ARTICLE IV

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.

A. $500 Million Lawsuit Against GE Capital And the GE Entities.

1. **The Committee Complaint.** 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, and (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. **Although the outcome of any litigation is uncertain, the Committee believes in the strength of the Causes of Action asserted against GE Capital and the other GE Entities in the Committee Complaint. If successful, in most respects, the lawsuit would result in a distribution to General Unsecured Creditors of 100% of their Allowed Claims. If less than successful, however, the lawsuit could result in a distribution to General Unsecured Creditors of substantially less than 100% of their Allowed Claims. See Exhibit E for a range of recoveries.**

2. **Basis of the Committee Complaint, The Manipulation of Wards for the Benefit of GE Capital and the GE Entities.** The introduction to the Committee Complaint summarizes the basis for the Committee's lawsuit against the GE Entities as follows:

> In August 1999, Wards emerged from bankruptcy as an undercapitalized, wholly owned subsidiary of GE Capital. In the sixteen months that followed, fully aware of Wards' insolvency, GE Capital and certain of the GE Entities (collectively, the "Defendants") leveraged their influence, and utilized every

imaginable method, to squeeze out of Wards all of the economic benefits they could take for themselves, without regard to the consequences to Wards and its creditors. Among other things, Defendants intentionally misled creditors and manipulated Wards' financial structure and the timing of Wards' second bankruptcy filing to benefit their own credit card and marketing businesses and to offset taxable gains on the sale of a major asset by General Electric Company, GE Capital's ultimate parent.

The December 1999 holiday season -- the first one following Wards' emergence from bankruptcy -- was a disaster. It soon became clear that GE Capital's silver bullet for Wards – a store remodeling program – would not be sufficient to stem the tide of Wards' losses. In the first six months of 2000, Wards lost hundreds of millions of dollars. By June, its capital structure was decimated. In the face of all of this, GE Capital's principal person in charge of the Wards' investment accurately concluded in early June 2000 that Wards was a dying retailer whose only realistic option was liquidation and that anything short of that was, in his words, like "rearranging the deck chairs on the Titanic."

Unfortunately for Wards' creditors, that conclusion was shared with no one outside of the Defendants' close circle of executives. With only GE Capital at the helm, and with the fatal iceberg clear in its view for month after month, GE Capital slowed down the doomed ship until December 28, 2000, for the sole purpose of benefitting itself and its affiliates.

Thus, GE Capital delayed Wards' inevitable demise by knowingly misleading creditors as to the Debtors' financial condition and misrepresenting GE Capital's long-term support for Wards. For example, GE Capital never disclosed that it had determined that Wards needed $400 to $550 million in equity to survive in 2001, an amount GE Capital knew neither it, nor anyone else, would ever invest. Indeed, GE Capital caused Wards to advise the creditors, pursuant to vendor letters, of just the opposite: that GE Capital would be a stalwart supporter of Wards. Relying on such disinformation, Wards' creditors were convinced to extend hundreds of millions of dollars in unsecured credit to the Debtors, while GE Capital stood by knowing that the creditors would never be paid in full.

Rather than risk the equity investment it believed was required to save Wards, GE Capital provided Wards with just enough cash to operate so that the Defendants could implement their scheme. GE Capital made millions of dollars of "loans" to Wards secured by Wards' real estate, thereby creating the fiction that GE Capital, the parent, was financially supporting Wards. The effect of these purported loans was to delay Wards' inevitable bankruptcy while at the same time diminishing the value of the Debtors' Estates by a sum in excess of $140 million.

The delays thus created by the Defendants permitted GE Capital the time it needed to first, increase its private label credit card business, and then second, "flip" Wards' credit card customers to a solvent retailer in the GE Capital credit card portfolio. But for the needs of General Electric Company, GE Capital's ultimate parent, the bait and flip scheme might have continued into 2001. GE Capital finally caused Wards to file for bankruptcy in the last week of December 2000, in time for General Electric Company to offset a $1.3 billion gain it had realized from its sale of common stock in Paine Webber Group, Inc.

3. **Prosecution and Risks of the Committee Complaint.** On January 18, 2002, the Committee Complaint was filed with the Bankruptcy Court and served on the defendants, who subsequently filed and served an answer. On April 4, 2002, the Bankruptcy Court issued a case management order with respect to, among other things, pre-trial procedures such as production and exchange of relevant documents, depositions of parties with knowledge of relevant facts, and service of interrogatories concerning the issues in the lawsuit, conferences among the parties and with the Bankruptcy Court, substantive, procedural, and evidentiary motions, and other procedures permitted under the Federal Rules of Bankruptcy Procedure. Unless there is a settlement (which would be subject to the Bankruptcy Court's approval), trial of the lawsuit is to occur on June 24, 2003.

