sales primarily from our Accelerated Learning segment to our Educational Resources segment, and the resulting profit recognized on such intercompany sales.

	Successor	Predecessor	
	Seven Weeks Ended July 27, 2013	Six Weeks Ended June 11, 2013	Three Months Ended July 28, 2012
Revenues:			
Educational Resources	$ 92,183	$ 42,789	$ 173,687
Accelerated Learning	51,321	15,832	78,285
Corporate and intercompany eliminations	(5)	76	167
Total	$ 143,499	$ 58,697	$ 252,139

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Operating income (loss) and income (loss) before taxes:			
Educational Resources	$ 13,522	$ 2,380	$ 21,153
Accelerated Learning	16,746	(747)	19,216
Corporate and intercompany eliminations	(8,972)	(5,488)	(11,888)
Operating income	21,296	(3,855)	28,481
Interest expense and reorganization items, net	4,101	(81,564)	9,966
Income before provision for income taxes	$ 17,195	$ 77,709	$ 18,515

	Successor July 27, 2013	Predecessor July 28, 2012
Identifiable assets:		
Educational Resources	$ 198,759	$ 226,556
Accelerated Learning	171,634	276,183
Corporate assets	102,960	91,029
Total	$ 473,353	$ 593,768

	Successor	Predecessor	
	Seven Weeks Ended July 27, 2013	Six Weeks Ended June 11, 2013	Three Months Ended July 28, 2012
Depreciation and amortization of intangible assets and development costs:			
Educational Resources	$ 237	$ 391	$ 1,506
Accelerated Learning	2,548	2,001	4,478
Corporate	1,559	1,509	3,100
Total	$ 4,344	$ 3,901	$ 9,084
Expenditures for property, plant and equipment, intangible and other assets and development costs:			
Educational Resources	$ 3	$ 9	$ 8
Accelerated Learning	955	400	1,777
Corporate	436	297	1,118
Total	$ 1,394	$ 706	$ 2,903

NOTE 16 – RESTRICTED CASH

During the fourth quarter of fiscal 2013, the Company placed $25,000 of cash into a restricted account. The Ad Hoc DIP Agreement required the funds to be placed in an escrow account as a deposit for an early termination fee payable to Bayside that was provided under the Term Loan Credit Agreement. The Bankruptcy Court has ruled that the funds are owed, but the Official Committee of Unsecured Creditors is contesting the ruling and has filed an appeal in the Federal District Court of Delaware. On the Effective Date, an additional $119, representing interest owed, was transferred into the restricted account. For the first quarter of fiscal 2014, the Company recorded $582 of interest related to the unpaid early termination fees for the pre-bankruptcy term loan with Bayside. Subsequent to the end of the first quarter of fiscal 2014, this escrow amount, including interest, was released to Bayside, and additional interest accruals have ceased as of the release date. The ruling is still being contested and final resolution of the early termination fee is pending.

During the first quarter of fiscal 2013, the Company transferred $2,708 of cash into an additional restricted account. The funds in the restricted account serve as collateral primarily for the Company's workmen's compensation insurance and other lease obligations, secured by letters of credit. During the first quarter of fiscal 2014 and the third and fourth quarters of fiscal

2013, $601, $972 and $434 respectively, was transferred from the restricted cash account as the letters of credit secured by these amounts were canceled. The remaining restricted funds cannot be withdrawn from our account without prior written consent of the secured parties.

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NOTE 17 – COMMITMENTS AND CONTINGENCIES

Various claims and proceedings arising in the normal course of business are pending against the Company. The results of these matters are not expected to have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

Quarterly Overview

School Specialty, Inc. (the "Company"), is an education company that provides innovative and proprietary products, programs, and services to help educators engage and inspire students of all ages and abilities to learn. Through each of our leading brands, we design, develop, and provide preK-12 educators with the latest and very best curriculum, supplemental learning resources and classroom basics. Working in collaboration with educators, we reach beyond the scope of textbooks to help teachers, guidance counselors, and school administrators ensure that every student reaches his or her full potential.

Based on current surveys and recently reported results by education companies in the textbook and curriculum markets, school spending trends in 2013 have continued to be challenging across the industry this school season. While overall state budgets appear to be improving, pressure on educational budgets at the state and municipal level has continued in a significant number of states.

Bankruptcy Filing

On January 28, 2013 (the "Petition Date"), School Specialty, Inc. and certain of its subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief under Chapter 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The cases (the "Chapter 11 Cases") were jointly administered as Case No. 13-10125 (KJC) under the caption "In re School Specialty, Inc., et al." The Debtors continued to operate their business as "debtors-in-possession" ("DIP") under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of Chapter 11 and orders of the Bankruptcy Court. The Company's foreign subsidiaries (collectively, the "Non-Filing Entities") were not part of the Chapter 11 Cases.

The Chapter 11 Cases were filed in response to an environment of ongoing declines in school spending and a lack of sufficient liquidity, including trade credit provided by the Debtors' vendors, to permit the Debtors to pursue their business strategy to position the School Specialty brands successfully for the long term.

On May 23, 2013, the Bankruptcy Court entered an order confirming the Debtors' Second Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (the "Reorganization Plan"), and a corrected copy of such order was entered by the Bankruptcy Court on June 3, 2013. The Reorganization Plan, which is described in additional detail below, became effective on June 11, 2013 (the "Effective Date"). Pursuant to the Reorganization Plan, on the Effective Date, the Company's existing credit agreements, outstanding convertible subordinated debentures, equity plans and certain other agreements were cancelled. In addition, all outstanding equity interests of the Company that were issued and outstanding prior to the Effective Date were cancelled on the Effective Date. Also on the Effective Date, in accordance with and as authorized by the Reorganization Plan, the Company reincorporated in Delaware and issued a total of 1,000,004 shares of Common Stock of the reorganized Company to holders of certain allowed claims against the Debtors in exchange for such claims. As of June 12, 2013, there were 60 record holders of the new common stock of the reorganized Company issued pursuant to the Reorganization Plan.

