UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
SCHOOL SPECIALTY, INC., *et al.*,[1]	Case No. 13-10125 (KJC)
Debtors.	Jointly Administered

DECLARATION OF DAVID VANDER PLOEG IN SUPPORT OF CONFIRMATION OF THE DEBTORS' AMENDED JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

DAVID VANDER PLOEG, pursuant to 28 U.S.C. § 1746, declares:

1. I am the Executive Vice President and Chief Financial Officer of School Specialty, Inc. ("School Specialty" or "SSI"), a corporation duly organized under the laws of the State of Wisconsin, that is the primary operating company of the above-captioned debtors and debtors-in-possession (collectively, with School Specialty, the "Debtors"). I also serve as Vice President and Treasurer of each of the other Debtors. In this capacity, I am generally familiar with the operations, business and financial affairs of the Debtors as a group, and have been actively involved in all aspects of these Chapter 11 Cases. I submit this declaration in support of confirmation of the *Debtors' Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code* (as may be further amended from time to time, the "Plan").[2]

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number and state of incorporation, are: School Specialty, Inc. (Wisc.; 1239), Bird-In-Hand Woodworks, Inc. (N.J.; 8811), Califone International, Inc. (Del.; 3578), Childcraft Education Corp. (N.Y.; 9818), ClassroomDirect.com, LLC (Del.; 2425), Delta Education, LLC (Del.; 8764), Frey Scientific, Inc. (Del.; 3771), Premier Agendas, Inc. (Wash.; 1380), Sax Arts & Crafts, Inc. (Del.; 6436), and Sportime, LLC (Del.; 6939). The address of the Debtors' corporate headquarters is W6316 Design Drive, Greenville, Wisconsin 54942.

[2] Capitalized terms used but not otherwise defined herein have the meaning ascribed to them in the Plan or the Disclosure Statement (as defined below).

2. Except as otherwise noted, all matters set forth herein are based on (a) my personal knowledge and belief, (b) my review of the relevant documents including the Plan, the Disclosure Statement, the documents contained in the Plan Supplements, and the Exit Financing Facilities, (c) information supplied to me by other members of the Debtors' management or the Debtors' advisors, (d) my view, based on my personal experience and knowledge of the Debtors' business and financial condition, or (e) for matters involving the requirements for confirmation of the Plan under the Bankruptcy Code, my reliance on the advice of the Debtors' bankruptcy counsel. If called to testify, I could and would testify to the facts set forth herein.

I. BACKGROUND

3. I joined School Specialty in 2008. Prior to joining School Specialty, from 2004 to 2007, I was Executive Vice President and Chief Financial Officer at Schneider National, Inc., a global leader in transportation and logistics services headquartered in Green Bay, Wisconsin. During a 24-year career at Schneider National, I advanced through several positions of increasing responsibility, including Director of Planning and Budgeting, Group Controller, Vice President of Finance, and Senior Vice President - Operating Chief Financial Officer, prior to being named Executive Vice President and Chief Financial Officer in 2004. From 2007 to 2008, I was Chief Operating Officer of Dutchland Plastics Corp., a molded products manufacturer based in Oostburg, Wisconsin.

II. THE PLAN AND DISCLOSURE STATEMENT

4. I am generally familiar with the terms and provisions of the Plan [Docket No. 862], the disclosure statement related to the Plan [Docket No. 864] (the "Disclosure Statement"), and the various exhibits, schedules and ancillary documents related thereto, including the Financial Projections, the Liquidation Analysis and the Exit Financing Facilities. I

was personally involved in the development of and discussions regarding the terms of the Plan and the Exit Financing Facilities, among other things.

5. The Plan is the result of extensive, arm's length negotiations among the Debtors and their key creditor constituencies, including the Creditors Committee, the ABL DIP Lenders and the Ad Hoc DIP Lenders. As a result of these negotiations, I understand that all of the Debtors' key constituencies support the Plan.

III. SATISFACTION OF PLAN CONFIRMATION REQUIREMENTS

6. I have been advised by the Debtors' legal advisors and believe, based on my review of the Plan and related materials and my discussions with those advisors, that the Plan satisfies all applicable provisions of the Bankruptcy Code and should be confirmed.

