

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

In re: SCHOOL SPECIALTY, INC., <i>et al.</i> , <div style="text-align: right;">Debtors.¹</div>	Chapter 11 Case No 13-10125 (KJC) Jointly Administered Re: Docket Nos. 9 & 75
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**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, 25 2013
Wilmington, Delaware



THE HONORABLE KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE