

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

In re:

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

Debtors.

Chapter 11

Case No. 13-10125 (KJC)

Jointly Administered

Re: Docket No. 599

**DISCLOSURE STATEMENT FOR DEBTORS' JOINT PLAN
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

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Dated: March 19, 2013

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE UNDER SECTION 1125(b) OF THE BANKRUPTCY CODE FOR USE IN THE SOLICITATION OF ACCEPTANCES OF THE PLAN DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISTRIBUTION OF THIS DISCLOSURE STATEMENT IS NOT INTENDED, AND SHOULD NOT BE CONSTRUED, AS A SOLICITATION OF ACCEPTANCES OF SUCH PLAN. THE INFORMATION CONTAINED HEREIN SHOULD NOT BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THIS DISCLOSURE STATEMENT CONTAINS "ADEQUATE INFORMATION" WITHIN THE MEANING OF SECTION 1125(a) OF THE BANKRUPTCY CODE.



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IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT

This Disclosure Statement provides information regarding the Debtors' Joint Plan Under Chapter 11 of the Bankruptcy Code, dated March 19, 2013 (as may be amended and supplemented from time to time according to its terms, the "Plan"). A copy of the Plan is attached as Exhibit A.

References to the "Plan" are to the Plan attached as Exhibit A hereto. All capitalized terms used but not otherwise defined herein, including in any exhibits attached hereto, shall have the meaning ascribed to them in the Plan.

Unless the context requires otherwise, reference to the "Company", "we", "our", and "us" are to School Specialty, Inc. and its Debtor and non-debtor subsidiaries.

The statements contained in this Disclosure Statement are made as of the date hereof unless another time is specified herein, and the delivery of this Disclosure Statement shall not create an implication that there has been no change in information stated since the date hereof.

The Debtors believe that the Plan will enable them to successfully reorganize or sell the business as a going concern and accomplish the objectives of Chapter 11. The Debtors believe that acceptance of the Plan is in the best interests of the Debtors, their Chapter 11 Estates, and their creditors.

THE DEBTORS URGE CREDITORS TO VOTE TO ACCEPT THE PLAN.

ALL CREDITORS AND SHAREHOLDERS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT, INCLUDING THE FOLLOWING SUMMARY, ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, EXHIBITS ANNEXED TO THE PLAN, THE PLAN SUPPLEMENTS, THIS DISCLOSURE STATEMENT AND ALL EXHIBITS TO THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER SUCH DATE. **THOSE THAT ARE ENTITLED TO VOTE ON THE PLAN SHOULD READ CAREFULLY THE "RISK FACTORS" SECTION HEREOF BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. SEE ARTICLE IX BELOW, "CERTAIN RISK FACTORS TO BE CONSIDERED."**

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE LAW. THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING CLAIMS OR EQUITY INTERESTS IN THE DEBTORS SHOULD

EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSES FOR WHICH THEY WERE PREPARED.

THE INFORMATION IN THIS DISCLOSURE STATEMENT IS BEING PROVIDED SOLELY FOR PURPOSES OF VOTING TO ACCEPT OR REJECT THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY ENTITY FOR ANY OTHER PURPOSE.

IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE PLAN SUMMARY CONTAINED HEREIN AND THE PLAN, THE TERMS OF THE PLAN SHALL GOVERN. ALL EXHIBITS TO THIS DISCLOSURE STATEMENT ARE INCORPORATED INTO AND ARE A PART OF THIS DISCLOSURE STATEMENT AS IF SET FORTH IN FULL HEREIN.

THIS DISCLOSURE STATEMENT CONTAINS FORWARD-LOOKING STATEMENTS BASED PRIMARILY ON THE CURRENT EXPECTATIONS OF THE DEBTORS AND PROJECTIONS ABOUT FUTURE EVENTS AND FINANCIAL TRENDS AFFECTING THE FINANCIAL CONDITION OF THE DEBTORS' AND REORGANIZED DEBTORS' BUSINESSES. IN PARTICULAR, STATEMENTS USING WORDS SUCH AS "BELIEVE," "MAY," "ESTIMATE," "CONTINUE," "ANTICIPATE," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS IDENTIFY THESE FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES AND ASSUMPTIONS, INCLUDING THOSE DESCRIBED BELOW UNDER ARTICLE IX. IN LIGHT OF THESE RISKS AND UNCERTAINTIES, THE FORWARD-LOOKING EVENTS AND CIRCUMSTANCES DISCUSSED IN THIS DISCLOSURE STATEMENT MAY NOT OCCUR, AND ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FORWARD-LOOKING STATEMENTS. CONSEQUENTLY, THE PROJECTED FINANCIAL INFORMATION AND OTHER FORWARD-LOOKING STATEMENTS CONTAINED HEREIN SHOULD NOT BE REGARDED AS REPRESENTATIONS BY ANY OF THE DEBTORS, THE REORGANIZED DEBTORS, THEIR ADVISORS, OR ANY OTHER PERSON THAT THE PROJECTED FINANCIAL CONDITIONS OR RESULTS OF OPERATIONS CAN OR WILL BE ACHIEVED. EXCEPT AS OTHERWISE REQUIRED BY LAW, NEITHER THE DEBTORS NOR REORGANIZED DEBTORS UNDERTAKE ANY OBLIGATION TO UPDATE OR REVISE PUBLICLY ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE FOLLOWING APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT.

EXCEPT AS OTHERWISE SPECIFICALLY NOTED, THE FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT BEEN AUDITED BY A CERTIFIED PUBLIC ACCOUNTANT AND HAS NOT NECESSARILY BEEN PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

AS TO CONTESTED MATTERS, EXISTING LITIGATION INVOLVING, OR POSSIBLE ADDITIONAL LITIGATION TO BE BROUGHT BY, OR AGAINST, THE DEBTORS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, A STIPULATION, OR A

WAIVER, BUT RATHER AS A STATEMENT MADE WITHOUT PREJUDICE SOLELY FOR SETTLEMENT PURPOSES, WITH FULL RESERVATION OF RIGHTS, AND IS NOT TO BE USED FOR ANY LITIGATION PURPOSE WHATSOEVER BY ANY PERSON, PARTY OR ENTITY. AS SUCH, THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NONBANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY IN INTEREST, NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, FINANCIAL OR OTHER EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTORS.

I.

INTRODUCTION

A. The Debtors

On January 28, 2013, School Specialty, Inc. (“SSI” or “School Specialty”) and its domestic subsidiaries, Bird-In-Hand Woodworks, Inc., Califone International, Inc., Childcraft Education Corp., ClassroomDirect.com, LLC, Delta Education, LLC, Frey Scientific, Inc., Premier Agendas, Inc., Sax Arts & Crafts, Inc., and Sportime, LLC (collectively, the “Debtors”), filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court” or “Court”). The Debtors continue to manage their business as debtors-in-possession.

B. The Plan

As described in detail below, the Debtors have proposed a Plan premised on a dual track process by which the Debtors will simultaneously pursue a plan of reorganization and market their Assets for sale.

The Plan contemplates that all ABL DIP Financing Claims, Bayside DIP Financing Claims, Administrative Claims, Priority Claims, and Prepetition Secured Claims will be paid in full in cash on or as soon as reasonably practicable following the Effective Date. The Plan further contemplates that the Ad Hoc DIP Lenders will receive cash and equity in the Reorganized Debtors, and that holders of General Unsecured Claims and holders of Noteholder Unsecured Claims will receive equity in the Reorganized Debtors.

If, however, the Debtors elect to consummate the Sale Transaction (described below) in lieu of reorganizing, all or substantially all of the Debtors’ Assets will be sold to a third-party purchaser. In that circumstance, the Ad Hoc DIP Lenders, holders of General Unsecured Claims, and holders of Noteholder Unsecured Claims will receive cash proceeds from the sale being distributed to the Debtors’ Creditors in lieu of equity in the Reorganized Debtors.

Under either scenario, the Plan is premised on the deemed substantive consolidation of the assets and liabilities of each Debtor for purposes of voting and distribution, so that creditors in a given class will share in the collective distributions made under the Plan – irrespective of which Debtor they may have a claim against.

The Debtors believe that the Plan premised on this dual path provides for the best means currently available for the Debtors’ emergence from chapter 11.

C. The Disclosure Statement

This Disclosure Statement is submitted pursuant to section 1125 of the Bankruptcy Code to holders of Claims that are entitled to vote on the Plan in connection with (i) the solicitation of acceptances of the Debtors’ Plan and (ii) the hearing to consider confirmation of the Plan (the “Confirmation Hearing”), which is scheduled for May 13, 2013, at 10:00 a.m., prevailing Eastern Time.

The Debtors have filed additional pleadings with the Bankruptcy Court with respect to the Plan, including the materials for soliciting votes to accept or reject the Plan (the “Solicitation Materials”). All Creditors and shareholders are advised and encouraged to read the Solicitation Materials and the Disclosure Statement Approval Order (as defined below) in their entirety.

The Solicitation Materials that holders of Claims entitled to vote on the Plan will receive include, among other things:

- The Plan;
- The Disclosure Statement Approval Order (defined below) approving the Disclosure Statement and establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan; and
- One or more Ballots and a postage-paid return envelope, which will be used by holders of Claims who are entitled to vote on the Plan.

On April __, 2013, after notice and a hearing, the Bankruptcy Court approved the Disclosure Statement (the “Disclosure Statement Approval Order”), determining that the Disclosure Statement contains “adequate information” as that term is defined in section 1125 of the Bankruptcy Code. Section 1125(a)(1) of the Bankruptcy Code defines “adequate information” as “information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and the history of the debtor and the condition of the debtor’s books and records ... that would enable a hypothetical reasonable investor typical of holders of claims or interests of the relevant class to make an informed judgment about the plan.”

NO STATEMENTS OR INFORMATION CONCERNING THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY HAVE BEEN AUTHORIZED OTHER THAN THE STATEMENTS AND INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND THE INFORMATION ACCOMPANYING THIS DISCLOSURE STATEMENT. ALL OTHER STATEMENTS REGARDING THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY, WHETHER WRITTEN OR ORAL, ARE UNAUTHORIZED.

THE BANKRUPTCY COURT’S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION IT CONTAINS OR AN ENDORSEMENT OF THE MERITS AND FAIRNESS OF THE PLAN BY THE BANKRUPTCY COURT.

D. Voting and Solicitation Procedures

The Disclosure Statement Approval Order establishes the deadlines, procedures and instructions for voting to accept or reject the Plan, for filing objections to confirmation of the Plan, the record date for voting purposes and the applicable standards for tabulating Ballots. In addition, detailed voting instructions will accompany each Ballot. Each holder of a Claim that is entitled to vote on the Plan should read this Disclosure Statement, the Plan, the Disclosure Statement Approval Order and the instructions accompanying the Ballots in their entirety before voting on the Plan. These documents contain, among other things, important information concerning the classification of

Claims and Equity Interests for voting purposes and the tabulation of votes. No solicitation of votes to accept or reject the Plan may be made except pursuant to section 1125 of the Bankruptcy Code. The voting procedures provide substantially as follows:

1. Voting Generally

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. If you hold a Claim in more than one Class, you will receive separate Ballots that must be used for each separate Class. After carefully reviewing the materials included herein and the instructions accompanying your Ballot, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan.

For your vote to be counted, you must complete and sign your original Ballot and return it in the envelope provided (only original signatures will be accepted) to the Debtors' claims and voting agent, Kurtzman Carson Consultants (the "Claims and Voting Agent"). If you received a Ballot(s) from a broker, bank or other institution, return the completed Ballot(s) to such broker, bank or other institution promptly so that it can be forwarded to the Claims and Voting Agent as appropriate.

If you received a Ballot(s) from the Debtors, please return your Ballot(s) directly to the Claims and Voting Agent at the following address:

School Specialty Ballot Processing Center

c/o KCC
2335 Alaska Avenue
El Segundo, CA 90245

More detailed instructions regarding how to vote on the Plan are contained on the Ballots and the other Solicitation Materials.

DO NOT RETURN YOUR DEBT INSTRUMENTS, NOTES, CERTIFICATES OR ANY EQUITY SECURITIES THAT YOU MAY HAVE WITH YOUR BALLOT(S).

TO BE COUNTED OR TO EXERCISE ANY ELECTIONS PROVIDED ON SUCH BALLOT, YOUR BALLOT(S) INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE ACTUALLY RECEIVED BY THE CLAIMS AND VOTING AGENT NO LATER THAN 4:00 P.M., PREVAILING EASTERN TIME, ON MAY 6, 2013 (the "Voting Deadline").

ANY EXECUTED BALLOT THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN OR INDICATES BOTH AN ACCEPTANCE AND REJECTION OF THE PLAN SHALL NOT BE COUNTED FOR VOTING PURPOSES.

Pursuant to the Disclosure Statement Approval Order, the Bankruptcy Court set April 11, 2013 as the record date (the "Voting Record Date") for voting on the Plan. Accordingly, only holders of record as of April 11, 2013 that are otherwise entitled to vote on the Plan will receive a Ballot and may vote on the Plan.

If you are a holder of a Claim entitled to vote on the Plan and did not receive a Ballot(s), received a damaged Ballot(s) or lost your Ballot(s), or if you have any questions concerning the Disclosure Statement, the Plan or the procedures for voting on the Plan, please call the Claims and Voting Agent at (877) 709-4758 for calls originating from the United States or Canada, and at (424) 236-7236 for calls originating from outside of the United States or Canada.

Votes cannot be transmitted orally, by facsimile or by electronic mail. Accordingly, you are urged to return your signed and completed Ballot promptly.

2. Holders of Claims and Equity Interests Entitled to Vote

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired and entitled to receive distributions under the plan are entitled to vote to accept or reject a proposed chapter 11 plan. Classes of claims or equity interests in which the holders of claims or equity interests are unimpaired under a chapter 11 plan are deemed to have accepted the plan and are not entitled to vote to accept or reject the plan. Classes of claims or equity interests in which the holders of claims or equity interests are impaired but are not entitled to receive or retain any property on account of such claims or equity interests are deemed to have rejected the plan and similarly are not entitled to vote to accept or reject the plan.

The following Classes ARE entitled to vote on the Plan:

- Class 5A: General Unsecured Claims
- Class 5B: Noteholder Unsecured Claims

The following Classes are NOT entitled to vote on the Plan:

- Class 1: Other Priority Claims
- Class 2: Prepetition ABL Facility Claims
- Class 3: Prepetition Term Loan Facility Claims
- Class 4: Other Secured Claims
- Class 6: Equity Interests in SSI

For a detailed description of the Classes of Claims and Equity Interests and their treatment under the Plan, see Article VII.A below.

The Bankruptcy Code defines “acceptance” of a plan by (i) a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and represent more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan and (ii) a class of interests as acceptance by holders of such interests in that class that hold at least two-thirds in amount that cast ballots for acceptance or rejection of the plan. For a more detailed description of the requirements for confirmation of the Plan, see Article VIII.B below.

Section 1129(b) permits the Bankruptcy Court to confirm a plan notwithstanding the nonacceptance of a plan by one or more impaired classes of claims or interests. Under that section, a plan may be confirmed if it does not “discriminate unfairly” and is “fair and equitable” with respect to each nonaccepting class. For a more detailed description of the requirements for confirmation of a nonconsensual plan, see Article VIII.B.2 below.

E. Confirmation Hearing

Pursuant to section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan for **May 13, 2013 at 10:00 a.m. prevailing Eastern Time** before the Honorable Kevin J. Carey, United States Bankruptcy Court, 824 North Market Street, 5th Floor, Courtroom #5, Wilmington, Delaware 19801 (the “Confirmation Hearing”). The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received **on or before May 6, 2013 at 4:00 p.m. prevailing Eastern Time**. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of adjournment at the Confirmation Hearing, or at any subsequent adjourned Confirmation Hearing. See Article VIII.A below for a complete description of the procedures with respect to confirmation of the Plan and serving and filing objections thereto.

II.

OVERVIEW OF THE PLAN

The Plan contemplates a dual track process by which the Debtors will simultaneously pursue a plan of reorganization and market their Assets for sale. Pursuant to this process, the Plan will be implemented through either (a) a reorganization of the Debtors, by which the Debtors will emerge from chapter 11 as a going concern, or, depending on the outcome of the Sale Process, (b) the Sale Transaction, through which the Debtors will sell their Assets and distribute the proceeds of such sale to their creditors. The dual track process will allow the Debtors to preserve optionality until it becomes clear whether an asset sale or reorganization will yield the highest value.

Under either a sale or reorganization (which would both be implemented under the Plan), the Plan contemplates the payment in full in Cash of all Administrative Claims (unless the holders of such Claims agree otherwise), inclusive of Claims against any of the Debtors arising under section 503(b)(9) of the Bankruptcy Code, and priority claims against the Debtors (subject to permitted installment payments for certain Priority Tax Claims). The Plan also contemplates the payment of Cash in an amount sufficient for the Payment in Full of the ABL DIP Financing Claims. In addition, the Plan provides for the treatment of Allowed Claims against, and Equity Interests in, the Debtors as follows:

- With respect to the Ad Hoc DIP Lenders, either (i) Cash and New SSI Common Stock, or (ii) Payment in Full in Cash, if the Plan is implemented through the Sale Transaction;
- With respect to the Debtors’ prepetition secured lenders, Payment in Full in Cash of their Allowed Claims, or such other treatment to which the parties may agree;

- With respect to each holder of an allowed General Unsecured Claim or allowed Noteholder Unsecured Claim, either (i) distribution of its Pro Rata share of Unsecured Creditor Equity, or (ii) Cash distributions, if the Plan is implemented through the Sale Transaction; and
- No distributions on account of Equity Interests in SSI, including claims arising out of or with respect to such stock interests.

**A. Summary of Classification and Treatment
of Claims and Equity Interests Under the Plan**

The following chart summarizes the classification and treatment of Claims and Equity Interests under the Plan and the estimated distributions to be received by the holders of Allowed Claims and Equity Interests thereunder.

SUMMARY OF CLASSIFICATION AND TREATMENT OF CLAIMS
AND EQUITY INTERESTS UNDER THE PLAN.¹

Class	Description	Estimated Allowed Claims as of the Effective Date	Impairment	Entitled to Vote	Treatment of Allowed Claims	Approximate Recovery
Unclassified	Administrative Claims	TBD	Unimpaired	N/A	Except as set forth in Article III.A of the Plan, each holder of an Allowed Administrative Claim shall receive from the Debtors (a) Cash in an amount equal to the amount of such Allowed Administrative Claim on the later of the Effective Date and the date such Administrative Claim becomes an Allowed Administrative Claim, or as soon thereafter as is practicable, or (b) such other treatment as the Debtors and such holder shall have agreed upon in writing; <u>provided, however</u> , that Allowed Ordinary Course Administrative Claims shall be paid in full by the Debtor Representative in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to, such transactions.	100%
Unclassified	Fee Claims	TBD	Unimpaired	N/A	All requests for compensation or reimbursement of Fee Claims pursuant to sections 327, 328, 330, 331, 503 or 1103 of the Bankruptcy Code for services rendered prior to the Effective Date shall be filed and served on the Debtor Representative, counsel to the Debtor Representative, the United States Trustee, counsel to the DIP Agents and counsel to the Creditors Committee and such other entities who are designated by the Bankruptcy Rules, the Confirmation Order or other order of the Court, no later than forty-five (45) days after the Effective Date. Holders of Fee Claims that are required to file and serve	100%

¹ This table is only a summary of the classification and treatment of Claims and Equity Interests under the Plan. Reference should be made to the entire Disclosure Statement and the Plan for a complete description of the classification and treatment of Claims and Equity Interests.

Class	Description	Estimated Allowed Claims as of the Effective Date	Impairment	Entitled to Vote	Treatment of Allowed Claims	Approximate Recovery
					<p>applications for final allowance of their Fee Claims and that do not file and serve such applications by the required deadline shall be forever barred from asserting such Claims against the Debtors, the Debtor Representative or their respective properties and Estates, and such Fee Claims shall be deemed discharged as of the Effective Date. Objections to any Fee Claims must be filed and served on the Debtor Representative, counsel for the Debtor Representative, and the requesting party no later than seventy-five (75) days after the Effective Date.</p> <p>The Professionals shall estimate their Fee Claims incurred but unpaid through the Effective Date and shall deliver such estimate to the Debtors, counsel to the Ad Hoc DIP Agent and counsel to the Creditors Committee no later than five days prior to the anticipated Confirmation Date. If a Professional does not provide an estimate, the Debtors may estimate the unbilled fees and expenses of such Professional. The total amount so estimated as of the Confirmation Date shall comprise the Fee Claim Reserve Amount. On the Effective Date, the Debtors shall establish and fund the Fee Claim Escrow Account with Cash equal to the aggregate Fee Claim Reserve Amount for all Professionals. The amount of Fee Claims owing to the Professionals shall be paid in Cash to such Professionals from the funds held in the Fee Claim Escrow Account when such Claims are Allowed by a Final Order.</p>	

Class	Description	Estimated Allowed Claims as of the Effective Date	Impairment	Entitled to Vote	Treatment of Allowed Claims	Approximate Recovery
Unclassified	Priority Tax Claims	TBD	Unimpaired	N/A	Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, at the sole option of the Debtors or the Debtor Representative, (a) Cash in an amount equal to such Allowed Priority Tax Claim on the later of the Effective Date and the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable, but no later than thirty (30) days after the Effective Date, or (b) through equal annual installment payments in cash (i) of a total value, as of the Effective Date of the Plan, equal to the allowed amount of such Claim; (ii) over a period ending not later than 5 years after the Petition Date; and (iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the Plan.	100%
Unclassified	ABL DIP Financing Claims	TBD	Unimpaired	N/A	All ABL DIP Financing Claims are and shall be deemed Allowed Claims and, on the Effective Date, holders of the Allowed ABL DIP Financing Claims shall receive Payment in Full in Cash on account of such ABL DIP Financing Claims, or as otherwise provided in the ABL DIP Facility and order of the Court.	100%
Unclassified	Bayside DIP Financing Claims	TBD	Unimpaired	N/A	Except to the extent that a holder of an Allowed Bayside DIP Financing Claim shall have agreed in writing to a different treatment, on the Effective Date, holders of the Allowed Bayside DIP Financing Claims shall receive Payment in Full in Cash on account of such DIP Financing Claims and such Claims otherwise shall be treated in accordance with the terms of the Bayside DIP Facility and orders of the Court.	100%

Class	Description	Estimated Allowed Claims as of the Effective Date	Impairment	Entitled to Vote	Treatment of Allowed Claims	Approximate Recovery
Unclassified	Ad Hoc DIP Financing Claims	TBD	Unimpaired	N/A	<p>If the Debtors do not pursue a Sale Transaction, except to the extent that a holder of an Allowed Ad Hoc DIP Financing Claim shall have agreed in writing to a different treatment, each holder of an Allowed Ad Hoc DIP Financing Claim, on the Effective Date or as soon thereafter as is practicable, shall receive, in full and final satisfaction of all outstanding obligations under the Ad Hoc DIP Facility, (a) its Pro Rata share of [] in Cash and (b) its Pro Rata share of []% of the New SSI Common Stock.</p> <p>If the Debtors implement the Sale Transaction, except to the extent that a holder of an Allowed Ad Hoc DIP Financing Claim shall have agreed in writing to a different treatment, each holder of an Allowed Ad Hoc DIP Financing Claim, on the Effective Date or as soon thereafter as is practicable, shall receive, in full and final satisfaction of all outstanding obligations under the Ad Hoc DIP Facility, Payment in Full in Cash of such DIP Financing Claim and such Claim otherwise shall be treated in accordance with the terms of the Ad Hoc DIP Facility and orders of the Court.</p>	100%
Class 1	Other Priority Claims	TBD	Unimpaired	No (deemed to accept)	Except to the extent that a holder of an Allowed Other Priority Claim and the Debtors shall have agreed in writing to a different treatment, in full and final satisfaction of such Claim, each holder of an Allowed Other Priority Claim in Class 1 shall receive payment in full in Cash in an amount equal to such Allowed Other Priority Claim as soon as practicable after the later of (a) the Effective Date and (b) the date when such Other Priority Claim becomes an Allowed Other Priority Claim.	100%
Class 2	Prepetition ABL Facility Claims	TBD	Unimpaired	No (deemed to accept)	All Prepetition ABL Facility Claims have been Allowed by prior order of the Court and shall be deemed to have been satisfied with proceeds of or other assumption under the ABL DIP Facility.	100%

Class	Description	Estimated Allowed Claims as of the Effective Date	Impairment	Entitled to Vote	Treatment of Allowed Claims	Approximate Recovery
Class 3	Prepetition Term Loan Claims	TBD	Unimpaired	No (deemed to accept)	Except to the extent that a holder of an Allowed Prepetition Term Loan Claim and the Debtors shall have agreed in writing to a less favorable treatment, each holder of an Allowed Prepetition Term Loan Claim in Class 3 shall receive Cash in an amount equal to the Allowed Prepetition Term Loan Claim (which, for the avoidance of doubt, may include all or a portion of the Prepetition Escrowed Amounts), in full satisfaction of such Claim, on or as soon as reasonably practicable after the Effective Date, or, in the case of the Prepetition Escrowed Amounts, when due in accordance with entry of a final, non-appealable order disposing of such amounts.	100%
Class 4	Other Secured Claims	TBD	Unimpaired	No (deemed to accept)	Except to the extent that a holder of an Allowed Other Secured Claim and the Debtors shall have agreed in writing to a less favorable treatment, at the sole option of the Debtors, in full and final satisfaction of such claim, (i) each Allowed Other Secured Claim shall be reinstated and rendered Unimpaired in accordance with section 1124(2) of the Bankruptcy Code, notwithstanding any contractual provision or applicable nonbankruptcy law that entitles the holder of an Allowed Other Secured Claim to demand or receive payment of such Allowed Other Secured Claim prior to the stated maturity of such Allowed Other Secured Claim from and after the occurrence of a default, (ii) each holder of an Allowed Other Secured Claim shall receive Cash in an amount equal to such Allowed Other Secured Claim, including any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, on the later of (a) thirty (30) days after the Effective Date, and (b) the date such Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable (but no later than thirty (30) days after the date such Other Secured Claim becomes an Allowed Other Secured Claim) or (iii) each holder of an Allowed Other Secured Claim shall receive the Collateral securing its Allowed	100%

Class	Description	Estimated Allowed Claims as of the Effective Date	Impairment	Entitled to Vote	Treatment of Allowed Claims	Approximate Recovery
					Other Secured Claim and any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, in full and complete satisfaction of such Allowed Other Secured Claim as soon as is practicable, on the later of (y) thirty (30) days after Effective Date and (z) the date such Other Secured Claim becomes an Allowed Other Secured Claim.	
Class 5A	General Unsecured Claims	TBD	Impaired	Yes	If the Debtors do not pursue a Sale Transaction, the holders of Allowed General Unsecured Claims shall receive their Pro Rata share of Unsecured Creditor Equity on account of such General Unsecured Claims. If the Debtors implement the Sale Transaction, the holders of General Unsecured Claims shall receive their Pro Rata share of the Net Sale Proceeds on account of such General Unsecured Claims.	TBD
Class 5B	Noteholder Unsecured Claims	TBD	Impaired	Yes	If the Debtors do not pursue a Sale Transaction, the holders of Allowed Noteholder Unsecured Claims shall receive their Pro Rata share of Unsecured Creditor Equity on account of such Noteholder Unsecured Claims. If the Debtors implement the Sale Transaction, the holders of Noteholder Unsecured Claims shall receive their Pro Rata share of the Net Sale Proceeds on account of such Noteholder Unsecured Claims.	TBD
Class 6	Equity Interests in School Specialty, Inc.	N/A	Impaired	No (presumed to reject)	The holders of Equity Interests in SSI shall neither receive distributions nor retain any property under the Plan on account of such Equity Interests.	0.0%

III.

OVERVIEW OF CHAPTER 11 PROCEEDINGS

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor is authorized to reorganize or sell its business for the benefit of itself, its creditors and equity holders. In addition to permitting rehabilitation of a debtor (or permitting the debtor to continue operating in anticipation of an asset sale), another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and equity interest holders with respect to the distribution of a debtor's assets.

The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the filing date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan is the principal objective of a chapter 11 case. A plan sets forth, among other things, the treatment of, and means for satisfying, claims against and equity interests in the debtor. Confirmation of a plan by the bankruptcy court makes the plan binding upon a debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity interest holder of a debtor. Subject to certain limited exceptions, the confirmation order discharges a debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan.

After a plan has been filed, the holders of claims against or equity interests in a debtor that are impaired and entitled to receive distributions under the plan are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, however, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. The Debtors are submitting this Disclosure Statement to satisfy the requirements of section 1125 of the Bankruptcy Code.

IV.

COMPANY BACKGROUND

A. Overview

School Specialty is one of the largest suppliers of supplemental educational products, equipment, and standards-based curriculums to the pre-kindergarten through twelfth grade ("preK-12") market in the United States. School Specialty offers more than 75,000 different items for sale to public school districts, individual private and parochial schools, educators and individual consumers. These products range from basic school supplies, such as markers and erasers, to furniture, to proprietary branded products such as agendas and curriculum programs (which represent approximately 40% of total revenues). By virtue of its breadth of offerings, the Company is able to provide substantially all of the supplies and products that a school district or educator may need. The Company estimates that, in fiscal year 2012, it supplied approximately 70% of the

estimated 130,000 schools in the United States, and thereby reached a majority of the 3.8 million teachers at those schools.

School Specialty historically has operated through two reportable segments: Educational Resources and Accelerated Learning.

a. The Educational Resources Segment

Educational Resources – or “ER” – is the Company’s primary segment, and accounted for approximately 72% of the Company’s revenues in fiscal year 2012. It is through this segment that School Specialty offers educators, schools, and public school districts its range of school supplies, comprised of the most popular national brands available in the marketplace, basic commodity products, and the Company’s own portfolio of proprietary and branded products.

The Company tracks product offerings in three categories: administrator, educator, and furniture. Each is described briefly below.

- Administrator. This category covers traditional, commodity-based school supplies. To keep this segment competitive, the Company relies heavily on the efficiency of its sophisticated supply chain and distribution network. These offerings generally represent a stable and recurring revenue base for the Company, since they are largely consumable products that must be replaced each year.
- Educator. This category covers supplemental learning materials in particular subject areas, audio-visual equipment and other classroom technology, and certain other specialized products. These products are generally sold under the Company’s proprietary brand names, which typically generate higher margins.
- Furniture. This category covers the Company’s furniture business lines. School Specialty is one of the largest sources for school furniture in the United States, as it offers everything from desks and chairs, to bleachers and lockers, to cafeteria and library furnishings. Revenue in this category is generated both through loose furniture sales (individual orders) and through the Company’s involvement in long-term school construction or renovation projects.

b. The Accelerated Learning Group

The Accelerated Learning Group – known as “ALG” – is a leading developer and publisher of curriculum-based products and resources designed to help educators deepen students’ understanding of particular subject matter and accelerate the speed of learning. ALG offers both print-based and digital products and resources, as well as manipulatives that are designed to aid in coordination and learning in non-traditional, hands-on formats (one example is science kits used for dissection, which are sold complete with living matter). Tailored to specified subjects, such as math, reading, and science, these products are generally sold directly to teachers, curriculum specialists and other educators who have primary responsibility for advancing student outcomes. With the input of outside authors, educational consultants and developers, School Specialty’s product development specialists develop proprietary products for this segment that meet state and local

curriculum standards. In fiscal year 2012, ALG accounted for approximately 28% of the Company's overall revenues.

ALG focuses on the following business lines:

- Premier Agendas. School Specialty is one of the largest providers of school planning content in the United States and Canada. Through this business line, it manufactures and sells agendas and planners under the Premier™ brand name, and a variety of other paper-form or digital materials, such as grade books, under the Hammond & Stephens™ brand name. This business line is run primarily through subsidiary Debtor, Premier Agendas, Inc.; the Company's two non-debtor Canadian subsidiaries, Premier School Agendas Ltd. and Select Agendas, Corp., are distributors of these and other materials in Canada.
- Reading. This division within School Specialty develops and sells workbooks that are designed to improve students' reading and math abilities. This division includes Education Publishing Service ("EPS"), which provides reading and language instruction materials for students with special needs. A substantial portion of revenue in this division is generated through book sales.
- Science. This business line provides a wide range of proprietary science educational offerings, including laboratory kits and other science equipment necessary to a hands-on, experiential learning curriculum.
- Health. This division offers curriculum materials for physical education and health classes, including through its Abilitations program, which addresses the needs of handicapped children, or through the Company's SPARK™ brand name.

* * *

To market these varied products to customers, as of the Petition Date, the Company maintained a sales organization of approximately 530 sales professionals and administrative support staff that targets consumers both at the district and school levels, as well as at the individual teacher and classroom level. On an annual basis, the Company historically mails more than 12 million product offering catalogs to potential consumers; in addition, the Company maintained numerous internet sales websites and has partnered with third-party sales websites. Finally, the Company has established relationships with large national purchasing cooperatives which facilitate the Company's ability to obtain large-scale purchase orders from school districts.

As of the Petition Date, the Company had six automated, integrated distribution centers in the United States that provided approximately 1.5 million square feet of operating space in the aggregate. The Company also engages third-party logistics providers where appropriate to streamline and consolidate shipments. This distribution model generally enables the Company to move product in a timely and efficient manner. As such, the Company enjoys significant competitive advantages in its market space by virtue of being a single supplier who can aggregate its products and satisfy the full panoply of its customers' needs in a timely and cost-effective manner.

In the first half of fiscal year 2013, the Company generated revenues of \$489 million, and anticipates that its fiscal 2013 financial results generally will be similar to the prior fiscal year in terms of the EBITDA. The Company's annual revenues are typically highly diverse: in fiscal year 2012, the Company's top 10 school district customers collectively generated less than 10% of revenue, and no single state had customers who collectively generated more than 10% of revenues. Similarly, in fiscal year 2012, the Company's top 100 products accounted for approximately 11% of revenues, and products from the Company's top 10 suppliers generated approximately 24% of revenues. This diversification has historically allowed the Company to withstand some of the localized funding cycles that characterize the industry in which it operates.

The Company is headquartered in Greenville, Wisconsin. The majority of its corporate departments, including marketing, accounting, human resources, IT, customer service, and treasury, conduct business from this central location. These departments generally perform their corporate functions for the Company as a whole: except for the Califone subsidiary and the Reading division (which each operate on their own system), all other corporate aspects of the Company are run through a central office on an integrated basis and utilize a single enterprise resource platform.

As of the Petition Date, the Company operated three manufacturing facilities, at which it produced certain of its proprietary products, including wood furniture, agendas and other printed products. Including these facilities and its corporate headquarters, the Company leased or owned a total of 15 facilities throughout the country, which house distribution centers and warehouse space, sales offices and other facilities.

As of the Petition Date, the Debtors employed approximately 2,000 employees, including approximately 300 seasonal employees.

B. Overview of the Debtors' History, Corporate Structure, Prepetition Debt and Equity

School Specialty was founded in 1959. It was acquired by U.S. Office Products in May 1996, and thereafter was spun-off as a public company in June 1998. Between 1998 and 2005, School Specialty grew substantially, acquiring a number of companies and divisions, including Premier Agendas, Inc. in 2001 and Delta Education, LLC in 2005.

School Specialty, Inc. is the primary operating entity within the corporate group. It is the direct or indirect parent of all the other Debtors in these cases, which are incorporated in a variety of jurisdictions, including Delaware, New York and Washington. School Specialty is also the direct parent of the two Canadian subsidiaries, Select Agendas, Corp. and Premier School Agendas, Ltd., which are not Debtors in these Chapter 11 Cases.¹

¹ The Debtors' two Canadian subsidiaries are primarily distributors in Canada of curriculum products and other supplies. In fiscal year 2012, these subsidiaries accounted for approximately \$31 million in revenues, the majority of which is reflected in the Accelerated Learning segment.

Finally, School Specialty holds a direct 35% minority interest in a joint venture, Carson-Dellosa Publishing, LLC, which it formed in 2010 with a competitor to combine the companies' two publishing divisions.

A chart showing the corporate organization of the Company, as of the Petition Date, is annexed hereto as Exhibit D.

C. The Debtors' Prepetition Capital Structure

1. Secured Indebtedness

As of the Petition Date, School Specialty had approximately \$139.6 million in outstanding principal amount of secured indebtedness, consisting of a revolving credit facility and a term loan which the Company entered into on May 22, 2012 to repay existing secured indebtedness.

(a) Prepetition ABL Facility

On May 22, 2012, School Specialty and certain of its domestic subsidiaries entered into a revolving senior secured asset-based credit agreement (the "Prepetition ABL Facility") with Wells Fargo Capital Finance, LLC, as administrative agent (the "Prepetition ABL Agent" and, together with Wells Fargo Capital Finance, LLC and General Electric Capital Corporation in their capacities as Co-Collateral Agents under the Prepetition ABL Facility, the "Prepetition ABL Agents"). The Prepetition ABL Facility provided up to \$200 million in revolving credit and had a maturity date of September 30, 2014. As of the Petition Date, the aggregate amount outstanding under the Prepetition ABL Facility was approximately \$43,724,237.87 plus accrued interest, fees, costs and other charges. Obligations under the Prepetition ABL Facility were secured by a first-priority security interest in the Prepetition ABL Priority Collateral (as defined below) and a second-priority security interest in the Prepetition Term Loan Priority Collateral (as defined below).

