

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

SCHOOL SPECIALTY, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 13-10125 (KJC)

Jointly Administered

Re: Docket Nos. 5, 9, 11, 71, 75 & 79

NOTICE OF FILING

1. On January 28, 2012 (the "Petition Date"), School Specialty, Inc. and its affiliated debtors and debtors-in-possession in the above-captioned cases (each a "Debtor," and collectively, the "Debtors") filed various first day pleadings (the "Motions"), including, but not limited to, the following:

- **Motion for an Order Pursuant to Section 366 of the Bankruptcy Code (I) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Utility Services, (II) Deeming Utility Companies Adequately Assured of Future Performance, (III) Establishing Procedures for Determining Adequate Assurance of Payment; and (IV) Setting a Final Hearing Related Thereto [Docket No. 5];**
- **Debtors' Motion for an 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**

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.



Transfer Requests Made by the Debtors Relating to the Foregoing [Docket No. 9];

- **Debtors' Motion for Entry of Interim and Final Orders Authorizing the Debtors to Pay Prepetition Claims of Certain Critical Vendors, Foreign Suppliers, Freight Carriers and Section 503(b)(9) Claimants [Docket No. 11].**

The Motions were heard by the Court on January 30, 2013 at 9:00 a.m. (ET) (the "First Day Hearing"). An order for each Motion was entered on an interim basis [Docket Nos. 71, 75, 79, respectively] (the "Interim Orders").

2. Subsequent to the First Day Hearing, the Debtors received and incorporated informal comments from the Office of the United States Trustee (the "U.S. Trustee") and counsel to the DIP Lenders² on the proposed final orders filed with the Motion (the "Revised Final Proposed Orders"). The Debtors intend to present the Revised Final Proposed Orders for approval to the Court at the second day hearing currently scheduled for February 25, 2013 at 11:00 am. (ET) (the "Second Day Hearing").

3. For the convenience of the Court and parties-in-interest, and in preparation for the Second Day Hearing, attached hereto as Exhibits 1 through 6 are the Revised Final Proposed Orders and blacklines comparing each of the Revised Final Proposed Orders with the corresponding Interim Orders.

² As defined in the Debtors' Motion for Entry of an Interim and Final Orders (I) Authorizing Debtors (A) to Obtain Postpetition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e) and 507 and (B) to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363, (C) to Grant Priming Liens and Superpriority Claims to the DIP Lenders, (D) to Provide Adequate Protection to Prepetition Secured Parties Pursuant to 11 U.S.C. §§ 361, 362, 363 and 364, and (E) to Repay in Full Amounts Owed in Connection with the Prepetition Secured Loans or Otherwise Converting the Prepetition Secured Obligation into Postpetition Secured Obligations; (II) Scheduling Final Hearing Pursuant to Bankruptcy Rules 4001(a) and (c); and (III) Granting Related Relief [D.I. 12].

Dated: February 13, 2013
Wilmington, Delaware

YOUNG CONAWAY STARGATT & TAYLOR, LLP

/s/ Maris J. Kandestin

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*Proposed Counsel to the Debtors and
Debtors-in-Possession*

EXHIBIT 1

Proposed Final Utilities Order

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

SCHOOL SPECIALTY, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 13-10125 (KJC)

Jointly Administered

Re: Docket Nos. 5 & 71

**FINAL ORDER PURSUANT TO SECTION 366 OF THE BANKRUPTCY
CODE (I) PROHIBITING UTILITY COMPANIES FROM ALTERING, REFUSING,
OR DISCONTINUING UTILITY SERVICES, (II) DEEMING UTILITY COMPANIES
ADEQUATELY ASSURED OF FUTURE PERFORMANCE, AND (III) ESTABLISHING
PROCEDURES FOR DETERMINING ADEQUATE ASSURANCE OF PAYMENT**

Upon the Motion² of School Specialty, Inc. and its affiliated debtors and debtors-in-possession in the above-captioned cases (each a “Debtor” and, collectively, the “Debtors”), requesting entry of interim and final orders pursuant to section 366 of the Bankruptcy Code, (i) prohibiting Utility Companies from altering, refusing, or discontinuing Utility Services, (ii) deeming Utility Companies adequately assured of future performance, (iii) establishing procedures for determining Adequate Assurance of payment, and (iv) setting a final hearing related thereto, all as described more fully in the Motion; and the Interim Order having been entered [Docket No. 71]; and it appearing that this Court has jurisdiction to consider the Motion pursuant to 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 it appearing that venue of these cases and the Motion in this district is proper pursuant to 28 U.S.C.

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 All capitalized terms used and not defined herein shall have the meanings ascribed to them in the Motion.

§§ 1408 and 1409; and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and it appearing that relevant and proper notice of the Motion has been given and that no other or further notice need be given; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors, their estates, their creditors and all other parties in interest; and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor, it is: hereby ORDERED that:

1. The Motion is GRANTED on a FINAL BASIS to the extent provided herein.

2. The Debtors are authorized, but not directed, to pay on a timely basis and in accordance with their prepetition practices all undisputed invoices for postpetition Utility Services provided by the Utility Companies to the Debtors.

3. To the extent not already deposited, the Debtors shall, on or before the date which is twenty (20) days after the Petition Date, deposit a sum of \$330,000, equal to 50% of the Debtors' estimated average monthly cost of the Utility Services (the "Utility Deposit") into a newly created segregated bank account, with such Utility Deposit to be held in escrow, pending further order of the Court, which shall constitute Adequate Assurance of payment for each Utility Company for postpetition Utility Services provided to the Debtors. The Utility Deposit may be either interest-bearing or non-interest-bearing at the Debtors' election.

4. The Utility Deposit Account shall be maintained with a minimum balance of \$330,000, equal to 50% of the Debtors' estimated average monthly cost of Utility Service, which may be adjusted by the Debtors (i) to account for the termination of Utility Services by the Debtors regardless of any Requests (as defined in the Motion); provided, however, that the funds may not be reduced based on termination until the Debtors have settled with the applicable

Utility Company on the amount of post-petition services or any dispute regarding the same resolved by the Court, (ii) agreements with Utility Companies, (iii) in accordance with the terms of any agreement between the Debtors and the affected Utility Company, and/or (iv) any deposits, security, letters of credit, or other amounts provided to Utility Companies post-petition for their Utility Services.