A. The Plan Complies with Applicable Provisions of the Bankruptcy Code: Section 1129(a)(1)

i. The Plan's Classification of Claims and Equity Interests Is Appropriate (Section 1122)

7. I have been advised that section 1122 of the Bankruptcy Code permits a plan to classify various claims and equity interests into different classes, so long as all the claims and interests in a particular class are substantially similar. It is my understanding that valid business, factual, and legal reasons exist for classifying the Claims and Equity Interests into separate Classes under the Plan and that the Claims or Equity Interests in each particular Class are substantially similar.

8. The Plan's classification scheme generally mirrors the Debtors' capital structure: secured debt is classified separately from unsecured debt and unsecured debt is classified separately from equity interests. Additionally, different types of secured debt and unsecured claims are separated into distinct Classes based on the type of claims and the recoveries that each type of claim will receive under the Plan. Thus, holders of Noteholder

Unsecured Claims who will receive equity under the Plan, and holders of Trade Unsecured Claims who, because they are the Debtors' vendor base and continue to do business with the Debtors, are eligible to obtain an increased cash recovery if they provide the Reorganized Debtors with Customary Trade Terms, are classified separately from other unsecured claims. Similarly, small unsecured claims are separately classified in a convenience class, which I am advised is permissible under section 1122(b) of the Bankruptcy Code. Because I believe that the Debtors have valid reasons for separately classifying these types of claims, I am advised and believe that the Plan satisfies section 1122 of the Bankruptcy Code.

ii. The Plan Satisfies the Seven Mandatory Provisions of Section 1123

9. I understand that section 1123(a) of the Bankruptcy Code sets forth various requirements regarding the appropriate contents of a plan. Based on my discussions with the Debtors' legal advisors, I am informed that the Plan satisfies each of these requirements.

10. Articles II-IV of the Plan (i) designate Classes of Claims and Equity Interests, as required by section 1123(a)(1) of the Bankruptcy Code; (ii) specify the Classes of Claims and Equity Interests that are Unimpaired under the Plan, as required by section 1123(a)(2) of the Bankruptcy Code; and (iii) specify the treatment of each Class of Claims and Equity Interests that is Impaired, as required by section 1123(a)(3) of the Bankruptcy Code.

11. Article IV of the Plan provides for the same treatment of each Claim or Equity Interest within a Class, as required by section 1123(a)(4) of the Bankruptcy Code. Moreover, while I understand that holders of Claims in Classes 5 and 6 have been given the option to make certain elections, such as the Convenience Election and the Trade Election, I have been advised that such optional elections do not violate this provision of the Bankruptcy Code as the elections are available to each holder within a particular Class.

12. Article V of the Plan and various other provisions of the Plan and related documents set forth the means of the Plan's implementation, as required by section 1123(a)(5) of the Bankruptcy Code. Specifically, Article V of the Plan provides for, among other things: (i) the deemed substantive consolidation of the Debtors, which shall not affect the extent or validity of any Lien or encumbrance; (ii) the general settlement of claims and equity interests; (iii) the elimination of intercompany claims; and (iv) the release, termination or extinguishment of Liens or encumbrances securing secured Claims upon the treatment or satisfaction of such secured Claim. Article V also provides for specific measures to implement the reorganization, such as entry into the Exit Facilities, issuance of New SSI Common Stock, and amendments to the Debtors' corporate documents. This article also provides for specific implementation and terms of the Class 5 and 6 Distributions, including through the appointment of an Ombudsman to monitor and oversee disputes. Additional implementation measures are set forth in the Plan Supplements. I believe that the proposed implementation steps, in particular the Exit Financing Facilities and the Trade Election, have been carefully developed and designed to properly effect the Plan and that, as a result, the Plan provides more than adequate means for its implementation.

13. Article V.H.2 of the Plan provides for the issuance of New SSI Common Stock, which will constitute voting securities. Furthermore, the forms of amended corporate documents and bylaws of the Reorganized Debtors filed with the Court as Plan Supplements include a prohibition against the issuance of non-voting equity securities. Accordingly, I understand that the Plan complies with section 1123(a)(6) of the Bankruptcy Code insofar as it does not provide for, and the bylaws prohibit, the issuance of nonvoting equity securities.