(b) Prepetition Term Loan Facility

On May 22, 2012, School Specialty and certain of its domestic subsidiaries entered into a term loan agreement (the "Prepetition Term Loan Agreement") with Bayside Finance, LLC, as administrative agent, collateral agent and lenders ("Bayside" or the "Prepetition Term Loan Agent" and, together with the Prepetition ABL Agents, the "Prepetition Agents"). The Prepetition Term Loan Agreement provided up to \$70 million in term loan credit and had a maturity date of October 31, 2014. As of the Petition Date, the aggregate principal amount outstanding under the Prepetition Term Loan Agreement was approximately \$92.0 million, inclusive of the Make-Whole (described below). Obligations under the Prepetition Term Loan Agreement were secured by a first-priority security interest in the Prepetition Term Loan Priority Collateral (as defined below) and a second-priority interest in the Prepetition ABL Priority Collateral (as defined below).

The Prepetition Term Loan Agreement included a make-whole payment in the approximate amount of approximately \$25 million due in the event of a prepayment of the debt during certain periods or upon acceleration of the debt due to an event of default (the "Make-Whole"). On January 4, 2013, the Prepetition Term Loan Agent accelerated the Prepetition Term Loan Agreement and declared all amounts owing thereunder, including the Make-Whole, due and payable.

(c) Intercreditor Agreement

Pursuant to an intercreditor agreement between the Prepetition ABL Agents and the Prepetition Term Loan Agent dated as of May 22, 2012 (the “Intercreditor Agreement”), the lenders under the Prepetition ABL Facility had (i) a first-priority security interest in substantially all of the working capital assets of School Specialty and its subsidiary borrowers and guarantors (the “Prepetition ABL Priority Collateral”) and (ii) a second-priority security interest in all other assets, subordinate only to Bayside’s first-priority security interest. Pursuant to the Intercreditor Agreement, Bayside had (i) a second-priority security interest in substantially all of the working capital assets of School Specialty and the subsidiary borrowers and guarantors, subordinate only to the first-priority security interest of the lenders under the Prepetition ABL Facility, and (ii) a first-priority security interest in all other assets (the “Prepetition Term Loan Priority Collateral”).

2. Unsecured Debt

As of the Petition Date, School Specialty had approximately \$157.5 million in original principal amount of outstanding convertible subordinated debentures due 2026 (the “Notes”). School Specialty issued the Notes in 2011 in two separate, privately negotiated exchange offerings through which it retired existing convertible subordinated debentures that had been issued in 2006: \$100 million of the Notes was issued on March 1, 2011, and an additional \$57.5 million of the Notes was issued on July 7, 2011. The Bank of New York Mellon Trust Company, N.A. serves as the trustee for the Notes.

In addition to the foregoing, the Debtors had approximately \$60.0 million in ordinary course unsecured trade debt that was unpaid as of the Petition Date.

D. Equity Interests in SSI

As of the Petition Date, School Specialty had approximately 19.2 million shares of common stock outstanding, which were held by more than 1,700 holders of record. Prior to these Chapter 11 Cases, School Specialty’s common stock was listed on NASDAQ under the symbol “SCHS”.

V.

EVENTS LEADING TO THE COMMENCEMENT OF THE CHAPTER 11 CASES

The commencement of the Debtors’ Chapter 11 Cases were the result of ongoing pressures on the industry in which they operate. The global financial crisis that began in 2008 had an extremely negative impact on the funding that is available for schools at all levels of the government – federal, state and local. In particular, drops in property values have led to materially lower tax revenues at the state and local levels, causing overall budget shortfalls which have severely impacted school budgets. Shortfalls in anticipated federal stimulus support contributed to this contraction. As a result, school districts have been forced to take dramatic steps to reduce spending in recent years.

In particular, since 2008, schools have deferred planned purchases, particularly with respect to content-based or discretionary products. This has greatly diminished demand for this type of content-based product. Budget cuts also have had a severe impact on school construction and

renovation. This, in turn, has resulted in diminished demand for School Specialty's furniture and equipment lines.

School Specialty's existing leverage ratios have exacerbated the impact of these macroeconomic changes by hampering its ability to withstand and respond to these changing conditions. Historically, School Specialty has been highly levered relative to its EBITDA levels. Though School Specialty and its management have taken various steps over the last several years to rationalize its capital structure and improve its leverage ratios, the dramatic and continued downturn in the preK-12 market has made this process difficult, thereby putting significant pressures on School Specialty's ability to maintain adequate liquidity levels.

To combat this downturn, School Specialty implemented various measures since 2008 to reduce overall costs and improve business efficiencies. In addition to taking steps to right-size its capital structure, School Specialty worked diligently to improve its product management and marketing capabilities, including by, among other things, consolidating its call centers and centralizing its management and other corporate systems. It has also sought to identify and divest secondary or less productive business lines and improve its existing financial arrangements, while taking all possible actions to achieve cost savings and maintain earnings and liquidity. Since 2009, School Specialty also reduced its overall headcount by more than 30%.

Despite these efforts, however, maintaining acceptable levels of liquidity continued to prove difficult. Accordingly, the Debtors had no other option but to seek protection under the Bankruptcy Code.

VI.

THE CHAPTER 11 CASES

A. Significant "First Day" Motions

On the Petition Date, the Debtors filed various "first day" motions seeking authority to, among other things: (i) pay prepetition compensation, benefits and reimbursable employee expenses; (ii) continue certain insurance policies and programs; (iii) continue certain customer practices and programs; (iv) substantially maintain their existing bank accounts and continue the Company's integrated cash management system; (v) pay prepetition claims of certain critical vendors; (vi) prohibit utility companies from discontinuing, altering or refusing service; (vii) retain KCC to serve as the Debtors' Claims and Noticing Agent; and (ix) enter into the DIP Facilities (as described below) and provide adequate protection to the Debtors' Prepetition Secured Lenders. All of the Debtors' first day motions and retention applications were approved by the Bankruptcy Court in substantially the manner requested by the Debtors.

B. Retention Applications

The Debtors have retained various professionals in connection with the prosecution and administration of their Chapter 11 Cases, as well as the operation of their day-to-day businesses. The Bankruptcy Court has approved the Debtors' retention and/or employment of, among others, (i) Paul, Weiss, Rifkind, Wharton & Garrison LLP and Young Conaway Stargatt & Taylor, LLP, as

bankruptcy co-counsel, (ii) Perella Weinberg Partners LP (“Perella”), as financial advisor, (iii) Alvarez & Marsal North America, LLC, as crisis management advisors, (iv) Thomas E. Hill, as Chief Restructuring Officer, (v) Deloitte & Touche LLP, as independent auditors, (vi) Godfrey & Kahn, S.C., as special corporate and transactions counsel, and (vii) certain ordinary course professionals.

C. Debtor-in-Possession Credit Facilities

1. DIP Facilities

To provide the Debtors with the cash and liquidity necessary to continue their operations and to maintain normal postpetition vendor and customer relations, on the Petition Date, the Debtors entered into a \$175 million secured super-priority revolving credit agreement (as amended, the “ABL DIP Facility”) with Wells Fargo Capital Finance, LLC, as Administrative Agent, and Wells Fargo Capital Finance, LLC and General Electric Capital Corporation, as Co-Collateral Agents. The Debtors were authorized to use proceeds of the ABL DIP Facility and proceeds of the Bayside DIP Facility (as defined below) to finance (a) postpetition operating expenses and other working capital and financing requirements of certain Debtors, as borrowers, subject to an approved budget, (b) certain transaction and chapter 11-related fees, costs and expenses, (c) the approved carve-out for professional fees, (d) “adequate protection” (as set forth in section 361 of the Bankruptcy Code), and (e) the prepetition debt on account of the Prepetition Facilities. On February 26, 2013, the Bankruptcy Court entered an order approving the ABL DIP Facility on a final basis and permitting the payment or other satisfaction of the obligations under the Prepetition ABL Facility. Upon entry of the Final Order, the Debtors were authorized to use the proceeds of the ABL DIP Facility to fully repay or deem issued or incurred under the ABL DIP Facility the full amounts outstanding as of the Petition Date in respect of the Prepetition ABL Facility and other prepetition debt owed thereunder.

On the Petition Date, the Debtors also entered into a secured new money term loan with Bayside Finance LLC, as administrative and collateral agent (the “Bayside DIP Facility”). However, on February 26, 2013, the Debtors refinanced the Bayside DIP Facility with a new term loan facility. Specifically, on February 26, 2013, the Debtors obtained Court authority to enter into a replacement credit facility for the Bayside DIP Facility, for a \$155 million Secured Super-Priority Debtor-in-Possession Credit Agreement (the “Ad Hoc DIP Facility”) with certain Noteholders, as lenders, and U.S. Bank National Association, as Administrative and Collateral Agent. Upon approval of this new facility, on February 27, 2013 the Debtors repaid in full and terminated the Bayside DIP Facility, except for certain amounts held in escrow, including an approximate amount of \$25 million which may be used for potential payment to Bayside of the Make-Whole and interest calculated at the Default Rate (as defined in the Prepetition Term Loan Agreement).

On March 14, 2013, the Bankruptcy Court entered an order approving the Ad Hoc DIP Facility on a final basis.

2. DIP Requirements and Milestones

The DIP Facilities that the Debtors entered into on the Petition Date both required that the Debtors consummate a Sale Process pursuant to section 363 of the Bankruptcy Code, under which the Debtors would sell all or substantially all of their assets to Bayside or another purchaser on or

before April 11, 2013. However, certain of the Debtors' stakeholders and the Creditors Committee objected to this sale requirement.

These objections led to the negotiation of the Ad Hoc DIP Facility. Specifically, through negotiations, certain Noteholders agreed to provide the Debtors with a new DIP term loan that would replace the Bayside DIP Facility and, in so doing, remove the requirement that the Debtors consummate a Sale Transaction by April 11, 2013. Instead, the Ad Hoc DIP Facility permitted the Debtors to pursue a dual path process by which the Debtors would continue to market their assets while simultaneously working towards a stand-alone reorganization plan. Upon entry into the Ad Hoc DIP Facility, the Debtors also were able to obtain an amendment to the ABL DIP Facility with parallel modifications concerning the Debtors' path forward during chapter 11.

D. Appointment of the Official Committee of Unsecured Creditors

On February 5, 2013, pursuant to section 1102 of the Bankruptcy Code, the United States Trustee for the District of Delaware appointed an official committee of unsecured creditors in these Chapter 11 Cases (the "Creditors Committee"). The Creditors Committee is currently comprised of Intragrated Resources Holdings Inc. d/b/a A.T. Clayton & Co., Inc., S.P. Richards Company, Quad/Graphics, Inc., and The Bank of New York Mellon Trust Company NA, as Indenture Trustee.

The Creditors Committee has sought to retain: (i) Brown Rudnick LLP and Venable LLP as co-counsel, (ii) Blackstone Advisory Partners L.P., as financial advisors, and (iii) GCG, Inc., as information agent.

E. Proofs of Claim

On February 25, 2013, the Bankruptcy Court entered an order (the "Bar Date Order") requiring any person or entity holding or asserting a Claim (with certain exceptions, as more fully set forth in the Bar Date Order) against the Debtors to file a written proof of claim with the Claims and Voting Agent on or before April 1, 2013 (the "Bar Date"). The Bar Date Order further provides that, pursuant to Bankruptcy Rule 3003(c)(2), any entity that is required to file a proof of claim in these Chapter 11 Cases pursuant to the Bankruptcy Code, the Bankruptcy Rules or the Bar Date Order with respect to a particular claim against the Debtors, but that fails to do so, shall not be treated as a creditor with respect to such Claim for the purposes of voting upon, or receiving distributions under, any plan or plans of reorganization filed in these Chapter 11 Cases unless otherwise permitted by the Bankruptcy Court or agreed by the Debtors.

As of the date hereof, there have been approximately 517 Claims filed against the Debtors that total, together with the Debtors' scheduled liabilities, approximately \$217,268,101. The Debtors expect the number of Claims filed to increase substantially by the Bar Date. However, the Debtors believe that certain of the Claims that have been, or will be, filed in the Chapter 11 Cases may be invalid, untimely, duplicative or overstated.

The Debtors have engaged in an ongoing process of assessing the proofs of claim filed against them and where appropriate, will object to Claims that the Debtors believe should not be Allowed at all or, at most, not in the amount(s) or classification as filed.

F. Schedules and Statements of Financial Affairs

On February 26, 2013, each of the Debtors filed their respective Schedules of Assets and Liabilities and Statements of Financial Affairs (as amended, the “Schedules and Statements”) with the Bankruptcy Court. Among other things, the Schedules and Statements set forth the Claims of known creditors against the Debtors as of the Petition Date based upon the Debtors’ books and records. A copy of the Schedules and Statements can be obtained at no cost from the Claims and Voting Agent’s website at <http://www.kccllc.net/schoolspecialty> or for a fee from the Bankruptcy Court’s website at <http://ecf.deb.uscourts.gov>.

G. Exclusivity

The Debtors continue to enjoy the exclusive right to file plans and solicit votes from creditors and equity holders pursuant to section 1121 of the Bankruptcy Code. However, on February 15, 2013, the Creditors Committee filed a motion to terminate the Debtors’ exclusivity period relating to the Sale requirements embedded in the ABL DIP Facility (as originally drafted) and the Bayside DIP Facility. Because the Debtors were able to successfully replace the Bayside DIP Facility, as noted in Article VI.C.2 above, and, therefore remove the sale milestones contained in that agreement, the Creditors Committee agreed to adjourn its motion to terminate exclusivity. This motion is scheduled to be heard on March 27, 2013.

H. Assumption and Rejection of Executory Contracts and Unexpired Leases of Nonresidential Real Property

The Debtors have approximately 16,000 contracts and unexpired leases, including more than 11,500 purchase orders. The Debtors must evaluate each of these contract and leases to determine (i) whether the contract or lease is executory and, if it is executory, (ii) whether to “assume” (i.e., keep or affirm) or “reject” (i.e., terminate or disavow) the contract or lease.

To evaluate their executory contracts, the Debtors have grouped the contracts based on their subject matter and designated teams to focus on each group. The teams are presently evaluating each contract within the group in accordance with guidelines and criteria established by the Debtors, to determine whether assuming, rejecting or attempting to renegotiate a contract would be most beneficial to the Debtors and the Debtors’ stakeholders. The Debtors are presently engaged in a similar process with respect to their unexpired leases.

The Debtors continue to analyze their contracts and leases pursuant to this process to determine which should be rejected or assumed pursuant to the Plan.

I. Make-Whole Litigation

As noted above, the Prepetition Term Loan Agreement included a \$25 million Make-Whole, payable in the event of a prepayment of the debt during certain periods or upon acceleration due to an event of default. On February 25, 2013 and March 6, 2013, the Creditors Committee filed a motion and an amended motion, respectively, requesting that the Bankruptcy Court disallow the Make-Whole on the basis that, among other things, the Make-Whole constitutes an unenforceable penalty under state law and is prohibited by the Bankruptcy Code. In light of this dispute, in connection with the refinancing of the Bayside DIP Facility, the parties agreed to place

approximately \$25 million into escrow pending resolution of this matter. This matter is scheduled to be heard by the Court on April 5, 2013.

J. Sale Process and Sale Transaction

The Debtors and their professionals have engaged in a marketing process that was designed to test the market for the possible sale of the Debtors' Assets. The Debtors are conducting this process pursuant to the bidding procedures approved by the Bankruptcy Court on March 18, 2013 (the "Bidding Procedures").² As contemplated in the Bidding Procedures, the Debtors, through their investment bankers, have contacted more than 130 parties and have entered into non-disclosure agreements with approximately 45 of those interested parties. The Debtors have provided parties that executed a non-disclosure agreement with certain confidential information to allow those potentially interested parties to properly evaluate the Assets and submit an initial indication of interest in the Assets. The deadline for submission of initial indications of interest is March 28, 2013.

Upon receipt of the initial indications of interest, the Debtors will evaluate the initial indications of interest and determine the best path forward. The Debtors may select one or more parties to participate in a second stage of diligence. Those selected will be eligible to submit a bid for the Assets, which will constitute a binding offer and will be due on April 24, 2013. If the Debtors, in consultation with the DIP Agents and the Creditors Committee, determine that one or more of these bids satisfies the requirements set forth in the Bidding Procedures, the Debtors will hold an Auction to select the highest or best bid.

If, however, the Debtors fail to receive sufficient indications of interest, or insufficient offers on the terms and conditions set forth in the Bidding Procedures, the Debtors may determine not to pursue a sale of the Assets and instead move forward solely with a reorganization on the terms and conditions set forth in the Plan.

VII.

SUMMARY OF THE PLAN

THE FOLLOWING IS A SUMMARY OF THE SIGNIFICANT ELEMENTS OF THE PLAN. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION SET FORTH IN THE PLAN.

² The final Bidding Procedures approved by the Court on March 18, 2013 are a revised version of the procedures that the Court preliminarily approved on February 15, 2013. These changes were made in connection with the refinancing of the Bayside DIP Facility, during which Bayside also ceased to serve as a stalking horse bidder in this process.

A. Classification and Treatment of Administrative Claims, Claims and Equity Interests Under the Plan

1. General

Only administrative expenses, claims and equity interests that are “allowed” may receive distributions under a chapter 11 plan. An “allowed” administrative expense, claim or equity interest simply means that the Debtors agree, or in the event of a dispute, that the Bankruptcy Court determines, that the administrative expense, claim or equity interest, including the amount thereof, is in fact a valid obligation of, or equity interest in, the Debtors. Section 502(a) of the Bankruptcy Code provides that a timely filed administrative expense, claim or equity interest is automatically “allowed” unless the debtor or another party in interest objects. However, section 502(b) of the Bankruptcy Code specifies certain claims that may not be “allowed” in a bankruptcy case even if a proof of claim is filed. These include, without limitation, claims that are unenforceable under the governing agreement or applicable non-bankruptcy law, claims for unmatured interest on unsecured and/or undersecured obligations, property tax claims in excess of the debtor’s equity in the property, claims for certain services that exceed their reasonable value, nonresidential real property lease and employment contract rejection damage claims in excess of specified amounts, and late-filed claims. In addition, Bankruptcy Rule 3003(c)(2) prohibits the allowance of any claim or equity interest that either is not listed on the debtor’s schedules or is listed as disputed, contingent, or unliquidated if the holder has not filed a proof of claim or equity interest before the deadline to file proofs of claim and equity interests.

The Bankruptcy Code also requires that, for purposes of treatment and voting, a chapter 11 plan divide the different claims against, and equity interests in, the Debtors into separate classes based upon their legal nature. Claims of a substantially similar legal nature are usually classified together, as are equity interests of a substantially similar legal nature. Because an entity may hold multiple claims and/or equity interests which give rise to different legal rights, the holders of such claims and/or equity interests may find themselves as members of multiple classes of claims and/or equity interests.

Under a chapter 11 plan, the separate classes of claims and equity interests must be designated either as “impaired” (altered by the plan in any way) or “unimpaired” (unaltered by the plan). If a class of claims or equity interests is “impaired,” the Bankruptcy Code affords certain rights to the holders of such claims or interests, such as the right to vote on the plan (unless the plan provides for no distribution to the holder, in which case, the holder is deemed to reject the plan), and the right to receive an amount under the chapter 11 plan that is not less than the value that the holder would receive if the debtor were liquidated under chapter 7. Under section 1124 of the Bankruptcy Code, a class of claims or equity interests is “impaired” unless, with respect to each claim or interest of such class, the plan (i) does not alter the legal, equitable or contractual rights of the holders of such claims or interests or (ii) irrespective of the holders’ right to receive accelerated payment of such claims or interests after the occurrence of a default, cures all defaults (other than those arising from, among other things, the debtor’s insolvency or the commencement of a bankruptcy case), reinstates the maturity of the claims or interests in the class, compensates the holders of such claims or interests for any damages incurred as a result of their reasonable reliance upon any acceleration rights and does not otherwise alter their legal, equitable or contractual rights. Typically, this means that the holder of an unimpaired claim will receive on the later of the effective date of the plan or the

date on which amounts owing are due and payable, payment in full, in cash, with post-petition interest to the extent permitted and provided under the governing agreement between the parties (or, if there is no agreement, under applicable non-bankruptcy law), and the remainder of the debtor's obligations, if any, will be performed as they come due in accordance with their terms. Thus, other than its right to accelerate the debtor's obligations, the holder of an unimpaired claim will be placed in the same position it would have been in had the debtor's case not been commenced.

Consistent with these requirements, the Plan divides the Claims against, and Equity Interests in, the Debtors into the following Classes and affords the treatments outlined herein:

Class	Designation	Impairment
Unclassified	Administrative Claims	Unimpaired
Unclassified	Fee Claims	Unimpaired
Unclassified	Priority Tax Claims	Unimpaired
Unclassified	ABL DIP Financing Claims	Unimpaired
Unclassified	Ad Hoc DIP Financing Claims	Unimpaired
Unclassified	Bayside DIP Financing Claims	Unimpaired
Class 1	Other Priority Claims	Unimpaired
Class 2	Prepetition ABL Facility Claims	Unimpaired
Class 3	Prepetition Term Loan Claims	Unimpaired
Class 4	Other Secured Claims	Unimpaired
Class 5A	General Unsecured Claims	Impaired
Class 5B	Noteholder Unsecured Claims	Impaired
Class 6	Equity Interests in SSI	Impaired

2. Unclassified Claims

In accordance with section 1123(a)(1) of the Bankruptcy Code, the Plan does not classify certain priority Claims. These unclassified Claims will be treated as follows:

(a) Unclassified — Administrative Claims

Administrative Claims include any right to payment constituting a cost or expense of administration of the Chapter 11 Cases of a kind specified under section 503(b) of the Bankruptcy Code and entitled to priority under section 507(a)(2), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, without limitation, any actual and necessary costs and expenses of preserving the Debtors' Estates, any actual and necessary costs and expenses of operating the Debtors' business, any indebtedness or obligations incurred or assumed by the Debtors in Possession in connection with the conduct of their business, including, without limitation, for the acquisition or lease of property or an interest in property or the rendition of services, all compensation and reimbursement of expenses to the extent awarded by the Court under sections 330, 331 or 503 of the Bankruptcy Code, any fees or

charges assessed against the Debtors' Estates under section 1930 of chapter 123 of title 28 of the United States Code, any Claim for goods delivered to the Debtors within twenty (20) days of the Petition Date and entitled to administrative priority pursuant to section 503(b)(9) of the Bankruptcy Code, the DIP Financing Claims, and the Fee Claims of the Prepetition Agents.

Article III.A of the Plan provides that, except as set forth therein, each holder of an Allowed Administrative Claim shall receive from the Debtors (a) Cash in an amount equal to the amount of such Allowed Administrative Claim on the later of the Effective Date and the date such Administrative Claim becomes an Allowed Administrative Claim, or as soon thereafter as is practicable, or (b) such other treatment as the Debtors and such holder shall have agreed upon in writing; provided, however, that Allowed Ordinary Course Administrative Claims shall be paid in full by the Debtor Representative in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to, such transactions.

Unless a prior date has been established pursuant to the Bankruptcy Code, the Bankruptcy Rules or a prior order of the Court, the Confirmation Order will establish a bar date for filing applications for allowance of Administrative Claims (except for those categories of Administrative Claims listed immediately below), which date will be the first business day that is thirty (30) days after the Confirmation Date. Holders of Administrative Claims, not paid prior to the Confirmation Date shall submit requests for payment on or before the applicable Administrative Claims Bar Date or forever be barred from doing so. The notice of confirmation to be delivered pursuant to Bankruptcy Rules 3020(c) and 2002(f) will set forth the Administrative Claims Bar Date and constitute good and sufficient notice of the Administrative Claims Bar Date. The Disbursing Agent shall have 120 days (or such longer period as may be allowed by order of the Court, which may be entered without notice or a hearing) following the Administrative Claims Bar Date to review and object to all Administrative Claims.

The foregoing bar date and procedures shall not apply to the following categories of Administrative Claims: (i) Fee Claims, (ii) Ordinary Course Administrative Claims, (iii) the fees and expenses of the professionals of the Prepetition Agents under the Prepetition Facilities and the DIP Agents and Bayside DIP Agent under the DIP Facilities, and (iv) DIP Financing Claims.

(b) Unclassified — Fee Claims

Fee Claims are Allowed Administrative Claims of Professionals.

Article III.B(a) of the Plan provides that all requests for compensation or reimbursement of Fee Claims pursuant to sections 327, 328, 330, 331, 503 or 1103 of the Bankruptcy Code for services rendered prior to the Effective Date shall be filed and served on the Debtor Representative, counsel to the Debtor Representative, the United States Trustee, counsel to the DIP Agents and counsel to the Creditors Committee and such other entities who are designated by the Bankruptcy Rules, the Confirmation Order or other order of the Court, no later than forty-five (45) days after the Effective Date. Holders of Fee Claims that are required to file and serve applications for final allowance of their Fee Claims and that do not file and serve such applications by the required deadline shall be forever barred from asserting such Claims against the Debtors, the Debtor Representative or their respective properties and Estates, and such Fee Claims shall be deemed discharged as of the Effective Date. Objections to any Fee Claims must be filed and served on the

Debtor Representative, counsel for the Debtor Representative, and the requesting party no later than seventy-five (75) days after the Effective Date.

Article III.B(b) of the Plan provides that the Professionals shall estimate their Fee Claims incurred but unpaid through the Effective Date and shall deliver such estimate to the Debtors, counsel to the Ad Hoc DIP Agent and counsel to the Creditors Committee no later than five (5) days prior to the anticipated Confirmation Date. If a Professional does not provide an estimate, the Debtors may estimate the unbilled fees and expenses of such Professional. The total amount so estimated as of the Confirmation Date shall comprise the Fee Claim Reserve Amount. On the Effective Date, the Debtors shall establish and fund the Fee Claim Escrow Account with Cash equal to the aggregate Fee Claim Reserve Amount for all Professionals. The amount of Fee Claims owing to the Professionals shall be paid in Cash to such Professionals from the funds held in the Fee Claim Escrow Account when such Claims are Allowed by a Final Order.

(c) Unclassified — Priority Tax Claims

Priority Tax Claims include any unsecured Claim that is entitled to a priority in right of payment under section 507(a)(8) of the Bankruptcy Code.

Article III.C of the Plan provides that except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, at the sole option of the Debtors or the Debtor Representative, (a) Cash in an amount equal to such Allowed Priority Tax Claim on the later of the Effective Date and the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable, but no later than thirty (30) days after the Effective Date, or (b) through equal annual installment payments in cash (i) of a total value, as of the Effective Date of the Plan, equal to the allowed amount of such Claim; (ii) over a period ending not later than 5 years after the Petition Date; and (iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the Plan.

(d) Unclassified — DIP Financing Claims

DIP Financing Claims include, as the context may require, Ad Hoc DIP Financing Claims, ABL DIP Financing Claims, and, to the extent not already paid, Bayside DIP Financing Claims.

(i) ABL DIP Financing Claims

ABL DIP Financing Claims are claims arising under the ABL DIP Facility.

Article III.D.1 of the Plan provides that all ABL DIP Financing Claims are and shall be deemed Allowed Claims and, on the Effective Date, holders of the Allowed ABL DIP Financing Claims shall receive Payment in Full in Cash on account of such ABL DIP Financing Claims, or as otherwise provided in the ABL DIP Facility and order of the Court.

Upon Payment in Full of the ABL DIP Financing Claims on the Effective Date and full execution and delivery by the Reorganized Debtors and the lender(s) under the Exit Facility to the ABL DIP Agent of the ABL DIP Payoff Letter, the liens and security interests securing such ABL DIP Financing Claims shall be released. Any cash collateral provided pursuant to Section 1.4 of the

ABL DIP Facility and the Split Lien Intercreditor Agreement (as defined in the ABL DIP Facility) shall not be required to be invested and shall not accrue interest and shall be returned to the Reorganized Debtors, net of fees, costs and expenses accrued or incurred after the Effective Date, at such time that the contingent obligations under the letters of credit issued under the ABL DIP Facility and Bank Product Obligations (as defined in the ABL DIP Facility) are no longer required to be cash collateralized pursuant to the terms of the ABL DIP Facility.

(ii) Bayside DIP Financing Claims

Bayside DIP Financing Claims are claims arising under the Bayside DIP Facility, to the extent not already paid.

Article III.D.2 of the Plan provides that, except to the extent that a holder of an Allowed Bayside DIP Financing Claim shall have agreed in writing to a different treatment, on the Effective Date, holders of the Allowed Bayside DIP Financing Claims shall receive Payment in Full in Cash on account of such DIP Financing Claims and such Claims otherwise shall be treated in accordance with the terms of the Bayside DIP Facility and orders of the Bankruptcy Court.

Upon Payment in Full of the Bayside DIP Financing Claims on the Effective Date, any liens and security interests securing such DIP Financing Claims shall be released.

(iii) Ad Hoc DIP Financing Claims

Ad Hoc DIP Financing Claims are claims arising under the Ad Hoc DIP Facility.

Pursuant to Article III.D.3 of the Plan, if the Debtors do not pursue a Sale Transaction, except to the extent that a holder of an Allowed Ad Hoc DIP Financing Claim shall have agreed in writing to a different treatment, each holder of an Allowed Ad Hoc DIP Financing Claim, on the Effective Date or as soon thereafter as is practicable, shall receive, in full and final satisfaction of all outstanding obligations under the Ad Hoc DIP Facility, (a) its Pro Rata share of [] in Cash and (b) its Pro Rata share of []% of the New SSI Common Stock.

If the Debtors implement the Sale Transaction, except to the extent that a holder of an Allowed Ad Hoc DIP Financing Claim shall have agreed in writing to a different treatment, each holder of an Allowed Ad Hoc DIP Financing Claim, on the Effective Date or as soon thereafter as is practicable, shall receive, in full and final satisfaction of all outstanding obligations under the Ad Hoc DIP Facility, Payment in Full in Cash of such DIP Financing Claim and such Claim otherwise shall be treated in accordance with the terms of the Ad Hoc DIP Facility and orders of the Court.

Upon (x) the payment of Cash and distribution of New SSI Common Stock as set forth in clause (i) above, or (y) the Payment in Full in Cash as set forth in clause (ii) above, any and all liens, encumbrances and security interests securing such Ad Hoc DIP Financing Claims shall be forever released and discharged, without limitation, and without any further action by any party.

3. Classified Claims and Equity Interests

(a) Class 1 — Other Priority Claims

Other Priority Claims include any Claim entitled to priority pursuant to section 507(a) of the Bankruptcy Code (other than Administrative Claims and Priority Tax Claims), including, without limitation, certain allowed employee compensation and benefit claims of the Debtors' employees incurred within one hundred eighty (180) days prior to the Petition Date.

Article IV.A of the Plan provides that except to the extent that a holder of an Allowed Other Priority Claim and the Debtors shall have agreed in writing to a different treatment, in full and final satisfaction of such Claim, each holder of an Allowed Other Priority Claim in Class 1 shall receive Payment in Full in Cash in an amount equal to such Allowed Other Priority Claim as soon as practicable after the later of (a) the Effective Date and (b) the date when such Other Priority Claim becomes an Allowed Other Priority Claim.

Class 1 is Unimpaired under the Plan. Holders of Allowed Other Priority Claims in Class 1 are presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

(b) Class 2 — Prepetition ABL Facility Claims

Class 2 Claims are all Claims, to the extent not already paid, for amounts due and owing under the Prepetition ABL Facility.

Pursuant to Article IV.B of the Plan, all Prepetition ABL Facility Claims have been Allowed by prior order of the Court and shall be deemed to have been satisfied with proceeds of or other assumption under the ABL DIP Facility.

Class 2 is Unimpaired under the Plan. Holders of Allowed Prepetition ABL Facility Claims in Class 2 are presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

(c) Class 3 — Prepetition Term Loan Claims.

Class 3 claims are all Claims, to the extent not already paid, for amounts due and owing under the Prepetition Term Loan Agreement, including the Prepetition Escrowed Amounts.

Article IV.C of the Plan provides that except to the extent that a holder of an Allowed Prepetition Term Loan Claim and the Debtors shall have agreed in writing to a less favorable treatment, each holder of an Allowed Prepetition Term Loan Claim in Class 3 shall receive Cash in an amount equal to the Allowed Prepetition Term Loan Claim (which, for the avoidance of doubt, may include all or a portion of the Prepetition Escrowed Amounts), in full satisfaction of such Claim, on or as soon as reasonably practicable after the Effective Date, or, in the case of the Prepetition Escrowed Amounts, when due in accordance with entry of a final, non-appealable order disposing of such Amounts.

Class 3 is Unimpaired under the Plan. Holders of Allowed Prepetition Term Loan Claims in Class 3 are presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

(d) Class 4 — Other Secured Claims

Other Secured Claims include any Claim (other than the DIP Financing Claims and the Prepetition Loan Claims) to the extent reflected in the Schedules or a proof of claim filed as a Secured Claim.

Article IV.D of the Plan provides that except to the extent that a holder of an Allowed Other Secured Claim and the Debtors shall have agreed in writing to a less favorable treatment, at the sole option of the Debtors, in full and final satisfaction of such claim, (i) each Allowed Other Secured Claim shall be reinstated and rendered Unimpaired in accordance with section 1124(2) of the Bankruptcy Code, notwithstanding any contractual provision or applicable nonbankruptcy law that entitles the holder of an Allowed Other Secured Claim to demand or receive payment of such Allowed Other Secured Claim prior to the stated maturity of such Allowed Other Secured Claim from and after the occurrence of a default, (ii) each holder of an Allowed Other Secured Claim shall receive Cash in an amount equal to such Allowed Other Secured Claim, including any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, on the later of (a) thirty (30) days after Effective Date, and (b) the date such Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable (but no later than thirty (30) days after the date such Other Secured Claim becomes an Allowed Other Secured Claim) or (iii) each holder of an Allowed Other Secured Claim shall receive the Collateral securing its Allowed Other Secured Claim and any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, in full and complete satisfaction of such Allowed Other Secured Claim as soon as is practicable, on the later of (y) thirty (30) days after Effective Date and (z) the date such Other Secured Claim becomes an Allowed Other Secured Claim.

Notwithstanding the foregoing, to the extent an Allowed Other Secured Claim arises on account of property taxes, such Allowed Other Secured Claim shall be treated as a Priority Tax Claim, and any applicable liens shall remain Unimpaired until such Allowed Other Secured Claim is paid in full. Any applicable interest shall be calculated in a manner consistent with section 511 of the Bankruptcy Code.

Although all Other Secured Claims have been placed in one Class for purposes of nomenclature, each Other Secured Claim, to the extent secured by a Lien on Collateral different than that securing any Other Secured Claims, shall be treated as being in a separate sub-Class for the purpose of receiving Distributions under the Plan.

Class 4 is Unimpaired under the Plan. Holders of Allowed Other Secured Claims in Class 4 are presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

(e) Class 5A — General Unsecured Claims

A General Unsecured Claim is a Claim against any of the Debtors that is not an Administrative Claim, Priority Tax Claim, Other Priority Claim, Fee Claim, Ad Hoc DIP Financing Claim, ABL DIP Financing Claim, Bayside DIP Financing Claim, Prepetition ABL Facility Claim, Prepetition Term Loan Claim, Other Secured Claim or Noteholder Unsecured Claim and shall include, without limitation, (a) Claims of employees of the Debtors that are not Priority Claims, (b) Claims arising as a result of the rejection by any of the Debtors of executory contracts or unexpired leases pursuant to section 365 of the Bankruptcy Code, (c) Claims arising as a result of pre-Petition Date litigation against any of the Debtors that are not subordinated under section 510(b) of the Bankruptcy Code, and (d) Claims of vendors, suppliers and/or customers that are not Other Priority Claims.

Pursuant to Article IV.E of the Plan, if the Debtors do not pursue a Sale Transaction, the holders of Allowed General Unsecured Claims shall receive their Pro Rata share of Unsecured Creditor Equity on account of such General Unsecured Claims. If the Debtors implement the Sale Transaction, the holders of General Unsecured Claims shall receive their Pro Rata share of the Net Sale Proceeds on account of such General Unsecured Claims.

Class 5A is Impaired under the Plan. Holders of Allowed General Unsecured Claims in Class 5A are entitled to vote to accept or reject the Plan.

(f) Class 5B — Noteholder Unsecured Claims

Noteholder Unsecured Claims are all Claims, to the extent not already paid, for amounts due and owing under the Notes.

Pursuant to Article IV.F of the Plan, if the Debtors do not pursue a Sale Transaction, the holders of Allowed Noteholder Unsecured Claims shall receive their Pro Rata share of Unsecured Creditor Equity on account of such Noteholder Unsecured Claims. If the Debtors implement the Sale Transaction, the holders of Noteholder Unsecured Claims shall receive their Pro Rata share of the Net Sale Proceeds on account of such Noteholder Unsecured Claims.

Class 5B is Impaired under the Plan. Holders of Allowed Noteholder Unsecured Claims in Class 5B are entitled to vote to accept or reject the Plan.

(g) Class 6 — Equity Interests in SSI

Equity Interests in SSI consist of any equity security within the meaning of section 101(16) of the Bankruptcy Code or any other instrument evidencing an ownership interest in School Specialty, Inc., whether or not transferable, and any option, warrant, or right, contractual or otherwise, to acquire, sell or subscribe for any such interest.

Pursuant to Article IV.G of the Plan, the holders of Equity Interests in SSI shall neither receive distributions nor retain any property under the Plan on account of such Equity Interests. On the Effective Date, Equity Interests in SSI shall be canceled and extinguished and shall be of no further force and effect, whether surrendered for cancelation or otherwise.