5. Absent further order of the Court, the Utility Companies are prohibited from altering, refusing or discontinuing Utility Services on the basis of the commencement of the Debtors' Chapter 11 Cases or on account of any unpaid invoice for Utility Services provided before the Petition Date, and requiring the Debtors to furnish any additional deposit or other security to the Utility Companies for the continued provision of Utility Services.

6. Within five (5) business days of entry of this Final Order, the Debtors shall serve or cause to be served, an individualized notice, substantially in the form attached hereto as Exhibit 1 (and which is hereby approved), on each Utility Company, which notice shall provide the amount of money set aside for each such Utility Company in the Adequate Assurance account.

7. If any Utility Company believes additional Adequate Assurance is required, it may request such additional assurance by serving a written request (a "Request") upon counsel to the Debtors, Paul, Weiss, Rifkind, Wharton & Garrison, LLP, 1285 Avenue of the Americas, New York, New York, 10019, Attention: 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, Attention: Maris Kandestin, Esq. (e-mail: mkandestin@ycst.com; facsimile: (302) 576-3318) (i) setting forth the location(s) for which Utility Services are provided, the account number(s)

for such location(s), and the outstanding balance for each account, (ii) providing a report on and certifying the Debtors' payment history on each account for the previous twelve months, (iii) disclosing any existing security deposit and (iv) providing an explanation of why the Utility Deposit is not Adequate Assurance of payment.

8. Without further order of the Court, the Debtors, in consultation with the DIP Agents, may enter into agreements granting additional Adequate Assurance to a Utility Company and/or extending the Debtors time to file a Determination Motion (as defined below).

9. If the Debtors believe a Request is unreasonable, then they shall, within thirty (30) days after receipt of a Request (or such later date agreed to by the Debtors and the requesting party), file a motion (the "Determination Motion") pursuant to section 366(c)(3) of the Bankruptcy Code seeking a determination from the Court that the Utility Deposit, plus any additional consideration offered by the Debtors, constitutes Adequate Assurance of payment.

10. Pending resolution of any such Determination Motion, the Utility Company filing such Request shall be prohibited from altering, refusing, or discontinuing service to the Debtors on account of the commencement of the Chapter 11 cases, unpaid charges for prepetition services or on account of any objection to the Debtors' proposed Adequate Assurance.

11. The Utility Deposit shall be deemed Adequate Assurance of payment for any Utility Company that fails to make a Request.

12. The Debtors may supplement the list of Utility Companies on Exhibit C to the Motion. If the Debtors supplement the list subsequent to the filing of the Motion, the Debtors shall serve a copy of the Motion and this Final Order on any Utility Company that is added to the list by such supplement. In addition, the Debtors will supplement the Utility Deposit Account by adding an adequate assurance deposit in the amount equal to 50% of the Debtors' average

monthly utility consumption over a one-year period for the added Utility Company, as applicable. Any subsequently added Utility Company set forth on a supplement to Exhibit C to the Motion will fall within the scope of this Final Order from the date of the filing of the supplement to Exhibit C to the Motion. Such added Utility Company making such Request shall be bound by the procedures set forth in this Final Order.

13. Nothing in this Final Order or the Motion shall be deemed to constitute postpetition assumption or adoption of any agreement pursuant to section 365 of the Bankruptcy Code.

14. Notwithstanding anything to the contrary contained in the Interim Order, this Final Order or the Motion, any payment, obligation or other relief authorized by this Order shall be subject to and limited by the requirements imposed on the Debtors under the terms of the interim order approving the DIP Financing [Docket No. 86], and any subsequent final order approving the DIP Financing.

15. The Debtors shall serve or cause to be served a copy Final Order on all parties served with the Motion, including the Utility Companies set forth on Exhibit C to the Motion

16. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation and/or interpretation of this Final Order.

Dated: February __, 2013
Wilmington, Delaware

THE HONORABLE KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 1

Utility Notice

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

SCHOOL SPECIALTY, INC., *et*
al.,³

Debtors.

Chapter 11

Case No. 13-10125 (KJC)

Jointly Administered

**NOTICE OF AMOUNTS SET ASIDE AS ADEQUATE
ASSURANCE OF PAYMENT UNDER 11 U.S.C. §366(c)**

PLEASE TAKE NOTICE that on January 28, 2013, School Specialty, Inc. and its affiliated debtors and debtors-in-possession in the above-captioned cases (each a “Debtor,” and collectively, the “Debtors”) filed the *Motion for an Order Pursuant to Section 366 of the Bankruptcy Code (I) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Utility Services, (II) Deeming Utility Companies Adequately Assured of Future Performance, (III) Establishing Procedures for Determining Adequate Assurance of Payment; and (IV) Setting a Final Hearing Related Thereto* [Docket No. 5] (the “Utility Motion”) with the United States Bankruptcy Court for the District of Delaware (the “Court”).

PLEASE TAKE FURTHER NOTICE that on January 30, 2013, the Court entered the *Interim Order Pursuant to Section 366 of the Bankruptcy Code (I) Prohibiting Utility Companies From Altering, Refusing, or Discontinuing Utility Services, (II) Deeming Utility Companies Adequately Assured of Future Performance, and (III) Setting a Final Hearing Related Thereto* [Docket No. 71] (the “Interim Utility Order”). You were previously served with a copy of the Utility Motion and the Interim Utility Order.

PLEASE TAKE FURTHER NOTICE that on February [___], 2013, the Court entered the *Final Order Pursuant to Section 366 of the Bankruptcy Code (I) Prohibiting Utility Companies From Altering, Refusing, or Discontinuing Utility Services, (II) Deeming Utility Companies Adequately Assured of Future Performance, and (III) Setting a Final Hearing Related Thereto* [Docket No. ___] (the “Final Utility Order”), a copy of which is being served contemporaneously with this notice.