14. Finally, Article V.H.4 of the Plan provides that the Ad Hoc DIP Lenders and the Debtors shall select the initial board of directors of Reorganized SSI and the Reorganized

Subsidiaries, and the identity of such persons that are known are set forth in the Plan Supplements filed with the Court. I understand that the persons selected to serve in these capacities were selected by the Ad Hoc DIP Lenders after consultation with Michael P. Lavelle, the Chief Executive Officer of SSI.

iii. The Discretionary Contents of the Plan Are Appropriate (Section 1123(b))

15. I am advised that section 1123(b) of the Bankruptcy Code permits various discretionary provisions to be included in a plan. Based on my discussions with the Debtors' legal advisors, I am informed and believe that the Plan's discretionary provisions are appropriate and satisfy this provision. In particular, consistent with section 1123(b)(2) of the Bankruptcy Code, Article VII.A of the Plan provides that, unless an executory contract or unexpired lease is specifically rejected by inclusion on the Schedule of Rejected Executory Contracts and Unexpired Leases filed as a Plan Supplement, all of the Debtors' executory contracts and unexpired leases will be assumed under the Plan. The Debtors' management has engaged in a comprehensive review of the Debtors' contracts and leases to determine which agreements might be suitable for rejection. I understand that management has concluded, after consultation with the Debtors' advisors, that except for those specifically rejected agreements, it is in the best interests of the Debtors' ongoing operations to assume its contracts and leases so as to continue business as normal and continue to enjoy the benefit of contractual arrangements to the greatest extent possible.

16. Additionally, I am advised that section 1123(b)(6) of the Bankruptcy Code permits a plan to include additional terms so long as they are not inconsistent with the other provisions of the Bankruptcy Code. Accordingly, Article IX of the Plan includes various discharge, release, exculpation and injunction provisions that I am advised are typically afforded

to debtors, reorganized debtors and certain third parties under a plan of reorganization. I believe these discretionary provisions are appropriate because, among other things, they are (i) integral to the terms, conditions and settlements contained in the Plan; (ii) fair, equitable and reasonable and in the best interests of the Debtors and their estates; (iii) the product of extensive arm's length negotiations among sophisticated parties; and (iv) supported by fair consideration. Furthermore, I understand that, with one exception, the Voting Classes have voted overwhelmingly in favor of the Plan.

17. I believe that the Plan's release, exculpation and injunction provisions will eliminate the costs and risks of litigation and allow, among other things, the principals of the Reorganized Debtors to focus entirely on operations after emergence. The release, exculpation and injunction provisions have been critical to obtaining the support of the ABL DIP Lenders and the Ad Hoc DIP Lenders. I submit that the release, exculpation and injunction provisions of the Plan are necessary and appropriate under the circumstances. I have been advised that the release, exculpation, and injunction provisions of the Plan are not inconsistent with the Bankruptcy Code and, thus, I believe the requirements of section 1123(b) of the Bankruptcy Code are satisfied.

Debtor Releases

18. I believe the Debtor Releases in Article IX.I of the Plan are appropriate for several reasons. First, there is an identity of interest among the Debtors and many of the non-Debtor Released Parties arising out of the shared "common goal" of confirming the Plan and implementing the Plan's consummation. Moreover, the Debtors' directors and officers, as well as the secured financing parties enjoy the protection of various indemnification agreements which require the Debtors to indemnify them in certain circumstances. Under these agreements, any claim asserted against a Released Party that the Debtors are obligated to indemnify would

essentially be a claim against the Debtors. Therefore, any such claim, even if ultimately unsuccessful, would further deplete the Estates' finite resources.

19. Second, I believe that the Released Parties have made important contributions to these Chapter 11 Cases, including, among other things, negotiating and formulating the Plan and agreeing to various compromises necessary to achieve consensus regarding its terms.

20. Specifically, the Debtors' officers, directors, and employees have expended considerable efforts on behalf of the Debtors both prior to and during the Chapter 11 Cases to navigate the Debtors to this juncture. These efforts go well beyond their regular duties in operating the business. Indeed, this process has involved significant personal sacrifices, since the Debtors have frozen salaries and been unable to pay certain bonuses that have been earned. Additionally, the majority of the Debtors' officers and directors have agreed to remain with the Debtors after emergence from chapter 11. They have agreed to remain in their positions and have been able to properly focus on the myriad tasks during these cases in reliance on the fact that, among other things, they would be released under the Plan.