Class 6 is Impaired under the Plan. Holders of Equity Interests in SSI are presumed to reject the Plan and are not entitled to vote to accept or reject the Plan.

B. Deemed Substantive Consolidation of the Debtors

Article V.A of the Plan provides that the Plan is predicated upon, and it is a condition precedent to confirmation of the Plan, that the Bankruptcy Court provide in the Confirmation Order for the substantive consolidation of the Estates of the Debtors into a single Estate solely for purposes of the Plan and the Distributions thereunder, as of the Effective Date. To the extent a Claim (including any Disputed Claim) becomes an Allowed Claim, such Claim shall be satisfied in accordance with the provisions of the Plan.

Pursuant to the Confirmation Order and as of the Effective Date, except as expressly provided in the Plan, (i) all assets and liabilities of the substantively consolidated Debtors will be deemed to be merged solely for purposes of the Plan and Distributions to be made thereunder, (ii) the obligations of each Debtor will be deemed to be the obligation of the substantively consolidated Debtors solely for purposes of the Plan and Distributions thereunder, (iii) any Claims filed or to be filed in connection with any such obligations will be deemed Claims against the substantively consolidated Debtors, (iv) each Claim filed in the Chapter 11 Case of any Debtor will be deemed filed against the Debtors in the consolidated Chapter 11 Cases in accordance with the substantive consolidation of the assets and liabilities of the Debtors, (v) all transfers, disbursements and distributions made by any Debtor under the Plan will be deemed to be made by the substantively consolidated Debtors, and (vi) all guarantees of the Debtors of the obligations of any other Debtors shall be deemed eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of any of the Debtors shall be deemed to be one obligation of the substantively consolidated Debtors. Holders of Allowed Claims in each Class shall be entitled to their share of assets available for distribution to such Class without regard to which Debtor was originally liable for such Claim.

C. General Settlement of Claims and Equity Interests

As discussed in detail herein and as otherwise provided in the Plan, pursuant to section 1123 of the Bankruptcy Code, and in consideration for the classification, Distributions, releases and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and Equity Interests and controversies resolved pursuant to the Plan. Subject to Article V.B of the Plan, all Distributions made to holders of Allowed Claims or Equity Interests in any Class are intended to and shall be final.

D. Nonconsensual Confirmation

Article V.C of the Plan provides that the Debtors will seek to have the Court confirm the Plan under section 1129(b) of the Bankruptcy Code.

E. Intercompany Claims

Article V.D of the Plan provides that, at the option of the Debtors, upon the occurrence of the Effective Date, each Intercompany Claim shall be, either (i) reinstated and continued in full or in

part, or (ii) eliminated in full or in part by offset, distribution, cancellation, assumption or contribution of such Intercompany Claim or otherwise.

F. Liens

Article V.E.(a) of the Plan provides that, notwithstanding anything to the contrary contained in the Plan, the substantive consolidation of the Debtors pursuant to Article V.A of the Plan shall not affect the extent or validity of any Lien.

Article V.E.(b) of the Plan provides that, upon the treatment or other satisfaction of any secured Claims as set forth in the Plan, the Liens securing such secured Claim shall be deemed released, terminated and extinguished, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order or rule or the vote, consent, authorization or approval of any Person.

G. Enforcement of Subordination

Article V.F of the Plan provides that the classification and manner of satisfying all Claims and Equity Interests and the respective distributions and treatments under the Plan take into account or conform to the relative priority and rights of the Claims and Equity Interests in each Class in connection with any contractual, legal and equitable subordination rights relating thereto whether under general principles of equitable subordination, section 510(b) of the Bankruptcy Code or otherwise, and any and all such rights are settled, compromised and released pursuant to the Plan. The Confirmation Order shall enjoin, effective as of the Effective Date, all persons and entities from enforcing or attempting to enforce any such contractual, legal and/or equitable rights so satisfied, compromised and settled.

H. Implementation of Reorganization

The Plan contemplates a reorganization of the Debtors as one possible means of implementing the Plan. Pursuant to Article V.G of the Plan, if the Debtors do not pursue the Sale Transaction and reorganize under the Plan, the following additional steps shall be taken:

1. Exit Facility

Article V.G.1 of the Plan provides that on the Effective Date, the Debtors shall have closed on the Exit Facility and, in connection therewith, delivered the ABL DIP Payoff Letter to the ABL DIP Agent. The amounts borrowed under the Exit Facility shall be used to (i) pay in Cash the DIP Financing Claims, to the extent provided for in the Plan, (ii) make required Distributions under the Plan, (iii) satisfy certain Plan-related expenses, and (iv) fund the Reorganized Debtors' working capital needs.

2. Issuance of New SSI Common Stock and New Subsidiary Equity Interests

Article V.G.2 of the Plan provides that on the Effective Date, Reorganized SSI shall issue and distribute the New SSI Common Stock pursuant to the terms of the Plan and the Plan Supplement Documents.

On the Effective Date, Equity Interests in the Subsidiaries shall be canceled and extinguished and shall be of no further force and effect, whether surrendered for cancelation or otherwise. On the Effective Date, each Reorganized Subsidiary shall issue and distribute the New Subsidiary Equity Interests. The ownership and terms of the New Subsidiary Equity Interests shall be the same as the ownership and terms of the Equity Interests in the Subsidiaries immediately prior to the Effective Date.

3. Amendments to Articles of Incorporation

(a) School Specialty, Inc.

Article V.G.3(a) of the Plan provides that on the Effective Date, or as soon thereafter as is practicable, the article of incorporation and bylaws of SSI shall be amended to (i) authorize the issuance of the New SSI Common Stock, (ii) provide for the cancellation of all outstanding Equity Interests in SSI other than the New SSI Common Stock, and (iii) prohibit the issuance of nonvoting equity securities only so long as, and to the extent that, the issuance of nonvoting equity securities is prohibited by the Bankruptcy Code and shall be in a form and substance acceptable to the Ad Hoc DIP Agent and the Creditors Committee. Reorganized SSI is authorized to issue or cause to be issued the New SSI Common Stock for distribution in accordance with the terms of the Plan and the amended certificate of incorporation without the need for any further corporate or shareholder action.

(b) The Subsidiaries

Article V.G.3(b) of the Plan provides that on the Effective Date, the charter documents and bylaws (or other formation documents relating to limited liability companies, limited partnerships, or other forms of Entity) of each Reorganized Debtor (other than SSI) shall be amended in a form as may be required to be consistent with the provisions of the Plan and the Bankruptcy Code, including to prohibit the issuance of nonvoting equity securities only so long as, and to the extent that, the issuance of nonvoting equity securities is prohibited by the Bankruptcy Code, and shall be in form and substance acceptable to the Ad Hoc DIP Agent and the Creditors Committee. The certificate of incorporation and bylaws (or other formation documents relating to limited liability companies, limited partnerships, or other forms of Entity) of each Reorganized Debtor shall be amended to (i) provide for the cancellation of all outstanding Equity Interests in the respective Debtor, and (ii) authorize the issuance of the New Subsidiary Equity Interests in the applicable Reorganized Debtor.

4. Appointment of Senior Executive Officers and Directors

Pursuant to Article V.G.4 of the Plan, the initial board of directors of Reorganized SSI shall be comprised of [] members, of which [] will be chosen by the Ad Hoc DIP Agent and [] shall be chosen by the Creditors Committee, and one of which shall be the Chief Executive Officer of Reorganized SSI. The initial boards of directors of the Reorganized Subsidiaries shall be comprised of [] members, each of whom also shall be a member of the New Board. On the Effective Date, the officers of each of the Reorganized Debtors shall be appointed in accordance with the New Organizational Documents and other constituent documents of each Reorganized Debtor. Pursuant to section 1129(a)(5) of the Bankruptcy Code, the identities and affiliations of the initial board members and initial senior executive officers of each Reorganized Debtor as of the Effective Date

will be disclosed at or prior to the Confirmation Hearing. Any successors to the Reorganized Debtors' initial boards will be appointed in compliance with the applicable Reorganized Debtor's New Organizational Documents, and each such director and officer shall serve from and after the Effective Date pursuant to the terms of the New Organizational Documents and other constituent documents of the Reorganized Debtors.

5. Powers of Officers

Article V.G.5 of the Plan provides that the senior executive officers of the Debtors or the Reorganized Debtors, as the case may be, shall have the power to enter into or execute any documents or agreements that they deem reasonable and appropriate to effectuate the terms of the Plan.

6. Restructuring Transactions

Article V.G.6 of the Plan provides that on the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtors may simplify and rationalize their corporate structure by eliminating certain entities that are deemed no longer essential to the Reorganized Debtors and may take all actions as may be necessary or appropriate to effect such transactions, including any transaction described in, approved by, contemplated by or necessary to effectuate the Plan, including: (1) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution or liquidation containing terms that are consistent with the terms of the Plan and that satisfy applicable requirements of applicable law and any other terms to which the applicable entities may agree; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (3) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion or dissolution pursuant to applicable state law; and (4) all other actions that the applicable entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law. To the extent deemed helpful or appropriate to the Reorganized Debtors, the elimination of certain of these entities may be effected pursuant to sections 368 and 381 of the Internal Revenue Code of 1986, as amended, to preserve for the Reorganized Debtors the tax attributes of such entities. Prior to the Effective Date, the Debtors shall receive the consent of the Ad Hoc DIP Agent and the Creditors Committee with respect to any such restructuring transactions.

7. Management of Reorganized Debtors

Article V.G.7 of the Plan provides that the Reorganized Debtors' senior executive officers shall serve in accordance with any employment agreement with the Reorganized Debtors and applicable non-bankruptcy law. The Debtors will disclose the terms of any such employment agreements at or prior to the Confirmation Hearing.

8. Indemnification of Directors, Officers and Employees

Pursuant to Article V.G.8 of the Plan, upon the Effective Date, the charters and bylaws of Reorganized SSI and each Reorganized Debtor shall contain provisions which (i) eliminate the personal liability of the Reorganized Debtors' then-present and future directors and officers for post-

Effective Date monetary damages resulting from breaches of their fiduciary duties to the fullest extent permitted by applicable law in the state in which the subject Reorganized Debtor is organized; and (ii) require such Reorganized Debtor, subject to appropriate procedures, to indemnify the Reorganized Debtors' directors, officers, and other employees serving on or after the Effective Date for all post-Effective Date claims and actions to the fullest extent permitted by applicable law in the state in which the subject Reorganized Debtor is organized.

9. Management Incentive Plan

Pursuant to Article V.G.9 of the Plan, following the Effective Date, the Management Incentive Plan shall become effective in accordance with its terms. Pursuant to the Management Incentive Plan, Reorganized SSI will grant participating employees, officers and directors New SSI Common Stock and/or options to acquire shares of New SSI Common Stock, and/or to provide such participating employees, officers and directors with such other consideration, including cash bonuses, as described in the Plan Supplement.

10. Corporate Action

Article V.G.10 of the Plan provides that, except as set forth therein, any action under the Plan to be taken by or required of the Debtors or the Reorganized Debtors, including, without limitation, the adoption or amendment of certificates of incorporation and bylaws, the issuance of securities and instruments or the selection of senior executive officers or directors, shall be authorized and approved in all respects, without any requirement of further action by any of the Debtors' or Reorganized Debtors' boards of directors or managers, as applicable, or security holders.

The Debtors or the Reorganized Debtors, shall be authorized to execute, deliver, file, and record such documents (including the Plan Supplement Documents), contracts, instruments, releases and other agreements and take such other action as may be necessary to effectuate and further evidence the terms and conditions of the Plan, without the necessity of any further Court, corporate, board or shareholder approval or action. In addition, the selection of the Persons who will serve as the initial directors, senior executive officers and managers of the Reorganized Debtors as of the Effective Date shall be deemed to have occurred and be effective on and after the Effective Date without any requirement of further action by the board of directors, board of managers, or stockholders of the applicable Reorganized Debtor.

11. New Shareholders Agreement

Article V.G.11 of the Plan provides that, on the Effective Date, Reorganized SSI and all of the holders of New SSI Common Stock (including any options, warrants or securities convertible into, or exercisable or exchangeable for, shares of New SSI Common Stock) then outstanding shall be deemed to be parties to the new Shareholders Agreement, without the need for execution by any such holder other than Reorganized SSI. The Shareholders Agreement shall be binding on all parties receiving, and all holders of, New SSI Common Stock (including any options, warrants or securities convertible into, or exercisable or exchangeable for, shares of New SSI Common Stock) regardless of whether such parties execute the Shareholders Agreement. In the period pending distribution of the New SSI Common Stock to any holder entitled pursuant to the Plan to receive New SSI Common Stock, such holder shall be bound by, have the benefit of, and be entitled to enforce the

terms and conditions of the Shareholders Agreement and shall be entitled to exercise any voting rights and receive any dividends or other distributions payable in respect of such holder's New SSI Common Stock (including receiving any proceeds of permitted transfers of such New SSI Common Stock) and to exercise all other rights in respect of the New SSI Common Stock (so that such holder shall be deemed for tax purposes to be the owner of the New SSI Common Stock).

[The Shareholders Agreement shall provide for, among other things, minority shareholders to receive, on customary terms, tag-along rights, preemptive rights, information rights and piggyback registration rights. The minority shareholders shall be subject to, on customary terms, forced sale provisions and transfer restrictions (subject to exceptions relating to transfers to affiliates).]

I. Implementation of Sale Transaction

If the Debtors elect to consummate the Sale Transaction, Article V.H of the Plan provides that the following additional steps shall be taken:

1. Purchase Agreement

Pursuant to Article V.H.1(a) of the Plan, upon the Effective Date, the Debtors shall be authorized to enter into and perform their obligations under the Purchase Agreement and all of the transactions contemplated thereunder and such agreement shall be valid, binding and enforceable in accordance with its terms and each holder deemed party thereto shall be bound thereby without the need for any further actions, including the execution of such agreement by such party.

2. Liquidating Trust

(a) Assets of the Liquidating Trust

Article V.H.1(b) of the Plan provides that on the Effective Date, all property of the Debtors' Estates not being purchased by the Purchaser, including the Excluded Assets and all other assets of the Debtors or their Estates, shall be deemed transferred or assigned to such Liquidating Trust.

(b) The Liquidating Trustee

Article V.H.1(c) of the Plan provides that the Confirmation Order shall approve the Liquidating Trust Agreement substantially in the form filed in the Plan Supplement, which shall empower and authorize the Liquidating Trustee to take or cause to be taken all actions pursuant to the provisions of the Liquidating Trust Agreement as may be necessary to administer and liquidate the Debtors' remaining assets, including the Excluded Assets, pursue Causes of Action not transferred under the Purchase Agreement, provide for a document and record retention program, if necessary, in such a manner as approved by order of the Court, to secure and facilitate the effective implementation of the Plan and the closing of the Chapter 11 Cases, and to otherwise conduct and effectuate the Wind Down. The Liquidating Trustee is authorized to execute such documents and take such other actions as may be necessary to effectuate the transactions provided for in the Plan to the extent applicable.

(c) Wind Down and Dissolution of the Debtors

Article V.H.1(d) of the Plan provides that on or after the Effective Date, the Liquidating Trustee will implement the Wind Down pursuant to the Liquidating Trust Agreement, any other provision of the Plan and any applicable orders of the Court, and the Liquidating Trustee shall have the power and authority to take any action necessary to wind down and dissolve the Debtors and to realize on any assets retained by the Debtors, including the Excluded Assets. After the Effective Date, the Debtors shall not engage in any business activities or take any actions, except those necessary to effectuate the Plan, the Wind Down and comply with its obligations under the Purchase Agreement. As soon as is practicable after the Effective Date, the Liquidating Trustee shall (a) change the business and company/corporate names of each of the Debtors to new names bearing no resemblance to any of the present names of such Debtor; (b) cause the Debtors to comply with, and abide by, the terms of the Purchase Agreement; (c) file for each of the Debtors a certificate of dissolution and/or certificate of cancellation, together with all other necessary corporate documents, to effect the dissolution and/or a cancellation of the Debtors under the applicable laws of their state of incorporation or formation (as applicable); (d) complete and file all final or otherwise required federal, state and local tax returns for each of the Debtors, and, to the extent necessary, pursuant to section 505(b) of the Bankruptcy Code, request an expedited determination of any unpaid tax liability of such Debtor or its Estate for any tax incurred during the administration of such Debtor's Chapter 11 Case, as determined under applicable tax laws; and (e) take such other actions as the Liquidating Trustee may determine to be necessary or desirable to carry out the purposes of the Plan and to realize on any Assets retained by the Debtors. The filing by the Liquidating Trustee of each Debtor's certificate of dissolution and/or certificate of cancellation shall be authorized and approved in all respects without further action under applicable law, regulation, order or rule, and without further corporate or limited liability company (as applicable) proceedings or action, including, without limitation, any action by the stockholders, members, the board of directors or board of managers of each such Debtor.

J. Voting, Distribution, Claims and Estimation

1. Voting of Claims

Pursuant to Article VI.A of the Plan, each holder of an Allowed Claim in an Impaired Class of Claims entitled to vote on the Plan shall be entitled to vote to accept or reject the Plan as provided in the Disclosure Statement Approval Order.

2. Designation of Debtor Representative to Make Distributions

(a) Distributions by the Debtor Representative

Article VI.B.1 of the Plan provides that the Debtor Representative or any Disbursing Agent acting on its behalf shall make all Distributions required to be made under the Plan.

(b) The Rights and Powers of the Debtor Representative

Article VI.B.2 of the Plan provides that the Debtor Representative shall be empowered to (i) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan, (ii) make all applicable distributions or payments contemplated

thereby, (iii) employ professionals to represent it with respect to its responsibilities, and (iv) exercise such other powers as may be vested in the Debtor Representative by order of the Court (including any order issued after the Effective Date), pursuant to the Plan, or as deemed by the Debtor Representative to be necessary and proper to implement the provisions thereof.

(c) Expenses Incurred by the Debtor Representative and the Disbursing Agent

Article VI.B.3 of the Plan provides that except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable fees and out-of-pocket expenses incurred by the Debtor Representative and/or the Disbursing Agent, on or after the Effective Date (including, without limitation, reasonable attorney and other professional fees and expenses) shall be paid in Cash by the Reorganized Debtors or, in the event of the Sale Transaction, from the Sale Proceeds.

3. Distributions

(a) Allowed Claims

Article VI.C.1 of the Plan provides the following with respect to Distributions to holders of Allowed Claims.

(a) Delivery of Distributions. Distributions under the Plan shall be made by the Debtor Representative or any Disbursing Agent acting on its behalf to the holders of Allowed Claims in all Classes (i) at the addresses set forth on the Schedules, unless such addresses are superseded by proofs of claim or transfers of claim filed pursuant to Bankruptcy Rule 3001 by the Record Date, (ii) at the last known addresses of such holders if the Debtor Representative has been notified in writing of a change of address, (iii) with respect to the holders of Allowed DIP Financing Claims, to, or at the direction of, the applicable DIP Agent, or (iv) with respect to the holders of Allowed Noteholder Unsecured Claims to, or at the direction of, the trustee for the Notes.

(b) Distribution of Cash. Any payment of Cash by the Debtor Representative or any Disbursing Agent acting on its behalf pursuant to the Plan shall be made at the option and in the sole discretion of the Debtor Representative by (i) a check drawn on, or (ii) wire transfer from, a domestic bank selected by the Debtor Representative or the Disbursing Agent, provided, however, that all payments in respect of the DIP Facilities shall be by wire transfer.

(c) Undeliverable and Unclaimed Distributions. In the event that any Distribution to any holder is returned as undeliverable, no Distribution to such holder shall be made unless and until the Debtor Representative has determined the then current address of such holder, at which time such Distribution shall be made to such holder without interest; provided, however, that such Distributions shall be deemed unclaimed property at the expiration of one (1) year from the Effective Date. After such date, all unclaimed property or interests in property shall be redistributed Pro Rata (it being understood that, for purposes of Article VI of the Plan, "Pro Rata" shall be determined as if the Claim underlying such unclaimed Distribution had been disallowed) without need for a further order by the Court (notwithstanding any applicable federal, provincial, or state escheat, abandoned, or unclaimed property laws to the contrary), and the entitlement by the holder of such unclaimed Allowed Claim to such Distribution or any subsequent Distribution on account of such Allowed Claim shall be extinguished and forever barred.

(d) Saturdays, Sundays, or Legal Holidays. If any payment, distribution or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, and shall be deemed to have been completed as of the required date.

(e) Fractional New SSI Common Stock, and De Minimis Distributions. Notwithstanding any other provision in the Plan to the contrary, no fractional interests of New SSI Common Stock shall be issued or distributed pursuant to the Plan. Whenever any payment of a fraction of a share of New SSI Common Stock would otherwise be required under the Plan, the actual distribution made shall reflect a rounding of such fraction to the nearest whole share (up or down), with shares less than half shares being rounded down and fractions equal to half shares or greater than half shares being rounded up. If two or more holders are entitled to equal fractional entitlements and the number of holders so entitled exceeds the number of whole shares, as the case may be, which remain to be allocated, the Debtor Representative shall allocate the remaining whole shares to such holders by random lot or such other impartial method as the Debtor Representative deems fair, in the Debtor Representative's sole discretion. Upon the allocation of all of the whole New SSI Common Stock authorized under the Plan, all remaining fractional portions of the entitlements shall be canceled and shall be of no further force and effect.

The Debtor Representative shall not be required to, but may in its sole and absolute discretion, make distributions to any holder of a Claim of Cash in an amount less than \$[.]. In addition, the Debtor Representative shall not be required to, but may in its sole and absolute discretion, make any payment on account of any Claim in the event that the costs of making such payment exceeds the amount of such payment.

(f) Distributions for Claims Allowed as of the Initial Distribution Date. On the Initial Distribution Date, the Debtor Representative or the Disbursing Agent acting on its behalf shall distribute Cash or New SSI Common Stock, as the case may be, to the holders of Allowed Claims as contemplated under the Plan.

(g) Distributions as of the Record Date. As of the close of business on the Record Date, the claims register (for Claims) and transfer ledger (for Equity Interests) shall be closed, and there shall be no further changes in the record holders of any Claims or Equity Interests. The Debtors and the Debtor Representative shall have no obligation to, but may in their sole and absolute discretion, recognize any transfer of any Claims or Equity Interests occurring after the Record Date. The Debtors and the Debtor Representative shall instead be entitled to recognize and deal for purposes under the Plan with only those record holders stated on the claims register (for Claims) and transfer ledgers (for Equity Interests) as of the close of business on the Record Date.

(h) Interest on Claims. Except as specifically provided for in the Plan or the Confirmation Order, no Claims (including Administrative Claims), Allowed or otherwise, shall be entitled, under any circumstances, to receive any interest on a Claim.

4. Disputed Claims

(a) Objections to and Resolution of Claims

Article IV.C.2(a) of the Plan provides that after the Effective Date, the Debtor Representative, in consultation with the Creditors Committee, shall have the exclusive right to make and to file objections to, or otherwise contest the allowance of, Claims (other than Fee Claims) subsequent to the Confirmation Date. Unless otherwise ordered by the Court, objections to, or other proceedings concerning the allowance of, Claims (other than Fee Claims) shall be filed and served upon the holders of the Claims as to which the objection is made, or otherwise commenced, as the case may be, as soon as practicable, but in no event later than the Claims Objection Deadline. Objections to Fee Claims shall be filed and served within seventy-five (75) days of the Effective Date (or such longer period as may be allowed by order of the Court).

Objections to, or other proceedings contesting the allowance of, Claims (other than Fee Claims) may be litigated to judgment, settled or withdrawn by the Debtor Representative, in consultation with the Creditors Committee. The Debtor Representative may settle any such objections or proceedings without Court approval or may seek Court approval without notice to any Person, except as set forth in the Plan. Notwithstanding anything to the contrary in the Plan or in this Disclosure Statement, any tort claims shall be liquidated, determined and satisfied in accordance with Article VII.G of the Plan.

Unless an order of the Court specifically provides for a later date, any party filing a proof of Claim after the bar date established by the Court shall not be entitled to treatment as a creditor with respect to such Claim for the purposes of voting on and distribution under the Plan, unless and until the party filing such Claim either obtains the written consent of the Debtor Representative to file such Claim late or obtains an order of the Court upon written motion on notice to the Debtor Representative that permits the filing of the Claim. In the event any proof of Claim is permitted to be filed after the Claims Objection Deadline, the Debtor Representative shall have ninety (90) days from the date of such order or agreement to object to such Claim, which deadline may be extended by the Court on motion of the Debtor Representative without a hearing or notice to Creditors.

(b) No Distributions or Payments Pending Allowance

Article IV.C.2(b) of the Plan provides that no payments or Distributions shall be made on account of a Claim until such Claim becomes an Allowed Claim.

(c) Distributions Following Allowance

Pursuant to Article VI.C.2(c) of the Plan and notwithstanding anything to the contrary set forth in the Plan or in the Confirmation Order, each holder of a Disputed Claim that becomes an Allowed Claim subsequent to the Initial Distribution Date shall receive the Distribution to which such holder of an Allowed Claim is entitled at such time that the Debtor Representative determines, in its discretion, to make subsequent Distributions to holders of other Claims Allowed following the Initial Distribution Date, provided that the Debtor Representative shall make such Distributions quarterly during the first year after the Effective Date and semi-annually thereafter. Nothing in the Plan prohibits the Debtor Representative, in its discretion, from making a Distribution on account of any Claim at any time after such Claim becomes an Allowed Claim.

(d) Disputed Claims Reserve

Article VI.C.2(d) of the Plan provides that on the Effective Date and on each subsequent Distribution Date, the Debtor Representative shall withhold on a Pro Rata basis from property that would otherwise be distributed to Classes of Claims entitled to Distributions under the Plan on such date, in a separate Disputed Claims Reserve, such amounts or property as may be necessary to equal one hundred percent (100%) of Distributions to which holders of such Disputed Claims would be entitled under the Plan if such Disputed Claims were allowed in their Disputed Claim Amount. The Debtor Representative may request, in accordance with Article VI.D of the Plan, estimation from the Bankruptcy Court for any Disputed Claim that is contingent or unliquidated, or may request authority to establish specific Disputed Claims Reserves for particular Disputed Claims. The Debtor Representative shall withhold the applicable portion of the Disputed Claims Reserve with respect to such Claims based upon the estimated amount of each such Claim or reserve amount for each such Claim as approved by the Bankruptcy Court. If practicable, the Debtor Representative will invest any Cash that is withheld as the applicable Disputed Claims Reserve in an appropriate manner to ensure the safety of the investment. Nothing in the Plan or this Disclosure Statement shall be deemed to entitle the holder of a Disputed Claim to postpetition interest on such Claim, however, except as otherwise provided in the Plan.

In the event that the Debtors do not implement a Sale Transaction, the Plan provides that the Reserved Shares shall be held in trust for distribution pursuant to Article VI.C of the Plan, shall not constitute property of the Debtor Representative, and shall not have any voting rights unless and until such shares are distributed in accordance with the Plan. The Debtor Representative shall pay, or cause to be paid, any dividends on account of Reserved Shares that accrued while held in trust to the holder of a Disputed Claim after such Claim becomes an Allowed Claim simultaneously with the distribution of the applicable Reserve Shares. The Debtor Representative shall pay, or cause to be paid, out of any dividends paid on account of Reserved Shares while held in trust, any tax imposed on the reserve by any Governmental Unit with respect to income generated by such reserve and any costs associated with maintaining the reserve. Any New SSI Common Stock held in reserve shall be transferred by the Debtor Representative, in a supplemental distribution, Pro Rata, in accordance with Article VI.C.

5. Estimation

Article VI.D of the Plan provides that the Debtors or the Debtor Representative may at any time, request that the Court estimate any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtors, the Debtor Representative or any other Person has previously objected to such Claim. The Court will retain jurisdiction to estimate any Claim at any time, including during proceedings concerning any objection to such Claim and any appeal thereof. In the event that the Court estimates any Disputed Claim, such estimated amount may constitute either (a) the Allowed amount of such Claim, (b) the amount on which a reserve is to be calculated for purposes of any reserve requirement in the Plan, or (c) a maximum limitation on such Claim, as determined by the Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtor Representative may elect to object to ultimate payment of such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another.

K. Treatment of Executory Contracts and Unexpired Leases

The Bankruptcy Code grants the Debtors the power, subject to the approval of the Bankruptcy Court, to assume or reject executory contracts and unexpired leases. If an executory contract or unexpired lease is rejected, the other party to the agreement may file a claim for damages, if any, incurred by the reason of the rejection. In the case of the Debtors' rejection of leases of real property and employment agreements, such damage claims are subject to certain caps imposed by the Bankruptcy Code.

1. Assumption and Rejection

Pursuant to Article VII.A of the Plan, to the extent not (i) assumed in the Chapter 11 Cases prior to the Confirmation Date, (ii) rejected in the Chapter 11 Cases prior to the Confirmation Date, (iii) subject of a separate motion to assume or reject under section 365 of the Bankruptcy Code pending on the Effective Date, or (iv) specifically rejected pursuant to the Plan, each executory contract and unexpired lease that exists between any Debtor and any Person is specifically assumed by the Debtor that is a party to such executory contract or unexpired lease as of and subject to the Effective Date pursuant to the Plan and in accordance with sections 365 and 1123 of the Bankruptcy Code.

Pursuant to the Plan, the Debtors reject those executory contracts and unexpired leases identified in the Plan Supplement (which, if the Debtors do not pursue the Sale Transaction, shall be acceptable in all respects to the Ad Hoc DIP Agent and the Creditors Committee), which contracts and unexpired leases are deemed rejected by the applicable Debtor as of the corresponding rejection dates set forth in the Plan Supplement.

In the event that the Sale Transaction is implemented, the Confirmation Order shall operate as an order authorizing the Debtors' assignment of the assumed executory contracts and unexpired leases to the Purchaser, as of and subject to the Effective Date.

2. Limited Extension of Time to Assume or Reject

Pursuant to Article VII.B of the Plan, in the event of a dispute as to whether a contract or lease is executory or unexpired, the right of the Debtors or the Debtor Representative, as applicable, to move to assume or reject such contract or lease shall be extended until the date that is thirty (30) days after the entry of a Final Order by the Court determining that the contract or lease is executory or unexpired. The deemed assumptions and rejections provided for in Article VII.B of the Plan shall not apply to such contract or lease.

In the event the Debtors or the Debtor Representative become aware after the Effective Date of the existence of an executory contract or unexpired lease that was not included in the Schedules, or, in the event of the Sale Transaction, on a schedule to the Purchase Agreement, the right of the Debtor Representative to move to assume or reject such contract or lease shall be extended until the date that is thirty (30) days after the date on which the Debtor Representative becomes aware of the existence of such contract or lease. The deemed assumptions and rejections provided for in Article VII.B of the Plan shall not apply to any such contract or lease.

The Debtors reserve the right to amend the list of executory contracts and unexpired leases to be rejected at any time prior to the Confirmation Hearing, subject to, in the event that the Debtors do not consummate the Sale Transaction, the consent of the Ad Hoc DIP Agent and the Creditors Committee.

3. Cure

Article VII.C of the Plan provides that the applicable Debtor, the Debtor Representative or the Purchaser, except as otherwise agreed by the parties, will cure any and all undisputed defaults under any executory contract or unexpired lease that is assumed by such Debtor or the Debtor Representative or assigned to the Purchaser pursuant to the Plan in accordance with section 365 of the Bankruptcy Code. In the event there is a dispute as of the Effective Date regarding the amount required to cure defaults under any executory contract or unexpired lease that the Debtors, the Debtor Representative or the Purchaser propose to assume or assign, as applicable, the Debtors, the Debtor Representative or the Purchaser shall have until 30 days after entry of a Final Order determining the amount, if any, of the applicable Debtor's, the Debtor Representative's or the Purchaser's liability with respect thereto, or as may otherwise be agreed by the parties, to determine whether to assume or reject the related executory contract or unexpired lease. In the event the applicable Debtor or the Debtor Representative determines to assume or the Purchaser is assigned the applicable executory contract or unexpired lease related to the disputed cure, such disputed cure amount shall be paid either within 30 days of the entry of a Final Order determining the amount, if any, of the applicable Debtor's or the Debtor Representative's or the Purchaser's liability with respect thereto, or as may otherwise be agreed to by the parties.

4. Rejection Damage Claims

Article VII.D of the Plan provides that all Claims for damages arising from the rejection of executory contracts or unexpired leases must be filed with the Court in accordance with the terms of the order authorizing such rejection, but in no event later than thirty (30) days after the Effective Date (unless rejected at a later date as a result of a disputed cure amount as set forth in Article VII.C of the Plan). Any Claims not filed within such time will be forever barred from assertion against the Debtors, their respective estates and the Debtor Representative or the Purchaser, as applicable. All Allowed Claims arising from the rejection of executory contracts or unexpired leases shall be treated as General Unsecured Claims.

L. Benefit Plans

Pursuant to Article VII.E of the Plan, if the Debtors do not implement the Sale Transaction, as of and subject to the Effective Date, all employee compensation and any benefit plans, policies, and programs of the Debtors applicable generally to their employees, including agreements and programs subject to section 1114 of the Bankruptcy Code, as in effect on the Effective Date, including, without limitation, all savings plans, retirement plans, health care plans, disability plans, incentive plans, and life, accidental death, and dismemberment insurance plans, but excluding any employment and severance agreements, plans or policies (unless such employment and severance agreements, plans or policies are assumed by the Debtors pursuant to a separate Bankruptcy Court order), shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed under the Plan, and the Debtors' obligations under such agreements and programs shall

survive the Effective Date of the Plan, without prejudice to the Reorganized Debtors' rights under applicable non-bankruptcy law to modify, amend, or terminate the foregoing arrangements, except for (i) such executory contracts or plans specifically rejected pursuant to the Plan (to the extent such rejection does not violate sections 1114 and 1129(a)(13) of the Bankruptcy Code), and (ii) such executory contracts or plans as have previously been terminated, or rejected, pursuant to a Final Order, or specifically waived by the beneficiaries of such plans, contracts, or programs.

M. Insurance Policies, Indemnification Obligations Owed by the Debtors

1. Workers' Compensation Claims

Pursuant to Article VII.F of the Plan, if the Debtors do not implement the Sale Transaction, as of the Effective Date, except as set forth therein or in the Plan Supplement, the Debtors and the Reorganized Debtors shall continue to honor their obligations under: (i) all applicable federal and state workers' compensation laws; and (ii) the Debtors' written contracts, agreements, agreements of indemnity, self-insurer workers' compensation bonds, policies, programs and plans for workers' compensation and workers' compensation insurance. If the Debtors elect to consummate the Sale Transaction, the terms of the Purchase Agreement shall govern with respect to all Workers Compensation Claims as of and after the Effective Date.

Article VII.F of the Plan further provides that all proofs of Claim on account of Workers' Compensation Claims shall be deemed withdrawn automatically and without any further notice to or action, order or approval of the Bankruptcy Court; provided, however, that nothing in the Plan shall limit, diminish or otherwise alter the Debtors' or the Reorganized Debtors' defenses, Causes of Action or other rights under applicable non-bankruptcy law with respect to any such contracts, agreements, policies, programs and plans; provided, further, that nothing therein shall be deemed to impose obligations on the Debtors, the Reorganized Debtors or the Purchaser in addition to what is provided for under applicable state law.

2. Insured Claims

Article VII.G of the Plan provides that any Insured Claims, including, but not limited to, employer liability claims, tort claims but specifically excluding Workers' Compensation Claims, as to which a proof of claim was timely filed in the Chapter 11 Cases and as to which the Debtors have insurance coverage for such claim shall be determined and liquidated in accordance with applicable non-bankruptcy law. Recovery on account of any such Claims shall be limited to applicable insurance.

3. Preservation of Insurance

Article VII.H of the Plan provides that the Debtors' discharge and release from all Claims as provided in the Plan, except as necessary to be consistent with the Plan, shall not diminish or impair the enforceability of any insurance policy that may cover Claims against the Debtors, the Reorganized Debtors (including, without limitation, its senior executive officers and current and former directors) or any other person or entity. The Debtors shall maintain tail coverage under their existing directors and officers liability insurance policies covering their senior executive officers and current directors for any and all Claims brought against them, which coverage shall extend for a period of not less than six (6) years after the Effective Date.

4. Indemnification Obligations Owed by the Debtors

Article VII.I of the Plan provides that if the Debtors do not implement the Sale Transaction, Indemnification Obligations owed to directors, officers, and employees of the Debtors (or the Estates of any of the foregoing) who served or were employed by the Debtors as of or after the Petition Date, excluding claims which have been determined by Final Order to have resulted from gross negligence, willful misconduct or intentional tort, shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed pursuant to section 365 of the Bankruptcy Code under the Plan. In addition, and notwithstanding any other term of the Plan, the Indemnification Obligations owed to the Prepetition Agents under the Prepetition Facilities shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed pursuant to section 365 of the Bankruptcy Code.

Article VII.I of the Plan further provides that, notwithstanding anything to the contrary in the Plan, following the Effective Date, each of the Reorganized Debtors shall jointly and severally indemnify and hold harmless (i) the Prepetition Agents, the Prepetition Lenders, the DIP Agents, Bayside DIP Agent and the DIP Lenders and (ii) the respective members, affiliates, officers, directors, employees, representatives, successors, permitted assigns, attorneys, advisors and agents of any of the foregoing (the “Indemnitees”) from and against any claims, demands, judgments, actions or Causes of Action, liabilities, obligations, damages, losses, deficiencies, assessments, costs, fines, penalties, interest and expenditures (including the reasonable fees and out-of-pocket expenses of counsel) suffered or incurred by any Indemnatee arising out of, based upon, attributable to or resulting from: (w) the DIP Facilities or the Prepetition Facilities, (x) any breach or inaccuracy of any representation or warranty made by the Debtors; (y) any breach or failure by the Debtors to perform any of their respective covenants or obligations contained in the Plan; or (z) any legal proceedings relating to or arising out of the Plan or the Chapter 11 Cases, in each case except to the extent of the gross negligence or willful misconduct of an Indemnatee (as finally determined by a court of competent jurisdiction).

