

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

In re School Specialty, Inc. et al

Case No. **13-10125 (KJC)**  
Reporting Period: **June 30, 2013 - September 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

\_\_\_\_\_  
Signature of Authorized Individual\*

10/10/13  
\_\_\_\_\_  
Date

**DAVID N. VANDER PLOEG**  
Printed Name of Authorized Individual

**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 June 30, 2013 to September 28, 2013**

**Receipts**

Accounts receivable collections	
Lockbox deposits	\$ 167,335,568
Credit card receipts	27,889,053
Wires/EFTs/ACHs	40,779,391
Other	
Rent	-
<b>Total Receipts</b>	<b>236,004,012</b>

**Disbursements**

Payroll	25,687,222
Rent	1,608,768
Freight	18,925,759
Taxes	3,021,900
Inventory	100,388,629
SG&A and other	53,761,530
<b>Total Operating Expenses</b>	<b>203,393,808</b>
<b>Net Operating Cash Flow</b>	<b>32,610,203</b>

**Non-Operating Cash Flows**

ABL Interest Expense	\$ 550,015
ABL Commitment Fee	-
ABL Closing Fee	-
ABL Fees	5,266
Term Loan Interest Expense	-
Term Loan Closing Fee	-
Term Loan Commitment Fee	-
Debtor Professional Fees & Expense	10,771,864
Secured Lender Early Termination Fee	1,267,943
Secured Lenders' Professional Fees and Expenses	2,844,157
Expense of Secured Lender	-
US Trustees Fees	89,187
Unsecured Lender Professional Fees	3,178,407
Exit Financing Professional Fees & Expenses	-
Exit Financing Fees	-
Exit Financing ABL Commitment Fee	-
Exit Financing ABL Agent Fee	-
Exit Financing Term Loan Commitment Fee	-
Exit Financing Term Loan Underwriting Fee	-
Exit Financing Term Loan Admin Fee	-
<b>Total Non-Operating Cash Flows</b>	<b>18,706,838</b>
<b>Net Cash Flow</b>	<b>13,903,365</b>

**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 June 30, 2013 to September 28, 2013**

<b>Debtor Entity</b>	<b>Bankruptcy Case Number</b>	<b>Disbursements (1)</b>
School Specialty, Inc.	13-10125 (KJC)	179,552,445
Delta Education, LLC (3)	13-10124 (KJC)	14,285,292
Califone International, Inc.	13-10127 (KJC)	2,805,829
Sportime, LLC (3)	13-10133 (KJC)	1,456,911
Classroomdirect.com, LLC (2)	13-10129 (KJC)	-
Childcraft Education, LLC (2)	13-10128 (KJC)	-
Premier Agendas, Inc. (3)	13-10131 (KJC)	23,898,502
Bird-in-Hand Woodworks, Inc. (3)	13-10126 (KJC)	101,667
Frey Scientific, LLC (2)	13-10130 (KJC)	-
Sax Arts and Crafts, LLC (2)	13-10132 (KJC)	-
Total Disbursements		<u>\$ 222,100,647</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.

**In Re School Specialty, Inc. et al****Chapter 11****Debtor****Case No. 13-10125 (KJC)****PCQSR - 1a.1****Disbursements by Legal Entity for Calculating US Trustee Fees  
For the period June 30, 2013 to September 28, 2013**

<u>Debtor Entity</u>	<u>Disbursements</u>	<u>US Trustee Fees</u>
School Specialty, Inc.	179,552,445	30,000
Delta Education, LLC	14,285,292	13,000
Califone International, Inc.	2,805,829	9,750
Sportime, LLC	1,456,911	6,500
Classroomdirect.com, LLC	-	325
Childcraft Education, LLC	-	325
Premier Agendas, Inc.	23,898,502	20,000
Bird-in-Hand Woodworks, Inc.	101,667	975
Frey Scientific, LLC	-	325
Sax Arts and Crafts, LLC	-	325
	<u>222,100,647</u>	<u>\$ 81,525</u>

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

**Chapter 11**

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**Debtor**

**Case No. 13-10125 (KJC)**

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**PCQSR - 1b**

**For the period June 30, 2013 to September 28, 2013**


Declaration Regarding the Status of Bank Reconciliations of the Debtors  
As of September 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 September 28, 2013 have been reconciled in an accurate and timely manner.

Dated October 9, 2013

Respectfully submitted,



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By: David N. Vander Ploeg  
Title: 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 September 28, 2013**

<u>Bank Account</u>	<u>Debtor</u>	<u>Book Balance</u>
JPMorgan Operating XXXXX9092	School Specialty, Inc.	2,727,598
JPMorgan Lockbox Deposit XXXXX2298	School Specialty, Inc.	-
JPMorgan Concentration XXXXX4536	School Specialty, Inc.	-
JPMorgan Credit Card Depository XXXXX0396	Delta Science LLC	1,033
JPMorgan Credit Card Depository XXXXXX8104	School Specialty, Inc.	-
JPMorgan Working Fund XXXXX1024	School Specialty, Inc.	1,000
JPMorgan Disbursement XXXX0937	Bird-in-Hand Woodworks, Inc.	-
US Bank Bayside Escrow XXXXX1000	School Specialty, Inc.	-
JP Morgan Fee Claim XXXXX8317	School Specialty, Inc.	865,764
		<u>\$ 3,595,395</u>

Note: The above amounts exclude \$8,500 of petty cash which is reflected within the cash line of the balance sheet.

In Re School Specialty, Inc. et al

Chapter 11

Case No. 13-10125 (KJC)

Debtor

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

	Unaudited										Classroom Direct	Consolidated Debtors	
	School Specialty	Delta	Childcraft	Bird-in-Hand	Califone	Premier	Sporttime						
Total Sales	216,844,928	25,327,908	180,807	-	3,639,052	46,237,383	2,081,867					727,970	\$ 295,039,915
Total COS	135,387,850	11,602,042	133,360	(625)	2,028,188	19,950,546	991,699					661,786	170,754,846
Std Cost Variances	(716,841)	256,271	-	173,025	(120)	1,572,698	1,569					-	1,286,602
FIFO Revaluation	22,330	(479,395)	-	(191,665)	-	-	772					-	(647,958)
Product Dev Amort	733,732	1,497,505	-	-	11,957	332,960	71,397					-	2,647,551
Freight-In	5,406,457	27,067	13,814	-	-	636,982	2,291					-	6,086,611
Other Variances	8,097	982,777	2,151	120,932	32,596	2,122,170	5,761					38,993	3,313,476
Actual Gross Profit	76,003,303	11,441,641	31,483	(101,667)	1,566,431	21,622,027	1,008,379					27,192	111,598,788
Actual Gross Margin	35.0%	45.2%	17.4%	#DIV/0!	43.0%	46.8%	48.4%					3.7%	37.8%
Administrative Exp	8,650,198	534,522	-	-	235,813	519,695	151,334					-	10,091,562
Supply Chain Exp	17,437,367	1,547,747	-	-	341,994	2,581,235	90,960					-	21,999,304
Total Selling Expense	15,241,443	3,173,002	-	-	141,724	4,299,853	135,361					-	22,991,383
Marketing & Merch Exp	7,254,313	1,160,665	-	-	121,700	356,561	257,426					-	9,150,665
One time Charges	20,426,650	-	-	-	-	83,160	-					-	20,509,809
Other	-	-	(1,200)	-	(191,383)	(43,771)	-					-	(236,354)
Stock Options Expense	-	-	-	-	-	-	-					-	-
Total Expenses	69,009,971	6,415,935	(1,200)	-	649,848	7,796,733	635,081					-	84,506,368
Direct Contribution Margin	6,993,332	5,025,706	32,683	(101,667)	916,583	13,825,293	373,298					27,192	27,092,420
Depreciation in COGS	3,675	(15,171)	-	(146,120)	-	(809,684)	-					-	(967,300)
Product Dev Amort in COGS	(733,732)	(1,497,505)	-	-	(11,957)	(332,960)	(71,397)					-	(2,647,551)
EBITDA	7,723,389	6,538,382	32,683	44,453	928,540	14,967,938	444,695					27,192	30,707,270
Depreciation	2,961,187	98,176	-	146,120	20,459	1,177,827	6,433					-	4,410,202
EBITA	4,762,201	6,440,206	32,683	(101,667)	908,081	13,790,111	438,262					27,192	26,297,069
Intangible Amortization	638,087	884,953	76,190	-	167,429	669,695	21,477					-	2,456,832
Product Dev Amortization	733,732	1,497,505	-	-	11,957	332,960	71,397					-	2,647,551
EBIT	3,390,383	4,057,748	(43,508)	(101,667)	728,695	12,788,456	345,388					27,192	21,192,686
Interest	6,243,736	(16)	-	-	256	-	-					-	6,243,976
EBT	(2,853,353)	4,057,764	(43,508)	(101,667)	728,440	12,788,456	345,388					27,192	14,948,711
Tax Expense	6,359,269	-	-	-	-	-	-					-	6,359,269
NI from Controlling Int	(9,212,622)	4,057,764	(43,508)	(101,667)	728,440	12,788,456	345,388					27,192	8,589,442
Non-Controlling Interest	12,689	-	-	-	-	-	-					-	12,689
Tax Expense	-	-	-	-	-	-	-					-	-
Net Income	(9,225,311)	4,057,764	(43,508)	(101,667)	728,440	12,788,456	345,388					27,192	\$ 8,576,753