PLEASE TAKE FURTHER NOTICE that on the schedule annexed hereto as Exhibit 1, the Debtors have indicated the amounts set aside for you as adequate assurance of future payment with respect to utility services pursuant to section 366(c) of title 11 of the United States Code (the “Bankruptcy Code”).

³ 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.

PLEASE TAKE FURTHER NOTICE that if you believe that the amount set forth on Exhibit 1 does not constitute adequate assurance of future payment pursuant to section 366(c) of the Bankruptcy Code, you must follow the procedures set forth in the Final Utility Order.

PLEASE TAKE FURTHER NOTICE that you may obtain copies of the Utility Motion, the Interim Utility Order or the Final Utility Order free of charge at <http://kccllc.net/schoolspecialty>.

Dated: _____, 2013
Wilmington, Delaware

YOUNG CONAWAY STARGATT & TAYLOR, LLP

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- and -

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*Proposed Counsel for the Debtors and
Debtors-in-Possession*

Exhibit A

EXHIBIT 2

Proposed Final Utilities Order Blackline

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

SCHOOL SPECIALTY, INC., *et al.*,¹

Debtors.²

Chapter 11

Case No. 13-10125 (KJC)

~~Joint Administration Requested~~
Jointly Administered

Re: ~~Docket No~~ Nos. 5 & 71

**INTERIM/FINAL ORDER PURSUANT TO SECTION 366 OF THE BANKRUPTCY
CODE (I) PROHIBITING UTILITY COMPANIES FROM ALTERING, REFUSING,
OR DISCONTINUING UTILITY SERVICES, (II) DEEMING UTILITY COMPANIES
ADEQUATELY ASSURED OF FUTURE PERFORMANCE, AND (III) SETTING A
FINAL HEARING RELATED THERETO/ESTABLISHING PROCEDURES FOR
DETERMINING ADEQUATE ASSURANCE OF PAYMENT**

Upon the Motion² of School Specialty, Inc. and its affiliated debtors and debtors-in-possession in the above-captioned cases (each a “Debtor” and, collectively, the “Debtors”), requesting entry of interim and final orders pursuant to section 366 of the Bankruptcy Code, (i) prohibiting Utility Companies from altering, refusing, or discontinuing Utility Services, (ii) deeming Utility Companies adequately assured of future performance, (iii) establishing procedures for determining ~~adequate assurance~~ Adequate Assurance of payment, and (iv) setting a final hearing related thereto, all as described more fully in the Motion; and the Interim Order having been entered [Docket No. 71]; and it appearing that this Court has jurisdiction to consider

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 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 All capitalized terms used and not defined herein shall have the meanings ascribed to them in the Motion.

the Motion pursuant to 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 it appearing that venue of these cases and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and it appearing that relevant and proper notice of the Motion has been given and that no other or further notice need be given; ~~and a hearing having been held to consider the relief requested in the Motion; and upon the record of the hearing and all of the proceedings had before the Court;~~ and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors, their estates, their creditors and all other parties in interest; and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED that:

1. The Motion is GRANTED on an ~~an~~ INTERIM FINAL BASIS to the extent provided herein.
2. The Debtors are authorized, but not directed, to pay on a timely basis and in accordance with their prepetition practices all undisputed invoices for postpetition Utility Services provided by the Utility Companies to the Debtors.
3. ~~The~~ To the extent not already deposited, the Debtors shall, on or before the date which is twenty (20) days after the Petition Date, deposit a sum of \$330,000, equal to 50% of the Debtors' estimated average monthly cost of the Utility Services (the "Utility Deposit") into a newly created segregated bank account ~~(the "Utility Deposit Account")~~, with such Utility Deposit to be held in escrow, pending further order of the Court, which shall constitute ~~adequate assurance~~ Adequate Assurance of payment for each Utility Company for postpetition Utility

Services provided to the Debtors. The Utility Deposit Account may be either interest-bearing or non-interest-bearing at the Debtors' election.

4. The Utility Deposit Account shall be maintained with a minimum balance of \$330,000, equal to 50% of the Debtors' estimated average monthly cost of Utility Service, which may be adjusted by the Debtors (i) to account for the termination of Utility Services by the Debtors regardless of any Requests (as defined in the Motion); provided, however, that the funds may not be reduced based on termination until the Debtors have settled with the applicable Utility Company on the amount of post-petition services or any dispute regarding the same is resolved by the Court, (ii) agreements with Utility Companies, (iii) in accordance with the terms of any agreement between the Debtors and the affected Utility Company, and/or (iv) any deposits, security, letters of credit, or other amounts provided to Utility Companies post-petition for their Utility Services.

5. ~~Pending entry~~ Absent further order of the Final Order Court, the Utility Companies are prohibited from altering, refusing or discontinuing Utility Services on the basis of the commencement of the Debtors' Chapter 11 Cases or on account of any unpaid invoice for Utility Services ~~or on account of any objections to the Debtors' proposed adequate assurance provided before the Petition Date, and requiring the Debtors to furnish any additional deposit or other security to the Utility Companies for the continued provision of Utility Services.~~

6. Within five (5) business days of entry of this Final Order, the Debtors shall serve or cause to be served, an individualized notice, substantially in the form attached hereto as Exhibit 1 (and which is hereby approved), on each Utility Company, which notice shall provide the amount of money set aside for each such Utility Company in the Adequate Assurance account.

7. ~~6.~~ If any Utility Company believes additional Adequate Assurance is required, it may request such additional assurance by serving a written request (a "Request") upon counsel to the Debtors, Paul, Weiss, Rifkind, Wharton & Garrison, LLP, 1285 Avenue of the Americas, New York, New York, 10019, Attention: Jeffrey D. Saferstein, Esq. (e-mail: jsaferstein@paulweiss.com; facsimile: (212) 757-3990) or Lauren Shumejda, Esq. (e-mail: lssumejda@paulweiss.com; facsimile: (212) 757-3990) and Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19899-0391, Attention: Maris Kandestin, Esq. (e-mail: mkandestin@ycst.com; facsimile: (302) 576-3318) (i) setting forth the location(s) for which Utility Services are provided, the account number(s) for such location(s), and the outstanding balance for each account, (ii) providing a report on and certifying the Debtors' payment history on each account for the previous twelve months, (iii) disclosing any existing security deposit and (iv) providing an explanation of why the Utility Deposit is not Adequate Assurance of payment.

