

## **SCHOOL SPECIALTY, INC.**

### **AUDIT COMMITTEE CHARTER**

Effective as of October 16, 2015

#### **I. PURPOSE**

The primary responsibility of the Audit Committee (the “Audit Committee” or the “Committee”) of the Board of Directors of School Specialty, Inc. (the “Company”) is to oversee the Company’s accounting and financial reporting processes and the audit of the Company’s financial statements. The Committee assists the Board of Directors in its oversight of: the quality and integrity of the Company’s financial statements; the qualifications and independence of the Company’s independent auditors; the performance of the Company’s independent auditors; and the Company’s compliance with applicable legal, ethical and regulatory requirements. The Committee shall also prepare the report that the U.S. Securities and Exchange Commission (the “SEC”) rules require to be included in the Company’s annual proxy statement.

The Committee’s job is one of oversight. It is not the responsibility of the Committee to plan or conduct audits or to determine that the Company’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management of the Company is responsible for preparing the Company’s financial statements, and the independent auditors are responsible for auditing the Company’s financial statements.

#### **II. COMMITTEE COMPOSITION**

The Committee shall be comprised of at least three members, all of whom are “independent” directors and are “financially literate” at the time of their appointment to the Committee (except that, at any time when the Board of Directors does not include at least three members who are “independent” directors and are “financially literate”, the Committee shall be comprised of two members, both of whom are “independent” directors and are “financially literate” at the time of their appointment to the Committee). At least one member of the Committee shall have past employment experience in finance or accounting or other comparable experience or background which results in the individual’s financial sophistication, as provided in the rules of The Nasdaq Stock Market. The Board of Directors may determine that one or more members of the Committee shall be an “audit committee financial expert” as defined by SEC rules.

A director is “independent” if he or she meets the requirements for independence set forth in the rules of the SEC and the Board of Directors determines such director to be “independent”; *provided, however*, that if the Company has any securities listed on The New York Stock Exchange or The Nasdaq Stock Market, then a director must also satisfy the requirements for independence set forth in the rules of The New York Stock Exchange or The Nasdaq Stock Market, as applicable.

A director is “financially literate” if he or she is able to read and understand fundamental financial statements, including the balance sheet, income statement and cash flow statement. Committee members may enhance their familiarity with finance and accounting by participating in educational programs.

The members of the Committee will be appointed by the Board of Directors. A member will serve until the earliest of (a) his or her successor is appointed, (b) until his or her resignation from the Committee, (c) until his or her position on the Committee is eliminated due to a reduction in the size of the Committee, (d) until he or she is removed from the Committee by the Board of Directors, or (e) until his or her service on the Board of Directors terminates. The chairperson of the Committee will be the member of the Committee appointed to serve in such capacity by the Board of Directors from time to time.

Except as otherwise determined by the Board of Directors, no member of the Committee will simultaneously serve on the audit committees of more than two other public companies.

The Committee, in its capacity as a committee of the Board of Directors, or the chairperson of the Committee, in his or her capacity as such, is authorized to direct the officers of the Company to provide for appropriate funding for payment of: (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; (ii) compensation to any advisers employed by the Committee; and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

### **III. MEETINGS, COMMITTEE ACTIONS AND REPORTS**

The Committee shall meet at least four times annually, or more frequently as the Committee deems necessary. Meetings of the Committee may be called by any member of the Committee. The Committee chair shall prepare or approve an agenda in advance of Committee meetings. Any action to be taken at any meeting of the Committee may be taken without a meeting, if all members of the Committee consent thereto in writing, and such writing or writings are filed with the minutes of the Committee. All decisions of the Committee shall be determined by an affirmative vote of the majority of members in attendance. A quorum of the Committee shall be established when a majority of the members of the Committee are in attendance. Except as otherwise set forth in this Charter, the Committee shall be governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), notice and waiver of notice as are applicable to the Board of Directors.

If appropriate, the Committee shall report to the Board of Directors at the Board meeting following each Committee meeting or more frequently as necessary regarding the Committee’s activities, findings, conclusions and recommendations, including any material issues that arise with respect to the quality or integrity of the Company’s financial statements, the Company’s compliance with legal or regulatory requirements and the performance and independence of the company’s independent auditors.

#### **IV. RESPONSIBILITIES AND POWERS**

The Committee's responsibilities shall include the following:

- A. Independent Auditors. The Committee shall be directly and solely responsible for the appointment, compensation, retention and oversight of the independent auditors. The Committee shall have the following additional specific responsibilities with respect to the independent auditors:
1. Pre-approve the terms of engagement of the independent auditors, including the audit services and permitted non-audit and tax services within the scope of the engagement and the fees to be paid to the independent auditors, and pre-approve the appointment of and fee arrangements of any other external auditors employed for other specific audit purposes.
  2. Receive the written disclosures and affirmation from the independent auditors required by Rule 3526 (Communication with Audit Committees Concerning Independence) of the Public Company Accounting Oversight Board, as may be modified or supplemented from time to time, discuss with the independent auditors the independent auditors' independence, including actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors, and take appropriate action in response to the independent auditors' report to satisfy itself of the independent auditors' independence.
  3. Review at least annually the independent auditors' qualifications, performance and independence and the experience and qualifications of the senior individuals assigned by the independent auditors to the Company's account. The Committee shall present their conclusions with respect to the independent auditors to the full board.
  4. Monitor the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit, concurring and other audit partners as required by law, and periodically consider whether the Company should regularly rotate its independent auditors.
  5. Monitor and approve the hiring in accounting or executive positions of the Company of employees and former employees of the independent auditors and the positions for which they are hired, in order to satisfy it that there are no disqualifying previous employment relationships between members of the Company's audit engagement team and the Company.
- B. Quarterly and Annual Financial Statements
1. Review each year the planned scope of the examination of the Company's financial statements by the independent auditors.

