

EXHIBIT A

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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In re: : Chapter 11
Montgomery Ward, LLC, : Case No. 00-4667 (RTL)
a Delaware limited liability company, et al., : Jointly Administered
Debtors.

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**THIRD AMENDED PLAN OF LIQUIDATION
PROPOSED BY THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
OF MONTGOMERY WARD, LLC, ET AL.,
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

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Dated: May 6, 2002

TABLE OF CONTENTS

	<u>Page</u>
PRELIMINARY STATEMENT	1
ARTICLE I	
<u>DEFINITIONS AND INTERPRETATION</u>	2
1.1 <u>ACE</u>	2
1.2 <u>Administrative Expense Claim</u>	2
1.3 <u>Allowed</u>	2
1.4 <u>Allowed Class . . . Claim</u>	2
1.5 <u>Available Cash</u>	3
1.6 <u>Ballot</u>	3
1.7 <u>Bankruptcy Code</u>	3
1.8 <u>Bankruptcy Court</u>	3
1.9 <u>Bankruptcy Rules</u>	3
1.10 <u>Bar Date</u>	3
1.11 <u>Bar Date Order</u>	3
1.12 <u>Business Day</u>	3
1.13 <u>Capital Lease Claims</u>	3
1.14 <u>Cash</u>	4
1.15 <u>Causes of Action</u>	4
1.16 <u>Chapter 11 Cases</u>	4
1.17 <u>Claim</u>	4
1.18 <u>Claims Objection Deadline</u>	4
1.19 <u>Class</u>	4
1.20 <u>Collateral</u>	4
1.21 <u>Commencement Date</u>	4
1.22 <u>Committee</u>	4
1.23 <u>Committee Complaint</u>	5
1.24 <u>Committee Litigation</u>	5
1.25 <u>Confirmation Date</u>	5
1.26 <u>Confirmation Order</u>	5
1.27 <u>Convenience Claim</u>	5
1.28 <u>Creditor</u>	5
1.29 <u>Creditors' Disclosure Statement</u>	5
1.30 <u>Creditors' Plan</u>	5
1.31 <u>Debtors</u>	5
1.32 <u>Disputed</u>	6
1.33 <u>Disputed Claims Reserve(s)</u>	6

1.34	<u>Distribution Date</u>	6
1.35	<u>Effective Date</u>	6
1.36	<u>Estates</u>	6
1.37	<u>Executory Contract</u>	6
1.38	<u>File, Files or Filing</u>	7
1.39	<u>Final Distribution Date</u>	7
1.40	<u>Final Order</u>	7
1.41	<u>Fund Assets</u>	7
1.42	<u>GE Capital</u>	7
1.43	<u>GE Entities</u>	7
1.44	<u>GE Entities Secured Claim</u>	7
1.45	<u>General Unsecured Claim</u>	8
1.46	<u>Impaired</u>	8
1.47	<u>Intercompany Claim</u>	8
1.48	<u>Interests</u>	8
1.49	<u>Lien</u>	8
1.50	<u>Other Priority Claims</u>	8
1.51	<u>PA Committee</u>	8
1.52	<u>PA Expenses</u>	9
1.53	<u>PA Fund</u>	9
1.54	<u>Person</u>	9
		9
1.55	<u>Plan Administration Agreement</u>	9
1.56	<u>Plan Administrator</u>	9
1.57	<u>Priority Tax Claim</u>	9
1.58	<u>Professional</u>	9
1.59	<u>Professional Fee Claim</u>	9
1.60	<u>Pro Rata Share</u>	9
1.61	<u>Rejection Claim</u>	9
1.62	<u>Reserve Fund</u>	10
1.63	<u>Schedules</u>	10
1.64	<u>Secured Claim</u>	10
1.65	<u>Statutory Lien Claim</u>	10
1.66	<u>Subordinated Claims</u>	10
1.67	<u>Subsequent Distribution</u>	10
1.68	<u>Subsequent Distribution Date</u>	10
1.69	<u>Substantive Consolidation</u>	10
1.70	<u>Tax</u>	11
1.71	<u>Tort Claim</u>	11
1.72	<u>Unimpaired Claim</u>	11
1.73	<u>Unexpired Lease</u>	11

ARTICLE II

CLASSIFICATION OF CLAIMS AND INTERESTS 11

2.1 Introduction 11

2.2 Unclassified Claims (not entitled to vote on the Creditors' Plan) 11

 (a) Administrative Expense Claims 11

 (b) Professional Fee Claims 11

 (c) Priority Tax Claims 11

2.3 Classified Claims and Interests 11

 (a) Class 1 - Secured Claims 12

 (b) Class 2 - Other Priority Claims 12

 (c) Class 3A - Convenience Claims 12

 (d) Class 3B - General Unsecured Claims 12

 (e) Class 4A - Subordinated Secured Claims 12

 (f) Class 4B - Subordinated Unsecured Claims 12

 (g) Class 5 - Interests 12

ARTICLE III

TREATMENT OF UNIMPAIRED CLAIMS 12

Unclassified Claims. 12

3.1 Administrative Expense Claims 12

3.2 Professional Fee Claims 12

3.3 Priority Tax Claims 13

ARTICLE IV

TREATMENT OF CLAIMS AND INTERESTS 13

4.2 Class 1: Secured Claims 13

 (a) Impairment 13

 (b) Treatment 13

4.3 Class 2: Other Priority Claims 14

 (a) Impairment 14

 (b) Treatment 14

4.4.1 Class 3A: Convenience Claims 14

 (a) Impairment 14

 (b) Treatment 14

4.3.2 Class 3B: General Unsecured Claims 14

 (a) Impairment 15

 (b) Treatment 15

4.5.1 Class 4A: Subordinated Secured Claims 15

 (a) Impairment 15

	(b) <u>Treatment</u>	15
4.4.2	<u>Class 4B: Subordinated Unsecured Claims</u>	16
	(a) <u>Impairment</u>	16
	(b) <u>Treatment</u>	16
4.5	<u>Class 5: Interests</u>	16
	(a) <u>Impairment</u>	16
	(b) <u>Treatment</u>	17

ARTICLE V

	<u>MEANS FOR IMPLEMENTATION AND EXECUTION OF THE CREDITORS' PLAN</u>	17
5.1	<u>\$500 Million Lawsuit Against GE Capital And the GE Entities.</u>	17
5.2	<u>Succession by Plan Administrator</u>	17
5.3	<u>Plan Administrator</u>	17
5.4	<u>Creation and Distributions of the PA Fund</u>	18
5.5	<u>Acquisition of Plan Assets and Administrative Obligations</u>	18
5.6	<u>Distribution of Proceeds</u>	18
5.7	<u>Directors and Officers</u>	19
5.8	<u>No Revesting of Assets</u>	19
5.9	<u>Substantive Consolidation of the Debtors</u>	19
5.10	<u>Preservation of Rights of Action</u>	20
5.11	<u>Exemption from Certain Transfer Taxes</u>	20

ARTICLE VI

	TREATMENT OF EXECUTORY	
	<u>CONTRACTS AND UNEXPIRED LEASES</u>	20
6.2	<u>Executory Contracts and Unexpired Leases</u>	20
6.3	<u>Approval of Rejection of Executory Contracts and Unexpired Leases</u>	20
6.4	<u>Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to this Creditors' Plan</u>	21

ARTICLE VII

	<u>PROCEDURES FOR RESOLVING AND TREATING DISPUTED CLAIMS</u>	21
7.2	<u>No Distribution Pending Allowance</u>	21
7.3	<u>Resolution of Disputed Claims</u>	21
7.4	<u>Estimation</u>	21
7.5	<u>Reserve Accounts for Disputed Claims</u>	22
7.6	<u>Investment of Disputed Claims Reserves</u>	22
7.7	<u>Allowance of Disputed Claims</u>	22

7.8	<u>Release of Funds from Disputed Claims Reserves</u>	22
7.9	<u>Mediation of Disputed Claims</u>	22

ARTICLE VIII

	<u>ACCEPTANCE OR REJECTION OF THE CREDITORS' PLAN</u>	23
8.2	<u>Classes Entitled to Vote</u>	23
8.3	<u>Acceptance by Impaired Classes</u>	23
8.4	<u>Elimination of Classes</u>	23
8.5	<u>Cramdown</u>	23

ARTICLE IX

	<u>CONDITIONS PRECEDENT TO CONFIRMATION AND EFFECTIVENESS OF CREDITORS' PLAN</u>	23
9.2	<u>Conditions to Confirmation</u>	23
9.3	<u>Conditions to Effectiveness</u>	23
9.4	<u>Waiver of Conditions</u>	24

ARTICLE X

	<u>EFFECT OF CONFIRMATION</u>	24
10.2	<u>Binding Effect</u>	24
10.3	<u>Exculpation and Limitation of Liability</u>	24
10.4	<u>Term of Injunctions or Stays</u>	24
10.5	<u>Injunction</u>	24

ARTICLE XI

	<u>ADMINISTRATIVE PROVISIONS</u>	25
11.2	<u>Retention of Jurisdiction</u>	25
11.3	<u>Notices</u>	27
11.4	<u>No Admissions</u>	27
11.5	<u>The Committee</u>	28
11.6	<u>Retiree Committee</u>	28
11.7	<u>Effectuating Documents and Further Transactions</u>	28
11.8	<u>Bar Date for Administrative Expense Claims</u>	28
11.9	<u>Post-Effective Date Fees and Expenses of Professionals</u>	28
11.10	<u>Payment of Statutory Fees</u>	29
11.11	<u>Modification of Creditors' Plan</u>	29
11.12	<u>Courts of Competent Jurisdiction</u>	29
11.13	<u>Severability</u>	29
11.14	<u>Governing Law</u>	29
11.15	<u>Headings</u>	29
11.16	<u>Exhibits</u>	30

PRELIMINARY STATEMENT

The Official Committee of Unsecured Creditors (the "Committee") of Montgomery Ward, LLC ("Wards") and its subsidiaries and affiliates (collectively, the "Subsidiaries and Affiliates" which, together with Montgomery Ward, LLC, are collectively the "Debtors")¹ hereby proposes the following Third Amended Plan of Liquidation dated May 3, 2002 (the "Creditors' Plan"),² for the resolution of the Debtors' outstanding Creditor Claims (as hereinafter defined) and Interests (as hereinafter defined). Reference is made to the Third Amended Disclosure Statement to Accompany the Plan of Liquidation, dated of even date herewith (the "Creditors' Disclosure Statement") for (i) a discussion of the Debtors' history, business and results of operations, and (ii) a summary and analysis of the Creditors' Plan. All holders of Claims and Interests entitled to vote to accept or reject the Creditors' Plan are encouraged to review the Creditors' Disclosure Statement and the Creditors' Plan before voting to accept or reject the Creditors' Plan. To the extent that the Creditors' Plan is inconsistent with the Creditors' Disclosure Statement, the Creditors' Plan will govern.

This Creditors' Plan provides for the liquidation and conversion of all of the Debtors' remaining assets to cash and the distribution of the net proceeds realized therefrom by a Plan Administrator to the Debtors' creditors in accordance with the priorities established by the Bankruptcy Code. This Creditors' Plan is a plan of liquidation and, pursuant to the terms and conditions of the Creditors' Plan, the Debtors' Chapter 11 Cases are substantively consolidated.

THE PRIMARY UNLIQUIDATED ASSET OF THE ESTATES IS THE COMMITTEE'S \$500 MILLION LAWSUIT AGAINST GE CAPITAL AND CERTAIN OF ITS SUBSIDIARIES AND AFFILIATES (FOR A SUMMARY OF THE LAWSUIT, REFERENCE IS MADE TO THE CREDITORS' DISCLOSURE STATEMENT).

IF SUCCESSFUL IN MOST RESPECTS, THE LAWSUIT WOULD RESULT IN A DISTRIBUTION TO GENERAL UNSECURED CREDITORS OF 100% OF THEIR ALLOWED CLAIMS.

