UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
SCHOOL SPECIALTY, INC., *et al.*,[1]	Case No. 13-10125 (KJC)
Debtors.	Jointly Administered
	Hearing Date: May 20, 2013 at 1:30 p.m. (ET) **Objection Deadline: May 13, 2013 at 4:00 p.m. (ET)**
	Re: Docket Nos. 12, 86, 88 & 247, 955

DEBTORS' AMENDED MOTION FOR AN ORDER (I) AUTHORIZING DEBTORS TO AMEND THEIR ABL DIP FACILITY AND (II) GRANTING RELATED RELIEF

The above-captioned debtors and debtors-in-possession (each a "Debtor" and collectively, the "Debtors") hereby file this amendment ("Amended Motion") to the motion filed on April 29, 2013 [Docket No. 955] (the "Motion")[2], pursuant to sections 105(a), 363(b), and 364 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the "Bankruptcy Code"), Rules 2002 and 4001 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and Rules 2002-1 and 4001-2 of the Local Rules of Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "Local Rules"), for entry of an order, (i) authorizing the Debtors to enter into and execute Amendment No. 3 to the ABL DIP Facility (as defined below) and to perform all of their obligations thereunder, and (ii) providing that all

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

[2] Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Motion.

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references in the Final ABL DIP Order and ABL DIP Credit Agreement shall be deemed to include Amendment No. 3.[3]

By this Amended Motion, the Debtors seek approval of an amended Amendment No. 3 (the "Replacement Amendment No. 3") to replace and supercede Amendment No. 3 as a result of certain changes in circumstances since the filing of the Motion. Among other things, Replacement Amendment No. 3 revises that certain milestone by which the Debtors are required to obtain executed commitment letters for exit financing and increases the fee to amend the ABL DIP Credit Agreement from $100,000 to $200,000. In support of this Amended Motion, the Debtors respectfully state as follows:

JURISDICTION

1. The United States Bankruptcy Court for the District of Delaware (the "Court") has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the Amended Standing Order of Reference from the United States District Court for the District of Delaware dated as of February 29, 2012. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).

2. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

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[3] The Debtors incorporate by reference (i) the *Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Debtors (A) to Obtain Postpetition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e) and 507 and (B) to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363, (C) to Grant Priming Liens and Superpriority Claims to the Ad Hoc DIP Lenders, (D) to Provide Adequate Protection to Prepetition Secured Parties Pursuant to 11 U.S.C. §§ 361, 362, 363 and 364, and (E) to Repay in Full Amounts Owed in Connection with the Prepetition Secured Loans or Otherwise Converting the Prepetition Secured Obligations into Postpetition Secured Obligations; (II) Scheduling Final Hearing Pursuant to Bankruptcy Rules 4001(a) and (c); and (III) Granting Related Relief* [Docket No. 12] (the "DIP Motion"), (ii) *Debtors' Motion for an Order Authorizing the Debtors to Enter into Expense Letters to (A) Provide Expense Deposits to Reimburse Costs in Connection with Exit Financing, and (B) Provide Related Indemnities Thereunder* [Docket No. 737] ("Expense Letter Motion"), and (iii) Declaration of Agnes K. Tang in Support of *Debtors' Motion for an Order Authorizing the Debtors to Enter into Expense Letters to (A) Provide Expense Deposits to Reimburse Costs in Connection with Exit Financing, and (B) Provide Related Indemnities Thereunder* [Docket No. 740] ("Tang Declaration").

3. The statutory bases for the relief requested herein are sections 105(a), 363(b), and 364 of the Bankruptcy Code, Bankruptcy Rules 2002 and 4001, and Rules 2002-1 and 4001-2 of the Local Rules.

RELIEF REQUESTED

4. By this Amended Motion and for the reasons set forth in the Motion and below, pursuant to sections 105(a), 363(b), and 364 of the Bankruptcy Code and Bankruptcy Rules 2002 and 4001 the Debtors respectfully request the Court approve the Proposed Order[4] (i) authorizing the Debtors to enter into and execute the proposed Replacement Amendment No. 3 attached hereto as Exhibit B and perform all of their obligations thereunder, including the payment of certain fees and expenses requested by the ABL DIP Lenders in connection with their grant of such amendment, including an increased amendment fee of $200,000 (the "Replacement Amendment Fee") and (ii) providing that all references in the Final ABL DIP Order and ABL DIP Credit Agreement shall be deemed to include Replacement Amendment No. 3.[5]

RELEVANT BACKGROUND

A. Need to Amend DIP Facilities

5. As set forth in the Motion, on February 26, 2013, the Court approved the Final ABL DIP Order[6] which also authorized the Debtors to enter into Amendment No. 1 to the ABL DIP Facility, pursuant to which the ABL DIP Lenders provided the ABL DIP Facility based on

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[4] Attached hereto as Exhibit A is the "Proposed Order" revised to reflect approval of Replacement Amendment No. 3.

[5] Attached hereto as Exhibit C is a blackline reflecting the changes between Amendment No. 3 and Replacement Amendment No. 3.

[6] *Final Order (I) Authorizing Debtors to (A) Obtain Postpetition Financing Pursuant to 11 U.S.C. §§105, 361, 362, 364(c)(1), 364(c)(3), 364(d)(1), 364(e) and 507, (B) Utilize Cash Collateral Pursuant to 11 U.S.C. §363, (C) Grant Priming Lien and Superpriority Claims to the DIP Lenders, (D)Provide Adequate Protection to Prepetition Secured Parties Pursuant to 11 U.S.C. §§361, 362, 363 and 364, and (E) Use Cash Collateral and Proceeds of the ABL DIP Facility to Repay Obligations Arising under the Prepetition ABL Credit Agreement and (II) Granting Related Relief* (the "Final ABL DIP Order"). The Final ABL DIP Order approved what the Debtors refer to as the "ABL DIP Facility".

certain covenants promised by the Debtors. In consideration for the commitments of the ABL DIP Lenders under the ABL DIP Facility, the Debtors agreed to certain deadlines, including the Disclosure Statement Milestones, the Confirmation Milestone, and a deadline of May 6, 2013 by which the Debtors were to obtain commitment letters for exit financing (the "Commitment Letter Milestone").[7] The Debtors' failure to comply with any of these milestones would constitute an event of default under the ABL DIP Facility that would, among other things, prohibit additional advances under the ABL DIP Facility unless such defaults were waived or milestones amended with the written consent of the requisite ABL DIP Lenders, ABL DIP Agent and Co-Collateral Agents (as defined in the ABL DIP Credit Agreement) under the ABL DIP Facility.[8]

6. As set forth in the Motion, due to the Debtors' failure to satisfy the Disclosure Statement Milestones, and their prospective failure to meet the required date for performance of the Confirmation Milestone, the Debtors requested that the ABL DIP Lenders under the ABL DIP Facility agree to amend such required dates as of April 23, 2013, so that no event of default would occur under the ABL DIP Facility and the Debtors would be able to continue to obtain revolving loans to operate in the ordinary course of business pending confirmation of the Plan.

7. Accordingly, the parties negotiated Amendment No. 3 in good faith and at arm's-length whereby the ABL DIP Lenders agreed to amend the Disclosure Statement Milestones and the Confirmation Milestone so that the Debtors are not required to obtain an order confirming the Plan until May 21, 2013. On April 29, 2013, the Debtors filed the Motion seeking approval of Amendment No. 3.

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[7] *See* Schedule 5.16 of the ABL DIP Credit Agreement.

[8] As described in the Motion, the ABL DIP Credit Agreement was amended by Amendment No. 2 on April 12, 2013, in accordance with paragraph 6(c)(2)(ii) of the Final ABL DIP Order.

B. *Need for Further Amendment to ABL DIP Facility and Negotiations for Exit Financing*

8. Since the beginning of February 2013, the Debtors and their financial advisors, Perella Weinberg Partners ("PWP") had contacted numerous financial institutions to procure exit financing.[9] Throughout the month of April, the Debtors in consultation with PWP have worked with certain potential exit lenders to complete diligence and definitive documentation to satisfy the Commitment Letter Milestone, including by entering into expense letters with certain potential exit lenders as authorized by this Court's order dated April 10, 2013 [Docket No. 785].

9. Subsequent to filing the Motion, the Debtors negotiated a more favorable amendment to the ABL DIP Credit Agreement in order to give the Debtors more time to complete their negotiations regarding the exit financing process to get the best terms possible for the estates. Specifically, the parties negotiated Replacement Amendment No. 3 at arm's-length whereby the ABL DIP Lenders have agreed to amend the Commitment Letter Milestone by one week—so that the Debtors are not required to deliver executed commitment letters for exit financing until May 13, 2013. In exchange for the amendment of the Commitment Letter Milestone, the ABL DIP Lenders required certain conditions, including:

- Revising Section 2.1(a) of the ABL DIP Credit Agreement to cap the amount of the revolver to $55 million and providing: "Until such time that Borrowers have delivered the Exit Financing Commitment Letters to Agent, the Revolver Usage may not exceed $55,000,000 (or such greater amount as may be agreed to by all Lenders in writing");[10]
- Increasing the Amendment Fee by $100,000 resulting in an aggregate amendment fee of $200,000, $100,000 of which is deemed fully earned, due and payable upon the effective date of Replacement Amendment No. 3 and $100,000 of which is deemed fully earned upon the effective date of Replacement Amendment No. 3 and due and payable on June 1, 2013; *provided, however*, that such $100,000 shall be automatically waived and deemed neither earned nor payable if the Obligations

[9] *See* Expense Letter Motion and Tang Declaration.

[10] *See* 3(a) of Replacement Amendment No. 3.

and Existing Secured Obligations have been Paid in Full on or before May 31, 2013;[11] and

- Requiring the filing of a motion to approve Replacement Amendment No. 3.

BASIS FOR RELIEF REQUESTED

10. As set forth in the DIP Motion, section 364 of the Bankruptcy Code authorizes a debtor to incur post-petition debt, and the basis for the Debtors' entering into the ABL DIP Facility was detailed in the DIP Motion.