The Committee understands that the lawsuit commenced by filing of the Committee Complaint, and any other legal actions the Committee chooses to file, may be relatively complex and, unless settled, may not be resolved before trial. The cost to the Debtors' Estates to conclude the litigation cannot now be accurately quantified. This is especially so in light of the massive economic and other resources of the GE Entities, who have pledged to vigorously contest the Committee's allegations. **Ultimate recoveries to General Unsecured Creditors will be highly dependent on the outcome of the litigation against the GE Entities. If the allegations of the Committee Complaint are not sustained, the**

recoveries of Class 3B (General Unsecured Claims) will be substantially diluted by the Claims of the GE Entities, which would then represent more than half of estimated Allowed General Unsecured Claims.

Recoveries to General Unsecured Creditors may range from a low of approximately four percent (4%) if the Committee Litigation were completely unsuccessful and the Estates' recoveries of preferential transfers from potential Avoidance Actions against parties other than the GE Entities did not exceed $20 million, to a high of full (100%) payment to General Unsecured Creditors if the Committee Litigation were entirely successful. The Committee Complaint may be sustained on some of the grounds asserted but not others, or the Committee may recover some but not all of the damages demanded. For example, the Committee could obtain an order subordinating the Claims of the GE Entities to General Unsecured Claims, or the Bankruptcy Court could find that some or all of the Secured Claims asserted by the GE Entities were in reality General Unsecured Claims or contributions of equity capital to the Debtors, and should be recharacterized as such for Distribution purposes. Yet, at the same time the Bankruptcy Court may award some (or none), but not all of the monetary damages sought. As of the date of this Creditors' Disclosure Statement, when the total amount of Allowed Claims is not yet known, the effect of such rulings, or others, on Distributions on account of General Unsecured Claims cannot be accurately quantified. The Bankruptcy Court is a court of equity and many variations in the relief granted are possible, depending on the facts proven at trial and the Bankruptcy Court's views of an equitable result. Therefore, the Creditors' Plan cannot guarantee Creditors, in advance, a recovery of any particular amount. Creditors should consult the chart annexed as Exhibit E for an illustrative summary of some possible outcomes.

The Committee and its professionals thoroughly studied the factual and legal basis for the Committee Complaint before the Committee Complaint was filed. Their review included extensive inspection of voluminous documents that the GE Entities and the Debtors were required to produce to the Committee as part of the 2004 Investigation, which provided clear documentary evidence with respect to the GE Entities' pre-bankruptcy relationship and transactions with the Debtors. In connection with their documentary review, counsel for the Committee also conducted numerous sworn and unsworn oral examinations of personnel associated with the GE Entities and the Debtors. The fees incurred by the Committee for their legal, financial and forensic professionals for the 2004 Investigation which began in March 2001, the preparation of the Committee Complaint, the preparation of the Bankruptcy Court approved mediation and the preparation for the litigation thereafter were approximately three million dollars through March 31, 2002. As a result of the 2004 Investigation and extensive

review and discussion, and despite the substantial resources of the GE Entities and the inherent uncertainty of litigation, the Committee is convinced of the merits of the allegations contained in the Committee Complaint and strongly believes that prosecution of the Committee Complaint will maximize General Unsecured Creditors' ultimate recoveries. The Committee's decision to file and prosecute the Committee Complaint was unanimous.

To reduce the continued expense of pursuing litigation against the GE Entities, and to partially link the legal expenses to be incurred in pursuing the Committee Litigation to the ultimate success of the litigation, on April 19, 2002, the Committee filed with the Bankruptcy Court an application to modify the hourly fee-based compensation arrangement of its lead counsel, Kronish Lieb Weiner & Hellman LLP ("Kronish"). Solely for purposes of future services rendered in prosecuting the Committee Complaint and any related legal actions, and subject to the approval of the Bankruptcy Court, lead counsel would be paid 75% of its hourly fees, plus a contingency fee approved by the Bankruptcy Court in lieu of the remaining 25% of its hourly fees. The contingent fee portion of counsel's prospective compensation would depend on the success of the Committee Litigation. It provides for reduced compensation to counsel unless the Committee Litigation is successful and would, if approved, reduce the hourly litigation expense to the Debtors' Estates from prosecuting the Committee Complaint. The purpose of the contingent fee arrangement is to vest Kronish in the outcome of the Committee Litigation. If the Committee Litigation is unsuccessful, Kronish would receive only 75% of its hourly fees relating to these future services and no contingent fee. If the Committee Litigation is successful, Kronish would receive a contingent fee based on a sliding scale of no more than five percent of the additional cash collected by the Estates in excess of the $26.5 million settlement offer made by GE Capital in its plan, capped at a premium over Kronish's lodestar fees and subject to the Bankruptcy Court's review and approval. GE Capital objects to this proposed arrangement on numerous grounds.

