

School Specialty Update

June 11, 2015

It has now been approximately two years since the bankruptcy plan (the “Plan”) of School Specialty, Inc. and its affiliates (together, the “Company”) became effective, and I was appointed Ombudsman.

This website provides links to quarterly operating reports that the Company has filed with the Bankruptcy Court and certain of the Company’s filings with the SEC,¹ and those links are periodically updated to reflect new filings. However, at this point, I thought a brief status report might be of interest to holders of Class 5 General Unsecured Claims and Class 6 Trade Unsecured Claims. The information provided below is based upon the Company’s filings and data provided directly to the Ombudsman by the Company.

The Terms of the Plan

By way of reminder, the Plan contemplates that, absent the occurrence of certain acceleration events specified in the Plan, distributions will be made to holders of Allowed Class 5 and Allowed Class 6 Claims six months after the maturity date of the Term Loan Exit Facility. Distributions are expected to be made in **mid-December of 2019**.

Holders of Allowed Class 5 Claims are expected to receive distributions equal to 20% of the amount of their Allowed Claims plus interest from the effective date of the Plan through the date of the payment, with interest being at the rate of 5% per year, and accruing quarterly. Holders of Allowed Class 6 Claims (i.e., creditors that were eligible to and did make the trade election, reached agreement with the Company about trade terms and did business with the Company through September 2014) are expected to receive distributions equal to 45% of the amount of their Allowed Claims plus interest from the effective date of the Plan through the date of the payment, with interest being at the rate of 10% per year, and accruing quarterly.

The amounts of the distributions to holders of Allowed Class 5 and Class 6 Claims will be reduced on a *pro rata* basis in the event that the amount of Allowed Class 5, Class 6 and Convenience Class Claims totals more than \$60 million. (An Allowed Convenience Class Claim is an Allowed Unsecured Claim in the amount of \$3,000 or less.)

The Trade Election Process

As of the effective date of the Plan, the Company had identified 891 claims that were eligible to make the trade election— i.e., that were trade claims held by vendors with whom the Company wanted to continue doing business. The holders of those claims received notice of their right to (a) make a trade election, if they were willing to continue doing business with the Company through September 2014, and (b) accept or reject the Company’s proposed trade terms for the

¹ All of the Company’s filings with the SEC are publicly available.

period through September 2014. If a claimant made the trade election, but rejected the Company's trade terms, the trade election only became effective (and the claimant only became entitled to an improved distribution) if the claimant and the Company could come to an agreement about trade terms.

The Company's records show that it received the following responses from the holders of the 891 claims eligible to make the trade election:

- a. 499 chose to make the trade election;
- b. 6 opted to be moved to the Plan's "convenience" class (i.e., reduced their allowed claims to \$3,000 in order to be entitled to an immediate distribution equal to 20% of the amount of the reduced, allowed claims);
and
- c. 60 declined the trade election option.

Total number of responses: 565 claims

No response received: 326 claims

I note that in October and November of 2013, attorneys at my firm acting under my supervision attempted to contact all of the creditors eligible to make the trade election who had not yet responded to the Company in any way. The numbers shown above include the creditors who responded after being contacted by my office.

The eligibility period for the trade election is now closed, as the date through which a holder of a trade claim was obligated to continue doing business with the Company (September 30, 2014) has passed.

Developments in the Bankruptcy Case

The Company has emerged from bankruptcy and its business operations are no longer subject to the review of the Bankruptcy Court. However, the bankruptcy case is still open, as the Company continues to reconcile and object to claims, and the Company files quarterly reports showing its disbursements. The Company's quarterly filings with the Bankruptcy Court can be viewed by going to the link on this website titled Monthly Operating/Post-Confirmation Reports.

The Company has recently sought and obtained extensions from the Bankruptcy Court of its time in which to file objections to claims. The new deadlines for the filing of claims objections are (a) July 13, 2015 for objections to administrative claims, and (b) August 3, 2015 for objections to other types of claims. The Company's filings with the Bankruptcy Court indicate that the Company is hopeful that it will have filed all claims objections by those deadlines, and will not need further extensions.

The claims register in the bankruptcy case can be viewed by going to www.kccllc.net/schoolspecialty and clicking on the link on the left side of the page titled Claims Register.

The Operations of the Company

The Company, which continues to be based in Greenville, Wisconsin, emerged from bankruptcy on the effective date of the Plan (June 11, 2013), and is now engaged in operations independent of the Chapter 11 process. Information about the business is available from the Company's website, as well as from its filings with the SEC. Certain of the Company's SEC filings, including financial information provided by the Company, can be viewed by going to the link on this website titled Financial Documents.

The Company's recent public filings disclose that the Company has changed its fiscal year. The Company's fiscal year will now end on the last Saturday in December, rather than the last Saturday in April, and a transition report will be provided for the period April 26, 2015 through December 26, 2015.

Publicly available information as of June 1, 2015 also indicates that the Company's senior management is comprised of the following individuals:

Joseph M. Yorio	President and Chief Executive Officer
Ryan M. Bohr	Executive Vice President and Chief Financial Officer
Todd A. Shaw	Executive Vice President, Operations
Ed Carr	Executive Vice President and Chief Sales Officer
Laura Vartanian	Senior Vice President, Human Resources
Kevin Baehler	Senior Vice President and Chief Accounting Officer

The Board of Directors has three members:

Joseph M. Yorio	President and Chief Executive Officer
James R. Henderson	Chairman
Justin Lu	Principal, Zazove Associates LLC

If you have any questions about information provided in this summary, please do not hesitate to contact me via email or by phone.