11. The circumstances of these Chapter 11 Cases discussed above necessitate entering into Replacement Amendment No. 3 pursuant to section 364(c) of the Bankruptcy Code, and entry into the ABL DIP Facility reflects the sound exercise of the Debtors' business judgment.

12. In addition, as set forth in the Motion, sections 105 and 363(b) of the Bankruptcy Code authorizes the Court to grant the relief sought in this Amended Motion where the Debtors demonstrate a sound business reason.

A. Entry into the Proposed Replacement Amendment No. 3 Is a Sound Exercise of the Debtors' Business Judgment.

13. The Debtors respectfully submit that the relief requested in this Amended Motion is justified. The authority requested herein is necessary for the Debtors to have continued and uninterrupted access to the liquidity needed to operate their businesses going forward, so that they may confirm and consummate the Plan. Absent the relief sought herein, the Debtors will be unable to have access to much needed liquidity because of the default resulting from the Debtors' breach and prospective breach of their plan covenants under the ABL DIP Facility, including their failure to satisfy the Commitment Letter Milestone on May 6, 2013 and the Confirmation Milestone on or before May 17, 2013. Thus, Replacement Amendment No. 3 will

[11] *See* Section 6.1 of Replacement Amendment No. 3.

facilitate the Debtors' ability to continue to operate and confirmation of the Plan. Accordingly, the Debtors believe that the relief requested herein is an appropriate exercise of their business judgment and is in the best interests of their estates.

B. The Replacement Amendment Fee is Reasonable and Appropriate Under the Circumstances

14. The relief requested by this Amended Motion is reasonable and appropriate under the circumstances. As noted above, the parties negotiated the terms of Amendment No. 3 and Replacement Amendment No. 3, including the Replacement Amendment Fee set forth in Section 6.1 of Replacement Amendment No. 3 at arm's-length and in good faith. The Replacement Amendment Fee will appropriately compensate the ABL DIP Lenders for their agreement to extend the Commitment Letter Milestone and the Confirmation Milestone. Importantly, $100,000 of the Replacement Amendment Fee is only payable on June 1, 2013; however, that portion of the $100,000 due and payable on June 1, 2013 will be waived if the Debtors close on exit financing on or before May 31, 2013 and repay the obligations owed to the ABL DIP Lenders pursuant to the existing terms of the Final ABL DIP Order.

15. At this stage of the Chapter 11 Cases, the Debtors believe that the benefits to the Debtors, their estates and creditors in entering into Replacement Amendment No. 3, by permitting the Debtors to continue to access the ABL DIP Facility until the Confirmation Hearing, outweigh the corresponding costs associated with Replacement Amendment No. 3. Accordingly, the Debtors respectfully submit that justification exists for this Court to grant the relief requested by this Amended Motion.

NOTICE

16. Notice of this Amended Motion will be provided to: (i) the U.S. Trustee; (ii) counsel to the agent under the Debtors' ABL DIP Facility; (iii) counsel to the agent under the

Debtors' Prepetition Term Loan Agreement (as defined in the Final ABL DIP Order); (iv) counsel to the agent for the Ad Hoc DIP Facility; (v) the indenture trustee for the Debtors' convertible debentures; (vi) counsel to the Creditors' Committee; and (viii) all parties that have filed a notice of appearance in these Chapter 11 Cases pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested herein, the Debtors submit that no other or further notice is necessary.

CONCLUSION

17. The Debtors' entry into Replacement Amendment No. 3 is an appropriate and reasonable step to ensure the success of these Chapter 11 Cases, including confirmation of the Plan and the Debtors' ultimate emergence from bankruptcy. As set forth above, the Debtors believe that the relief sought herein is reasonable and appropriate under the circumstances. For these reasons the Debtors have determined, in the exercise of their sound business judgment, entry into Replacement Amendment No. 3 and payment of the Replacement Amendment Fee is in the best interests of the estates and should be approved.

WHEREFORE, the Debtors respectfully request that this Court enter the Proposed Order and grant such other and further relief as is just and proper.

Dated: May 7, 2013
Wilmington, Delaware

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UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
SCHOOL SPECIALTY, INC., *et al.*,[1]	Case No. 13-10125 (KJC)
Debtors.	Jointly Administered
	Hearing Date: May 20, 2013 at 1:30 p.m. (ET) **Objection Deadline: May 13, 2013 at 4:00 p.m. (ET)**
	Re: Docket Nos. 12, 86, 88, 247 & 955

NOTICE OF MOTION

TO: (I) THE U.S. TRUSTEE; (II) COUNSEL TO THE AGENT UNDER THE DEBTORS' ABL FACILITY; (III) COUNSEL TO THE AGENT UNDER THE DEBTORS' PREPETITION TERM LOAN AGREEMENT (AS DEFINED IN THE FINAL ABL DIP ORDER); (IV) COUNSEL TO THE AGENT FOR THE AD HOC DIP FACILITY; (V) THE INDENTURE TRUSTEE FOR THE DEBTORS' CONVERTIBLE DEBENTURES; (VI) COUNSEL TO THE OFFICIAL COMMITTEE; AND (VII) ALL PARTIES THAT HAVE FILED A NOTICE OF APPEARANCE IN THESE CHAPTER 11 CASES PURSUANT TO BANKRUPTCY RULE 2002

PLEASE TAKE NOTICE that on April 29, 2013, the debtors and debtors-in-possession in the above-captioned cases (collectively, the "Debtors") filed the **Debtors' Motion for an Order (I) Authorizing Debtors to Amend Their ABL DIP Facility and (II) Granting Related Relief** (the "Motion") with the United States Bankruptcy Court for the District of Delaware (the "Court"). You were previously served with a copy of the Motion.

PLEASE TAKE FURTHER NOTICE that the Debtors have filed the attached **Debtors' Amended Motion for an Order (I) Authorizing Debtors to Amend Their ABL DIP Facility and (II) Granting Related Relief** (the "Amended Motion").

PLEASE TAKE FURTHER NOTICE that responses to the Amended Motion, if any, are required to be filed on or before **May 13, 2013 at 4:00 p.m. (ET)** (the "Objection Deadline") with the United States Bankruptcy Court, 824 Market Street, 3rd Floor, Wilmington, Delaware 19801. At the same time, you must also serve a copy of the response upon the Debtors' undersigned counsel so as to be received on or before the Objection Deadline.

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

PLEASE TAKE FURTHER NOTICE THAT A HEARING ON THE AMENDED MOTION WILL BE HELD ON **MAY 20, 2013 AT 1:30 P.M. (ET)**, BEFORE THE HONORABLE KEVIN J. CAREY AT THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE, 824 NORTH MARKET STREET, 5TH FLOOR, COURTROOM #5, WILMINGTON, DELAWARE 19801.

PLEASE TAKE FURTHER NOTICE THAT IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF REQUESTED BY THE AMENDED MOTION WITHOUT FURTHER NOTICE OR HEARING.

Dated: May 7, 2013
Wilmington, Delaware

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Counsel to the Debtors and Debtors-in-Possession

EXHIBIT A

Proposed Order

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
SCHOOL SPECIALTY, INC., *et al.*,[1]	Case No. 13-10125 (KJC)
Debtors.	Jointly Administered
	Re: Docket Nos. 12, 86, 88, 247 & ___

ORDER (I) AUTHORIZING DEBTORS TO AMEND THEIR ABL DIP FACILITY AND (II) GRANTING RELATED RELIEF

This matter came before the Court on the motion dated April 29, 2013 ("Motion")[2], as amended on May 6, 2013[3] (the "Amended Motion"),[4] of the Debtors, requesting that this Court enter an order (a) authorizing Debtors to amend their ABL DIP Facility and (b) granting relating relief an order (i) authorizing the Debtors to enter into and execute the proposed Replacement Amendment No. 3 to the ABL DIP Facility, including the payment of certain fees and expenses requested by the ABL DIP Lenders in connection with their grant of such amendment, including an amendment fee of $200,000 (the "Replacement Amendment Fee") and perform all of their obligations thereunder and (ii) providing that all references in the Final ABL DIP Order and ABL DIP Credit Agreement shall be deemed to include Replacement Amendment No. 3; and the Court having considered the Motion, the Amended Motion, and the record in these cases; and it appearing that this Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and

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

2 [Docket No. 955].

3 [Docket No. ___].

4 All capitalized terms not defined herein shall have the meaning ascribed to them in the Amended Motion.

the *Amended Standing Order of Reference from the United States District Court for the District of Delaware* dated as of February 29, 2012; and it appearing that this proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and it appearing that venue of this proceeding and the Motion and the Amended Motion is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion and the Amended Motion having been given; and after due deliberation and it appearing that sufficient cause exists for granting the requested relief and that the relief requested is in the best interest of the Debtors, their estates, and their creditors;

IT IS HEREBY ORDERED THAT:

1. The terms of that certain Amendment No. 3 to Debtor-in-Possession Credit Agreement, dated as of April 23, 2013 (attached hereto as Exhibit 1, "Replacement Amendment No. 3") are hereby approved and the Debtors are authorized to perform each of their obligations under Replacement Amendment No. 3, including, without limitation, payment of the Replacement Amendment Fee referenced in Section 6.1 therein.

2. All references in the Final DIP Financing Order to the ABL DIP Credit Agreement will be deemed to mean, the ABL DIP Credit Agreement (as amended by that certain Amendment No. 1 to Debtor-in-Possession Credit Agreement, dated as of February 27, 2013, that certain Amendment No. 2 to Debtor-in-Possession Credit Agreement, dated as of April 12, 2013 and Replacement Amendment No. 3, and as the same may heretofore been or may hereafter be further amended, modified, supplemented, extended renewed, restated or replaced in accordance with the terms of the Final ABL DIP Order).

3. Except as expressly set forth herein, the terms, provisions and conditions of, and relief granted by, the Final ABL DIP Order are not altered and remain in full force and effect.

4. The terms of this Order were negotiated in good faith and at arms' length.

5. The terms and conditions of this Order shall be effective immediately and enforceable upon its entry.

6. This Court shall retain jurisdiction to hear and determine any and all matters arising from or related to the interpretation or implementation of this Order.

Dated: Wilmington, Delaware
May ____, 2013

THE HONORABLE KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE

Exhibit 1

Replacement Amendment No. 3

AMENDMENT NO. 3 TO
DEBTOR-IN-POSSESSION CREDIT AGREEMENT

This AMENDMENT NO. 3 TO DEBTOR-IN-POSSESSION CREDIT AGREEMENT (this "Amendment") is entered into as of April 23, 2013, by and among WELLS FARGO CAPITAL FINANCE, LLC, a Delaware limited liability company, as administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, "Agent"), SCHOOL SPECIALTY, INC., a Wisconsin corporation ("Parent"), CLASSROOMDIRECT.COM, LLC, a Delaware limited liability company ("ClassroomDirect"), SPORTIME, LLC, a Delaware limited liability company ("Sportime"), DELTA EDUCATION, LLC, a Delaware limited liability company ("Delta Education"), PREMIER AGENDAS, INC., a Washington corporation ("Premier Agendas"), CHILDCRAFT EDUCATION CORP., a New York corporation ("Childcraft"), BIRD-IN-HAND WOODWORKS, INC., a New Jersey corporation ("Bird-In-Hand"), and CALIFONE INTERNATIONAL, INC., a Delaware corporation ("Califone"; Parent, ClassroomDirect, Sportime, Delta Education, Premier Agendas, Childcraft, Bird-In-Hand and Califone are collectively "Borrowers" and each a "Borrower").

RECITALS:

WHEREAS, on January 28, 2013 (the "Filing Date"), Borrowers and Guarantors (other than Select Agendas, Corp.) filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code (as hereinafter defined) in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court");

WHEREAS, Agent and Borrowers have entered into certain financing arrangements pursuant to that certain Debtor-in-Possession Credit Agreement, dated as of January 31, 2013 by and among Borrowers, the financial institutions from time to time party thereto (collectively, the "Lenders" and each a "Lender") and Agent (as amended by that certain Amendment No. 1 to Debtor-in-Possession Credit Agreement, dated as of February 27, 2013 and that certain Amendment No. 2 to Debtor-in-Possession Credit Agreement, dated as of April 12, 2013, and as further amended hereby, and as the same may have heretofore been or may hereafter be further amended, modified, supplemented, extended, renewed, restated or replaced (the "Credit Agreement"));

WHEREAS, Borrowers have entered into that certain Senior Secured Super Priority Debtor-in-Possession Credit Agreement, dated as of February 27, 2013 (as amended by that certain Amendment No. 1 to Senior Secured Super Priority Debtor-in-Possession Credit Agreement, dated as of April 11, 2013, and that certain Amendment No. 2 to Senior Secured Super Priority Debtor-in-Possession Credit Agreement, dated as of May 3, 2013 (the "Bondholder Amendment") among Borrowers, Select Agendas, Corp., Frey Scientific, Inc., Sax Arts & Crafts, Inc., U.S. Bank National Association, and the lenders from time to time party thereto; and

WHEREAS, Borrower has requested that Agent and Lenders agree to amend the Credit Agreement in certain respects as more fully described herein, and Agent and Lenders are willing to do so on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing, and the respective agreements, warranties and covenants contained herein, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

1.1. **Interpretation.** All capitalized terms used herein (including the recitals hereto) shall have the respective meanings ascribed thereto in the Credit Agreement unless otherwise defined herein.

SECTION 2. ACKNOWLEDGMENTS

2.1. **Binding Effect of Documents.** Each Borrower hereby acknowledges, confirms and agrees that: (a) each of the Credit Agreement, Existing Loan Agreement, the Loan Documents and Existing Loan Documents to which it is a party has been duly executed and delivered to Agent by such Borrower, and each is and shall remain in full force and effect as of the date hereof except as modified pursuant hereto, (b) the agreements and obligations of such Borrower contained in such documents and in this Agreement constitute the legal, valid and binding Obligations of such Borrower, enforceable against it in accordance with their respective terms, and such Borrower has no valid defense to the enforcement of such Obligations, and (c) Agent and Lenders are and shall be entitled to the rights, remedies and benefits provided for under the Credit Agreement, the Existing Loan Agreement, the Loan Documents and the Existing Loan Documents and applicable law.

SECTION 3. AMENDMENTS

In reliance upon the representations and warranties of the Loan Parties set forth in Section 4 below and subject to the conditions to effectiveness set forth in Section 5 below, effective as of the date hereof, the Credit Agreement is hereby amended as follows:

(a) The last paragraph of Section 2.1(a) of the Credit Agreement is hereby amended by adding the following sentence to the end thereof:

> "Until such time that Borrowers have delivered the Exit Financing Commitment Letters to Agent, the Revolver Usage may not exceed $55,000,000 (or such greater amount as may be agreed to by all Lenders in writing)."

(b) Schedule 5.16 to the Credit Agreement is hereby amended and replaced with Exhibit A to this Agreement.

SECTION 4. REPRESENTATIONS AND WARRANTIES

Each Borrower hereby represents, warrants and covenants as follows:

4.1. **Representations in the Credit Agreement and the Loan Documents.** The representations and warranties set forth in the Credit Agreement, as amended hereby, and in the other Loan Documents, as amended to date, are true and correct in all material respects as of the date hereof, with the same effect as though made on the date hereof (except to the extent such representations and warranties (i) expressly refer to an earlier date, in which case they are true and correct in all material respects as of such earlier date, and (ii) are already qualified by materiality, material adverse effect, or words of like effect, in which case such representations and warranties shall be true in all respects).

4.2. **Binding Effect of Documents.** This Agreement has been duly authorized, executed and delivered to Agent and Lenders by each Borrower, is enforceable in accordance with its terms and is in full force and effect.

4.3. **No Conflict.** The execution, delivery and performance of this Agreement by each Borrower will not violate any requirement of law or contractual obligation of any Borrower and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues.

4.4. **Defaults**. No Default or Event of Default has occurred and is continuing.

SECTION 5. CONDITIONS TO EFFECTIVENESS

The effectiveness of this Agreement is subject to the consummation of each of the following conditions, each in form and substance satisfactory to Agent:

(a) an original of this Agreement, duly authorized, executed and delivered by each Borrower;

(b) an original of the Consent and Reaffirmation as attached at Exhibit B, duly authorized, executed and delivered by each Guarantor;

(c) Borrowers' filing of motion (at Agent's request) and subsequent entry of an order of the Bankruptcy Court, each in form and substance reasonably satisfactory to Agent, authorizing this Agreement and the Consent and Reaffirmation to be executed by and binding upon Borrowers and each Guarantor, which condition may be waived by Agent in its sole discretion;

(d) Borrowers shall have paid all Lender Group Expenses incurred in connection with the transactions evidenced by this Agreement, the Credit Agreement, the Existing Loan Agreement, the other Loan Documents and the Existing Loan Documents;

(e) Borrowers shall provide to Agent's financial advisor and counsel (subject to the condition of no further distribution beyond professionals) copies of each final proposal letter received by Borrowers to date from any potential exit lender with whom they are negotiating proposed chapter 11 exit financing, redacted for names and other confidential information; and

(f) Agent shall have received a fully executed copy of the Bondholder Amendment making a corresponding change to Schedule 5.18 of the Bondholder DIP Credit Agreement.

SECTION 6. MISCELLANEOUS

6.1. **Amendment Fee.** In consideration for the amendments to the Credit Agreement set forth herein, Borrowers shall pay to Agent, for the ratable benefit of each Lender, an amendment fee of $200,000, $100,000 of which fee is deemed to be fully earned, due and payable upon the execution and delivery of this Agreement by each of the parties listed on the signature pages hereto and $100,000 of which is deemed fully earned upon the execution and delivery of this Agreement by each of the parties listed on the signature pages hereto and due and payable on June 1, 2013; *provided, however*, that such $100,000 shall be automatically waived and deemed neither earned nor payable if the Obligations and Existing Secured Obligations have been Paid in Full on or before May 31, 2013.

6.2. **Continuing Effect of Credit Agreement.** Except as modified pursuant hereto, no other changes or modifications to the Credit Agreement and the Loan Documents are intended or implied by this Agreement and in all other respects the Credit Agreement and the Loan Documents hereby are ratified, restated and confirmed by all parties hereto as of the effective date hereof. To the extent of conflict between the terms of this Agreement, the Credit Agreement and the Loan Documents, the terms of this Agreement shall govern and control. The Credit Agreement and this Agreement shall be read and construed as one agreement.

6.3. **Exit Financing.** Borrowers shall promptly provide to Agent's financial advisor and counsel (subject to the condition of no further distribution beyond professionals) copies of the following documents, redacted for names and other confidential information except as set forth below: (i) each final proposal letter received by Borrowers on or after the date hereof from any potential exit lender (except for any proposal letter that Borrowers have rejected or deemed unsatisfactory), (ii) on and after May 3, 2013, the then current draft of commitment letters received by Borrowers from all lenders, including the total amount of the facilities, the borrowing base, the advance rate formulae (if any) and any conditions to closing, and (iii) after May 3, 2013, all amendments and modifications to such proposed commitment letters.

6.4. **Costs and Expenses.** Each Borrower absolutely and unconditionally agrees to pay to Agent, on demand by Agent at any time, whether or not all or any of the transactions contemplated by this Agreement are consummated: all fees and disbursements of any counsel to Agent in connection with the preparation, negotiation, execution or delivery of this Agreement and any agreements contemplated hereby and expenses which shall at any time be incurred or sustained by Agent, any Lender, any participant of any Lender or any of their respective directors, officers, employees or agents as a consequence of or in any way in connection with the preparation, negotiation, execution, or delivery of this Agreement and any agreements contemplated hereby, in each case to the extent such expenses constitute Lender Group Expenses required to be paid under the Credit Agreement.

6.5. **Further Assurances.** At Borrowers' expense, the parties hereto shall execute and deliver such additional documents and take such further action as may be necessary or desirable to effectuate the provisions and purposes of this Agreement.

6.6. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

6.7. **Survival of Representations, Warranties and Covenants.** All representations, warranties, covenants and releases of each Borrower made in this Agreement or any other document furnished in connection with this Agreement shall survive the execution and delivery of this Agreement, and no investigation by Agent or any Lender, or any closing, shall affect the representations and warranties or the right of Agent and Lenders to rely upon them.

6.8. **Severability.** Any provision of this Agreement held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Agreement.

6.9. **Reviewed by Attorneys.** Each Borrower represents and warrants to Agent and Lenders that it (a) understands fully the terms of this Agreement and the consequences of the execution and delivery of this Agreement, (b) has been afforded an opportunity to discuss this Agreement with, and have this Agreement reviewed by, such attorneys and other persons as such Borrower may wish, and (c) has entered into this Agreement and executed and delivered all documents in connection herewith of its own free will and accord and without threat, duress or other coercion of any kind by any Person. The parties hereto acknowledge and agree that neither this Agreement nor the other documents executed pursuant hereto shall be construed more favorably in favor of one than the other based upon which party drafted the same, it being acknowledged that all parties hereto contributed substantially to the negotiation and preparation of this Agreement and the other documents executed pursuant hereto or in connection herewith.

6.10. **Disgorgement**. If Agent or any Lender is, for any reason, compelled by a court or other tribunal of competent jurisdiction to surrender or disgorge any payment, interest or other consideration described hereunder to any person because the same is determined to be void or voidable as a preference, fraudulent conveyance, impermissible set-off or for any other reason, such indebtedness or part thereof intended to be satisfied by virtue of such payment, interest or other consideration shall be revived and continue as if such payment, interest or other consideration had not been received by Agent or such Lender, and the Borrowers shall be liable to, and shall indemnify, defend and hold Agent or such Lender harmless for, the amount of such payment or interest surrendered or disgorged. The provisions of this Section 6.10 shall survive execution and delivery of this Agreement and the documents, agreements and instruments to be executed or delivered herewith.

6.11. **Relationship**. Each Borrower agrees that the relationship between Agent and such Borrower and between each Lender and Borrower is that of creditor and debtor and not that of partners or joint venturers. This Agreement does not constitute a partnership agreement, or any other association between Agent and any Borrower or between any Lender and any Borrower. Each Borrower acknowledges that Agent and each Lender has acted at all times only as a creditor to such Borrower within the normal and usual scope of the activities normally undertaken by a

creditor and in no event has Agent or any Lender attempted to exercise any control over such Borrower or its business or affairs. Each Borrower further acknowledges that Agent and each Lender has not taken or failed to take any action under or in connection with its respective rights under the Credit Agreement and the Loan Documents that in any way or to any extent has interfered with or adversely affects such Borrower's ownership of Collateral.

6.12. **Governing Law.** THIS AGREEMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES.

6.13. **Reference to Credit Agreement.** Each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import, and each reference in the Credit Agreement or in any other Loan Documents, or other agreements, documents or other instruments executed and delivered pursuant to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended by this Agreement.

6.14. **Counterparts.** This Agreement may be executed in any number of counterparts, and by the parties hereto on the same or separate counterparts, and each such counterpart, when executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement. Execution and delivery of an executed counterpart of this Agreement by facsimile, "pdf" or other electronic transmission shall be equally effective as the delivery of a manually executed original of this Agreement.

[*signatures on following page*]

IN WITNESS WHEREOF, this Agreement is executed and delivered as of the date first above written.

BORROWERS:

SCHOOL SPECIALTY, INC., a Wisconsin corporation

By: _____
Name: Michael P. Lavelle
Title: President and Chief Executive Officer

CLASSROOMDIRECT.COM, LLC, a Delaware limited liability company

By: _____
Name: Michael P. Lavelle
Title: President

SPORTIME, LLC, a Delaware limited liability company

By: _____
Name: Michael P. Lavelle
Title: President

DELTA EDUCATION, LLC, a Delaware limited liability company

By: _____
Name: Michael P. Lavelle
Title: President

PREMIER AGENDAS, INC., a Washington corporation

By: _____
Name: Michael P. Lavelle
Title: Executive Vice President

CHILDCRAFT EDUCATION CORP., a New York corporation

By: _____
Name: Michael P. Lavelle
Title: President

BIRD-IN-HAND WOODWORKS, INC., a New Jersey corporation

By: _____
Name: Michael P. Lavelle
Title: President

CALIFONE INTERNATIONAL, INC., a Delaware corporation

By: _____
Name: Michael P. Lavelle
Title: Executive Vice President

WELLS FARGO CAPITAL FINANCE, LLC, a Delaware limited liability company, as Agent, as Co-Collateral Agent, and as a Lender

By: _____
Name: LAURA NICKAS
Its Authorized Signatory

GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, as a Co-Collateral Agent, and as a Lender

By: _____
Name: Kai Sorensen
Its Authorized Signatory

BANK OF MONTREAL, as a Lender

By: _____
Name: _____
Its Authorized Signatory

CIT FINANCE LLC,, as a Lender

By: _____
Name: NEAL T. LEGAN
Its Authorized Signatory

EXHIBIT A
to
AMENDMENT NO. 3 TO
DEBTOR-IN-POSSESSION CREDIT AGREEMENT

SCHEDULE 5.16

Milestones

1. **[Intentionally omitted.]**
2. **[Intentionally omitted.]**
3. **[Intentionally omitted.]**
4. On or before March 19, 2013 (or such later date as Agent, Co-Collateral Agents and the Required Lenders shall agree), (i) the Bankruptcy Court shall have entered a final order establishing procedures with respect to the marketing and sale of the assets of debtors in the Bankruptcy Cases (the "Debtors"), which order shall be in form and substance (and any modification thereto) reasonably acceptable to Agent and Co-Collateral Agents, and (ii) the Debtors shall have filed a plan of reorganization (the "Plan") and a motion seeking approval of the disclosure statement and solicitation procedures related to the Plan (the "Disclosure Statement Motion"), in each case, in form and substance (and any modification thereto) reasonably acceptable to Agent, Co-Collateral Agents and the Required Lenders.
5. On or before April 25, 2013 (or such later date as Agent, Co-Collateral Agents and the Required Lenders shall agree), obtain entry of an order of the Bankruptcy Court granting the Disclosure Statement Motion, which order (and any modifications thereto) shall be in form and substance reasonably acceptable to Agent, Co-Collateral Agents and the Required Lenders.
6. On or before April 29, 2013 (or such later date as Agent and Co-Collateral Agents shall agree in its sole discretion), the debtors in the Bankruptcy Cases shall have commenced the solicitation of votes in connection with the Plan pursuant to sections 1125 and 1126 of the Bankruptcy Code.
7. On or before May 13, 2013, (i) Agent shall have received the executed Exit Financing Commitment Letter(s) and such Exit Financing Commitment Letter(s) shall remain unmodified and in full force and effect and (ii) Agent shall have received a written agreement binding upon each of the lenders under the Bondholder DIP Credit Agreement pursuant to which such lenders agree to accept equity in the reorganized Debtors (and have agreed to the amount and terms of such equity) in partial satisfaction of an agreed upon amount of obligations under the Bondholder DIP Credit Agreement, in form and substance reasonably acceptable to Agent and Co-Collateral Agents.
8. **[Intentionally omitted.]**.

9. On or before May 21, 2013 (or such later date as Lenders shall agree), the Bankruptcy Court shall have entered the order confirming the Plan pursuant to section 1129 of the Bankruptcy Code (assuming the Plan has obtained the requisite votes), which order (and any modification thereto) shall be in form and substance reasonably acceptable to Lenders.
10. On or before May 31, 2013, the effective date of the plan shall have occurred and the Existing Secured Obligations and Obligations shall have been Paid in Full.

For purposes of Milestones 4, 5, and 9, any Plan, Disclosure Statement Motion, order approving the Disclosure Statement Motion, or order confirming the Plan that (i) does not provide that the Obligations and Existing Secured Obligations shall be Paid in Full on or before the May 31, 2013 or (ii) modifies or impairs any of the Lenders' rights under the Financing Order, including the extent, validity and priority of Liens, shall be deemed not reasonable.

EXHIBIT B
to
AMENDMENT NO. 3 TO
DEBTOR-IN-POSSESSION CREDIT AGREEMENT

CONSENT AND REAFFIRMATION

Each of the undersigned (each a "Guarantor") hereby (i) acknowledges receipt of a copy of the foregoing Amendment No. 3 to Debtor-in-Possession Credit Agreement (the "Agreement"; capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in that certain Debtor-in-Possession Credit Agreement dated as of January 31, 2013 (as amended by that certain Amendment No. 1 to Debtor-in-Possession Credit Agreement, dated as of February 27, 2013, and that certain Amendment No. 2 to Debtor-in-Possession Credit Agreement, dated as of April 12, 2013, and as further amended, supplemented, extended, renewed, restated or otherwise modified from time to time) among Agent, Borrowers and the Lenders from time to time party thereto; (ii) consents to Borrowers' execution and delivery of the Agreement; (iii) agrees to be bound by the Agreement; (iv) affirms that nothing contained in the Agreement, except as specifically stated therein, shall modify in any respect whatsoever any Loan Document to which it is a party; and (v) reaffirms its obligations under (a) the Guaranty and Security Agreement and (b) each of the other Loan Documents to which it is a party (as modified by the Agreement, collectively, the "Reaffirmed Loan Documents") and confirms that such obligations are unconditional and not subject to any defense, setoff, counterclaim or other adverse claim. Although each Guarantor has been informed of the matters set forth herein and has acknowledged and agreed to same, each Guarantor understands that neither Agent nor any Lender has any obligation to inform any Guarantor of such matters in the future or to seek any Guarantor's acknowledgment or agreement to future amendments, waivers or consents, and nothing herein shall create such a duty.

The undersigned further agree that after giving effect to the Agreement, each Reaffirmed Loan Document shall remain in full force and effect.

FREY SCIENTIFIC, INC.

By: _____
Name: Michael P. Lavelle
Title: President

SAX ARTS & CRAFTS, INC.

By: _____
Name: Michael P. Lavelle
Title: President

SELECT AGENDAS, CORP.

