

ORIGINAL

**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)

Joint Administration Requested

Re: Docket No. 9

**INTERIM ORDER (A) AUTHORIZING, BUT NOT DIRECTING, THE DEBTORS
TO PAY CERTAIN PREPETITION WAGES, COMPENSATION AND
EMPLOYEE BENEFITS AND CONTINUE PAYMENT OF WAGES,
COMPENSATION AND EMPLOYEE BENEFITS IN THE ORDINARY COURSE
OF BUSINESS; AND (B) AUTHORIZING AND DIRECTING APPLICABLE
BANKS AND OTHER FINANCIAL INSTITUTIONS TO PROCESS, AND PAY ALL
CHECKS PRESENTED FOR PAYMENT AND TO HONOR ALL FUNDS TRANSFER
REQUESTS MADE BY THE DEBTORS RELATING TO THE FOREGOING**

Upon consideration of the motion (the "Motion")² of the Debtors, seeking entry of an order: (i) authorizing, but not directing, the Debtors, in accordance with their stated policies and in the ordinary course of business, to: (a) pay all prepetition employee wages, salaries, and certain other payments owed to Employees, including holiday pay and other paid time off obligations, (b) pay all prepetition compensation owed to Independent Contractors, (c) honor workers' compensation obligations, (d) make all contributions to prepetition benefit programs and continue such programs, (e) make all payments for which prepetition payroll withholding deductions (including, but not limited to, payroll taxes) were made, and (f) reimburse all prepetition employee business expenses; (ii) authorizing, but not directing, the Debtors to

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 not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.



continue payment of wages, compensation, and employee benefit programs in the ordinary course of business and to pay other costs and expenses relating to the foregoing as described more fully below; and (iii) authorizing and directing applicable banks and other financial institutions to honor and pay all checks and transfers drawn on the Debtors' bank accounts to make the foregoing payments, all as described more fully in the Motion; and the Court having heard the evidence and statements of counsel regarding the Motion and having determined that the legal and factual bases set forth in the Motion and attested to in the First Day Declaration establish just cause for the relief granted herein, and the Court having found and concluded that the relief requested in the Motion is necessary to avoid immediate and irreparable harm to the Debtors and their estates; and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334 and the Amended Standing Order of Reference from the United States District Court for the District of Delaware dated as of February 29, 2012; and due notice of the Motion having been provided; and it appearing that no other or further notice of the Motion need be provided; and the Court having determined that the relief sought in the Motion is in the best interests of the Debtors, their estates and all parties in interest; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED, ADJUDGED, and DECREED that:

1. The Motion is GRANTED on an interim basis to the extent provided herein.

2. Except as otherwise set forth herein, the Debtors are authorized, pursuant to sections 105(a) and 363(b) of the Bankruptcy Code, but not obligated or directed, in the reasonable exercise of their business judgment and in the ordinary course of business, to pay and honor amounts on account of the Employee Obligations; provided, however, that without

prejudice to the Debtors' right to seek additional payments at the final hearing on this Motion (i) the Debtors shall not make any payments of the kind referenced in sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code to any Employee in excess of the amounts set forth in sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code, and (ii) the aggregate amount of payments of the kind referenced in sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code shall not exceed \$2.2 million unless further ordered by this Court pursuant to this Interim Order; provided, further, that such payments may exceed the amounts set forth in sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code with respect to one Employee in an amount not to exceed \$500 in the aggregate.

3. The Debtors are authorized, but not obligated or directed, in the reasonable exercise of their business judgment and in the ordinary course of business, to pay and honor amounts on account of the Independent Contractors.

4. The Debtors are authorized, but not obligated or directed, to continue and maintain the Employee Programs during the Chapter 11 Cases, in their sole discretion.

5. The Debtors are authorized, but not obligated or directed, in the reasonable exercise of their business judgment and in the ordinary course of business, to pay and honor the Employee Obligations and Employee Programs incurred prior to the Petition Date, including any associated costs and fees therewith, in an amount not to exceed \$750,000 in the aggregate unless further ordered by this Court.

