

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

In re:

SCHOOL SPECIALTY, INC., et al.,¹

Debtors.

Chapter 11

Case No. 13-10125 (KJC)

Jointly Administered

Re: Docket Nos. 601 and 864

**NOTICE OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS'
SUBMISSION OF PROPOSED FORM OF PLAN SUPPORT RECOMMENDATION
TO CREDITORS IN CONNECTION WITH THE AMENDED JOINT PLAN OF
REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

The Official Committee of Unsecured Creditors of School Specialty, Inc., et al. (the “Committee”) submits as **Exhibit A** proposed correspondence to be included in the Solicitation Packages (as that term is defined in Motion of the Debtors for Order: (A) Approving Disclosure Statement; (B) Fixing Voting Record Date; (C) Approving Solicitation Materials and Procedures for Distribution Thereof; (D) Approving Forms of Ballots and Establishing Procedures for Voting on Plan and Tabulating Votes; (E) Scheduling Hearing and Approving Notice and Procedures for Filing Objections to (I) Confirmation of the Plan, and (II) Proposed Cure Amounts Related to Contracts and Leases Assumed Under the Plan; and (F) Granting Related Relief filed by School Specialty, Inc. [Docket No. 601]) to be mailed to Classes 5, 6, 7 and 8 in connection with confirmation of the Amended Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code.

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number and state of incorporation, are: School Specialty, Inc. (Wisc.; 1239), Bird-In-Hand Woodworks, Inc. (N.J.; 8811), Califone International, Inc. (Del.; 3578), Childcraft Education Corp. (N.Y.; 9818), ClassroomDirect.com, LLC (Del.; 2425), Delta Education, LLC (Del.; 8764), Frey Scientific, Inc. (Del.; 3771), Premier Agendas, Inc. (Wash.; 1380), Sax Arts & Crafts, Inc. (Del.; 6436), and Sportime LLC (Del.; 6939). The address of the Debtors’ corporate headquarters is W6316 Design Drive, Greenville, Wisconsin 54942.



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WHEREFORE, the Committee respectfully requests that the Court approve **Exhibit A** to be included in the Solicitation Packages mailed to Classes 5, 6, 7 and 8 under Bankruptcy Code Sections 1125(a) and (b).

Dated: April 24, 2013

VENABLE LLP

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*Attorneys for the Official Committee
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EXHIBIT A

**OFFICIAL COMMITTEE OF UNSECURED CREDITORS
OF SCHOOL SPECIALTY, INC., *ET AL.***

c/o Brown Rudnick LLP
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New York, NY 10036

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April 24, 2013

TO: THE HOLDERS OF UNSECURED CLAIMS AGAINST SCHOOL SPECIALTY, INC. AND ITS AFFILIATED DEBTORS

Brown Rudnick LLP and Venable LLP are counsel to the Official Committee of Unsecured Creditors (the "Committee") in the bankruptcy cases of School Specialty, Inc., *et al.* (collectively, the "Debtors"), Chapter 11 Case No. 13-10125 (KJC) (Jointly Administered). On February 5, 2013, the Committee was appointed to represent the interests of the Debtors' unsecured creditors (the "Unsecured Creditors").¹

We write to advise you of the Committee's recommendation regarding the *Debtors' Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code* dated April 23, 2013 (the "Plan"). The Plan, described in and attached as Exhibit A to the *Disclosure Statement for Debtors' Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code* dated April 23, 2013 (the "Disclosure Statement"), outlines the treatment of holders of General Unsecured Claims (Class 5), Trade Unsecured Claims (Class 6), Noteholder Unsecured Claims (Class 7), and Convenience Class Claims (Class 8).²

FOR THE REASONS DESCRIBED BELOW, THE COMMITTEE SUPPORTS THE PLAN, BELIEVES THAT THE PLAN IS IN THE BEST INTERESTS OF UNSECURED CREDITORS UNDER THE CIRCUMSTANCES OF THESE CASES, AND URGES UNSECURED CREDITORS TO VOTE TO ACCEPT THE PLAN.

Class 5 Treatment

Members of Class 5 (holders of General Unsecured Claims)³ who do not elect to make the Convenience Election (as described below under Class 8) and members of Class 6 who do not elect to make the Trade Election (as described below under Class 6) or the Convenience Election will receive a payment in cash of **20%** of their allowed claim, to be paid on the "Payment Date", approximately **six and a half (6 ½) years** after the "Effective Date" of the Plan (in late May or early June 2013). (The exact Payment Date is tied to the maturity date of the Debtors' term loan exit financing facility.) This payment may be made sooner if, among other things, any person or group acquires a majority of the Reorganized Debtors' stock or if the Debtors sell or all substantially all of their assets (a "Change of Control"), or if the Reorganized Debtors make a dividend or other distribution to their shareholders. The Reorganized Debtors may also choose to make this payment earlier, at a cash price equal to the then-accrued amount (including any interest) owing to the holder of the claim. This payment will accrue quarterly interest of **five percent (5%)** per annum beginning on Effective Date through payment.

¹ The Committee is comprised of four members – three of the Debtors' vendors and the indenture trustee for the Debtors' convertible notes.

² Capitalized terms used but not otherwise defined in this letter shall have the meanings assigned to them in the Disclosure Statement or the Plan.

³ A General Unsecured Claim is an unsecured, non-priority claim against any of the Debtors that is not classified in Class 6, 7 or 8 (as described below).

