



**SUPPLIER FREQUENTLY ASKED QUESTIONS ABOUT  
SCHOOL SPECIALTY'S EMERGENCE FROM CHAPTER 11  
June 11, 2013**

**1. Will the Company's new exit financing provide enough working capital for the business going forward?**

Yes. We raised \$320 million in exit financing – comprised of a 5-year \$175 million Senior Secured Asset Based Loan with Bank of America and Sun Trust and a 6-year \$145 million syndicated Senior Secured Term Loan led by Credit Suisse. The new financing improves our capital structure and financial flexibility and provides sufficient working capital to fund our requirements.

**2. At what rates and terms are the ABL and Term Loan?**

The detailed terms are outlined in the Plan documents. The ABL's interest rate will be LIBOR plus 225 bps for 5 years. The Term Loan's interest rate is LIBOR plus 850 bps (LIBOR floor 100 bps) and was issued at a \$98 price.

**3. What is the rating of the Company's debt?**

Moody's affirmed the B3 Corporate Family Rating and B3-PD Probability of Default rating on May 21. They also confirmed the Caa1 rating on the proposed \$145 million senior secured term loan which was upsized from \$125 million, with incremental proceeds from the upsized term loan expected to fund a higher cash payment to the existing DIP holders.

S&P assigned a preliminary "B" corporate credit rating to SSI following the confirmation of the POR. They also assigned a preliminary "3" recovery rating, indicating the expectation of meaningful (50% to 70%) recovery for lenders under their simulated default scenario. (The preliminary rating is subject to timely emergence, the consummation of the POR, and review of final loan documentation.)

**4. Will the management team change when we emerge from Chapter 11?**

Mike Lavelle will continue to lead the Company and the key senior management team remains in place.

**5. What will current School Specialty holders of common stock receive upon emergence?**

Under the Plan, existing common stock will be extinguished when the Company emerges from Chapter 11, and no distributions will be made to holders of the Company's current equity.

**6. The Plan references new common stock. How much stock was issued?**

The Plan calls for the issuance of approximately 1 million shares of new SSI common stock. The new SSI common stock will have voting rights and will be closely held by a small group of investors.



**7. Who will the new owners be when the Company emerges from Chapter 11?**

We will emerge as a public company, formed in Delaware, majority owned by the Company's existing group of convertible noteholders. The five largest holders, which together represent the vast majority of the equity, include Zazove Associates LLC, Steel Excel Inc., J. Goldman and Co., L.P., Wolverine Flagship Fund Trading Limited, and Davis Select Advisors, LLP.

**8. Will the new common stock be traded on an exchange or over-the-counter market?**

The company will continue to file material events and quarterly and annual reports with the Securities and Exchange Commission and the stock will likely trade publicly in the near future.

**9. What was accomplished by filing for Chapter 11?**

We have used the past four months to continue transforming our company by strengthening our capital structure, enhancing our financial flexibility and improving the quality and efficiency of our operations to deliver better value for our customers. Today, School Specialty is much better positioned as a financially secure industry leader to satisfy the needs of our customers with outstanding customer care and enhance our brands and product offerings.

**10. What is the role of the Ombudsman and who will it be?**

The major responsibilities of the Ombudsman are to interface with School Specialty to monitor the trade election payments, provide information on the distributions to be made to Trade Creditors, and resolve disputes and conflicts between vendors and suppliers and the Company. The Ombudsman cannot be an officer of School Specialty. Alan Halperin of the law firm Halperin Battaglia Raicht, LLP has been appointed the Ombudsman.

**11. Who should vendors/suppliers call if they have questions about their claims and payments under the Plan?**

The Disclosure Statement and Plan sets out how claims will be treated. Information about claims and distributions and the Disclosure Statement and Plan are available at <http://www.kccllc.net/schoolspecialty>. Vendors and suppliers may also contact School Specialty's claims and voting agent, Kurtzman Carson Consultants, at (877) 709-4758 and at (424) 236-7236 for calls originating from outside of the United States or Canada, regarding a claim.

**12. When will claims be paid now that the Plan has been approved by the Court?**

If you have a claim against us in our Chapter 11 case, following our emergence, allowed claims will be paid according to the Plan of Reorganization.