21. With respect to the other Released Parties, I understand that the Ad Hoc DIP Lenders have agreed to convert a significant portion of their DIP Financing Claims into equity in Reorganized SSI, and that this equitization has enabled greater recoveries to the Debtors' unsecured creditors than would otherwise be possible. Similarly, the ABL DIP Lenders have provided considerable accommodations to the Debtors during the cases, including modifying terms and milestones in their financing agreements at the Debtors' request. Bayside also provided value to these cases by agreeing to serve as the stalking horse bidder. Though the

Debtors ultimately declined to pursue the sale path to an auction, I believe that this agreement was critical at the outset of the cases.

22. Without the releases, I believe that many of the Released Parties would have been unwilling to contribute to the Plan process, which would have reduced the enterprise value available for distribution to creditors and would have negatively impacted the Debtors' restructuring.

23. Third, I believe the discharges, injunctions, releases and exculpations are integral to the Plan as a whole, which will ultimately result in meaningful distributions to the Debtors' creditors. The threat of litigation – and any litigation that ultimately came to fruition, no matter how baseless – would be a significant distraction to the Released Parties, the result of which would be the incurrence of potentially tremendous cost, time and labor, all of which would be better spent on developing the Debtors' business post-emergence. Indeed, without the Releases, the Debtors' officers and directors would be unable to focus the appropriate attention on exercising their fiduciary duties and returning the Debtors to a profitable and successful enterprise. Moreover, the Debtors, who have a fiduciary obligation to maximize value for their Estates, have determined after reasonable inquiry that, to the best of their knowledge, information and belief, no valid claims or causes of action exist against any of the Released Parties for which releases are being granted.

24. Fourth, I am advised that, with the exception of Class 5, the Debtors' creditors voted overwhelmingly to accept the Plan.

25. Fifth, I understand that the Plan provides for distributions on account of all or substantially all of the Claims held by the Released Parties, including all Unclassified Claims, along with all other Claims in Classes 1 through 4. Furthermore, through the Plan, holders of

Allowed General Unsecured Claims, Trade Unsecured Claims, Noteholder Unsecured Claims and Convenience Claims will receive meaningful distributions, which would not be available in a liquidation.

26. Accordingly, I believe that, under the specific facts and equities of these Chapter 11 Cases, the Debtor Releases constitute a valid exercise of the Debtors' business judgment and should be approved.

Third Party Releases

27. Article IX.J of the Plan provides for consensual third party releases only by those holders of Claims who (i) actually voted to accept the Plan and did not mark their ballots to indicate a refusal to grant such releases or (ii) are presumed to have voted to accept the Plan under section 1126(f) of the Bankruptcy Code. I am advised that holders of Claims who are presumed to have voted to accept the Plan under section 1126(f) of the Bankruptcy Code are receiving payment in full on account of their Claims as consideration for granting a release in favor of the Released Parties. Based on my discussions with the Debtors' legal advisors, I am informed and believe such consensual releases are appropriate under applicable case law.

Exculpation

28. Article IX.K of the Plan provides for exculpation. I am advised that the exculpation provision set forth in Article IX.K of the Plan is appropriate with respect to those Released Parties serving as officers, directors and employees of the Debtors and members of the Creditors Committee, as well as the Debtors' and Creditors Committee's respective professionals. I further believe that negotiation and compromise were crucial to the formulation of a feasible Plan, and could not have occurred without the protection from liability that the exculpation clause provides.

B. Notice and Solicitation of the Plan: Section 1129(a)(2)

29. Based on my discussions with the Debtors' legal advisors, I believe that the Debtors have complied with the applicable provisions of the Bankruptcy Code and the Bankruptcy Rules, as modified by the Disclosure Statement Approval Order, governing notice, disclosure and solicitation in connection with the Plan and the Disclosure Statement. The affidavits of service filed reflecting compliance with the notice and solicitation requirements of the Disclosure Statement Approval Order [Docket Nos. 1035, 1051, 1078 & 1092] (the "Solicitation Affidavits") show that the Debtors, through their Claims Agent, have complied with such solicitation and disclosure requirements. I also understand that the Debtors caused to be mailed and published notice of the Confirmation Hearing in accordance with the Disclosure Statement Approval Order. Accordingly, to the best of my knowledge, the Debtors have complied with all applicable disclosure and solicitation requirements set forth in the Bankruptcy Code and the Bankruptcy Rules, as modified by the Disclosure Statement Approval Order.

C. Good Faith: Section 1129(a)(3)

30. The Plan has been proposed in good faith, with the honest and legitimate purposes of reorganizing the Debtors as a going concern and preserving and maximizing the value of the Debtors' estates for the benefit of all parties in interest. I believe the Plan will accomplish these objectives in an efficient manner, and that it is in no way an attempt to abuse judicial process or delay or frustrate the legitimate efforts of creditors to enforce their rights.

31. The Plan is the product of extensive arm's-length negotiations among the Debtors and their key creditor groups. The Debtors and their advisors have worked with the Creditors Committee and the Ad Hoc DIP Lenders, among others, to find a viable exit strategy from these Chapter 11 Cases that would accomplish the goals set forth above. The resulting Plan will equitize a substantial portion of the Debtors' existing debt and provide meaningful cash

recoveries to the Debtors' unsecured creditors, particularly to those creditors who continue to work with the Debtors and provide them with trade terms after emergence. I believe that the Plan, including the Exit Financing and the terms of the Trade Election, will facilitate the rehabilitation of the Debtors' businesses while ensuring the greatest possible distribution to the Debtors' stakeholders. I am advised that, except for Class 5, the other Voting Classes overwhelmingly support the Plan, which provides independent evidence of good faith. For these reasons, I believe the Plan was filed in good faith to promote the rehabilitative objectives and purposes of the Bankruptcy Code, and I am therefore advised and believe that it satisfies the requirements of 1129(a)(3) of the Bankruptcy Code.

D. Court Approval of Certain Payments: Section 1129(a)(4)

32. Based on my discussions with the Debtors' legal advisors, I believe the Plan complies with section 1129(a)(4) of the Bankruptcy Code, as all payments made or to be made by the Debtors for services rendered and expenses incurred in connection with the Chapter 11 Cases prior to Confirmation, including, without limitation, all Claims for professional fees, will be paid only after allowance of such Claims by the Court to the extent not already approved and paid in accordance with orders of the Court.

E. Disclosure of Certain Individuals: Section 1129(a)(5)

33. The Debtors have disclosed in the Plan Supplements the identities and affiliations of any known Person designated to serve as an officer or director of the Reorganized Debtors, and the nature of their compensation. I believe that the appointment of the proposed directors of the Board of Reorganized SSI is in the best interests of creditors and conforms with public policy. Accordingly, I am informed and believe that the Plan, together with the Plan Supplements, satisfy section 1129(a)(5) of the Bankruptcy Code.

F. Rate Changes: Section 1129(a)(6)

34. Because the Debtors' business does not involve the establishment of rates subject to approval of any governmental regulatory commission, I understand that section 1129(a)(6) is inapplicable to these Chapter 11 Cases.

G. Best Interests Test: Section 1129(a)(7)

35. Based on the liquidation analysis prepared by the Debtors and Alvarez and Marsal North America, LLC ("A&M") that details the recoveries to stakeholders in a hypothetical Chapter 7 liquidation of the Debtors' assets (the "Liquidation Analysis"), which is attached as an exhibit to the Disclosure Statement, I am advised and believe that the Plan provides for recoveries to holders of Impaired Claims that are equal or superior to those that would be available in a liquidation of the Debtors' estates. Specifically, the Liquidation Analysis shows no recoveries for holders of Claims in Classes 5, 6, 7 and 8; as a result, the recoveries provided for under the Plan to holders of Claims in Classes 5, 6, 7, and 8 are superior.

