

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

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

KRONISH LIEB WEINER & HELLMAN LLP
Lawrence C. Gottlieb
Cathy Hershkopf
1114 Avenue of the Americas
New York, New York 10036
(212) 479-6000

MORRIS NICHOLS ARSHT & TUNNELL
Robert J. Dehney
Derek C. Abbott
1201 North Market Street
Wilmington, Delaware 19899
(302) 658-9200

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

Dated: May 6, 2002

DISCLAIMER

ALL HOLDERS OF CLAIMS WHO ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE CREDITORS' PLAN ARE ADVISED AND ENCOURAGED TO READ THIS CREDITORS' DISCLOSURE STATEMENT IN ITS ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE CREDITORS' PLAN. THE HOLDERS OF CLASS 4A and 4B CLAIMS AND CLASS 5 INTERESTS WILL NOT RECEIVE OR RETAIN ANY PROPERTY UNDER THE PLAN, ARE DEEMED UNDER SECTION 1126(g) OF THE BANKRUPTCY CODE TO HAVE REJECTED THE CREDITORS' PLAN, AND ARE NOT ENTITLED TO VOTE ON THE CREDITORS' PLAN. THE STATEMENTS CONTAINED IN THIS CREDITORS' DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF.

THIS CREDITORS' DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(c) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE LAW.

IN PREPARING THIS CREDITORS' DISCLOSURE STATEMENT THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS HAS RELIED ON CERTAIN HISTORICAL AND FINANCIAL INFORMATION CONTAINED WITHIN THE DEBTORS' DISCLOSURE STATEMENT WITH RESPECT TO THE JOINT PLAN OF LIQUIDATION DATED MARCH 1, 2002, FILED BY THE DEBTORS AND GE CAPITAL.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, THE COMMITTEE LITIGATION, CAUSES OF ACTION AND OTHER ACTIONS OR THREATENED ACTIONS, THIS CREDITORS' DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS.

THE INFORMATION CONTAINED IN THIS CREDITORS' DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE CREDITORS' PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE CREDITORS' PLAN. THE DESCRIPTIONS SET FORTH HEREIN OF THE ACTIONS, CONCLUSIONS OR RECOMMENDATIONS OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OR ANY OTHER PARTY IN INTEREST, HAVE BEEN SUBMITTED TO OR APPROVED BY SUCH PARTY, BUT NO SUCH PARTY MAKES ANY REPRESENTATION REGARDING SUCH DESCRIPTIONS.

THIS CREDITORS' DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY, NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE LIQUIDATION AS TO HOLDERS OF CLAIMS AGAINST, OR INTERESTS, IN THE DEBTORS.

TABLE OF CONTENTS

ARTICLE I

INTRODUCTION	1
A. Definitions	4
B. Notice To Creditors And Holders Of Interests	4
C. Voting Procedures, Ballots, And Voting Deadline	5
D. Solicitation And Right To Vote On The Plan	6
E. Creditors' Disclosure Statement Enclosures	8
F. Confirmation Hearing	8

ARTICLE II

OVERVIEW OF THE DEBTORS AND THEIR BUSINESSES; <u>DESCRIPTION OF EVENTS LEADING TO COMMENCEMENT OF THE CASES</u> .	9
A. Background	9
B. The Debtors' Chapter 11 Cases	11
1. Operations	11
2. Professionals	11
3. Formation of Creditors' Committee	11
4. Formation of Retiree Committee	12
C. Major Chapter 11 Matters	12
1. 'First Day' Orders	12
2. Sale of Inventory	12
3. Sale of Real Estate	13
(a) Sale of Right to Market Debtors' Real Estate	13
(b) Summary of Pertinent Terms of Designation Rights Agreement	13
(c) Sale Results To Date	15
(d) Lease Rejections and Other Dispositions	15
4. Sale of Furniture, Fixtures, and Equipment	16
5. Sale of Other Property	16
6. Use of Cash Collateral	16
(a) Debtors' Use of Cash Collateral.	17
(b) Termination of Cash Collateral Agreement; Implementation of Wind-Down Budget	17
(c) Investigation of BT Commercial's Liens	17
(d)	18
Letters of Credit	18
7. Adequate Protection Required by GE Capital	18
8. Employee and Retiree Matters	18
(a) Payment of Pre-Commencement Date Wages, Salaries, and Benefits	18