By: _____
Name: Michael P. Lavelle
Title: President

EXHIBIT B

Replacement Amendment No. 3

AMENDMENT NO. 3 TO
DEBTOR-IN-POSSESSION CREDIT AGREEMENT

This AMENDMENT NO. 3 TO DEBTOR-IN-POSSESSION CREDIT AGREEMENT (this "Amendment") is entered into as of April 23, 2013, by and among WELLS FARGO CAPITAL FINANCE, LLC, a Delaware limited liability company, as administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, "Agent"), SCHOOL SPECIALTY, INC., a Wisconsin corporation ("Parent"), CLASSROOMDIRECT.COM, LLC, a Delaware limited liability company ("ClassroomDirect"), SPORTIME, LLC, a Delaware limited liability company ("Sportime"), DELTA EDUCATION, LLC, a Delaware limited liability company ("Delta Education"), PREMIER AGENDAS, INC., a Washington corporation ("Premier Agendas"), CHILDCRAFT EDUCATION CORP., a New York corporation ("Childcraft"), BIRD-IN-HAND WOODWORKS, INC., a New Jersey corporation ("Bird-In-Hand"), and CALIFONE INTERNATIONAL, INC., a Delaware corporation ("Califone"; Parent, ClassroomDirect, Sportime, Delta Education, Premier Agendas, Childcraft, Bird-In-Hand and Califone are collectively "Borrowers" and each a "Borrower").

RECITALS:

WHEREAS, on January 28, 2013 (the "Filing Date"), Borrowers and Guarantors (other than Select Agendas, Corp.) filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code (as hereinafter defined) in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court");

WHEREAS, Agent and Borrowers have entered into certain financing arrangements pursuant to that certain Debtor-in-Possession Credit Agreement, dated as of January 31, 2013 by and among Borrowers, the financial institutions from time to time party thereto (collectively, the "Lenders" and each a "Lender") and Agent (as amended by that certain Amendment No. 1 to Debtor-in-Possession Credit Agreement, dated as of February 27, 2013 and that certain Amendment No. 2 to Debtor-in-Possession Credit Agreement, dated as of April 12, 2013, and as further amended hereby, and as the same may have heretofore been or may hereafter be further amended, modified, supplemented, extended, renewed, restated or replaced (the "Credit Agreement"));

WHEREAS, Borrowers have entered into that certain Senior Secured Super Priority Debtor-in-Possession Credit Agreement, dated as of February 27, 2013 (as amended by that certain Amendment No. 1 to Senior Secured Super Priority Debtor-in-Possession Credit Agreement, dated as of April 11, 2013, and that certain Amendment No. 2 to Senior Secured Super Priority Debtor-in-Possession Credit Agreement, dated as of May 3, 2013 (the "Bondholder Amendment") among Borrowers, Select Agendas, Corp., Frey Scientific, Inc., Sax Arts & Crafts, Inc., U.S. Bank National Association, and the lenders from time to time party thereto; and

WHEREAS, Borrower has requested that Agent and Lenders agree to amend the Credit Agreement in certain respects as more fully described herein, and Agent and Lenders are willing to do so on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing, and the respective agreements, warranties and covenants contained herein, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

1.1. **Interpretation.** All capitalized terms used herein (including the recitals hereto) shall have the respective meanings ascribed thereto in the Credit Agreement unless otherwise defined herein.

SECTION 2. ACKNOWLEDGMENTS

2.1. **Binding Effect of Documents.** Each Borrower hereby acknowledges, confirms and agrees that: (a) each of the Credit Agreement, Existing Loan Agreement, the Loan Documents and Existing Loan Documents to which it is a party has been duly executed and delivered to Agent by such Borrower, and each is and shall remain in full force and effect as of the date hereof except as modified pursuant hereto, (b) the agreements and obligations of such Borrower contained in such documents and in this Agreement constitute the legal, valid and binding Obligations of such Borrower, enforceable against it in accordance with their respective terms, and such Borrower has no valid defense to the enforcement of such Obligations, and (c) Agent and Lenders are and shall be entitled to the rights, remedies and benefits provided for under the Credit Agreement, the Existing Loan Agreement, the Loan Documents and the Existing Loan Documents and applicable law.

SECTION 3. AMENDMENTS

In reliance upon the representations and warranties of the Loan Parties set forth in Section 4 below and subject to the conditions to effectiveness set forth in Section 5 below, effective as of the date hereof, the Credit Agreement is hereby amended as follows:

(a) The last paragraph of Section 2.1(a) of the Credit Agreement is hereby amended by adding the following sentence to the end thereof:

> "Until such time that Borrowers have delivered the Exit Financing Commitment Letters to Agent, the Revolver Usage may not exceed $55,000,000 (or such greater amount as may be agreed to by all Lenders in writing)."

(b) Schedule 5.16 to the Credit Agreement is hereby amended and replaced with Exhibit A to this Agreement.

SECTION 4. REPRESENTATIONS AND WARRANTIES

Each Borrower hereby represents, warrants and covenants as follows:

4.1. **Representations in the Credit Agreement and the Loan Documents.** The representations and warranties set forth in the Credit Agreement, as amended hereby, and in the other Loan Documents, as amended to date, are true and correct in all material respects as of the date hereof, with the same effect as though made on the date hereof (except to the extent such representations and warranties (i) expressly refer to an earlier date, in which case they are true and correct in all material respects as of such earlier date, and (ii) are already qualified by materiality, material adverse effect, or words of like effect, in which case such representations and warranties shall be true in all respects).

4.2. **Binding Effect of Documents.** This Agreement has been duly authorized, executed and delivered to Agent and Lenders by each Borrower, is enforceable in accordance with its terms and is in full force and effect.

4.3. **No Conflict.** The execution, delivery and performance of this Agreement by each Borrower will not violate any requirement of law or contractual obligation of any Borrower and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues.

4.4. **Defaults**. No Default or Event of Default has occurred and is continuing.

SECTION 5. CONDITIONS TO EFFECTIVENESS

The effectiveness of this Agreement is subject to the consummation of each of the following conditions, each in form and substance satisfactory to Agent:

(a) an original of this Agreement, duly authorized, executed and delivered by each Borrower;

(b) an original of the Consent and Reaffirmation as attached at Exhibit B, duly authorized, executed and delivered by each Guarantor;

(c) Borrowers' filing of motion (at Agent's request) and subsequent entry of an order of the Bankruptcy Court, each in form and substance reasonably satisfactory to Agent, authorizing this Agreement and the Consent and Reaffirmation to be executed by and binding upon Borrowers and each Guarantor, which condition may be waived by Agent in its sole discretion;

(d) Borrowers shall have paid all Lender Group Expenses incurred in connection with the transactions evidenced by this Agreement, the Credit Agreement, the Existing Loan Agreement, the other Loan Documents and the Existing Loan Documents;

(e) Borrowers shall provide to Agent's financial advisor and counsel (subject to the condition of no further distribution beyond professionals) copies of each final proposal letter received by Borrowers to date from any potential exit lender with whom they are negotiating proposed chapter 11 exit financing, redacted for names and other confidential information; and

(f) Agent shall have received a fully executed copy of the Bondholder Amendment making a corresponding change to Schedule 5.18 of the Bondholder DIP Credit Agreement.

SECTION 6. MISCELLANEOUS

6.1. **Amendment Fee.** In consideration for the amendments to the Credit Agreement set forth herein, Borrowers shall pay to Agent, for the ratable benefit of each Lender, an amendment fee of $200,000, $100,000 of which fee is deemed to be fully earned, due and payable upon the execution and delivery of this Agreement by each of the parties listed on the signature pages hereto and $100,000 of which is deemed fully earned upon the execution and delivery of this Agreement by each of the parties listed on the signature pages hereto and due and payable on June 1, 2013; *provided, however*, that such $100,000 shall be automatically waived and deemed neither earned nor payable if the Obligations and Existing Secured Obligations have been Paid in Full on or before May 31, 2013.

6.2. **Continuing Effect of Credit Agreement.** Except as modified pursuant hereto, no other changes or modifications to the Credit Agreement and the Loan Documents are intended or implied by this Agreement and in all other respects the Credit Agreement and the Loan Documents hereby are ratified, restated and confirmed by all parties hereto as of the effective date hereof. To the extent of conflict between the terms of this Agreement, the Credit Agreement and the Loan Documents, the terms of this Agreement shall govern and control. The Credit Agreement and this Agreement shall be read and construed as one agreement.

6.3. **Exit Financing.** Borrowers shall promptly provide to Agent's financial advisor and counsel (subject to the condition of no further distribution beyond professionals) copies of the following documents, redacted for names and other confidential information except as set forth below: (i) each final proposal letter received by Borrowers on or after the date hereof from any potential exit lender (except for any proposal letter that Borrowers have rejected or deemed unsatisfactory), (ii) on and after May 3, 2013, the then current draft of commitment letters received by Borrowers from all lenders, including the total amount of the facilities, the borrowing base, the advance rate formulae (if any) and any conditions to closing, and (iii) after May 3, 2013, all amendments and modifications to such proposed commitment letters.

6.4. **Costs and Expenses.** Each Borrower absolutely and unconditionally agrees to pay to Agent, on demand by Agent at any time, whether or not all or any of the transactions contemplated by this Agreement are consummated: all fees and disbursements of any counsel to Agent in connection with the preparation, negotiation, execution or delivery of this Agreement and any agreements contemplated hereby and expenses which shall at any time be incurred or sustained by Agent, any Lender, any participant of any Lender or any of their respective directors, officers, employees or agents as a consequence of or in any way in connection with the preparation, negotiation, execution, or delivery of this Agreement and any agreements contemplated hereby, in each case to the extent such expenses constitute Lender Group Expenses required to be paid under the Credit Agreement.

6.5. **Further Assurances.** At Borrowers' expense, the parties hereto shall execute and deliver such additional documents and take such further action as may be necessary or desirable to effectuate the provisions and purposes of this Agreement.