Operation and Implication of the Bankruptcy Filing

Under Section 362 of the Bankruptcy Code, the filing of voluntary bankruptcy petitions by the Debtors automatically stayed most actions against the Debtors, including most actions to collect indebtedness incurred prior to the Petition Date or to exercise control over the Company's property. Accordingly, although the Company defaulted on certain of the Debtors' debt obligations, creditors were stayed from taking any actions as a result of such defaults. Absent an order of the Bankruptcy Court, substantially all of the Company's pre-petition liabilities were subject to settlement under a reorganization plan or in connection with a Section 363 sale.

Subsequent to the Petition Date, the Company received approval from the Bankruptcy Court to pay or otherwise honor certain pre-petition obligations generally designed to stabilize the Company's operations. These obligations related to certain employee wages, salaries and benefits, and the payment of vendors and other providers in the

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ordinary course for goods and services received after the Petition Date. The Company retained, pursuant to Bankruptcy Court approval, legal and financial professionals to advise the Company in connection with the bankruptcy filing and certain other professionals to provide services and advice in the ordinary course of business.

Reorganization Plan

In order for the Company to emerge successfully from Chapter 11, the Company determined that it was in the best interests of the Debtors' estates to seek Bankruptcy Court confirmation of a reorganization plan. A reorganization plan determines the rights and satisfaction of claims of various creditors and security holders, subject to the ultimate outcome of negotiations and Bankruptcy Court decisions ongoing through the date on which the reorganization plan is confirmed.

On May 23, 2013, the Bankruptcy Court entered an order confirming the Debtors' Reorganization Plan, and a corrected copy of such order was entered by the Bankruptcy Court on June 3, 2013. The Reorganization Plan became effective on the Effective Date.

General

The Reorganization Plan generally provided for the payment in full in cash on or as soon as practicable after the Effective Date of specified claims, including:

- All claims (the "DIP Financing Claims") under the Debtor-in-Possession Credit Agreement (the "ABL DIP Agreement") by and among Wells Fargo Capital Finance, LLC (as Administrative Agent, Co-Collateral Agent, Co-Lead Arranger and Joint Book Runner) and GE Capital Markets, Inc. (as Co-Collateral Agent, Co-Lead Arranger and Joint Book Runner and Syndication Agent), General Electric Capital Corporation (as syndication agent), the lenders party to the ABL DIP Facility (as defined below), and the Company and certain of its subsidiaries;
- Certain pre-petition secured claims;
- All claims relating to the costs and expenses of administering the Chapter 11 Cases; and
- All priority claims.

In addition, the Reorganization Plan generally provides for the treatment of allowed claims against, and equity interests in, the Debtors as follows:

- The lenders under the Senior Secured Super Priority Debtor-in-Possession Credit Agreement (the "Ad Hoc DIP Agreement") by and among the Company, certain of its subsidiaries, U.S. Bank National Association, as Administrative Agent and Collateral Agent and the lenders party thereto were entitled to receive (i) cash in an approximate amount of $98.3 million, and (ii) 65% of the common stock of the reorganized Company;
- Each holder of an allowed general unsecured claim is entitled to receive a deferred cash payment equal to 20% of such allowed claim, plus interest, on the terms described in the Reorganization Plan;
- Each holder of an unsecured claim arising from the provision of goods and/or services to the Debtors in the ordinary course of its pre-petition trade relationship with the Debtors, with whom the reorganized Debtors continue to do business after the Effective Date, is entitled to receive a deferred cash payment equal to 20% of such claim, plus interest, on the terms described in the Reorganization Plan. Such holders may increase their percentage recoveries to 45%, plus interest, by electing to provide the reorganized Debtors with customary trade terms for a specified period, as described in the Reorganization Plan;
- Each holder of the Company's 3.75% Convertible Subordinated Debentures due 2026, as further described elsewhere in this report, received its pro rata share of 35% of the common stock of the reorganized Company;

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- Each holder of an allowed general unsecured claim or allowed trade unsecured claim of $3,000 or less, or any holder of a general unsecured claim or trade unsecured claim in excess of $3,000 that agreed to voluntarily reduce the amount of its claim to $3,000 under the terms described in the Reorganization Plan, was entitled to receive a cash payment equal to 20% of such allowed claim on or as soon as practicable after the Effective Date; and
- Holders of equity interests in the Company prior to the Effective Date, including claims arising out of or with respect to such equity interests, were not entitled to receive any distribution under the Reorganization Plan.

Exit Facilities

As of the Effective Date, the Debtors closed on the exit credit facilities, the proceeds of which were or will be, among other things, used to (i) pay in cash the DIP Financing Claims, to the extent provided for in the Reorganization Plan, (ii) make required distributions under the Reorganization Plan, (iii) satisfy certain Reorganization Plan-related expenses, and (iv) fund the reorganized Company's working capital needs. The terms of the exit credit facilities are described under Note 13 of the Notes to Condensed Consolidated Financial Statements – Debt.