36. The Liquidation Analysis also shows that holders of Equity Interests in Class 9 (who will not receive any distributions under the Plan and are therefore are deemed to reject the Plan) also would not receive any distributions on account of such interests under a chapter 7 liquidation. Accordingly, I am advised and believe that the Plan satisfies the "best interests test" because no creditor or equity holder in those classes would receive or retain property on account of its claim or equity interest under a liquidation scenario of a value that is more than such party will receive under the Plan.

H. Acceptance Of Impaired Classes: Section 1129(a)(8); Cramdown: Section 1129(b)

37. The *Certification of P. Joe Morrow IV with Respect to the Tabulation of Votes on the Debtors' Amended Joint Plan of Reorganization Under Chapter 11 of the*

Bankruptcy Code [Docket No. 1101] (the "Voting Declaration") states that three of the four Classes of creditors entitled to vote on the Plan voted to accept the Plan, and that Unimpaired Classes are deemed to accept in accordance with the Plan. However, the Voting Declaration further shows that Class 5 voted to reject the Plan. Additionally, I am advised that Class 9 is deemed to reject the Plan. As such, I am advised that the Plan does not meet the requirements of section 1129(a)(8) of the Plan. Nevertheless, based on my discussions with the Debtors' legal advisors, I understand that the Plan may still be confirmed because the Plan satisfies the "cram down" provisions of 1129(b) of the Bankruptcy Code.

38. It is my understanding, based on discussions with the Debtors' legal advisors, that a plan of reorganization may be confirmed notwithstanding the rejection or deemed rejection by a class of claims or equity interests if the plan does not discriminate unfairly and is fair and equitable. It is my further understanding that (a) the "fair and equitable" requirement is satisfied if the holders of claims and equity interests in classes junior to the rejecting classes are not receiving any property under the plan, and (b) a plan does not discriminate unfairly if the legal rights of a dissenting class are treated in a manner than is consistent with the treatment of other classes whose legal rights are substantial similar to those of that class.

39. On the basis of my discussions with the Debtors' legal advisors, I believe that the Plan satisfies these requirements because no Claims or Equity Interests junior to the Rejecting Classes are receiving any property. Furthermore, as evidenced by the estimated recoveries set forth in the Disclosure Statement, no Class of Claims or Equity Interests, including those senior to Classes 5 and 9, are receiving more than full payment on account of such senior Claims. Additionally, based on my discussions with the Debtors' legal advisors, I understand that similarly situated creditors will receive substantially similar recoveries, irrespective of their

Class. In particular, I understand that holders of General Unsecured Claims in Class 5 will receive the same treatment under the Plan as holders of Trade Unsecured Claims in Class 6, if such holders do not make the Trade Election. I am further advised that the Trade Election under the Plan is consistent with applicable case law because creditors in Class 6 who make the Trade Election will not receive additional consideration on account of their Claims due to their status as vendors; rather, they will receive the Trade Payment because they are agreeing to provide material economic consideration to the Reorganized Debtors in the form of fixed, agreed-upon Customary Trade Terms. Accordingly, based on my discussions with the Debtors' legal advisors, I believe that the Plan does not unfairly discriminate with respect to Classes 5 and 9, and that the cram down test of section 1129(b) of the Bankruptcy Code is satisfied.

I. Treatment of Priority Claims: Section 1129(a)(9)

40. Based on discussions with the Debtors' legal advisors, I understand that all administrative and priority claims against the Debtors will be satisfied in the manner required by section 1129(a)(9) of the Bankruptcy Code, unless such holder of a particular claim has agreed to different treatment of such claim.

J. Impaired Accepting Class: Section 1129(a)(10)

41. The Voting Declaration shows that at least one Class of Claims that is impaired under the Plan voted to accept the Plan, including votes cast by parties deemed to accept but excluding any votes cast by insiders. Accordingly, I understand that the Plan complies with section 1129(a)(10) of the Bankruptcy Code.

K. Feasibility: Section 1129(a)(11)

42. Based on my knowledge of the Debtors and the terms of the Plan, I believe that the Plan is feasible. Specifically, I believe that the Debtors' cash from operations and the Exit Financing Facilities provided for under the Plan will provide the Reorganized

Debtors with sufficient cash to satisfy their obligations under the Plan and provide the Reorganized Debtors with working capital sufficient to support their ongoing business operations. As such, I believe that Confirmation is not likely to be followed by the need for further financial reorganization or liquidation.