For a more detailed description of the lawsuit, see the Committee Complaint filed by the Committee on January 18, 2002, against GE Capital and the GE Entities, a copy of which is annexed as Exhibit B to the Creditors' Disclosure Statement.

¹ Montgomery Ward, LLC, Montgomery Ward Development, LLC, The 535, LLC, MW 7th & Carroll, LLC, Brandywine DC, LLC, AMW Realty, LLC, Barretward Properties, LLC, 998 Monroe, LLC, and American Delivery Service, LLC.

² The Creditors' Plan dated January 24, 2002, has been amended. All references to the Creditors' Plan shall hereafter be understood to refer to the Creditors' Plan as amended to date.

ARTICLE I

DEFINITIONS AND INTERPRETATION

As used in this Creditors' Plan, and unless the context otherwise requires, the following terms shall have the respective meanings specified below. A term used in this Creditors' Plan that is not defined shall have the meaning ascribed to that term, if any, in the Bankruptcy Code. The words "herein," "hereof," "hereto," "hereunder," and others of similar import refer to this Creditors' Plan as a whole and not to any particular article, section, subsection, or clause contained in this Creditors' Plan. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter.

1.1 **ACE** means ACE American Insurance Company.

1.2 **Administrative Expense Claim** means any Claim under sections 503(b) and 507(a)(1) of the Bankruptcy Code, including, without limitation, any actual and necessary expenses of preserving the assets of the Debtors, any actual and necessary expenses of operating the businesses of the Debtors, all compensation and reimbursement of expenses allowed by the Bankruptcy Court under sections 330 or 503 of the Bankruptcy Code, and any fees and charges assessed against the Debtors under 28 U.S.C. §1930.

1.3 **Allowed** means, with respect to a Claim or Interest, any Claim or Interest, proof of which was timely and properly filed or, if no proof of Claim or proof of Interest was filed, which has been or hereafter is listed by the Debtors on their Schedules as liquidated in amount and not disputed or contingent and, in either case, as to which no objection to allowance has been interposed on or before the expiration of the time within which to object to such Claim as set forth herein or such other applicable period of limitation fixed by the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court, or as to which any objection has been determined by a Final Order to the extent such objection is determined in favor of the respective holder. Unless otherwise specified in this Creditors' Plan or by order of the Bankruptcy Court, "Allowed Claim" shall not, for purposes of computation of distributions under this Creditors' Plan, include interest on such Claim from and after the Commencement Date or include any penalty on such Claim.

1.4 **Allowed Class . . . Claim** means an Allowed Claim in the particular Class described.

1.5 **Available Cash** means all Cash of the Debtors' Estates to be distributed to the holders of Allowed Claims against such Estates less (i) the amount of Cash estimated and reserved for Disputed Claims, (ii) the amounts of all Allowed Administrative Expense Claims, Allowed Priority Tax Claims and Allowed Other Priority Claims and (iii) the Reserve Fund.

1.6 **Ballot** means the form or forms distributed with the Creditors' Disclosure Statement to holders of Impaired Claims entitled to vote under Article IV of the Creditors' Plan on which the holders indicate acceptance or rejection of the Creditors' Plan.

1.7 **Bankruptcy Code** means Title 11 of the United States Code, as amended from time to time, as applicable to the Chapter 11 Cases.

1.8 **Bankruptcy Court or Court** means the United States Bankruptcy Court for the District of Delaware having jurisdiction over the Chapter 11 Cases.

1.9 **Bankruptcy Rules** means the Federal Rules of Bankruptcy Procedure, as amended from time to time, as applicable to the Chapter 11 Cases, including the local rules of the Bankruptcy Court for the District of Delaware.

1.10 **Bar Date** means the applicable deadline by which a proof of claim or a request for payment of an Administrative Expense Claim, as applicable, shall have been, or shall be, filed, as established by an order of the Bankruptcy Court, including the Bar Date Order, the Confirmation Order, and the Creditors' Plan. The term "Bar Date" includes the respective deadlines for Filing Administrative Expense Claims established by Article 11.7 hereof, Fee Claims established by Article 11.8 hereof, and Claims arising from rejection of executory contracts and unexpired leases established by Article 6.3 hereof.

1.11 **Bar Date Order** means the Order Establishing Bar Dates for Filing Proofs of Claims and Approving Form and Manner of Notice Thereof, dated April 24, 2001, as amended by the Order Pursuant to 11 U.S.C. §§ 105 and 363 Authorizing the Debtors to Terminate Certain Retiree and Active Employee Benefits Plans, dated June 29, 2001, as further amended by Order Authorizing Supplemental Bar Date and Approving Form and Manner of Notice Thereof, dated December 6, 2001, and as the same may hereafter be further amended, modified or supplemented.

1.12 **Business Day** means any day other than a Saturday, Sunday or legal holiday on which banking institutions in Wilmington, Delaware are required or authorized to close by law or executive order.

1.13 **Capital Lease Claims** means all obligations of any of the Debtors under or related to certain transactions for equipment.

1.14 **Cash** means cash and cash equivalents in United States dollars.

1.15 **Causes of Action** means any and all claims, rights, and causes of action that have been or could have been brought by or on behalf of the Debtors or the Creditors arising before, on or after the Petition Date, known or unknown, in contract or in tort, at law or in equity or under any theory of law, including, but not limited to any and all claims, rights and causes of

action the Debtors or the Estates may have against any Person arising under chapter 5 of the Bankruptcy Code, or any similar provision of state law or any other law, rule, regulation, decree, order, statute or otherwise, including but not limited to, fraudulent transfer and preference actions. Causes of Action expressly excludes the Committee Litigation.

1.16 Chapter 11 Cases means collectively, the voluntary cases commenced under chapter 11 of the Bankruptcy Code by the Debtors, styled “In re Montgomery Ward, LLC, *et al.*, Debtors”, Case No. 00-4677 (RTL), Chapter 11, which are currently pending in the Bankruptcy Court.

1.17 Claim means any right to payment from the Debtors, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured, known or unknown; or any right to an equitable remedy for breach of performance if such breach gives rise to a right of payment from the Debtors, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured, known or unknown.

1.18 Claims Objection Deadline means the deadline for filing objections to Claims filed on or before, and not amended after the Bar Date. The Claims Objection Deadline shall be the first Business Day that is at least one hundred eighty (180) days after the Effective Date, or any other later date so denominated in the Confirmation Order, or by subsequent order of the Bankruptcy Court.

1.19 Class means any group of substantially similar Claims or Interests classified by this Creditors’ Plan pursuant to section 1123(a)(1) of the Bankruptcy Code.

1.20 Collateral means any property or interest in property of the Debtors’ Estates subject to a Lien to secure the payment or performance of a Claim, which Lien is not subject to avoidance under the Bankruptcy Code or otherwise invalid under the Bankruptcy Code or applicable state law.

1.21 Commencement Date means December 28, 2000, the date on which the Debtors commenced the Chapter 11 Cases.

1.22 Committee means the statutory committee of general unsecured creditors appointed by the Office of the United States Trustee in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code, as the constituencies of such Committee may be altered from time to time, and which committee shall be reconstituted after the Confirmation Date as a post-confirmation committee of general unsecured creditors.

1.23 Committee Complaint means the complaint filed in Bankruptcy Court by the Committee on January 18, 2002 against GE Capital and certain of the other GE Entities.

1.24 Committee Litigation means, collectively: (a) the adversary proceeding that has been filed by the Committee against GE Capital and certain of the other GE Entities in the Bankruptcy Court, whereby the Committee seeks, among other things, to equitably subordinate substantially all of the GE Entities Secured Claims and the GE Entities Unsecured Claims pursuant to section 510(c) of the Bankruptcy Code and to recover certain payments made to some of the GE Entities as fraudulent conveyances and preferences, and (b) additional litigation which may be filed by the Committee against the officers and directors of GE Capital, the GE Entities and the Debtors, as more fully described in the Creditors' Disclosure Statement.

1.25 Confirmation Date means the date upon which the Bankruptcy Court enters an order confirming this Creditors' Plan pursuant to section 1129 of the Bankruptcy Code.

1.26 Confirmation Order means the Final Order of the Court confirming the Creditors' Plan pursuant to Section 1129 of the Bankruptcy Code.

1.27 Convenience Claim means any General Unsecured Claim that is Allowed in an amount less than or equal to \$100 or that the holder thereof voluntarily reduces to \$100.

1.28 Creditor means any Person who holds a Claim against one or more of the Debtors.

1.29 Creditors' Disclosure Statement means the amended disclosure statement (including all exhibits and schedules thereto or referenced therein) relating to the Creditors' Plan, dated January 24, 2002, as amended, supplemented or modified from time to time, and that is prepared and distributed in accordance with Sections 1125 and 1126(b) of the Bankruptcy Code and Bankruptcy Rule 3018.

1.30 Creditors' Plan means this amended chapter 11 plan of liquidation (including all exhibits annexed hereto), either in its present form or as it may be altered, amended or modified from time to time.

1.31 Debtors means Montgomery Ward, LLC and each of its Subsidiaries and Affiliates (as defined in footnote 1 above) in their capacity as a debtors in possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

1.32 Disputed means, with respect to a Claim, (a) any such proof of Claim which was timely and properly filed and (i) which has been or hereafter is listed on each of the Schedules as unliquidated, disputed, or contingent, and which has not been resolved by written agreement of the parties or an order of the Bankruptcy Court, or (ii) as to which the Debtors or any other party in interest has interposed a timely objection or request for estimation in accordance with the Bankruptcy Code and the Bankruptcy Rules, which objection or request for estimation has not been withdrawn or determined by a Final Order, and (b) any Claim as to which a proof of Claim was required to be filed by order of the Bankruptcy Court but as to which

a proof of Claim was filed untimely or improperly. Prior to (x) the time that an objection has been filed and (y) the expiration of the time within which to object to such Claim set forth herein or otherwise established by order of the Bankruptcy Court, for purposes of this Creditors' Plan, (A) a Claim shall be considered a Disputed Claim if the amount of the Claim specified in the proof of Claim exceeds the amount of the Claim scheduled by the Debtors as other than disputed, contingent or unliquidated, or (B) in the event that a Claim is not listed on the Schedules, then the entire amount of such Claim shall be considered a Disputed Claim. Because it is not anticipated that the holders of Allowed Interests will receive any distributions on account of such Interests, it is unnecessary to characterize any Interest, or any portion thereof, as Disputed.

1.33 Disputed Claims Reserve(s) means, in the event there exists any Disputed Claim on or after the Effective Date, Cash to be set aside by the Plan Administrator in a separate account, in amounts sufficient to pay the unpaid portion of such Disputed Claims in accordance with the provisions of this Creditors' Plan.

1.34 Distribution Date means the date, occurring as soon as practicable after the Effective Date, upon which distributions are made by the Plan Administrator to holders of Allowed Claims as provided in Articles IV and V of this Creditors' Plan and subject to the Plan Administration Agreement.

1.35 Effective Date means the date after the Confirmation Date, to be selected by the Committee on which this Creditors' Plan shall become effective, which date shall be as soon as reasonably practicable but in no event later than thirty (30) days after the date on which the conditions specified in Article IX of this Creditors' Plan have been satisfied or waived by the Committee.

1.36 Estates mean individually each estate and, collectively, the Debtors' Estates created pursuant to section 541 of the Bankruptcy Code upon the commencement of the Chapter 11 Cases.

1.37 Executory Contract means a contract to which one or more of the Debtors is a party which is subject to assumption or rejection under Section 365 of the Bankruptcy Code.

1.38 File, Files or Filing means file, filed, or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Cases.

1.39 Final Distribution Date means, the date on which a final distribution of Available Cash is made pursuant to Articles IV and V of this Creditors' Plan. The Final Distribution Date shall be a date, as determined by the Plan Administrator at the direction of the PA Committee, (i) which is after the liquidation into Cash of all assets of the Debtors (other than those assets abandoned) and collection of other sums due or otherwise remitted or returned; and (ii) on or after which a final distribution is made from the Reserve Fund.

