

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

In re:

SCHOOL SPECIALTY, INC., *et al.*,

Debtors.¹

Chapter 11

Case No. 13-10125 (KJC)

Jointly Administered

NOTICE OF AUCTION AND SALE HEARING

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. On January 28, 2013, School Specialty, Inc., and its affiliated debtors and debtors in possession in the above-captioned cases (collectively, the “Debtors”), filed their motion (the “Motion”)² for entry of an order (the “Bidding Procedures Order”), among other things, (a) scheduling a hearing (the “Sale Hearing”) on approval of its asset sale, assumption and assignment of executory contracts, to Bayside School Specialty, LLC (or its assignee) (the “Proposed Purchaser”) and assumption of certain liabilities; and (b) approving proposed bidding and sale procedures (the “Bidding Procedures”) and the Expense Reimbursement and the form and manner of notice thereof. The Motion additionally requests entry of an order (the “Sale Order”), (a) approving an asset purchase agreement (the “Asset Purchase Agreement”) for the sale of all or substantially all of the assets of the Debtors to the Proposed Purchaser or to the Prevailing Bidder to be identified at the Auction; (b) authorizing the sale of all or substantially all of the assets of the Debtors free and clear of all Liens, Claims, Interests or Encumbrances (other than Permitted Liens); (c) authorizing the assumption and assignment of certain executory contracts and unexpired leases (the “Assigned Contracts”) to the Proposed Purchaser or the Prevailing Bidder; and (d) granting related relief.

2. On February 15, 2013, the United States Bankruptcy Court for the District of Delaware entered the Bidding Procedures Order [Docket No. 213]. Pursuant to the Bidding Procedures Order, the Auction for the Acquired Assets shall take place on **March 25, 2013 at 10:00 a.m. (prevailing Eastern Time)** at the offices of counsel to the Debtors, Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, New York 10019. Only parties that have submitted a Qualified Bid in accordance with the Bidding Procedures attached to the Bidding Procedures Order as **Exhibit 1** by no later than **March 19, 2013** (the

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 shall have the meanings ascribed to them in the Motion.

“Bid Deadline”) may bid at the Auction. Any party that wishes to take part in this process and submit a bid for the Acquired Assets must submit a competing bid prior to the Bid Deadline and in accordance with the Bidding Procedures. Parties interested in receiving information regarding the sale of the Acquired Assets should contact the Debtors’ financial advisors, Perella Weinberg Partners: Derron Slonecker (dslonecker@pwpartners.com, 212-287-3361), 767 Fifth Avenue New York, NY 10153. In the event that no Qualified Bids other than that of the Proposed Purchaser are received and thus the Auction is cancelled, the Debtors shall file a Notice of Cancellation of the Auction with the Bankruptcy Court within one (1) business day of such decision.

3. The Auction will be conducted openly, but only the Debtors, the Proposed Purchaser, the Qualifying Bidders, the ABL Credit Parties, the official committee of unsecured creditors and advisors to each of these parties may attend the Auction; *provided that* any other creditor may be permitted to attend the Auction if such party so advises the Debtors and the Proposed Purchaser in writing by March 11, 2013; *provided further* that the Debtors may seek relief from the Bankruptcy Court in the event they object to any such creditor’s attendance. Only Qualifying Bidders will be allowed to submit bids for the Acquired Assets at the Auction, however.

4. The Sale Hearing to consider approval of the sale of the Acquired Assets to the Proposed Purchaser or any of the Debtors’ assets to a Prevailing Bidder (as defined in the Bidding Procedures) free and clear of all liens, claims and encumbrances will be held before the Honorable Judge Kevin J. Carey, United States Bankruptcy Judge, 824 North Market Street, 5th Floor, Courtroom No. 5, Wilmington, Delaware 19801 on **March 27, 2013 at 1:00 p.m. (prevailing Eastern Time)**. The Sale Hearing may be continued from time to time without further notice to creditors or parties in interest other than by announcement of the continuance in open court on the date scheduled for the Sale Hearing (or in agenda).