Equity Interests

As mentioned above, all shares of the Company's common stock outstanding prior to the Effective Date were cancelled and extinguished as of the Effective Date. In accordance with the Reorganization Plan, on the Effective Date, the reorganized Company issued the new common stock, subject to dilution pursuant to the Management Incentive Plan (as defined and described below). The Company issued 1,000,004 shares of new common stock on the Effective Date pursuant to the Reorganization Plan, which constitutes the total number of shares of new common stock outstanding immediately following the Effective Date, subject to dilution pursuant to the Management Incentive Plan.

On the Effective Date, equity interests in the Company's U.S. subsidiaries were deemed cancelled and extinguished and of no further force and effect, and each reorganized subsidiary was deemed to issue and distribute the new subsidiary equity interests. The ownership and terms of such new subsidiary equity interests in the reorganized subsidiaries are the same as the ownership and terms of the equity interests in these subsidiaries immediately prior to the Effective Date, except as otherwise provided in the Reorganization Plan.

Results of Operations

Management's Discussion and Analysis has been revised for the effects of the restatement, see Note 2 to the condensed consolidated financial statements in Item 1.

Factors Affecting Comparability

Fresh Start Accounting Adjustments

The Company adopted fresh start accounting and reporting effective June 11, 2013, the Fresh Start Reporting Date. The financial statements as of the Fresh Start Reporting Date will report the results of the Successor Company with no beginning retained earnings or accumulated deficit. Any financial statement presentation of the Successor Company represents the financial position and results of operations of a new reporting entity and is not comparable to prior periods presented by the Predecessor Company. The financial statements for periods ended prior to the Fresh Start Reporting Date do not include the effect of any changes in the Predecessor Company's capital structure or changes in the fair value of assets and liabilities as a result of fresh start accounting.

Accordingly, management has provided a non-GAAP analysis entitled "Non-GAAP Financial Information – Combined Results." Non-GAAP Financial Information – Combined Results combines GAAP results of the Successor Company for the seven weeks ended July 27, 2013 and GAAP results of the Predecessor Company for the six weeks ended June 11, 2013. Management's non-GAAP analysis compares the Non-GAAP Financial Information – Combined Results to the Predecessor Company's GAAP results for the three months ended July 28, 2012 through net income.

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Non-GAAP Financial Information — Combined Results

Management believes that the presentation of Non-GAAP Financial Information — Combined Results offers a useful non-GAAP normalized comparison to GAAP results of the Predecessor Company for the three months ended July 27, 2013. The Non-GAAP Financial Information — Combined Results presented below are reconciled to the most comparable GAAP measures. .

	Successor Company	Predecessor Company	Non-GAAP Combined	Predecessor Company
	Seven Weeks Ended July 27, 2013	Six Weeks Ended June 11, 2013	Three Months Ended July 27, 2013	Three Months Ended July 28, 2012
Revenues	$ 143,499	$ 58,697	$ 202,196	$ 252,139
Cost of revenues	83,741	35,079	118,820	148,542
Gross profit	59,758	23,618	83,376	103,597
Selling, general and administrative expenses	35,867	27,473	63,340	75,116
Bankruptcy related restructuring charges	2,595	—	2,595	—
Operating income	21,296	(3,855)	17,441	28,481
Other expense:				
Interest expense	2,821	3,235	6,056	9,966
Reorganization items, net	1,280	(84,799)	(83,519)	—
Income before provision for income taxes	17,195	77,709	94,904	18,515
Provision for income taxes	252	1,641	1,893	259
Income before income of unconsolidated affiliate	16,943	76,068	93,011	18,256
Income of unconsolidated affiliate	—	—	—	119
Net income	$ 16,943	$ 76,068	$ 93,011	$ 18,375

Non-GAAP Combined Results for the Three Months Ended July 27, 2013 compared to Predecessor Company GAAP Results for the Three Months Ended July 28, 2012

Revenues

Combined revenues for the three months ended July 27, 2013 decreased 19.8%, or $50.0 million from the Predecessor Company three months ended July 28, 2012.

Educational Resources segment combined revenues decreased 22.2%, or $38.8 million, from the Predecessor Company three months ended July 28, 2012. Approximately $22 million of the decline was related to the supplies product lines, while the furniture product lines declined approximately $17 million. Despite the revenue decline in the first quarter, the Company believes the second quarter segment revenue will be more comparable to the prior year's second quarter. This is due to the fact that revenue in the first quarter was negatively impacted by factors related to the Chapter 11 Cases. These factors included continued customer uncertainty during the Chapter 11 Cases and increased backorders associated with the disruption caused in our procurement processes by the bankruptcy. In addition, the Company's shutdown of the Company's Mt. Joy, Pennsylvania distribution center and the transfer of the order processing volume to remaining distribution centers resulted in some customer order shipments shifting into the Company's second quarter.

Accelerated Learning segment combined revenues decreased 14.1%, or $11.2 million, from the Predecessor Company three months ended July 28, 2012. Approximately $5 million of the decline was related to the large curriculum orders in Florida and Mississippi in the prior year's first quarter which were not expected to recur in the current year. The remaining decline is related primarily to a shifting of orders between the first and second quarters. The Company expects second quarter segment revenues to be comparable to the prior year's second quarter.

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Gross Profit

Combined gross margin for the three months ended July 27, 2013 was 41.3% as compared to 41.1% for the Predecessor Company's three months ended July 28, 2012.

Educational Resources segment combined gross margin was 35.0% for the three months ended July 27, 2013 as compared to 34.7% for the Predecessor Company three months ended July 28, 2013. The increase in gross margin is related to mix between the furniture and supplies product lines.