8. ~~7.~~ Without further order of the Court, the Debtors, in consultation with the DIP Agents, may enter into agreements granting additional Adequate Assurance to a Utility Company and/or extending the Debtors time to file a Determination Motion (as defined below).

9. ~~8.~~ If the Debtors believe a Request is unreasonable, then they shall, within thirty (30) days after receipt of a Request (or such later date agreed to by the Debtors and the requesting party), file a motion (the "Determination Motion") pursuant to section 366(c)(3) of the Bankruptcy Code seeking a determination from the Court that the Utility Deposit, plus any additional consideration offered by the Debtors, constitutes Adequate Assurance of payment.

10. ~~9.~~ Pending resolution of any such Determination Motion, the Utility Company filing such Request shall be prohibited from altering, refusing, or discontinuing service to the

Debtors on account of the commencement of the Chapter 11 ~~Cases~~cases, unpaid charges for prepetition services or on account of any ~~objections~~objection to the Debtors' proposed Adequate Assurance.

11. ~~10.~~ The Utility Deposit shall be deemed Adequate Assurance of payment for any Utility Company that fails to make a Request.

12. ~~11.~~ The Debtors may supplement the list of Utility Companies on Exhibit C to the Motion. If the Debtors supplement the list subsequent to the filing of the Motion, the Debtors shall serve a copy of the Motion and this Final Order on any Utility Company that is added to the list by such supplement. In addition, the Debtors will supplement the Utility Deposit Account by adding an adequate assurance deposit in the amount equal to 50% of the Debtors' average monthly utility consumption over a one-year period for the added Utility Company, as applicable. Any subsequently added Utility Company set forth on a supplement to Exhibit C to the Motion will fall within the scope of this Final Order from the date of the filing of the supplement to Exhibit C to the Motion. Such added Utility Company making such Request shall be bound by the procedures set forth in this ~~Interim~~Final Order.

13. ~~12.~~ Nothing in this ~~Interim~~Final Order or the Motion shall be deemed to constitute postpetition assumption or adoption of any agreement pursuant to section 365 of the Bankruptcy Code.

13. ~~The deadline by which objections to the Motion and the Final Order must be filed is February 15, 2013 at 4:00 p.m. (ET). Objections must be served on (i) counsel to the Debtors; (ii) the U.S. Trustee, 844 King Street, Suite 2207, Wilmington, Delaware 19801, Attention: Juliet Sarkessian, Esq. (E-Mail: Juliet.m.sarkessian@usdoj.gov) and (iii) counsel to any statutory committee appointed in these cases. A final hearing, if required, on the Motion will be~~

~~held on February 25, 2013 at 11:00 a.m. (ET). If no objections are filed to the Motion, the Court may enter the Final Order without further notice or hearing.~~

14. Notwithstanding anything to the contrary contained in ~~this~~ the Interim Order, this Final Order or the Motion, any payment, obligation or other relief authorized by this Order shall be subject to and limited by the requirements imposed on the Debtors under the terms of ~~any~~ the interim and/or final order order approving the DIP Financing [Docket No. 86], and any subsequent final order approving the DIP Financing.

15. The Debtors shall serve or cause to be served a copy ~~Interim~~ Final Order on all parties served with the Motion, including the Utility Companies set forth on Exhibit C to the Motion.

16. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation and/or interpretation of this ~~Interim~~ Final Order.

Dated: February , 2013
Wilmington, Delaware

THE HONORABLE KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 1

Utility Notice

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

<u>In re:</u>	<u>Chapter 11</u>
<u>SCHOOL SPECIALTY, INC., et</u>	<u>Case No. 13-10125 (KJC)</u>
<u>al.,¹</u>	
<u>Debtors,</u>	<u>Jointly Administered</u>

NOTICE OF AMOUNTS SET ASIDE AS ADEQUATE
ASSURANCE OF PAYMENT UNDER 11 U.S.C. §366(c)

PLEASE TAKE NOTICE that on January 28, 2013, School Specialty, Inc. and its affiliated debtors and debtors-in-possession in the above-captioned cases (each a “Debtor,” and collectively, the “Debtors”) filed the *Motion for an Order Pursuant to Section 366 of the Bankruptcy Code (I) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Utility Services, (II) Deeming Utility Companies Adequately Assured of Future Performance, (III) Establishing Procedures for Determining Adequate Assurance of Payment; and (IV) Setting a Final Hearing Related Thereto* [Docket No. 5] (the “Utility Motion”) with the United States Bankruptcy Court for the District of Delaware (the “Court”).

PLEASE TAKE FURTHER NOTICE that on January 30, 2013, the Court entered the *Interim Order Pursuant to Section 366 of the Bankruptcy Code (I) Prohibiting Utility Companies From Altering, Refusing, or Discontinuing Utility Services, (II) Deeming Utility Companies Adequately Assured of Future Performance, and (III) Setting a Final Hearing Related Thereto* [Docket No. 71] (the “Interim Utility Order”). You were previously served with a copy of the Utility Motion and the Interim Utility Order.

PLEASE TAKE FURTHER NOTICE that on February [], 2013, the Court entered the *Final Order Pursuant to Section 366 of the Bankruptcy Code (I) Prohibiting Utility Companies From Altering, Refusing, or Discontinuing Utility Services, (II) Deeming Utility Companies Adequately Assured of Future Performance, and (III) Setting a Final Hearing Related Thereto* [Docket No.] (the “Final Utility Order”), a copy of which is being served contemporaneously with this notice.

PLEASE TAKE FURTHER NOTICE that on the schedule annexed hereto as Exhibit 1, the Debtors have indicated the amounts set aside for you as adequate assurance of future payment with respect to utility services pursuant to section 366(c) of title 11 of the United States Code (the “Bankruptcy Code”).

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.

PLEASE TAKE FURTHER NOTICE that if you believe that the amount set forth on Exhibit 1 does not constitute adequate assurance of future payment pursuant to section 366(c) of the Bankruptcy Code, you must follow the procedures set forth in the Final Utility Order.

PLEASE TAKE FURTHER NOTICE that you may obtain copies of the Utility Motion, the Interim Utility Order or the Final Utility Order free of charge at <http://kccllc.net/schoolspecialty>.

Dated: January _____, 2013
Wilmington, Delaware

THE HONORABLE KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE
YOUNG CONAWAY STARGATT & TAYLOR, LLP

Pauline K. Morgan (No. 3650)
Maris J. Kandestin (No. 5294)
Morgan L. Seward (No. 5388)
Rodney Square
1000 North King Street
Wilmington, Delaware 19801
Telephone: (302) 571-6600
Facsimile: (302) 571-1253

- and -

PAUL, WEISS, RIFKIND, WHARTON &
GARRISON LLP
Alan W. Kornberg
Jeffrey D. Saferstein
Lauren Shumejda
Ann K. Young
1285 Avenue of the Americas
New York, New York 10019-6064
Telephone: (212) 373-3000
Facsimile: (212) 757-3990

Proposed Counsel for the Debtors and
Debtors-in-Possession

Exhibit A

EXHIBIT 3

Proposed Final Wage Order

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

Re: Docket Nos. 9 & 75

**FINAL 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, among other things, entry of an order authorizing, but not directing, the Debtors 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 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

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.

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 previously entered the *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 Fund Transfer Requests Made by the Debtors Relating to the Foregoing* [Docket No. 75] (the "Interim Order") with respect to Motion; 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 upon the Motion, and the First Day Declaration; and all of the proceedings held before the Court; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED, ADJUDGED, and DECREED that:

1. The Motion is GRANTED on a final basis to the extent provided herein.

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 pursuant to a further motion on notice to parties-in-interest, (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; 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.

2. 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.

3. 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.

4. The Debtors are authorized, but not directed, to make Severance payments to non-insider Employees who are terminated postpetition (unless such termination is for cause), and to honor all obligations under the Debtors' PTO policy, including making cash payments to such non-insider Employees upon their termination with respect to unused PTO.

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 \$1.25 million in the aggregate unless further ordered by this Court.

6. Nothing in this Final Order shall be deemed to authorize payment of any amounts which are subject to section 503(c) of the Bankruptcy Code.

All applicable Disbursement Banks are authorized and directed, when requested by the Debtors and in the Debtors' sole discretion, to receive, process, honor and pay any and all checks or drafts drawn on the Debtors' accounts to the Employees whether those checks were issued or presented prior to or after the Petition Date, and make other transfers, provided that sufficient funds are available in the applicable accounts, whether deposited prepetition or postpetition, to make the payments.

7. 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, the Payroll Deductions that may be due to any taxing authority.

8. Nothing in the Motion, the Interim Order or this Final Order, nor as a result of any payment made pursuant to the Interim Order or this Final 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 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 the Interim Order or this Final Order.

9. Notwithstanding the provisions of Bankruptcy Rules 6004 or 6006 or any applicable provisions of the Local Rules of Practice and Procedure of the United States Bankruptcy Court for the District of Delaware, this Final Order shall be effective and enforceable immediately upon entry thereof.

10. Notwithstanding anything to the contrary contained in this Final Order, the Interim Order or the Motion, any payment, obligation or other relief authorized by this Final Order shall be subject to and limited by the requirements imposed on the Debtors under the terms of the interim order approving the DIP Financing [Docket No. 86], and any subsequent final order approving the DIP Financing.

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

Dated: February, ____ 2013
Wilmington, Delaware

THE HONORABLE KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 4

Proposed Final Wage Order Blackline

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

~~Joint Administration Requested~~

Re: Docket No ~~No~~ Nos. 9 & 75

~~INTERIM~~FINAL 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, ~~among other things,~~ 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:~~ 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

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.

Debtors to 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 previously entered the 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 Fund Transfer Requests Made by the Debtors Relating to the Foregoing [Docket No. 75] (the "Interim Order") with respect to Motion; 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 upon the Motion, and the First Day

Declaration; and all of the proceedings held before the Court; 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~~ a final 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 pursuant to a further motion on notice to parties-in-interest,~~ (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.

~~2.~~ 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.

~~3.~~ 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.

4. The Debtors are authorized, but not directed, to make Severance payments to non-insider Employees who are terminated postpetition (unless such termination is for cause), and to honor all obligations under the Debtors' PTO policy, including making cash payments to such non-insider Employees upon their termination with respect to unused PTO.

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 \$750,0001.25 million in the aggregate unless further ordered by this Court.

6. Nothing in this ~~Interim~~Final 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@yest.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 and directed, when requested by the Debtors and in the Debtors' sole discretion, to receive, process, honor, and pay any and all checks, or drafts or electronic funds transfer requests drawn on the Debtors' accounts to the Employees whether those checks were issued or presented prior to or after the Petition Date, and make other transfers, provided that sufficient funds are available in the applicable accounts, whether deposited prepetition or postpetition, to make the payments.

7. ~~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~~ the Payroll Deductions that may be due to any taxing authority.

8. ~~10.~~ Nothing in the Motion, the Interim Order or this ~~Interim~~ Final Order, nor as a result of any payment made pursuant to ~~this~~ the Interim Order or this Final 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~~the Interim Order, or this Final Order.

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

~~9. 12. Notwithstanding any applicability of Bankruptcy Rule 6004(h), the terms and conditions of this Interim Order shall be immediately~~the provisions of Bankruptcy Rules 6004 or 6006 or any applicable provisions of the Local Rules of Practice and Procedure of the United States Bankruptcy Court for the District of Delaware, this Final Order shall be effective and enforceable immediately 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 thereof.~~

~~10. 14. Notwithstanding anything to the contrary contained in this Final Order,~~the Interim Order or the Motion, any payment, obligation or other relief authorized by this InterimFinal Order shall be subject to and limited by the requirements imposed on the Debtors under the terms of anythe interim and/or final ordersorder approving the DIP Financing [Docket No. 86], and any subsequent final order approving the DIP Financing.

