

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re School Specialty, Inc. et al

Case No. 13-10125 (KJC)
Reporting Period: March 30, 2014 - June 28, 2014

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 | Affidavit 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 | | |

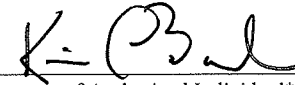
I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

Signature of Debtor

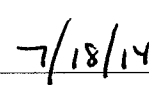
Date

Signature of Joint Debtor

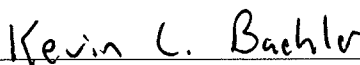
Date



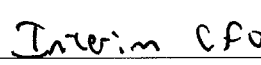
Signature of Authorized Individual*



Date



Printed Name of Authorized Individual



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.



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Debtor

Case No. 13-10125 (KJC)

PCQSR - 1
Schedule of Cash Receipts and Disbursements
For the period March 30, 2014 to June 28, 2014

Receipts

| | |
|---------------------------------|-------------------|
| Accounts receivable collections | |
| Lockbox deposits | \$ 55,742,738 |
| Credit card receipts | 16,772,984 |
| Wires/EFTs/ACHs | 19,714,161 |
| Other | |
| Rent | - |
| Total Receipts | 92,229,884 |

Disbursements

| | |
|---------------------------------|---------------------|
| Payroll | 18,149,197 |
| Rent | 1,023,878 |
| Freight | 10,182,584 |
| Taxes | 2,300,532 |
| Inventory | 90,205,186 |
| SG&A and other | 6,101,031 |
| Total Operating Expenses | 127,962,407 |
| Net Operating Cash Flow | (35,732,524) |

Non-Operating Cash Flows

| | |
|---|---------------------|
| ABL Interest Expense | \$ 364,232 |
| ABL Commitment Fee | - |
| ABL Closing Fee | - |
| ABL Fees | 1,289 |
| ABL EXIT Annual Agent Fee | 100,000 |
| Term Loan Interest Expense | 3,456,205 |
| Term Loan Closing Fee | - |
| Term Loan Commitment Fee | - |
| Debtor Professional Fees & Expense | 193,538 |
| Secured Lender Early Termination Fee | - |
| Secured Lenders' Professional Fees and Expenses | - |
| Expense of Secured Lender | - |
| US Trustees Fees | 30,000 |
| Unsecured Lender Professional Fees | 4,870 |
| Exit Financing Professional Fees & Expenses | - |
| Exit Financing Fees | - |
| Exit Financing ABL Commitment Fee | - |
| Exit Financing ABL Legal Fees | - |
| Exit Financing Term Loan Commitment Fee | - |
| Exit Financing Term Loan Underwriting Fee | - |
| Exit Financing Term Loan Admin Fee | - |
| Total Non-Operating Cash Flows | 4,150,135 |
| Net Cash Flow | (39,882,659) |

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Debtor

Case No. 13-10125 (KJC)

PCQSR - 1a**Schedule of Cash Disbursements by Legal Entity****For the period March 30, 2014 to June 28, 2014**

| Debtor Entity | Bankruptcy Case Number | Disbursements (1) |
|------------------------|-----------------------------------|--------------------------|
| School Specialty, Inc. | 13-10125 (KJC) | 132,112,542 |
| Total Disbursements | | <u>\$ 132,112,542</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 March 30, 2014 to June 28, 2014

| <u>Debtor Entity</u> | <u>Disbursements</u> | <u>US Trustee Fees</u> |
|------------------------|----------------------|------------------------|
| School Specialty, Inc. | <u>132,112,542</u> | <u>\$ 30,000</u> |

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Debtor

Case No. 13-10125 (KJC)

MOR - 1a(Dec)

For the period March 30, 2014 to June 28, 2014

Declaration Regarding the Cash Disbursements Schedule

As of June 28, 2014

Kevin Baehler 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 \$132,000,000 for post-petition and allowable pre-petition amounts for the period March 30, 2014 through June 28, 2014. Copies of the cash disbursement schedules are available for inspection upon request by the Office of the United States Trustee.

Dated July 18, 2014

Respectfully submitted,



By: Kevin Baehler
Title: Interim Chief Financial Officer

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Debtor

Case No. 13-10125 (KJC)

PCQSR - 1b

For the period March 30, 2014 to June 28, 2014

Declaration Regarding the Status of Bank Reconciliations of the Debtors
As of June 28, 2014

Kevin Baehler 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 June 28, 2014 have been reconciled in an accurate and timely manner.