6.6. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

6.7. **Survival of Representations, Warranties and Covenants.** All representations, warranties, covenants and releases of each Borrower made in this Agreement or any other document furnished in connection with this Agreement shall survive the execution and delivery of this Agreement, and no investigation by Agent or any Lender, or any closing, shall affect the representations and warranties or the right of Agent and Lenders to rely upon them.

6.8. **Severability.** Any provision of this Agreement held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Agreement.

6.9. **Reviewed by Attorneys.** Each Borrower represents and warrants to Agent and Lenders that it (a) understands fully the terms of this Agreement and the consequences of the execution and delivery of this Agreement, (b) has been afforded an opportunity to discuss this Agreement with, and have this Agreement reviewed by, such attorneys and other persons as such Borrower may wish, and (c) has entered into this Agreement and executed and delivered all documents in connection herewith of its own free will and accord and without threat, duress or other coercion of any kind by any Person. The parties hereto acknowledge and agree that neither this Agreement nor the other documents executed pursuant hereto shall be construed more favorably in favor of one than the other based upon which party drafted the same, it being acknowledged that all parties hereto contributed substantially to the negotiation and preparation of this Agreement and the other documents executed pursuant hereto or in connection herewith.

6.10. **Disgorgement**. If Agent or any Lender is, for any reason, compelled by a court or other tribunal of competent jurisdiction to surrender or disgorge any payment, interest or other consideration described hereunder to any person because the same is determined to be void or voidable as a preference, fraudulent conveyance, impermissible set-off or for any other reason, such indebtedness or part thereof intended to be satisfied by virtue of such payment, interest or other consideration shall be revived and continue as if such payment, interest or other consideration had not been received by Agent or such Lender, and the Borrowers shall be liable to, and shall indemnify, defend and hold Agent or such Lender harmless for, the amount of such payment or interest surrendered or disgorged. The provisions of this Section 6.10 shall survive execution and delivery of this Agreement and the documents, agreements and instruments to be executed or delivered herewith.

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creditor and in no event has Agent or any Lender attempted to exercise any control over such Borrower or its business or affairs. Each Borrower further acknowledges that Agent and each Lender has not taken or failed to take any action under or in connection with its respective rights under the Credit Agreement and the Loan Documents that in any way or to any extent has interfered with or adversely affects such Borrower's ownership of Collateral.

6.12. **Governing Law.** THIS AGREEMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES.

6.13. **Reference to Credit Agreement.** Each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import, and each reference in the Credit Agreement or in any other Loan Documents, or other agreements, documents or other instruments executed and delivered pursuant to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended by this Agreement.

6.14. **Counterparts.** This Agreement may be executed in any number of counterparts, and by the parties hereto on the same or separate counterparts, and each such counterpart, when executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement. Execution and delivery of an executed counterpart of this Agreement by facsimile, "pdf" or other electronic transmission shall be equally effective as the delivery of a manually executed original of this Agreement.

[*signatures on following page*]

IN WITNESS WHEREOF, this Agreement is executed and delivered as of the date first above written.

BORROWERS:

SCHOOL SPECIALTY, INC., a Wisconsin corporation

By: _____
Name: Michael P. Lavelle
Title: President and Chief Executive Officer

CLASSROOMDIRECT.COM, LLC, a Delaware limited liability company

By: _____
Name: Michael P. Lavelle
Title: President

SPORTIME, LLC, a Delaware limited liability company

By: _____
Name: Michael P. Lavelle
Title: President

DELTA EDUCATION, LLC, a Delaware limited liability company

By: _____
Name: Michael P. Lavelle
Title: President

PREMIER AGENDAS, INC., a Washington corporation

By: _____
Name: Michael P. Lavelle
Title: Executive Vice President

CHILDCRAFT EDUCATION CORP., a New York corporation

By: _____
Name: Michael P. Lavelle
Title: President

BIRD-IN-HAND WOODWORKS, INC., a New Jersey corporation

By: _____
Name: Michael P. Lavelle
Title: President

CALIFONE INTERNATIONAL, INC., a Delaware corporation

By: _____
Name: Michael P. Lavelle
Title: Executive Vice President

WELLS FARGO CAPITAL FINANCE, LLC, a Delaware limited liability company, as Agent, as Co-Collateral Agent, and as a Lender

By: _____
Name: LAURA NICKAS
Its Authorized Signatory

GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, as a Co-Collateral Agent, and as a Lender

By: _____
Name: Kai Sorensen
Its Authorized Signatory

BANK OF MONTREAL, as a Lender

By: _____
Name: _____
Its Authorized Signatory

CIT FINANCE LLC,, as a Lender

By: _____
Name: ABEAL T. LEGAN
Its Authorized Signatory

EXHIBIT A
to
AMENDMENT NO. 3 TO
DEBTOR-IN-POSSESSION CREDIT AGREEMENT

SCHEDULE 5.16

Milestones

1. **[Intentionally omitted.]**
2. **[Intentionally omitted.]**
3. **[Intentionally omitted.]**
4. On or before March 19, 2013 (or such later date as Agent, Co-Collateral Agents and the Required Lenders shall agree), (i) the Bankruptcy Court shall have entered a final order establishing procedures with respect to the marketing and sale of the assets of debtors in the Bankruptcy Cases (the "Debtors"), which order shall be in form and substance (and any modification thereto) reasonably acceptable to Agent and Co-Collateral Agents, and (ii) the Debtors shall have filed a plan of reorganization (the "Plan") and a motion seeking approval of the disclosure statement and solicitation procedures related to the Plan (the "Disclosure Statement Motion"), in each case, in form and substance (and any modification thereto) reasonably acceptable to Agent, Co-Collateral Agents and the Required Lenders.
5. On or before April 25, 2013 (or such later date as Agent, Co-Collateral Agents and the Required Lenders shall agree), obtain entry of an order of the Bankruptcy Court granting the Disclosure Statement Motion, which order (and any modifications thereto) shall be in form and substance reasonably acceptable to Agent, Co-Collateral Agents and the Required Lenders.
6. On or before April 29, 2013 (or such later date as Agent and Co-Collateral Agents shall agree in its sole discretion), the debtors in the Bankruptcy Cases shall have commenced the solicitation of votes in connection with the Plan pursuant to sections 1125 and 1126 of the Bankruptcy Code.
7. On or before May 13, 2013, (i) Agent shall have received the executed Exit Financing Commitment Letter(s) and such Exit Financing Commitment Letter(s) shall remain unmodified and in full force and effect and (ii) Agent shall have received a written agreement binding upon each of the lenders under the Bondholder DIP Credit Agreement pursuant to which such lenders agree to accept equity in the reorganized Debtors (and have agreed to the amount and terms of such equity) in partial satisfaction of an agreed upon amount of obligations under the Bondholder DIP Credit Agreement, in form and substance reasonably acceptable to Agent and Co-Collateral Agents.
8. **[Intentionally omitted.]**.

9. On or before May 21, 2013 (or such later date as Lenders shall agree), the Bankruptcy Court shall have entered the order confirming the Plan pursuant to section 1129 of the Bankruptcy Code (assuming the Plan has obtained the requisite votes), which order (and any modification thereto) shall be in form and substance reasonably acceptable to Lenders.
10. On or before May 31, 2013, the effective date of the plan shall have occurred and the Existing Secured Obligations and Obligations shall have been Paid in Full.

For purposes of Milestones 4, 5, and 9, any Plan, Disclosure Statement Motion, order approving the Disclosure Statement Motion, or order confirming the Plan that (i) does not provide that the Obligations and Existing Secured Obligations shall be Paid in Full on or before the May 31, 2013 or (ii) modifies or impairs any of the Lenders' rights under the Financing Order, including the extent, validity and priority of Liens, shall be deemed not reasonable.

EXHIBIT B
to
AMENDMENT NO. 3 TO
DEBTOR-IN-POSSESSION CREDIT AGREEMENT

CONSENT AND REAFFIRMATION

Each of the undersigned (each a "Guarantor") hereby (i) acknowledges receipt of a copy of the foregoing Amendment No. 3 to Debtor-in-Possession Credit Agreement (the "Agreement"; capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in that certain Debtor-in-Possession Credit Agreement dated as of January 31, 2013 (as amended by that certain Amendment No. 1 to Debtor-in-Possession Credit Agreement, dated as of February 27, 2013, and that certain Amendment No. 2 to Debtor-in-Possession Credit Agreement, dated as of April 12, 2013, and as further amended, supplemented, extended, renewed, restated or otherwise modified from time to time) among Agent, Borrowers and the Lenders from time to time party thereto; (ii) consents to Borrowers' execution and delivery of the Agreement; (iii) agrees to be bound by the Agreement; (iv) affirms that nothing contained in the Agreement, except as specifically stated therein, shall modify in any respect whatsoever any Loan Document to which it is a party; and (v) reaffirms its obligations under (a) the Guaranty and Security Agreement and (b) each of the other Loan Documents to which it is a party (as modified by the Agreement, collectively, the "Reaffirmed Loan Documents") and confirms that such obligations are unconditional and not subject to any defense, setoff, counterclaim or other adverse claim. Although each Guarantor has been informed of the matters set forth herein and has acknowledged and agreed to same, each Guarantor understands that neither Agent nor any Lender has any obligation to inform any Guarantor of such matters in the future or to seek any Guarantor's acknowledgment or agreement to future amendments, waivers or consents, and nothing herein shall create such a duty.

The undersigned further agree that after giving effect to the Agreement, each Reaffirmed Loan Document shall remain in full force and effect.

FREY SCIENTIFIC, INC.

By: _____
Name: Michael P. Lavelle
Title: President

SAX ARTS & CRAFTS, INC.

By: _____
Name: Michael P. Lavelle
Title: President

SELECT AGENDAS, CORP.