	(b)	Payment of Pre-Commencement Date Severance Claims	19
	(c)	Retention Program	19
	(d)	Termination of Retiree and Active Employee Benefit Plans . . .	20
	(e)	Termination of Pension and Savings Plans	20
	(f)	Termination of Supplemental Retirement Program	21
	(g)	Termination of Savings Plan and Transfer of its Sponsorship to GE Capital, Its Affiliates, or Members of Its ERISA Controlled Group	21
	(h)	Retiree Fund	21
	(i)	Releases	21
9.		Termination of Pension Plans	22
10.		Credit Card Program	23
	(a)	Terms of Credit Card Agreement	23
	(b)	Effect of Wards' Liquidation on Credit Card Program	23
	(c)	Credit Card Stipulation	23
	(d)	Transfer of Credit Card Accounts to Wal-Mart	24
11.		Committee Litigation against GE Capital	24
D.		Claims and Bar Date	26
	1.	Schedules and Statements	26
	2.	Bar Date for Claims and Administrative Claims; Supplemental Bar Date	26
	3.	Special Bar Date for Retiree Claims	27
	4.	Claims Filed Against Debtors	27
	5.	Reconciliation of Claims and Retention of Claim Professionals	27
	6.	ADR Procedures	28
	7.	Reclamation Claims	29
E.		Exclusive Periods	29
F.		Avoidance Actions: Fraudulent Transfers and Preferences	30
	1.	Fraudulent Transfers	30
	2.	Preferences	30

ARTICLE III

		SUMMARY OF THE CREDITORS' PLAN OF LIQUIDATION	31
A.		Introduction	31
B.		Overview	33
C.		Summary Of Classification And Treatment Of All Claims And Interests Under The Creditors' Plan	33

ARTICLE IV

MEANS FOR IMPLEMENTATION AND EXECUTION
OF THE CREDITORS' PLAN

		39
A.		\$500 Million Lawsuit Against GE Capital And the GE Entities.	39
	1.	<u>The Committee Complaint</u>	39

2.	<u>Basis of the Committee Complaint, The Manipulation of Wards for the Benefit of GE Capital and the GE Entities</u>	39
3.	<u>Prosecution and Risks of the Committee Complaint</u>	41
B.	Succession by Plan Administrator	43
C.	Plan Administrator	44
D.	Creation and Distributions of the PA Fund	44
E.	Acquisition of Plan Assets and Administrative Obligations	44
F.	Distribution of Proceeds	44
G.	Directors and Officers	46
H.	No Revesting of Assets	46
I.	Substantive Consolidation of the Debtors	46
J.	Preservation of Rights of Action	47
K.	Exemption from Certain Transfer Taxes	48

ARTICLE V

<u>TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES</u>		48
A.	Executory Contracts and Unexpired Leases	48
B.	Approval of Rejection of Executory Contracts and Unexpired Leases	48
C.	Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Creditors' Plan	48

ARTICLE VI

<u>PROCEDURES FOR RESOLVING AND TREATING DISPUTED CLAIMS</u>		49
A.	No Distribution Pending Allowance.	49
B.	Resolution of Disputed Claims	49
C.	Estimation	49
D.	Reserve Accounts for Disputed Claims	50
E.	Investment of Disputed Claims Reserves	50
F.	Allowance of Disputed Claims	50
G.	Release of Funds from Disputed Claims Reserves	50
H.	Mediation of Disputed Claims.	51

ARTICLE VII

<u>ACCEPTANCE OR REJECTION OF THE CREDITORS' PLAN</u>		51
A.	Classes Entitled to Vote.	51
B.	Acceptance by Impaired Classes	51
C.	Elimination of Classes	51

ARTICLE VIII

CONDITIONS PRECEDENT TO CONFIRMATION <u>AND EFFECTIVENESS OF CREDITORS' PLAN</u>	52
A. Conditions to Confirmation	52
B. Conditions to Effectiveness	52
C. Waiver of Conditions	52

ARTICLE IX

<u>EFFECT OF CONFIRMATION</u>	52
A. Binding Effect	52
B. Exculpation and Limitation of Liability	53
C. Term of Injunctions or Stays	53
D. Injunction	53

ARTICLE X

<u>ADMINISTRATIVE PROVISIONS</u>	53
A. Retention of Jurisdiction	53
B. Notices	55
C. No Admissions	56
D. The Committee	56
E. Retiree Committee	56
F. Effectuating Documents and Further Transactions	57
G. Post-Confirmation Date Fees and Expenses of Professionals	57
H. Payment of Statutory Fees	57
I.	57
Modification of Creditors' Plan	57
J. Courts of Competent Jurisdiction	58
K. Severability	58
L. Governing Law	58
M. Headings	58
N. Exhibits	58