5. **Objections, if any, to the sale of the Acquired Assets contemplated by the Asset Purchase Agreement, or the relief requested in the Motion must:** (a) be in writing; (b) comply with the Bankruptcy Rules and the Local Bankruptcy Rules; (c) be filed with the clerk of the Bankruptcy Court for the District of Delaware, 824 North Market Street, 3rd Floor, Wilmington, DE 19801 (or filed electronically via CM/ECF), on or before **4:00 p.m. (prevailing Eastern Time) on March 20, 2013**, and (d) be served, so as to be received no later than **4:00 p.m. (prevailing Eastern Time)** on the same day, upon:

- (a) **School Specialty, Inc., Attn: Michael P. Lavelle, Chief Executive Officer (mike.lavelle@schoolspecialty.com), W6316 Design Drive, Greenville, WI 54942;**
- (b) (i) **Paul, Weiss, Rifkind, Wharton & Garrison LLP (“Paul Weiss”), Attn: Alan W. Kornberg, Jeffrey D. Saferstein & Tarun Stewart (akornberg@paulweiss.com, jsaferstein@paulweiss.com, tstewart@paulweiss.com), 1285 Avenue of the Americas, New York, NY 10019 and (ii) Young, Conaway, Stargatt & Taylor, LLP, Attn: Pauline K. Morgan and Joel Waite (pmorgan@ycst.com, jwaite@ycst.com), Rodney**

Square, 1000 North King Street, Wilmington, DE 19801, attorneys for the Sellers;

- (c) Perella Weinberg Partners, Attn: Derron Slonecker and Agnes Tang (dslonecker@pwpartners.com, atang@pwpartners.com), 767 Fifth Avenue, New York, NY 10153, financial advisors for the Sellers;
- (d) (i) Akin Gump Strauss Hauer & Feld, LLP, Attn: Michael Stamer, Stephen Kuhn & Meredith Lahaie (mstamer@akingump.com, skuhn@akingump.com, mlahae@akingump.com), One Bryant Park, New York, NY 10036 and (ii) Pepper Hamilton LLP, Attn: David Stratton & David Fournier (strattond@pepperlaw.com, fournierd@pepperlaw.com), Hercules Plaza, Suite 5100, 1313 N. Market Street, Wilmington, DE 19801, attorneys for the Proposed Purchaser;
- (e) (i) Goldberg Kohn, Attn: Randall Klein & Jeremy Downs (randall.klein@goldbergkohn.com, jeremy.downs@goldbergkohn.com), 55 East Monroe Street, Suite 3300, Chicago, IL 60603 and (ii) Richards, Layton and Finger, P.A., Attn: Paul Heath (heath@RLF.com), One Rodney Square, 920 North King Street, Wilmington, DE 19801, attorneys for the ABL Credit Parties (as defined in the Asset Purchase Agreement);
- (f) (i) Brown Rudnick LLP, Attn: Robert J. Stark (rstark@brownrudnick.com), 7 Times Square, New York, NY 10036, (ii) Brown Rudnick LLP, Attn: Steven D. Pohl (SPohl@brownrudnick.com), One Financial Center, Boston, MA 02111, and (iii) Venable LLP, Attn: Jamie L. Edmonson (jledmonson@Venable.com), 750 Pratt Street, Suite 900, Baltimore, MD 21202, attorneys for the Committee; and
- (g) the U.S. Trustee, Attn: Juliet M. Sarkessian (Juliet.M.Sarkessian@usdoj.gov), 844 King Street, Suite 2207, Lockbox 35, Wilmington, DE 19801.

6. PLEASE TAKE NOTICE THAT THE FAILURE TO ABIDE BY THE PROCEDURES AND DEADLINES SET FORTH IN THE BIDDING PROCEDURES ORDER AND THE BIDDING PROCEDURES MAY RESULT IN THE FAILURE OF THE BANKRUPTCY COURT TO CONSIDER A COMPETING BID OR AN OBJECTION TO THE PROPOSED SALE TRANSACTION.

7. This Notice and the Sale Hearing are subject to the fuller terms and conditions of the Motion, the Bidding Procedures Order and the Bidding Procedures, which shall control in the event of any conflict and the Debtors encourage parties in interest to review such documents in their entirety. Copies of the Motion, the Asset Purchase Agreement, the Bidding Procedures, and/or the Bidding Procedures Order may be obtained free of charge at the website maintained by the Debtors' notice and claims agent at <http://www.kccllc.net/schoolspecialty> or by written request to counsel to the Debtors, Paul Weiss. In addition, copies of the aforementioned pleadings may be found on the Pacer's website, <http://ecf.deb.uscourts.gov>.

Dated: Wilmington, Delaware
February 15, 2013

/s/ Pauline K. Morgan

Pauline K. Morgan

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*Proposed Attorneys for the
Debtors and the Debtors in Possession*