B. 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.

C. 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 to the Creditors' Plan 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 the 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 the Distribution Date or a Subsequent Distribution Date in accordance with the terms of the Creditors' Plan and the Plan Administration Agreement to the extent not already satisfied.

D. 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.

E. Acquisition of Plan Assets and Administrative Obligations.

1. 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.

2. 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.

F. 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, which the Committee estimates will be 4% to holders of Allowed General Unsecured Claims. 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 a reserve for Class 4A and 4B Subordinated Secured and Unsecured Claims of the GE Entities pending the progress and outcome of the Committee Litigation, which may be in excess of fifty percent of the cash available for distribution to General Unsecured Creditors.

If the Committee Litigation is unsuccessful in respect of subordination or recharacterization of Class 4A Claims, holders of Allowed Class 4A Claims 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 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.

The Committee presently anticipates that Subsequent Distribution Dates shall occur at approximately six (6)-month intervals after the Distribution Date depending on when proceeds of unencumbered assets, including, without limitation, the Committee Litigation, are collected. The timing of the occurrence of Subsequent Distribution Dates may be affected by availability of Fund Assets for distribution from time to time, particularly in light of resolution of Disputed Claims and events occurring in the Committee Litigation and the Estates' recoveries from Avoidance Actions. Timing of the progress and conclusion of the Committee Litigation is not susceptible of prediction. Subsequent Distribution Dates may occur more or less frequently than predicted. Subsequent Distributions may not be made, depending primarily on the progress and outcome of the Committee Litigation. However, the Committee believes the allegations of the Committee Complaint are meritorious and that prosecution thereof is best calculated to maximize total recoveries by holders of General Unsecured Claims in the Chapter 11 Cases. 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 VI hereof.

G. 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.

H. No Revesting of Assets.

The property of the Debtors' Estates shall not revest 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 the Creditors' Plan, the Plan Administration Agreement and the Confirmation Order.

I. Substantive Consolidation of the Debtors.

As part of the Creditors' Plan confirmation process, the Committee is requesting, pursuant to sections 105(a) and 1123(a)(5)(C) of the Bankruptcy Code, that the Bankruptcy Court authorize Substantive Consolidation of all Debtors for all purposes related to the Creditors' Plan, including for purposes of voting, confirmation, distribution to Creditors and Interest holders, and administration, on the Effective Date of the Creditors' Plan. Although confirmation of the Creditors' Plan is predicated upon Substantive Consolidation of all Debtors, the Committee will seek Bankruptcy Court approval of the Creditors' Plan even in the absence of obtaining approval of the Debtors' Substantive Consolidation.

Substantive consolidation is an equitable remedy that a bankruptcy court may be asked to apply in chapter 11 cases involving affiliated debtors. Substantive consolidation involves the pooling of the assets and liabilities of the affected debtors. All of the debtors in the substantively consolidated group are treated as if they were a single corporate and economic entity. Consequently, a creditor of one of the substantively consolidated debtors is treated as a creditor of the substantively consolidated group of debtors and issues of individual corporate ownership of property and individual corporate liability on obligations are ignored. Substantive consolidation of two or more debtors' estates generally results in the deemed consolidation of the assets and liabilities of the debtors, the deemed elimination of intercompany claims, subsidiary equity or ownership interests, multiple and duplicative creditor claims, joint and several liability claims and guarantees, and the payment of allowed claims from a common fund.

In the present circumstances, the purpose of Substantive Consolidation is to treat Claims against the Debtors in the same manner, to eliminate cross-corporate guaranties by one Debtor of the liabilities of other Debtors, to eliminate duplicate Claims against more than one Debtor, claims asserting joint and several liability by multiple Debtors, and Intercompany Claims among the Debtors, all of which would be dilutive of the amounts ultimately payable to holders of Allowed General Unsecured Claims against the Debtors due to a multiplicity of Claims based

upon the same transaction or obligation or based upon Intercompany indebtedness. The Committee believes Substantive Consolidation is warranted in light of the criteria established by the courts in ruling on the propriety of Substantive Consolidation in other cases.

As noted above, 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, the 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.

J. 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 the Committee Litigation in this 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 any portion 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.

K. 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 the 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 V

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. 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 before 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 before the Confirmation Date. Any order entered after the Confirmation Date by the Bankruptcy 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 before the Confirmation Date.

B. 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, Section 6.1 of the Creditors' Plan.

C. Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Creditors' Plan.

Claims arising out of the rejection of an Executory Contract or Unexpired Lease pursuant to the 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' Estates.