By: _____
Name: Michael P. Lavelle
Title: President

EXHIBIT C

Blackline of Amendment No. 3 compared against Replacement Amendment No. 3

AMENDMENT NO. 3 TO
DEBTOR-IN-POSSESSION CREDIT AGREEMENT

This AMENDMENT NO. 3 TO DEBTOR-IN-POSSESSION CREDIT AGREEMENT (this "Amendment") is entered into as of April 23, 2013, by and among WELLS FARGO CAPITAL FINANCE, LLC, a Delaware limited liability company, as administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, "Agent"), SCHOOL SPECIALTY, INC., a Wisconsin corporation ("Parent"), CLASSROOMDIRECT.COM, LLC, a Delaware limited liability company ("ClassroomDirect"), SPORTIME, LLC, a Delaware limited liability company ("Sportime"), DELTA EDUCATION, LLC, a Delaware limited liability company ("Delta Education"), PREMIER AGENDAS, INC., a Washington corporation ("Premier Agendas"), CHILDCRAFT EDUCATION CORP., a New York corporation ("Childcraft"), BIRD-IN-HAND WOODWORKS, INC., a New Jersey corporation ("Bird-In-Hand"), and CALIFONE INTERNATIONAL, INC., a Delaware corporation ("Califone"; Parent, ClassroomDirect, Sportime, Delta Education, Premier Agendas, Childcraft, Bird-In-Hand and Califone are collectively "Borrowers" and each a "Borrower").

RECITALS:

WHEREAS, on January 28, 2013 (the "Filing Date"), Borrowers and Guarantors (other than Select Agendas, Corp.) filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code (as hereinafter defined) in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court");

WHEREAS, Agent and Borrowers have entered into certain financing arrangements pursuant to that certain Debtor-in-Possession Credit Agreement, dated as of January 31, 2013 by and among Borrowers, the financial institutions from time to time party thereto (collectively, the "Lenders" and each a "Lender") and Agent (as amended by that certain Amendment No. 1 to Debtor-in-Possession Credit Agreement, dated as of February 27, 2013 and that certain Amendment No. 2 to Debtor-in-Possession Credit Agreement, dated as of April 12, 2013, and as further amended hereby, and as the same may have heretofore been or may hereafter be further amended, modified, supplemented, extended, renewed, restated or replaced (the "Credit Agreement"));

WHEREAS, Borrowers have entered into that certain Senior Secured Super Priority Debtor-in-Possession Credit Agreement, dated as of February 27, 2013 (as amended by that certain Amendment No. 1 to Senior Secured Super Priority Debtor-in-Possession Credit Agreement, dated as of April 11, 2013, and that certain Amendment No. 2 to Senior Secured Super Priority Debtor-in-Possession Credit Agreement, dated as of ~~<April 23>~~May 3, 2013 (the "Bondholder Amendment") among Borrowers, Select Agendas, Corp., Frey Scientific, Inc., Sax Arts & Crafts, Inc., U.S. Bank National Association, and the lenders from time to time party thereto; and

WHEREAS, Borrower has requested that Agent and Lenders agree to amend the Credit Agreement in certain respects as more fully described herein, and Agent and Lenders are willing to do so on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing, and the respective agreements, warranties and covenants contained herein, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

1.1. **Interpretation.** All capitalized terms used herein (including the recitals hereto) shall have the respective meanings ascribed thereto in the Credit Agreement unless otherwise defined herein.

SECTION 2. ACKNOWLEDGMENTS

2.1. **Binding Effect of Documents.** Each Borrower hereby acknowledges, confirms and agrees that: (a) each of the Credit Agreement, Existing Loan Agreement, the Loan Documents and Existing Loan Documents to which it is a party has been duly executed and delivered to Agent by such Borrower, and each is and shall remain in full force and effect as of the date hereof except as modified pursuant hereto, (b) the agreements and obligations of such Borrower contained in such documents and in this Agreement constitute the legal, valid and binding Obligations of such Borrower, enforceable against it in accordance with their respective terms, and such Borrower has no valid defense to the enforcement of such Obligations, and (c) Agent and Lenders are and shall be entitled to the rights, remedies and benefits provided for under the Credit Agreement, the Existing Loan Agreement, the Loan Documents and the Existing Loan Documents and applicable law.

SECTION 3. AMENDMENTS

In reliance upon the representations and warranties of the Loan Parties set forth in Section 4 below and subject to the conditions to effectiveness set forth in Section 5 below, effective as of the date hereof, the Credit Agreement is hereby amended as follows:

(a) The last paragraph of Section 2.1(a) of the Credit Agreement is hereby amended by adding the following sentence to the end thereof:

> "Until such time that Borrowers have delivered the Exit Financing Commitment Letters to Agent, the Revolver Usage may not exceed $55,000,000 (or such greater amount as may be agreed to by all Lenders in writing)."

(b) ~~(a)~~ Schedule 5.16 to the Credit Agreement is hereby amended and replaced with Exhibit A to this Agreement.

SECTION 4. REPRESENTATIONS AND WARRANTIES

Each Borrower hereby represents, warrants and covenants as follows:

4.1. **Representations in the Credit Agreement and the Loan Documents.** The representations and warranties set forth in the Credit Agreement, as amended hereby, and in the other Loan Documents, as amended to date, are true and correct in all material respects as of the date hereof, with the same effect as though made on the date hereof (except to the extent such representations and warranties (i) expressly refer to an earlier date, in which case they are true and correct in all material respects as of such earlier date, and (ii) are already qualified by materiality, material adverse effect, or words of like effect, in which case such representations and warranties shall be true in all respects).

4.2. **Binding Effect of Documents.** This Agreement has been duly authorized, executed and delivered to Agent and Lenders by each Borrower, is enforceable in accordance with its terms and is in full force and effect.

4.3. **No Conflict.** The execution, delivery and performance of this Agreement by each Borrower will not violate any requirement of law or contractual obligation of any Borrower and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues.

4.4. **Defaults**. No Default or Event of Default has occurred and is continuing.

SECTION 5. CONDITIONS TO EFFECTIVENESS

The effectiveness of this Agreement is subject to the consummation of each of the following conditions, each in form and substance satisfactory to Agent:

(a) an original of this Agreement, duly authorized, executed and delivered by each Borrower;

(b) an original of the Consent and Reaffirmation as attached at Exhibit B, duly authorized, executed and delivered by each Guarantor;

(c) Borrowers' filing of motion (at Agent's request) and subsequent entry of an order of the Bankruptcy Court, each in form and substance reasonably satisfactory to Agent, authorizing this Agreement and the Consent and Reaffirmation to be executed by and binding upon Borrowers and each Guarantor, which condition may be waived by Agent in its sole discretion;

(d) Borrowers shall have paid all Lender Group Expenses incurred in connection with the transactions evidenced by this Agreement, the Credit Agreement, the Existing Loan Agreement, the other Loan Documents and the Existing Loan Documents;

(e) Borrowers shall provide to Agent's financial advisor and counsel (subject to the condition of no further distribution beyond professionals) copies of each final proposal letter received by Borrowers to date from any potential exit lender ~~<to>~~with whom they ~~<have been~~

~~given expense deposits in connection with the~~>are negotiating proposed chapter 11 exit financing, redacted for names and other confidential information; and

(f) Agent shall have received a fully executed copy of the Bondholder Amendment making a corresponding change to Schedule 5.18 of the Bondholder DIP Credit Agreement.

SECTION 6. MISCELLANEOUS

6.1. **Amendment Fee.** In consideration for the amendments to the Credit Agreement set forth herein, Borrowers shall pay to Agent, for the ratable benefit of each Lender, an amendment fee of $200,000, $100,000~~<,>~~ of which fee ~~<will be>~~is deemed to be fully earned~~< on the date hereof>~~, due and payable upon the execution and delivery of this Agreement by each of the parties listed on the signature pages hereto and $100,000 of which is deemed fully earned upon the execution and delivery of this Agreement by each of the parties listed on the signature pages hereto and due and payable on June 1, 2013; *provided, however*, that such ~~<amendment fee>~~$100,000 shall be automatically waived and deemed neither earned nor payable if the ~~<Existing >~~Obligations and Existing Secured Obligations have been Paid in Full on or before May 31, 2013.

6.2. **Continuing Effect of Credit Agreement.** Except as modified pursuant hereto, no other changes or modifications to the Credit Agreement and the Loan Documents are intended or implied by this Agreement and in all other respects the Credit Agreement and the Loan Documents hereby are ratified, restated and confirmed by all parties hereto as of the effective date hereof. To the extent of conflict between the terms of this Agreement, the Credit Agreement and the Loan Documents, the terms of this Agreement shall govern and control. The Credit Agreement and this Agreement shall be read and construed as one agreement.

6.3. **Exit Financing.** Borrowers shall promptly provide to Agent's financial advisor and counsel (subject to the condition of no further distribution beyond professionals) copies of the following documents, redacted for names and other confidential information except as set forth below: (i) each final proposal ~~<letters>~~letter received by Borrowers on or after the date hereof from any potential exit lender ~~<to whom they have been given expense deposits in connection with the proposed chapter 11 exit financing>~~(except for any proposal letter that Borrowers have rejected or deemed unsatisfactory), (ii) on and after May 3, 2013, the then current draft of commitment letters received by Borrowers from ~~<such>~~all lenders, including the total amount of the facilities, the borrowing base, the advance rate formulae (if any) and any conditions to closing, and (iii) after May 3, 2013, all amendments and modifications to such proposed commitment letters.

6.4. **Costs and Expenses.** Each Borrower absolutely and unconditionally agrees to pay to Agent, on demand by Agent at any time, whether or not all or any of the transactions contemplated by this Agreement are consummated: all fees and disbursements of any counsel to Agent in connection with the preparation, negotiation, execution or delivery of this Agreement and any agreements contemplated hereby and expenses which shall at any time be incurred or sustained by Agent, any Lender, any participant of any Lender or any of their respective directors, officers, employees or agents as a consequence of or in any way in connection with the preparation, negotiation, execution, or delivery of this Agreement and any agreements contemplated hereby, in

each case to the extent such expenses constitute Lender Group Expenses required to be paid under the Credit Agreement.

6.5. **Further Assurances.** At Borrowers' expense, the parties hereto shall execute and deliver such additional documents and take such further action as may be necessary or desirable to effectuate the provisions and purposes of this Agreement.