Accelerated Learning segment combined gross margin was 52.6% for the three months ended July 27, 2013 as compared to 54.7% for the Predecessor Company three months ended July 28, 2013. Approximately 100 basis points of the decline is related to an increase of $0.4 million of product development costs spread over the lower revenue in the current year's quarter. The remaining decline is primarily related to product mix as sales of curriculum-related products, particularly non-print reading-based products, declined during the current year first quarter.

Selling, General and Administrative Expenses

SG&A includes selling expenses, the most significant of which are sales wages and commissions; operations expenses, which includes customer service, warehouse and out-bound freight costs; catalog costs; general administrative overhead, which includes information systems, accounting, legal and human resources; and depreciation and intangible asset amortization expense.

Combined SG&A for the three months ended July 27, 2013 decreased $11.8 million from $75.1 million in the first quarter of fiscal 2013 to $63.3 million in the first quarter of fiscal 2013. As a percent of revenue, SG&A increased from 29.8% for the three months ended July 28, 2012 to 31.3% for the three months ended July 27, 2013.

Combined SG&A attributable to the Educational Resources and Accelerated Learning segments decreased $11.7 million and Corporate combined SG&A increased $3.5 million in the first quarter as compared to last year's first quarter.

Educational Resources segment combined SG&A decreased $7.9 million, or 20.1%, from $39.4 million in the first quarter of fiscal 2013 to $31.5 million in the first quarter of fiscal 2014. Approximately $4.9 million of the decrease was due to variable costs such as transportation, warehousing, and selling expenses associated with decreased revenues. In addition, the segment had a decrease of $1.7 million in its marketing costs primarily associated with a decrease in catalog costs. Educational Resources segment combined SG&A increased as a percent of revenues from 22.7% for the three months ended July 28, 2012 to 23.3% for the three months ended July 27, 2013.

Accelerated Learning segment combined SG&A decreased $3.8 million, or 16.0%, from $23.7 million for the three months ended July 28, 2012 to $19.9 million for the three months ended July 27, 2013. Approximately $2.2 million of the decrease was due to variable selling costs associated with decreased revenues. Accelerated Learning segment combined SG&A decreased as a percent of revenues from 30.2% for the three months ended July 28, 2012 to 29.6% for the three months ended July 27, 2013.

Bankruptcy Related Restructuring Charges

In the first quarter of the current year, the Successor Company recorded a $2.6 million of bankruptcy related restructuring charges consisting of costs associated with warehouse closures, transportation costs resulting from bankruptcy related backorders and consulting fees.

Interest Expense

Combined interest expense decreased $3.9 million, from $10.0 million in the first quarter of fiscal 2013 to $6.1 million in the first quarter of fiscal 2014.

The Predecessor Company recorded $3.7 million of interest expense on its convertible debt in the first quarter of fiscal 2013, of which $2.2 million was non-cash interest expense. Interest expense on the convertible debt was not accrued subsequent to the Chapter 11 filing. In the first quarter of fiscal 2014, the Predecessor Company would have recorded $1.6 million of

convertible debt interest expense, absent the Chapter 11 Cases for the period up to the Effective Date. However, the convertible debt was canceled in accordance with the Reorganization Plan with those debt holders receiving 35% of the equity of the Successor Company.

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First quarter fiscal 2014 interest expense associated with the Successor Company's term loan was approximately $2.2 million greater than the Predecessor Company's term loan interest expense in the first quarter of fiscal 2013 due to an increase in average borrowings in the exit financing term loan as compared to the pre-bankruptcy term loan, partially offset by a decrease in the borrowing rate. Interest expense in the prior's first quarter included $2.5 million of debt issuance costs write-offs, as compared to zero in the current year, associated the debt refinancing completed in May, 2012.

The Company recorded approximately $0.6 million of interest related to the unpaid early termination fees for the pre-bankruptcy term loan with Bayside. The unpaid early termination fees were paid into an escrow account in the fourth quarter of last year. Subsequent to the end of the first quarter of fiscal 2014, this escrow amount, including interest, was released to Bayside, and additional interest accruals have ceased as of the release date.

Reorganization Items, Net

In the first quarter of the current year, the Predecessor Company recorded a $84.8 million net reorganization gain. This consists of $161.9 million of cancellation of indebtedness income, offset by $30.2 million of fresh start adjustments, $21.4 million of cancellation of debt upon the issuance of equity, $13.4 million of professional, financing and other fees, $7.0 million of contract rejections and $5.1 million of other reorganization adjustments.

Liquidity and Capital Resources

At July 27, 2013, the Company had working capital of $135.5 million. Our capitalization at July 27, 2013 was $353.1 million and consisted of total debt of $215.2 million and stockholders' equity of $137.9 million.

On May 22, 2012, the Company entered into an Asset-Based Credit Agreement (the "2012 ABL Facility") and Term Loan Credit Agreement (the "Term Loan"), which replaced the Company's then-existing credit facility. The lenders under the 2012 ABL Facility agreed to provide a revolving senior secured asset-based credit facility in an aggregate principal amount of $200 million. Under the Term Loan, the lenders agreed to make a term loan to the Company in aggregate principal amount of $70 million. The Company used the proceeds of the 2012 ABL Facility and the Term Loan to repay outstanding indebtedness under the Company's previous credit facility. Both the 2012 ABL Facility and the Term Loan contained customary events of default and certain financial, affirmative and negative covenants. The Company was not in compliance with the minimum liquidity covenant under the term loan as of the end of December, 2012. As a result, the Company entered into a forbearance agreement with the 2012 ABL Facility and Term Loan lenders on January 4, 2013.