~~11. 15. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation of this InterimFinal Order.~~

Dated: February, _____, 2013

Wilmington, Delaware

THE HONORABLE KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 5

Proposed Final Critical Vendor Order

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

SCHOOL SPECIALTY, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 13-10125 (KJC)

Jointly Administered

Re: Docket Nos. 11 & 79

**FINAL ORDER AUTHORIZING THE DEBTORS TO PAY
PREPETITION CLAIMS OF CERTAIN CRITICAL VENDORS, FOREIGN
SUPPLIERS, FREIGHT CARRIERS AND SECTION 503(B)(9) CLAIMANTS**

Upon the Motion² of School Specialty, Inc. and its affiliated debtors and debtors-in-possession in the above-captioned cases (each a “Debtor” and, collectively, the “Debtors”), requesting entry of interim and final orders pursuant to sections 105, 363, 503(b)(9), 506(b), and 507(a)(2) of title 11 of the United States Code (the “Bankruptcy Code”), authorizing, but not directing, the Debtors, in their discretion, to pay the prepetition claims of certain Key Product Suppliers, Foreign Suppliers, Freight Carriers, and Section 503(b)(9) Claimants; and it appearing that jurisdiction is proper pursuant to 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 the Interim Order having been entered by this Court [Docket No. 79]; and it appearing that venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and it appearing that the relief requested is in the best interests of the Debtors, their estates, their creditors and all other

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² All capitalized terms used and not defined herein shall have the meanings ascribed to them in the Motion.

parties in interest; and it appearing that such relief is necessary to avoid immediate and irreparable harm meaning that the requirements of Rule 6003 of the Federal Rules of Bankruptcy Procedure have been satisfied; and it appearing that proper and adequate notice of the Motion has been given and that no other or further notice is necessary; and after due deliberation and sufficient cause appearing therefor; it is hereby ORDERED that:

1. The Motion is GRANTED on a FINAL BASIS to the extent provided herein.
2. The Debtors are authorized, but not directed, in their sole discretion and in the reasonable exercise of their business judgment, to pay certain prepetition Key Product Claims, Foreign Supplier Claims, Freight Claims and Section 503(b)(9) Claims (collectively, the "Critical Vendor Claims"), subject to the conditions set forth in this Final Order.
3. The Final Claims Cap applicable to payment of the Key Product Claims, Foreign Supplier Claims, Freight Claims and Section 503(b)(9) Claims shall not exceed \$2.4 million with respect to Key Product Claims, \$3.7 million with respect to Foreign Supplier Claims, \$3.2 million with respect to Freight Claims, and \$5.2 million with respect to Section 503(b)(9) Claims unless otherwise ordered by the Court and with the consent of the DIP Agents.
4. The Debtors are authorized to pay the Critical Vendor Claims in the ordinary course of business, when due, and not on an accelerated basis; provided, however, that any Critical Vendor that accepts payment pursuant to the authority granted in this Final Order agrees to supply goods and services to the Debtors postpetition on Customary Trade Terms or on such other favorable terms as are acceptable to the Debtors.
5. Any Critical Vendor that accepts payment pursuant to the authority granted in this Final Order shall be deemed to (a) agree to the terms and provisions of this Final Order and (b) have waived, to the extent paid, any and all prepetition claims against the Debtors, their asserts

and their properties, unless the Debtors pay the Critical Vendor less than 100% of its prepetition claim.

6. The Debtors shall undertake all appropriate efforts in the exercise of their sound business judgment to cause each Critical Vendor to enter into an agreement with the Debtors (the "Trade Agreement"), including, but not limited to, the following terms:

- (a) The amount of such Critical Vendor's estimated prepetition claim, after accounting for any setoffs, other credits and discounts thereto, shall be as mutually determined in good faith by the Critical Vendor and the Debtors (but such amount shall be used only for purposes of the Final Order and shall not be deemed a claim allowed by the Court, and the rights of all parties in interest to object to such claim shall be fully preserved until further order of the Court);
- (b) The Critical Vendor's agreement to be bound by the Customary Trade Terms (including, but not limited to, credit limits, pricing, cash discounts, timing of payments, allowances, rebates, coupon reconciliation, normal product mix and availability and other applicable terms and programs), which were favorable to the Debtors and in effect between such Critical Vendor and the Debtors on a historical basis for the period within one-hundred twenty (120) days of the Petition Date, or such other trade terms as mutually agreed to by the Debtors and such Critical Vendor;
- (c) The Critical Vendor's agreement to provide goods and/or services to the Debtors based upon Customary Trade Terms, and the Debtors' agreement to pay the Critical Vendor in accordance with such terms;
- (d) The Critical Vendor's agreement not to file or otherwise assert against any of the Debtors, their estates or any of their respective assets or property (real or personal) any lien (a "Lien") (regardless of the statute or other legal authority upon which such Lien is asserted) related in any way to any remaining prepetition amounts allegedly owed to the Critical Vendor by the Debtors arising from goods and/or services provided to the Debtors prior to the Petition Date, and that, to the extent that the Critical Vendor has previously obtained such a Lien, the Critical Vendor shall immediately take all necessary actions to release such Lien;
- (e) The Critical Vendor's acknowledgment that it has reviewed the terms and provisions of this Final Order and consents to be bound

thereby;

- (f) The Critical Vendor's agreement that it will not separately assert or otherwise seek payment of any reclamation claims; and
- (g) The Critical Vendor's agreement that it has received payment of a prepetition claims but if it subsequently refuses to supply goods and/or services to the Debtors on Customary Trade Terms, any payments received by the Critical Vendor on account of its Critical Vendor Claim will be deemed to have been in payment of then outstanding postpetition obligations owed to such Critical Vendor, and the Debtors may then take any and all appropriate steps to cause such Critical Vendor to repay payments made to it on account of its prepetition claim to the extent that such payments exceed the post-petition amounts then owing to such Critical Vendor.