If the Debtors elect to consummate the Sale Transaction, the terms of the Purchase Agreement shall govern with respect to all Indemnification Obligations as of and after the Effective Date.

N. Conditions Precedent to Confirmation and Effectiveness of the Plan

1. Conditions to Confirmation

Pursuant to Article VIII.A of the Plan, confirmation of the Plan is subject to:

(1) the Disclosure Statement having been approved by the Bankruptcy Court as having adequate information in accordance with section 1125 of the Bankruptcy Code, and notice having been given to all relevant parties in accordance with Bankruptcy Rules 2002(b), 3017, 9019 and 3020(b);

(2) an order approving the solicitation, cure and Plan Objection procedures and deadlines having been entered by the Court; and

(3) the Plan Supplement Documents having been filed in substantially final form, in form and substance satisfactory to the Ad Hoc DIP Agent and Creditors Committee.

2. Conditions to Effectiveness

Pursuant to Article VIII.B of the Plan, the Plan shall not become effective unless and until it has been confirmed and the following conditions have been satisfied in full or waived pursuant to Article VIII.C of the Plan:

(1) the Confirmation Order, in form and substance satisfactory to the Debtors, shall have become a Final Order;

(2) all authorizations, consents and regulatory approvals required (if any) for the Plan's effectiveness shall have been obtained;

(3) each of the Plan Supplement Documents shall be in form and substance satisfactory to the Debtors, the DIP Agents and the Creditors Committee and any conditions (other than the occurrence of the Effective Date or certification by a Debtor that the Effective Date has occurred) contained therein having been satisfied or waived in accordance therewith;

(4) to the extent that the Debtors do not pursue a Sale Transaction,

(i) the articles or certificates of incorporation for each of the Debtors shall have been amended as provided in Article V.G.3(a) and (b) of the Plan;

(ii) the New SSI Common Stock and New Subsidiary Equity Interests to be issued pursuant to Article V.G.2 of the Plan shall be consistent with the Plan; or

(iii) the Reorganized Debtors shall have entered into a binding commitment for the Exit Facility on terms and conditions acceptable in all respects to the Ad Hoc DIP Agent and the Creditors Committee;

(iv) on and simultaneously with the occurrence of the Effective Date, the Debtors shall have closed on the Exit Facility and executed and delivered the ABL DIP Payoff Letter, and the Payment in Full of the ABL DIP Financing Claims with proceeds from the Exit Facility shall have occurred on or before May 31, 2013 or such later date as agreed to in writing by the ABL DIP Agent; and

(5) to the extent that the Debtors pursue the Sale Transaction,

(i) the Sale Order shall have become a Final Order;

(ii) each of the conditions to closing under the Purchase Agreement shall have been satisfied or waived in accordance with the provisions thereof; and

(iii) the Payment in Full of the ABL DIP Financing Claims shall have occurred in accordance with Article III.D of the Plan on or before May 31, 2013 or such later date as agreed to in writing by the ABL DIP Agent.

3. Waiver of Conditions

Article VIII.C of the Plan provides that the Debtors, subject to the agreement of the Creditors Committee and DIP Agents, may waive any of the conditions set forth in Article VIII.B.1, 2 or 3 of the Plan at any time and without leave of or order of the Court and without any formal action.

4. Effect of Failure of Conditions

Pursuant to Article VIII.D of the Plan, in the event that the Effective Date does not occur on or before May 31, 2013, or such later date as may be agreed by the Debtors, the DIP Agents and the Creditors Committee, and upon notification submitted by the Debtors to the Court: (a) the Confirmation Order shall be vacated, (b) no distributions under the Plan shall be made, (c) the Debtors and all holders of Claims and Equity Interests shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred, and (d) the Debtors' obligations with respect to the Claims and Equity Interests shall remain unchanged and nothing contained in the Plan shall constitute or be deemed a waiver or release of any Claims or Equity Interests by or against the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any person in any further proceedings involving the Debtors unless extended by Court order.

5. Substantial Consummation

Article VIII.E of the Plan provides that "Substantial Consummation" of the Plan, as defined in 11 U.S.C. § 1101(2), shall be deemed to occur on the Effective Date.

6. Vacatur of Confirmation Order

Article VIII.F of the Plan provides that if a Final Order denying confirmation of the Plan is entered, or if the Confirmation Order is vacated, then the Plan shall be null and void in all respects, and nothing contained in the Plan shall (a) constitute a waiver or release of any Claims against or Equity Interests in the Debtors; (b) prejudice in any manner the rights of the holder of any Claim against, or Equity Interest in, the Debtors; (c) prejudice in any manner any right, remedy or claim of the Debtors; or (d) be deemed an admission against interest by the Debtors.

O. Effect of Confirmation of the Plan on Assets, Claims and Equity Interests

1. Continued Corporate Existence Under the Reorganization

Article IX.A of the Plan provides that if the Debtors do not consummate the Sale Transaction, the Debtors, as Reorganized Debtors, shall continue to exist after the Effective Date with all powers of a corporation or limited liability company, as the case may be, under the laws of the respective states governing their formation and without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under such applicable state law, except as such rights may be limited and conditioned by the Plan and the documents and instruments executed and delivered in connection therewith. In addition, the Reorganized Debtors may operate their business free of any restrictions imposed by the Bankruptcy Code, the Bankruptcy Rules or by the Court, subject only to the terms and conditions of the Plan as well as the documents and instruments executed and delivered in connection therewith, including without limitation, the documents and

instruments included in the Plan Supplement. The Reorganized Debtors shall be responsible for filing required post-confirmation reports and each Reorganized Debtor shall pay quarterly fees of such Debtor due to the Office of the United States Trustee until such time as a final decree is entered closing the applicable Chapter 11 Case or the Bankruptcy Code orders otherwise.

2. Dissolution of Creditors Committee

Article IX.B of the Plan provides that the Creditors Committee shall continue in existence until the Effective Date to exercise those powers and perform those duties specified in section 1103 of the Bankruptcy Code. On the Effective Date, the Creditors Committee shall be dissolved automatically and its members shall be deemed released of all their duties, responsibilities and obligations in connection with the Chapter 11 Cases or the Plan and its implementation, and the retention or employment of the Creditors Committee's attorneys, financial advisors, and other agents shall terminate as of the Effective Date; provided, however, (i) such dissolution shall be stayed until the later of (a) the entry of a final, non-appealable order disposing of the Prepetition Escrowed Amounts, (b) entry of a final, non-appealable order disposing of any other claim asserted by the Creditors Committee against Bayside, if applicable, and (c) resolution of any and all Objections to Claims in accordance with Article VI.C.2 of the Plan, and (ii) such attorneys and financial advisors shall be entitled to pursue their own Fee Claims and represent the Creditors Committee in connection with the review of and the right to be heard in connection with all Fee Claims.

3. Vesting of Property

Pursuant to Article IX.C of the Plan and except as otherwise provided therein, on the Effective Date, the property of the Debtors' Estates (except to the extent transferred pursuant to the Purchase Agreement) shall automatically vest or revest in the Debtor Representative free and clear of all liens, Claims, charges or other encumbrances, except for Liens securing the Exit Facility, if applicable, except as specifically provided in the Plan or the Confirmation Order and the Debtor Representative shall receive the benefit of any and all discharges under the Plan. On and after the Effective Date, except as otherwise provided in the Plan, the Debtor Representative may operate the Debtors' businesses and may use, acquire or dispose of property and compromise or settle any Claims or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

4. Discharge of the Debtors

Article IX. D of the Plan provides that if the Debtors do not implement the Sale Transaction, the rights afforded in the Plan and the treatment of all Claims and Equity Interests in the Plan shall be in exchange for and in complete satisfaction, discharge, and release of all Claims, Equity Interests and Causes of Action of any nature whatsoever, including any interest accrued on such Claims from and after the Petition Date, against the Debtors, the Debtors in Possession, or any of their respective assets or properties, arising prior to the Effective Date. Except as otherwise expressly specified in the Plan, the Confirmation Order shall act as of the Effective Date as a discharge of all debts of, Claims or Equity Interest against, and Liens on the Debtors, their respective assets and properties, arising at any time before the Effective Date, regardless of whether a proof of Claim with respect thereto was filed, whether the Claim is Allowed, or whether the holder thereof votes to accept the Plan or is entitled to receive a distribution thereunder. Except as otherwise expressly specified in the

Plan, after the Effective Date, any holder of such discharged Claim shall be precluded from asserting against the Debtors, the Debtor Representative, or any of their respective assets or properties, any other or further Claim based on any document, instrument, act, omission, transaction, or other activity of any kind or nature that occurred before the entry of the Confirmation Order.

5. Injunction

Article IX.E of the Plan provides that except as otherwise expressly provided in the Plan, the Confirmation Order, or a separate order of the Court, all entities who have held, hold, or may hold Claims or Equity Interests against the Debtors that arose before or were held as of the Effective Date, are permanently enjoined, on and after the Effective Date, from (a) commencing or continuing in any manner any action or other proceeding of any kind against the Debtors, the Debtor Representative or the Purchaser, with respect to any such Claim or Equity Interest, (b) the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order against the Debtors, the Debtor Representative or, if applicable, the Purchaser, on account of any such Claim or Equity Interest, (c) creating, perfecting, or enforcing any encumbrance of any kind against the Debtors, the Debtor Representative or the Purchaser, or against the property or interests in property of the Debtors on account of any such Claim or Equity Interest, and (d) asserting any right of setoff, or subrogation of any kind against any obligation due from the Debtors, the Debtor Representative or the Purchaser or against the property or interests in property of the Debtors on account of any such Claim or Equity Interest. Such injunction shall extend to successors of the Debtors (including, without limitation, the Debtor Representative and, if applicable, the Purchaser) and their respective properties and interests in property. Such injunction shall not apply in respect of Ordinary Course Administrative Claims, the Prepetition Agents', DIP Agents' and Bayside DIP Agent's fees and their professionals' fees and expenses.

6. Preservation of Causes of Action

Article IX.F of the Plan provides that the Debtor Representative shall retain all Causes of Action, other than as expressly provided below or in the Purchase Agreement. Except as expressly provided in the Plan or the Confirmation Order, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any such Causes of Action. Nothing contained in the Plan, the Confirmation Order or in this Disclosure Statement shall be deemed a waiver or relinquishment of any Claim, Cause of Action, right of setoff, or other legal or equitable defense that the Debtors had immediately prior to the Petition Date that is not specifically waived or relinquished by the Plan. The Debtor Representative shall have, retain, reserve and be entitled to assert all such Claims, Causes of Action, rights of setoff and other legal or equitable defenses that the Debtors had immediately prior to the Petition Date as fully as if the Chapter 11 Cases had not been commenced, and all of the Debtor Representative's legal and equitable rights respecting any Claims that are not specifically waived or relinquished by the Plan may be asserted after the Effective Date to the same extent as if the Chapter 11 Cases had not been commenced. Except as expressly provided in the Plan or the Confirmation Order, the Debtor Representative may settle any such Causes of Action without Court approval. Notwithstanding the foregoing, no Causes of Action may be asserted against the DIP Agents, the Bayside DIP Agent, the ABL Co-Collateral Agents, the DIP Lenders, the Prepetition Agents and the Prepetition Lenders to the extent such Causes of Action were waived, released, settled or otherwise discharged or satisfied pursuant to the terms of the Final Orders regarding the DIP Facilities.

7. Votes Solicited in Good Faith

Pursuant to Article IX.G of the Plan, the Debtors have, and upon confirmation of the Plan shall be deemed to have, solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code. The Debtors (and each of their respective affiliates, agents, directors, officers, members, employees, advisors, and attorneys) have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer and issuance of the securities offered and sold under the Plan and therefore have not, and on account of such offer and issuance will not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or the offer or issuance of the securities offered and distributed under the Plan.

8. Administrative Claims Incurred After the Effective Date

Article IX.H of the Plan provides that Administrative Claims incurred by the Debtor Representative after the Effective Date including (without limitation) Claims for Professionals' fees and expenses incurred after such date, may be paid by the Debtor Representative in the ordinary course of business and without application for or Court approval, subject to any agreements with any claim holders.

P. Releases and Related Matters

1. Releases

(a) Releases by the Debtors

Article IX.I of the Plan provides that on the Effective Date, the Debtors and the Debtor Representative, on behalf of themselves and their estates, shall be deemed to release unconditionally (a) all of their respective officers, directors, employees, partners, advisors, attorneys, financial advisors, accountants, and other professionals, who served in such capacities on or after the Petition Date, (b) (i) the DIP Agents and the Bayside DIP Agent, (ii) the ABL Co-Collateral Agents, (iii) the Collateral Agents (as defined in the Ad Hoc DIP Facility and the Bayside DIP Facility), (iv) the Prepetition Agents, (c) officers, directors, principals, members, employees, partners, subsidiaries, affiliates, advisors, attorneys, financial advisors, accountants, and other professionals of each of the DIP Agents, the Bayside DIP Agent, ABL Co-Collateral Agents, Collateral Agents and the Prepetition Agents, (d) the DIP Lenders and the Prepetition Lenders, (e) officers, directors, principals, members, employees, partners, subsidiaries, affiliates, advisors, attorneys, financial advisors, accountants, and other professionals of the DIP Lenders, and the Prepetition Lenders, (f) the members of the Creditors Committee, and (g) officers, directors, principals, members, employees, partners, subsidiaries, affiliates, advisors, attorneys, financial advisors, accountants, and other professionals of the Creditors Committee (collectively, the "Released Parties," and each a "Released Party") from any and all claims, obligations, suits, judgments, damages, rights, Causes of Action and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, based in whole or in part upon actions taken solely in their respective capacities described above for any omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, or the Plan, except that (i) no individual shall be released from any act or omission that

constitutes gross negligence or willful misconduct as determined by a Final Order, (ii) the Debtor Representative shall not relinquish or waive the right to assert any of the foregoing as a legal or equitable defense or right of set off or recoupment against any Claims of any such persons asserted against the Debtors, (iii) the foregoing release shall not apply to any obligations that remain outstanding in respect of loans or advances made to individuals by the Debtors, and (iv) the foregoing release applies to the Released Parties solely in their respective capacities described above.

(b) Releases by Non-Debtors

Article IX.J of the Plan provides that on the Effective Date, the DIP Lenders, the Prepetition Lenders and all Persons who directly or indirectly, have held, hold, or may hold Claims, and (a) vote to accept the Plan as set forth on the relevant Ballot, and do not mark their Ballot to indicate their refusal to grant the releases provided in this paragraph, or (b) are presumed to have voted to accept the Plan under section 1126(f) of the Bankruptcy Code shall be deemed, by virtue of their receipt of Distributions and/or other treatment contemplated under the Plan, to have forever released and covenanted with the Debtor Representative and the Released Parties not to (x) sue or otherwise seek recovery from any of the Debtor Representative or any Released Party on account of any Claim in any way related to the Debtors or their business and affairs, including but not limited to any Claim based upon tort, breach of contract, violations of federal or state securities laws or otherwise, based upon any act, occurrence, or failure to act from the beginning of time through the Effective Date or (y) assert against any of the Debtor Representative or any Released Party any claim, obligation, right, cause of action or liability that any holder of a Claim or Equity Interest may be entitled to assert, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, or occurrence from the beginning of time through the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, or the Plan, provided, however, (i) none of the Released Parties shall be released from any claim primarily based on any act or omission that constitutes gross negligence or willful misconduct as determined by a Final Order, (ii) the foregoing release shall not apply to obligations arising under the Plan, (iii) the foregoing release shall not be construed to prohibit a party in interest from seeking to enforce the terms of the Plan, and (iv) the foregoing release shall not apply to any indemnification and other surviving obligation as set forth in the Plan.

2. Exculpation and Injunction in Respect of Released Parties

(a) Exculpation

Pursuant to Article IX.K.1 of the Plan, as of the Effective Date, the Debtors, the Debtor Representative, the Creditors Committee, and with respect to all of the foregoing, their respective officers, directors, members, managers, attorneys and advisors shall have no liability whatsoever to any holder or purported holder of an Administrative Claim, a Claim, or an Equity Interest for any act or omission in connection with, or arising out of, the Plan, the Disclosure Statement, the Sale Transaction (if any), the negotiation of the Plan, the Disclosure Statement or the Sale Transaction (if any), the negotiation of the documents included in the Plan Supplement, the pursuit of approval of the Disclosure Statement or the solicitation of votes for confirmation of the Plan, the Chapter 11 Cases, the consummation of the Plan, the administration and implementation of the Plan or the property to be distributed under the Plan, or any transaction contemplated by the Plan, the Disclosure

Statement or the Sale Transaction or in furtherance thereof except for any act or omission that constitutes willful misconduct or gross negligence as determined by a Final Order. This exculpation shall be in addition to, and not in limitation of, all other releases, indemnities, exculpations and any other applicable law or rules protecting such Released Parties from liability.

(b) Injunction

Article IX.K.2 of the Plan provides that, pursuant to section 105 of the Bankruptcy Code, no holder or purported holder of an Administrative Claim, a Claim or an Equity Interest shall be permitted to commence or continue any action, employment of process, or any act to collect, offset, or recover any Claim against a Released Party that accrued on or prior to the Effective Date and that has been released or waived pursuant to the Plan.

3. Term of Bankruptcy Injunction or Stays

Article IX.L of the Plan provides that all injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

Q. Modification, Revocation, Withdrawal or Non-Consummation of the Plan

1. Modification of the Plan

Pursuant to Article X.A of the Plan and subject to the limitations contained in the Plan: (1) the Debtors reserve the right, with the consent of the DIP Agents and the Creditors Committee and in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan prior to the entry of the Confirmation Order, including amendments or modifications to satisfy section 1129(b) of the Bankruptcy Code; and (2) after the entry of the Confirmation Order, the Debtors or the Debtor Representative, as the case may be, may (and, in the case of each of clause (1) and clause (2), to the extent such amendments or modifications affect the rights of the DIP Agents, with the prior written consent of the applicable affected party) and upon order of the Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code.

2. Right to Revoke or Withdraw

Article X.B of the Plan provides that subject to the terms of, and without prejudice to the rights of any party, the Debtors (with the consent of the Ad Hoc DIP Agent and the Creditors Committee) reserve the right to revoke or withdraw the Plan at any time prior to the Effective Date.

3. Effect of Withdrawal, Revocation, or Non-Consummation

Article X.C of the Plan provides that if the Debtors revoke or withdraw the Plan prior to the Effective Date, or if the Confirmation Date or the Effective Date does not occur, the Plan, any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Equity Interest or Class of Claims or Equity Interests), the assumption or rejection of executory contracts, unexpired leases, or benefit plans effected by the Plan, any release, exculpation or indemnification provided for in the Plan, and any document or agreement executed pursuant to the Plan shall be null and void. In such event, nothing in the Plan, and no acts taken in preparation for

consummation of the Plan shall be deemed to constitute a waiver or release of any Claims by or against or Equity Interests in the Debtors or any other Person, to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors, or to constitute an admission of any sort by the Debtors or any other Person.

R. Retention of Jurisdiction

Article XI of the Plan provides that the Court shall have exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases and the Plan pursuant to, and for the purposes of, section 105(a) and section 1142 of the Bankruptcy Code, notwithstanding entry of the Confirmation Order and occurrence of the Effective Date, for, among other things, the following purposes: (1) to hear and determine motions for the assumption or rejection of executory contracts or unexpired leases pending on the Confirmation Date, and the allowance of Claims resulting therefrom; (2) to determine any other applications, adversary proceedings, and contested matters pending on the Effective Date; (3) to ensure that distributions to holders of Allowed Claims are accomplished as provided under the Plan; (4) to resolve disputes as to the ownership of any Claim or Equity Interest; (5) to hear and determine objections to Claims and to consider Claims or the allowance, classification, priority, compromise, estimation, or payment of any Claim, including any Administrative Expense Claim; (6) to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated; (7) to issue such orders in aid of execution of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code; (8) to consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any order of the Court, including, without limitation, the Confirmation Order; (9) to hear and determine all applications for compensation and reimbursement of expenses of Professionals under sections 330, 331 and 503(b) of the Bankruptcy Code; (10) to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan; (11) to hear and determine any issue for which the Plan requires a Final Order of the Court; (12) to hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code; (13) to hear and determine disputes arising in connection with compensation and reimbursement of expenses of professionals for services rendered during the period commencing on the Petition Date through and including the Effective Date; (14) to hear and determine any Causes of Action preserved under the Plan under Bankruptcy Code sections 544, 547, 548, 549, 550, 551, 553, and 1123(b)(3); (15) to hear and determine any matter regarding the existence, nature and scope of the Debtors' discharge; (16) to hear and determine any matter regarding the existence, nature, and scope of the releases and exculpation provided in Article IX.I-K of the Plan; and (17) to enter a final decree closing the Chapter 11 Cases.

S. Miscellaneous Provisions

1. Payment of Statutory Fees

Article XII.A of the Plan provides that all fees payable on or before the Effective Date pursuant to section 1930 of title 28 of the United States Code shall be paid by the Debtors on or before the Effective Date. The Debtor Representative shall pay such fees payable after the Effective Date until such time as a final decree is entered closing the Chapter 11 Cases or the Court orders otherwise.

2. Governing Law

Article XII.B of the Plan provides that unless a rule of law or procedure is supplied by Federal law (including the Bankruptcy Code and Bankruptcy Rules) or the Delaware General Corporation Law, (a) the laws of the State of Delaware (without reference to the conflicts of laws provisions thereof) shall govern the construction and implementation of the Plan and any agreements, documents, and instruments executed in connection with the Plan, unless otherwise specified and (b) the laws of the state of incorporation of the Debtors shall govern corporate matters with respect to the Debtors, in each case without giving effect to the principles of conflicts of law thereof.

3. Filing or Execution of Additional Documents

Article XII.C of the Plan provides that on or before the Effective Date, the Debtors or the Debtor Representative, shall file with the Court or execute, as appropriate, such agreements and other documents (in form and substance acceptable to the Ad Hoc DIP Agent and the Creditors Committee, if the Debtors do not consummate the Sale Transaction) as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

4. Withholding and Reporting Requirements

Article XII.D of the Plan provides that in connection with the Plan and all instruments issued in connection therewith and distributions thereon, the Debtor Representative shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority and all distributions hereunder shall be subject to any such withholding and reporting requirements.

5. Exemption from Transfer Taxes

Article XII.E of the Plan provides that pursuant to, and to the fullest extent permitted by, section 1146(c) of the Bankruptcy Code, (a) the issuance, transfer or exchange under the Plan of New Equity and the security interests in favor of the lenders under the Exit Facility, (b) the making or assignment of any lease or sublease, or (c) the making or delivery of any other instrument whatsoever, in furtherance of or in connection with the Plan shall not be subject to any stamp tax or other similar tax.

6. Section 1145 Exemption

Article XII.F of the Plan provides that pursuant to, in accordance with, and solely to the extent provided under section 1145 of the Bankruptcy Code, the issuance of the New SSI Common Stock and distribution thereof to the Debtors' creditors under the Plan will be exempt from registration under applicable securities laws (including without limitation, Section 5 of the Securities Act or any similar state or local law requiring the registration for offer or sale of a security or registration or licensing of an issuer of a security) pursuant to section 1145(a) of the Code, and may be sold without registration to the extent permitted under section 1145 of the Code and is deemed to be a public offering.

7. Waiver of Federal Rule of Civil Procedure 62(a)

Article XII.G of the Plan provides that the Debtors may request that the Confirmation Order include (a) a finding that Fed. R. Civ. P. 62(a) shall not apply to the Confirmation Order, and (b) authorization for the Debtors to consummate the Plan immediately after entry of the Confirmation Order.

8. Exhibits/Schedules

All exhibits and schedules to the Plan and the Plan Supplement Documents are incorporated into and constitute a part of the Plan as if set forth therein.

9. Notices

All notices, requests, and demands with respect to the Plan to be effective shall be in writing and unless the Plan expressly provides otherwise, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

To the Debtors: School Specialty, W6316 Design Drive, Greenville, Wisconsin 54942, attention Michael Lavelle, with a copy to Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, New York 10019, attention Jeffrey D. Saferstein, Esq. and Lauren Shumejda, Esq., Tel: (212) 373-3000, Fax: (212) 757-3990, and a copy to Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801, attention Pauline K. Morgan, Esq. and Maris Kandestin, Esq., Tel: (302) 571-6600, Fax: (302) 576-1253.

To the Creditors Committee: In care of Brown Rudnick LLP, Seven Times Square, New York, New York 10036, attention Robert J. Stark, Esq., Tel: (212) 209-4800, Fax: (212) 209-4801, and Brown Rudnick LLP, One Financial Center, Boston, Massachusetts 02111, attention Steven D. Pohl, Esq. and Thomas H. Montgomery, Esq., Tel: (617) 856-8200, Fax: (617) 856-8201; and Venable LLP, 1201 North Market Street, Suite 1400, Wilmington, Delaware 19801, attention Jamie L. Edmonson, Esq. and Darek S. Bushnaq, Esq., Tel: (302) 656-3929, Fax: (302) 656-8503.

To the Prepetition ABL Agents and ABL DIP Agent: In care of Goldberg Kohn Ltd., 55 East Monroe Street, Suite 3300, Chicago, Illinois 60603, attention Jeremy Downs, Esq. and Randall Klein, Esq., Tel: (312) 201-4000, Fax: (312) 332-2196; and Richards Layton & Finger PA, One Rodney Square, 920 North King Street, Wilmington, Delaware 19801, attention Paul N. Heath, Esq. and Zachary I. Shapiro, Esq., Tel: (302) 651-7700, Fax: (302) 651-7701.

To the Ad Hoc DIP Agent: In care of Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York 10038, attention Kristopher M. Hansen, Esq. and Jonathan D. Canfield, Esq., Tel: (212) 806-5400; and Duane Morris LLP, 222 Delaware Avenue, Suite 1600, Wilmington, Delaware 19801, attention Michael R. Lastowski, Esq., Christopher M. Winter, Esq., and Jarret P. Hitchings, Esq., Tel: (302) 657-4900.

10. Plan Supplement

Article XII.J of the Plan provides that forms of the Plan Supplement Documents (which may be in substantially final form) or term sheets relating to the Exit Facility, the Shareholders Agreement, amendments to certificates of incorporation and bylaws, and such other documents as the Debtors determine to be necessary or appropriate to the implementation and/or confirmation of the Plan shall be contained in the Plan Supplement, which will be filed with the Clerk of the Court no later than three (3) business days prior to the Voting Deadline. The Plan Supplement may be inspected in the office of the Clerk of the Court during normal court hours and shall be available online at <https://ecf.deb.uscourts.gov>. Holders of Claims or Equity Interests may obtain a copy of the Plan Supplement upon written request to counsel to the Debtors in accordance with Article XII.I of the Plan.

11. Conflict

The terms of the Plan shall govern in the event of any inconsistency with the summaries of the Plan set forth in this Disclosure Statement.

VIII.

CONFIRMATION OF THE PLAN

A. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of the Plan. The Confirmation Hearing will be held on **May 13, 2013 at 10:00 a.m. prevailing Eastern Time**, before the Honorable Kevin J. Carey, United States Bankruptcy Court, 824 North Market Street, 5th Floor, Courtroom #5, Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of adjournment at the Confirmation Hearing, or at any subsequent adjourned Confirmation Hearing.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. Any objection to confirmation of the Plan must: (i) be made in writing; (ii) state the name and address of the objecting party and the nature of the Claim or Equity Interest of such party; (iii) state with particularity the legal and factual basis and nature of any objection to the Plan; and (iv) be filed with the Bankruptcy Court, together with proof of service, and served so that they are received **on or before May 6, 2013 at 4:00 p.m. prevailing Eastern Time** by the following parties:

To the Debtors: School Specialty, W6316 Design Drive, Greenville, Wisconsin 54942, attention Michael Lavelle, with a copy to Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, New York 10019, attention Jeffrey D. Saferstein, Esq. and Lauren Shumejda, Esq., Tel: (212) 373-3000, Fax: (212) 757-3990, and a copy to Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801, attention Pauline K. Morgan, Esq. and Maris Kandestin, Esq., Tel: (302) 571-6600, Fax: (302) 576-1253.

To the Creditors Committee: In care of Brown Rudnick LLP, Seven Times Square, New York, New York 10036, attention Robert J. Stark, Esq., Tel: (212) 209-4800, Fax: (212) 209-4801, and Brown Rudnick LLP, One Financial Center, Boston, Massachusetts 02111, attention Steven D. Pohl, Esq. and Thomas H. Montgomery, Esq., Tel: (617) 856-8200, Fax: (617) 856-8201; and Venable LLP, 1201 North Market Street, Suite 1400, Wilmington, Delaware 19801, attention Jamie L. Edmonson, Esq. and Darek S. Bushnaq, Esq., Tel: (302) 656-3929, Fax: (302) 656-8503.

To the Prepetition ABL Agents and ABL DIP Agent: In care of Goldberg Kohn Ltd., 55 East Monroe Street, Suite 3300, Chicago, Illinois 60603, attention Jeremy Downs, Esq. and Randall Klein, Esq., Tel: (312) 201-4000, Fax: (312) 332-2196; and Richards Layton & Finger PA, One Rodney Square, 920 North King Street, Wilmington, Delaware 19801, attention Paul N. Heath, Esq. and Zachary I. Shapiro, Esq., Tel: (302) 651-7700, Fax: (302) 651-7701.

To the Ad Hoc DIP Agent: In care of Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York 10038, attention Kristopher M. Hansen, Esq. and Jonathan D. Canfield, Esq., Tel: (212) 806-5400; and Duane Morris LLP, 222 Delaware Avenue, Suite 1600, Wilmington, Delaware 19801, attention Michael R. Lastowski, Esq., Christopher M. Winter, Esq., and Jarret P. Hitchings, Esq., Tel: (302) 657-4900.

To the United States Trustee: Office of the United States Trustee, 844 King Street, Suite 2207, Lock Box 35, Wilmington, Delaware 19801, attention Juliet Sarkessian, Esq., Tel: (302) 573-6497.

Objections to confirmation of the Plan are governed by Rule 9014 of the Bankruptcy Rules. UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY AND PROPERLY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

B. Statutory Requirements for Confirmation of the Plan in Chapter 11 Cases

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation are that the Plan (i) is accepted by all Classes of Claims and Equity Interests or, if rejected by an impaired Class, the Plan “does not discriminate unfairly” and is “fair and equitable” as to such Class, (ii) is feasible and (iii) is in the “best interests” of holders of Claims and Equity Interests impaired under the Plan.

As explained above, the Bankruptcy Code contains provisions for confirmation of a plan even if it is not accepted by all classes. These so-called “cramdown” provisions are set forth in section 1129(b) of the Bankruptcy Code, which provides that a plan can be confirmed even if it has not been accepted by all impaired classes of claims and equity interests as long as at least one impaired class of non-insider claims has voted to accept the plan and the plan “does not discriminate unfairly” and is “fair and equitable” with respect to each class of impaired claims and equity interests. A summary of these requirements is set forth below.

1. Acceptance

Classes 5A and 5B are impaired under the Plan, and, therefore, holders of Allowed Claims in these Classes are entitled to vote on the Plan.

Classes 1, 2, 3 and 4 are Unimpaired under the Plan, and, therefore, the holders of Allowed Claims in each of these Classes are conclusively presumed to have accepted the Plan.

Class 6 is impaired and the holders of such Equity Interests in SSI will not receive or retain any property under the Plan. Accordingly, holders of Equity Interests in this Class are deemed to have rejected the Plan.

2. Unfair Discrimination and the Fair and Equitable Test

The Debtors will seek to confirm the Plan notwithstanding the deemed non-acceptance of the Plan by Class 6. The Debtors believe that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to such dissenting impaired Class. A plan does not discriminate unfairly if the legal rights of a dissenting class are treated in a manner consistent with the treatment of other classes whose legal rights are substantially similar to those of the dissenting class and if no class receives more than it is entitled to on account of its claims or interests. The Debtors believe that the Plan satisfies these requirements.

The Bankruptcy Code establishes different “fair and equitable” tests for secured claims, unsecured claims and equity interests, as follows:

- (a) Secured Creditors. Either (i) each holder of an impaired secured claim retains its liens securing its secured claim and receives on account of its secured claim deferred cash payments having a present value equal to the amount of its allowed secured claim, (ii) each impaired secured creditor realizes the “indubitable equivalent” of its allowed secured claim, or (iii) the property securing the claim is sold free and clear of liens, with such liens attaching to the proceeds of the sale and the treatment of such liens on proceeds is as provided in clauses (i) or (ii) above.
- (b) Unsecured Creditors. Either (i) each holder of an impaired unsecured claim receives or retains under the plan property of a value equal to the amount of its allowed claim or (ii) the holders of claims and equity interests that are junior to the claims of the dissenting class will not receive or retain any property under the plan.
- (c) Equity Interest Holders. Either (i) each holder of an equity interest will receive or retain under the plan property of a value equal to the greater of the fixed liquidation preference to which such holder is entitled, or the fixed redemption price to which such holder is entitled or the value of the equity interest, or (ii) the holders of equity interests that are junior to the non-accepting class will not receive or retain any property under the plan.

THE DEBTORS BELIEVE THAT THE PLAN MAY BE CONFIRMED ON A NONCONSENSUAL BASIS (PROVIDED AT LEAST ONE IMPAIRED CLASS OF CLAIMS VOTES TO ACCEPT THE PLAN). ACCORDINGLY, THE DEBTORS WILL DEMONSTRATE AT THE CONFIRMATION HEARING THAT THE PLAN SATISFIES THE REQUIREMENTS OF SECTION 1129(b) OF THE BANKRUPTCY CODE AS TO ANY NON-ACCEPTING CLASS.

3. Feasibility

Pursuant to section 1129(a)(11) of the Bankruptcy Code, among other things, the Bankruptcy Court must determine that confirmation of the Plan is not likely to be followed by the liquidation or need for further financial reorganization of the Debtors or any successors to the Debtors under the Plan. This condition is often referred to as the “feasibility” of the Plan. The Debtors believe that the Plan satisfies this requirement.

For purposes of determining whether the Plan meets this requirement, the Debtors and their financial advisors have analyzed the Debtors’ ability to meet their obligations under the Plan and, in the event of the reorganization, the Debtors’ ability to maintain sufficient liquidity and capital resources to conduct their business after emergence from chapter 11. As part of that analysis, the Debtors have prepared consolidated projected financial results for fiscal 2013 through and including fiscal 2017. These financial projections, and the assumptions on which they are based, are annexed hereto as Exhibit B (the “Financial Projections”). Based upon the Financial Projections, the Debtors believe that the Reorganized Debtors will be able to make all payments required pursuant to the Plan, and therefore, that confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization.

The Financial Projections should be read in conjunction with the assumptions, qualifications, and explanations set forth in this Disclosure Statement and in the Plan in their entirety, and the historical consolidated financial statements (including the notes and schedules thereto) and other financial information set forth in School Specialty’s Annual Report on Form 10-K for the fiscal year ended April 28, 2012, as amended, and other reports filed by School Specialty with the SEC filed prior to the Bankruptcy Court’s approval of this Disclosure Statement. These filings are available by visiting the SEC’s website at <http://www.sec.gov>.

The Debtors prepared the Financial Projections based upon, among other things, the anticipated future financial condition and results of operations of the Reorganized Debtors. The Debtors do not, as a matter of course, publish their business plans, strategies, projections, or their anticipated results of operations or financial condition. Accordingly, the Debtors and the Reorganized Debtors do not intend to update or otherwise revise the Financial Projections, or to include such information in documents required to be filed with the SEC or otherwise make such information public to reflect events or circumstances existing or arising after the date of this Disclosure Statement or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error.

THE FINANCIAL PROJECTIONS WERE NOT PREPARED TO COMPLY WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE FINANCIAL ACCOUNTING STANDARDS BOARD. THE DEBTORS’ INDEPENDENT ACCOUNTANTS HAVE NEITHER EXAMINED NOR COMPILED THE ACCOMPANYING

FINANCIAL PROJECTIONS AND ACCORDINGLY DO NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT TO THE FINANCIAL PROJECTIONS, ASSUME NO RESPONSIBILITY FOR THE FINANCIAL PROJECTIONS AND DISCLAIM ANY ASSOCIATION WITH THE FINANCIAL PROJECTIONS. EXCEPT FOR PURPOSES OF THIS DISCLOSURE STATEMENT, THE DEBTORS DO NOT PUBLISH FINANCIAL PROJECTIONS OF THEIR ANTICIPATED FINANCIAL POSITION OR RESULTS OF OPERATIONS. EXCEPT AS MAY OTHERWISE BE PROVIDED IN THE PLAN OR THIS DISCLOSURE STATEMENT, THE DEBTORS DO NOT INTEND TO UPDATE OR OTHERWISE REVISE THESE FINANCIAL PROJECTIONS TO REFLECT EVENTS OR CIRCUMSTANCES EXISTING OR ARISING AFTER THE DATE OF THIS DISCLOSURE STATEMENT OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS.

THE FINANCIAL PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS THAT, THOUGH CONSIDERED REASONABLE BY THE DEBTORS, MAY NOT BE REALIZED, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, INDUSTRY, REGULATORY, MARKET AND FINANCIAL UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH WILL BE BEYOND THE REORGANIZED DEBTORS' CONTROL. THE DEBTORS CAUTION THAT NO REPRESENTATIONS CAN BE OR ARE MADE AS TO THE ACCURACY OF THE FINANCIAL PROJECTIONS OR TO THE REORGANIZED DEBTORS' ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL BE INCORRECT. MOREOVER, EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED, OR, ALTERNATIVELY, MAY HAVE BEEN UNANTICIPATED, AND THUS MAY AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER. THE FINANCIAL PROJECTIONS, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTEE OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR. *SEE* ARTICLE IX, "CERTAIN RISK FACTORS TO BE CONSIDERED."

IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, HOLDERS OF CLAIMS MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE FINANCIAL PROJECTIONS AND SHOULD CONSULT WITH THEIR OWN ADVISORS.

4. Best Interests Test

(a) Generally

The "best interests" test under section 1129 of the Bankruptcy Code requires as a condition to confirmation of the Plan that each holder of Impaired Claims or Impaired Equity Interests receive property with a value not less than the amount such holder would receive in a chapter 7 liquidation. The Debtors believe that, under the Plan, holders of Impaired Claims and Impaired Interests will receive property with a value equal to or in excess of the value such holders would receive in a liquidation of the Debtors under chapter 7 of the Bankruptcy Code. The chapter 7 liquidation analysis set forth below demonstrates that the Plan satisfies the requirements of the "best interests" test.

To estimate potential returns to holders of Claims and Equity Interests in a chapter 7 liquidation, the Debtors determined the amount of liquidation proceeds that might be available for distribution (net of liquidation related costs) and the allocation of such proceeds among the Classes of Claims and Equity Interests based on their relative priority as set forth in the Bankruptcy Code. The Debtors considered many factors and data and have assumed that the liquidation of all assets would be conducted in an orderly manner. The liquidation proceeds available for distribution to holders of Claims against and Equity Interests in the Debtors would consist of the net proceeds from the disposition of the Debtors' assets, augmented by any other cash that the Debtors held and generated during the assumed holding period and after deducting the incremental expenses of operating the business pending disposition.

In general, after deducting the costs of liquidation, including the fees and expenses incurred by the liquidating trustee and other administrative expenses incurred in connection with liquidation, liquidation proceeds would be allocated in the following priority:

- first, to the Claims of secured creditors to the extent of the value of their collateral;
- second, to the unpaid Administrative Claims;
- third, to Priority Tax Claims and other Claims entitled to priority in payment under the Bankruptcy Code;
- fourth, to General Unsecured Claims and Noteholder Unsecured Claims; and
- fifth, to Equity Interests.

The Debtors' liquidation costs in a chapter 7 case would include the compensation of a chapter 7 trustee, as well as compensation of counsel and other professionals retained by such trustee, asset disposition expenses, applicable taxes, litigation costs, Claims arising from the Debtors' operation during the pendency of the chapter 7 cases and all unpaid Administrative Claims that are allowed in the chapter 7 cases. The liquidation itself might trigger certain non-tax claims that are entitled to priority over General Unsecured Claims, Noteholder Unsecured Claims and Equity Interests, and would likely accelerate Claims or, in the case of taxes, make it likely that the Internal Revenue Service would assert all of its claims as Priority Tax Claims rather than asserting them in due course as is expected to occur under the Chapter 11 Cases. These Priority Tax and non-tax claims that are entitled to priority would be paid in full out of the net liquidation proceeds, after payment of secured Claims, chapter 7 costs of administration and other Administrative Claims, and before the balance would be made available to pay Unsecured Claims and Noteholder Unsecured Claims or to make any distribution in respect of Equity Interests.

The Liquidation Analysis (as defined below) provided herein is provided solely to discuss the effects of a hypothetical chapter 7 liquidation of the Debtors and is subject to the assumptions set forth below. The Debtors cannot assure you that these assumptions would be accepted by a Bankruptcy Court. The Liquidation Analysis has not been independently audited or verified.

(b) Liquidation Analysis

A liquidation analysis (the "Liquidation Analysis") has been prepared solely for purposes of estimating proceeds available in a liquidation under chapter 7 of the Bankruptcy Code (a "Chapter 7

Liquidation”) and is attached as Exhibit C to this Disclosure Statement. The Liquidation Analysis is based on a number of estimates and assumptions that are inherently subject to significant economic, competitive and operational uncertainties and contingencies that are beyond the control of the Debtors and their management. Further, the actual amounts of claims against the Debtors’ estates in a Chapter 7 Liquidation could vary materially from the estimates set forth in the Liquidation Analysis, depending on, among other things, the claims asserted during any Chapter 7 Liquidation proceedings. Accordingly, while the information contained in the Liquidation Analysis is necessarily presented with numerical specificity, the Debtors cannot assure you that the values assumed would be realized or the claims estimates assumed would not change if the Debtors were in fact liquidated, nor can assurances be made that the Court would accept this analysis or concur with these assumptions in making its determination under section 1129(a) of the Bankruptcy Code.

The Liquidation Analysis assumes the Chapter 7 Liquidation commences on [June __, 2013] and will take [__ months] to complete (the “Liquidation Period”). The Liquidation Analysis was prepared using the Debtors’ books and records, unaudited financial information, certain independent appraisals prepared in conjunction with financings and valuation information prepared in conjunction with the Plan.

As set forth in detail in the Liquidation Analysis attached hereto, the Debtors believe that the Plan will produce a greater recovery for the holders of Claims than would be achieved in a Chapter 7 Liquidation. Consequently, the Debtors believe that the Plan, which provides for the continuation of the Debtors’ businesses, will provide a substantially greater ultimate return to the holders of Claims than would a Chapter 7 Liquidation. In addition, nothing contained in the Liquidation Analysis is intended to or may be asserted to constitute a concession or admission of the Debtors for any other purpose.

IX.

CERTAIN RISK FACTORS TO BE CONSIDERED

HOLDERS OF CLAIMS AGAINST ANY OF THE DEBTORS SHOULD READ AND CAREFULLY CONSIDER THE RISK FACTORS SET FORTH BELOW AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HERewith AND/OR INCORPORATED HEREIN BY REFERENCE), INCLUDING THE DISCLAIMERS SET FORTH ABOVE, PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION, OR ALTERNATIVES TO THE PLAN.

A. Proposed Financial Information

The Financial Projections included in this Disclosure Statement are dependent upon the successful implementation of the Reorganized Debtors’ business plan and the validity of the assumptions contained therein. These projections reflect numerous assumptions, including, without limitation, confirmation and consummation of the Plan in accordance with its terms, the Reorganized Debtors’ anticipated future performance, including the establishment of trade credit with vendors

and the ability to build inventory in accordance with historical capacity, the future performance of the preK-12 market, certain assumptions with respect to the Reorganized Debtors' competitors, general business and economic conditions and other matters, including tax considerations, many of which are beyond the control of the Reorganized Debtors. In addition, unanticipated events and circumstances occurring subsequent to the preparation of the Financial Projections may affect the Reorganized Debtors' actual financial results. Although the Reorganized Debtors believe that the Financial Projections are reasonably attainable, variations between the actual financial results and those projected may occur and be material.

B. Risks Related to the Reorganized Debtors' Business and Operations

1. Government Funding

The Debtors' profitability is affected by fluctuations in student population and expenditures per student in preK-12 schools. The level of student enrollment is largely a function of demographics, while expenditures per student are affected by federal, state and local government budgets. Given the Debtors' dependence on state and local government funding, any significant and sustained decline in student enrollment and/or expenditures per student could have an adverse effect on the Debtors' business.

Macroeconomic conditions may also impact government funding of education and, in turn, affect the Debtors' business. For example, as described above, the global financial crisis that began in 2008 has had an extremely negative impact on the funding that is available for schools at all levels of the government – federal, state and local. As a result, schools have, among other things, deferred planned purchases of the Debtors' content-based products and decreased orders of the Debtors' furniture and equipment lines. These trends may continue, which would impact the Debtors' business.

2. Seasonality

The preK-12 market is highly cyclical. Historically, the Debtors' revenues and profitability are dramatically higher in the first two quarters of its fiscal year (specifically, May through October), as orders are placed and delivered in anticipation of the start of a new school year in the fall. During this season, the Debtors will typically earn all of their annual profits; during the remaining months of the year, the Debtors will typically report a loss. To the extent the Debtors are unable to sell products to schools during the peak shipping season, many of such sales opportunities will be lost and will not be available in subsequent quarters.

3. Marketing and Competition

The market for supplemental educational products and equipment is highly competitive and fragmented. The Debtors estimate that more than 3,000 companies market supplemental educational products and equipment to schools with preK-12 as a primary focus of their business. The Debtors also face competition from office supply stores, office product contract stationers, and purchasing cooperatives that have not traditionally focused on marketing supplemental educational products and equipment. Price, quality of products and business relationships are important aspects of the Debtors' business, and the competitive environment is often affected by factors beyond the Debtors' control.

For example, the Debtors face increased competition and pricing pressure as a result of the accessibility of the internet. The growth in web-based supplements could reduce the physical paper-based supplements the Debtors currently market. While the Debtors continue to enhance their product lines with digital alternatives, it is possible that the Debtors' paper-based products could be supplanted and/or replaced by online sources that are supplied by the Debtors' competitors.

4. Vendors and Distribution

The Debtors depend on a limited number of suppliers for certain of their products, such as furniture and certain proprietary products. The Debtors also depend on a limited number of service providers for the delivery of their products. Furthermore, many of the Debtors' agreements with suppliers are terminable at any time or on short notice, with or without cause. If significant suppliers or service providers are unable or unwilling to perform their agreements with the Debtors, or if the agreements with such parties are suddenly and unexpectedly terminated, or if the terms by which the Reorganized Debtors purchase products are significantly amended in a manner adverse to the Reorganized Debtors, supply costs could increase and disruptions in distributions could occur that would have a material adverse effect on the Reorganized Debtors' business, liquidity and results of operations.

The Reorganized Debtors believe that the sophistication and size of their distribution network and greater scale and scope of operations relative to competitors provide them with significant competitive advantages, particularly through their ability to operate as a single-source supplier and meet consumer needs through a sophisticated and national distribution network. If the Debtors were to experience higher than expected costs and other difficulties associated with the distribution of their products, it could detract from their competitive advantage in this regard.

5. Retention of Key Personnel

The Debtors' business is impacted by the abilities and continued efforts of executive officers and senior management. A loss of one or more of these key employees, or if the Reorganized Debtors are unable to attract and retain other key personnel, could harm the Reorganized Debtors' business and prevent them from implementing their business strategy.

6. Increasing Emphasis on Imported Goods and Private Label Products

The Debtors' business strategy includes an increased emphasis on offering private label products and sourcing quality merchandise directly from low-cost suppliers outside the United States. This could potentially increase the Debtors' exposure to products liability claims. In addition, the Debtors' reputation may become more closely tied to private label products and may suffer to the extent that customers are not satisfied with the quality of such products. Reliance on private label products may also increase the Debtors' risks associated with returns and inventory obsolescence.

To the extent that cost of imported goods rises or there is a disruption in the flow of foreign goods, the Debtors' increasing reliance on imported goods could adversely impact profits, revenues and cash flows. Additionally, this could potentially result in: (a) increased difficulties in ensuring quality control; (b) disruptions in the flow of imported goods due to factors such as raw material shortages, work stoppages, strikes, and political unrest in foreign countries; (c) problems with

oceanic shipping, including shipping container shortages; (d) variability due to economic crises and international disputes; (e) increases in the cost of purchasing or shipping foreign merchandise resulting from a failure of the United States to maintain normal trade relations with China and the other countries the Debtors do business in; (f) import duties, import quotas, and other trade sanctions; and (g) increases in shipping rates imposed by the trans-Pacific shipping cartel. Moreover, reliance on imported merchandise may exacerbate the cost and difficulty of transitioning to domestic products or alternate sources if such imported merchandise becomes more expensive or unavailable.

7. Complaints or Litigation

The Debtors are from time to time subject to various employee claims, as well as customer and third party claims. Regardless of whether any claims against the Reorganized Debtors are valid or whether they are ultimately determined to be liable, claims may be expensive to defend and may divert time and money away from the Reorganized Debtors' operations and hurt the Reorganized Debtors' financial performance. A significant judgment for any claim(s) could materially adversely affect the Reorganized Debtors' financial condition or results of operations.

8. Currency Exchange Rates

To the extent the Debtors source merchandise from overseas manufacturers and sell products internationally, exchange rate fluctuations could have an adverse effect on results of operations and ability to service U.S. dollar-denominated debt. All of the Debtors' debt is in U.S. dollars while a portion of their revenue is derived from imported products and international sales. Therefore, fluctuations in the exchange rate of foreign currencies versus the U.S. dollar could impact the Debtors' costs and revenues. In addition, for the purposes of financial reporting, any change in the value of the foreign currencies against the U.S. dollar during a given financial reporting period would result in a foreign currency loss or gain. Consequently, the Debtors' reported earnings could fluctuate as a result of foreign exchange translation and may not be comparable from period to period.

C. Ability to Consummate the Sale Transaction

There can be no assurance that the Debtors will receive sufficient interest with respect to a sale of the Debtors' Assets or that the Debtors will receive a bid for sufficient Cash consideration to warrant an auction. To the extent the Debtors determine to pursue the Sale Transaction, consummation of the sale will be subject to numerous conditions to be set forth in the Purchase Agreement as well as the Court's approval of the Purchase Agreement and confirmation of the Plan.

D. Ability of Reorganized Debtors to Refinance Certain Indebtedness and Restrictions Imposed by Indebtedness

As discussed above, to the extent the Debtors determine to pursue a reorganization under the Plan, following the Effective Date, the Reorganized Debtors' working capital needs and letter of credit requirements are anticipated to be funded by the Exit Facility. In this circumstance, the Debtors' entry into the binding Exit Facility is a condition to consummation of the Plan. There can be no assurance at this time that this financing will be available, or that it will be available on terms that are favorable to the Debtors, in which case the Debtors' emergence from the Chapter 11 Cases

could be delayed indefinitely or the Debtors may be forced to accept unfavorable terms that could affect their ability to succeed in the future.

To the extent the Debtors enter into the Exit Facility, the Exit Facility will likely restrict, among other things, the Reorganized Debtors' ability to incur additional indebtedness, consummate certain asset sales, create liens on assets, make investments, loans or advances, consolidate or merge with or into any other person, or convey, transfer or lease all or substantially all of their assets or change the business to be conducted by the Reorganized Debtors. In addition, the Exit Facility may contain certain other and more restrictive covenants. A breach of any of these covenants could result in a default under the Exit Facility. It is also anticipated that substantially all of the assets of the Reorganized Debtors will be pledged as security under the Exit Facility.

The Debtors cannot provide any assurances that they will be able to generate sufficient cash flow from operations to enable them to repay their indebtedness under the Exit Facility and they may not be able to extend the maturity of or refinance this indebtedness on commercially reasonable terms or at all.

E. Certain Bankruptcy Considerations

1. Risk of Non-Confirmation or Delay of Confirmation of the Plan

Although the Debtors believe that the Plan satisfies all of the requirements necessary for confirmation by the Court, there can be no assurance that the Court will reach the same conclusion. Moreover, there can be no assurance that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate the resolicitation of votes to accept the Plan, as modified. If the Plan is not confirmed, significant delay will ensue, which the Debtors believe may hamper their prospects for successful Chapter 11 Cases, and likely result in smaller recoveries to creditors.

2. Risk of Non-Occurrence of the Effective Date

The Debtors anticipate that the Effective Date will occur during the second calendar quarter of 2013, or such later date as may be agreed by the Debtors, the DIP Agents and the Creditors Committee. In the event that the Effective Date does not occur, there can be no assurance that the Chapter 11 Cases will continue rather than be converted to a Chapter 7 Liquidation or that any alternative plan of reorganization would be on terms as favorable to the holders of Claims against the Debtors as the terms of the Plan. If a liquidation or protracted reorganization of the Debtors' Estates were to occur, there is a substantial risk that the Debtors' going concern value would be eroded to the detriment of all stakeholders.

3. The Actual Amount of Allowed Claims May Differ from the Estimated Claims and Adversely Affect the Percentage Recovery of Claims

The estimated Claims set forth in this Disclosure Statement are based on various assumptions, and the actual Allowed amounts of Claims may significantly differ from the estimates. Should one or more of the underlying assumptions ultimately prove to be incorrect, the actual Allowed amounts of Claims may vary from the estimated Claims contained in this Disclosure

Statement. Such differences may materially and adversely affect, among other things: the percentage recoveries to holders of Allowed Claims under the Plan; the Debtors' ability to consummate the Plan; and the Reorganized Debtors' ability to realize the Financial Projections upon emergence.

4. The Chapter 11 Cases May Adversely Affect the Debtors' Operations Going Forward

The fact that the Debtors have been subject to the Chapter 11 Cases may adversely affect their operations after emergence, including their ability to negotiate favorable terms from suppliers and others, and to attract and retain customers. The failure to obtain such favorable terms and retain customers could adversely affect the Debtors' profitability and financial condition and performance.

Moreover, any delay in the Debtors' emergence from chapter 11 could have a material adverse effect on business operations, particularly in light of the seasonal nature of the Debtors' businesses and the restrictions presently imposed by the chapter 11 process on normal operations.

F. Certain Risks Relating to the Equity Securities under the Plan

1. Significant Holders

If holders of significant numbers of shares of New SSI Common Stock were to act as a group, such holders could be in a position to control the outcome of actions requiring stockholder approval, including the election of directors. This concentration of ownership could also facilitate or hinder a negotiated change of control of the Reorganized Debtors and, consequently, have an impact upon the value of the New SSI Common Stock.

Further, one or more of the holders of a significant number of shares of New SSI Common Stock may determine to sell all or a large portion of their shares of New SSI Common Stock in a short period of time, which may adversely affect the market price of the New SSI Common Stock.

2. Lack of Established Market for New SSI Common Stock

The New SSI Common Stock issued under the reorganization option of the Plan will be a new issue of stock for which no trading market currently exists and will not be listed on any securities exchange or over-the-counter market. There can be no assurance that an active trading market for the New SSI Common Stock will develop. Accordingly, no assurance can be given that a holder of New SSI Common Stock will be able to sell such securities in the future or as to the price at which any such sale may occur. If such market were to develop, the liquidity of the market for such securities and the prices at which such securities would trade will depend upon many factors, including the number of holders, investor expectations for the Debtors, and other factors beyond the Debtors' control. In addition, the New SSI Common Stock will be issued to prepetition creditors of the Debtors, some of whom may prefer to liquidate their investment rather than to hold it on a long-term basis, which may create an initial imbalance in the market if and when one were to develop. In addition, the marketability of the New SSI Common Stock will also be impacted by the terms and provisions of the Shareholders Agreement and creditors receiving such stock should familiarize themselves with the terms of such agreement (which will be contained in the Plan Supplement).

3. Lack of Publicly Available Information About the Debtors

After the Effective Date, holders of New SSI Common Stock may not be entitled to receive information concerning the results of operations and financial condition of the Reorganized Debtors, which may make it difficult for such holders to assess and evaluate their investment in the New SSI Common Stock.

X.

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed and consummated, the alternatives to the Plan include (i) a Chapter 7 Liquidation and (ii) an alternative plan of reorganization or a plan of liquidation.

A. Alternative Plan of Reorganization or Plan of Liquidation

If the Plan is not confirmed, the Court could confirm a different plan, which might involve either a reorganization and continuation of the Debtors' business or an orderly liquidation of the Debtors' assets. The Debtors believe that the Plan, as described herein, enables creditors to realize the highest and best value under the circumstances. Such other alternatives could involve diminished recoveries, significant delay, uncertainty, and substantial additional administrative costs and could also face additional opposition from the Debtors' constituencies. The Debtors believe that their Plan provides the best recovery to their creditors.

B. Chapter 7 Liquidation

If no plan is confirmed, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed or elected to liquidate the Debtors' assets for distribution in accordance with the priorities established by chapter 7 of the Bankruptcy Code. A discussion of the effects that a Chapter 7 Liquidation would have on the recoveries of holders of Claims and Equity Interests is set forth in the Liquidation Analysis attached as Exhibit C to this Disclosure Statement. For the reasons articulated in Article X.B above, the Debtors believe that a Chapter 7 Liquidation would result in smaller distributions being made to creditors than those provided for in the Plan.

XI.

SECURITIES LAW MATTERS

To the extent the Debtors issue New SSI Common Stock under the Plan, no registration statement will be filed under the Securities Act or any state securities laws with respect to the distribution of such securities (as defined in this Article, the "Plan Securities"). The Debtors believe that the provisions of section 1145(a)(1) of the Bankruptcy Code exempt the offer and distribution of the Plan Securities from federal and state securities registration requirements (including, without limitation, section 5 of the Securities Act or any similar state or local law requiring the registration for offer or sale of a security of registration or licensing of an issuer or a security).

A. Bankruptcy Code Exemptions from Registration Requirements

1. Initial Offer and Sale of Plan Securities

Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under the Securities Act and state laws if three principal requirements are satisfied: (i) the securities must be offered and sold under a plan of reorganization and must be securities of the debtor, of an affiliate participating in a joint plan with the debtor or of a successor to the debtor under the plan; (ii) the recipients of the securities must each hold a prepetition or administrative expense claim against the debtor or an interest in the debtor; and (iii) the securities must be issued entirely in exchange for the recipient's claim against or interest in the debtor, or principally in such exchange and partly for cash or property. The Debtors believe that the distribution of the Plan Securities under the Plan satisfy the requirements of section 1145(a)(1) of the Bankruptcy Code and are, therefore, exempt from registration under the Securities Act and state securities laws.

The exemptions provided for in section 1145 do not apply to an entity that is deemed an "underwriter" as such term is defined in section 1145(b). Section 1145(b) identifies four types of "underwriters":

- (a) persons who purchase a claim against, an interest in, or a claim for administrative expense against, the debtor, with a view to distributing any security received in exchange for such a claim or interest ("accumulators");
- (b) persons who offer to sell securities offered under a plan for the holders of such securities ("distributors");
- (c) persons who offer to buy securities from the holders of such securities, if the offer to buy is (a) with a view to distributing such securities and (b) made under a distribution agreement; and
- (d) a person who is an "issuer" with respect to the securities, as the term "issuer" is defined in section 2(11) of the Securities Act.

2. Subsequent Transfers of Plan Securities

In general, all resales and subsequent transactions in the Plan Securities will be exempt from registration under the Securities Act pursuant to section 4(1) of the Securities Act, unless the holder thereof is deemed to be an "issuer," an "underwriter" or a "dealer" with respect to such securities.

As used in this definition, an "issuer" includes any "affiliate" of the issuer which means any person directly or indirectly controlling, controlled by or under common control with the issuer. Under section 2(12) of the Securities Act, a "dealer" is any person who engages either for all or part of his or her time, directly or indirectly, as agent, broker or principal, in the business of offering, buying, selling or otherwise dealing or trading in securities issued by another person. Whether or not any particular person would be deemed to be an "underwriter" or a "dealer" with respect to any Plan Security or to "control," be under "common control with," or be "controlled" by, an issuer

would depend upon various facts and circumstances applicable to that person. Accordingly, the Debtors express no view as to whether any person would be an “underwriter” or a “dealer” with respect to any Plan Security or to “control,” be under “common control with,” or be “controlled” by, an issuer.

The SEC has taken the position that resales of securities distributed under a plan of reorganization by accumulators and distributors of securities who are not affiliates of the issuer of such securities are exempt from registration under the Securities Act if effected in “ordinary trading transactions.” The staff of the SEC has indicated in this context that a transaction by such non-affiliates may be considered an “ordinary trading transaction” if it is made on an exchange or in the over-the-counter market and does not involve any of the following factors:

- (a) (i) concerted action by the recipients of securities issued under a plan in connection with the sale of such securities or (ii) concerted action by distributors on behalf of one or more such recipients in connection with such sales;
- (b) the use of informational documents concerning the offering of the securities prepared or used to assist in the resale of such securities, other than a bankruptcy court-approved disclosure statement and supplements thereto, and documents filed with the SEC pursuant to the Exchange Act; or
- (c) the payment of special compensation to brokers and dealers in connection with the sale of such securities designed as a special incentive to the resale of such securities (other than the compensation that would be paid pursuant to arm’s-length negotiations between a seller and a broker or dealer, each acting unilaterally, not greater than the compensation that would be paid for a routine similar-sized sale of similar securities of a similar issuer).

The views of the SEC on the matter have not, however, been sought by the Debtors and, therefore, no assurance can be given regarding the proper application of the “ordinary trading transaction” exemption described above. Any person intending to rely on such exemption is urged to consult their counsel as to the applicability thereof to their circumstances.

The Debtors believe that, pursuant to section 1145(c) of the Bankruptcy Code, the Plan Securities will not be “restricted securities” as defined in Rule 144(a)(3). In addition, affiliates of the issuer will not be deemed to be engaged in a distribution of the Plan Securities and therefore not be deemed to be “underwriters” under section 2(11) of the Securities Act if they comply with the requirements of Rule 144 under the Securities Act for the resale of their Plan Securities. Rule 144 allows a holder of securities that is an affiliate of the issuer of such securities to sell, without registration, within any three-month period a number of such securities that does not exceed the greater of one percent (1%) of the number of outstanding securities in question or the average weekly trading volume in the securities in question during the four (4) calendar weeks preceding the date on which notice of such sale was filed pursuant to Rule 144, subject to the satisfaction of certain

other requirements of Rule 144 regarding the manner of sale, notice requirements and the availability of current public information regarding the issuer.

GIVEN THE COMPLEX NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER, AFFILIATE OR DEALER, THE DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN THE PLAN SECURITIES. ACCORDINGLY, THE DEBTORS EXPRESS NO VIEW AS TO WHETHER ANY PERSON WOULD BE DEEMED TO BE AN ISSUER, UNDERWRITER OR DEALER WITH RESPECT TO SUCH SECURITIES. THE DEBTORS RECOMMEND THAT HOLDERS OF CLAIMS CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.

State securities laws generally provide registration exemptions for subsequent transfers by a bona fide owner for their own account and subsequent transfers to institutional or accredited investors. Such exemptions are generally expected to be available for subsequent transfers of Plan Securities.

Under section 1145(a)(4) of the Bankruptcy Code, stockbrokers effecting transactions in the Plan Securities prior to the expiration of 40 days after the Effective Date are required to deliver to the purchaser of such securities a copy of this Disclosure Statement (and supplements hereto, if any, if ordered by the Court) at or before the time of delivery of such securities to such purchaser.

THE DEBTORS DO NOT PRESENTLY INTEND TO SUBMIT ANY NO-ACTION OR INTERPRETATIVE REQUESTS TO THE SEC WITH RESPECT TO ANY SECURITIES LAWS MATTERS DISCUSSED HEREIN.

Following the Effective Date, the Plan Securities are not expected to be traded on any internationally recognized stock exchange or other quotation system. Additionally, the Debtors will not be obligated to file annual, quarterly or other reports under the Securities Exchange Act or otherwise comply with the SEC's disclosure or reporting requirements.

XII.

CERTAIN U.S. INCOME TAX CONSIDERATIONS

A summary description of certain material U.S. federal income tax consequences of the Plan is provided below. This description is for informational purposes only and, due to a lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various tax consequences of the Plan as discussed herein. Only the principal consequences of the Plan for the Debtors and those holders of Allowed General Unsecured Claims and Allowed Noteholder Unsecured Claims are described below. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan. No rulings or determinations of the U.S. Internal Revenue Service (the "IRS") or any other tax authorities have been sought or obtained with respect to any tax consequences of the Plan, and the discussion below is not binding on the IRS or such other authorities. As a result, there can be no assurance that the IRS will not disagree with or challenge any of the conclusions we have reached and describe herein. In addition, a significant amount of time may elapse between the date of this Disclosure Statement and the

receipt of a final distribution under the Plan. Events occurring after the date of this Disclosure Statement, including changes in law and changes in administrative positions, could affect the U.S. federal income tax consequences of the Plan. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Plan to the Debtors or any holder of an Allowed General Unsecured Claim or Allowed Noteholder Unsecured Claim. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein.

This summary does not address any estate or gift tax consequences of the Plan or tax consequences of the Plan under any state, local or foreign laws. Furthermore, this discussion does not address all tax considerations that might be relevant to particular holders of Allowed General Unsecured Claims and Allowed Noteholder Unsecured Claims in light of their personal circumstances or to persons that are subject to special tax rules. In addition, this description of the material U.S. federal income tax consequences does not address the tax treatment of special classes of holders of Allowed General Unsecured Claims and Allowed Noteholder Unsecured Claims, such as: financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities, insurance companies, persons holding Allowed General Unsecured Claims or Allowed Noteholder Unsecured Claims as part of a hedging, integrated or conversion transaction, constructive sale or “straddle,” U.S. expatriates, persons subject to the alternative minimum tax, and dealers or traders in securities or currencies.

For purposes of this discussion, you are a “U.S. Holder” if you are a beneficial holder of an Allowed General Unsecured Claim or an Allowed Noteholder Unsecured Claim that is, for U.S. federal income tax purposes, (1) a citizen or individual resident of the United States, as determined for U.S. federal income tax purposes; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States or any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (4) a trust (A) if a court within the United States is able to exercise primary jurisdiction over its administration and one or more U.S. persons have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

For purposes of this discussion, you are a “Non-U.S. Holder” if you are a beneficial holder of an Allowed General Unsecured Claim or an Allowed Noteholder Unsecured Claim that is not a U.S. Holder and that is, for U.S. federal income tax purposes, an individual, corporation, estate or trust.

If a partnership or other pass-through entity is a holder of an Allowed General Unsecured Claim or an Allowed Noteholder Unsecured Claim, the tax treatment of a partner or other owner will generally depend upon the status of the partner (or other owner) and the activities of the entity. If you are a partner (or other owner) of a pass-through entity that is a holder of an Allowed General Unsecured Claim or an Allowed Noteholder Unsecured Claim, you should consult your tax advisor regarding the tax consequences of the Plan to your particular situation.

The following discussion is based upon the Internal Revenue Code of 1986, as amended (the “Tax Code”), U.S. judicial decisions, administrative pronouncements and existing and proposed Treasury Regulations, all as in effect as of the date hereof. All of the preceding authorities are

subject to change, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below.

The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder of an Allowed General Unsecured Claim or an Allowed Noteholder Unsecured Claim and no opinion or representation with respect to the U.S. federal income tax consequences to any such holder is made. You are urged to consult your own tax advisor regarding the application of U.S. federal, state and local tax laws, as well as any applicable foreign tax laws, to your particular situation.

IRS Circular 230 disclosure: To ensure compliance with requirements imposed by the IRS, each holder of an Allowed General Unsecured Claim or an Allowed Noteholder Unsecured Claim is hereby notified that: (a) any discussion of U.S. federal tax issues in this document is not intended or written by us to be relied upon, and cannot be relied upon by you, for the purpose of avoiding penalties that may be imposed on you under the Internal Revenue Code; (b) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) you should seek advice based on your particular circumstances from an independent tax advisor.

A. Certain U.S. Federal Income Tax Consequences to the Debtors

[To come]

B. Certain U.S. Federal Income Tax Consequences to U.S. Holders

The following discusses certain U.S. federal income tax consequences of the transactions contemplated by the Plan to holders of Allowed General Unsecured Claims and Allowed Noteholder Unsecured Claims that are U.S. Holders, as described above. If you are a holder of an Allowed General Unsecured Claim or an Allowed Noteholder Unsecured Claim that is a U.S. Holder, you should consult your own tax advisor for information that may be relevant to your particular situation and circumstances and the particular tax consequences to you of the transactions contemplated by the Plan.

[To come]

C. Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders

This subsection applies to you if you are a Non-U.S. Holder.

The rules governing U.S. federal income taxation of Non-U.S. Holders are complex. If you are a Non-U.S. Holder, you should consult with your own tax advisor to determine the effect of U.S. federal, state, local and foreign income tax laws, as well as treaties, with regard to your participation in the transactions contemplated by the Plan and your ownership of New SSI Common Stock, including any reporting requirements.

[To come]

XIII.

CONCLUSION AND RECOMMENDATION

The Debtors believe that confirmation of the Plan in the Chapter 11 Cases is preferable to the alternatives described above because it provides the greatest distributions and opportunity for distributions to holders of Claims against the Debtors. In addition, any alternative to confirmation of the Plan in the Chapter 11 Cases could result in extensive delays and increased administrative expenses, or the ultimate liquidation of certain or all of the Debtors. Accordingly, the Debtors urge all holders of Claims entitled to vote on the Plan to vote to accept the Plan in the Chapter 11 Cases.


Dated: March 19, 2013

Respectfully submitted,


SCHOOL SPECIALTY, INC.

By: 
Name: Michael P. Lavelle
Title: President and CEO


SAX ARTS & CRAFTS, INC.

By: 
Name: Michael P. Lavelle
Title: Sole Director

FREY SCIENTIFIC, INC.

By: 
Name: Michael P. Lavelle
Title: Sole Director

PREMIER AGENDAS, INC.

By: 
Name: Michael P. Lavelle
Title: Sole Director

CHILDCRAFT EDUCATION CORP.

By: 

Name: Michael P. Lavelle

Title: Sole Director

CALIFONE INTERNATIONAL, INC.

By: 

Name: Michael P. Lavelle

Title: Sole Director

BIRD-IN-HAND WOODWORKS, INC.

By: 

Name: Michael P. Lavelle

Title: Sole Director

CLASSROOMDIRECT.COM, LLC

By: 

Name: Michael P. Lavelle

Title: President and CEO, School Specialty, Inc., Sole Member

DELTA EDUCATION, LLC

By: 

Name: Michael P. Lavelle

Title: President and CEO, School Specialty, Inc., Sole Member

SPORTIME, LLC

By: 

Name: Michael P. Lavelle

Title: President and CEO, School Specialty, Inc., Sole
Member

EXHIBIT A

**The Debtors' Joint Plan
Under Chapter 11 of the Bankruptcy Code**

**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

**DEBTORS' JOINT PLAN UNDER CHAPTER 11
OF THE BANKRUPTCY CODE**

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Dated: March 19, 2013

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.

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INTRODUCTION

School Specialty, Inc., Bird-In-Hand Woodworks, Inc., Califone International, Inc., Childcraft Education Corp., ClassroomDirect.com, Delta Education, LLC, Frey Scientific, Inc., Premier Agendas, Inc., Sax Arts & Crafts, Inc., and Sportime, LLC, the above-captioned debtors and debtors in possession, propose the following joint plan under section 1121(a) of the Bankruptcy Code.²

The Debtors' Chapter 11 Cases are being jointly administered pursuant to an order of the Court, and the Plan is being presented as a joint plan of the Debtors. Pursuant to the Plan, the Debtors will (a) reorganize as a going concern or, depending on the outcome of the Sale Process, (b) sell all or substantially all of their Assets. Under either scenario, Claims against, and Interests in, the Debtors (other than Administrative Claims, Priority Tax Claims and Fee Claims) are classified in Article II hereof and treated in Article IV hereof.

Reference is made to the Disclosure Statement accompanying this Plan, including the exhibits thereto, for a discussion of the Debtors' history, business, properties, results of operations, and projections for future operations and risk factors, together with a summary and analysis of this Plan. All holders of Claims against, or Equity Interests in, the Debtors are encouraged to consult the Disclosure Statement and to read this Plan carefully before voting to accept or reject this Plan. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code, Bankruptcy Rule 3019 and the Plan, the Debtors reserve the right to alter, amend, modify, revoke or withdraw the Plan prior to its substantial consummation.

NO SOLICITATION MATERIALS, OTHER THAN THE DISCLOSURE STATEMENT AND RELATED MATERIALS TRANSMITTED THEREWITH AND APPROVED BY THE COURT, HAVE BEEN AUTHORIZED BY THE COURT FOR USE IN SOLICITING ACCEPTANCES OR REJECTIONS OF THIS PLAN.

² Capitalized terms used in this Introduction shall have the meanings ascribed herein below.

I.

DEFINITIONS AND CONSTRUCTION OF TERMS

A. **Definitions.**

Unless otherwise defined herein, or the context otherwise requires, the following terms shall have the respective meanings set forth below:

ABL Co-Collateral Agents means, collectively, Wells Fargo Capital Finance, LLC and General Electric Capital Corporation, in their capacities as Co-Collateral Agents under the ABL DIP Facility.

ABL DIP Agent means Wells Fargo Capital Finance, LLC, in its capacity as Administrative Agent under the ABL DIP Facility.

ABL DIP Facility means that certain Debtor-in-Possession Credit Agreement, dated as of January 31, 2013, between and among SSI, Bird-In-Hand Woodworks, Inc., Califone International, Inc., Childcraft Education Corp., ClassroomDirect.com, LLC, Delta Education, LLC, Premier Agendas, Inc., Sportime, LLC, the lenders identified therein and Wells Fargo Capital Finance, LLC, as Administrative Agent and Wells Fargo Capital Finance, LLC and GE Capital Markets, Inc. as Co-Collateral Agents, as amended from time to time.

ABL DIP Financing Claim means Claims arising under the ABL DIP Facility.

ABL DIP Lenders means the lenders, banks, other financial institutions or other non-Debtor entities that may become lenders under the ABL DIP Facility from time to time.