In Re School Specialty, Inc. et al

Debtor

**PQSR - 3  
Consolidated Debtor Balance Sheet  
For the Month Ended September-14  
Unaudited**

	SSI	Science	Childcraft	BIRD-IN-HAND	California	Premier	Sportline	Classroom Direct	Consolidated Debtors
<b>ASSETS</b>									
Cash	3,593,462	1,533	-	500	1,500	5,500	1,500	-	3,603,895
<b>Trade Accounts Receivable</b>									
Allow for Doubtful Accounts	129,134,476	18,558,453	(1,656)	-	1,132,844	16,889,438	961,591	(4,335)	156,650,810
Bad Debt Recovery	8897	11,582	-	-	(27,931)	(92,594)	(2,157)	-	(92,201)
Discounts	(156,612)	(6,032)	-	-	-	(5,831)	(277)	-	(164,752)
Discounts	-	-	-	-	-	-	-	-	-
Discounts	-	-	-	-	-	-	-	-	-
Allowance for Credit & Returns	(1,158,914)	(153,120)	-	-	(70,000)	(750,000)	-	-	(2,142,014)
Accounts Receivable	(1,104,689)	(155,569)	-	-	(97,931)	(838,415)	(2,434)	-	(2,398,967)
Net Accounts Receivable	127,829,837	18,402,904	(1,655)	-	1,034,913	16,031,023	959,157	(4,335)	164,351,843
<b>Inventory</b>									
Inventory Reserve	62,883,930	23,002,040	(6,667)	900,017	4,397,530	4,336,077	484,035	-	96,106,962
Net Inventory	(8,213,280)	(6,775,298)	(29,310)	870,707	(376,541)	(1,204,559)	(84,035)	-	(16,598,788)
Net Inventory	54,770,650	16,226,742	(6,667)	870,707	4,021,189	3,131,518	484,035	-	79,508,174
<b>Prepaid Expenses</b>									
Prepaid Expenses	5,026,932	14,946	-	-	5,607	51,859	143,177	1,999	5,242,521
Prepaid Expenses	2,434,338	584,897	-	-	45,914	20,336	-	-	3,067,965
Prepaid Expenses	(4,101,468)	219,239	-	85,570	64,714	1,544,165	54,829	-	6,068,985
Prepaid Expenses & Other	11,943,228	820,083	-	85,570	114,235	1,616,930	188,006	1,999	14,779,471
<b>TOTAL CURRENT ASSETS</b>	197,737,077	35,451,262	(8,322)	956,777	5,171,837	20,784,991	1,652,698	(2,336)	261,743,384
<b>Net Fixed Assets</b>	37,761,694	2,462,988	-	988,281	385,723	2,816,354	49,395	-	44,464,375
<b>Net Intangibles</b>	70,693,294	(598,969)	(50,794)	-	(111,619)	(445,797)	(14,318)	-	69,480,798
<b>Other Long Term Assets</b>	19,673,151	14,923,356	-	-	89,907	1,326,120	926,307	-	36,938,753
Minority Interest	715,000	-	-	-	-	-	-	-	715,000
<b>TOTAL ASSETS</b>	376,580,156	52,247,549	(99,110)	1,945,058	5,535,647	24,481,068	2,814,082	(2,336)	413,343,310
<b>LIABILITIES</b>									
AP Trade	(23,760,840)	-	-	-	(1,036,516)	-	-	-	(24,796,856)
Accounts Payable	(1,566,621)	(102,399)	-	(9,500)	(8,785)	(257,568)	-	-	(1,951,872)
Accounts Payable	(26,286,996)	1,925,575	30,405	57,154	278,433	24,639,234	275,892	25,150	1,238,961
Accounts Payable	235,044	(578,432)	-	(144,003)	(87,091)	(612,452)	(68,639)	-	(1,531,044)
Accounts Payable	(4,785,189)	(550,500)	-	-	(53,364)	(448,581)	-	-	(5,698,034)