7. The Debtors shall consult with Bayside in respect of the terms of any material Trade Agreements.

8. The Debtors may, in their sole discretion, declare a Trade Agreement with an individual Critical Vendor to have terminated, together with the other benefits to the Critical Vendor as contained in this Final Order, on the date the Debtors deliver notice to the Critical Vendor that the Critical Vendor has not complied with the terms and provisions of the Trade Agreement or has failed to continue to provide Customary Trade Terms to the Debtors. The Critical Vendor shall have the right to seek relief from the Court with respect to the Debtors' termination of a Trade Agreement if the Critical Vendor believes it has complied with the terms of the Trade Agreement.

9. If a Trade Agreement is terminated as set forth above, or a Critical Vendor who has received payment of a prepetition claim later refuses to continue to supply goods and/or services to the Debtors on Customary Trade Terms during the pendency of these Chapter 11 Cases, the Debtors may, in their discretion, declare that provisional payments made to the Critical Vendor on account of prepetition Trade Claims be deemed to have been in payment of

then outstanding postpetition amounts owed to such Critical Vendor without further order of the Court or action by any person or entity, and the Debtors may then take any and all appropriate steps to cause such Critical Vendor to repay payments made to it on account of its prepetition claim to the extent that such payments exceed the post-petition amounts then owing to such Critical Vendor.

10. The execution of a Trade Agreement by the Debtors shall not be declared a waiver of any other cause of action, including any avoidance action that may be held by the Debtors.

11. Upon the Debtors' payment of the Freight Claims, any Lien securing such Freight Claim shall be immediately released, void and of no further force and effect, without further action by the Debtors.

12. The Debtors' Banks shall be, and hereby are, authorized, when requested by the Debtors in their sole discretion, to process, honor, and pay any and all checks or electronic fund transfers drawn on the Debtors' bank accounts to pay the Critical Vendor Claims, provided that sufficient funds are available in the applicable accounts to make the payments.

13. Nothing in the Motion, the Interim Order or this Final Order, or the Debtors' payment of any claims pursuant to this Final Order, shall be deemed or construed: (a) as an admission as to the validity of any claim or Lien against the Debtors or their estates; (b) as a waiver of the Debtors' right to dispute any claim or Lien; (c) as approval or assumption of any agreement, contract or lease pursuant to section 365 of the Bankruptcy Code; (d) as an admission of the priority status of any claim, whether under section 503(b)(9) of the Bankruptcy Code or otherwise; or (e) to prejudice any of the Debtors' rights to seek relief under any section of the Bankruptcy Code on account of any amounts owed or paid to any Critical Vendor.

14. Notwithstanding anything to the contrary contained in this Final Order, the Interim Order or the Motion, any payment, obligation or other relief authorized by this Order shall be subject to and limited by the requirements imposed on the Debtors under the terms of the interim order approving the DIP Financing [Docket No. 86], and any subsequent final order approving the DIP Financing.

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

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

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

Dated: February ____, 2013
Wilmington, Delaware

THE HONORABLE KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 6

Proposed Final Critical Vendor Order Blackline

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

SCHOOL SPECIALTY, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 13-10125 (KJC)

~~Joint Administration Requested~~

Jointly Administered

Re: ~~Docket No.~~ Nos. 11

& 79

**INTERIM/FINAL ORDER AUTHORIZING THE DEBTORS TO PAY
PREPETITION CLAIMS OF CERTAIN CRITICAL VENDORS, FOREIGN
SUPPLIERS, FREIGHT CARRIERS AND SECTION 503(B)(9) CLAIMANTS**

Upon the Motion² of School Specialty, Inc. and its affiliated debtors and debtors-in-possession in the above-captioned cases (each a “Debtor” and, collectively, the “Debtors”), requesting entry of interim and final orders pursuant to sections 105, 363, 503(b)(9), 506(b), and 507(a)(2) of title 11 of the United States Code (the “Bankruptcy Code”), authorizing, but not directing, the Debtors, in their discretion, to pay the prepetition claims of certain Key Product Suppliers, Foreign Suppliers, Freight Carriers, and Section 503(b)(9) Claimants; and it appearing that jurisdiction is proper pursuant to 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 the Interim Order having been entered by this Court [Docket No. 79]; and it appearing that venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and it appearing that that the relief requested is in the best interests of the Debtors, their estates, their creditors and

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 All capitalized terms used and not defined herein shall have the meanings ascribed to them in the Motion.

all other parties in interest; and it appearing that such relief is necessary to avoid immediate and irreparable harm meaning that the requirements of Rule 6003 of the Federal Rules of Bankruptcy Procedure have been satisfied; and it appearing that proper and adequate notice of the Motion has been given and that no other or further notice is necessary; and after due deliberation and sufficient cause appearing therefor; it is hereby ORDERED that:

1. The Motion is GRANTED on an ~~an INTERIM~~ a FINAL BASIS to the extent provided herein.
2. The Debtors are authorized, but not directed, in their sole discretion and in the reasonable exercise of their business judgment, to pay certain prepetition Key Product Claims, Foreign Supplier Claims, Freight Claims and Section 503(b)(9) Claims (collectively, the "Critical Vendor Claims"), subject to the conditions set forth in this ~~Interim~~ Final Order.
3. The ~~Interim~~ Final Claims Cap applicable to payment of the Key Product Claims, Foreign Supplier Claims, ~~and Freight Claims upon entry of this Interim Order~~ and Section 503(b)(9) Claims shall not exceed \$12.4 million with respect to Key Product Claims, \$43.7 million with respect to Foreign Supplier Claims, ~~and \$33.2~~ million with respect to Freight Claims, and \$5.2 million with respect to Section 503(b)(9) Claims unless otherwise ordered by the Court and with the consent of the DIP Agents.
4. The Debtors are authorized to pay the Critical Vendor Claims in the ordinary course of business, when due, and not on an accelerated basis; ~~provided, however,~~ that any Critical Vendor that accepts payment pursuant to the authority granted in this ~~Interim~~ Final Order agrees to supply goods and services to the Debtors postpetition on Customary Trade Terms or on such other favorable terms as are acceptable to the Debtors.
5. Any Critical Vendor that accepts payment pursuant to the authority granted in this ~~Interim~~ Final Order shall be deemed to (a) agree to the terms and provisions of this ~~Interim~~ Final

Order and (b) have waived, to the extent paid, any and all prepetition claims against the Debtors, their asserts and their properties, unless the Debtors pay the Critical Vendor less than 100% of its prepetition claim.

6. The Debtors shall undertake all appropriate efforts in the exercise of their sound business judgment to cause each Critical Vendor to enter into an agreement with the Debtors (the "Trade Agreement"), including, but not limited to, the following terms:

- (a) The amount of such Critical Vendor's estimated prepetition claim, after accounting for any setoffs, other credits and discounts thereto, shall be as mutually determined in good faith by the Critical Vendor and the Debtors (but such amount shall be used only for purposes of the ~~Interim~~ Final Order and shall not be deemed a claim allowed by the Court, and the rights of all parties in interest to object to such claim shall be fully preserved until further order of the Court);
- (b) The Critical Vendor's agreement to be bound by the Customary Trade Terms (including, but not limited to, credit limits, pricing, cash discounts, timing of payments, allowances, rebates, coupon reconciliation, normal product mix and availability and other applicable terms and programs), which were favorable to the Debtors and in effect between such Critical Vendor and the Debtors on a historical basis for the period within one-hundred twenty (120) days of the Petition Date, or such other trade terms as mutually agreed to by the Debtors and such Critical Vendor;
- (c) The Critical Vendor's agreement to provide goods and/or services to the Debtors based upon Customary Trade Terms, and the Debtors' agreement to pay the Critical Vendor in accordance with such terms;
- (d) The Critical Vendor's agreement not to file or otherwise assert against any of the Debtors, their estates or any of their respective assets or property (real or personal) any lien (a "Lien") (regardless of the statute or other legal authority upon which such Lien is asserted) related in any way to any remaining prepetition amounts allegedly owed to the Critical Vendor by the Debtors arising from goods and/or services provided to the Debtors prior to the Petition Date, and that, to the extent that the Critical Vendor has previously obtained such a Lien, the Critical Vendor shall immediately take all necessary actions to release such Lien;

- (e) The Critical Vendor's acknowledgment that it has reviewed the terms and provisions of this ~~Interim~~Final Order and consents to be bound thereby;
- (f) The Critical Vendor's agreement that it will not separately assert or otherwise seek payment of any reclamation claims; and
- (g) The Critical Vendor's agreement that it has received payment of a prepetition claims but if it subsequently refuses to supply goods and/or services to the Debtors on Customary Trade Terms, any payments received by the Critical Vendor on account of its Critical Vendor Claim will be deemed to have been in payment of then outstanding postpetition obligations owed to such Critical Vendor, and the Debtors may then take any and all appropriate steps to cause such Critical Vendor to repay payments made to it on account of its prepetition claim to the extent that such payments exceed the post-petition amounts then owing to such Critical Vendor.

7. The Debtors shall consult with Bayside in respect of the terms of any material Trade Agreements.

8. The Debtors may, in their sole discretion, declare a Trade Agreement with an individual Critical Vendor to have terminated, together with the other benefits to the Critical Vendor as contained in this ~~Interim~~Final Order, on the date the Debtors deliver notice to the Critical Vendor that the Critical Vendor has not complied with the terms and provisions of the Trade Agreement or has failed to continue to provide Customary Trade Terms to the Debtors. The Critical Vendor shall have the right to seek relief from the Court with respect to the Debtors' termination of a Trade Agreement if the Critical Vendor believes it has complied with the terms of the Trade Agreement.

9. If a Trade Agreement is terminated as set forth above, or a Critical Vendor who has received payment of a prepetition claim later refuses to continue to supply goods and/or services to the Debtors on Customary Trade Terms during the pendency of these Chapter 11 Cases, the Debtors may, in their discretion, declare that provisional payments made to the

Critical Vendor on account of prepetition Trade Claims be deemed to have been in payment of then outstanding postpetition amounts owed to such Critical Vendor without further order of the Court or action by any person or entity, and the Debtors may then take any and all appropriate steps to cause such Critical Vendor to repay payments made to it on account of its prepetition claim to the extent that such payments exceed the post-petition amounts then owing to such Critical Vendor.:-

10. The execution of a Trade Agreement by the Debtors shall not be declared a waiver of any other cause of action, including any avoidance action that may be held by the Debtors.

11. Upon the Debtors' payment of the Freight Claims, any Lien securing such Freight Claim shall be immediately released, void and of no further force and effect, without further action by the Debtors.

12. The Debtors' Banks shall be, and hereby are, authorized, when requested by the Debtors in their sole discretion, to process, honor, and pay any and all checks or electronic fund transfers drawn on the Debtors' bank accounts to pay the Critical Vendor Claims, provided that sufficient funds are available in the applicable accounts to make the payments.

13. Nothing in the Motion, the Interim Order or this Interim/Final Order, or the Debtors' payment of any claims pursuant to this Interim/Final Order, shall be deemed or construed: (a) as an admission as to the validity of any claim or Lien against the Debtors or their estates; (b) as a waiver of the Debtors' right to dispute any claim or Lien; (c) as approval or assumption of any agreement, contract or lease pursuant to section 365 of the Bankruptcy Code; (d) as an admission of the priority status of any claim, whether under section 503(b)(9) of the Bankruptcy Code or otherwise; or (e) to prejudice any of the Debtors' rights to seek relief under any section of the Bankruptcy Code on account of any amounts owed or paid to any Critical Vendor.

14. ~~The 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 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@yest.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.~~ Notwithstanding anything to the contrary contained in this Final Order, the Interim Order or the Motion, any payment, obligation or other relief authorized by this Order shall be subject to and limited by the requirements imposed on the Debtors under the terms of the interim order approving the DIP Financing [Docket No. 86], and any subsequent final order approving the DIP Financing.

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

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

~~17. Notwithstanding anything to the contrary contained in this Interim Order or the Motion, any payment, obligation or other relief authorized by this 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.~~

~~17.~~ 18. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation of this ~~Interim~~Final Order.

Dated: ~~February~~February, 2013
Wilmington, Delaware
~~January~~February, 2013

THE HONORABLE KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE