

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re School Specialty, Inc. et al

Case No. **13-10125 (KJC)**
Reporting Period: **September 29, 2013 - December 28, 2013**

POST CONFIRMATION QUARTERLY SUMMARY REPORT
File with Court and submit copy to United States Trustee within 20 days after end of month.

	Form No.	Document Attached	Explanation Attached	Affadavit Attached
Schedule of Cash Receipts and Disbursements	PCQSR-1a	X		
Schedule of Cash Disbursements for Calculating US Trustee Fee	PCQSR-1a.a	X		
Bank Reconciliation (or copies of debtor's bank reconciliations)	PCQSR-1b		X	
Schedule of Bank Accounts with Book Balances	PCQSR-1c	X		
Statement of Operations	PCQSR-2	X		
Balance Sheet	PCQSR-3	X		
Listing of Debtor Entities	Appendix A	X		

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

Signature of Debtor

Date

Signature of Joint Debtor

Date

 K. Baehler
Signature of Authorized Individual*

 1/17/14
Date

 Kevin L. Baehler
Printed Name of Authorized Individual

 Interim CFO
Title of Authorized Individual

*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.



In Re School Specialty, Inc. et al**Chapter 11****Debtor****Case No. 13-10125 (KJC)**

PCQSR - 1
Schedule of Cash Receipts and Disbursements
For the period September 29, 2013 to December 28, 2013

Receipts

Accounts receivable collections	
Lockbox deposits	\$ 117,818,212
Credit card receipts	19,154,609
Wires/EFTs/ACHs	14,678,916
Other	
Rent	-
Total Receipts	151,651,737

Disbursements

Payroll	21,720,161
Rent	874,609
Freight	7,415,304
Taxes	3,766,828
Inventory	43,544,662
SG&A and other	44,899,789
Total Operating Expenses	122,221,354
Net Operating Cash Flow	29,430,383

Non-Operating Cash Flows

ABL Interest Expense	\$ 475,982
ABL Commitment Fee	-
ABL Closing Fee	-
ABL Fees	600
Term Loan Interest Expense	-
Term Loan Closing Fee	-
Term Loan Commitment Fee	-
Debtor Professional Fees & Expense	654,593
Secured Lender Early Termination Fee	-
Secured Lenders' Professional Fees and Expenses	62,658
Expense of Secured Lender	-
US Trustees Fees	-
Unsecured Lender Professional Fees	238,423
Exit Financing Professional Fees & Expenses	-
Exit Financing Fees	-
Exit Financing ABL Commitment Fee	-
Exit Financing ABL Legal Fees	70,550
Exit Financing Term Loan Commitment Fee	-
Exit Financing Term Loan Underwriting Fee	-
Exit Financing Term Loan Admin Fee	-
Total Non-Operating Cash Flows	1,502,806
Net Cash Flow	27,927,577

In Re School Specialty, Inc. et al**Chapter 11****Debtor****Case No. 13-10125 (KJC)****PCQSR - 1a****Schedule of Cash Disbursements by Legal Entity****For the period September 29, 2013 to December 28, 2013**

Debtor Entity	Bankruptcy Case Number	Disbursements (1)
School Specialty, Inc.	13-10125 (KJC)	123,583,060
Total Disbursements		<u>\$ 123,583,060</u>

Notes:

- 1 Disbursement amounts include all payments clearing the bank during the period. Intercompany transfers are not included.
- 2 Debtor entity does not have disbursements to report during the period.
- 3 Disbursements for Debtors were estimated based on changes within the corresponding intercompany accounts. This method was utilized in order estimate payments made by the parent entity, School Specialty, Inc., on behalf of other subsidiary debtors. The consolidated entity utilizes a centralized treasury function in which disbursements are paid from a School Specialty, Inc.-owned bank account. The activity in the transactional intercompany accounts is a proxy for cash flow for the non-parent debtors. See Cash Management motion for further details on the Debtors treasury and cash management functions.

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**PCQSR - 1a.1
 Disbursements by Legal Entity for Calculating US Trustee Fees
 For the period September 29, 2013 to December 28, 2013**

<u>Debtor Entity</u>	<u>Disbursements</u>	<u>US Trustee Fees</u>
School Specialty, Inc.	123,583,061	30,000
	<u>123,583,061</u>	<u>\$ 30,000</u>

In Re School Specialty, Inc. et al

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MOR - 1a(Dec)

For the period September 29, 2013 to December 28, 2013

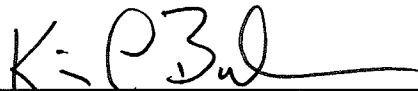
Declaration Regarding the Cash Disbursements Schedule
As of December 28, 2013

David N. Vander Ploeg hereby declares under penalty of perjury:

- 1 I am the Chief Financial Officer for School Specialty, Inc. et al, the above-captioned debtors and debtors in possession (collectively, the "Debtors"). I am familiar with the Debtors day-to-day operations, business affairs and books and records.
- 2 The Debtors submit the Declaration regarding cash disbursements in lieu of providing copies of the cash disbursement schedules.
- 3 All statements in the Declaration are based on my personal knowledge, my review of the relevant documents, my discussions with other employees of the Debtors, or my opinion based upon my experience and knowledge of the Debtors' operations and financial condition. If I were called upon to testify, I could and would testify to each each of the facts set forth herein based on such personal knowledge, review of documents or opinion. I am authorized to submit this Declaration on behalf of the Debtors.
- 4 The Debtors have, on a timely basis, disbursed approximately \$123,600,000 for post-petition and allowable pre-petition amounts for the period September 29, 2013 through December 28, 2013. Copies of the cash disbursement schedules are available for inspection upon request by the Office of the United States Trustee.

Dated January 17, 2014

Respectfully submitted,



By: Kevin Baehler
Title: Interim Chief Financial Officer

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PCQSR - 1b

For the period September 29, 2013 to December 28, 2013

Declaration Regarding the Status of Bank Reconciliations of the Debtors

As of December 28, 2013

David N. Vander Ploeg hereby declares under penalty of perjury:

- 1 I am the Chief Financial Officer for School Specialty, Inc. et al, the above-captioned debtors and debtors in possession (collectively, the "Debtors"). I am familiar with the Debtors day-to-day operations, business affairs and books and records.
- 2 All statements in the Declaration are based on my personal knowledge, my review of the relevant documents, my discussions with other employees of the Debtors, or my opinion based upon my experience and knowledge of the Debtors' operations and financial condition. If I were called upon to testify, I could and would testify to each each of the facts set forth herein based on such personal knowledge, review of documents or opinion. I am authorized to submit this Declaration on behalf of the Debtors.
- 3 To the best of my knowledge, all of the Debtors' bank balances as of December 28, 2013 have been reconciled in an accurate and timely manner.

Dated January 17, 2014

Respectfully submitted,



By: Kevin Baehler
Title: Interim Chief Financial Officer

In Re School Specialty, Inc. et al**Chapter 11****Debtor****Case No. 13-10125 (KJC)****PCQSR - 1c****Schedule of Bank Accounts with Book Balances****As of December 28, 2013**

<u>Bank Account</u>	<u>Debtor</u>	<u>Book Balance</u>
JPMorgan Operating XXXXX9092	School Specialty, Inc.	18,679,494
JPMorgan Lockbox Deposit XXXXX2298	School Specialty, Inc.	-
JPMorgan Concentration XXXXX4536	School Specialty, Inc.	-
JPMorgan Credit Card Depository XXXXX8104	School Specialty, Inc.	-
JPMorgan Working Fund XXXXX1024	School Specialty, Inc.	-
JP Morgan Fee Claim XXXXX8317	School Specialty, Inc.	250,000
* Bank of America Operating XXXXXX7474	School Specialty, Inc.	-
* Bank of America E-Tail Depository XXXXXX7479	School Specialty, Inc.	-
* Bank of America Term Loan XXXXXX7493	School Specialty, Inc.	-
* Bank of America Disbursements Sales & Use Tax XXXXXX7498	School Specialty, Inc.	-
* Bank of America Credit Card Depository XXXXXX7870	School Specialty, Inc.	-
* Bank of America Payroll XXXXXX0074	School Specialty, Inc.	-
* Bank of America Medical XXXXXX0079	School Specialty, Inc.	-
* Bank of America Flexible Spending XXXXXX0093	School Specialty, Inc.	-
* Bank of America Disbursements XXXXXX01111	School Specialty, Inc.	-
		<u>\$ 18,929,494</u>

* SSI is in the process of moving all treasury services from JPMorgan to Bank of America.
We opened nine new accounts in December, but they currently do not have balances.