43. The Debtors and their advisors have thoroughly analyzed their ability to meet their obligations under the Plan and to continue as a going concern without further financial reorganization, and have carefully negotiated and developed the various transactions and ancillary documents, such as the Trade Election and the Exit Financing Facilities, that will assure the successful implementation of the Plan and the Debtors' subsequent emergence. As set forth in the Plan Supplements, the Exit Facilities are composed of the ABL Exit Facility and the Term Loan Exit Facility which, together, will be secured by a first lien in substantially all of the Reorganized Debtors' assets. I anticipate that the Reorganized Debtors will be able to return to normalized trade terms with their vendors and suppliers through, among other things, the Trade Election. As part of the negotiation process, the Debtors' management, in conjunction with their financial advisors, Perella Weinberg Partners ("Perella"), prepared projections of their financial performance for fiscal years 2014 through 2017 (the "Financial Projections"). The Financial Projections are described in detail in the Disclosure Statement and attached as an exhibit thereto.

44. Under the Plan and as described in the Disclosure Statement, the Debtors will have certain payment obligations due on or as soon as practicable after the Effective Date, and others in the months and years following the Effective Date. The Financial Projections indicate that the Reorganized Debtors should have sufficient cash flow to service and pay their debt obligations, fund their operations, and make these requirement payments. Specifically, the Debtors' emergence from the Chapter 11 Cases is predicated on funding from: (a) Cash on hand

as of the Effective Date and (b) the Exit Financing Facilities. As demonstrated by the Financial Projections, and based on discussions with the Debtors' advisors, I believe that these two funding sources will provide the Debtors and Reorganized Debtors with sufficient capital and liquidity to make required payments under the Plan and successfully operate after the Effective Date.

45. Accordingly, I believe that the Plan meets the feasibility requirements of section 1129(a)(11) of the Bankruptcy Code.

L. Payment of Certain Fees: Section 1129(a)(12)

46. The Plan provides that all fees required under 28 U.S.C. § 1930 will be paid on the Effective Date. I believe the Debtors have adequate means to make such payments, and therefore the Plan satisfies section 1129(a)(12) of the Bankruptcy Code.

M. Only One Plan: Section 1129(c)

47. The Plan is the sole plan of reorganization that has been proposed, and thus I am advised that the requirement of section 1129(c) has been met.

N. Principal Purpose of the Plan: Section 1129(d)

48. The Plan does not have as one of its principal purposes the avoidance of taxes or avoidance of requirements of section 5 of the Securities Act of 1933, and I am not aware of any filing by any governmental agency asserting such avoidance. Thus, I am advised that the requirements of section 1129(d) have been met.

O. Deemed Substantive Consolidation

49. I have been advised of the standards for substantive consolidation of the Debtors' estates and, based on my knowledge and understanding of the Debtors' operations and financial affairs, I believe that substantive consolidation for Plan purposes is warranted here for the reasons set forth below.

50. The Debtors operate on a consolidated basis. They maintain a corporate headquarters in Greenville, Wisconsin, where a single group of senior management and administrative staff at SSI performs all administrative and overhead functions, including human resources, treasury and information technology services, for the entire corporate group. Yet the subsidiary Debtors do not pay management fees to SSI for these shared functions, and costs are not otherwise allocated on a per-Debtor basis. Similarly, these individuals are responsible for negotiating agreements and obtaining services for the company as a whole, where one provider can render services to multiple business segments and legal entities. Thus, SSI regularly issues purchase orders and receives inventory on behalf of various business segments, which may span multiple legal entities. Further, the Debtors utilize the same warehouses and other facilities for multiple segments and legal entities.