1.40 Final Order means an order of the Bankruptcy Court as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or motion for reargument or rehearing is then pending or as to which any right to appeal, petition for certiorari, or move to reargue or rehear shall have been waived in writing in form and substance satisfactory to the Committee or the PA Committee, as the case may be, or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order of the Bankruptcy Court shall have been upheld by the highest court to which such order was appealed, or from which certiorari, reargument or rehearing was sought and the time to take any further appeal, petition for certiorari or move for reargument or rehearing shall have expired.

1.41 Fund Assets means all assets of the Estates and any assets acquired by the PA Fund, together with the proceeds of the Committee Litigation and excluding assets previously distributed, expended or otherwise disposed of by the Debtors or the Plan Administrator. The Committee Litigation itself is not one of the Fund Assets.

1.42 GE Capital means General Electric Capital Corporation, a Delaware corporation.

1.43 GE Entities means, collectively: General Electric Company, GE Capital, Monogram Credit Card Bank of Georgia, Montgomery Ward Credit Corporation, Signature Financial/Marketing, Inc. (now part of The Partnership Marketing Group of GE Financial Assurance), GE Card Services, Inc., Union Fidelity Life Insurance Company, Colonial Penn-Franklin Insurance Company, GE Capital International Services, GE Capital Financial Inc., and GE Capital Communication Services Corporation, d/b/a GE Exchange and any affiliates, subsidiaries, and divisions of the foregoing, other than the Debtors; provided, however, that any affiliate of General Electric Company that asserts or holds Claims against the Debtors asserted, enforced or collected or has otherwise collected Cash or other assets from the Debtors shall in all events be included in the definition of the “GE Entities.”

1.44 GE Entities Secured Claim means any Claim of any GE Entity against the Debtors, as Filed in its proof of claim or, in the event no proof of claim was Filed, as reflected in the Schedules, that one of the GE Entities asserts is secured by a lien on property in which an estate has an interest (or that is subject to a set-off under section 553 of the Bankruptcy Code) to the extent of the value of the GE Entity’s alleged interest in such Estate’s interest in such property (or to the extent of the amount subject to a set-off, as applicable), as determined pursuant to section 506(a) of the Bankruptcy Code (or, in the case of a set-off, pursuant to section 553 of the Bankruptcy Code), and shall include any Secured Claim of the GE Entities asserted, enforced or collected against the Debtors.

1.45 General Unsecured Claim means any Claim for which the holder holds no collateral security and that is not entitled to priority under the Bankruptcy Code, including, without limitation, (i) Claims arising from the rejection of Executory Contracts and Unexpired Leases, (ii) the asserted unsecured deficiency Claim of a secured creditor, or (iii) a Claim that is not an Administrative Expense Claim, Priority Tax Claim, Secured Claim or Other Priority Claim.

1.46 Impaired means, when used with reference to a Claim or Interest, a Claim or that Interest is impaired within the meaning of Section 1124 of the Bankruptcy Code and will not be receiving payment in full of its Claim or Interest pursuant to the Creditors' Plan.

1.47 Intercompany Claim means any Claim by a Debtor against another Debtor.

1.48 Interests means, collectively: (a) all membership interest of any class or series of membership interests issued by the Debtors and outstanding immediately prior to the Commencement Date; (b) all options, warrants, calls, rights, puts, awards, commitments or any other agreements of any character, if any, to acquire such interests; (c) all Claims arising from rescission of a purchase or sale of the foregoing or options, warrants, calls, rights, puts, awards, commitments or any other agreements of any character, if any, to acquire such interests or for damages arising from the purchase or sale of the foregoing; and (d) all Claims for indemnity, reimbursement, or contribution on account of the foregoing Claims.

1.49 Lien means a lien, security interest, mortgage, deed of trust, or other charge or encumbrance on or in any real or personal property to secure payment of a debt or performance of an obligation.

1.50 Other Priority Claims means any Claim, other than an Administrative Expense Claim or a Priority Tax Claim, entitled to priority in payment under section 507(a) of the Bankruptcy Code.

1.51 PA Committee means the members of the Committee serving on the Effective Date who have elected to serve on a committee in connection with the Plan Administration Agreement.

1.52 PA Expenses means all costs, expenses and fees approved by the PA Committee and incurred in connection with administering the PA Fund and administering, collecting, liquidating and disbursing the Fund Assets in accordance with the various provisions of the Creditors' Plan and Plan Administration Agreement.

1.53 PA Fund means the fund created pursuant to the Plan Administration Agreement for the deposit of all Fund Assets and the payment of all PA Expenses, including, without limitation, the distributions under the Creditors' Plan.

1.54 Person means any individual, corporation, partnership, association, limited liability company, indenture trustee, organization, joint stock company, joint venture, estate, trust, governmental unit or any subdivision thereof, official or unofficial committee, and any other entity.

1.55 Plan Administration Agreement means the agreement prescribing the powers, duties and rights of the Plan Administrator in administering the Creditors' Plan, substantially in the form attached hereto as Exhibit A.

1.56 Plan Administrator means the person to be designated by the Committee and retained, as of the Effective Date, by the Bankruptcy Court, as the Estates' representative responsible to carry out the provisions of the Creditors' Plan and the Plan Administration Agreement.

1.57 Priority Tax Claim means any Claim of a governmental unit of the kind entitled to priority in payment as specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code.

1.58 Professional means any professional employed in the Chapter 11 Cases pursuant to Sections 327, 328 or 1103 of the Bankruptcy Code.

1.59 Professional Fee Claim means an Administrative Expense Claim under sections 330(a), 331, 503, or 1103 of the Bankruptcy Code for compensation of a Professional or other entity for services rendered or expenses incurred in the Chapter 11 Cases on or prior to the Effective Date (including expenses of the members of the Committees in discharge of their duties).

1.60 Pro Rata Share means the proportion that the amount of any Claim bears to the aggregate amount of such Claim and all other Claims in the same Class entitled to distributions from the same source of Cash, including Disputed Claims.

1.61 Rejection Claim means a Claim arising from the rejection of an Executory Contract or Unexpired Lease by the Debtors.

1.62 Reserve Fund means the Disputed Claims Reserve, together with the funds held by the Plan Administrator as a reserve for: (a) the unpaid portion of Allowed Claims, (b) the amount of incurred and estimated projected costs and expenses for which in the Plan Administrator's and the PA Committee's reasonable judgment, it is prudent to reserve; and (c) any other matters for which in the Plan Administrator's and the PA Committee's reasonable judgment, it is prudent to reserve.

1.63 Schedules means the schedules of assets and liabilities and the statement of financial affairs filed by the Debtors as required by section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, including any supplements or amendments thereto.

1.64 Secured Claim means a Claim that is secured by a Lien upon Collateral and held by an entity to the extent of the value, as set forth in this Creditors' Plan, as agreed to by the holder of such Claim and the Debtors and the Committee, or as determined by a Final Order of the Bankruptcy Court pursuant to section 506(a) of the Bankruptcy Code, of any interest in property of the Estates securing such Claim; provided, however, that a Secured Claim shall not include any portion of the Claim that exceeds the value of the interest in property of the Estates securing such Claim.

1.65 Statutory Lien Claim means any Secured Claim secured by a valid and enforceable Lien attaching by operation of law in favor of materialmen, mechanics, warehousemen, carriers, taxing authorities or other similar persons.

1.66 Subordinated Claims means any Secured or Unsecured Claims against the Debtors held by the GE Entities or any other Person which are subordinated to General Unsecured Claims under 11 U.S.C. § 510(b) or (c). All Subordinated Claims are Disputed Claims.

1.67 Subsequent Distribution means any distribution of Available Cash made to the holders of Allowed Claims on a Subsequent Distribution Date in accordance with Articles IV and V of this Creditors' Plan.

1.68 Subsequent Distribution Date means each of (a) the Distribution Date, and (b) any date after the Distribution Date upon which the Plan Administrator makes distributions to holders of Allowed Claims in accordance with the provisions of the Creditors' Plan and the Plan Administration Agreement.

1.69 Substantive Consolidation means the consolidation of the Chapter 11 Cases and the combining of the Estates, for the purposes of the Creditors' Plan and the distributions to be made thereunder, by aggregating the Estates' assets and liabilities and eliminating cross corporate guaranties and Intercompany Claims pursuant to Article V.8 hereof.

1.70 Tax means any net income, alternative or add-on minimum, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, profits, licenses, property, environmental, or other tax, assessment, or charge of any kind whatsoever (together in each instance with any interest, penalty, addition to tax or additional amount) imposed by any federal, state or local taxing authority.

1.71 Tort Claim means any Claim relating to personal injury, wrongful debt, property damage, environmental damage, products liability or other tort Claim asserted against

one or more of the Debtors that has not previously been compromised and settled or otherwise resolved.

1.72 Unimpaired Claim means a Claim that is not an Impaired Claim.

1.73 Unexpired Lease means collectively, any unexpired lease or agreement relating to a Debtors' interest in real or personal property.

ARTICLE II

CLASSIFICATION OF CLAIMS AND INTERESTS

2.1 Introduction.

All Claims and Interests, except Administrative Expense Claims, Professional Fee Claims and Priority Tax Claims, are placed in the Classes set forth below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, Professional Fee Claims and Priority Tax Claims, as described below, have not been classified. A Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class, and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes. A Claim is also placed in a particular Class for the purpose of receiving distributions pursuant to the Creditors' Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released, or otherwise settled prior to the Effective Date.

2.2 Unclassified Claims (not entitled to vote on the Creditors' Plan).

- (a) Administrative Expense Claims
- (b) Professional Fee Claims
- (c) Priority Tax Claims

2.3 Classified Claims and Interests.

Claims and Interests, other than Administrative Expense Claims, Professional Fee Claims and Priority Tax Claims, are classified for all purposes, including, where applicable, voting, confirmation and distribution pursuant to the Creditors' Plan, as follows:

- (a) Class 1 - Secured Claims
- (b) Class 2 - Other Priority Claims
- (c) Class 3A - Convenience Claims

- (d) Class 3B - General Unsecured Claims
- (e) Class 4A - Subordinated Secured Claims
- (f) Class 4B - Subordinated Unsecured Claims
- (g) Class 5 - Interests

ARTICLE III

TREATMENT OF UNIMPAIRED CLAIMS

Pursuant to section 1126(f) of the Bankruptcy Code, holders of Unimpaired Claims shall be deemed to have accepted the Creditors' Plan.

Unclassified Claims.

3.1 Administrative Expense Claims. Except as otherwise provided for herein, and subject to the requirements of Article XI.7 hereof, each holder of an Allowed Administrative Expense Claim shall receive, in full satisfaction, settlement, release and discharge of, and in exchange for, such Allowed Administrative Expense Claim, (i) Cash equal to the unpaid portion of such Allowed Administrative Expense Claim or (ii) such other treatment as to which the Plan Administrator, the PA Committee and such holder shall have agreed upon in writing. On or before the Effective Date, the Debtors' Estates shall pay or have paid in Cash in full all Allowed Administrative Expense Claims for fees payable pursuant to 28 U.S.C. § 1930 and fees payable to the Bankruptcy Court, which are due and payable on or before the Effective Date. All fees payable pursuant to 28 U.S.C. § 1930 after the Effective Date shall be paid by the Plan Administrator until the Chapter 11 Cases are closed pursuant to a final decree, dismissed or converted by entry of an order of the Court. Until entry of such an order, the Plan Administrator shall file with the Court and serve upon the United States Trustee a financial report for each quarter, or portion thereof. As of the Effective Date, the Chapter 11 Cases will be deemed closed, and no further fees pursuant to 28 U.S.C. § 1930 will accrue after that date.

3.2 Professional Fee Claims. All Persons that are awarded compensation or reimbursement of expenses by the Court in accordance with Section 330 or 331 of the Bankruptcy Code or entitled to the priorities established pursuant to Section 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code, shall be paid in full, in Cash, the amounts allowed by the Court (a) on or as soon as reasonably practicable following the later to occur of (i) the Effective Date and (ii) the date on which the Court order allowing such Claim becomes a Final Order, or (b) upon such other terms as may be mutually agreed upon prior to the Effective Date between such holder of an Allowed Professional Fee Claim and the Debtors and on and after the Effective Date among such holder of an Allowed Professional Fee Claim, the PA Committee and the Plan Administrator.

3.3 Priority Tax Claims. Pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, unless otherwise agreed by the holder of a Priority Tax Claim, the PA Committee and the Plan Administrator, each holder of an Allowed Priority Tax Claim shall be paid in full, in Cash on the effective Date in full satisfaction of its Priority Tax Claim, or, if the Priority Tax Claim is not allowed as of the Effective Date, such payment will be paid after the date on which (i) an order allowing such Priority Tax Claim becomes a Final Order or (ii) a stipulation of amount and nature of Claim is executed by the Plan Administrator, PA Committee and the holder of the Priority Tax Claim.

Notwithstanding the provisions of Article III, the holder of an Allowed Priority Tax Claim will not be entitled to receive any payment on account of any penalty arising with respect to or in connection with the Allowed Priority Tax Claim. Any such Claim or demand for any such penalty (i) will be subject to treatment in Class 3 and (ii) the holder of an Allowed Priority Tax Claim will not assess or attempt to collect such penalty from the Debtors' Estates or their property.

ARTICLE IV

TREATMENT OF CLAIMS AND INTERESTS

The holders of Allowed Claims in each Class shall receive the following treatment:

4.2 Class 1: Secured Claims.

(a) Impairment. Holders of Allowed Claims in Class 1 are not impaired. Each holder of an Allowed Secured Claim in Class 1 is not entitled to vote to accept or reject the Creditors' Plan in its capacity as a holder of such Claim.

(b) Treatment. At the option of the Plan Administrator and the PA Committee, jointly, on the later of (x) thirty (30) days subsequent to the Effective Date, or (y) thirty (30) days after the date on which a Claim in Class 1 becomes an Allowed Secured Claim, or as soon thereafter as is practicable, such Allowed Secured Claim shall receive (i) some or all of the Collateral securing such Allowed Secured Claim, (ii) Cash in an amount, not to exceed the Allowed amount of such Claim, equal to the proceeds actually realized from the sale of any Collateral securing such Claim, less the actual costs and expenses of disposing of such Collateral, or (iii) such other treatment as may be agreed upon by the Plan Administrator, the PA Committee and the holder of an Allowed Secured Claim. In the event that the Plan Administrator and PA Committee elect, pursuant to option (i) above, to distribute to the holder of an Allowed Secured Claim, some or all of the Collateral securing such Allowed Secured Claim, the holder of such Allowed Secured Claim may request that the Plan Administrator and the PA Committee (a) attempt to sell the Collateral securing the Allowed Secured Claim, or (b) abandon such Collateral. In the event that the Plan Administrator and the PA Committee honor such a request

and attempt to sell Collateral securing such Allowed Secured Claim or abandon such Collateral, all expenses relating thereto, including but not limited to storage expenses, shall be borne by the holder of the Allowed Secured Claim. Notwithstanding the foregoing, the Plan Administrator and the PA Committee retain the right to decline to honor a request by the holder of an Allowed Secured to attempt to sell such Collateral.

4.3 Class 2: Other Priority Claims.

(a) **Impairment.** Holders of Allowed Claims in Class 2 are not impaired. Holders of Claims in Class 2 are not entitled to vote to accept or reject the Creditors' Plan.

(b) **Treatment.** Each holder of an Allowed Claim in Class 2 shall be paid in full and receive Cash in an amount equal to the amount of such Allowed Claim on the later of (i) thirty (30) days subsequent to the Effective Date or (ii) thirty (30) days after the date on which such Claim becomes an Allowed Priority Claim, or as soon thereafter as is practicable.

4.4.1 Class 3A: Convenience Claims.

(a) **Impairment.** Holders of Allowed Claims in Class 3A are not impaired. Holders of Claims in Class 3A are not entitled to vote to accept or reject the Creditors' Plan.

(b) **Treatment.** Each holder of an Allowed Claim in Class 3A shall receive Cash in an amount equal to the amount of such Allowed Claim on the later of (i) thirty (30) days after the Effective Date or (ii) thirty (30) days after the date on which such Claim becomes an Allowed Convenience Claim, or as soon thereafter as is practicable.

(c) **Election.** Any Claim asserted against the Debtors as a General Unsecured Claim in Class 3B but voluntarily reduced by the holder thereof to \$100 shall be treated as a Convenience Claim in Class 3A for purposes of distribution.

4.3.2 Class 3B: General Unsecured Claims.

(a) **Impairment.** Holders of Allowed Claims in Class 3B are impaired. Each holder of an Allowed General Unsecured Claim in Class 3B is entitled to vote to accept or reject the Plan.

(b) **Treatment.** After satisfaction in full or reservation of (i) all Allowed Administrative Expense Claims and Allowed Priority Tax Claims, and (ii) all Allowed Claims in Classes 1, 2, and 3A, as provided above, each holder of an Allowed Claim in Class 3B shall receive its Pro Rata Share of Available Cash (not to exceed the amount of its Allowed Claim) on the later of (i) thirty (30) days after the Effective Date or (ii) thirty (30) days after the date on which such Claim becomes an Allowed General Unsecured Claim, or as soon thereafter

as is practicable. After the Effective Date and after the satisfaction in full or reservation of all Allowed Administrative Expense Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 1, 2, and 3A, each holder of an Allowed Claim in Class 3B will be paid by the Plan Administrator on each Subsequent Distribution Date, if any, and on the Final Distribution Date, its Pro Rata Share of Available Cash on account of its Allowed General Unsecured Claim.

4.5.1 Class 4A: Subordinated Secured Claims.

(a) **Impairment.** Holders of Allowed Subordinated Secured Claims in Class 4A are impaired. Each holder of an Allowed Subordinated Secured Claim in Class 4A is conclusively presumed to have rejected this Creditors' Plan and is not entitled to vote to accept or reject the Creditors' Plan.

(b) **Treatment:** Class 4A Subordinated Secured Claims are subordinate to all Claims in Classes 1, 2, 3A, and 3B and shall receive no distribution under the Creditors' Plan unless and until (i) all Allowed Administrative Expense Claims and Allowed Priority Tax Claims and (ii) all Allowed Claims in Classes 1, 2, 3A and 3B have been satisfied. If Available Cash remains after the satisfaction in full of (i) all Allowed Administrative Expense Claims and Allowed Priority Tax Claims as provided in the Creditors' Plan and (ii) all Allowed Claims in Classes 1, 2, 3A, and 3B, the Plan Administrator shall pay to the holders of Subordinated Secured Claims in Class 4A their Pro Rata Share of Available Cash on the later of (i) the Effective Date or (ii) thirty (30) days after the date on which such Subordinated Secured Claims become Allowed Subordinated Secured Claims, or as soon thereafter as is practicable. If, after the Effective Date, any Available Cash is available after the satisfaction in full of all Allowed Administrative Expense Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 1, 2, 3A, and 3B, holders of an Allowed Claim in Class 4A will be paid by the Plan Administrator on any Subsequent Distribution Date or Final Distribution Date their Pro Rata Share of Available Cash on account of their Subordinated Secured Claims.

If the Committee Litigation is unsuccessful in respect of subordination or recharacterization of Class 4A Claims, on the later of (x) thirty (30) days subsequent to the Effective Date, or (y) thirty (30) days after the date on which a Claim in Class 4A becomes an Allowed Subordinated Secured Claim, or as soon thereafter as is practicable, each holder of an Allowed Class 4A Claim shall retain or receive the Collateral securing such Allowed Subordinated Secured Claim or proceeds thereof, of a value equal to the Allowed amount of such Claim, or shall receive such other treatment as may be agreed upon by the Plan Administrator, the PA Committee, and the holder of an Allowed Subordinated Secured Claim, in each case in accordance with any order resolving the Committee Litigation.

4.4.2 Class 4B: Subordinated Unsecured Claims.

(a) **Impairment.** Holders of Allowed Subordinated Unsecured Claims in Class 4B are impaired. Each holder of an Allowed Subordinated Unsecured Claim in Class

4B is conclusively presumed to have rejected this Creditors' Plan and is not entitled to vote to accept or reject the Creditors' Plan.

(b) Treatment: The Subordinated Unsecured Claims are subordinate to all other Claims, and shall receive no distribution under the Creditors' Plan unless and until (i) all Allowed Administrative Expense Claims and Allowed Priority Tax Claims and (ii) all Allowed Claims of Classes 1, 2, 3A, 3B, and 4A have been satisfied. If Available Cash remains after the satisfaction in full of (i) all Allowed Administrative Expense Claims and Allowed Priority Tax Claims as provided in the Creditors' Plan and (ii) all Allowed Claims in Classes 1, 2, 3A, 3B, and 4A, the Plan Administrator shall pay to the holders of Subordinated Unsecured Claims their Pro Rata Share of Available Cash on the later of (i) the Effective Date or (ii) thirty (30) days after the date on which such Subordinated Unsecured Claims become Allowed Subordinated Unsecured Claims, or as soon thereafter as is practicable. If, after the Effective Date, any Available Cash is available after the satisfaction in full of all Allowed Administrative Expense Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 1, 2, 3A, 3B, and 4A, holders of Allowed Claims in Class 4B will be paid by the Plan Administrator on any Subsequent Distribution Date or Final Distribution Date their Pro Rata Share of Available Cash on account of their Subordinated Unsecured Claims.

If the Committee Litigation is unsuccessful in respect of subordination or recharacterization of Class 4B Claims, holders of Allowed Class 4B Claims shall receive their Pro Rata Share of Available Cash within thirty (30) days after the date on which such Claims become Allowed General Unsecured Claims as stated in Section 5.6 of this Creditors' Plan.

4.5 Class 5: Interests.

(a) Impairment. The holders of the Interests in Class 5 are impaired. For purposes of the Creditors' Plan, the holders of the Interests in Class 5 are conclusively presumed to have rejected the Creditors' Plan and are not entitled to vote to accept or reject the Creditors' Plan.

(b) Treatment: On the Effective Date all Interests shall be cancelled and the holders of Interests shall not receive or retain any property or interest in property on account of their Class 5 Interests.

ARTICLE V

MEANS FOR IMPLEMENTATION AND EXECUTION OF THE CREDITORS' PLAN

In addition to the provisions set forth elsewhere in the Creditors' Plan, the following shall constitute the means of execution and implementation of the Creditors' Plan.

5.1 \$500 Million Lawsuit Against GE Capital And the GE Entities. After an extensive Bankruptcy Rule 2004 investigation, reviewing in excess of 150,000 pages of

documents, and interviewing and formally examining under oath numerous witnesses, on January 18, 2002, the Committee filed in the Bankruptcy Court a complaint against GE Capital and certain of the other GE Entities. The Committee Complaint asserts, among other things, that (i) the claims of GE Capital and the GE Entities against the Debtors in the aggregate amount of approximately \$1 billion should be (x) equitably subordinated, or (y) in the alternative, recharacterized or otherwise avoided, (ii) GE Capital and the GE Entities were unjustly enriched, and (iii) GE Capital breached its corporate fiduciary duty to the Debtors' Estates. The Committee intends to vigorously prosecute this action on behalf of the Debtors' Estates to recover damages, and obtain other remedies, arising from the self-dealing and inequitable conduct of GE Capital and the other GE Entities.

5.2 Succession by Plan Administrator. As of the Effective Date, the Plan Administrator shall be appointed by the Committee and shall succeed to such powers as would have been applicable to the Debtors' officers, directors and shareholders, including, without limitation, the authority to execute on behalf of each of the Debtors on and after the Effective Date any and all documents necessary to effectuate the provisions of the Creditors' Plan and the Plan Administration Agreement.

5.3 Plan Administrator. The terms of the Plan Administrator's employment, including the Plan Administrator's duties and powers are described in detail in the Plan Administration Agreement attached hereto as Exhibit A. Within five (5) Business Days of the Confirmation Date, the Debtors shall execute the Plan Administration Agreement appointing the Plan Administrator and setting forth his responsibilities and powers. Any and all distributions to creditors contemplated by Articles IV and V of this Creditors' Plan, including distributions on account of Allowed Administrative Expense Claims, Professional Fee Claims, Priority Tax Claims, Secured Claims and Other Priority Claims, shall be made by the Plan Administrator or his agents on or after the Distribution Date in accordance with the terms of this Creditors' Plan and the Plan Administration Agreement to the extent not already satisfied.

5.4 Creation and Distributions of the PA Fund. On the Effective Date, the Plan Administrator shall establish appropriate accounts for Cash assets of the Debtors and hold all Fund Assets in the PA Fund. One of the accounts established shall be a Reserve Fund in the original amount of \$5 million. The Plan Administrator shall pay for the costs of administering the Creditors' Plan and the Plan Administration Agreement and shall pay all Administrative Expense Claims, Priority Tax Claims and Other Priority Claims and distributions in accordance with the Creditors' Plan from the PA Fund.

5.5 Acquisition of Plan Assets and Administrative Obligations.

(a) On the Effective Date the Estates and the Debtors shall be deemed to have, and shall have, irrevocably assigned and transferred to the PA Fund all of their rights, title and interest in and to any and all property and assets of the Debtors (excluding the Committee Litigation but including the proceeds thereof), free and clear of all Liens, Claims,

encumbrances and other interests. None of the Debtors shall have any further rights, title or interest in any of the Fund's Assets.

(b) Any and all Administrative Expense Claims shall be assumed by the Plan Administrator; provided, however, that to the extent obligations relating to any of the Debtors' employee pension, benefit, retirement and health plans have not previously been terminated such plans are terminated as of the Confirmation Date.

5.6 Distribution of Proceeds. Subject to the terms and limitations set forth in the Plan Administration Agreement, the Plan Administrator shall distribute any proceeds of the Fund Assets, together with the proceeds from the Committee Litigation, to the holders of Claims and Interests in accordance with this Creditors' Plan based on each holder's Pro Rata Share. The Plan Administrator shall make from Available Cash an initial distribution on the Distribution Date and a Subsequent Distribution on each Subsequent Distribution Date. Additional distributions will be made as proceeds of avoidance actions and any other remaining unliquidated property of the Debtors is collected and if the Committee Litigation is successful. The Plan Administrator shall determine in his business judgment the amount of Available Cash to be distributed on the Distribution Date or a Subsequent Distribution Date, taking into account the PA Fund's actual and anticipated expenses and establishment of appropriate reserves and the terms of the Plan Administration Agreement. The Plan Administrator shall include in such reserves provision for Class 4A and 4B Subordinated Secured and Unsecured Claims pending the progress and outcome of the Committee Litigation. If the Committee Litigation is unsuccessful in respect of subordination or recharacterization of Class 4A Claims, on the later of (x) thirty (30) days subsequent to the Effective Date, or (y) thirty (30) days after the date on which a Claim in Class 4A becomes an Allowed Subordinated Secured Claim, or as soon thereafter as is practicable, each holder of an Allowed Class 4A Claim shall retain or receive the Collateral securing such Allowed Subordinated Secured Claim or proceeds thereof, of a value equal to the Allowed amount of such Claim, or shall receive such other treatment as may be agreed upon by the Plan Administrator, the PA Committee, and the holder of an Allowed Subordinated Secured Claim, in each case in accordance with any order resolving the Committee Litigation. If the Committee Litigation is unsuccessful in respect of subordination or recharacterization of Class 4B Claims, holders of Allowed Class 4B Claims shall receive their Pro Rata Share of Available Cash within thirty (30) days after the date on which such Claims become Allowed General Unsecured Claims from the reserve maintained by the Plan Administrator for that purpose and from future Subsequent Distributions, until they have received Cash in an aggregate amount sufficient to pay to each such holder the amount of Cash that the holder would have been entitled to receive under this Creditors' Plan if its Allowed Class 4B Claim had been an Allowed Class 3B General Unsecured Claim on the Effective Date. Distributions after the Distribution Date to holders of Disputed Claims that have subsequently become Allowed will not be treated as Subsequent Distributions but will be made as specified in Article VII hereof.

5.7 Directors and Officers. On the Effective Date, the authority, power and incumbency of the Persons then acting as directors and officers of the Debtors shall be terminated and such directors and officers shall be deemed to have resigned.

5.8 No Revesting of Assets. The property of the Debtors' Estates shall not revert in the Debtors on or after the Effective Date but shall vest in the PA Fund, to be administered by the Plan Administrator until liquidated and distributed according to the terms of this Creditors' Plan, the Plan Administration Agreement and the Confirmation Order.

5.9 Substantive Consolidation of the Debtors. The Creditors' Plan contemplates and is predicated upon entry of a Final Order of the Bankruptcy Court for the Substantive Consolidation of the Chapter 11 Cases into a single proceeding for all purposes with respect to confirmation and implementation of the Creditors' Plan. Pursuant to such Final Order and for purposes of these Chapter 11 Cases, on the Effective Date and upon the occurrence of all conditions to effectiveness as set forth in this Creditors' Plan, these Chapter 11 Cases shall be substantively consolidated for all purposes. As a result of the Substantive Consolidation: (i) all Intercompany Claims will be charged off, written off, or otherwise extinguished; (ii) all assets and liabilities of the Debtors will be merged or treated as though they were merged; (iii) any obligation of any of the Debtors will be deemed to be one obligation of the consolidated Debtors; (iv) any Claims Filed or to be Filed in connection with any such obligations will be deemed a Claim against the consolidated Debtors; (v) each and every Claim Filed in the individual Chapter 11 Cases will be deemed Filed against the consolidated Debtors in the consolidated Chapter 11 Cases; (iv) and for purposes of determining the availability of the right of setoff under section 553 of the Bankruptcy Code, the Debtors shall be treated as one entity. In the event an order for Substantive Consolidation is denied, this Creditors' Plan will be modified accordingly.

Unless the Bankruptcy Court has approved the Substantive Consolidation of these Chapter 11 Cases by a prior order, the Creditors' Plan will serve as, and will be deemed to be, a motion for entry of an order substantively consolidating the Estates and these Chapter 11 Cases. If no objection to Substantive Consolidation is timely Filed and served by any holder of a Claim in a Class impaired by the Creditors' Plan on or before the voting deadline or such other date as may be established by the Bankruptcy Court, an order approving Substantive Consolidation (which may be the Confirmation Order) may be entered by the Bankruptcy Court. If any such objections are timely Filed and served, a hearing with respect to Substantive Consolidation and the objections thereto will be scheduled by the Bankruptcy Court, which hearing may, but is not required to, coincide with the Confirmation Hearing.

5.10 Preservation of Rights of Action. Entry of the Confirmation Order shall not constitute a waiver or release by the Debtors or their Estates of the Causes of Action or the Committee Litigation. The failure of the Committee to describe or identify a Cause of Action or any cause of action that may be brought in connection with the Committee Litigation in the Creditors' Disclosure Statement shall not constitute a waiver, release or abandonment by the Estates, the Committee or the Plan Administrator of such Causes of Action or part of the Committee Litigation. The Substantive Consolidation of the Debtors and their Estates pursuant to the Creditors' Plan shall not, and shall not be deemed to, prejudice the Causes of Action or the Committee Litigation, which shall survive entry of the Confirmation Order for the benefit of the

Estates and/or the PA Fund, as the case may be, as if there had been no Substantive Consolidation of the Debtors and their Estates.

5.11 Exemption from Certain Transfer Taxes. In accordance with section 1146(c) of the Bankruptcy Code, neither the issuance, transfer, or exchange of a security or the delivery of an instrument of transfer under this Creditors' Plan shall be taxed under any law imposing a stamp tax or similar tax. The Confirmation Order shall direct all governmental officials and agents to forego the assessment and collection of any such tax.

ARTICLE VI

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

6.2 Executory Contracts and Unexpired Leases. On the Confirmation Date, all Executory Contracts and Unexpired Leases that exist between the Debtors and any Person shall be deemed rejected as of the Confirmation Date, except for any Executory Contract or Unexpired Lease (i) which has been assumed or rejected pursuant to an order of the Bankruptcy Court entered prior to the Confirmation Date, or (ii) as to which a motion for approval of the assumption or rejection of such contract or lease has been filed and served prior to the Confirmation Date. Any order entered after the Confirmation Date by the Court, after notice and hearing, authorizing the rejection of an Executory Contract or Unexpired Lease shall cause such rejection to be a prepetition breach under sections 365(g) and 502(g) of the Bankruptcy Code, as if such relief were granted and such order were entered prior to the Confirmation Date.

6.3 Approval of Rejection of Executory Contracts and Unexpired Leases. Entry of the Confirmation Order shall constitute the approval, pursuant to section 365(a) of the Bankruptcy Code, of the rejection of the Executory Contracts and Unexpired Leases rejected pursuant to Article VI.1 of this Creditors' Plan.

6.4 Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to this Creditors' Plan. Claims arising out of the rejection of an Executory Contract or Unexpired Lease pursuant to this Creditors' Plan must be Filed with the Bankruptcy Court no later than thirty (30) days after the Confirmation Date. Any Claims not Filed within such applicable time periods will be forever barred from assertion against the Debtors.

ARTICLE VII

PROCEDURES FOR RESOLVING AND TREATING DISPUTED CLAIMS

7.2 No Distribution Pending Allowance. Notwithstanding any other provision of this Creditors' Plan, no Cash or other property shall be distributed under this

Creditors' Plan on account of any Disputed Claim, unless and until such Claim becomes an Allowed Claim.

7.3 Resolution of Disputed Claims. Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, and except as otherwise expressly provided for below, prior to the Effective Date, the Debtors and the Committee jointly have the right and, on or after the Effective Date, the PA Committee and the Plan Administrator shall have the exclusive right (except as to applications for allowances of compensation and reimbursement of expenses under sections 330 and 503 of the Bankruptcy Code) to make and File objections to Claims and shall serve a copy of each objection upon the holder of the Claim to which the objection is made as soon as practicable, but in no event later than one hundred eighty (180) days after the Effective Date; provided, however, that such one hundred eighty (180) day period may be extended by the Plan Administrator, without any further application to, or approval by, the Bankruptcy Court, for an additional sixty (60) days upon the consent of the PA Committee. From and after the Effective Date, all objections shall be litigated to a Final Order except to the extent the Plan Administrator as directed by the PA Committee elects to withdraw any such objection or the Plan Administrator and the claimant elect to compromise, settle or otherwise resolve any such objection, in which event they may settle, compromise or otherwise resolve any Disputed Claim upon approval of the PA Committee.

7.4 Estimation. Prior to the Effective Date the Debtors, with the approval of the Committee, or the Committee independently, may, at any time, request that the Bankruptcy Court estimate any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtors or the Committee have previously objected to such Claim, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time, including, without limitation, during litigation concerning any objection to such Claim. In the event that the Bankruptcy Court estimates any Disputed Claim, that estimated amount may constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, prior to the Effective Date the Debtors, with the approval of the Committee, or the Committee independently and on or after the Effective Date, the Plan Administrator with the approval of the PA Committee, may elect to pursue any supplemental proceedings to object to any ultimate payment of such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another. On and after the Effective Date, Claims which have been estimated subsequently may be compromised, settled, withdrawn or otherwise resolved by the PA Committee or the Plan Administrator without further order of the Bankruptcy Court.

7.5 Reserve Accounts for Disputed Claims. On and after the Effective Date, the Plan Administrator shall hold in a Disputed Claims Reserve(s), Cash in an aggregate amount sufficient to pay to each holder of a Disputed Claim the amount of Cash that such holder would have been entitled to receive under this Creditors' Plan if such Claim had been an Allowed Claim on the Effective Date.