2. Review with management and the independent auditors: The quarterly financial statements to be included in each of the Company's Quarterly Reports on Form 10-Q, any Company plan Annual Reports on Form 11-K and upon completion of their audit, the annual financial statements to be included in the Company's Annual Report on Form 10-K, "passed" audit adjustments (as relevant), the quality of the Company's reported earnings and the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
3. Review any quarterly disclosures made to the Committee by the Company's chief executive officer and chief financial officer pursuant to the certifications required under Sections 302 and 906 of the Sarbanes-Oxley Act.
4. Review and discuss with the independent auditors and management (a) the development, selection, application and disclosure of all critical accounting policies and practices used in the audited financial statements, (b) all alternative treatments within GAAP for policies and practices related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors, (c) other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences and (d) the effect of regulatory and accounting initiatives on the Company's financial statements.
5. Discuss with the independent auditors the matters required to be discussed by Auditing Standard No. 16 with audit committees, as may be modified or supplemented from time to time.
6. Based on the review and discussions referred to in Sections A.2, B.2 and B.5, make a recommendation to the Board of Directors regarding inclusion of the audited financial statements in the Company's Annual Report on Form 10-K filed each year.
7. Review any recommendations of the independent auditors resulting from the audit and monitor management's response.
8. Review with management any matter of significant disagreement between management and the independent auditors and any other problems or difficulties encountered during the course of the audit and management's response to such disagreements, problems or difficulties.

9. Review with the independent auditors any matter of significant disagreement between the independent auditors and management and any other problems or difficulties encountered during the course of the audit and the independent auditors' response to such disagreements, problems or difficulties.

C. Non-Audit Services

Pre-approve or establish policies and procedures to pre-approve all permissible non-audit services (including fees and terms thereof) to be performed by the independent auditors. The Audit Committee shall review and pre-approve these non-audit service engagements by one of the following methods:

1. Review and pre-approval at a regularly scheduled meeting attended by a quorum of the members;
2. Review and pre-approval with a telephone conference with a quorum of members participating; or
3. Review and pre-approval by one designated committee member, typically the Chairman of the Audit Committee, who has been delegated by the Committee the authority to grant such pre-approval.

If pre-approval is granted pursuant to #3 above, the decisions of any committee member to whom authority is delegated to pre-approve an engagement for non-audit services shall be presented to the full Audit Committee at the next regularly scheduled meeting.

D. Internal Control

1. Meet privately periodically (but at least annually) with the independent auditors to review the adequacy of the Company's internal controls and internal control over financial reporting, accounting policies and procedures, special audit steps adopted in light of material control deficiencies and particular concerns of the Committee or the independent auditors.
2. Meet privately periodically (but at least annually) with management to review the adequacy of the Company's internal controls and internal control over financial reporting, accounting policies and procedures, the internal audit function, and particular concerns of the Committee or management.
3. Review periodically with the financial management of the Company the policies and procedures with respect to officers' expense accounts and benefits, including the use of corporate assets related thereto.
4. Investigate claims of abuse of expense accounts and use of corporate assets by the Company's executive officers.

E. Risk Assessment and Risk Management

1. Periodically discuss with management the Company's major financial risk exposures and the steps that management has taken to assess, monitor and control such exposures.

F. Code of Ethics and Insider Trading

1. Monitor compliance with the Company's Code of Ethics as it relates to financial records and use of Company assets and direct any special investigations concerning such matters.
2. Monitor compliance with the Company's Insider Trading Policy and direct any special investigations concerning such matters.

G. Special Investigations

1. Direct any special investigations concerning matters relating to the Company's financial statements, internal controls, internal control over financial reporting, compliance with applicable laws or Code of Ethics as it relates to financial records and use of Company assets.
2. Establish and periodically review procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (b) the confidential, anonymous submission by employees of concerns.

H. Use of Advisers

1. The Committee has authority to retain, at the Company's expense, its own legal, accounting and other advisers in its sole discretion to carry out its duties, including sole authority to approve the fees and other retention terms of any adviser and to terminate such adviser. Advisers retained by, or providing advice to, the Committee (other than the Company's in-house counsel) shall be independent, when considered appropriate by the Committee.

I. Other

1. If requested by the Board of Directors, review and approve all related-party transactions with directors, executive officers, 5% shareholders, members of their families and persons or entities affiliated with any of them.

2. The Committee shall review and assess the adequacy of this Charter annually and recommend any changes to this Charter for approval by the Board of Directors. In addition, the Committee shall conduct an annual evaluation of the performance of the Committee in concert with the Governance/Nominating Committee and shall present the results of such evaluation to the Board of Directors.
3. Periodically discuss with management the types of information to be disclosed in the Company's earnings releases, including the use of non-GAAP financial measures, and the manner in which this information will be presented.
4. Discuss with management and the independent auditors the quarterly and annual reported earnings of the Company prior to the release of this information to the public and discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards. The Chairman of the Committee may represent the entire Committee for the purposes of these discussions and reviews.
5. Periodically discuss with management the types of financial information and earnings guidance to be disclosed to analysts and rating agencies, and the manner in which this information will be presented.
6. Review periodically with the Company's legal counsel the status of pending litigation, possible loss contingencies and other legal matters, including the Company's procedures and policies addressing legal compliance and reduction of risk.
7. Review with management the status of tax returns and tax audits.
8. The Committee shall be available to receive reports, suggestions, questions or recommendations relating to the matters for which it has responsibility from the independent auditors or management personnel.