51. As a result, I believe that the third parties with whom the Debtors interact treat the Debtors' operations as unitary and analyze the Debtors' credit worthiness on a consolidated basis. Not only do most purchase orders come from SSI regardless of what business segment the goods are for, but the Debtors also provide financing information to third parties only on a consolidated basis. When the Debtors are required to provide financial or business information to third parties, whether to the Securities Exchange Commission as part of their historic public company reporting obligations, to potential secured lenders, or to potential new customers and vendors as proof of the company's credit worthiness, they do so collectively: financial statements, tax returns, bank accounts, officer and director listings – all are provided on a unified basis for the company as a whole. Therefore, I believe that it is simply not possible for the Debtors' creditors to assess the financial condition of the Debtors on an entity-by-entity basis and that their creditors do not do so. This is confirmed by the fact that almost all of the Debtors

have historically been co-borrowers on the company's secured financings, including the various financings that are satisfied under the Plan. The only Debtor entities who are not borrowers under these financing agreements are entities that do not have material business operations or assets and are therefore listed only as guarantors.

52. The Debtors' internal systems are set up on a consolidated basis as well. As explained to the Court in the *Debtors' Motion for an Order (I) Approving Continued Use of the Debtors' Existing Cash Management System, (II) Authorizing Use of Existing Bank Accounts and Checks, and (III) Waiving the Requirements of 11 U.S.C. § 345(B) on an Interim Basis, and (IV) Granting Administrative Expense Status to Postpetition Intercompany Transactions* [Docket No. 8], the Debtors utilize a consolidated cash management system where all funds flow up to and from the parent entity, SSI. And while the Debtors' cash management system tracks certain intercompany transactions and debts, such amounts are not netted or settled out. Moreover, it is not possible for the Debtors to allocate and reconcile the majority of their assets and liabilities on a per-entity basis. Their internal systems are simply not designed to do so, which means that any attempt would require a manual, line-by-line effort to review and categorize records of millions of individual transactions to trace such transactions back to the proper entity. In particular, since purchase orders regularly cover goods for more than one segment and legal entity, each purchase order and invoice would need to be reconciled on a per-item basis to match each specific product in a given purchase order with its corresponding segment and legal entity.

53. Furthermore, both the Debtors and their customers and vendors identify the Debtors' various subdivisions by segments and trade names, rather than by their corporate identities. Thus, the Debtors have two reportable segments for purposes of their public reporting, both of which are contained within the SSI corporate entity. When they allocate

company overhead, they do so by division – not by legal entity. Similarly, the Debtors' customers and vendors generally identify themselves as working with a particular segment by trade name, not corporate entity. Moreover, trade names for divisions or segments do not reliably correlate with the corporate entity that owns the division or segment. By way of example, while the SPARK division is a division of Sportime, LLC, SPARK's vendors can provide goods to, and transact with, both Sportime, LLC and SSI. Finally, the Debtors have the substantially all of the same officers and directors.

54. I understand that for these reasons the Plan proposes to make Distributions to all creditors on a consolidated basis, rather than attempt to allocate distributions on a debtor-by-debtor basis. I am advised that substantive consolidation of all assets and liabilities of the Debtors for Plan purposes will not prejudice any party in these Chapter 11 Cases because the collective assets of each entity that actually has assets are fully encumbered under the ABL DIP Facility and Ad Hoc DIP Facility. Moreover, I believe that any attempt to allocate on a Debtor-by-Debtor basis would be, at best, cumbersome, expensive and time consuming, thus potentially adversely affecting Plan distributions both in scope and nature, for questionable benefit. In fact, in light of the Debtors' internal systems, there is no guarantee that this would even be feasible. Therefore, I am informed and believe that substantive consolidation will in no way adversely affect the recovery that creditors would otherwise receive if each estate was valued and distributions were made solely on account thereof.

55. Finally, it is my understanding that, consistent with the Restructuring Transaction, the Debtors presently intend to merge or consolidate some or all of their domestic subsidiaries into SSI as part of, or soon after, the Debtors' emergence from chapter 11. This process is intended to make the Debtors' corporate structure more accurately reflect the

consolidated nature of the Debtors' operations and financial systems. I am informed and believe that this is consistent both with section 1123(a)(5)(C) of the Bankruptcy Code, which contemplates the merger or consolidation of debtors as a means for the implementation of a chapter 11 plan, and Article V.H.6 of the Plan, which envisioned similar transactions. I believe that this fact underscores that substantive consolidation of the Estates for Plan purposes is appropriate and is not designed to accomplish any impermissible purpose.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true and correct.

Dated: May 17, 2013
Greenville, Wisconsin

DAVID VANDER PLOEG