Accounts Payable	(2,540,139)	(4,272,839)	6,588	34,078	(153,970)	(810,451)	(695,110)	(4,228)	(25,402,716)
Accounts Payable	(74,991,792)	(3,862,896)	36,793	(62,260)	(1,071,521)	23,109,531	(842,151)	20,921	(57,048,145)
<b>TOTAL CURRENT LIABILITIES</b>	(37,825,437)	(8,289,051)	27,673	(1,071,521)	(2,062,258)	(8,352,287)	(2,382,623)	24,251	(47,445,336)
Convertible Debt 2nd	(200,391,740)	-	-	-	-	-	-	-	(200,391,740)
Long Term Debt	(12,125,421)	-	-	-	(51,235)	-	-	-	(12,176,656)
Post Chapter 11 Loans	(21,516,161)	-	-	-	(151,345)	-	-	-	(21,667,506)
<b>Total Bank &amp; Convert Debt</b>	(232,033,322)	-	-	-	(653,815)	-	-	-	(232,687,137)
Intercompany Purchase Price	374,358,335	(113,407,795)	(1,017,171)	(1,017,171)	(8,062,258)	(9,352,287)	(2,382,623)	24,251	7,652,336
Deferred Tax Liability	(925,019)	-	-	-	-	-	-	-	(925,019)
Other Long Term Liability	(14,076,627)	(116,693,692)	(1,573,379)	(1,079,371)	(10,222,824)	(16,242,756)	(2,844,772)	46,178	(362,888,351)
<b>TOTAL LIABILITIES</b>	(282,680,194)	(230,101,487)	(1,573,379)	(1,079,371)	(18,145,051)	(26,645,043)	(5,227,495)	24,251	(558,826,326)
<b>SHAREHOLDERS' EQUITY</b>									
Common Stock	(1,000)	-	-	-	-	-	-	-	(1,000)
Treasury Stock	(99,273,463)	-	-	-	-	-	-	-	(99,273,463)
Paid in Capital	(51,128,921)	-	-	-	-	-	-	-	(51,128,921)
Investment by Parent	(113,228,921)	64,746,143	1,632,485	(865,643)	4,666,977	(8,238,312)	230,690	(41,827)	(51,079,509)
Retained Earnings	(175)	-	0	-	-	(0)	(0)	-	(175)
Current Year Profit	(211,603,329)	64,746,143	1,632,485	(865,643)	4,666,977	(8,238,312)	230,690	(41,827)	(150,344,057)
Dividend Paid	(28,300,194)	(52,247,549)	(99,110)	(1,945,058)	(5,535,647)	(24,481,068)	(2,814,082)	2,336	(413,343,310)
<b>Total Shareholders' Equity</b>	(282,680,194)	(230,101,487)	(1,573,379)	(1,079,371)	(18,145,051)	(26,645,043)	(5,227,495)	24,251	(558,826,326)



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

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**Appendix A**  
**Listing of Debtor Entities**  
**For the period June 30, 2013 to September 28, 2013**

<u>Debtor Entity</u>	<u>Bankruptcy Case Number</u>
School Specialty, Inc.	13-10125 (KJC)
Delta Education, LLC	13-10124 (KJC)
Califone International, Inc.	13-10127 (KJC)
Sportime, LLC	13-10133 (KJC)
Classroomdirect.com, LLC	13-10129 (KJC)
Childcraft Education, LLC	13-10128 (KJC)
Premier Agendas, Inc.	13-10131 (KJC)
Bird-in-Hand Woodworks, Inc.	13-10126 (KJC)
Frey Scientific, LLC	13-10130 (KJC)
Sax Arts and Crafts, LLC	13-10132 (KJC)

Note: This report is the final report for all debtors listed, other than SSI, pursuant to the Final Decree closing certain cases approved by Bankruptcy Court on September 10, 2013.