On January 28, 2013 the Debtors filed voluntary petitions for relief under Chapter 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The cases (the "Chapter 11 Cases") were being jointly administered as Case No. 13-10125 (KJC) under the caption "In re School Specialty, Inc., et al." The Debtors continued to operate their business as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of Chapter 11 and orders of the Bankruptcy Court. The Company's foreign subsidiaries were not part of the Chapter 11 Cases.

The Chapter 11 Cases were filed in response to an environment of ongoing declines in school spending and a lack of sufficient liquidity, including trade credit provided by the Debtors' vendors, to permit the Debtors to pursue their business strategy to position the School Specialty brands successfully for the long term.

Subsequent to filing the Chapter 11 Cases, on January 31, 2013, the Company entered into a Senior Secured Super Priority Debtor-in-Possession Credit Agreement (the "Bayside DIP Agreement") by and among the Company, certain of its subsidiaries, Bayside Finance, LLC ("Bayside") (as Administrative Agent and Collateral Agent), and the lenders party to the Bayside Credit Agreement and a Debtor-in-Possession Credit Agreement (the "ABL DIP Agreement") by and among Wells Fargo Capital Finance, LLC (as Administrative Agent, Co-Collateral Agent, Co-Lead Arranger and Joint Book Runner) and GE Capital Markets, Inc. (as Co-Collateral Agent, Co-Lead Arranger and Joint Book Runner and Syndication Agent), General Electric Capital Corporation (as Syndication Agent), and the lenders that are party to the Asset-Based Credit Agreement (the "Asset-Based Lenders") and the Company and certain of its subsidiaries.

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The Bayside DIP Agreement provided for a senior secured, super-priority revolving credit facility of up to $50 million (the "Bayside DIP Facility"), with an initial borrowing upon closing of $15 million, and subsequent borrowings of $8.0 million.

Borrowings by the Company under the Bayside DIP Facility were subject to borrowing limitations based on the exhaustion of availability of credit under the ABL DIP Facility (as defined below) and certain other conditions. The principal amounts outstanding under the Bayside DIP Facility bore interest based on applicable LIBOR or base rates plus margins as set forth in the Bayside DIP Agreement. Upon the occurrence of an event of default in the Bayside DIP Agreement, an additional default interest rate of 3.0% per annum applied. The Bayside DIP Agreement also provided for certain additional fees payable to the agents and lenders.

All borrowings under the Bayside DIP Agreement were required to be repaid on the earliest of (i) June 30, 2013, and (ii) the date of termination of the Bayside DIP Agreement, whether pursuant to the consummation of a sale of substantially all of the assets of the Debtors under section 363 of the Bankruptcy Code, or (iii) certain other termination events.

Pursuant to a Security and Pledge Agreement, the Bayside DIP Facility was secured by a substantially all assets of the Company and the guarantor subsidiaries. Under an intercreditor agreement between the Asset-Based Lenders and the Bayside Lenders (the "Intercreditor Agreement"), the Bayside Lenders had a first priority security interest in all interests in real property, all intellectual property, all equipment and fixtures, and certain other assets of the Company and its subsidiaries, and had a second priority security interest in accounts receivable, inventory and certain other assets of the Company and the subsidiary guarantors, subordinate only to the first priority security interest of the Asset-Based Lenders in such assets. The obligations under the Bayside DIP Facility were extinguished with proceeds from the Ad Hoc DIP Agreement discussed below.

The ABL DIP Agreement provided a revolving senior secured asset-based credit facility (the "ABL DIP Facility") in an aggregate principal amount of $175 million. Outstanding amounts under the ABL DIP Facility bore interest at a rate per annum equal to either: (1) a base rate (equal to the greatest of (a) the prime lending rate, (b) the federal funds rate plus 0.50%, and (c) the 30-day LIBOR rate plus 1.00% per annum) plus 2.75%, or (2) a LIBOR rate plus 3.75%. The default interest rate was three percentage points above the otherwise applicable rate.

Pursuant to a Guaranty and Security Agreement, the ABL DIP Facility was secured by substantially all assets of the Company and the guarantor subsidiaries. Under the Intercreditor Agreement, the Asset-Based Lenders had a first priority security interest in accounts receivable, inventory and certain other assets of the Company and the subsidiary guarantors, and had a second priority security interest in all interests in real property, all intellectual property, all equipment and fixtures, and certain other assets of the Company and its subsidiaries, subordinate only to the first priority security interest of the Bayside Lenders in such assets.

The ABL DIP Agreement contained customary events of default and affirmative and negative covenants, including (but not limited to) affirmative covenants relating to reporting, appointment of a chief restructuring officer, and bankruptcy transaction milestones, and negative covenants related to the financing order of the Bankruptcy Court, additional indebtedness, liens, assets, fundamental changes, and use of proceeds.

On February 27, 2013, the Company entered into a Senior Secured Super Priority Debtor-in-Possession Credit Agreement (the "Ad Hoc DIP Agreement") by and among the Company, certain of its subsidiaries, U.S. Bank National Association, as Administrative Agent and Collateral Agent and the lenders party to the Ad Hoc DIP Agreement, which replaced the Bayside DIP Agreement, the related Bayside DIP Facility and the Term Loan Credit Agreement.

The Ad Hoc DIP Agreement provided for a senior secured, super-priority revolving credit facility of up to $155 million (the "Ad Hoc DIP Facility"), with an initial borrowing upon closing of $130 million, and subsequent borrowings of $15 million following the entry of the final order of the Bankruptcy Court and upon the satisfaction of certain conditions.