7.6 Investment of Disputed Claims Reserves. The Plan Administrator shall be permitted, from time to time, at the direction of the PA Committee, to invest all or a portion of the Cash in the Disputed Claims Reserves in accordance with the Plan Administration Agreement.

7.7 Allowance of Disputed Claims. If, on or after the Effective Date, any Disputed Claim becomes an Allowed Claim, the Plan Administrator shall, on the fifteenth Business Day of the first month following the month in which the Claim becomes an Allowed Claim, distribute from the Disputed Claims Reserve(s) to the holder of such Allowed Claim the amount of Cash that such holder would have been entitled to receive under this Creditors' Plan if such Claim had been an Allowed Claim on the Effective Date.

7.8 Release of Funds from Disputed Claims Reserves. If at any time or from time to time after the Effective Date, there shall be Cash in the Disputed Claims Reserve(s) in an amount in excess of the applicable maximum remaining payment obligations to the then existing holders of Disputed Claims against the Debtors' Estates under this Creditors' Plan, such excess funds shall become available to the Plan Administrator generally and shall, upon the approval of the PA Committee, be used to satisfy the costs of administering and fully consummating this Creditors' Plan or become Available Cash for distribution in accordance with this Creditors' Plan.

7.9 Mediation of Disputed Claims. The automatic stay of section 362 of the Bankruptcy Code shall remain in effect after the Effective Date. The Committee, PA Committee, the Plan Administrator or the holder of a Disputed Claim may seek to settle, compromise or otherwise resolve any Disputed Claim at any time in accordance with this Creditors' Plan.

ARTICLE VIII

ACCEPTANCE OR REJECTION OF THE CREDITORS' PLAN

8.2 Classes Entitled to Vote. Each Impaired Class of Claims that will (or may) receive or retain property or any interest in property under this Creditors' Plan is entitled to vote to accept or reject this Creditors' Plan. By operation of law, each unimpaired Class of Claims or Interests is deemed to have accepted this Creditors' Plan and, therefore, is not entitled to vote. Because holders of Claims in Classes that are not entitled to receive or retain any property under this Creditors' Plan are presumed to have rejected this Creditors' Plan, they are not entitled to vote.

8.3 Acceptance by Impaired Classes. An Impaired Class of Claims shall have accepted this Creditors' Plan if (i) the holders of at least two-thirds in amount of the Allowed Claims actually voting in the Class have voted to accept this Creditors' Plan, and (ii) the holders of more than one-half in number of the Allowed Claims actually voting in the Class have

voted to accept this Creditors' Plan, in each case not counting the vote of any holder designated under section 1126(e) of the Bankruptcy Code.

8.4 Elimination of Classes. Any Class that does not contain any Allowed Claims or Interests or any Claims or Interests temporarily allowed for voting purposes under Bankruptcy Rule 3018, as of the date of the commencement of the confirmation hearing, shall be deemed to have been deleted from this Creditors' Plan for purposes of (i) voting to accept or reject this Creditors' Plan and (ii) determining whether it has accepted or rejected this Creditors' Plan under section 1129(a)(8) of the Bankruptcy Code.

8.5 Cramdown. The Committee hereby requests that, to the extent necessary, the Bankruptcy Court confirm the Creditors' Plan under section 1129(b) of the Bankruptcy Code.

ARTICLE IX

CONDITIONS PRECEDENT TO CONFIRMATION AND EFFECTIVENESS OF CREDITORS' PLAN

9.2 Conditions to Confirmation. The Court shall have entered the Confirmation Order in form and substance satisfactory to the Committee.

9.3 Conditions to Effectiveness. Effectiveness of this Creditors' Plan is subject to the satisfaction or due waiver of each of the following conditions precedent:

(a) The Bankruptcy Court shall have entered the Confirmation Order, in form and substance reasonably satisfactory to the Committee;

(b) The Confirmation Order shall have become a Final Order;

(c) The Plan Administration Agreement, in form reasonably satisfactory to the Committee shall have been executed and delivered and all conditions precedent thereto shall have been satisfied.

9.4 Waiver of Conditions. The conditions set forth in this Creditors' Plan can be waived in whole or in part by the Committee, at any time without an order of the Bankruptcy Court.

ARTICLE X

EFFECT OF CONFIRMATION

10.2 Binding Effect. Except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code, on and after the Confirmation Date, the provisions of this Creditors' Plan shall bind all present and former holders of Claims and Interests in the Debtors and their respective successors and assigns, whether or not the Claim or Interest of such holder is impaired under this Creditors' Plan and whether or not such holder has accepted this Creditors' Plan.

10.3 Exculpation and Limitation of Liability. The Committee and its present or former members, employees, advisors, attorneys, or agents, shall not have nor incur any liability to any holder of a Claim or an Interest, or any other party in interest, or any of its respective agents, employees, representatives, financial advisors, attorneys, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of, the administration of the Chapter 11 Cases, the pursuit of confirmation of the Creditors' Plan, or the administration of the Creditors' Plan or the property to be distributed under the Creditors' Plan, except for their willful misconduct or gross negligence.

10.4 Term of Injunctions or Stays. Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Cases pursuant to sections 105 and 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Final Distribution Date.

10.5 Injunction. On and after the Confirmation Date, all Persons are permanently enjoined from commencing or continuing in any manner any action or proceeding (whether directly, indirectly, derivatively or otherwise) on account of or respecting any claim, debt, right or Cause of Action of the Debtors for which the Committee, the PA Committee or the Plan Administrator retain sole and exclusive authority to pursue in accordance with this Creditors' Plan and the Plan Administration Agreement.

ARTICLE XI

ADMINISTRATIVE PROVISIONS

11.2 Retention of Jurisdiction.

(a) Purposes. Notwithstanding confirmation of the Creditors' Plan or occurrence of the Effective Date, the Court shall retain such jurisdiction as is legally permissible, including, without limitation, for the following purposes:

(i) To determine the allowability, classification, or priority of Claims and the validity, extent, priority and nonavoidability of consensual and nonconsensual liens and other encumbrances;

(ii) To issue injunctions or take such other actions or make such other orders as may be necessary or appropriate to restrain interference with this Creditors'

Plan or its execution or implementation by any Person, to construe and to take any other action to enforce and execute this Creditors' Plan, the Confirmation Order, or any other order of the Court, to issue such orders as may be necessary for the implementation, execution, performance and consummation of this Creditors' Plan and all matters referred to herein, and to determine all matters that may be pending before the Court in Chapter 11 Cases on or before the Effective Date with respect to any Person;

(iii) To protect the property of the Estates from claims against, or interference with, such property, including actions to quiet or otherwise clear title to such property or to resolve any dispute concerning liens, security interests or encumbrances on any property of the Estates;

(iv) To determine any and all applications for allowance of Professional Fee Claims and to resolve any dispute concerning payment of Professionals' invoices for services rendered after the Effective Date;

(v) To determine any Administrative Expense Claims, Priority Tax Claims, Other Priority Claims, or any other request for payment of claims or expenses entitled to priority under section 507(a) of the Bankruptcy Code;

(vi) To resolve any dispute arising under or relating to the implementation, execution, consummation or interpretation of this Creditors' Plan and the making of distributions hereunder;

(vii) To determine any and all motions related to the rejection, assumption or assignment of Executory Contracts or Unexpired Leases, or to determine any motion to reject an Executory Contract or Unexpired Lease pursuant to the Creditors' Plan;

(viii) To determine all applications, motions, adversary proceedings, including, without limitation, the Committee Litigation, contested matters, actions, and any other litigated matters instituted in and prior to the closing of the Chapter 11 Cases, including any remands;

(ix) To enter a Final Order closing the Chapter 11 Cases;

(x) To modify this Creditors' Plan under section 1127 of the Bankruptcy Code, to remedy any defect, cure any omission, or reconcile any inconsistency in this Creditors' Plan or the Confirmation Order so as to carry out its intent and purposes;

(xi) To issue such orders in aid of consummation of the Creditors' Plan and the Confirmation Order notwithstanding any otherwise applicable non-bankruptcy law, with respect to any Person, to the full extent authorized by the Bankruptcy Code;

(xii) To enable the Plan Administrator to prosecute any and all proceedings to set aside liens or encumbrances and to recover any transfers, assets, properties or damages to which the Debtors may be entitled under applicable provisions of the Bankruptcy Code or any other federal, state or local laws except as may be waived pursuant to the Creditors' Plan;

(xiii) To enable the Plan Administrator or the Committee, as the case may be, to prosecute or continue to prosecute the Committee Litigation or any Causes of Action.

(xiv) To determine any tax liability pursuant to section 505 of the Bankruptcy Code;

(xv) To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated;

(xvi) To resolve any disputes concerning whether a Person had sufficient notice of the Chapter 11 Cases, the applicable Claims Bar Date, the hearing to consider approval of the Creditors' Disclosure Statement or the Confirmation Hearing or for any other purpose;

(xvii) To resolve any dispute or matter arising under or in connection with any order of the Court entered in the Chapter 11 Cases;

(xviii) To authorize sales of assets as necessary or desirable and resolve objections, if any, to such sales;

(xix) To resolve any disputes concerning any release of a non-Debtors hereunder or the injunction against acts, employment of process or actions against such non-Debtors arising hereunder;

(xx) To approve any distributions, or objections thereto, under this Creditors' Plan;

(xxi) To approve any Claims settlement entered into or offset exercised by the Plan Administrator;

(xxii) To resolve any dispute or matter arising under or in connection with this Creditors' Plan or the Plan Administration Agreement; and

(xxiii) To determine such other matters, and for such other purposes, as may be provided in the Confirmation Order or as may be authorized under provisions of the Bankruptcy Code.

11.3 Notices

All notices or requests in connection with this Creditors' Plan shall be in writing and will be deemed to have been given when received by mail and addressed to:

<u>Counsel For The Committee</u>	<u>Counsel For The Debtors and Debtors-In-Possession</u>
Kronish Lieb Weiner & Hellman LLP Lawrence C. Gottlieb, Esq. Cathy Hershcopf, Esq. 1114 Avenue of the Americas New York, New York 10036	Skadden, Arps, Slate, Meagher & Flom LLP John K. Lyons, Esq. 333 West Wacker Drive Chicago, Illinois 60606-1285
-and-	-and-
Morris Nichols Arsht & Tunnell Robert J. Dehney, Esq. 1201 N. Market Street, P.O. Box 1347 Wilmington, Delaware 19899	Skadden, Arps, Slate, Meagher & Flom LLP Gregg M. Galardi, Esq. One Rodney Square Wilmington, Delaware 19899

11.4 No Admissions. Notwithstanding anything herein to the contrary, nothing contained in the Creditors' Plan shall be deemed an admission by the Committee with respect to any matter set forth herein, including, without limitation, liability on any Claim or the propriety of a Claim's classification.

11.5 The Committee. After the Effective Date, the Committee shall continue in existence for the purpose of prosecuting and resolving the Committee Litigation and discharge of all functions reasonably related thereto, and may raise and appear and be heard on any issue related to its functions. Upon the resolution of the Committee Litigation, the Committee shall be dissolved and the members thereof shall be released and discharged of and from all further authority, duties, responsibilities, and obligations related to and arising from and in connection with the Chapter 11 Cases.

11.6 Retiree Committee. On the Effective Date, the Retiree Committee shall be dissolved and the members thereof shall be released and discharged of and from all other authority, duties, responsibilities, and obligations related to and arising from and in connection with the Chapter 11 Cases.

11.7 Effectuating Documents and Further Transactions. After the Effective Date, the Plan Administrator, at the direction of the PA Committee, shall be authorized to execute, deliver, file, or record such contracts, instruments, releases and other agreements or documents and take such actions on behalf of the Debtors' Estates as may be necessary or appropriate to effectuate and further evidence the terms and conditions of this Creditors' Plan

and the Plan Administration Agreement, without any further action by or approval of the Bankruptcy Court.

11.8 Bar Date for Administrative Expense Claims. Administrative Expense Claims arising after April 30, 2001, but on or before the Confirmation Date must be Filed with the Bankruptcy Court no later than thirty (30) days after the Confirmation Date, unless otherwise ordered by the Bankruptcy Court. Any Administrative Expense Claim not Filed within the applicable time period will be forever barred from assertion against the Debtors.

11.9 Post-Effective Date Fees and Expenses of Professionals. After the Confirmation Date, the Debtors shall, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, pay the reasonable fees and expenses of the Professional Persons employed by the Debtors, the Committee, the Plan Administrator, and the PA Committee in connection with the implementation and consummation of this Creditors' Plan, the claims reconciliation process, and any other matters as to which such Professionals may be engaged. The fees and expenses of such Professionals shall be paid within fifteen (15) Business Days after submission of a detailed invoice therefor to the Debtors and the Committee or, as applicable, the PA Committee. The Debtors, the Committee or, as applicable, the PA Committee, or the affected Professional may submit any dispute concerning the reasonableness of any such invoice to the Bankruptcy Court, and the disputed portion of such invoice shall not be paid until the dispute is resolved. All final requests for compensation or reimbursement of Professionals pursuant to sections 327, 328, 330, 331, 503(b), or 1103 of the Bankruptcy Code for services rendered to the Debtors or the Committee prior to the Effective Date must be filed and served on the Debtors and the Committee and their respective counsel no later than forty-five (45) days after the Effective Date, unless otherwise ordered by the Bankruptcy Court.

11.10 Payment of Statutory Fees. All fees payable pursuant to 28 U.S.C. §1930 of the United States Code, as determined by the Bankruptcy Court on the Confirmation Date, shall be paid on the Effective Date. Any statutory fees accruing after the Confirmation Date shall constitute Administrative Expense Claims and be paid in accordance with Article III of this Creditors' Plan.

11.11 Modification of Creditors' Plan. The Committee reserves the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify this Creditors' Plan at any time prior to the entry of the Confirmation Order. After the entry of the Confirmation Order, the Committee may, upon order of the Bankruptcy Court, amend or modify this Creditors' Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in this Creditors' Plan in such manner as may be necessary to carry out the purpose and intent of this Creditors' Plan. A holder of an Allowed Claim or Interest that is deemed to have accepted this Creditors' Plan shall be deemed to have accepted this Creditors' Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim or Interest of such holder.

11.12 Courts of Competent Jurisdiction. If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising out of this Creditors' Plan, such abstention, refusal or failure of jurisdiction shall have no effect upon and shall not control, prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such matter.

11.13 Severability. In the event that the Bankruptcy Court determines, prior to the Confirmation Date, that any provision of this Creditors' Plan is invalid, void or unenforceable, the Bankruptcy Court shall, with the consent of the Committee, have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Creditors' Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of this Creditors' Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

11.14 Governing Law. Except to the extent the Bankruptcy Code or Bankruptcy Rules are applicable, the rights and obligations arising under this Creditors' Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without giving effect to the principles of conflicts of law thereof.

11.15 Headings. Headings are used in this Creditors' Plan for convenience and reference only, and shall not constitute a part of this Creditors' Plan for any other purpose.

11.16 Exhibits. All Exhibits and Schedules to this Creditors' Plan are incorporated into, and are a part of, this Creditors' Plan as if set forth in full herein.

Dated: Wilmington, Delaware
May 6, 2002

**OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF MONTGOMERY WARD,
LLC, et al.**

By: s/ Stephen D. Spears
Stephen D. Spears
Acxiom Corporation
Chairman

Presented by:

s/ Derek C. Abbott

MORRIS, NICHOLS, ARSHT & TUNNELL

Robert J. Dehney (No. 3578)

Derek C. Abbott (No. 3376)

1201 North Market Street

Wilmington, Delaware 19899

(302) 658-9200

- and -

KRONISH LIEB WEINER & HELLMAN LLP

Lawrence C. Gottlieb (admitted pro hac vice)

Cathy Hershcopf (admitted pro hac vice)

1114 Avenue of the Americas

New York, New York 10036

(212) 479-6000

Co-Counsel for the Official Committee
of Unsecured Creditors of Montgomery Ward, LLC, et al.

EXHIBIT A

FORM OF PLAN ADMINISTRATION AGREEMENT

PLAN ADMINISTRATION AGREEMENT

THIS PLAN ADMINISTRATION AGREEMENT ("Plan Administration Agreement" or "Agreement") is made this ____ day of _____, 2002, by and among Montgomery Ward, LLC, et al., (collectively the "Debtors"), the Official Committee of Unsecured Creditors (the "Committee") of the Debtors and _____ as plan administrator (the "Plan Administrator").

RECITALS

The United States Bankruptcy Court for the District of Delaware has approved this Plan Administration Agreement which, among other things, established the PA Fund, as defined in, and as part of the implementation of the Plan of Liquidation of the Official Committee of Unsecured Creditors of Montgomery Ward, LLC, et al. Under Chapter 11 of the Bankruptcy Code dated as of January __, 2002 (the "Creditors' Plan").

DECLARATION OF PA FUND

NOW, THEREFORE, in order to declare the terms and conditions of the PA Fund and in consideration of the confirmation of the Creditors' Plan pursuant to the Bankruptcy Code and of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Debtors have executed this Plan Administration Agreement and absolutely assigned to the Plan Administrator and to his successors in trust, all right, title and interest of the Debtors and their Estates in and to the Fund Assets (as defined in the Creditors' Plan);

TO HAVE AND TO HOLD unto the Plan Administrator and his successors in trust, under and subject to the terms and conditions set forth herein and for the primary purpose of administering, collecting, liquidating and distributing the Fund Assets for the benefit of the holders of Allowed

Claims (as defined in the Creditors' Plan), and for the performance of and compliance with the terms hereof and of the Creditors' Plan;

PROVIDED, FURTHER, that upon termination of the PA Fund in accordance with Article VIII hereof, this Plan Administration Agreement shall be of no further force and effect;

IT IS HEREBY FURTHER COVENANTED AND DECLARED, that the Fund Assets are to be held and applied by the Plan Administrator in accordance with the Creditors' Plan and subject to the further covenants, conditions and terms set forth herein.

ARTICLE I

DEFINITIONS

1.1 *Defined Terms.* A term used in this Plan Administration Agreement that is not defined shall have the meaning ascribed to that term, if any, in the Creditors' Plan or in the Bankruptcy Code. The words "herein," "hereof," "hereto," "hereunder," and others of similar import refer to this Plan Administration Agreement as a whole and not to any particular article, section, subsection, or clause contained in this Plan Administration Agreement. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter.

ARTICLE II

APPOINTMENT OF PLAN ADMINISTRATOR

Appointment of Plan Administrator. Pursuant to the terms of the Creditors' Plan, the Committee has appointed the Plan Administrator to assume the duties as set forth herein as of the Effective Date.

ARTICLE III

DUTIES AND POWERS OF THE PLAN ADMINISTRATOR

3.1 *General Duties and Powers.* The Plan Administrator shall be deemed to be a representative of the Estates, with powers, including but not limited to, those powers described in section 1123 of the Bankruptcy Code. On and after the Effective Date the Plan Administrator in each instance, at the direction of the PA Committee, shall be empowered:

- (a) to take all steps and execute all instruments and documents necessary to effectuate this Plan Administration Agreement;
- (b) to sell, lease, dispose of, administer, collect, liquidate and disburse the Fund Assets in accordance with the provisions of this Plan Administration Agreement;
- (c) to pay all administrative expenses of the Plan Administrator;
- (d) to make distributions contemplated by the Creditors' Plan and this Plan Administration Agreement;
- (e) to comply with the terms of the Creditors' Plan and this Plan Administration Agreement;
- (f) to employ, retain or replace professionals to represent him with respect to his responsibilities;
- (g) to investigate Causes of Action assigned to the Plan Administrator;
- (h) to prosecute, litigate, settle, adjust, retain, enforce or abandon any Causes of Action assigned to the Plan Administrator, including any counterclaims to the extent such counterclaims are potential set-offs against the proceeds of any such Causes of Action;

(i) to make investments and maintain bank accounts as provided in this Plan Administration Agreement;

(j) to abandon Fund Assets;

(k) to purchase insurance; and

(l) to exercise such other powers as may be vested in the Plan Administrator pursuant to the Creditors' Plan or an order of the Bankruptcy Court or as necessary and proper to carry out the provisions of the Creditors' Plan and this Plan Administration Agreement.

3.2 *Initial Distribution.* On the Distribution Date, the Plan Administrator shall make (or cause to be made) the initial distribution to the holders of Allowed Claims as required by the terms and conditions of the Creditors' Plan.

3.3 *Subsequent Distributions.* Subject to the terms of the Creditors' Plan and this Plan Administration Agreement, the Plan Administrator shall make (or cause to be made) Subsequent Distributions of Available Cash to the holders of Allowed Claims. To the extent that holders of Allowed Claims have not received, at the time of any Subsequent Distributions, the full distribution of Cash to which such holders are entitled under the Creditors' Plan, the Plan Administrator shall also make Subsequent Distributions to such holders.

3.4 *Reports.* The Plan Administrator shall furnish to the PA Committee a report on a monthly basis on or about 25 days after the close of each month (the "Reporting Period"), or at such intervals as shall be agreed upon by the Plan Administrator and the PA Committee until the PA Fund is terminated. Such reports shall include for the Reporting Period: the status of litigation; a listing of Fund Assets remaining and those disposed of; the status of efforts to dispose of remaining Fund Assets; the PA Expenses incurred and/or disbursed; Subsequent Distributions made; and all other

information reasonably requested by the PA Committee. The Plan Administrator will provide the PA Committee with an annual budget/business plan and regularly report to the PA Committee on the status of said budget/business plan.

3.5 *Investments.* Funds constituting part of the Fund Assets (excluding Cash held in the Reserve Fund) shall accrue interest and shall be (i) invested by the Plan Administrator in (a) short-term direct obligations of, or obligations guaranteed by, the United States of America or (b) short-term obligations of any agency or corporation which is or may hereafter be created by or pursuant to an act of the Congress of the United States as an agency or instrumentality thereof; (ii) deposited in demand deposits at any bank or trust company, which has, at the time of the deposit, a capital stock and surplus aggregating at least \$1,000,000,000; or (iii) as otherwise directed by the PA Committee. Investments are not limited to those that would be permitted under section 345 of the Bankruptcy Code. The Plan Administrator shall be permitted, from time to time, upon approval of the PA Committee to invest all or a portion of the Cash in the Reserve Fund in United States Treasury Bills (or in a fund that invests substantially all of its assets in United States Treasury securities), interest-bearing certificates of deposit, tax exempt securities or investments permitted by section 345 of the Bankruptcy Code or otherwise authorized by the Bankruptcy Court, using prudent efforts to enhance the rates of interest earned on such Cash without inordinate credit risk or interest rate risk. All interest earned on such Cash shall in the first instance be returned to the Reserve Fund, and, after satisfaction of any expenses incurred in connection with the maintenance of the Reserve Fund, including taxes payable on such interest income, if any, such interest shall be transferred out of the Reserve Fund and shall be applied first to PA Expenses then to Available Cash.

3.6 *Claims Resolution.* The Plan Administrator shall coordinate with ACE and review Claims that are not Allowed Claims and shall, upon approval of the PA Committee, resolve such Claims through the claims objection process in accordance with the terms and conditions of the Creditors' Plan.

3.7 *No On-Going Business.* The Plan Administrator shall ensure that the PA Fund does not continue or engage in the conduct of a trade or business for Federal income tax purposes, except to the extent reasonably necessary to, and consistent with, the liquidation purpose of the PA Fund.

3.8 *Dissolution of Corporate Existence.* After the Effective Date, the Plan Administrator shall use his reasonable best efforts to dissolve the Debtors and any affiliates of the Debtors as soon as reasonably practical to the extent dissolution does not impair administration of the Creditors' Plan and this Agreement. In that connection, the Plan Administrator shall prepare and file all corporate resolutions, statements, notices, tax returns and other documents necessary to accomplish such dissolutions.