Class 6 Treatment

Members of Class 6 (holders of claims arising from the holder's prepetition provision of goods and/or services to the Debtors, with whom the Reorganized Debtors will continue to do business after the Effective Date) may elect (a "Trade Election") to provide the Reorganized Debtors with trade terms reasonably equivalent to the trade terms in effect between the Debtors and such holder in calendar year 2012, from the date of the Trade Election until **September 30, 2014** (the "Trade Payment Period"). **The option to make this election is not on your Ballot.** Instead, before the date of the Confirmation Hearing (**May 20, 2013**), the Debtors will send to each holder of a Trade Unsecured Claim a separate notice, instructions, and any forms required to be completed by such holders in order to make the Trade Election. If a holder makes a Trade Election and provides 2012 trade terms (or their reasonable equivalent) to the Reorganized Debtors for the required period of time, the holder will receive a "Trade Payment" equal to **forty-five percent (45%)** of its allowed claim, plus interest that accrues quarterly at a rate of **ten percent (10%)** per annum from the Effective Date through payment.

The Trade Payment is expected to be made on the Payment Date, approximately **six and a half (6 ½) years** after the Effective Date. (As noted above, the Payment Date is tied to the maturity date of the Debtors' exit financing facility.) As with the payment to members of Class 5, the Trade Payment or a portion thereof may be made sooner if, among other things, a Change of Control occurs, or if the Reorganized Debtors make a dividend or other distribution to their shareholders. The Reorganized Debtors may also choose to make the Trade Payment earlier, at a cash price equal to the then-accrued amount (including any interest) owing to the holder of the claim.

Other salient features of the Plan's treatment of holders of Trade Unsecured Claims that make the Trade Election (the "Trade Claimants") are as follows:

- A Trade Claimant will be entitled to receive the Trade Payment if the Trade Claimant fulfills its obligation to provide the agreed-upon trade terms to the Reorganized Debtors during the Trade Payment Period.
- Trade Claimants shall be relieved of their obligation to provide the agreed-upon trade terms through the Trade Payment Period, without forfeiting the Trade Payment, if the Reorganized Debtors: (i) are in payment default or default of any of the financial covenants in the Debtors' exit financing facilities (or any refinancings thereof) after the expiration of any applicable cure periods (regardless of whether such defaults are waived or a forbearance agreement is entered into with respect to such defaults); or (ii) breach the agreed-upon trade terms by failing to comply with their payment obligations to the Trade Claimant.
- A Trade Claimant's entitlement to receive the Trade Payment in full will vest immediately upon the Trade Election if such Trade Claimant makes the Trade Election ***on or before the Effective Date of the Plan (late May or early June 2013)***. If, however, a Trade Claimant makes the Trade Election ***after the Effective Date***, such Trade Claimant's entitlement to receive the Trade Payment shall vest on the one-year anniversary of such Trade Election.
- An Ombudsman shall be designated to monitor the Trade Election, mediate and enforce trade terms, and resolve any disputes concerning the distributions of the deferred payments to Class 5 and 6 creditors. More information regarding the Ombudsman's duties and responsibilities will be provided in the Plan Supplement, which will be filed no later than May 13, 2013.

Treatment of Trade Unsecured Claims is subject to the more specific terms outlined in the Plan and the Disclosure Statement. Accordingly, holders of Trade Unsecured Claims should carefully review, in their entirety, the relevant pages of the Plan and Disclosure Statement.

Class 7 Treatment

Members of Class 7 (holders of the Debtors' convertible notes) will receive their pro rata share of **12.5%** of common stock in Reorganized SSI.

Class 8 Treatment

Members of Class 8 (holders of any allowed General Unsecured Claim or allowed Trade Unsecured Claim of three thousand dollars (\$3,000) or less) will receive a payment in cash of **twenty percent (20%)** of their allowed claim, to be paid on or about the Effective Date of the Plan. In addition, **all members of Classes 5 and 6** may elect (a "Convenience Election") to voluntarily reduce the amount of their claim to **three thousand dollars (\$3,000)** and to receive the same treatment as holders of Convenience Class Claims. Holders electing to make a Convenience Election (and reduce their claim to \$3,000) will thus receive a one-time payment in cash of \$600.

The Committee believes that the agreements embodied in the Plan, and the recoveries to be provided to Unsecured Creditors under the Plan, represent a fair and reasonable resolution of the numerous issues that have been negotiated during these Chapter 11 cases. Moreover, the Committee believes that any alternative, other than confirmation of the Plan, could result in extensive delays and increased administrative expenses, which, in turn, would result in smaller distributions on account of claims asserted in these Chapter 11 cases.

THE FOREGOING IS NOT INTENDED AS A SUBSTITUTE FOR THE PLAN AND DISCLOSURE STATEMENT. ALL UNSECURED CREDITORS SHOULD READ THE DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY, AND THEN, IN CONSULTATION WITH THEIR ADVISORS, MAKE THEIR OWN RESPECTIVE INDEPENDENT DECISION AS TO WHETHER THE PLAN IS ACCEPTABLE.

The Debtors have provided you with a Ballot to vote to accept or reject the Plan. In order to have your vote counted, you must complete and return the Ballot in accordance with the procedures set forth therein and in the accompanying Disclosure Statement.

PLEASE READ THE DIRECTIONS ON THE BALLOT CAREFULLY AND COMPLETE YOUR BALLOT IN ITS ENTIRETY BEFORE RETURNING IT TO THE DEBTORS' SOLICITATION AND TABULATION AGENT SO THAT IT WILL BE RECEIVED BY MAY 16, 2013, THE VOTING DEADLINE.

Your timely vote is important, as only those Unsecured Creditors that timely vote on the Plan will have their vote counted for purposes of determining whether the classes of claims in the Plan in which unsecured creditors have been classified have accepted the Plan. ***In short, the Committee supports approval of the Plan and strongly recommends that you timely vote to accept the Plan in accordance with the procedures that have been established by the Bankruptcy Court.***

**THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
OF SCHOOL SPECIALTY, INC. ET AL.**

Dated: April 24, 2013
New York, New York

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