ABL DIP Payoff Letter means a customary form of payoff letter, in form and substance reasonably satisfactory to ABL DIP Agent and ABL Co-Collateral Agents, which provides for, among other things, Payment in Full of the ABL DIP Financing Claims.

Ad Hoc DIP Agent means U.S. Bank National Association, in its capacity as Administrative Agent under the Ad Hoc DIP Facility.

Ad Hoc DIP Facility means that certain Secured Super-Priority Debtor-in-Possession Credit Agreement, dated as of February 25, 2013, between and among SSI, Bird-In-Hand Woodworks, Inc., Califone International, Inc., Childcraft Education Corp., ClassroomDirect.com, LLC, Delta Education, LLC, Frey Scientific, Inc.,

Ad Hoc DIP Financing Claim

Ad Hoc DIP Lenders

Administrative Claim

Administrative Claims Bar Date

Allowed

Premier Agendas, Inc., Sax Arts & Crafts, Inc., Sportime, LLC, the lenders identified therein and U.S. Bank National Association, as Administrative and Collateral Agent, as amended from time to time.

means Claims arising under the Ad Hoc DIP Facility.

means the lenders, banks, other financial institutions or other non-Debtor entities that may become lenders under the Ad Hoc DIP Facility from time-to-time who are also Noteholders.

means any right to payment constituting a cost or expense of administration of the Chapter 11 Cases of a kind specified under section 503(b) of the Bankruptcy Code and entitled to priority under section 507(a)(2), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, without limitation, any actual and necessary costs and expenses of preserving the Debtors' estates, any actual and necessary costs and expenses of operating the Debtors' business, any indebtedness or obligations incurred or assumed by the Debtors in Possession in connection with the conduct of their business, including, without limitation, for the acquisition or lease of property or an interest in property or the rendition of services, all compensation and reimbursement of expenses to the extent awarded by the Court under sections 330, 331 or 503 of the Bankruptcy Code, any fees or charges assessed against the Debtors' estates under section 1930 of chapter 123 of title 28 of the United States Code, any Claim for goods delivered to the Debtors within twenty (20) days of the Petition Date and entitled to administrative priority pursuant to section 503(b)(9) of the Bankruptcy Code, the DIP Financing Claims, and the Fee Claims of the Prepetition Agents.

means the first business day that is thirty (30) days after the Confirmation Date.

means, with reference to any Claim, (a) any Claim against any of the Debtors that has been listed by the Debtors in the Schedules, as such Schedules may be amended by the Debtors from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent, and with respect to which no contrary proof of claim has been filed, (b) any Claim specifically allowed under the Plan, (c) any Claim that is not Disputed by the Claims Objection Deadline or (d) any Claim the amount or

existence of which, if Disputed, (i) has been determined by a Final Order of a court of competent jurisdiction other than the Court, or (ii) has been allowed by Final Order of the Court; provided, however, that any Claims allowed solely for the purpose of voting to accept or reject the Plan pursuant to an order of the Court shall not be considered “Allowed Claims” hereunder.

Allowed Noteholder Claims

means all Claims, to the extent not already paid, for amounts due and owing under the Notes, which are Allowed in an aggregate amount equal to \$[] million, including interest and fees due and owing as of the Effective Date.

Assets

means the direct or indirect right, title and interest of the Debtors in and to the Debtors’ tangible and intangible assets, properties, rights, claims and contracts.

Ballots

means each of the ballot forms distributed with the Disclosure Statement to each holder of an Impaired Claim (other than to holders not entitled to vote on the Plan) upon which is to be indicated, among other things, acceptance or rejection of the Plan.

Bankruptcy Code

means title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.*, as in effect on the date hereof.

Bankruptcy Rules

means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, and local rules of the Court, as the context may require.

Bayside DIP Agent

means Bayside Finance LLC, as Administrative Agent under the Bayside DIP Facility.

Bayside DIP Facility

means that certain Super-Priority Debtor-in-Possession Credit Agreement, dated as of January 31, 2013, between and among SSI, Bird-In-Hand Woodworks, Inc., Califone International, Inc., Childcraft Education Corp., ClassroomDirect.com, LLC, Delta Education, LLC, Frey Scientific, Inc., Premier Agendas, Inc., Sax Arts & Crafts, Inc., Sportime, LLC, the lenders identified therein and Bayside Finance LLC, as Administrative and Collateral Agent.

Bayside DIP Financing Claims

means Claims arising under the Bayside DIP Facility, to the extent not already paid.

Bayside DIP Lenders

means the lenders, banks, other financial institutions or other non-Debtor entities that may become lenders under the Bayside DIP Facility from time to time.

Bird-In-Hand

means Bird-In-Hand Woodworks, Inc.

<i>Business Day</i>	means any day on which commercial banks are open for business, and not authorized to close, in the City of New York, New York, except any day designated as a legal holiday by Bankruptcy Rule 9006(a).
<i>Califone</i>	means Califone International, Inc.
<i>Cash</i>	means legal tender of the United States of America.
<i>Causes of Action</i>	means all claims, choses in action and causes of action (including those assertable derivatively), liabilities, obligations, suits, debts, sums of money, damages, demands, judgments, whether known or unknown, now owned or hereafter acquired by the Debtors, and the Cash and non-Cash proceeds thereof, whether arising under the Bankruptcy Code or other federal, state or foreign law, equity or otherwise, including, without limitation, any causes of action arising under sections 510, 544, 547, 548, 549, 550, 551 or any other section of the Bankruptcy Code.
<i>Chapter 11 Cases</i>	means the chapter 11 cases commenced by the Debtors.
<i>Childcraft Education</i>	means Childcraft Education Corp.
<i>Claim</i>	means any claim, as such term is defined in section 101(5) of the Bankruptcy Code.
<i>Claims Agent</i>	means Kurtzman Carson Consultants LLC or any successor thereto.
<i>Claims Objection Deadline</i>	means the first business day that is sixty (60) days after the Effective Date, or such other later date the Court may establish upon a motion by the Debtor Representative, which motion may be filed before or after such deadline and may be approved without a hearing and without notice to any party.
<i>Class</i>	means a group of Claims or Equity Interests as classified under the Plan.
<i>Classroom Direct</i>	means ClassroomDirect.com, LLC.
<i>Collateral</i>	means any property or interest in property of the Debtors' estates subject to a Lien to secure the payment or performance of a Claim, which Lien has not been avoided or is not subject to avoidance under the Bankruptcy Code or otherwise invalid under the Bankruptcy Code or applicable state law.
<i>Confirmation Date</i>	means the date on which the Confirmation Order is entered by the Court.
<i>Confirmation Hearing</i>	means the hearing to consider confirmation of the Plan pursuant to section 1128 of the Bankruptcy Code, as it may be adjourned or continued from time to time.

<i>Confirmation Order</i>	means the order entered by the Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.
<i>Court</i>	means, (a) the United States Bankruptcy Court for the District of Delaware, having jurisdiction over the Chapter 11 Cases; (b) to the extent there is no reference pursuant to section 157 of title 28 of the United States Code, the United States District Court for the District of Delaware; and (c) any other court having jurisdiction over the Chapter 11 Cases or proceedings arising therein.
<i>Creditors Committee</i>	means the Official Committee of Unsecured Creditors appointed by the United States Trustee in the Debtors' Chapter 11 Cases, as constituted from time to time.
<i>Debtor Representative</i>	means (a) the Reorganized Debtors, if a Sale Transaction is not consummated, or (b) the Liquidating Trustee, if a Sale Transaction is consummated.
<i>Debtors</i>	means School Specialty, Inc., Bird-In-Hand Woodworks, Inc., Califone International, Inc., Childcraft Education Corp., ClassroomDirect.com, LLC, Delta Education, LLC, Frey Scientific, Inc., Premier Agendas, Inc., Sax Arts & Crafts, Inc., and Sportime, LLC.
<i>Debtors in Possession</i>	means the Debtors in their capacity as debtors in possession in the Chapter 11 Cases pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.
<i>Delta Education</i>	means Delta Education, LLC.
<i>DIP Agents</i>	means the ABL DIP Agent, the ABL Co-Collateral Agents and the Ad Hoc DIP Agent.
<i>DIP Facilities</i>	means the ABL DIP Facility, the Ad Hoc DIP Facility, and the Bayside DIP Facility.
<i>DIP Financing Claims</i>	means, as the context may require, Ad Hoc DIP Financing Claims, the ABL DIP Financing Claims, and, to the extent not already paid, the Bayside DIP Financing Claims.
<i>DIP Lenders</i>	means, collectively, the ABL DIP Lenders, the Ad Hoc DIP Lenders and the Bayside DIP Lenders, as the context may require.
<i>Disbursing Agent</i>	means any entity designated as such by the Debtors or the Debtor Representative, to serve as disbursing agent under the Plan with respect to Distributions to holders in particular Classes of Claims under Articles III and VI hereof.
<i>Disclosure Statement</i>	means the written disclosure statement that relates to this Plan, as approved by the Court pursuant to

Disputed

section 1125 of the Bankruptcy Code and Bankruptcy Rule 3017, as such disclosure statement may be amended, modified or supplemented from time to time (including all schedules and exhibits thereto).

means, with reference to any Claim, (a) any Claim, (i) proof of which was not timely or properly filed and that has been or hereafter is listed on the Schedules as unliquidated, disputed or contingent, or (ii) for which a proof of claim was required, but as to which a proof of claim was not timely or properly filed; (b) any Claim as to which the Debtors or any other party in interest has filed an objection or request for estimation on or before such limitation period fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules or the Court, except to the extent that such objection or request for estimation is withdrawn or determined by a Final Order in favor of the holder of such Claim; (c) any Claim that is not yet Allowed; or (d) a Claim which asserts that it is contingent or unliquidated in whole or in part.

Disputed Claims Reserve

means the Cash reserves and the Reserve Shares established and maintained by the Debtors or the Debtor Representative to pay Disputed Claims upon allowance by the Court.

Distributions

means the distribution in accordance with this Plan of (a) Cash, (b) New SSI Common Stock, or (c) other form of consideration, as the case may be.

Effective Date

means the first Business Day on which all of the conditions specified in Article VIII.B of the Plan have been satisfied or waived in accordance with Article VIII.C of the Plan; provided, however, that if a stay of the Confirmation Order is in effect on such date, the Effective Date will be the first Business Day after such stay is no longer in effect.

Entity

shall have the meaning set forth in section 101(15) of the Bankruptcy Code.

Equity Interest or Interest

means any equity security within the meaning of section 101(16) of the Bankruptcy Code or any other instrument evidencing an ownership interest in any of the Debtors, whether or not transferable, and any option, warrant, or right, contractual or otherwise, to acquire, sell or subscribe for any such interest.

Escrow Agreement

means that certain escrow agreement by and among Bayside, the Ad Hoc DIP Agent and SSI, which provides for the Prepetition Escrowed Amounts.

Estates

means the estates of the Debtors, individually or

Excluded Assets

collectively, as is appropriate in the context created in the Chapter 11 Cases pursuant to section 541 of the Bankruptcy Code.

in the event of a Sale Transaction, any Assets that are not purchased by the Purchaser under the Purchase Agreement.

Exit Facility

means that certain exit financing facility to be entered into by the Reorganized Debtors on or prior to the Effective Date, [on terms substantially similar to those included in the Plan Supplement, the obligations under which shall be secured by a first priority security interest in substantially all of the Reorganized Debtors' assets].

Fee Claims

means Allowed Administrative Claims of Professionals.

Fee Claims Escrow Account

means the Cash reserve equal to the Fee Claim Reserve Amount established and maintained by the Debtors or the Debtor Representative in an escrow account to pay Fee Claims after the Effective Date upon Allowance by the Court.

Fee Claim Reserve Amount

means the aggregate Fee Claims through the Effective Date as estimated in accordance with Article III.B.b.

Final Order

means an order or judgment of the Court, or other court of competent jurisdiction, as entered on the docket of such Court, the operation or effect of which has not been stayed, reversed, vacated or amended, and as to which order or judgment (or any revision, modification, or amendment thereof) the time to appeal, petition for certiorari, or seek review or rehearing has expired and as to which no appeal, petition for certiorari, or petition for review or rehearing was filed or, if filed, remains pending.

Frey Scientific

means Frey Scientific, Inc.

General Unsecured Claim

means a Claim against any of the Debtors that is not an Administrative Claim, Priority Tax Claim, Other Priority Claim, Fee Claim, Ad Hoc DIP Financing Claim, ABL DIP Financing Claim, Bayside DIP Financing Claim, Prepetition ABL Facility Claim, Prepetition Term Loan Claim or Other Secured Claim and shall include, without limitation, (a) Claims of employees of the Debtors that are not Priority Claims, (b) Claims arising as a result of the rejection by any of the Debtors of executory contracts or unexpired leases pursuant to section 365 of the Bankruptcy Code, (c) Claims arising as a result of pre-Petition Date litigation against any of the Debtors that are not

Governmental Unit

subordinated under section 510(b) of the Bankruptcy Code, and (d) Claims of vendors, suppliers and/or customers that are not Other Priority Claims.

has the meaning ascribed to such term in section 101(27) of the Bankruptcy Code.

Impaired

means, when used with reference to a Claim, a Claim that is impaired within the meaning of section 1124 of the Bankruptcy Code.

Indemnification Obligation

means any obligation of any of the Debtors to indemnify, reimburse, or provide contribution pursuant to charter, bylaws, contract, or otherwise; provided, however, that such term shall not include any obligation that constitutes a subordinated Claim.

Initial Distribution Date

means the Effective Date or as soon thereafter as practicable, but no later than thirty (30) days after the Effective Date.

Insider

has the meaning set forth in section 101(31) of the Bankruptcy Code.

Insured Claim

means any Claim or portion of a Claim (other than a Workers Compensation Claim) that is insured under the Debtors' insurance policies, but only to the extent of such coverage.

Intercompany Claims

means any Claim held by one of the Debtors against any other Debtor, including, without limitation, (a) any account reflecting intercompany book entries by such Debtor with respect to any other Debtor, (b) any Claim not reflected in book entries that is held by such Debtor, and (c) any derivative Claim asserted or assertable by or on behalf of such Debtor against any other Debtor.

Lien

has the meaning set forth in section 101(37) of the Bankruptcy Code.

Liquidating Trust

means, in the event of a Sale Transaction, all remaining property of the Debtors' Estates after consummation of the Sale Transaction, including the Excluded Assets and any other assets of the Debtors or their Estates, which, pursuant to the Liquidating Trust Agreement, shall be used to effectuate the Wind Down.

Liquidating Trust Agreement

means the agreement governing, among other things, the retention and duties of the Liquidating Trustee, if applicable, as described in Article V.H.1.c hereof, which shall be included in the Plan Supplement and shall be in form and substance reasonably acceptable to the Debtors and the Creditors Committee.

Liquidating Trustee

means, in the event of a Sale Transaction, such entity as

may be designated by the Debtors, in consultation with the Creditors Committee, as the liquidating trustee pursuant to the Liquidating Trust Agreement and Article V.H.1.d hereof to effectuate the Wind Down. For the avoidance of doubt, all costs, liabilities, and expenses incurred by the Liquidating Trustee shall be paid out of the Sale Proceeds.

Management Incentive Plan

means the post-Effective Date management incentive plan referenced in Article V.G.9 of this Plan, the terms of which will be set forth more fully in the Plan Supplement.

Net Sale Proceeds

means Sale Proceeds that are available for distribution to holders of Allowed General Unsecured Claims and Allowed Noteholder Unsecured Claims after satisfying in full, or funding reserves for (i) the DIP Financing Claims, Administrative Claims, Fee Claims, Other Priority Claims, and Prepetition Facilities Claims and Other Secured Claims, and (ii) the costs and fees incurred by the Liquidating Trustee in connection with the Wind Down of the Estates.

New Board

means the Board of Directors of Reorganized SSI to be constituted as of the Effective Date pursuant to Article V.G.4 of the Plan.

New Equity

means New SSI Common Stock and New Subsidiary Equity Interests.

New Organizational Documents

means the form of the certificates or articles of incorporation, bylaws or such other applicable formation documents of each of Reorganized SSI and the other Reorganized Subsidiaries, which forms shall be included in the Plan Supplement.

New SSI Common Stock

means the common stock in Reorganized SSI that will be issued by Reorganized SSI pursuant to Articles V.G.2 and V.G.3.b of the Plan, the principal terms of which are described in the Plan Supplement.

New Subsidiary Equity Interests

means with respect to a particular Reorganized Debtor, the Equity Interests in such Reorganized Debtor that may be issued pursuant to Articles V.G.2 and V.G.3.b of the Plan.

Noteholder or Noteholders

means a holder of the Notes, or, collectively, the holders of the Notes.

Noteholder Unsecured Claims

means all Claims, to the extent not already paid, for amounts due and owing under the Notes.

Notes

means the School Specialty, Inc. 3.75% Convertible Subordinated Notes due 2026.

Ordinary Course Administrative Claims

means Administrative Claims against the Debtors that represent liabilities (a) to sellers of goods or services on account of such seller's provision of goods and/or services and (b) that were incurred in the ordinary course of business by the Debtors.

Other Priority Claim

means a Claim entitled to priority pursuant to section 507(a) of the Bankruptcy Code (other than Administrative Claims and Priority Tax Claims), including, without limitation, certain allowed employee compensation and benefit claims of the Debtors' employees incurred within one hundred eighty (180) days prior to the Petition Date.

Other Secured Claims

means any Claim (other than the Ad Hoc DIP Financing Claims, the ABL DIP Financing Claims, the Bayside DIP Financing Claims, the Prepetition ABL Facility Claims and the Prepetition Term Loan Claims) to the extent reflected in the Schedules or a proof of claim filed as a Secured Claim.

Payment in Full

means, with respect to the DIP Financing Claims, the Prepetition ABL Facility Claims and the Prepetition Term Loan Claims, as applicable, the payment in full of such Claims in the manner specified in the applicable DIP Facility or Prepetition Facility and any ancillary documents, including but not limited to any intercreditor agreement, including, without limitation, (a) the payment or repayment in full in immediately available funds of (i) the principal amount of, and interest accrued and unpaid with respect to, such outstanding Claims, (ii) all fees, costs and expenses that have accrued under the applicable DIP Facility or Prepetition Facility and are unpaid, and, to the extent applicable, (b) cash collateralization in respect of any contingent reimbursement obligations incurred under the applicable DIP Facility or Prepetition Facility, including with respect to any letters of credit issued under the ABL DIP Facility.

Person

means any individual, corporation, partnership, limited liability company, association, indenture trustee, organization, joint stock company, joint venture, estate, trust, governmental unit or any political subdivision thereof, or any other entity.

Petition Date Plan

means January 28, 2013.

means this Plan, as it may be amended or modified from time to time, together with all addenda, exhibits, schedules or other attachments, if any.

<i>Plan Supplement</i>	means the supplemental appendix to this Plan, to be filed no later than seven (7) calendar days prior to the commencement of the Confirmation Hearing, which will contain, among other things, draft forms or signed copies, as the case may be, of the Plan Supplement Documents.
<i>Plan Supplement Documents</i>	means the forms of documents to be executed, delivered, and/or performed in connection with the consummation of this Plan, including those specified in Article XII.J of the Plan.
<i>Premier Agendas</i>	means Premier Agendas, Inc.
<i>Prepetition ABL Agents</i>	means, collectively, Wells Fargo Capital Finance, LLC, in its capacity as Administrative Agent, and Wells Fargo Capital Finance, LLC and General Electric Capital Corporation in their capacities as Co-Collateral Agents under the Prepetition ABL Facility.
<i>Prepetition ABL Facility</i>	means that certain Credit Agreement dated as of May 22, 2012, and as further amended from time-to-time, between and among School Specialty, Inc., Bird-In-Hand Woodworks, Inc., Califone International, Inc., Childcraft Education Corp., ClassroomDirect.com, LLC, Delta Education, LLC, Frey Scientific, Inc., Premier Agendas, Inc., Sax Arts & Crafts, Inc., Sportime, LLC, the lenders named therein, Wells Fargo Capital Finance, LLC, as Administrative Agent, Wells Fargo Capital Finance, LLC and General Electric Capital Corporation as Co-Collateral Agents, Wells Fargo Capital Finance, LLC and GE Capital Markets, Inc., as Co-Lead Arrangers and Joint Book Runners and General Electric Capital Corporation as Syndication Agent.
<i>Prepetition ABL Facility Claims</i>	means all Claims, to the extent not already paid, for amounts due and owing under the Prepetition ABL Facility.
<i>Prepetition ABL Lenders</i>	means the lenders, banks, other financial institutions or other non-Debtor entities that may become lenders under the Prepetition ABL Facility from time to time.
<i>Prepetition Agents</i>	means the Prepetition ABL Agents and the Prepetition Term Loan Agent.
<i>Prepetition Escrowed Amounts</i>	means the amounts escrowed by the Ad Hoc DIP Lenders on account of the make-whole payment and default interest under the Prepetition Term Loan Agreement, as provided for in the Escrow Agreement.

<i>Prepetition Facilities</i>	means the Prepetition ABL Facility and the Prepetition Term Loan Agreement.
<i>Prepetition Lenders</i>	means the Prepetition ABL Lenders and the Prepetition Term Loan Lenders.
<i>Prepetition Term Loan Agent</i>	means Bayside Finance LLC as Administrative Agent under the Prepetition Term Loan Agreement.
<i>Prepetition Term Loan Agreement</i>	means that certain Credit Agreement dated as of May 22, 2012, and as further amended from time-to-time, between and among School Specialty, Inc., Bird-In-Hand Woodworks, Inc., Califone International, Inc., Childcraft Education Corp., ClassroomDirect.com, LLC, Delta Education, LLC, Frey Scientific, Inc., Premier Agendas, Inc., Sax Arts & Crafts, Inc., Sportime, LLC, Bayside Finance, LLC as Lender, and Bayside Finance LLC, as Administrative Agent and Collateral Agent.
<i>Prepetition Term Loan Claims</i>	means all Claims, to the extent not already paid, for amounts due and owing under the Prepetition Term Loan Agreement, including the Prepetition Escrowed Amounts, as applicable.
<i>Prepetition Term Loan Lenders</i>	means the lenders, banks, other financial institutions or other non-Debtor entities that may become lenders under the Prepetition Term Loan Agreement from time to time.
<i>Priority Tax Claim</i>	means any unsecured Claim that is entitled to a priority in right of payment under section 507(a)(8) of the Bankruptcy Code.
<i>Pro Rata</i>	means, with respect to any Claim, at any time, the proportion that the amount of a Claim in a particular Class bears to the aggregate amount of all Claims (including Disputed Claims) in such Class, unless in each case the Plan provides otherwise.
<i>Professional</i>	means (i) any professional employed in the Chapter 11 Cases pursuant to section 327 of the Bankruptcy Code or otherwise and (ii) any professional or other entity seeking compensation or reimbursement of expenses in connection with the Chapter 11 Cases pursuant to section 503(b) of the Bankruptcy Code but excluding professionals for the DIP Agents, Bayside DIP Agent and the Prepetition Agents.
<i>Purchase Agreement</i>	means a purchase agreement governing the terms of the Sale Transaction, as approved by the Court pursuant to the Confirmation Order.

<i>Purchase Price</i>	means the purchase price paid by the Purchaser for the Assets in the Sale Transaction.
<i>Purchaser</i>	means the purchaser(s) set forth in the Purchase Agreement.
<i>Record Date</i>	means, (a) for purposes of making Distributions under the Plan on account of Allowed Claims, the Confirmation Date, and (b) for purposes of casting Ballots, the date set forth in the order approving the Disclosure Statement that accompanies this Plan.
<i>Released Parties</i>	has the meaning assigned to such term in Article IX.I of the Plan.
<i>Reorganized Debtors</i>	means the Debtors, or any successors thereto by merger, consolidation, or otherwise, on and after the Effective Date, in the event that the Debtors do not implement the Sale Transaction.
<i>Reorganized SSI</i>	means School Specialty, Inc. or any successor thereto by merger, consolidation or otherwise, on or after the Effective Date, in the event that the Debtors do not implement the Sale Transaction.
<i>Reorganized Subsidiaries</i>	mean the Subsidiaries, collectively, on or after the Effective Date, in the event that the Debtors do not implement the Sale Transaction.
<i>Reserved Shares</i>	has the meaning ascribed to such term in Article VI.C.2.d of the Plan.
<i>Sale Order</i>	means the order entered by the Court approving the Sale Transaction.
<i>Sale Proceeds</i>	means the Cash portion and the non-Cash portion, including but not limited to, stock, notes, or other form of indebtedness, of the Purchase Price received in the Sale Transaction.
<i>Sale Process</i>	means the process through which the Purchaser is selected for the Sale Transaction.
<i>Sale Transaction</i>	means the sale of all or substantially all of the Assets in accordance with the terms set forth in the Purchase Agreement as approved by the Court in connection with the confirmation of the Plan.
<i>Sax Arts & Crafts</i>	means Sax Arts & Crafts, Inc.
<i>Scheduled</i>	means, with respect to any Claim or Equity Interest, the status and amount, if any, of such Claim or Equity Interest as set forth in the Schedules.
<i>Schedules</i>	means the schedules of assets and liabilities, statements of financial affairs, and lists of holders of Claims and Equity Interests filed with the Court by each of the

	Debtors, including any amendments or supplements thereto.
<i>Secured Claim</i>	means a Claim which is secured by a Lien on Collateral to the extent of the value of such Collateral, as determined in accordance with section 506(a) of the Bankruptcy Code, or, in the event that such Claim is subject to setoff under section 553 of the Bankruptcy Code, to the extent of such setoff but excluding any DIP Financing Claims.
<i>Shareholders Agreement</i>	means the shareholders agreement substantially in the form contained in the Plan Supplement.
<i>Sportime</i>	means Sportime, LLC.
<i>SSI</i>	means School Specialty, Inc.
<i>Subsidiaries</i>	means Bird-In-Hand, Califone, Childcraft Education, Classroom Direct, Delta Education, Frey Scientific, Premier Agendas, Sax Arts & Crafts, and Sportime.
<i>Unimpaired</i>	means, when used with reference to a Claim, a Claim that is unimpaired within the meaning of section 1124 of the Bankruptcy Code.
<i>Unsecured Creditor Equity</i>	means, in the event that the Sale Transaction is not consummated, []% of the New SSI Common Stock allocated to be distributed to holders of Allowed General Unsecured Claims and Allowed Noteholder Unsecured Claims.
<i>Wind Down</i>	means, if a Sale Transaction is consummated, the wind down, dissolution, and liquidation of the Debtors' Estates following the Effective Date.
<i>Workers Compensation Claim</i>	means a Claim held by a current or former employee of the Debtors for workers' compensation insurance coverage under the workers' compensation laws applicable in the particular state in which the employee is or was employed by the Debtors.

B. Interpretation, Application of Definitions and Rules of Construction.

Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include both the singular and plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter, such meanings to be applicable to both the singular and plural forms of the terms defined. Capitalized terms in the Plan that are not defined herein shall have the same meanings assigned to such terms by the Bankruptcy Code or Bankruptcy Rules, as the case may be. The words “herein,” “hereof,” and “hereunder” and other words of similar import refer to the Plan as a whole and not to any particular section or subsection in the Plan unless expressly provided otherwise. The words “includes” and “including” are not limiting and mean that the things specifically identified are set forth for purposes of illustration, clarity or specificity and do not in any respect qualify, characterize or limit the generality of the class within which such things are included. Captions and headings to articles, sections and exhibits are inserted for convenience of reference only, are not a part of this Plan, and shall not be used to interpret this Plan. Any reference in this Plan to a contract, instrument, release, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions, and any reference in this Plan to an existing document or exhibit filed or to be filed means such document or exhibit as it may have been or may be amended, modified, or supplemented from time to time. The rules of construction set forth in section 102 of the Bankruptcy Code (except for section 102(5)) shall apply to this Plan. In computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

C. Controlling Document.

In the event of an inconsistency between the Plan and the Disclosure Statement, the terms of the Plan shall control in all respects.

II.**CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS****A. Introduction.**

All Claims and Equity Interests, except Administrative Claims, Priority Tax Claims, DIP Financing Claims and Fee Claims, are placed in the Classes set forth below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Priority Tax Claims, DIP Financing Claims and Fee Claims have not been classified and the treatment of such Claims is set forth in Section III below.

A Claim or Equity Interest is placed in a particular Class only to the extent that the Claim or Equity Interest falls within the description of that Class, and is classified in other Classes to the extent that any portion of the Claim or Equity Interest falls within the description of such other Classes. A Claim is also placed in a particular Class for the

purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released, or otherwise settled prior to the Effective Date.

As set forth in the table below, Classes 1, 2, 3 and 4 are Unimpaired under the Plan, and, pursuant to section 1126(f) of the Bankruptcy Code, are conclusively presumed to have accepted the Plan. Class 6 is Impaired and is not receiving Distributions under the Plan and, pursuant to section 1126(g) of the Bankruptcy Code, is conclusively presumed to have rejected the Plan. Classes 5A and 5B are Impaired under the Plan and are entitled to vote on the Plan.

Class	Claims and Equity Interests	Status	Voting Rights
Class 1	Other Priority Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)
Class 2	Prepetition ABL Facility Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)
Class 3	Prepetition Term Loan Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)
Class 4	Other Secured Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)
Class 5A	General Unsecured Claims	Impaired	Entitled to Vote
Class 5B	Noteholder Unsecured Claims	Impaired	Entitled to Vote
Class 6	Equity Interests in School Specialty, Inc.	Impaired	Not Entitled to Vote (Deemed to Reject)

III.

TREATMENT OF UNCLASSIFIED CLAIMS

A. Administrative Claims.

Except as set forth herein, each holder of an Allowed Administrative Claim shall receive from the Debtors (a) Cash in an amount equal to the amount of such Allowed Administrative Claim on the later of the Effective Date and the date such Administrative Claim becomes an Allowed Administrative Claim, or as soon thereafter as is practicable, or (b) such other treatment as the Debtors and such holder shall have agreed upon in writing; provided, however, that Allowed Ordinary Course Administrative Claims shall be paid in full by the Debtor Representative in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to, such transactions.

Unless a prior date has been established pursuant to the Bankruptcy Code, the Bankruptcy Rules or a prior order of the Court, the Confirmation Order will establish a bar date for filing applications for allowance of Administrative Claims (except for those

categories of Administrative Claims listed immediately below), which date will be the first business day that is thirty (30) days after the Confirmation Date. Holders of Administrative Claims, not paid prior to the Confirmation Date shall submit requests for payment on or before the applicable Administrative Claims Bar Date or forever be barred from doing so. The notice of confirmation to be delivered pursuant to Bankruptcy Rules 3020(c) and 2002(f) will set forth the Administrative Claims Bar Date and constitute good and sufficient notice of the Administrative Claims Bar Date. The Disbursing Agent shall have 120 days (or such longer period as may be allowed by order of the Court, which may be entered without notice or a hearing) following the Administrative Claims Bar Date to review and object to all Administrative Claims.

The foregoing bar date and procedures shall not apply to the following categories of Administrative Claims: (i) Fee Claims, (ii) Ordinary Course Administrative Claims, (iii) the fees and expenses of the professionals of the Prepetition Agents under the Prepetition Facilities and the DIP Agents and Bayside DIP Agent under the DIP Facilities, and (iv) DIP Financing Claims.

B. Fee Claims.

(a) All requests for compensation or reimbursement of Fee Claims pursuant to sections 327, 328, 330, 331, 503 or 1103 of the Bankruptcy Code for services rendered prior to the Effective Date shall be filed and served on the Debtor Representative, counsel to the Debtor Representative, the United States Trustee, counsel to the DIP Agents and counsel to the Creditors Committee and such other entities who are designated by the Bankruptcy Rules, the Confirmation Order or other order of the Court, no later than forty-five (45) days after the Effective Date. Holders of Fee Claims that are required to file and serve applications for final allowance of their Fee Claims and that do not file and serve such applications by the required deadline shall be forever barred from asserting such Claims against the Debtors, the Debtor Representative or their respective properties and Estates, and such Fee Claims shall be deemed discharged as of the Effective Date. Objections to any Fee Claims must be filed and served on the Debtor Representative, counsel for the Debtor Representative, and the requesting party no later than seventy-five (75) days after the Effective Date.

(b) The Professionals shall estimate their Fee Claims incurred but unpaid through the Effective Date and shall deliver such estimate to the Debtors, counsel to the Ad Hoc DIP Agent and counsel to the Creditors Committee no later than five (5) days prior to the anticipated Confirmation Date. If a Professional does not provide an estimate, the Debtors may estimate the unbilled fees and expenses of such Professional. The total amount so estimated as of the Confirmation Date shall comprise the Fee Claim Reserve Amount. On the Effective Date, the Debtors shall establish and fund the Fee Claim Escrow Account with Cash equal to the aggregate Fee Claim Reserve Amount for all Professionals. The amount of Fee Claims owing to the Professionals shall be paid in Cash to such Professionals from the funds held in the Fee Claim Escrow Account when such Claims are Allowed by a Final Order.

C. Priority Tax Claims.

Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, at the sole option of the Debtors or the Debtor Representative, (a) Cash in an amount equal to such Allowed Priority Tax Claim on the later of the Effective Date and the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable, but no later than thirty (30) days after the Effective Date, or (b) through equal annual installment payments in cash (i) of a total value, as of the Effective Date of the Plan, equal to the allowed amount of such Claim; (ii) over a period ending not later than 5 years after the Petition Date; and (iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the Plan.

D. DIP Financing Claims.

1. ABL DIP Financing Claims.

All ABL DIP Financing Claims are and shall be deemed Allowed Claims and, on the Effective Date, holders of the Allowed ABL DIP Financing Claims shall receive Payment in Full in Cash on account of such ABL DIP Financing Claims, or as otherwise provided in the ABL DIP Facility and order of the Court.

Upon Payment in Full of the ABL DIP Financing Claims on the Effective Date and full execution and delivery by the Reorganized Debtors and the lender(s) under the Exit Facility to the ABL DIP Agent of the ABL DIP Payoff Letter, the liens and security interests securing such ABL DIP Financing Claims shall be released. Any cash collateral provided pursuant to Section 1.4 of the ABL DIP Facility and the Split Lien Intercreditor Agreement (as defined in the ABL DIP Facility) shall not be required to be invested and shall not accrue interest and shall be returned to the Reorganized Debtors, net of fees, costs and expenses accrued or incurred after the Effective Date, at such time that the contingent obligations under the letters of credit issued under the ABL DIP Facility and Bank Product Obligations (as defined in the ABL DIP Facility) are no longer required to be cash collateralized pursuant to the terms of the ABL DIP Facility.

2. Bayside DIP Financing Claims.

Except to the extent that a holder of an Allowed Bayside DIP Financing Claim shall have agreed in writing to a different treatment, on the Effective Date, holders of the Allowed Bayside DIP Financing Claims shall receive Payment in Full in Cash on account of such DIP Financing Claims and such Claims otherwise shall be treated in accordance with the terms of the Bayside DIP Facility and orders of the Court.

Upon Payment in Full of the Bayside DIP Financing Claims on the Effective Date, any liens and security interests securing such DIP Financing Claims shall be released.

3. Ad Hoc DIP Financing Claims.

If the Debtors do not pursue a Sale Transaction, except to the extent that a holder of an Allowed Ad Hoc DIP Financing Claim shall have agreed in writing to a different treatment, each holder of an Allowed Ad Hoc DIP Financing Claim, on the Effective Date or as soon thereafter as is practicable, shall receive, in full and final satisfaction of all outstanding obligations under the Ad Hoc DIP Facility, (a) its Pro Rata share of [] in Cash and (b) its Pro Rata share of []% of the New SSI Common Stock.

If the Debtors implement the Sale Transaction, except to the extent that a holder of an Allowed Ad Hoc DIP Financing Claim shall have agreed in writing to a different treatment, each holder of an Allowed Ad Hoc DIP Financing Claim, on the Effective Date or as soon thereafter as is practicable, shall receive, in full and final satisfaction of all outstanding obligations under the Ad Hoc DIP Facility, Payment in Full in Cash of such DIP Financing Claim and such Claim otherwise shall be treated in accordance with the terms of the Ad Hoc DIP Facility and orders of the Court.

Upon (x) the payment of Cash and distribution of New SSI Common Stock as set forth in clause (i) above, or (y) the Payment in Full in Cash as set forth in clause (ii) above, any and all liens, encumbrances and security interests securing such Ad Hoc DIP Financing Claims shall be forever released and discharged, without limitation, and without any further action by any party.

IV.

CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. Class 1 — Other Priority Claims.

1. Distributions.

Except to the extent that a holder of an Allowed Other Priority Claim and the Debtors shall have agreed in writing to a different treatment, in full and final satisfaction of such Claim, each holder of an Allowed Other Priority Claim in Class 1 shall receive payment in full in Cash in an amount equal to such Allowed Other Priority Claim as soon as practicable after the later of (a) the Effective Date and (b) the date when such Other Priority Claim becomes an Allowed Other Priority Claim.

2. Impairment and Voting.

Class 1 is Unimpaired under the Plan. Holders of Allowed Other Priority Claims in Class 1 are presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

B. Class 2 — Prepetition ABL Facility Claims.

1. Distributions.

All Prepetition ABL Facility Claims have been Allowed by prior order of the Court and shall be deemed to have been satisfied with proceeds of or other assumption under the ABL DIP Facility.