The principal amounts outstanding under the Ad Hoc DIP Facility bore interest based on applicable LIBOR or base rates plus margins as set forth in the Ad Hoc DIP Agreement. Upon the occurrence of an event of default in the Ad Hoc DIP Agreement, an additional default interest rate of 2.0% per annum applies. The Ad Hoc DIP Agreement also provides for certain additional fees payable to the agents and lenders.

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All borrowings under the Ad Hoc DIP Agreement were required to be repaid on the earliest of (i) June 30, 2013, and (ii) the date of termination of the Ad Hoc DIP Agreement, whether pursuant to the consummation of a sale of substantially all of the assets of the Debtors under section 363 of the Bankruptcy Code, or (iii) certain other termination events.

Pursuant to a Security and Pledge Agreement, the Ad Hoc DIP Facility was secured by a first priority security interest in substantially all of the assets of the Company and the guarantor subsidiaries.

Under Section 362 of the Bankruptcy Code, the filing of voluntary bankruptcy petitions by the Debtors automatically stayed most actions against the Debtors, including most actions to collect indebtedness incurred prior to the Petition Date or to exercise control over the Company's property. Accordingly, although the Company defaulted on certain of the Debtors' debt obligations, creditors were stayed from taking any actions as a result of such defaults.

On May 23, 2013, the Bankruptcy Court approved the Reorganization Plan pursuant to a Confirmation Order dated May 23, 2013, as corrected June 3, 2013 (the "Confirmation Order"). On the Effective Date of the Reorganization Plan, the Ad Hoc DIP Facility and the ABL DIP Facility and the related security agreements were terminated in accordance with the terms of the Reorganization Plan.

On June 11, 2013, in accordance with the Reorganization Plan, the Company entered into a Loan Agreement (the "Asset-Based Credit Agreement") among the Company, Bank of America, N.A, as Agent, SunTrust Bank, as Syndication Agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated and SunTrust Robinson Humphrey, Inc., as Joint Lead Arrangers and Bookrunners, and the Lenders that are party to the Asset-Based Credit Agreement (the "Asset-Based Lenders").

Under the Asset-Based Credit Agreement, the Asset-Based Lenders agreed to provide a revolving senior secured asset-based credit facility (the "New ABL Facility") in an aggregate principal amount of $175 million. Outstanding amounts under the New ABL Facility will bear interest at a rate per annum equal to, at the Company's election: (1) a base rate (equal to the greatest of (a) the prime lending rate, (b) the federal funds rate plus 0.50%, and (c) the 30-day LIBOR rate plus 1.00% per annum) (the "Base Rate") plus an applicable margin (equal to a specified margin based on the interest rate elected by the Company, the fixed charge coverage ratio under the New ABL Facility and the applicable point in the life of the New ABL Facility) (the "Applicable Margin"), or (2) a LIBOR rate plus the Applicable Margin (the "LIBOR Rate"). Interest on loans under the New ABL Facility bearing interest based upon the Base Rate will be due monthly in arrears, and interest on loans bearing interest based upon the LIBOR Rate will be due on the last day of each relevant interest period or, if sooner, on the respective dates that fall every three months after the beginning of such interest period.

The New ABL Facility will mature on June 11, 2018. The Company may prepay advances under the New ABL Facility in whole or in part at any time without penalty or premium. The Company will be required to make specified prepayments upon the occurrence of certain events, including: (1) the amount outstanding on the New ABL Facility exceeding the Borrowing Base, and (2) the Company's receipt of net cash proceeds of any sale or disposition of assets that are first priority collateral for the New ABL Facility.

Pursuant to a Guaranty and Collateral Agreement dated as of June 11, 2013 (the "New ABL Security Agreement"), the New ABL Facility is secured by a first priority security interest in substantially all assets of the Company and the guarantor subsidiaries. Under an intercreditor agreement between the Asset-Based Lenders and the Term Loan Lenders, as defined and described below, the Asset-Based Lenders have a first priority security interest in substantially all working capital assets of the Company and the guarantor subsidiaries, and a second priority security interest in all other assets, subordinate only to the first priority security interest of the Term Loan Lenders in such other assets.

The Asset-Based Credit Agreement contains customary events of default and financial, affirmative and negative covenants, including but not limited to a springing financial covenant relating to the Company's fixed charge coverage ratio and restrictions on indebtedness, liens, investments, asset dispositions and dividends and other restricted payments.

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Also on June 11, 2013, the Company entered into a Credit Agreement (the "New Term Loan Credit Agreement") among the Company, Credit Suisse AG, as Administrative Agent and Collateral Agent, and the lenders party to the New Term Loan Credit Agreement (the "Term Loan Lenders").

Under the New Term Loan Credit Agreement, the Term Loan Lenders agreed to make a term loan (the "New Term Loan") to the Company in aggregate principal amount of $145 million. The outstanding principal amount of the New Term Loan will bear interest at a rate per annum equal to the applicable LIBOR rate (with a 1% floor) plus 8.50%, or the base rate plus a margin of 7.50%. Interest on loans under the New Term Loan Credit Agreement bearing interest based upon the base rate will be due quarterly in arrears, and interest on loans bearing interest based upon the LIBOR rate will be due on the last day of each relevant interest period or, if sooner, on the respective dates that fall every three months after the beginning of such interest period.