6.6. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

6.7. **Survival of Representations, Warranties and Covenants.** All representations, warranties, covenants and releases of each Borrower made in this Agreement or any other document furnished in connection with this Agreement shall survive the execution and delivery of this Agreement, and no investigation by Agent or any Lender, or any closing, shall affect the representations and warranties or the right of Agent and Lenders to rely upon them.

6.8. **Severability.** Any provision of this Agreement held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Agreement.

6.9. **Reviewed by Attorneys.** Each Borrower represents and warrants to Agent and Lenders that it (a) understands fully the terms of this Agreement and the consequences of the execution and delivery of this Agreement, (b) has been afforded an opportunity to discuss this Agreement with, and have this Agreement reviewed by, such attorneys and other persons as such Borrower may wish, and (c) has entered into this Agreement and executed and delivered all documents in connection herewith of its own free will and accord and without threat, duress or other coercion of any kind by any Person. The parties hereto acknowledge and agree that neither this Agreement nor the other documents executed pursuant hereto shall be construed more favorably in favor of one than the other based upon which party drafted the same, it being acknowledged that all parties hereto contributed substantially to the negotiation and preparation of this Agreement and the other documents executed pursuant hereto or in connection herewith.

6.10. **Disgorgement**. If Agent or any Lender is, for any reason, compelled by a court or other tribunal of competent jurisdiction to surrender or disgorge any payment, interest or other consideration described hereunder to any person because the same is determined to be void or voidable as a preference, fraudulent conveyance, impermissible set-off or for any other reason, such indebtedness or part thereof intended to be satisfied by virtue of such payment, interest or other consideration shall be revived and continue as if such payment, interest or other consideration had not been received by Agent or such Lender, and the Borrowers shall be liable to, and shall indemnify, defend and hold Agent or such Lender harmless for, the amount of such payment or interest surrendered or disgorged. The provisions of this Section 6.10 shall survive execution and delivery of this Agreement and the documents, agreements and instruments to be executed or delivered herewith.

6.11. **Relationship**. Each Borrower agrees that the relationship between Agent and such Borrower and between each Lender and Borrower is that of creditor and debtor and not that of partners or joint venturers. This Agreement does not constitute a partnership agreement, or any

other association between Agent and any Borrower or between any Lender and any Borrower. Each Borrower acknowledges that Agent and each Lender has acted at all times only as a creditor to such Borrower within the normal and usual scope of the activities normally undertaken by a creditor and in no event has Agent or any Lender attempted to exercise any control over such Borrower or its business or affairs. Each Borrower further acknowledges that Agent and each Lender has not taken or failed to take any action under or in connection with its respective rights under the Credit Agreement and the Loan Documents that in any way or to any extent has interfered with or adversely affects such Borrower's ownership of Collateral.

6.12. **Governing Law.** THIS AGREEMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES.

6.13. **Reference to Credit Agreement.** Each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import, and each reference in the Credit Agreement or in any other Loan Documents, or other agreements, documents or other instruments executed and delivered pursuant to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended by this Agreement.

6.14. **Counterparts.** This Agreement may be executed in any number of counterparts, and by the parties hereto on the same or separate counterparts, and each such counterpart, when executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement. Execution and delivery of an executed counterpart of this Agreement by facsimile, "pdf" or other electronic transmission shall be equally effective as the delivery of a manually executed original of this Agreement.

[*signatures on following page*]

IN WITNESS WHEREOF, this Agreement is executed and delivered as of the date first above written.

BORROWERS:

SCHOOL SPECIALTY, INC., a Wisconsin corporation

By:_____
Name: _____
Title: _____

CLASSROOMDIRECT.COM, LLC, a Delaware limited liability company

By:_____
Name: _____
Title: _____

SPORTIME, LLC, a Delaware limited liability company

By:_____
Name: _____
Title: _____

DELTA EDUCATION, LLC, a Delaware limited liability company

By:_____
Name: _____
Title: _____

PREMIER AGENDAS, INC., a Washington corporation

By:_____
Name: _____
Title: _____

CHILDCRAFT EDUCATION CORP., a New York corporation

By:_____
Name: _____
Title: _____

BIRD-IN-HAND WOODWORKS, INC., a New Jersey corporation

By:_____
Name: _____
Title: _____

CALIFONE INTERNATIONAL, INC., a Delaware corporation

By:_____
Name: _____
Title: _____

WELLS FARGO CAPITAL FINANCE, LLC, a Delaware limited liability company, as Agent, as Co-Collateral Agent, and as a Lender

By:_____
Name: _____
Its Authorized Signatory

GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, as a Co-Collateral Agent, and as a Lender

By:_____
Name: _____
Its Authorized Signatory

BANK OF MONTREAL, as a Lender

By:_____
Name: _____
Its Authorized Signatory

CIT FINANCE LLC,, as a Lender

By:_____
Name: _____
Its Authorized Signatory

EXHIBIT A
to
AMENDMENT NO. 3 TO
DEBTOR-IN-POSSESSION CREDIT AGREEMENT

SCHEDULE 5.16

Milestones

1. **[Intentionally omitted.]**
2. **[Intentionally omitted.]**
3. **[Intentionally omitted.]**
4. On or before March 19, 2013 (or such later date as Agent, Co-Collateral Agents and the Required Lenders shall agree), (i) the Bankruptcy Court shall have entered a final order establishing procedures with respect to the marketing and sale of the assets of debtors in the Bankruptcy Cases (the "Debtors"), which order shall be in form and substance (and any modification thereto) reasonably acceptable to Agent and Co-Collateral Agents, and (ii) the Debtors shall have filed a plan of reorganization (the "Plan") and a motion seeking approval of the disclosure statement and solicitation procedures related to the Plan (the "Disclosure Statement Motion"), in each case, in form and substance (and any modification thereto) reasonably acceptable to Agent, Co-Collateral Agents and the Required Lenders.
5. On or before April 25, 2013 (or such later date as Agent, Co-Collateral Agents and the Required Lenders shall agree), obtain entry of an order of the Bankruptcy Court granting the Disclosure Statement Motion, which order (and any modifications thereto) shall be in form and substance reasonably acceptable to Agent, Co-Collateral Agents and the Required Lenders.
6. On or before April 29, 2013 (or such later date as Agent and Co-Collateral Agents shall agree in its sole discretion), the debtors in the Bankruptcy Cases shall have commenced the solicitation of votes in connection with the Plan pursuant to sections 1125 and 1126 of the Bankruptcy Code.
7. On or before May ~~6~~ 13, 2013, (i) Agent shall have received the executed Exit Financing Commitment Letter(s) and such Exit Financing Commitment Letter(s) shall remain unmodified and in full force and effect and (ii) Agent shall have received a written agreement binding upon each of the lenders under the Bondholder DIP Credit Agreement pursuant to which such lenders agree to accept equity in the reorganized Debtors (and have agreed to the amount and terms of such equity) in partial satisfaction of an agreed upon amount of obligations under the Bondholder DIP Credit Agreement, in form and substance reasonably acceptable to Agent and Co-Collateral Agents.
8. **[Intentionally omitted.]**.

9. On or before May 21, 2013 (or such later date as Lenders shall agree), the Bankruptcy Court shall have entered the order confirming the Plan pursuant to section 1129 of the Bankruptcy Code (assuming the Plan has obtained the requisite votes), which order (and any modification thereto) shall be in form and substance reasonably acceptable to Lenders.

10. On or before May 31, 2013, ~~<(i) the sale of the Loan Parties' assets shall have closed (assuming that an Auction has been held and a winning bidder and backup bidder, if any, have been selected) and the Existing Obligations and Obligations shall have been Paid in Full, or (ii) >~~the effective date of the plan shall have occurred and the Existing Secured Obligations and Obligations shall have been Paid in Full.

For purposes of Milestones 4, 5, and 9, any Plan, Disclosure Statement Motion, order approving the Disclosure Statement Motion, or order confirming the Plan that (i) does not provide that the Obligations and Existing Secured Obligations shall be Paid in Full on or before the May 31, 2013 or (ii) modifies or impairs any of the Lenders' rights under the Financing Order, including the extent, validity and priority of Liens, shall be deemed not reasonable.

EXHIBIT B
to
AMENDMENT NO. 3 TO
DEBTOR-IN-POSSESSION CREDIT AGREEMENT

CONSENT AND REAFFIRMATION

Each of the undersigned (each a "Guarantor") hereby (i) acknowledges receipt of a copy of the foregoing Amendment No. 3 to Debtor-in-Possession Credit Agreement (the "Agreement"; capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in that certain Debtor-in-Possession Credit Agreement dated as of January 31, 2013 (as amended by that certain Amendment No. 1 to Debtor-in-Possession Credit Agreement, dated as of February 27, 2013, and that certain Amendment No. 2 to Debtor-in-Possession Credit Agreement, dated as of April 12, 2013, and as further amended, supplemented, extended, renewed, restated or otherwise modified from time to time) among Agent, Borrowers and the Lenders from time to time party thereto; (ii) consents to Borrowers' execution and delivery of the Agreement; (iii) agrees to be bound by the Agreement; (iv) affirms that nothing contained in the Agreement, except as specifically stated therein, shall modify in any respect whatsoever any Loan Document to which it is a party; and (v) reaffirms its obligations under (a) the Guaranty and Security Agreement and (b) each of the other Loan Documents to which it is a party (as modified by the Agreement, collectively, the "Reaffirmed Loan Documents") and confirms that such obligations are unconditional and not subject to any defense, setoff, counterclaim or other adverse claim. Although each Guarantor has been informed of the matters set forth herein and has acknowledged and agreed to same, each Guarantor understands that neither Agent nor any Lender has any obligation to inform any Guarantor of such matters in the future or to seek any Guarantor's acknowledgment or agreement to future amendments, waivers or consents, and nothing herein shall create such a duty.

The undersigned further agree that after giving effect to the Agreement, each Reaffirmed Loan Document shall remain in full force and effect.

FREY SCIENTIFIC, INC.

By: _____
Name: _____
Title: _____

SAX ARTS & CRAFTS, INC.

By: _____
Name: _____
Title: _____

SELECT AGENDAS, CORP.

By: _____
Name: _____
Title: _____