6. Nothing in this Interim Order shall be deemed to (i) authorize the payment of any amounts in satisfaction of bonus or severance obligations, or which are subject to section 503(c) of the Bankruptcy Code, or (ii) authorize the Debtors to cash out unpaid vacation/leave time upon termination of an employee, unless applicable state law requires such payment.

7. At the final hearing on the Motion, the Court shall address the portion of the Motion in which the Debtors seek authority to continue Severance as to current non-insider Employees who may be terminated post-petition and to make cash payments with respect to PTO for such Employees; provided, however, that this Interim Order approves the Employees' use of accrued PTO in the ordinary course of business postpetition. A final hearing on the Motion shall be held on February 25, 2013 at 11:00 a.m. (prevailing Eastern Time). Objections, if any, to entry of an order granting the relief requested in the Motion with respect to payments to non-insider Employees of Severance and cash payments of PTO upon termination shall be filed with the Court and served so as to actually be received no later than February 15, 2013 at 4:00 p.m. (prevailing Eastern Time), by the following: (i) counsel for the Debtors, Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, New York 10019, Attn: Jeffrey D. Saferstein, Esq. (e-mail: jsaferstein@paulweiss.com; facsimile: (212) 757-3990) or Lauren Shumejda, Esq. (e-mail: lshumejda@paulweiss.com; facsimile: (212) 757-3990) and Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19899-0391, Attn: Pauline K. Morgan, Esq. (e-mail: pmorgan@ycst.com; facsimile: (302) 576-3318); (ii) the Office of the United States Trustee, J. Caleb Boggs Federal Building, 844 North King Street, Room 2207, Lockbox 35, Wilmington, Delaware 19801, Attn: Juliet M. Sarkessian (email: Juliet.M.Sarkessian@usdoj.gov; facsimile: (302) 573-6497); and (iii) counsel to any official committee of creditors, if one has been appointed.

8. All applicable Disbursement Banks are authorized, when requested by the Debtors and in the Debtors' sole discretion, to receive, process, honor, and pay any and all checks, drafts or electronic funds transfer requests drawn on the Debtors' accounts to the Employees whether issued or presented prior to or after the Petition Date.

9. Authorization to pay all amounts on account of Employee Obligations shall not affect the Debtors' right to contest the amount or validity of any Employee Obligation, including without limitation, any amounts that may be due to any taxing authority.

10. Nothing in the Motion or this Interim Order, nor as a result of any payment made pursuant to this Interim Order, shall be deemed or construed as an admission as to the validity or priority of any claim against the Debtors, an approval or assumption of any agreement, contract or lease pursuant to section 365 of the Bankruptcy Code, or a waiver of the right of the Debtors, or shall impair the ability of the Debtors, or any other party in interest, to the extent applicable, to contest the validity and amount of any payment made pursuant to this Interim Order.

11. The Debtors are authorized and empowered to take all actions necessary to implement the relief granted in this Interim Order.

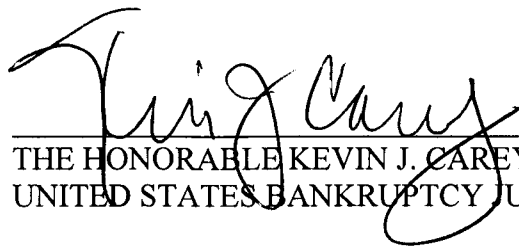
12. Notwithstanding any applicability of Bankruptcy Rule 6004(h), the terms and conditions of this Interim Order shall be immediately effective and enforceable upon its entry.

13. The requirements set forth in Bankruptcy Rule 6003(b) are satisfied because the relief set forth in this Interim Order is necessary to avoid immediate and irreparable harm.

14. Notwithstanding anything to the contrary contained in this Interim Order or the Motion, any payment, obligation or other relief authorized by this Interim Order shall be subject to and limited by the requirements imposed on the Debtors under the terms of any interim and/or final orders approving the DIP Financing.

15. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation of this Interim Order.

Dated: Jan 30, 2013
Wilmington, Delaware



THE HONORABLE KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE