

**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. With respect to Georgia Power, Public Service Company of New Hampshire, Westar Energy, Inc., Ohio Edison Company and FirstEnergy Solutions Corp. (the "Carve-Out Utilities"), the Motion and their objections thereto are resolved pursuant to separate agreements of the parties for the provision of adequate assurance, and except for this ordered paragraph neither the Interim Order nor this Final Order shall apply to the Carve-Out Utilities.

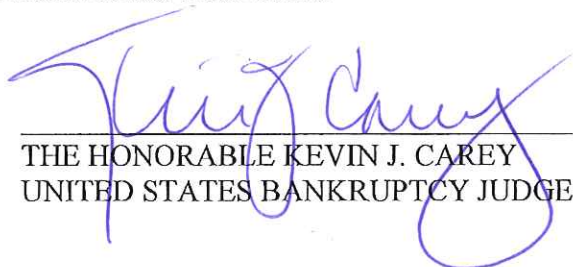
14. Nothing in this Final Order or the Motion shall be deemed to constitute postpetition assumption or adoption of any agreement pursuant to section 365 of the Bankruptcy Code.

15. 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.

16. 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

17. 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 25, 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.*,¹
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 A, 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 A 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

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