2. Impairment and Voting.

Class 2 is Unimpaired under the Plan. Holders of Allowed Prepetition ABL Facility Claims in Class 2 are presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

C. Class 3 — Prepetition Term Loan Claims.

1. Distributions.

Except to the extent that a holder of an Allowed Prepetition Term Loan Claim and the Debtors shall have agreed in writing to a less favorable treatment, each holder of an Allowed Prepetition Term Loan Claim in Class 3 shall receive Cash in an amount equal to the Allowed Prepetition Term Loan Claim (which, for the avoidance of doubt, may include all or a portion of the Prepetition Escrowed Amounts), in full satisfaction of such Claim, on or as soon as reasonably practicable after the Effective Date, or, in the case of the Prepetition Escrowed Amounts, when due in accordance with entry of a final, non-appealable order disposing of such Amounts.

2. Impairment and Voting.

Class 3 is Unimpaired under the Plan. Holders of Allowed Prepetition Term Loan Claims in Class 3 are presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

D. Class 4 — Other Secured Claims.

1. Distributions.

Except to the extent that a holder of an Allowed Other Secured Claim and the Debtors shall have agreed in writing to a less favorable treatment, at the sole option of the Debtors, in full and final satisfaction of such claim, (i) each Allowed Other Secured Claim shall be reinstated and rendered Unimpaired in accordance with section 1124(2) of the Bankruptcy Code, notwithstanding any contractual provision or applicable nonbankruptcy law that entitles the holder of an Allowed Other Secured Claim to demand or receive payment of such Allowed Other Secured Claim prior to the stated maturity of such Allowed Other Secured Claim from and after the occurrence of a default, (ii) each holder of an Allowed Other Secured Claim shall receive Cash in an amount equal to such Allowed Other Secured Claim, including any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, on the later

of (a) thirty (30) days after Effective Date, and (b) the date such Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable (but no later than thirty (30) days after the date such Other Secured Claim becomes an Allowed Other Secured Claim) or (iii) each holder of an Allowed Other Secured Claim shall receive the Collateral securing its Allowed Other Secured Claim and any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, in full and complete satisfaction of such Allowed Other Secured Claim as soon as is practicable, on the later of (y) thirty (30) days after Effective Date and (z) the date such Other Secured Claim becomes an Allowed Other Secured Claim.

Notwithstanding the foregoing, to the extent an Allowed Other Secured Claim arises on account of property taxes, such Allowed Other Secured Claim shall be treated as a Priority Tax Claim, and any applicable liens shall remain Unimpaired until such Allowed Other Secured Claim is paid in full. Any applicable interest shall be calculated in a manner consistent with section 511 of the Bankruptcy Code.

Although all Other Secured Claims have been placed in one Class for purposes of nomenclature, each Other Secured Claim, to the extent secured by a Lien on Collateral different than that securing any Other Secured Claims, shall be treated as being in a separate sub-Class for the purpose of receiving Distributions under the Plan.

2. Impairment and Voting.

Class 4 is Unimpaired under the Plan. Holders of Allowed Other Secured Claims in Class 4 are presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

E. Class 5A — General Unsecured Claims.

1. Distributions.

If the Debtors do not pursue a Sale Transaction, the holders of Allowed General Unsecured Claims shall receive their Pro Rata share of Unsecured Creditor Equity on account of such General Unsecured Claims. If the Debtors implement the Sale Transaction, the holders of General Unsecured Claims shall receive their Pro Rata share of the Net Sale Proceeds on account of such General Unsecured Claims.

2. Impairment and Voting.

Class 5A is Impaired under the Plan. Holders of Allowed General Unsecured Claims in Class 5A are entitled to vote to accept or reject the Plan.

F. Class 5B — Noteholder Unsecured Claims.

1. Distributions.

If the Debtors do not pursue a Sale Transaction, the holders of Allowed Noteholder Unsecured Claims shall receive their Pro Rata share of Unsecured Creditor

Equity on account of such Noteholder Unsecured Claims. If the Debtors implement the Sale Transaction, the holders of Noteholder Unsecured Claims shall receive their Pro Rata share of the Net Sale Proceeds on account of such Noteholder Unsecured Claims.

2. Impairment and Voting.

Class 5B is Impaired under the Plan. Holders of Allowed Noteholder Unsecured Claims in Class 5B are entitled to vote to accept or reject the Plan.

G. Class 6 — Equity Interests in SSI.

1. Distributions.

The holders of Equity Interests in SSI shall neither receive distributions nor retain any property under the Plan on account of such Equity Interests. On the Effective Date, Equity Interests in SSI shall be canceled and extinguished and shall be of no further force and effect, whether surrendered for cancelation or otherwise.

2. Impairment and Voting.

Class 6 is Impaired under the Plan. Holders of Equity Interests in SSI are presumed to reject the Plan and are not entitled to vote to accept or reject the Plan.

V.

IMPLEMENTATION OF THE PLAN

A. Deemed Substantive Consolidation of the Debtors.

The Plan is predicated upon, and it is a condition precedent to confirmation of the Plan, that the Court provide in the Confirmation Order for the substantive consolidation of the Estates of the Debtors into a single Estate solely for purposes of this Plan and the Distributions hereunder, as of the Effective Date. To the extent a Claim (including any Disputed Claim) becomes an Allowed Claim, such Claim shall be satisfied in accordance with the provisions of the Plan.

Pursuant to the Confirmation Order and as of the Effective Date, except as expressly provided herein, (i) all assets and liabilities of the substantively consolidated Debtors will be deemed to be merged solely for purposes of this Plan and Distributions to be made hereunder, (ii) the obligations of each Debtor will be deemed to be the obligation of the substantively consolidated Debtors solely for purposes of this Plan and Distributions hereunder, (iii) any Claims filed or to be filed in connection with any such obligations will be deemed Claims against the substantively consolidated Debtors, (iv) each Claim filed in the Chapter 11 Case of any Debtor will be deemed filed against the Debtors in the consolidated Chapter 11 Cases in accordance with the substantive consolidation of the assets and liabilities of the Debtors, (v) all transfers, disbursements and distributions made by any Debtor hereunder will be deemed to be made by the

substantively consolidated Debtors, and (vi) all guarantees of the Debtors of the obligations of any other Debtors shall be deemed eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of any of the Debtors shall be deemed to be one obligation of the substantively consolidated Debtors. Holders of Allowed Claims in each Class shall be entitled to their share of assets available for distribution to such Class without regard to which Debtor was originally liable for such Claim.

B. General Settlement of Claims and Equity Interests.

As discussed in detail in the Disclosure Statement and otherwise provided herein, pursuant to section 1123 of the Bankruptcy Code, and in consideration for the classification, Distributions, releases and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and Equity Interests and controversies resolved pursuant to the Plan. Subject to Article IV, all Distributions made to holders of Allowed Claims or Equity Interests in any Class are intended to and shall be final.

C. Nonconsensual Confirmation.

The Debtors will seek to have the Court confirm the Plan under section 1129(b) of the Bankruptcy Code.

D. Intercompany Claims.

At the option of the Debtors, upon the occurrence of the Effective Date, each Intercompany Claim shall be either (i) reinstated and continued in full or in part, or (ii) eliminated in full or in part by offset, distribution, cancellation, assumption or contribution of such Intercompany Claim or otherwise.

E. Liens.

(a) Notwithstanding anything to the contrary contained herein, the substantive consolidation of the Debtors pursuant to Article V.A of this Plan shall not affect the extent or validity of any Lien.

(b) Upon the treatment or other satisfaction of any secured Claims as set forth herein, the Liens securing such secured Claim shall be deemed released, terminated and extinguished, in each case without further notice to or order of the Court, act or action under applicable law, regulation, order or rule or the vote, consent, authorization or approval of any Person.

F. Enforcement of Subordination.

The classification and manner of satisfying all Claims and Equity Interests and the respective distributions and treatments under the Plan take into account or conform to the relative priority and rights of the Claims and Equity Interests in each

Class in connection with any contractual, legal and equitable subordination rights relating thereto whether under general principles of equitable subordination, section 510(b) of the Bankruptcy Code or otherwise, and any and all such rights are settled, compromised and released pursuant to the Plan. The Confirmation Order shall enjoin, effective as of the Effective Date, all persons and entities from enforcing or attempting to enforce any such contractual, legal and/or equitable rights so satisfied, compromised and settled.

G. Implementation of Reorganization.

If the Debtors do not pursue the Sale Transaction and reorganize under the Plan, the following additional steps shall be taken:

1. Exit Facility.

On the Effective Date, the Debtors shall have closed on the Exit Facility and, in connection therewith, delivered the ABL DIP Payoff Letter to the ABL DIP Agent. The amounts borrowed under the Exit Facility shall be used to (i) pay in Cash the DIP Financing Claims, to the extent provided for herein, (ii) make required Distributions under the Plan, (iii) satisfy certain Plan-related expenses, and (iv) fund the Reorganized Debtors' working capital needs.

2. Issuance of New SSI Common Stock and New Subsidiary Equity Interests.

On the Effective Date, Reorganized SSI shall issue and distribute the New SSI Common Stock pursuant to the terms of this Plan and the Plan Supplement Documents.

On the Effective Date, Equity Interests in the Subsidiaries shall be canceled and extinguished and shall be of no further force and effect, whether surrendered for cancellation or otherwise. On the Effective Date, each Reorganized Subsidiary shall issue and distribute the New Subsidiary Equity Interests. The ownership and terms of the New Subsidiary Equity Interests shall be the same as the ownership and terms of the Equity Interests in the Subsidiaries immediately prior to the Effective Date.

3. Amendments to Articles of Incorporation.

(a) School Specialty, Inc.

On the Effective Date, or as soon thereafter as is practicable, the article of incorporation and bylaws of SSI shall be amended to (i) authorize the issuance of the New SSI Common Stock, (ii) provide for the cancellation of all outstanding Equity Interests in SSI other than the New SSI Common Stock, and (iii) prohibit the issuance of nonvoting equity securities only so long as, and to the extent that, the issuance of nonvoting equity securities is prohibited by the Bankruptcy Code and shall be in form and substance acceptable to the Ad Hoc DIP Agent and the Creditors Committee. Reorganized SSI is authorized to issue or cause to be issued the New SSI Common Stock

for distribution in accordance with the terms of this Plan and the amended certificate of incorporation without the need for any further corporate or shareholder action.

(b) The Subsidiaries.

On the Effective Date, the charter documents and bylaws (or other formation documents relating to limited liability companies, limited partnerships, or other forms of Entity) of each Reorganized Debtor (other than SSI) shall be amended in a form as may be required to be consistent with the provisions of the Plan and the Bankruptcy Code, including to prohibit the issuance of nonvoting equity securities only so long as, and to the extent that, the issuance of nonvoting equity securities is prohibited by the Bankruptcy Code, and shall be in form and substance acceptable to the Ad Hoc DIP Agent and Creditors Committee. The certificate of incorporation and bylaws (or other formation documents relating to limited liability companies, limited partnerships, or other forms of Entity) of each Reorganized Debtor shall be amended to (i) provide for the cancellation of all outstanding Equity Interests in the respective Debtor, and (ii) authorize the issuance of the New Subsidiary Equity Interests in the applicable Reorganized Debtor.

4. Appointment of Senior Executive Officers and Directors.

The initial board of directors of Reorganized SSI shall be comprised of [] members, of which [] will be chosen by the Ad Hoc DIP Agent and [] shall be chosen by the Creditors Committee, and one of which shall be the Chief Executive Officer of Reorganized SSI. The initial boards of directors of the Reorganized Subsidiaries shall be comprised of [] members, each of whom also shall be a member of the New Board. On the Effective Date, the officers of each of the Reorganized Debtors shall be appointed in accordance with the New Organizational Documents and other constituent documents of each Reorganized Debtor. Pursuant to section 1129(a)(5) of the Bankruptcy Code, the identities and affiliations of the initial board members and initial senior executive officers of each Reorganized Debtor as of the Effective Date will be disclosed at or prior to the Confirmation Hearing. Any successors to the Reorganized Debtors' initial boards will be appointed in compliance with the applicable Reorganized Debtor's New Organizational Documents, and each such director and officer shall serve from and after the Effective Date pursuant to the terms of the New Organizational Documents and other constituent documents of the Reorganized Debtors.

5. Powers of Officers.

The senior executive officers of the Debtors or the Reorganized Debtors, as the case may be, shall have the power to enter into or execute any documents or agreements that they deem reasonable and appropriate to effectuate the terms of the Plan.

6. Restructuring Transactions.

On the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtors may simplify and rationalize their corporate structure by eliminating certain entities that are deemed no longer essential to the Reorganized Debtors and may take all actions as may be necessary or appropriate to effect such transactions, including any transaction described in, approved by, contemplated by or necessary to effectuate the Plan, including: (1) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution or liquidation containing terms that are consistent with the terms of the Plan and that satisfy applicable requirements of applicable law and any other terms to which the applicable entities may agree; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (3) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion or dissolution pursuant to applicable state law; and (4) all other actions that the applicable entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law. To the extent deemed helpful or appropriate to the Reorganized Debtors, the elimination of certain of these entities may be effected pursuant to Sections 368 and 381 of the Internal Revenue Code of 1986, as amended, to preserve for the Reorganized Debtors the tax attributes of such entities. Prior to the Effective Date, the Debtors shall receive the consent of the Ad Hoc DIP Agent and the Creditors Committee with respect to any such restructuring transactions.

7. Management of Reorganized Debtors.

The Reorganized Debtors' senior executive officers shall serve in accordance with any employment agreement with the Reorganized Debtors and applicable non-bankruptcy law. The Debtors will disclose the terms of any such employment agreements at or prior to the Confirmation Hearing.

8. Indemnification of Directors, Officers and Employees.

Upon the Effective Date, the charters and bylaws of Reorganized SSI and each Reorganized Debtor shall contain provisions which (i) eliminate the personal liability of the Reorganized Debtors' then-present and future directors and officers for post-Effective Date monetary damages resulting from breaches of their fiduciary duties to the fullest extent permitted by applicable law in the state in which the subject Reorganized Debtor is organized; and (ii) require such Reorganized Debtor, subject to appropriate procedures, to indemnify the Reorganized Debtors' directors, officers, and other employees serving on or after the Effective Date for all post-Effective Date claims and actions to the fullest extent permitted by applicable law in the state in which the subject Reorganized Debtor is organized.

9. Management Incentive Plan.

Following the Effective Date, the Management Incentive Plan shall become effective in accordance with its terms. Pursuant to the Management Incentive Plan, Reorganized SSI will grant participating employees, officers and directors New SSI Common Stock and/or options to acquire shares of New SSI Common Stock, and/or to provide such participating employees, officers and directors with such other consideration, including cash bonuses, as described in the Plan Supplement.

10. Corporate Action.

Except as set forth herein, any action under the Plan to be taken by or required of the Debtors or the Reorganized Debtors, including, without limitation, the adoption or amendment of certificates of incorporation and bylaws, the issuance of securities and instruments or the selection of senior executive officers or directors, shall be authorized and approved in all respects, without any requirement of further action by any of the Debtors' or Reorganized Debtors' boards of directors or managers, as applicable, or security holders.

The Debtors or the Reorganized Debtors, shall be authorized to execute, deliver, file, and record such documents (including the Plan Supplement Documents), contracts, instruments, releases and other agreements and take such other action as may be necessary to effectuate and further evidence the terms and conditions of the Plan, without the necessity of any further Court, corporate, board or shareholder approval or action. In addition, the selection of the Persons who will serve as the initial directors, senior executive officers and managers of the Reorganized Debtors as of the Effective Date shall be deemed to have occurred and be effective on and after the Effective Date without any requirement of further action by the board of directors, board of managers, or stockholders of the applicable Reorganized Debtor.

11. New Shareholders Agreement.

On the Effective Date, Reorganized SSI and all of the holders of New SSI Common Stock (including any options, warrants or securities convertible into, or exercisable or exchangeable for, shares of New SSI Common Stock) then outstanding shall be deemed to be parties to the new Shareholders Agreement, without the need for execution by any such holder other than Reorganized SSI. The Shareholders Agreement shall be binding on all parties receiving, and all holders of, New SSI Common Stock (including any options, warrants or securities convertible into, or exercisable or exchangeable for, shares of New SSI Common Stock) regardless of whether such parties execute the Shareholders Agreement. In the period pending distribution of the New SSI Common Stock to any holder entitled pursuant to this Plan to receive New SSI Common Stock, such holder shall be bound by, have the benefit of, and be entitled to enforce the terms and conditions of the Shareholders Agreement and shall be entitled to exercise any voting rights and receive any dividends or other distributions payable in respect of such holder's New SSI Common Stock (including receiving any proceeds of permitted transfers of such New SSI Common Stock) and to exercise all other rights in respect of

the New SSI Common Stock (so that such holder shall be deemed for tax purposes to be the owner of the New SSI Common Stock).

[The Shareholders Agreement shall provide for, among other things, minority shareholders to receive, on customary terms, tag-along rights, preemptive rights, information rights and piggyback registration rights. The minority shareholders shall be subject to, on customary terms, forced sale provisions and transfer restrictions (subject to exceptions relating to transfers to affiliates).]

H. Implementation of Sale Transaction.

If the Debtors elect to consummate the Sale Transaction, the following additional steps shall be taken:

1. Purchase Agreement.

(a) The Purchase Agreement. Upon the Effective Date, the Debtors shall be authorized to enter into and perform their obligations under the Purchase Agreement and all of the transactions contemplated thereunder and such agreement shall be valid, binding and enforceable in accordance with its terms and each holder deemed a party thereto shall be bound thereby without the need for any further actions, including the execution of such agreement by such party.

(b) Assets of the Liquidating Trust. On the Effective Date, all property of the Debtors' Estates not being purchased by the Purchaser, including the Excluded Assets and all other assets of the Debtors or their Estates, shall be deemed transferred or assigned to such Liquidating Trust.

(c) The Liquidating Trustee. The Confirmation Order shall approve the Liquidating Trust Agreement substantially in the form filed in the Plan Supplement, which shall empower and authorize the Liquidating Trustee to take or cause to be taken all actions pursuant to the provisions of the Liquidating Trust Agreement as may be necessary to administer and liquidate the Debtors' remaining assets, including the Excluded Assets, pursue Causes of Action not transferred under the Purchase Agreement, provide for a document and record retention program, if necessary, in such a manner as approved by order of the Court, to secure and facilitate the effective implementation of the Plan and the closing of the Chapter 11 Cases, and to otherwise conduct and effectuate the Wind Down. The Liquidating Trustee is authorized to execute such documents and take such other actions as may be necessary to effectuate the transactions provided for in the Plan to the extent applicable.

(d) Wind Down and Dissolution of the Debtors. On or after the Effective Date, the Liquidating Trustee will implement the Wind Down pursuant to the Liquidating Trust Agreement, any other provision of the Plan and any applicable orders of the Court, and the Liquidating Trustee shall have the power and authority to take any action necessary to wind down and dissolve the Debtors and to realize on any assets retained by the Debtors, including the Excluded Assets. After the Effective Date,

the Debtors shall not engage in any business activities or take any actions, except those necessary to effectuate the Plan, the Wind Down and comply with its obligations under the Purchase Agreement. As soon as is practicable after the Effective Date, the Liquidating Trustee shall (a) change the business and company/corporate names of each of the Debtors to new names bearing no resemblance to any of the present names of such Debtor; (b) cause the Debtors to comply with, and abide by, the terms of the Purchase Agreement; (c) file for each of the Debtors a certificate of dissolution and/or certificate of cancellation, together with all other necessary corporate and company documents, to effect the dissolution and/or a cancellation of the Debtors under the applicable laws of their state of incorporation or formation (as applicable); (d) complete and file all final or otherwise required federal, state and local tax returns for each of the Debtors, and, to the extent necessary, pursuant to section 505(b) of the Bankruptcy Code, request an expedited determination of any unpaid tax liability of such Debtor or its Estate for any tax incurred during the administration of such Debtor's Chapter 11 Case, as determined under applicable tax laws; and (e) take such other actions as the Liquidating Trustee may determine to be necessary or desirable to carry out the purposes of this Plan and to realize on any Assets retained by the Debtors. The filing by the Liquidating Trustee of each Debtor's certificate of dissolution and/or certificate of cancellation shall be authorized and approved in all respects without further action under applicable law, regulation, order or rule, and without further corporate or limited liability company (as applicable) proceedings or action, including, without limitation, any action by the stockholders, members, the board of directors or board of managers of each such Debtor.

VI.

VOTING AND DISTRIBUTIONS

A. Voting of Claims.

Each holder of an Allowed Claim in an Impaired Class of Claims entitled to vote on the Plan shall be entitled to vote to accept or reject the Plan as provided in such order as may be entered by the Court establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, or any other order or orders of the Court.

B. Designation of Debtor Representative to Make Distributions.

1. Distributions by the Debtor Representative.

The Debtor Representative or any Disbursing Agent acting on its behalf shall make all Distributions required to be made under the Plan.

2. The Rights and Powers of the Debtor Representative.

The Debtor Representative shall be empowered to (i) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under this Plan, (ii) make all applicable distributions or payments contemplated hereby,

(iii) employ professionals to represent it with respect to its responsibilities, and
 (iv) exercise such other powers as may be vested in the Debtor Representative by order of the Court (including any order issued after the Effective Date), pursuant to this Plan, or as deemed by the Debtor Representative to be necessary and proper to implement the provisions hereof.

3. Expenses Incurred by the Debtor Representative and the Disbursing Agent.

Except as otherwise ordered by the Court, the amount of any reasonable fees and out-of-pocket expenses incurred by the Debtor Representative and/or the Disbursing Agent, on or after the Effective Date (including, without limitation, reasonable attorney and other professional fees and expenses) shall be paid in Cash by the Reorganized Debtors or, in the event of the Sale Transaction, from the Sale Proceeds.

C. Distributions.

1. Allowed Claims.

(a) *Delivery of Distributions.* Distributions under the Plan shall be made by the Debtor Representative or any Disbursing Agent acting on its behalf to the holders of Allowed Claims in all Classes (i) at the addresses set forth on the Schedules, unless such addresses are superseded by proofs of claim or transfers of claim filed pursuant to Bankruptcy Rule 3001 by the Record Date, (ii) at the last known addresses of such holders if the Debtor Representative has been notified in writing of a change of address, (iii) with respect to the holders of Allowed DIP Financing Claims, to, or at the direction of, the applicable DIP Agent, or (iv) with respect to the holders of Allowed Noteholder Unsecured Claims to, or at the direction of, the trustee for the Notes.

(b) *Distribution of Cash.* Any payment of Cash by the Debtor Representative or any Disbursing Agent acting on its behalf pursuant to the Plan shall be made at the option and in the sole discretion of the Debtor Representative by (i) a check drawn on, or (ii) wire transfer from, a domestic bank selected by the Debtor Representative or the Disbursing Agent; provided, however, that all payments in respect of the DIP Facilities shall be by wire transfer.

(c) *Undeliverable and Unclaimed Distributions.* In the event that any Distribution to any holder is returned as undeliverable, no Distribution to such holder shall be made unless and until the Debtor Representative has determined the then current address of such holder, at which time such Distribution shall be made to such holder without interest; provided, however, that such Distributions shall be deemed unclaimed property at the expiration of one (1) year from the Effective Date. After such date, all unclaimed property or interests in property shall be redistributed Pro Rata (it being understood that, for purposes of this Article VI, "Pro Rata" shall be determined as if the Claim underlying such unclaimed Distribution had been disallowed) without need for a further order by the Court (notwithstanding any applicable federal, provincial, or state escheat, abandoned, or unclaimed property laws to the contrary), and the entitlement

by the holder of such unclaimed Allowed Claim to such Distribution or any subsequent Distribution on account of such Allowed Claim shall be extinguished and forever barred.

(d) Saturdays, Sundays, or Legal Holidays. If any payment, distribution or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, and shall be deemed to have been completed as of the required date.

(e) Fractional New SSI Common Stock and De Minimis Distributions. Notwithstanding any other provision in the Plan to the contrary, no fractional interests of New SSI Common Stock shall be issued or distributed pursuant to the Plan. Whenever any payment of a fraction of a share of New SSI Common Stock would otherwise be required under the Plan, the actual distribution made shall reflect a rounding of such fraction to the nearest whole share (up or down), with shares less than half shares being rounded down and fractions equal to half shares or greater than half shares being rounded up. If two or more holders are entitled to equal fractional entitlements and the number of holders so entitled exceeds the number of whole shares, as the case may be, which remain to be allocated, the Debtor Representative shall allocate the remaining whole shares to such holders by random lot or such other impartial method as the Debtor Representative deems fair, in the Debtor Representative's sole discretion. Upon the allocation of all of the whole New SSI Common Stock authorized under the Plan, all remaining fractional portions of the entitlements shall be canceled and shall be of no further force and effect.

The Debtor Representative shall not be required to, but may in its sole and absolute discretion, make distributions to any holder of a Claim of Cash in an amount less than \$[]. In addition, the Debtor Representative shall not be required to, but may in its sole and absolute discretion, make any payment on account of any Claim in the event that the costs of making such payment exceeds the amount of such payment.

(f) Distributions for Claims Allowed as of the Initial Distribution Date. On the Initial Distribution Date, the Debtor Representative or the Disbursing Agent acting on its behalf shall distribute Cash or New SSI Common Stock, as the case may be, to the holders of Allowed Claims as contemplated herein.

(g) Distributions as of the Record Date. As of the close of business on the Record Date, the claims register (for Claims) and transfer ledger (for Equity Interests) shall be closed, and there shall be no further changes in the record holders of any Claims or Equity Interests. The Debtors and the Debtor Representative shall have no obligation to, but may in their sole and absolute discretion, recognize any transfer of any Claims or Equity Interests occurring after the Record Date. The Debtors and the Debtor Representative shall instead be entitled to recognize and deal for purposes under the Plan with only those record holders stated on the claims register (for Claims) and transfer ledgers (for Equity Interests) as of the close of business on the Record Date.

(h) Interest on Claims. Except as specifically provided for in the Plan or the Confirmation Order, no Claims (including Administrative Claims),

Allowed or otherwise, shall be entitled, under any circumstances, to receive any interest on a Claim.

2. Disputed Claims.

(a) Objections to and Resolution of Claims.

After the Effective Date, the Debtor Representative, in consultation with the Creditors Committee, shall have the exclusive right to make and to file objections to, or otherwise contest the allowance of, Claims (other than Fee Claims) subsequent to the Confirmation Date. Unless otherwise ordered by the Court, objections to, or other proceedings concerning the allowance of, Claims (other than Fee Claims) shall be filed and served upon the holders of the Claims as to which the objection is made, or otherwise commenced, as the case may be, as soon as practicable, but in no event later than the Claims Objection Deadline. Objections to Fee Claims shall be filed and served within seventy-five (75) days of the Effective Date (or such longer period as may be allowed by order of the Court).

Objections to, or other proceedings contesting the allowance of, Claims (other than Fee Claims) may be litigated to judgment, settled or withdrawn by the Debtor Representative, in consultation with the Creditors Committee. The Debtor Representative may settle any such objections or proceedings without Court approval or may seek Court approval without notice to any Person, except as set forth herein. Notwithstanding anything herein to the contrary, any tort claims shall be liquidated, determined and satisfied in accordance with Article VII.G hereof.

Unless an order of the Court specifically provides for a later date, any party filing a proof of Claim after the bar date established by the Court shall not be entitled to treatment as a creditor with respect to such Claim for the purposes of voting on and distribution under the Plan, unless and until the party filing such Claim either obtains the written consent of the Debtor Representative to file such Claim late or obtains an order of the Court upon written motion on notice to the Debtor Representative that permits the filing of the Claim. In the event any proof of Claim is permitted to be filed after the Claims Objection Deadline, the Debtor Representative shall have ninety (90) days from the date of such order or agreement to object to such Claim, which deadline may be extended by the Court on motion of the Debtor Representative without a hearing or notice to Creditors.

(b) No Distributions or Payments Pending Allowance.

No payments or Distributions shall be made on account of a Claim until such Claim becomes an Allowed Claim.

(c) Distributions Following Allowance.

Notwithstanding anything to the contrary set forth herein or in the Confirmation Order, each holder of a Disputed Claim that becomes an Allowed Claim

subsequent to the Initial Distribution Date shall receive the Distribution to which such holder of an Allowed Claim is entitled at such time that the Debtor Representative determines, in its discretion, to make subsequent Distributions to holders of other Claims Allowed following the Initial Distribution Date, provided that the Debtor Representative shall make such Distributions quarterly during the first year after the Effective Date and semi-annually thereafter. Nothing set forth herein is intended to, nor shall it, prohibit the Debtor Representative, in its discretion, from making a Distribution on account of any Claim at any time after such Claim becomes an Allowed Claim.

(d) Disputed Claims Reserve.

On the Effective Date and on each subsequent Distribution Date, the Debtor Representative shall withhold on a Pro Rata basis from property that would otherwise be distributed to Classes of Claims entitled to Distributions under the Plan on such date, in a separate Disputed Claims Reserve, such amounts or property as may be necessary to equal one hundred percent (100%) of Distributions to which holders of such Disputed Claims would be entitled under this Plan if such Disputed Claims were allowed in their Disputed Claim Amount. The Debtor Representative may request, in accordance with Article VI.D, estimation from the Court for any Disputed Claim that is contingent or unliquidated, or may request authority to establish specific Disputed Claims Reserves for particular Disputed Claims. The Debtor Representative shall withhold the applicable portion of the Disputed Claims Reserve with respect to such Claims based upon the estimated amount of each such Claim or reserve amount for each such Claim as approved by the Court. If practicable, the Debtor Representative will invest any Cash that is withheld as the applicable Disputed Claims Reserve in an appropriate manner to ensure the safety of the investment. Nothing in this Plan or the Disclosure Statement shall be deemed to entitle the holder of a Disputed Claim to postpetition interest on such Claim, however, except as otherwise provided in the Plan.

In the event that the Debtors do not implement a Sale Transaction, the Reserved Shares shall be held in trust for distribution pursuant to Article VI.C, shall not constitute property of the Debtor Representative, and shall not have any voting rights unless and until such shares are distributed in accordance with the Plan. The Debtor Representative shall pay, or cause to be paid, any dividends on account of Reserved Shares that accrued while held in trust to the holder of a Disputed Claim after such Claim becomes an Allowed Claim simultaneously with the distribution of the applicable Reserve Shares. The Debtor Representative shall pay, or cause to be paid, out of any dividends paid on account of Reserved Shares while held in trust, any tax imposed on the reserve by any Governmental Unit with respect to income generated by such reserve and any costs associated with maintaining the reserve. Any New SSI Common Stock held in reserve shall be transferred by the Debtor Representative, in a supplemental distribution, Pro Rata, in accordance with Article VI.C.

D. Estimation.

The Debtors or the Debtor Representative may at any time, request that the Court estimate any Disputed Claim pursuant to section 502(c) of the Bankruptcy

Code regardless of whether the Debtors, the Debtor Representative or any other Person has previously objected to such Claim. The Court will retain jurisdiction to estimate any Claim at any time, including during proceedings concerning any objection to such Claim and any appeal thereof. In the event that the Court estimates any Disputed Claim, such estimated amount may constitute either (a) the Allowed amount of such Claim, (b) the amount on which a reserve is to be calculated for purposes of any reserve requirement in the Plan, or (c) a maximum limitation on such Claim, as determined by the Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtor Representative may elect to object to ultimate payment of such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another.

VII.

TREATMENT OF EXECUTORY CONTRACTS, UNEXPIRED LEASES, EMPLOYEE BENEFITS AND INSURANCE POLICIES

A. Assumption and Rejection of Executory Contracts and Unexpired Leases.

To the extent not (i) assumed in the Chapter 11 Cases prior to the Confirmation Date, (ii) rejected in the Chapter 11 Cases prior to the Confirmation Date, (iii) subject of a separate motion to assume or reject under section 365 of the Bankruptcy Code pending on the Effective Date, or (iv) specifically rejected pursuant to this Plan, each executory contract and unexpired lease that exists between any Debtor and any Person is specifically assumed by the Debtor that is a party to such executory contract or unexpired lease as of and subject to the Effective Date pursuant to the Plan and in accordance with sections 365 and 1123 of the Bankruptcy Code.

Pursuant to the Plan, the Debtors reject those executory contracts and unexpired leases identified in the Plan Supplement (which, if the Debtors do not pursue the Sale Transaction, shall be acceptable in all respects to the Ad Hoc DIP Agent and the Creditors Committee), which contracts and unexpired leases are deemed rejected by the applicable Debtor as of the corresponding rejection dates set forth in the Plan Supplement.

In the event that the Sale Transaction is implemented, the Confirmation Order shall operate as an order authorizing the Debtors' assignment of the assumed executory contracts and unexpired leases to the Purchaser, as of and subject to the Effective Date.

B. Limited Extension of Time to Assume or Reject.

In the event of a dispute as to whether a contract or lease is executory or unexpired, the right of the Debtors or the Debtor Representative, as applicable, to move to assume or reject such contract or lease shall be extended until the date that is thirty (30) days after the entry of a Final Order by the Court determining that the contract or

lease is executory or unexpired. The deemed assumptions and rejections provided for in this Article VII.B of the Plan shall not apply to such contract or lease.

In the event the Debtors or the Debtor Representative become aware after the Effective Date of the existence of an executory contract or unexpired lease that was not included in the Schedules, or, in the event of the Sale Transaction, on a schedule to the Purchase Agreement, the right of the Debtor Representative to move to assume or reject such contract or lease shall be extended until the date that is thirty (30) days after the date on which the Debtor Representative becomes aware of the existence of such contract or lease. The deemed assumptions and rejections provided for in this Article VII.B of the Plan shall not apply to any such contract or lease.

The Debtors reserve the right to amend the list of executory contracts and unexpired leases to be rejected at any time prior to the Confirmation Hearing, subject to, in the event that the Debtors do not consummate the Sale Transaction, the consent of the Ad Hoc DIP Agent and the Creditors Committee.

C. Cure.

The applicable Debtor, the Debtor Representative or the Purchaser, except as otherwise agreed by the parties, will cure any and all undisputed defaults under any executory contract or unexpired lease that is assumed by such Debtor or the Debtor Representative or assigned to the Purchaser pursuant to the Plan in accordance with section 365 of the Bankruptcy Code. In the event there is a dispute as of the Effective Date regarding the amount required to cure defaults under any executory contract or unexpired lease that the Debtors, the Debtor Representative or the Purchaser propose to assume or assign, as applicable, the Debtors, the Debtor Representative or the Purchaser shall have until 30 days after entry of a Final Order determining the amount, if any, of the applicable Debtor's, the Debtor Representative's or the Purchaser's liability with respect thereto, or as may otherwise be agreed by the parties, to determine whether to assume or reject the related executory contract or unexpired lease. In the event the applicable Debtor or the Debtor Representative determines to assume or the Purchaser is assigned the applicable executory contract or unexpired lease related to the disputed cure, such disputed cure amount shall be paid either within 30 days of the entry of a Final Order determining the amount, if any, of the applicable Debtor's or the Debtor Representative's or the Purchaser's liability with respect thereto, or as may otherwise be agreed to by the parties.

D. Rejection Damage Claims.

All Claims for damages arising from the rejection of executory contracts or unexpired leases must be filed with the Court in accordance with the terms of the order authorizing such rejection, but in no event later than thirty (30) days after the Effective Date (unless rejected at a later date as a result of a disputed cure amount as set forth in Article VII.C herein). Any Claims not filed within such time will be forever barred from assertion against the Debtors, their respective estates and the Debtor Representative or

the Purchaser, as applicable. All Allowed Claims arising from the rejection of executory contracts or unexpired leases shall be treated as General Unsecured Claims.

E. Benefit Plans.

If the Debtors do not implement the Sale Transaction, as of and subject to the Effective Date, all employee compensation and any benefit plans, policies, and programs of the Debtors applicable generally to their employees, including agreements and programs subject to section 1114 of the Bankruptcy Code, as in effect on the Effective Date, including, without limitation, all savings plans, retirement plans, health care plans, disability plans, incentive plans, and life, accidental death, and dismemberment insurance plans, but excluding any employment and severance agreements, plans or policies (unless such employment and severance agreements, plans or policies are assumed by the Debtors pursuant to a separate Court order), shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed under the Plan, and the Debtors' obligations under such agreements and programs shall survive the Effective Date of the Plan, without prejudice to the Reorganized Debtors' rights under applicable non-bankruptcy law to modify, amend, or terminate the foregoing arrangements, except for (i) such executory contracts or plans specifically rejected pursuant to the Plan (to the extent such rejection does not violate sections 1114 and 1129(a)(13) of the Bankruptcy Code), and (ii) such executory contracts or plans as have previously been terminated, or rejected, pursuant to a Final Order, or specifically waived by the beneficiaries of such plans, contracts, or programs.

F. Workers' Compensation Claims.

If the Debtors do not implement the Sale Transaction, as of the Effective Date, except as set forth herein or in the Plan Supplement, the Debtors and the Reorganized Debtors shall continue to honor their obligations under: (i) all applicable federal and state workers' compensation laws; and (ii) the Debtors' written contracts, agreements, agreements of indemnity, self-insurer workers' compensation bonds, policies, programs and plans for workers' compensation and workers' compensation insurance. If the Debtors elect to consummate the Sale Transaction, the terms of the Purchase Agreement shall govern with respect to all Workers Compensation Claims as of and after the Effective Date.

All proofs of Claim on account of Workers' Compensation Claims shall be deemed withdrawn automatically and without any further notice to or action, order or approval of the Court; provided, however, that nothing in the Plan shall limit, diminish or otherwise alter the Debtors' or the Reorganized Debtors' defenses, Causes of Action or other rights under applicable non-bankruptcy law with respect to any such contracts, agreements, policies, programs and plans; provided, further, that nothing herein shall be deemed to impose obligations on the Debtors, the Reorganized Debtors or the Purchaser in addition to what is provided for under applicable state law.

G. Insured Claims.

Any Insured Claims, including, but not limited to, employer liability claims, tort claims but specifically excluding Workers' Compensation Claims, as to which a proof of claim was timely filed in the Chapter 11 Cases and as to which the Debtors have insurance coverage for such claim shall be determined and liquidated in accordance with applicable non-bankruptcy law. Recovery on account of any such Claims shall be limited to applicable insurance.

H. Preservation of Insurance.

The Debtors' discharge and release from all Claims as provided herein, except as necessary to be consistent with this Plan, shall not diminish or impair the enforceability of any insurance policy that may cover Claims against the Debtors, the Reorganized Debtors (including, without limitation, its senior executive officers and current and former directors) or any other person or entity. The Debtors shall maintain tail coverage under their existing directors and officers' liability insurance policies covering their senior executive officers and current directors for any and all Claims brought against them, which coverage shall extend for a period of not less than six (6) years after the Effective Date.

I. Indemnification Obligations Owed by the Debtors.

If the Debtors do not implement the Sale Transaction, Indemnification Obligations owed to directors, officers, and employees of the Debtors (or the Estates of any of the foregoing) who served or were employed by the Debtors as of or after the Petition Date, excluding claims which have been determined by Final Order to have resulted from gross negligence, willful misconduct or intentional tort, shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed pursuant to section 365 of the Bankruptcy Code under the Plan. In addition, and notwithstanding any other term of the Plan, the Indemnification Obligations owed to the Prepetition Agents under the Prepetition Facilities shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed pursuant to section 365 of the Bankruptcy Code.

Notwithstanding anything to the contrary in the Plan, following the Effective Date, each of the Reorganized Debtors shall jointly and severally indemnify and hold harmless (i) the Prepetition Agents, the Prepetition Lenders, the DIP Agents, Bayside DIP Agent and the DIP Lenders and (ii) the respective members, affiliates, officers, directors, employees, representatives, successors, permitted assigns, attorneys, advisors and agents of any of the foregoing (the "Indemnitees") from and against any claims, demands, judgments, actions or Causes of Action, liabilities, obligations, damages, losses, deficiencies, assessments, costs, fines, penalties, interest and expenditures (including the reasonable fees and out-of-pocket expenses of counsel) suffered or incurred by any Indemnitee arising out of, based upon, attributable to or resulting from: (w) the DIP Facilities or the Prepetition Facilities, (x) any breach or inaccuracy of any representation or warranty made by the Debtors; (y) any breach or

failure by the Debtors to perform any of their respective covenants or obligations contained in the Plan; or (z) any legal proceedings relating to or arising out of the Plan or the Chapter 11 Cases, in each case except to the extent of the gross negligence or willful misconduct of an Indemnitee (as finally determined by a court of competent jurisdiction).

If the Debtors elect to consummate the Sale Transaction, the terms of the Purchase Agreement shall govern with respect to all Indemnification Obligations as of and after the Effective Date.

VIII.

CONDITIONS PRECEDENT

A. Conditions Precedent to Confirmation.

Confirmation of this Plan is subject to:

(1) the Disclosure Statement having been approved by the Court as having adequate information in accordance with section 1125 of the Bankruptcy Code, and notice having been given to all relevant parties in accordance with Bankruptcy Rules 2002(b), 3017, 9019 and 3020(b);

(2) an order approving the solicitation, cure and Plan Objection procedures and deadlines having been entered by the Court; and

(3) the Plan Supplement Documents having been filed in substantially final form, in form and substance satisfactory to the Ad Hoc DIP Agent and the Creditors Committee.

B. Conditions Precedent to Effectiveness.

The Plan shall not become effective unless and until it has been confirmed and the following conditions have been satisfied in full or waived pursuant to Article VIII.C:

(1) the Confirmation Order, in form and substance satisfactory to the Debtors, shall have become a Final Order;

(2) all authorizations, consents and regulatory approvals required (if any) for the Plan's effectiveness shall have been obtained;

(3) each of the Plan Supplement Documents shall be in form and substance satisfactory to the Debtors, the DIP Agents and the Creditors Committee and any conditions (other than the occurrence of the Effective Date or certification by a Debtor that the Effective Date has occurred) contained therein having been satisfied or waived in accordance therewith; and

(4) to the extent that the Debtors do not pursue a Sale Transaction,

(i) the articles or certificates of incorporation for each of the Debtors shall have been amended as provided in Article V.G.3.a and b;

(ii) the New SSI Common Stock and New Subsidiary Equity Interests to be issued pursuant to Article V.G.2 shall be consistent with the Plan; or

(iii) the Reorganized Debtors shall have entered into a binding commitment for the Exit Facility on terms and conditions acceptable in all respects to the Ad Hoc DIP Agent and the Creditors Committee;

(iv) on and simultaneously with the occurrence of the Effective Date, the Debtors shall have closed on the Exit Facility and executed and delivered the ABL DIP Payoff Letter, and the Payment in Full of the ABL DIP Financing Claims with proceeds from the Exit Facility shall have occurred on or before May 31, 2013 or such later date as agreed to in writing by the ABL DIP Agent; and

(5) to the extent that the Debtors pursue the Sale Transaction,

(i) the Sale Order shall have become a Final Order;

(ii) each of the conditions to closing under the Purchase Agreement shall have been satisfied or waived in accordance with the provisions thereof; and

(iii) the Payment in Full of the ABL DIP Financing Claims shall have occurred in accordance with Article III.D of the Plan on or before May 31, 2013 or such later date as agreed to in writing by the ABL DIP Agent.

C. Waiver of Conditions.

The Debtors, subject to the agreement of the Creditors Committee and DIP Agents, may waive any of the conditions set forth in Article VIII.B.1, 2, or 3 above at any time and without leave of or order of the Court and without any formal action.

D. Effect of Failure of Conditions.

In the event that the Effective Date does not occur on or before May 31, 2013, or such later date as may be agreed by the Debtors, the DIP Agents and the Creditors Committee, and upon notification submitted by the Debtors to the Court: (a) the Confirmation Order shall be vacated, (b) no distributions under the Plan shall be made, (c) the Debtors and all holders of Claims and Equity Interests shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred, and (d) the Debtors' obligations with respect to the Claims and Equity Interests shall remain unchanged and nothing contained in the Plan shall constitute or be deemed a waiver or release of any Claims or Equity Interests by or against the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any person in any further proceedings involving the Debtors unless extended by Court order.

E. Substantial Consummation.

“Substantial Consummation” of the Plan, as defined in 11 U.S.C. § 1101(2), shall be deemed to occur on the Effective Date.

F. Vacatur of Confirmation Order.

If a Final Order denying confirmation of the Plan is entered, or if the Confirmation Order is vacated, then the Plan shall be null and void in all respects, and nothing contained in the Plan shall (a) constitute a waiver or release of any Claims against or Equity Interests in the Debtors; (b) prejudice in any manner the rights of the holder of any Claim against, or Equity Interest in, the Debtors; (c) prejudice in any manner any right, remedy or claim of the Debtors; or (d) be deemed an admission against interest by the Debtors.

IX.

**EFFECT OF CONFIRMATION OF THE PLAN
ON ASSETS, CLAIMS AND INTERESTS**

A. Continued Corporate Existence.

If the Debtors do not consummate the Sale Transaction, the Debtors, as Reorganized Debtors, shall continue to exist after the Effective Date with all powers of a corporation or limited liability company, as the case may be, under the laws of the respective states governing their formation and without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under such applicable state law, except as such rights may be limited and conditioned by the Plan and the documents and instruments executed and delivered in connection therewith. In addition, the Reorganized Debtors may operate their business free of any restrictions imposed by the Bankruptcy Code, the Bankruptcy Rules or by the Court, subject only to the terms and conditions of the Plan as well as the documents and instruments executed and delivered in connection therewith, including without limitation, the documents and instruments included in the Plan Supplement. The Reorganized Debtors shall be responsible for filing required post-confirmation reports and each Reorganized Debtor shall pay quarterly fees of such Debtor due to the Office of the United States Trustee until such time as a final decree is entered closing the applicable Chapter 11 Case or the Bankruptcy Code orders otherwise.

B. Dissolution of the Creditors Committee.

The Creditors Committee shall continue in existence until the Effective Date to exercise those powers and perform those duties specified in section 1103 of the Bankruptcy Code. On the Effective Date, the Creditors Committee shall be dissolved automatically and its members shall be deemed released of all their duties, responsibilities and obligations in connection with the Chapter 11 Cases or this Plan and its implementation, and the retention or employment of the Creditors Committee's

attorneys, financial advisors, and other agents shall terminate as of the Effective Date; provided, however, (i) such dissolution shall be stayed until the later of (a) the entry of a final, non-appealable order disposing of the Prepetition Escrowed Amounts, (b) entry of a final, non-appealable order disposing of any other claim asserted by the Creditors Committee against Bayside, if applicable, and (c) resolution of any and all Objections to Claims in accordance with Article VI.C.2, and (ii) such attorneys and financial advisors shall be entitled to pursue their own Fee Claims and represent the Creditors Committee in connection with the review of and the right to be heard in connection with all Fee Claims.

C. Vesting of Property.

Except as otherwise provided herein, on the Effective Date, the property of the Debtors' Estates (except to the extent transferred pursuant to the Purchase Agreement) shall automatically vest or revert in the Debtor Representative free and clear of all liens, Claims, charges or other encumbrances, except for Liens securing the Exit Facility, if applicable, except as specifically provided in the Plan or the Confirmation Order and the Debtor Representative shall receive the benefit of any and all discharges under the Plan. On and after the Effective Date, except as otherwise provided in the Plan, the Debtor Representative may operate the Debtors' businesses and may use, acquire or dispose of property and compromise or settle any Claims or Causes of Action without supervision or approval by the Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

D. Discharge of the Debtors.

If the Debtors do not implement the Sale Transaction, the rights afforded herein and the treatment of all Claims and Equity Interests herein shall be in exchange for and in complete satisfaction, discharge, and release of all Claims, Equity Interests and Causes of Action of any nature whatsoever, including any interest accrued on such Claims from and after the Petition Date, against the Debtors, the Debtors in Possession, or any of their respective assets or properties, arising prior to the Effective Date. Except as otherwise expressly specified in the Plan, the Confirmation Order shall act as of the Effective Date as a discharge of all debts of, Claims or Equity Interest against, and Liens on the Debtors, their respective assets and properties, arising at any time before the Effective Date, regardless of whether a proof of Claim with respect thereto was filed, whether the Claim is Allowed, or whether the holder thereof votes to accept the Plan or is entitled to receive a distribution hereunder. Except as otherwise expressly specified in the Plan, after the Effective Date, any holder of such discharged Claim shall be precluded from asserting against the Debtors, the Debtor Representative, or any of their respective assets or properties, any other or further Claim based on any document, instrument, act, omission, transaction, or other activity of any kind or nature that occurred before the entry of the Confirmation Order.

E. Injunction.

Except as otherwise expressly provided in the Plan, the Confirmation Order, or a separate order of the Court, all entities who have held, hold, or may hold Claims or Equity Interests against the Debtors that arose before or were held as of the Effective Date, are permanently enjoined, on and after the Effective Date, from (a) commencing or continuing in any manner any action or other proceeding of any kind against the Debtors, the Debtor Representative or the Purchaser, with respect to any such Claim or Equity Interest, (b) the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order against the Debtors, the Debtor Representative or, if applicable, the Purchaser, on account of any such Claim or Equity Interest, (c) creating, perfecting, or enforcing any encumbrance of any kind against the Debtors, the Debtor Representative or the Purchaser, or against the property or interests in property of the Debtors on account of any such Claim or Equity Interest, and (d) asserting any right of setoff, or subrogation of any kind against any obligation due from the Debtors, the Debtor Representative or the Purchaser or against the property or interests in property of the Debtors on account of any such Claim or Equity Interest. Such injunction shall extend to successors of the Debtors (including, without limitation, the Debtor Representative and, if applicable, the Purchaser) and their respective properties and interests in property. Such injunction shall not apply in respect of Ordinary Course Administrative Claims, the Prepetition Agents', DIP Agents' and Bayside DIP Agent's fees and their professionals' fees and expenses.

F. Preservation of Causes of Action.

The Debtor Representative shall retain all Causes of Action, other than as expressly provided below or in the Purchase Agreement. Except as expressly provided in this Plan or the Confirmation Order, nothing contained in this Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any such Causes of Action. Nothing contained in this Plan or the Confirmation Order shall be deemed a waiver or relinquishment of any Claim, Cause of Action, right of setoff, or other legal or equitable defense that the Debtors had immediately prior to the Petition Date that is not specifically waived or relinquished by this Plan. The Debtor Representative shall have, retain, reserve and be entitled to assert all such Claims, Causes of Action, rights of setoff and other legal or equitable defenses that the Debtors had immediately prior to the Petition Date as fully as if the Chapter 11 Cases had not been commenced, and all of the Debtor Representative's legal and equitable rights respecting any Claims that are not specifically waived or relinquished by this Plan may be asserted after the Effective Date to the same extent as if the Chapter 11 Cases had not been commenced. Except as expressly provided in this Plan or the Confirmation Order, the Debtor Representative may settle any such Causes of Action without Court approval. Notwithstanding the foregoing, no Causes of Action may be asserted against the DIP Agents, the Bayside DIP Agent, the ABL Co-Collateral Agents, the DIP Lenders, the Prepetition Agents and the Prepetition Lenders to

the extent such Causes of Action were waived, released, settled or otherwise discharged or satisfied pursuant to the terms of the Final Orders regarding the DIP Facilities.

G. Votes Solicited in Good Faith.

The Debtors have, and upon confirmation of the Plan shall be deemed to have, solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code. The Debtors (and each of their respective affiliates, agents, directors, officers, members, employees, advisors, and attorneys) have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer and issuance of the securities offered and sold under the Plan and therefore have not, and on account of such offer and issuance will not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or the offer or issuance of the securities offered and distributed under the Plan.

H. Administrative Claims Incurred After the Effective Date.

Administrative Claims incurred by the Debtor Representative after the Effective Date including (without limitation) Claims for Professionals' fees and expenses incurred after such date, may be paid by the Debtor Representative in the ordinary course of business and without application for or Court approval, subject to any agreements with any claim holders.

I. Releases by the Debtors.

ON THE EFFECTIVE DATE, THE DEBTORS AND THE DEBTOR REPRESENTATIVE, ON BEHALF OF THEMSELVES AND THEIR ESTATES, SHALL BE DEEMED TO RELEASE UNCONDITIONALLY (A) ALL OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, PARTNERS, ADVISORS, ATTORNEYS, FINANCIAL ADVISORS, ACCOUNTANTS, AND OTHER PROFESSIONALS, WHO SERVED IN SUCH CAPACITIES ON OR AFTER THE PETITION DATE, (B) (I) THE DIP AGENTS AND THE BAYSIDE DIP AGENT, (II) THE ABL CO-COLLATERAL AGENTS, (III) THE COLLATERAL AGENTS (AS DEFINED IN THE AD HOC DIP FACILITY AND THE BAYSIDE DIP FACILITY), (IV) THE PREPETITION AGENTS, (C) OFFICERS, DIRECTORS, PRINCIPALS, MEMBERS, EMPLOYEES, PARTNERS, SUBSIDIARIES, AFFILIATES, ADVISORS, ATTORNEYS, FINANCIAL ADVISORS, ACCOUNTANTS, AND OTHER PROFESSIONALS OF EACH OF THE DIP AGENTS, THE BAYSIDE DIP AGENT, ABL CO-COLLATERAL AGENTS, COLLATERAL AGENTS AND THE PREPETITION AGENTS, (D) THE DIP LENDERS AND THE PREPETITION LENDERS, (E) OFFICERS, DIRECTORS, PRINCIPALS, MEMBERS, EMPLOYEES, PARTNERS, SUBSIDIARIES, AFFILIATES, ADVISORS, ATTORNEYS, FINANCIAL ADVISORS, ACCOUNTANTS, AND OTHER PROFESSIONALS OF THE DIP LENDERS, AND THE PREPETITION LENDERS, (F) THE MEMBERS OF THE CREDITORS COMMITTEE, AND (G) OFFICERS,

DIRECTORS, PRINCIPALS, MEMBERS, EMPLOYEES, PARTNERS, SUBSIDIARIES, AFFILIATES, ADVISORS, ATTORNEYS, FINANCIAL ADVISORS, ACCOUNTANTS, AND OTHER PROFESSIONALS OF THE CREDITORS COMMITTEE (COLLECTIVELY, THE “RELEASED PARTIES” AND EACH A “RELEASED PARTY”) FROM ANY AND ALL CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, RIGHTS, CAUSES OF ACTION AND LIABILITIES WHATSOEVER, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR HEREAFTER ARISING, IN LAW, EQUITY OR OTHERWISE, BASED IN WHOLE OR IN PART UPON ACTIONS TAKEN SOLELY IN THEIR RESPECTIVE CAPACITIES DESCRIBED ABOVE FOR ANY OMISSION, TRANSACTION, EVENT OR OTHER OCCURRENCE TAKING PLACE ON OR PRIOR TO THE EFFECTIVE DATE IN ANY WAY RELATING TO THE DEBTORS, THE CHAPTER 11 CASES, OR THE PLAN, EXCEPT THAT (I) NO INDIVIDUAL SHALL BE RELEASED FROM ANY ACT OR OMISSION THAT CONSTITUTES GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AS DETERMINED BY A FINAL ORDER, (II) THE DEBTOR REPRESENTATIVE SHALL NOT RELINQUISH OR WAIVE THE RIGHT TO ASSERT ANY OF THE FOREGOING AS A LEGAL OR EQUITABLE DEFENSE OR RIGHT OF SET OFF OR RECOUPMENT AGAINST ANY CLAIMS OF ANY SUCH PERSONS ASSERTED AGAINST THE DEBTORS, (III) THE FOREGOING RELEASE SHALL NOT APPLY TO ANY OBLIGATIONS THAT REMAIN OUTSTANDING IN RESPECT OF LOANS OR ADVANCES MADE TO INDIVIDUALS BY THE DEBTORS, AND (IV) THE FOREGOING RELEASE APPLIES TO THE RELEASED PARTIES SOLELY IN THEIR RESPECTIVE CAPACITIES DESCRIBED ABOVE.

J. Releases by Non-Debtors.

ON THE EFFECTIVE DATE, THE DIP LENDERS, THE PREPETITION LENDERS AND ALL PERSONS WHO DIRECTLY OR INDIRECTLY, HAVE HELD, HOLD, OR MAY HOLD CLAIMS, AND (A) VOTE TO ACCEPT THE PLAN AS SET FORTH ON THE RELEVANT BALLOT, AND DO NOT MARK THEIR BALLOT TO INDICATE THEIR REFUSAL TO GRANT THE RELEASES PROVIDED IN THIS PARAGRAPH, OR (B) ARE PRESUMED TO HAVE VOTED TO ACCEPT THE PLAN UNDER SECTION 1126(F) OF THE BANKRUPTCY CODE SHALL BE DEEMED, BY VIRTUE OF THEIR RECEIPT OF DISTRIBUTIONS AND/OR OTHER TREATMENT CONTEMPLATED UNDER THE PLAN, TO HAVE FOREVER RELEASED AND COVENANTED WITH THE DEBTOR REPRESENTATIVE AND THE RELEASED PARTIES NOT TO (X) SUE OR OTHERWISE SEEK RECOVERY FROM ANY OF THE DEBTOR REPRESENTATIVE OR ANY RELEASED PARTY ON ACCOUNT OF ANY CLAIM IN ANY WAY RELATED TO THE DEBTORS OR THEIR BUSINESS AND AFFAIRS, INCLUDING BUT NOT LIMITED TO ANY CLAIM BASED UPON TORT, BREACH OF CONTRACT, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS OR

OTHERWISE, BASED UPON ANY ACT, OCCURRENCE, OR FAILURE TO ACT FROM THE BEGINNING OF TIME THROUGH THE EFFECTIVE DATE OR (Y) ASSERT AGAINST ANY OF THE DEBTOR REPRESENTATIVE OR ANY RELEASED PARTY ANY CLAIM, OBLIGATION, RIGHT, CAUSE OF ACTION OR LIABILITY THAT ANY HOLDER OF A CLAIM OR EQUITY INTEREST MAY BE ENTITLED TO ASSERT, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR HEREAFTER ARISING, BASED IN WHOLE OR IN PART ON ANY ACT OR OMISSION, TRANSACTION, OR OCCURRENCE FROM THE BEGINNING OF TIME THROUGH THE EFFECTIVE DATE IN ANY WAY RELATING TO THE DEBTORS, THE CHAPTER 11 CASES, OR THE PLAN, PROVIDED, HOWEVER, (I) NONE OF THE RELEASED PARTIES SHALL BE RELEASED FROM ANY CLAIM PRIMARILY BASED ON ANY ACT OR OMISSION THAT CONSTITUTES GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AS DETERMINED BY A FINAL ORDER, (II) THE FOREGOING RELEASE SHALL NOT APPLY TO OBLIGATIONS ARISING UNDER THE PLAN, (III) THE FOREGOING RELEASE SHALL NOT BE CONSTRUED TO PROHIBIT A PARTY IN INTEREST FROM SEEKING TO ENFORCE THE TERMS OF THE PLAN, AND (IV) THE FOREGOING RELEASE SHALL NOT APPLY TO ANY INDEMNIFICATION AND OTHER SURVIVING OBLIGATION AS SET FORTH IN THE PLAN.

K. Exculpation and Injunction in Respect of Released Parties.

1. Exculpation.

AS OF THE EFFECTIVE DATE, THE DEBTORS, THE DEBTOR REPRESENTATIVE, THE CREDITORS COMMITTEE, AND WITH RESPECT TO ALL OF THE FOREGOING, THEIR RESPECTIVE OFFICERS, DIRECTORS, MEMBERS, MANAGERS, ATTORNEYS AND ADVISORS SHALL HAVE NO LIABILITY WHATSOEVER TO ANY HOLDER OR PURPORTED HOLDER OF AN ADMINISTRATIVE CLAIM, A CLAIM, OR AN EQUITY INTEREST FOR ANY ACT OR OMISSION IN CONNECTION WITH, OR ARISING OUT OF, THE PLAN, THE DISCLOSURE STATEMENT, THE SALE TRANSACTION (IF ANY), THE NEGOTIATION OF THE PLAN, THE DISCLOSURE STATEMENT OR THE SALE TRANSACTION (IF ANY), THE NEGOTIATION OF THE DOCUMENTS INCLUDED IN THE PLAN SUPPLEMENT, THE PURSUIT OF APPROVAL OF THE DISCLOSURE STATEMENT OR THE SOLICITATION OF VOTES FOR CONFIRMATION OF THE PLAN, THE CHAPTER 11 CASES, THE CONSUMMATION OF THE PLAN, THE ADMINISTRATION AND IMPLEMENTATION OF THE PLAN OR THE PROPERTY TO BE DISTRIBUTED UNDER THE PLAN, OR ANY TRANSACTION CONTEMPLATED BY THE PLAN, THE DISCLOSURE STATEMENT OR THE SALE TRANSACTION OR IN FURTHERANCE THEREOF EXCEPT FOR ANY ACT OR OMISSION THAT CONSTITUTES WILLFUL MISCONDUCT OR GROSS NEGLIGENCE AS DETERMINED BY A

FINAL ORDER. THIS EXCULPATION SHALL BE IN ADDITION TO, AND NOT IN LIMITATION OF, ALL OTHER RELEASES, INDEMNITIES, EXCULPATIONS AND ANY OTHER APPLICABLE LAW OR RULES PROTECTING SUCH RELEASED PARTIES FROM LIABILITY.

2. Injunction.

Pursuant to section 105 of the Bankruptcy Code, no holder or purported holder of an Administrative Claim, a Claim or an Equity Interest shall be permitted to commence or continue any action, employment of process, or any act to collect, offset, or recover any Claim against a Released Party that accrued on or prior to the Effective Date and that has been released or waived pursuant to this Plan.

L. Term of Bankruptcy Injunction or Stays.

All injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

X.

**MODIFICATION, REVOCATION, WITHDRAWAL
OR NON-CONSUMMATION OF THE PLAN.**

A. Modification of the Plan.

Subject to the limitations contained in the Plan: (1) the Debtors reserve the right, with the consent of the DIP Agents and the Creditors Committee and in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan prior to the entry of the Confirmation Order, including amendments or modifications to satisfy section 1129(b) of the Bankruptcy Code; and (2) after the entry of the Confirmation Order, the Debtors or the Debtor Representative, as the case may be, may (and, in the case of each of clause (1) and clause (2), to the extent such amendments or modifications affect the rights of the DIP Agents, with the prior written consent of the applicable affected party) and upon order of the Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code.

B. Right to Revoke or Withdraw.

Subject to the terms of, and without prejudice to the rights of any party, the Debtors (with the consent of the Ad Hoc DIP Agent and the Creditors Committee) reserve the right to revoke or withdraw the Plan at any time prior to the Effective Date.

C. Effect of Withdrawal, Revocation, or Non-Consummation.

If the Debtors revoke or withdraw the Plan prior to the Effective Date, or if the Confirmation Date or the Effective Date does not occur, the Plan, any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Equity Interest or Class of Claims or Equity Interests), the assumption or rejection of executory contracts, unexpired leases, or benefit plans effected by the Plan, any release, exculpation or indemnification provided for in the Plan, and any document or agreement executed pursuant to the Plan shall be null and void. In such event, nothing contained herein, and no acts taken in preparation for consummation of the Plan shall be deemed to constitute a waiver or release of any Claims by or against or Equity Interests in the Debtors or any other Person, to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors, or to constitute an admission of any sort by the Debtors or any other Person.

XI.**RETENTION OF JURISDICTION**

The Court shall have exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases and the Plan pursuant to, and for the purposes of, section 105(a) and section 1142 of the Bankruptcy Code, notwithstanding entry of the Confirmation Order and occurrence of the Effective Date, for, among other things, the following purposes: (1) to hear and determine motions for the assumption or rejection of executory contracts or unexpired leases pending on the Confirmation Date, and the allowance of Claims resulting therefrom; (2) to determine any other applications, adversary proceedings, and contested matters pending on the Effective Date; (3) to ensure that distributions to holders of Allowed Claims are accomplished as provided herein; (4) to resolve disputes as to the ownership of any Claim or Equity Interest; (5) to hear and determine objections to Claims and to consider Claims or the allowance, classification, priority, compromise, estimation, or payment of any Claim, including any Administrative Expense Claim; (6) to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated; (7) to issue such orders in aid of execution of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code; (8) to consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any order of the Court, including, without limitation, the Confirmation Order; (9) to hear and determine all applications for compensation and reimbursement of expenses of Professionals under sections 330, 331 and 503(b) of the Bankruptcy Code; (10) to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan; (11) to hear and determine any issue for which the Plan requires a Final Order of the Court; (12) to hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code; (13) to hear and determine disputes arising in connection with compensation and reimbursement of expenses of professionals for services rendered during the period commencing on the Petition Date through and including the Effective Date; (14) to hear and determine any Causes of

Action preserved under the Plan under Bankruptcy Code sections 544, 547, 548, 549, 550, 551, 553, and 1123(b)(3); (15) to hear and determine any matter regarding the existence, nature and scope of the Debtors' discharge; (16) to hear and determine any matter regarding the existence, nature, and scope of the releases and exculpation provided in Article IX.I-K of the Plan; and (17) to enter a final decree closing the Chapter 11 Cases.

XII.

MISCELLANEOUS PROVISIONS

A. Payment of Statutory Fees.

All fees payable on or before the Effective Date pursuant to section 1930 of title 28 of the United States Code shall be paid by the Debtors on or before the Effective Date. The Debtor Representative shall pay such fees payable after the Effective Date until such time as a final decree is entered closing the Chapter 11 Cases or the Court orders otherwise.

B. Governing Law.

Unless a rule of law or procedure is supplied by Federal law (including the Bankruptcy Code and Bankruptcy Rules) or the Delaware General Corporation Law, (a) the laws of the State of Delaware (without reference to the conflicts of laws provisions thereof) shall govern the construction and implementation of the Plan and any agreements, documents, and instruments executed in connection with the Plan, unless otherwise specified and (b) the laws of the state of incorporation of the Debtors shall govern corporate matters with respect to the Debtors, in each case without giving effect to the principles of conflicts of law thereof.

C. Filing or Execution of Additional Documents.

On or before the Effective Date, the Debtors or the Debtor Representative, shall file with the Court or execute, as appropriate, such agreements and other documents (in form and substance acceptable to the Ad Hoc DIP Agent and the Creditors Committee, if the Debtors do not consummate the Sale Transaction) as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

D. Withholding and Reporting Requirements.

In connection with the Plan and all instruments issued in connection therewith and distributions thereon, the Debtor Representative shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority and all distributions hereunder shall be subject to any such withholding and reporting requirements.

E. Exemption from Transfer Taxes.

Pursuant to, and to the fullest extent permitted by, section 1146(c) of the Bankruptcy Code, (a) the issuance, transfer or exchange under the Plan of New Equity and the security interests in favor of the lenders under the Exit Facility, (b) the making or assignment of any lease or sublease, or (c) the making or delivery of any other instrument whatsoever, in furtherance of or in connection with the Plan shall not be subject to any stamp tax or other similar tax.

F. Section 1145 Exemption.

Pursuant to, in accordance with, and solely to the extent provided under section 1145 of the Bankruptcy Code, the issuance of the New SSI Common Stock and distribution thereof to the Debtors' creditors under the Plan will be exempt from registration under applicable securities laws (including without limitation, Section 5 of the Securities Act or any similar state or local law requiring the registration for offer or sale of a security or registration or licensing of an issuer of a security) pursuant to section 1145(a) of the Code, and may be sold without registration to the extent permitted under section 1145 of the Code and is deemed to be a public offering.

G. Waiver of Federal Rule of Civil Procedure 62(a).

The Debtors may request that the Confirmation Order include (a) a finding that Fed. R. Civ. P. 62(a) shall not apply to the Confirmation Order, and (b) authorization for the Debtors to consummate the Plan immediately after entry of the Confirmation Order.

H. Exhibits/Schedules.

All exhibits and schedules to the Plan and the Plan Supplement Documents are incorporated into and constitute a part of the Plan as if set forth herein.

I. Notices.

All notices, requests, and demands hereunder to be effective shall be in writing and unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

To the Debtors: School Specialty, W6316 Design Drive, Greenville, Wisconsin 54942, attention Michael Lavelle, with a copy to Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, New York 10019, attention Jeffrey D. Saferstein, Esq. and Lauren Shumejda, Esq., Tel: (212) 373-3000, Fax: (212) 757-3990, and a copy to Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801, attention Pauline K. Morgan, Esq. and Maris Kandestin, Esq., Tel: (302) 571-6600, Fax: (302) 576-1253.

To the Creditors Committee: In care of Brown Rudnick LLP, Seven Times Square, New York, New York 10036, attention Robert J. Stark, Esq., Tel: (212) 209-4800, Fax: (212) 209-4801, and Brown Rudnick LLP, One Financial Center, Boston, Massachusetts 02111, attention Steven D. Pohl, Esq. and Thomas H. Montgomery, Esq., Tel: (617) 856-8200, Fax: (617) 856-8201 and Venable LLP, 1201 North Market Street, Suite 1400, Wilmington, Delaware 19801, attention Jamie L. Edmonson, Esq. and Darek S. Bushnaq, Esq., Tel: (302) 656-3929, Fax: (302) 656-8503.

To the Prepetition ABL Agents and ABL DIP Agent: In care of Goldberg Kohn Ltd., 55 East Monroe Street, Suite 3300, Chicago, Illinois 60603, attention Jeremy Downs, Esq. and Randall Klein, Esq., Tel: (312) 201-4000, Fax: (312) 332-2196, and Richards Layton & Finger PA, One Rodney Square, 920 North King Street, Wilmington, Delaware 19801, attention Paul N. Heath, Esq. And Zachary I. Shapiro, Esq., Tel: (302) 651-7700, Fax: (302) 651-7701.

To the Ad Hoc DIP Agent: In care of Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York 10038, attention Kristopher M. Hansen, Esq. and Jonathan D. Canfield, Esq., Tel: (212) 806-5400 and Duane Morris LLP, 222 Delaware Avenue, Suite 1600, Wilmington, Delaware 19801, attention Michael R. Lastowski, Esq., Christopher M. Winter, Esq., and Jarret P. Hitchings, Esq., Tel: (302) 657-4900.

J. Plan Supplement.

Forms of the Plan Supplement Documents (which may be in substantially final form) or term sheets relating to the Exit Facility, the Shareholders Agreement, amendments to certificates of incorporation and bylaws, and such other documents as the Debtors determine to be necessary or appropriate to the implementation and/or confirmation of the Plan shall be contained in the Plan Supplement, which will be filed with the Clerk of the Court no later than three (3) business days prior to the Voting Deadline (as defined in the Disclosure Statement). The Plan Supplement may be inspected in the office of the Clerk of the Court during normal court hours and shall be available online at “<https://ecf.deb.uscourts.gov>.” Holders of Claims or Equity Interests may obtain a copy of the Plan Supplement upon written request to counsel to the Debtors in accordance with Article XII.I of the Plan.

K. Conflict.


The terms of this Plan shall govern in the event of any inconsistency with the summaries of the Plan set forth in the Disclosure Statement.

Dated: March 19, 2013


SCHOOL SPECIALTY, INC.

By: 
Name: Michael P. Lavelle
Title: President and CEO


SAX ARTS & CRAFTS, INC.

By: 
Name: Michael P. Lavelle
Title: Sole Director


FREY SCIENTIFIC, INC.

By: 
Name: Michael P. Lavelle
Title: Sole Director

PREMIER AGENDAS, INC.

By: 
Name: Michael P. Lavelle
Title: Sole Director

CHILDCRAFT EDUCATION CORP.

By: 
Name: Michael P. Lavelle
Title: Sole Director

CALIFONE INTERNATIONAL, INC.

By: 

Name: Michael P. Lavelle

Title: Sole Director

BIRD-IN-HAND WOODWORKS, INC.

By: 

Name: Michael P. Lavelle

Title: Sole Director

CLASSROOMDIRECT.COM, LLC

By: 

Name: Michael P. Lavelle

Title: President and CEO, School Specialty, Inc.,
Sole Member

DELTA EDUCATION, LLC

By: 

Name: Michael P. Lavelle

Title: President and CEO, School Specialty, Inc.,
Sole Member

SPORTIME, LLC

By: 

Name: Michael P. Lavelle

Title: President and CEO, School Specialty, Inc.,
Sole Member

EXHIBIT B

Financial Projections

[To Come]

EXHIBIT C

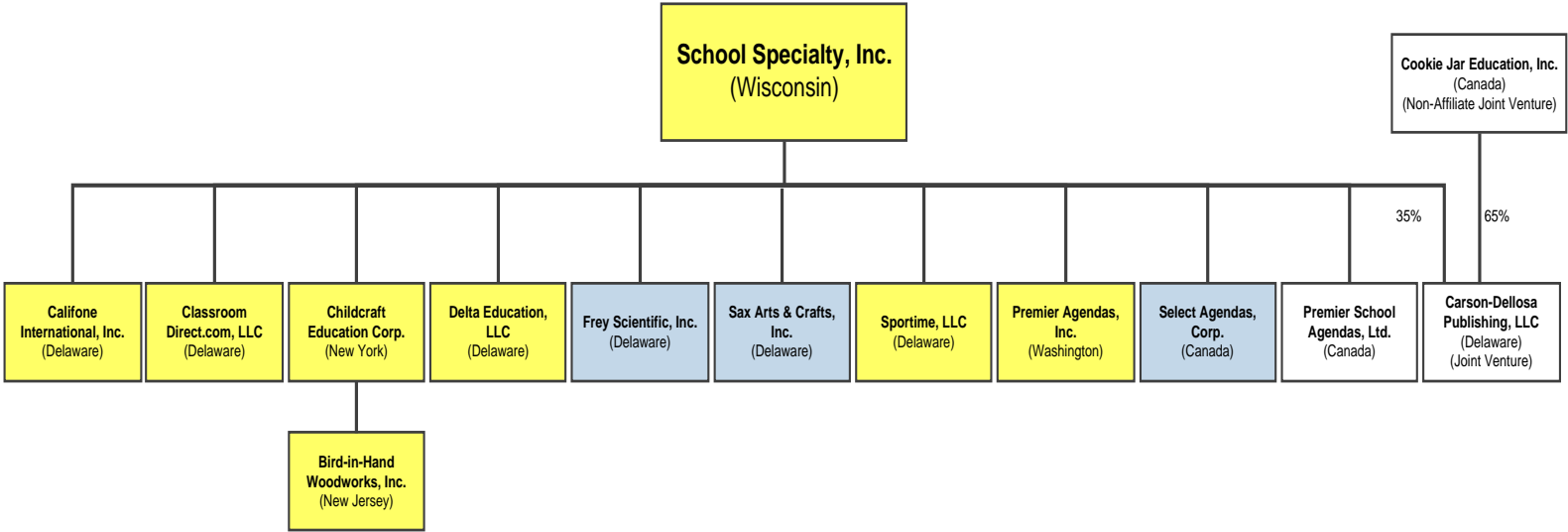
Liquidation Analysis

[To Come]


EXHIBIT D


Corporate Organization Chart

School Specialty, Inc. Organization Chart



Legend

 Borrowers under the DIP Facilities

 Non-Borrower Guarantors under the DIP Facilities