The Debtors are currently negotiating with the Internal Revenue Service the terms of the reversion of the plan assets to the Debtors. Although GE Capital asserts a Lien on the reversion of pension plan assets, which are expected to be $25 to $40 million depending on the level of federal excise taxes and should become available within six to nine months, it agrees that the taxes related to the reversion of the plan assets will be paid out of the proceeds of the assets before any net proceeds are distributed to GE Capital. There is no reversion of savings plan assets.

(f) **Termination of Supplemental Retirement Program**. By order dated January 24, 2001, the Bankruptcy Court authorized Wards to terminate its supplemental retirement arrangements, under which 88 former employees and spouses of former employees received monthly cash payments totaling approximately $775,000 per year. GE Capital agreed to the estimates the total actuarial liability, which it agreed to assume, is approximately $5 million. GE Capital tried to obtain subrogation rights in return for its agreement to assume these liabilities, but proceeded without subrogation rights after the Committee objected.

(g) **Termination of Savings Plan and Transfer of its Sponsorship to GE Capital, Its Affiliates, or Members of Its ERISA Controlled Group**. Before the Commencement Date, Wards maintained the Montgomery Ward Savings Plan (the "Savings Plan") in the ordinary course of business. The Savings Plan is a tax-qualified defined-contribution plan that provided cash payments to or on behalf of eligible participants on their retirement or separation from service. The Savings Plan provides eligible participants with an opportunity to make salary deferrals to the Savings Plan for which the Debtors provided matching contributions. Currently, approximately 10,900 individuals participate in the Savings Plan. By motion dated October 19, 2001, the Debtors sought authority to cease their participation in the Savings Plan and transfer their responsibilities for sponsorship and administration of the Savings Plan to GE Capital, any of its affiliates, or any member of its controlled group of corporations, as specified in section 4001(b) of the Employee Retirement Income Security Act of 1974, as amended. By order dated November 8, 2001, the Bankruptcy Court authorized the requested transfer of the Savings Plan.

(h) **Retiree Fund**. On March 12, 2002, the Bankruptcy Court approved a stipulation between the Retiree Committee, the GE Entities, and Wards establishing a medical benefit trust for their retirees called the Voluntary Employees' Beneficiary Association ("VEBA"). GE Capital or an affiliate shall pay the VEBA a settlement of $10 million within 14 days following the VEBA's receipt of a determination that the VEBA complies with the United States Internal Revenue Code. A VEBA trustee will act at the direction of a "benefits board" initially consisting of the Retirees' Committee or their designees.

(i) **Releases**. Under the Severance Order and the Retention Order all employees eligible to receive payments thereunder are required to sign a general release and agreement not to sue as a condition to receiving any payments authorized thereunder. In

furtherance of this, the Debtors have sent to all eligible former employees a copy of the release indicating that, on their signature, they would be entitled to receive payments for which they are eligible under the Severance Order or the Retention Order as appropriate. As of January 15, 2002, 57 former employees had not signed the release required by the Severance Order and 435 former employees had not signed the release required by the Retention Order. By order dated November 29, 2001, the Bankruptcy Court authorized the Debtors to send a final notice to those employees and former employees who are eligible to receive payments for accrued vacation benefits, payments under the Severance Order and payments under the Retention Order requesting that such employees and former employees, who have not already done so, sign and return the Release to the Debtors by January 15, 2002, or be barred from pursuing any Claims they may have against the Debtors and any related parties of the Debtors arising under the Severance Order and the Retention Order except to the extent that such employees and former employees have filed a timely proof of claim in these Cases.

9. **Termination of Pension Plans.**

Before the Commencement Date, Wards maintained two pension plans. The pension plans, one of which was a tax-qualified, defined-benefit, cash-balance plan (the "Wards Retirement Plan" or "WRP"), and the other of which was a traditional tax-qualified defined-benefit plan (the "Retiree/Terminated Associate Plan" or "RTAP"), provided retirement income in the form of cash payments to eligible participants and their beneficiaries on their retirement or death. The RTAP is essentially a trust holding the last remaining assets of the RTAP, which was terminated in 1999. Benefit accruals under the WRP ceased as of May 10, 2001.