The New Term Loan matures on June 11, 2019. The New Term Loan Credit Agreement requires prepayments at specified levels upon the Company's receipt of net proceeds from certain events, including: (1) certain dispositions of property, divisions, business units or business lines; and (2) other issuances of debt other than Permitted Debt, as defined in the New Term Loan Credit Agreement. The Post-Emergence Term Loan Credit Agreement also requires prepayments at specified levels from the Company's excess cash flow. The Company is also permitted to voluntarily prepay the New Term Loan in whole or in part. Any prepayments are to be made at par, plus an early payment fee calculated in accordance with the terms of the New Term Loan Credit Agreement if prepaid prior to the second anniversary of the New Term Loan Credit Agreement.

Pursuant to a Guarantee and Collateral Agreement dated as of June 11, 2013 (the "New Term Loan Security Agreement"), the New Term Loan is secured by a first priority security interest in substantially all assets of the Company and the guarantor subsidiaries. Under an intercreditor agreement between the Asset-Based Lenders and the Term Loan Lenders, the Term Loan Lenders have a second priority security interest in substantially all working capital assets of the Company and the subsidiary guarantors, subordinate only to the first priority security interest of the Asset-Based Lenders in such assets, and a first priority security interest in all other assets.

The New Term Loan Credit Agreement contains customary events of default and financial, affirmative and negative covenants, including but not limited to quarterly financial covenants commencing on the fiscal quarter ending October 26, 2013, relating to the Company's (1) minimum interest coverage ratio and (2) maximum net total leverage ratio and restrictions on indebtedness, liens, investments, asset dispositions and dividends and other restricted payments.

Net cash used in operating activities for the Successor Company and the Predecessor Company was $41.4 million and $20.0 million, respectively, for the current year's first quarter. This compares with cash used in operations of $52.9 million in the prior year's first quarter. The increase in cash used in operations in the first quarter of fiscal 2014 is related to decreased income partially offset by working capital.

Net cash used in investing activities was $0.9 million for the Successor Company and $0.7 million for the Predecessor Company, which on a combined basis was down $4.0 million from last year's first quarter. Approximately $3 million of the decline was related to changes in restricted cash accounts which were funded in last year's first quarter. The remaining decline is timing related as the Company expects to spend approximately $15 million to $16 million on investing activities for the full year of fiscal 2014.

Cash flow from financing activities for the Predecessor Company reflects cash payments of $148.6 million to retire debtor-in-possession financing. The proceeds of the exit financing were $165.9 million for the Predecessor Company. The Predecessor Company incurred $9.4 million of debt issuance costs. Net borrowings on the debtor-in-possession ABL were $7.6 million for the period ended June 11, 2013. Net borrowings on the New ABL Facility were $37.0 million for the period ended July 27, 2013.

We anticipate that our cash flow from operations, borrowings available from our existing credit facility and other sources of capital will be sufficient to meet our liquidity requirements for operations, including anticipated capital expenditures and our contractual obligations for the foreseeable future.

Fluctuations in Quarterly Results of Operations

Our business is subject to seasonal influences. Our historical revenues and profitability have been dramatically higher in the first two quarters of our fiscal year, primarily due to increased shipments to customers coinciding with the start of each school year. Quarterly results also may be materially affected by the variations in our costs for the products sold, the mix of products sold and general economic conditions. Therefore, results for any fiscal quarter are not indicative of the results that we may achieve for any subsequent fiscal quarter or for a full fiscal year.

Inflation

Inflation, particularly in energy costs, has had and is expected to have an effect on our results of operations and our internal and external sources of liquidity.

Forward-Looking Statements

Statements in this Quarterly Report which are not historical are “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements include: (1) statements made under Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operation, including, without limitation, statements with respect to internal growth plans, projected revenues, margin improvement, capital expenditures, adequacy of capital resources and ability to comply with financial covenants; and (2)

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statements included or incorporated by reference in our future filings with the Securities and Exchange Commission. Forward-looking statements also include statements regarding the intent, belief or current expectation of School Specialty or its officers. Forward-looking statements include statements preceded by, followed by or that include forward-looking terminology such as “may,” “should,” “believes,” “expects,” “anticipates,” “estimates,” “continues” or similar expressions.

All forward-looking statements included in this Quarterly Report are based on information available to us as of the date hereof. We do not undertake to update any forward-looking statements that may be made by us or on our behalf, in this Quarterly Report or otherwise. Our actual results may differ materially from those contained in the forward-looking statements identified above. Factors which may cause such a difference to occur include, but are not limited to, the risk factors set forth in Item 1A, “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended April 27, 2013.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in qualitative and quantitative disclosures about market risk from what was reported in our Annual Report on Form 10-K for the fiscal year ended April 27, 2013.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

In the Original Quarterly Report, we indicated that, with the participation of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as described in Rules 13a-15(e) and 15d-15 (e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on the evaluation of these controls and procedures required by paragraph (b) of Rules 13a-15 and 15d-5 under the Exchange Act, we indicated that our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of such period, our disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act.

Subsequently, our Chief Executive Officer and Chief Financial Officer, in consultation with the Board of Directors, identified a material weakness in our internal control over non-routine transactions. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. Specifically, controls did not operate effectively to ensure that the entries associated with the equity issuance to the Ad Hoc DIP lenders as of June 11, 2013 were accurately recorded to properly reflect the net reorganization gain for the Predecessor Company. As a result of the discovery of the material weakness, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective at a reasonable assurance level as of July 27, 2013 in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act.

