

## HALPERIN BATTAGLIA BENZIJA, LLP

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June 21, 2017

Re: **Reorganized School Specialty, Inc. –  
Interest Calculation under the Chapter 11 Plan**

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

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As I've noted in my prior communications, I am the "Ombudsman" appointed 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 the anticipated date for Plan distributions to holders of Allowed Class 5 and Allowed Class 6 Claims is mid-December of 2019.<sup>1</sup>

Earlier this year, I sent a letter update about the status of Class 5 and Class 6 Claims and the approach that the Company had notified me that it planned to take with respect to the calculation of interest on distributions to holders of Allowed Claims in those Classes. The Company provided examples of interest calculations which showed that simple interest would accrue on the principal amount of the distribution to each holder of an Allowed Class 5 or Class 6 Claim. I included those examples in my February 7<sup>th</sup> update.

In the months after I sent out that update, I was contacted by several holders of allowed Class 5 and Class 6 Claims who disputed the Company's approach to the interest calculation. They asserted that the better interpretation of the Plan's language required that interest be compounded quarterly. I had a number of communications with the claimants, and requested and was eventually provided with a written statement of position from one of the claimants. I provided that to the Company, and was recently notified by a Company representative that after a review of the Plan by management and discussion of the issue with Company counsel, **the Company has determined that the correct interpretation of the Plan requires that interest on the distributions to holders of Allowed Class 5 and Class 6 Claims be compounded quarterly (i.e., that creditors receive interest on interest).**

The Company has indicated that it will prepare examples of the corrected interest calculation and expects to provide those examples to me before the end of the month. As soon as I receive them, I will post them on my website, which is at [www.kccllc.net/SSIombudsman](http://www.kccllc.net/SSIombudsman). However, given the importance of this information, I did not want to delay in notifying you.

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<sup>1</sup> Capitalized terms that are used but not defined in this letter have the mea




By way of reminder, the Plan generally provides for the following with respect to the classification and treatment of Class 5 and Class 6 Claims:

- (i) Allowed Class 5 Claims (General Unsecured Claims) – 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 made the election but did not reach agreement with the Company about trade terms -- 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 -- 45% distribution, with interest on the distribution of 10% per year, accruing quarterly from the effective date of the Plan through the distribution date.

If you have any questions, please feel free to contact my office.

Sincerely,



*Alan D. Halperin* Ombudsman

Alan D. Halperin, Ombudsman