Dated July 18, 2014

Respectfully submitted,



By: Kevin Baehler

Title: Interim Chief Financial Officer

In Re School Specialty, Inc. et al

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Debtor

Case No. 13-10125 (KJC)

PCQSR - 1c
Schedule of Bank Accounts with Book Balances
As of June 28, 2014

| <u>Bank Account</u> | <u>Debtor</u> | <u>Book Balance</u> |
|--|------------------------|---------------------|
| JPMorgan Operating XXXXX9092 | School Specialty, Inc. | 121,477 |
| JPMorgan Lockbox Deposit XXXXX2298 | School Specialty, Inc. | - |
| JPMorgan Concentration XXXXX4536 | School Specialty, Inc. | - |
| Bank of America Operating XXXXXX7474 | School Specialty, Inc. | 1,083,435 |
| 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 XXXXXX0111 | School Specialty, Inc. | - |
| | | <u>\$ 1,204,912</u> |

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Debtor

Case No. 13-10125 (KJC)

PCQSR - 2
 Consolidated Debtor Income Statement
 For the Quarter Ended June 28, 2014

| Unaudited | School Specialty |
|----------------------------|------------------|
| Total Sales | 106,603,464 |
| Total COS | 63,867,057 |
| Std Cost Variances | (854,616) |
| FIFO Revaluation | (313,773) |
| Product Dev Amort | 752,861 |
| Freight-In | 3,206,533 |
| Other Variances | 300,619 |
| Actual Gross Profit | 39,644,782 |
| Actual Gross Margin | 37.2% |
| Administrative Exp | 8,478,587 |
| Supply Chain Exp | 11,985,524 |
| Total Selling Expense | 12,687,527 |
| Marketing & Merch Exp | 4,990,742 |
| One time Charges | 3,012,271 |
| Other | (1,294,050) |
| Stock Options Expense | - |
| Total Expenses | 39,860,600 |
| Direct Contribution Margin | (215,818) |
| Depreciation in COGS | (1,653) |
| Product Dev Amort in COGS | (752,861) |
| EBITDA | 538,696 |
| Depreciation | 2,825,743 |
| EBITA | (2,287,047) |
| Intangible Amortization | 342,734 |
| Product Dev Amortization | 752,861 |
| EBIT | (3,382,641) |
| Interest | 4,935,414 |
| EBT | (8,318,056) |
| Tax Expense | (530) |
| NI from Controlling Int | (8,317,526) |
| Non-Controlling Interest | - |
| Tax Expense | - |
| Net Income | (8,317,526) |

In Re School Specialty, Inc. et al

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

| | SSI |
|---------------------------------------|----------------------|
| ASSETS | |
| Cash | 1,204,912 |
| Trade Accounts Receivable | 49,751,262 |
| Allow for Doubtful Accounts | (190,783) |
| Bad Debt Recovery | (121,223) |
| Database Credits | - |
| Database Debits | - |
| Allowance for Credits & Returns | (440,820) |
| Accts Rec Allowances | (752,825) |
| Net Accounts Receivable | 48,998,437 |
| Inventory | 89,707,885 |
| Inventory Reserve | (2,998,198) |
| Net Inventory | 86,709,687 |
| Receivables Other | 3,993,327 |
| Net Prepaid Catalog | 4,845,216 |
| Other Prepaid Expenses | 5,190,372 |
| Prepaid Expense & Other | 14,028,915 |
| TOTAL CURRENT ASSETS | 150,941,951 |
| Net Fixed Assets | 36,606,587 |
| Net Intangibles | 19,121,592 |
| Other Long Term Assets | 18,030,101 |
| Minority Interest | 715,000 |
| TOTAL ASSETS | 225,415,231 |
| LIABILITIES | |
| AP Trade | (39,957,204) |
| Accrued Accts Payable | 29,313 |
| Intercompany Charges | (20,758,697) |
| Sales Leaseback Debt | - |
| Accrued Compensation | (4,790,867) |
| Net Accrued Commissions | (2,115,077) |
| Accrued Liabilities | (11,734,954) |
| TOTAL CURRENT LIABILITIES | (78,092,914) |
| Convertible Debt 2nd | - |
| Long Term Debt | (187,720,000) |
| Post Chapter 11 Loans | (14,490,017) |
| Total Bank & Convert Debt | (202,210,017) |
| Intercompany Purchase Price | 174,358,335 |
| Deferred Tax Liability | - |
| Other Long Term Liability | (1,750,963) |
| TOTAL LIABILITIES | (107,695,559) |
| SHAREHOLDERS' EQUITY | |
| Common Stock | (1,000) |
| Treasury Stock | - |
| Paid In Capital | (120,648,463) |
| Investment by Parent | - |
| Retained Earnings | (2,227,274) |
| Current Year Profit | 5,157,126 |
| Dividend Paid | - |
| CTA | (60) |
| Total Shareholders' Equity | (117,719,672) |
| TOTAL LIABILITIES & EQUITY | (225,415,231) |

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Case No. 13-10125 (KJC)

Appendix A

Listing of Debtor Entities

For the period March 30, 2014 to June 28, 2014

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