The financial statements included in this Form 10-Q/A were prepared with particular attention to the material weakness. We concluded that the financial statements included in the Form 10-Q/A fairly present, in all material respects, the financial condition, results of operations and cash flows as of and for the periods ended in accordance with U.S. generally accepted accounting principles.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended July 27, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management’s Plan for Remediation

Management and the Board of Directors are committed to remediation of the material weakness in internal control over financial reporting, as well as the continued improvement of our overall system of internal control over financial reporting. As management continues to evaluate and work to enhance our internal control over financial reporting, it may be determined that additional measures must be taken to address control deficiencies or it may be determined that we need to modify or

otherwise adjust the remediation procedures described below.

While management had previously reviewed the application of fresh start accounting and reporting principles, management had misinterpreted how to account for the fair value of the equity issuance in excess of the portion of the debt not settled in cash in light of the technical guidance for fresh start accounting. Management does not routinely execute cancellation of debt under fresh start accounting principles. To address this matter, subsequent to the period covered by the report, management is implementing measures to remediate the material weakness in internal control over financial reporting related to accounting for non-routine transactions including enhanced management review procedures to ensure timely and accurate accounting for non-routine transactions

Risks Related to the Restatement

As a result of the material weakness described above, our disclosure controls and procedures were not effective to timely prevent or detect errors in our condensed consolidated financial statements which led to the restatement herein. As of the date of this Form 10-Q/A and as described above, management has begun to implement remedial measures related to the identified material weakness. If our efforts to remediate the weakness identified are not successful, or if other deficiencies occur, these weaknesses or deficiencies could result in misstatements of our results of operations, additional restatements of our consolidated financial statements, a decline in stock price and investor confidence or other material effects on our business, reputation, results of operations or financial condition.

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PART II - OTHER INFORMATION

ITEM 6. Exhibits

See the Exhibit Index, which is incorporated herein by reference.

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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.

	SCHOOL SPECIALTY, INC. (Registrant)
December 16, 2013 Date	/s/ James R. Henderson James R. Henderson Chief Executive Officer (Principal Executive Officer)
December 16, 2013 Date	/s/ David N. Vander Ploeg David N. Vander Ploeg Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

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EXHIBIT INDEX

Exhibit No.	Description
10.1	Amendment No. 2 to Senior Secured Super Priority Debtor-In-Possession Credit Agreement, dated as of May 3, 2013 by and among School Specialty, Inc., certain of its subsidiaries, U.S. Bank National Association, as Administrative Agent and Collateral Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.37 of School Specialty, Inc.'s Annual Report on Form 10-K for the fiscal year ended April 27, 2013).
10.2	Amendment No. 3 to Senior Secured Super Priority Debtor-In-Possession Credit Agreement, dated as of May 21, 2013 by and among School Specialty, Inc., certain of its subsidiaries, U.S. Bank National Association, as Administrative Agent and Collateral Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.38 of School Specialty, Inc.'s Annual Report on Form 10-K for the fiscal year ended April 27, 2013).
10.3	Loan Agreement, dated June 11, 2013, by and among School Specialty, Inc. and certain of its subsidiaries, as borrowers, certain lenders party thereto, and Bank of America, N.A. as agent (incorporated by reference to Exhibit 10.39 of School Specialty, Inc.'s Annual Report on Form 10-K for the fiscal year ended April 27, 2013).
10.4	Credit Agreement, dated June 11, 2013, by and among School Specialty, Inc. and certain of its subsidiaries, as borrowers, certain lenders party thereto, and Credit Suisse AG, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.40 of School Specialty, Inc.'s Annual Report on Form 10-K for the fiscal year ended April 27, 2013).
10.5	Guarantee and Collateral Agreement, dated as of June 11, 2013, among School Specialty, Inc., the guarantors party thereto, and Bank of America, N.A. (incorporated by reference to Exhibit 10.41 of School Specialty, Inc.'s Annual Report on Form 10-K for the fiscal year ended April 27, 2013).
10.6	Guarantee and Collateral Agreement, dated as of June 11, 2013, among School Specialty, Inc., the guarantors party thereto, and Credit Suisse AG, as Collateral Agent (incorporated by reference to Exhibit 10.42 of School Specialty, Inc.'s Annual Report on Form 10-K for the fiscal year ended April 27, 2013).
10.7	Retention Agreement, dated August 19, 2013, by and between David N. Vander Ploeg and School Specialty, Inc. (incorporated by reference to Exhibit 10.7 of School Specialty, Inc.'s Quarterly Report on Form 10-Q for the quarter ended July 27, 2013).
10.8	Transition and Separation Agreement and Mutual General Release, dated July 22, 2013, by and between Michael P. Lavelle and School Specialty, Inc. (incorporated by reference to Exhibit 10.8 of School Specialty, Inc.'s Quarterly Report on Form 10-Q for the quarter ended July 27, 2013).
10.9	Letter Agreement dated July 22, 2013, by and between James R. Henderson and School Specialty, Inc. (incorporated by reference to Exhibit 10.9 of School Specialty, Inc.'s Quarterly Report on Form 10-Q for the quarter ended July 27, 2013).
31.1	Certification pursuant to Section 302 of the Sarbanes Oxley Act of 2002, by Chief Executive Officer.
31.2	Certification pursuant to Section 302 of the Sarbanes Oxley Act of 2002, by Chief Financial Officer.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, by Chief Executive Officer.

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32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, by Chief Financial Officer.
101	The following materials from School Specialty, Inc.'s. Quarterly Report on Form 10-Q/A for the quarter ended July 27, 2013 are filed herewith, formatted in XBRL (Extensive Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statement of Operations, (iii) the Condensed Consolidated Statement of Comprehensive Income, (iv) the Condensed Consolidated Statement of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.