

HALPERIN BATTAGLIA BENZIJA LLP

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February 7, 2017

Re: **Reorganized School Specialty, Inc.**

To: **Holders of Allowed Claims in Class 5 (General Unsecured Claims) and Class 6 (Trade Unsecured Claims)**

As you know, I am the “Ombudsman” pursuant to the plan of reorganization (the “Plan”) that was approved in the bankruptcy cases of School Specialty, Inc. and its affiliates (the “Company”) on May 23, 2013. **The Plan became effective on June 11, 2013, and it is anticipated that Plan distributions will be made to holders of Allowed Class 5 and Allowed Class 6 Claims in mid-December of 2019 (6 ½ years after the effective date).**

In my previous letter update, which was posted in June of 2016, I noted that all claims have been finally determined with respect to both amount and classification. The categories of Class 5 and Class 6 Claims and the treatment of those claims are:

- (i) Allowed Class 5 Claims (General Unsecured Claims) – entitled to 20% distribution, with interest on the distribution of 5% per year, accruing quarterly from the effective date of the Plan through the distribution date.
- (ii) Allowed Class 6 Claims (Trade Unsecured Claims):
 - (a) where the claimant did not make the Trade Election or did not reach agreement with the Company about trade terms -- entitled to 20% distribution, with interest on the distribution of 5% per year, accruing quarterly from the effective date of the Plan through the distribution date; and
 - (b) where the claimant made the Trade Election and reached agreement with the Company about trade terms -- entitled to 45% distribution, with interest on the distribution of 10% per year, accruing quarterly from the effective date of the Plan through the distribution date.

Per the Plan, interest will be paid on the distribution date.

I have gotten several queries from creditors about how the interest will be calculated, and therefore requested and received the illustration below from the Company.



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Allowed Claim of \$50,000, in category (i) or category (ii)(a) above

The distribution amount without interest is \$10,000 (20% of the Allowed Claim). If the distribution date is six and a half years after the June 11, 2013 effective date of the Plan (6.5 years), the interest formula will be:

Step 1: \$10,000 x 5% interest = \$500

Step 2: 6.5 x \$500 = \$3,250

The distribution would therefore be \$10,000 plus interest of \$3,250, for a total payment of \$13,250.

Allowed Claim of \$50,000, in category (ii)(b) above

The distribution amount without interest is \$22,500 (45% of the Allowed Claim). If the distribution date is six and a half years after the June 11, 2013 effective date of the Plan (6.5 years), the interest formula will be:

Step 1: \$22,500 x 10% interest = \$2,250

Step 2: 6.5 x \$2,250 = \$14,625

The distribution would therefore be \$22,500 plus interest of \$14,625, for a total payment of \$37,125.¹

Additional information about the Company is available on this website, www.kccllc.net/SSIombudsman, or please feel free to contact my office with any questions.

Sincerely,

Alan D. Halperin

Alan D. Halperin, Ombudsman

¹ If the distribution date is six and one quarter years after the effective date, 6.5 will be replaced by 6.25 for all of the Allowed Class 5 and Class 6 Claims.