No future benefits are accruing under the RTAP or the WRP. The RTAP has no benefit liabilities. The WRP has assets which exceed benefit liabilities accrued under the plan. After the payment of benefit liabilities and expenses, the RTAP and the WRP will hold, in the aggregate, approximately $52 million in assets (the "Excess Assets"). A portion of the Excess Assets may be used to provide additional benefits to the WRP plan participants. Thereafter, the Excess Assets will be distributed to the Debtors' Estates and will be subject to income taxes and potential excise taxes under the Internal Revenue Code. GE Capital asserts the right to receive payment of the Excess Assets remaining after applicable taxes are paid. The reversion of the Excess Assets will not affect Wards' current or former employees' benefits under the RTAP or the WRP. The liabilities under the RTAP were satisfied by the purchase of annuities from an insurance company, and the liabilities under the WRP will be satisfied by lump-sum distributions to the participants or the purchase of annuities to provide benefits.

Once the WRP and RTAP benefit liabilities and plan-related expenses have been paid out of the underlying trusts, the Debtors have indicated that they will request a distribution of the Excess Assets. On receipt of the Excess Assets, the Debtors will be required to pay applicable income and excise taxes. Within thirty (30) days of the first day of the month following the receipt of the Excess Assets, the Debtors will be required to file IRS Form 5330 ("Return of Excise Tax") and pay the applicable excise tax. In addition, the Debtors are required

to pay income tax, including federal, state and local tax, on the receipt of the Excess Assets. Applicable income tax on the Excess Assets, if any, will be paid in the ordinary course of the filing and payment of the Debtors' taxes. Payment of applicable taxes (whether income taxes or excise taxes) related to the Excess Assets will be made from the Excess Assets. GE Capital asserts that the Excess Assets remaining after payment of applicable taxes should be paid to GE Capital. The Debtors estimate that the remaining Excess Assets after payment of applicable taxes will be in the range of $25 million to $40 million. The Debtors are in discussions with the IRS to seek to be permitted to proceed with the distribution process.

10. **Credit Card Program.**

(a) **Terms of Credit Card Agreement.** GE Capital and its subsidiaries, Wards and Monogram/MWCC, entered into a Consumer Credit Card Program Agreement, dated as of January 2, 2000. Pursuant to the Consumer Credit Card Program Agreement, Monogram/MWCC has the exclusive right to operate its private label credit card program, engaging in the profitable business of issuing credit cards to Wards' customers. Monogram/MWCC advanced to Wards the face amount, less a discount, of the purchase price for goods and services sold to customers of Wards, its affiliates, and licensees who used the private label credit cards to pay for the sales. At the Commencement Date, Wards' private label credit cards carried approximately $2.2 billion in balances on approximately 2.8 million accounts. The Consumer Credit Card Program Agreement ran through December 31, 2015, subject to further extensions, unless earlier terminated by its terms.

(b) **Effect of Wards' Liquidation on Credit Card Program.** Pursuant to the Consumer Credit Card Program Agreement, Monogram/MWCC were not required to extend credit to card holders for any purchases at Wards during liquidation, GOB, or similar sales. Accordingly, Monogram/MWCC was not required to make credit available to the holders of Wards' private label cards during the GOB Sales. The Committee believes and asserts in the Committee Complaint that GE Capital reaped profits from Wards private label credit card program before the shutdown of Wards and further profited in the Wards liquidation by "flipping" the Wards private label credit card to Wal-Mart Stores. **(See paragraphs 187-218 of the Committee Complaint annexed hereto as Exhibit B for specific factual allegations regarding the private label credit cards.)**

(c) **Credit Card Stipulation.** Although the Consumer Credit Card Program Agreement gave broad rights to Monogram/MWCC in the event of a liquidation, immediately before the Commencement Date, GE Capital negotiated and caused Wards to enter into a stipulation affirming certain rights of GE Capital, approved by the Bankruptcy Court on December 29, 2000, as part of the 'first day' orders in the Chapter 11 Cases. Pursuant to the credit card stipulation, certain provisions were reaffirmed and approved on the Commencement Date, including:

- Holders of Wards' private label cards were permitted during the GOB sale to use their cards at Wards, subject to Monogram/MWCC's right to revoke authorization on three days' notice. (The Committee believes this ensured that GE Capital could maintain the utility of the cards for as much as three additional months while reserving the right to GE Capital to give the three-day notice.)

- All applications to open new credit cards were removed from Wards' stores and Monogram/MWCC opened no new accounts. Marketing and most (not all) promotions with respect to the credit cards were terminated.

- Monogram/MWCC were permitted to flip the existing accounts of some or all of its card holders by issuing replacement cards for use at other retailers of Monogram/MWCC's choice.

- Monogram/MWCC were permitted to set off and recoup charge-backs, returns, and adjustments, including those attributable to pre-Commencement Date sales if made or given by Wards or resulting from a Wards' error, thereby allowing Monogram/MWCC to mitigate its pre-Commencement Date losses with post-Commencement Date Sales.

- Monogram/MWCC were permitted to deduct a discount amount of 2% from their daily settlement payments to Wards for use of the Wards private label credit card during the GOB Sales.

- Monogram/MWCC were permitted to establish a reserve of up to $5 million for charge-backs, adjustments and other credits, plus in-store payments, from their settlement payments to Wards. Approximately $3.6 million was returned to the Estates on April 3, 2001, leaving $1.4 million used for pre-petition items. MWCC Filed an Administrative Expense Claim for additional chargebacks, adjustments and other credits.

(d) **Transfer of Credit Card Accounts to Wal-Mart**. Under the terms of the credit card stipulation, Monogram/MWCC issued Wal-Mart private label credit cards as replacement cards to holders of approximately 2.1 million Wards' private label credit cards. The aggregate existing balances on accounts covered by the new Wal-Mart cards were approximately $1.6 billion.

11. **Committee Litigation against GE Capital.**

In discharging its obligations under the Bankruptcy Code as a fiduciary for unsecured creditors of the Debtors in these Chapter 11 Cases, the Committee undertook an extensive investigation under Rule 2004 of the Federal Rules of Bankruptcy Procedure (the "2004 Investigation"). The Committee was authorized to conduct such an investigation by section 1103(c) of the Bankruptcy Code and pursuant to consensual stipulations between the Debtors, the Committee, and GE Capital. The Committee's professionals reviewed voluminous quantities of documents produced by GE Capital, the Debtors and others, and conducted numerous sworn oral examinations of witnesses provided by the Debtors and GE Capital, and a number of unsworn interviews as part of the 2004 Investigation.

The Committee ultimately concluded, unanimously, that facts existed to support allegations of complete dominion and control of the Debtors by GE Capital and pervasive misconduct and exploitation of the Debtors and their unsecured creditors by GE Capital in furtherance of its own economic interests and in derogation of its legal duties to creditors of the Debtors, during a period when, the Committee believes, the Debtors were insolvent and undercapitalized. **(For additional information on the merits of the Committee Complaint and the risks of litigation, see the introductory section above as well as Article IV, Section A, of this Creditors' Disclosure Statement. The Committee Complaint may be reviewed in its entirety and may be found at Exhibit B.)** The Causes of Action the Committee asserts, on behalf of the Debtors' Estates, against GE Capital include, without limitation, those for (i) equitable subordination of the GE Entities' Secured and Unsecured Claims and avoidance of GE Capital's asserted Liens on the Debtors' assets; (ii) recharacterization of its Secured and Unsecured Claims as equity investments, and (iii) recovery of fraudulent transfers of various assets of the Debtors (particularly but not exclusively relating to benefits received by GE Capital and Monogram/MWCC from the promotion and operation of the Wards' private label credit card program, and their subsequent flip of the credit card portfolio after shutting down Wards' operations) without reasonably equivalent value or fair consideration, and with intent to hinder, delay, or defraud other creditors of the Debtors.

The Committee filed a Committee Complaint against GE Capital and certain of its affiliates on January 18, 2002. **(See the Committee Complaint at Exhibit B.)** If the Creditors' Plan is confirmed, the Committee will pursue the Committee Litigation vigorously for the benefit of the Debtors' Estates. If successful in most respects, the lawsuit would result in a distribution to general Unsecured Creditors of 100% of their allowed claims. **Any litigation is inherently unpredictable and therefore, difficult to quantify. Therefore, it is possible that the lawsuit may generate less funds than may be required to pay unsecured creditors in full. See Article IV, section A, of this Creditors' Disclosure Statement, below, for a description of the claims asserted by the Committee on behalf of the Debtors' Estates against the GE Entities, and a discussion of the merits and risks of the Committee Litigation. See Exhibit E for an estimate of the ranges of recovery on General Unsecured Claims depending on the varying outcomes of the Committee Litigation.**

D. Claims and Bar Date

1. **Schedules and Statements.** On February 20, 2001, the Debtors Filed their respective Schedules of assets and liabilities and statements of financial affairs with the Bankruptcy Court.

2. **Bar Date for Claims and Administrative Claims; Supplemental Bar Date.** Bankruptcy law provides for claims arising before the commencement of a bankruptcy case to be asserted by either or both of two methods. First, a creditor may file a proof of claim with the bankruptcy court on the official form to be provided to known creditors for that purpose. Second, a creditor is excused from the requirement of filing a proof of claim if the creditor's claim is listed in the schedules of liabilities and is not listed as disputed, unliquidated, or contingent.

By order dated April 27, 2001, the Bankruptcy Court established July 3, 2001 (the "Bar Date"), as the date by which, with certain specified exceptions, all creditors must file (a) proofs of their Claims and (b) requests for payment of their Administrative Expense Claims for the period from December 29, 2000, through April 30, 2001, with the Debtors' claim and noticing agent, Logan & Company, Inc., or, in each case, be barred from asserting any such Claim against the Debtors and from voting on or receiving distributions under a confirmed chapter 11 plan in these Cases. Certain creditors (such as those holding a Claim scheduled by the Debtors and not listed as disputed, contingent, or unliquidated and who do not dispute the amount of the scheduled Claim, and creditors holding Claims previously paid or Allowed by an order of the Bankruptcy Court) were not required to file proofs of Claim or requests for payment. In addition, the Bar Date order provided that proofs of Claim for any Claim arising out of rejection of an executory contract or unexpired lease must be filed by the later of the Bar Date or 30 days after the effective date of the rejection. The Debtors caused notice of the Bar Date to be served on all of their known creditors as required by the Bar Date order.

By order dated December 6, 2001, the Bankruptcy Court established a supplemental bar date of January 18, 2002 (the "Supplemental Bar Date"), for approximately 2,000 additional claimants, primarily tort claimants and customers with alleged contract Claims against the Debtors who were believed not to have received actual notice of the original Bar Date.

Under the Creditors' Plan, Administrative Expense Claims not subject to the Bar Date but arising 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. All final requests for compensation or reimbursement of Professionals under sections 327, 328, 330, 331, 503(b), or 1103 of the Bankruptcy Code for services rendered to the Debtors or the Committee before 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.

In general, bankruptcy courts strictly enforce deadlines for the assertion of claims. Therefore, Claims required to be Filed by the above-stated deadlines but not so Filed will generally be disallowed and will not be paid even if the Claims reflected therein would otherwise have been entitled to recovery.

3. **Special Bar Date for Retiree Claims**. As previously described, the Bankruptcy Court extended the Bar Date for 90 days from July 3, 2001, through and including October 1, 2001, for retirees to file all claims arising from or in connection with the termination of their benefits. On or before October 1, 2001, about 200 retirees filed proofs of Claim in amounts totaling about $4 million.

4. **Claims Filed Against Debtors**. On or before the Bar Date, approximately 39,300 proofs of Claim and requests for payment of Administrative Expense Claims (collectively, the "Filed Claims"), asserting approximately $4.6 billion in the aggregate, were Filed against the Debtors. The breakdown of the Filed Claims is as follows (Claim numbers and dollar amounts are approximate):

- 32,338 Filed Claims asserting $5,000 or less, totaling $13,480,361;
- 753 Filed Claims for over $5,000 but under $10,000, totaling $5,387,129;
- 15,228 Filed Claims for over $10,000, totaling $768,361,855; and
- 2,446 unliquidated but with minimum dollars specified Filed Claims asserting $2,198,350,159 (includes BT and GE unliquidated claims)

5. **Reconciliation of Claims and Retention of Claim Professionals**. Due to the unusually large number of Claims anticipated and filed in these Cases, the Committee engaged as claim resolution consultant Robert N. Saraceni, whose retention was approved by order of the Bankruptcy Court dated May 17, 2001. With his assistance, the Committee researched, interviewed and negotiated with the claims administrator chosen by the Debtors and GE Capital to reconcile, develop objections to, and resolve Claims. Under a Claims Administration Agreement approved by the Bankruptcy Court in an order dated June 27, 2001, the Debtors retained ACE American Insurance Company ("ACE") as administrator to review and reconcile the Filed Claims (other than those of the GE Entities and certain other excluded Claims). ACE was the claims administrator in Wards I as well although their role and compensation was different. The Debtors and the Committee jointly retained the law firm of Jones, Day, Reavis & Pogue as Claims Counsel to assist ACE in prosecuting and settling objections.

If a Claim has been properly asserted, it will be Allowed unless an objection is timely Filed by an interested party. Several omnibus objections relating to various categories of

claims were filed in the last quarter of 2001 and the first quarter of 2002. By motion dated October 5, 2001, the Debtors sought an order disallowing duplicate Claims in an aggregate amount of at least $430.5 million and certain additional categories of Claims described below. By orders dated November 8 and 29 and December 6, 2001, the Bankruptcy Court disallowed (a) duplicative Claims, (b) certain Claims discharged under the Wards I Plan, (c) certain scheduled Claims amended and superseded by Filed Claims, (d) certain improperly scheduled tax Claims, (e) certain Filed Claims subsequently amended and superseded, (f) Claims released by employees, and (g) Claims in excess of the amounts set forth in the Schedules, in an aggregate amount of approximately $3.6 billion.

Before the Effective Date, the Debtors and the Committee have the right to object to Claims. On and after the Effective Date, the PA Committee and the Plan Administrator have the right to object to any and all Claims scheduled or filed in the Cases for at least 180 days after the Effective Date of the Plan, which date may be extended without further approval of the Bankruptcy Court for an additional sixty (60) days with the consent of the PA Committee. Objections may include requests for verification of Claims scheduled by the Debtors from creditors who have not filed proofs of claim. If an objection is made to a Claim, the claimant will have an opportunity to submit a response and to be heard by the Bankruptcy Court. The Plan provides that no distribution will be made on account of any Disputed Claim unless and until such Claim becomes an Allowed Claim.

The Bankruptcy Code provides that any party in interest may move to estimate for purposes of distribution the amount of any contingent or unliquidated claim, if liquidation of the claim would unduly delay administration of the case. Disputed Claim Reserve(s) for contingent, unliquidated, or disputed Claims will be based on the amount, if any, determined by the final order resolving the request for estimation, or by agreement before the Effective Date among the Debtors, the Committee, and the Claim holder and on and after the Effective Date among the Plan Administrator, the PA Committee and the Claim holder. In objecting to Claims, the parties shall not be restricted by the characterization of any debt as stated in the schedules of liabilities and statement of financial affairs filed by the Debtors.

6. **ADR Procedures.** By order dated August 24, 2001, the Bankruptcy Court authorized the Debtors and the Committee to employ alternative dispute resolution ("ADR") procedures to assist in the resolution of certain Filed Claims. In the ADR process, subject to specified procedures, certain claimants may have their Claims mediated in a non-binding process, followed by the opportunity to enter binding arbitration. The Debtors and the Committee believe the ADR program will result in significantly faster and more efficient resolution of voluminous categories of Claims.

The ADR procedures apply to all Filed Claims (other than those of the GE Entities and certain additional excluded claims) that the Debtors and the Committee believe should be liquidated under the ADR procedures. A particular Filed Claim will be liquidated through ADR following the Debtors' service of an ADR notice on the claimant, subject to

procedures specified in the ADR order. The vast majority of the ADR Claims are expected to consist of tort-related and employment-related Claims. By consent of the Debtors and the Committee, and in light of the enormous volume of Claims scheduled and Filed in the Cases, ACE was delegated limited authority to settle certain categories and amounts of Disputed Claims in order to expedite resolution of objections and the progress of the Cases.

7. **Reclamation Claims**. The Debtors sought and obtained an order of the Bankruptcy Court establishing reclamation procedures as part of their portfolio of first day motions. The Administrative Expense Claims of creditors exercising their right of reclamation under section 546(c) of the Bankruptcy Code (which generally permits certain sellers of goods to exercise their right to reclaim goods shipped to the debtor within certain limited periods of time) were made subject to the right of other parties (including GE Capital) to contest the extent, validity, and enforceability of those claims.

As part of the Claims reconciliation process, the Debtors determined that approximately $9 million was owed to the reclamation claimants. GE Capital asserts that the goods reclaimed were fully encumbered by a first priority Lien and security interest in favor of GE Capital, which were superior to reclamation Claims. GE Capital further contends that because the Tranche B lender proved to have been undersecured in light of the results of the GOB Sales, that the Debtors and, thus, the reclamation claimants lacked any equity in the goods reclaimed. By motion, dated January 11, 2002, the Debtors and GE Capital jointly moved to eliminate the priority of remaining Administrative Expense Claims of the reclamation claimants. If the motion is granted, reclamation claimants (except for sellers who actually reclaimed their goods from the Debtors before liquidation in the GOB Sales) will have the same priority as that of General Unsecured Claims in these Cases. However, the Bankruptcy Court has not ruled on the motion, which motion was adjourned until June 14, 2002.

E. Exclusive Periods

Under section 1121 of the Bankruptcy Code, only the debtor may file a plan of reorganization during the 120-day period following the commencement of a chapter 11 case. If the debtor files a plan, only the debtor may solicit acceptances of the plan, and no other party may file a competing plan, during the 180-day period following the commencement of the case. On request of a party in interest, the court, for cause, may increase or reduce the foregoing periods. By order dated April 27, 2001, the Debtors' exclusive period to file a plan was extended to October 29, 2001, and their exclusive solicitation period to December 24, 2001, without prejudice to further extensions. By bridge order dated October 25, the exclusive filing period was extended through November 8, 2001, on which date it terminated with Bankruptcy Court approval on consent of the Debtors, the Committee, and GE Capital.