3.9 *Tax Matters.* It is intended that the PA Fund will be treated as a grantor trust of which the Debtors are the grantors. The Plan Administrator shall file all tax returns and other filings with the appropriate governmental authorities on behalf of the PA Fund and the Fund Assets, including, without limitation, tax returns for the PA Fund as required by law.

3.10 *Title.* Legal title to all Fund Assets shall be vested in the Plan Administrator, except that the Plan Administrator, upon approval of the PA Committee, shall have the power to cause legal title (or evidence of title) to any of the Fund Assets to be held by any nominee or Person to carry out the provisions of the Creditors' Plan or this Plan Administration Agreement.

3.11 *Committee Litigation.* The Plan Administrator shall not prosecute the Committee Litigation, but rather shall dispose of the proceeds thereof in accordance with this Plan Administration Agreement.

3.12 *Settlement of Causes of Action.* Bankruptcy Court approval for settlement of Causes of Action shall not be required. Notwithstanding Article III.1.h, any settlement of a Cause of Action involving an amount less than \$100,000 shall not require approval of the PA Committee.

ARTICLE IV

PLAN ADMINISTRATOR

4.1 *Resignation.* The Plan Administrator may resign by an instrument in writing signed by the Plan Administrator and filed with the Bankruptcy Court, provided that the Plan Administrator shall continue to serve as Plan Administrator after his resignation until the time when appointment of a successor Plan Administrator shall become effective in accordance with Article IV.2 hereof.

4.2 *Appointment of Successor Plan Administrator.* In the event of the death, resignation, incompetency or removal of the Plan Administrator, the PA Committee shall have the authority to select a successor Plan Administrator. Such appointment shall specify and establish the date on which such appointment shall be effective. Every successor Plan Administrator appointed hereunder shall execute, acknowledge and deliver to the Bankruptcy Court, to the retiring Plan Administrator and to the PA Committee an instrument accepting such appointment and shall, in such instrument, agree to be bound by this Agreement, and thereupon the resignation of the retiring Plan Administrator shall become effective and such successor Plan Administrator, without any further act, deed, conveyance or Bankruptcy Court order shall become vested with all rights, powers, trusts and duties of the retiring Plan Administrator.

4.3 *Removal.* The PA Committee may remove the Plan Administrator with or without cause.

4.4 *Fund Continuance.* The death, resignation, incompetency or removal of the Plan Administrator shall not operate to terminate the PA Fund created by this Plan Administration Agreement or to revoke any existing agency created pursuant to the terms of this Plan Administration Agreement or invalidate any action theretofore taken by the Plan Administrator. In the event of the resignation or removal of the Plan Administrator, such Plan Administrator shall promptly (i) execute and deliver such documents, instruments and other writings as may be reasonably requested by the successor Plan Administrator to effect the termination of the Plan Administrator's capacity under this Plan Administration Agreement and the conveyance of the Fund Assets then held by the Plan Administrator to his successor, (ii) deliver to the successor Plan Administrator all documents, instruments, records and other writings related to the PA Fund as may be in the possession of the Plan Administrator, and (iii) otherwise assist and cooperate in effecting the assumption of his obligations and functions by such successor Plan Administrator.

4.5 *Compensation.* The Plan Administrator shall be entitled to receive from Fund Assets compensation and reimbursement for his actual and necessary expenses reasonably incurred in connection with the performance of his duties hereunder. The terms of compensation for the Plan Administrator and for any successor Plan Administrator shall be determined by the PA Committee.

4.6 *Bond.* The Plan Administrator shall obtain a bond satisfactory to the PA Committee in favor of the PA Fund in an amount to be determined from time to time by the PA Committee, the cost of which bond shall be a PA Expense. The bond shall require thirty (30) days' notice to the PA Committee prior to termination or renewal.

ARTICLE V

PA COMMITTEE

5.1 *PA Committee.* The PA Committee shall be deemed to be a representative of the Estates with powers, including but not limited to, those powers described in section 1123 of the Bankruptcy Code. The PA Committee shall consist of no fewer than 3 members. If at least 3 members of the Committee do not agree to serve on the PA Committee, then the Committee shall select other Persons to serve on the PA Committee. Vacancies on the PA Committee shall be filled by the majority vote of the remaining members if they so choose, provided that there shall be no fewer than 3 members of the PA Committee. The PA Committee may, but is not required to, select a chairperson who shall have such duties as the PA Committee shall determine.

5.2 *Powers.* The PA Committee shall direct the Plan Administrator to carry out the provisions of the Creditors' Plan and this Plan Administration Agreement.. The PA Committee (a) shall retain the same professionals as the Plan Administrator, and (b) may retain separate counsel in the event of a conflict between it and the Plan Administrator. Except as otherwise expressly provided, nothing contained in this Agreement shall be construed to limit the PA Committee's right to take such actions as it deems to be in the best interests of Allowed Claims.

5.3 *Objections to Post-Confirmation Professional Fees.* The PA Committee is authorized to file with the Bankruptcy Court an objection to any invoice submitted by a Professional seeking the payment of fees or expenses incurred after the Confirmation Date but prior to the Effective Date.

5.4 *Compensation.* Each member of the PA Committee shall be entitled to receive from Fund Assets as a PA Expense reimbursement for its reasonable out-of-pocket expenses incurred in connection with the performance of its duties, which reimbursement shall not, without the approval

of the PA Committee, include the expenses for fees paid to either counsel or financial advisors retained by the individual member of the PA Committee.

5.5 *Conflicts of Interests.* In the event that any matter under review or consideration by the PA Committee may involve a conflict of interest with respect to any member, such member shall disclose such potential conflict, shall abstain from voting on the matter if determined by the PA Committee to involve a potential conflict of interest, and may be excluded by vote of a majority of the members then present and not subject to such conflict of interest from that portion of the meeting at which such matter is considered. Only for the purpose of a vote under this Article to exclude a member from a meeting, any member not allowed to vote shall be counted for a quorum. A determination of the existence of a conflict of interest shall be made by a majority of the members present who are not subject to the alleged conflict of interest.

5.6 *By-laws.* The PA Committee may establish by-laws containing additional terms and provisions, consistent with the terms of this Agreement, deemed appropriate by the PA Committee. Prior to the enactment of the by-laws, all actions of the PA Committee shall be by a majority vote of its incumbent members.

5.7 *Subcommittees.* The PA Committee may establish one or more subcommittees with such authority as shall be delegated to it.

ARTICLE VI

PROFESSIONALS

6.1 *Retention of PA Professionals.* Upon approval of the PA Committee, the Plan Administrator shall have the right to retain professionals including, without limitation, claims, disbursing and transfer agents, legal counsel, accountants, experts and other agents or advisors as

deemed appropriate (the "PA Professionals"). The PA Professionals shall be compensated in accordance with Article VI.3 of this Agreement. The PA Professionals so retained may be "interested" as that term is defined in the Bankruptcy Code and may include, without limitation, counsel and financial advisors of the Debtors, the Committee or any member thereof. Kronish, Lieb, Weiner & Hellman LLP ("KLWH") shall represent the Plan Administrator.

6.2 *PA Committee.* The PA Committee shall retain the same PA Professionals as the Plan Administrator. KLWH shall also represent the PA Committee. The PA Committee may, as provided in Article V.2 herein, retain separate counsel but only in the event of a conflict between it and the Plan Administrator.

6.3 *Payments.* After the Effective Date, the Professionals in the Chapter 11 Cases, and the PA Professionals retained by the Plan Administrator or by the PA Committee shall be required to submit reasonably detailed invoices on a monthly basis to the Plan Administrator, including in such invoices a description of the work performed, of the Professionals in the Chapter 11 Cases and the PA Professionals who performed such work, and the hourly rate of each such person, together with an itemized statement of expenses, with a copy to the members of the PA Committee. The Plan Administrator shall pay those invoices out of Fund Assets within thirty (30) days after receipt of such invoices, unless the PA Committee objects in writing to all or part of a invoice within 20 days of receipt of such invoices, or except as otherwise agreed by the PA Committee with the relevant Professional or PA Professional. If there is a dispute as to a part of an invoice, the undisputed portion shall be paid by the Plan Administrator. Any unresolved dispute as to a Professional's or PA Professional's invoice shall be resolved by the Bankruptcy Court.

ARTICLE VII

EXCULPATION PROVISIONS

7.1 *Exculpations.* The Plan Administrator, the PA Committee, and each member of the PA Committee shall be exculpated and not be liable for their respective acts and omissions performed or omitted in accordance with this Agreement except to the extent that such acts and/or omissions constitute bad faith, willful misfeasance, gross negligence or willful disregard of their duties. Except as aforesaid, the Plan Administrator, the PA Committee and the members of the PA Committee shall be entitled to be exculpated and indemnified from time to time from the Fund Assets against any and all losses, claims, costs, expenses and liabilities, arising out of or in connection with the Fund Assets, the affairs of the PA Fund, carrying out the provisions of the Creditors' Plan and this Agreement. The foregoing provisions of this Article shall also extend to the employees, agents and PA Professionals of the PA Administrator and the PA Committee.

ARTICLE VIII

PA FUND TERMINATION

8.1 *General.* The PA Fund shall terminate, if not terminated prior to that time as provided herein, six (6) years from date of this Agreement, but such time may be extended by the Bankruptcy Court upon motion by the Plan Administrator or the PA Committee. Any extension shall be approved by the Bankruptcy Court prior to the expiration of the current term.

8.2 *Early Termination.* The PA Fund shall terminate prior to the time prescribed in Article VIII.1 hereof if (a) all Allowed Claims have been paid in full; or (b) all Fund Assets have been distributed, expended or otherwise disposed of as provided herein. If there is an early

termination of the PA Fund, the Plan Administrator shall file a notice thereof with the Bankruptcy Court.

ARTICLE IX

MISCELLANEOUS

9.1 *Notices.* All notices, requests or other communications required or permitted to be made in accordance with this Plan Administration Agreement to the Plan Administrator shall be given in writing (delivered by hand or by certified mail, return receipt requested), or by telecopy as follows:

Plan Administrator and PA Committee
c/o Kronish Lieb Weiner & Hellman LLP
1114 Avenue of the Americas
New York, New York 10036
Attn: Lawrence C. Gottlieb, Esq.
Cathy Hershcopf, Esq.
Tel.: (212) 479-6000
Fax: (212) 479-6275

and Plan Administrator

9.2 *Effectiveness.* This Plan Administration Agreement shall become effective on the Effective Date of the Creditors' Plan.

9.3 *Counterparts.* This Plan Administration Agreement may be executed in one or more counterparts, all of which shall be taken together to constitute one and the same instrument.

9.4 *Governing Law.* Except to the extent governed by the Bankruptcy Code, this Plan Administration Agreement shall be governed by, construed under and interpreted in accordance with, the laws of the State of Delaware.

9.5 *Exclusive Jurisdiction and Standing.* As provided in Article XI of the Creditors' Plan, the Bankruptcy Court has exclusive jurisdiction over all controversies, suits and disputes that may arise under this Plan Administration Agreement. The PA Committee shall have standing in any such proceeding to enforce the Agreement with respect to the Plan Administrator and third parties and its rights hereunder.

9.6 *Severability.* Any provision of this Plan Administration Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable any such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have executed this Plan Administration Agreement or caused this Plan Administration Agreement to be duly executed by their respective representatives thereunto duly authorized as of the day and year first above written.

Montgomery Ward, LLC, et al.,
Debtor and Debtor in Possession

By: _____

Title: _____

The Official Committee of Unsecured Creditors of the Debtors

By: _____

Title: _____

The Plan Administrator hereby accepts the terms imposed by this Plan Administration Agreement upon the terms and conditions set forth herein.

_____, as Plan Administrator

_____, PA Committee Member

_____, PA Committee Member

_____, PA Committee Member

_____, PA Committee Member

_____, PA Committee Member