In Re School Specialty, Inc. et al**Chapter 11****Debtor****Case No. 13-10125 (KJC)**

PCQSR - 2
Consolidated Debtor Income Statement
For the Quarter Ended December 28, 2013

Unaudited	School Specialty
Total Sales	73,831,824
Total COS	45,776,821
Std Cost Variances	(399,200)
FIFO Revaluation	(338,804)
Product Dev Amort	675,579
Freight-In	3,310,781
Other Variances	948,682
	<u>23,857,965</u>
Actual Gross Profit	32.3%
Actual Gross Margin	
Administrative Exp	8,951,565
Supply Chain Exp	6,843,766
Total Selling Expense	12,595,447
Marketing & Merch Exp	4,549,174
One time Charges	(9,254,127)
Other	7,528,108
Stock Options Expense	-
Total Expenses	<u>31,213,933</u>
Direct Contribution Margin	(7,355,968)
Depreciation in COGS	(22,991)
Product Dev Amort in COGS	(675,579)
EBITDA	(6,657,398)
Depreciation	<u>3,529,086</u>
EBITA	(10,186,483)
Intangible Amortization	(531,707)
Product Dev Amortization	<u>675,579</u>
EBIT	(10,330,356)
Interest	<u>4,298,261</u>
EBT	(14,628,617)
Tax Expense	<u>13,578</u>
NI from Controlling Int	(14,642,195)
Non-Controlling Interest	-
Tax Expense	-
Net Income	<u>(14,642,195)</u>

In Re School Specialty, Inc. et al**Debtor**

PCQSR - 3
Consolidated Debtor Balance Sheet
For the Month Ended December-14
Unaudited

	SSI
ASSETS	
Cash	18,929,493
Trade Accounts Receivable	46,240,632
Allow for Doubtful Accounts	(398,454)
Bad Debt Recovery	(105,406)
Database Credits	-
Database Debits	-
Allowance for Credits & Returns	(416,128)
Accts Rec Allowances	(919,988)
Net Accounts Receivable	45,320,644
Inventory	57,057,184
Inventory Reserve	(4,518,693)
Net Inventory	52,538,491
Receivables Other	2,833,621
Net Prepaid Catalog	6,951,556
Other Prepaid Expenses	3,493,864
Prepaid Expense & Other	13,279,041
TOTAL CURRENT ASSETS	130,067,670
Net Fixed Assets	33,982,831
Net Intangibles	71,337,501
Other Long Term Assets	18,800,418
Minority Interest	715,000
TOTAL ASSETS	254,903,420
LIABILITIES	
AP Trade	(21,312,812)
Accrued Accts Payable	566,840
Intercompany Charges	(46,145,520)
Sales Leaseback Debt	0
Accrued Compensation	(2,826,388)
Net Accrued Commissions	(371,695)
Accrued Liabilities	(8,845,972)
TOTAL CURRENT LIABILITIES	(78,218,652)
Convertible Debt 2nd	-
Long Term Debt	(142,003,333)
Post Chapter 11 Loans	(11,583,901)
Total Bank & Convert Debt	(153,587,235)
Intercompany Purchase Price	174,358,335
Deferred Tax Liability	-
Other Long Term Liability	(2,079,099)
TOTAL LIABILITIES	(59,526,651)
SHAREHOLDERS' EQUITY	
Common Stock	(1,000)
Treasury Stock	-
Paid In Capital	(99,269,033)
Investment by Parent	-
Retained Earnings	-
Current Year Profit	(96,107,008)
Dividend Paid	-
CTA	271
Total Shareholders' Equity	(195,376,769)
TOTAL LIABILITIES & EQUITY	(254,903,420)

In Re School Specialty, Inc. et al

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Case No. 13-10125 (KJC)

Appendix A

Listing of Debtor Entities

For the period September 29, 2013 to December 28, 2013

<u>Debtor Entity</u>	<u>Bankruptcy Case Number</u>
School Specialty, Inc.	13-10125 (KJC)