ARTICLE XI

<u>CONFIRMATION OF THE PLAN</u>	59
A. General Requirements of Section 1129	59
B. Unfair Discrimination and Fair and Equitable Tests	59
1. <u>Secured Creditors</u>	59
2. <u>Unsecured Creditors</u>	59
3. <u>Equity Interests</u>	59
C. Feasibility	60
D. Best Interests Test	60
E. Acceptance and Cramdown	61

ARTICLE XII

CERTAIN FEDERAL INCOME TAX
CONSEQUENCES OF THE CREDITORS' PLAN 62

- A. Consequences to Holders of Allowed Convenience Claims and General
Unsecured Claims 62
- B. Gain or Loss. 63
- C. Distributions in Discharge of Accrued but Unpaid Interest. 63
- D. Information Reporting and Withholding. 64

ARTICLE XIII

ALTERNATIVES TO LIQUIDATING PLAN 64

ARTICLE XIV

CERTAIN RISK FACTORS 66

- A. Appointment or Election of a Trustee. 66
- B. Committee Litigation 66
- C. Reserves for Subordinated Claims. 66
- D. Bad Debt Deduction. 66
- E. Avoidance Actions. 66

ARTICLE XV

CONCLUSION AND RECOMMENDATION 67

EXHIBITS

- EXHIBIT A - CREDITORS' THIRD AMENDED PLAN OF LIQUIDATION
- EXHIBIT B - COMMITTEE COMPLAINT
- EXHIBIT C - LIQUIDATION ANALYSIS
- EXHIBIT D - BALLOT (CLASS 3B)
- EXHIBIT E - POTENTIAL DISTRIBUTIONS BASED ON RANGE OF RECOVERY FROM THE COMMITTEE LITIGATION

ARTICLE I

INTRODUCTION

Montgomery Ward, LLC (“Wards”), and its Subsidiaries and Affiliates (collectively, the “Subsidiaries and Affiliates” which, together with Montgomery Ward, LLC, is collectively the “Debtors”)¹ filed their petitions for relief under Chapter 11 of the United States Bankruptcy Code on December 28, 2000, in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”). The Debtors' chapter 11 cases (the "Chapter 11 Cases") have been pending in the Bankruptcy Court since that time.

The official committee of unsecured creditors of the Debtors (the "Committee") was appointed on January 12, 2001, by the United States Trustee under section 1102(a)(1) of the Bankruptcy Code. Since that time, the Committee has acted in these cases on behalf of unsecured creditors of the Debtors. On January 24, 2002, the Committee filed with the Bankruptcy Court its Plan of Liquidation of the Official Committee of Unsecured Creditors of Montgomery Ward, LLC *et al.* under Chapter 11 of the Bankruptcy Code dated January 24, 2002 (as subsequently amended, the “Creditors’ Plan”),² and the Disclosure Statement to Accompany the Plan of Liquidation of the Official Committee of Unsecured Creditors of Montgomery Ward, LLC *et al.*, under Chapter 11 of the Bankruptcy Code (as subsequently amended, the “Creditors’ Disclosure Statement”).³

The Committee submits this Creditors’ Disclosure Statement pursuant to Section 1125 of Title 11 of the United States Code (the “Bankruptcy Code”) to creditors of the Debtors (collectively, the “Creditors”) and holders of interests in the Debtors (collectively, the “Interests”) in connection with (i) the solicitation from the Creditors of acceptances of the Creditors’ Plan (a copy of the Creditors’ Plan is attached hereto as Exhibit A) proposed by the Committee and filed with the Bankruptcy Court and (ii) the hearing on confirmation of the Creditors’ Plan scheduled for July 12, 2002, at 10:00 a.m. Eastern Daylight Time (the “Confirmation Hearing”).

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.

³ The Creditors’ Disclosure Statement dated January 24, 2002, has been amended. All references to the Creditors’ Disclosure Statement shall hereafter be understood to refer to the Creditors’ Disclosure Statement as amended to date.

The 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 Creditors in accordance with the priorities established by the Bankruptcy Code. The 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, see Article II, Section C.11, and Article IV, Section A, of this Creditors' Disclosure Statement, and for a detailed description see the Committee Complaint attached as EXHIBIT B hereto.)

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, the recovery cannot be quantified in advance. It is possible that the Committee's lawsuit may not be successful or may generate less value than required to pay unsecured creditors in full.

As described in Article IV, Section A, of this Creditors' Disclosure Statement, the Committee unanimously believes that the Modified Plan of Liquidation filed by GE Capital on or about May 1, 2002, provides a recovery for unsecured creditors of the Debtors that is inadequate. Although GE Capital's Plan provides a 20% cash distribution to holders of Allowed General Unsecured Claims on the effective date of such plan, the Committee sees GE Capital's settlement offer as an attempt to avoid facing the merits of the Committee's lawsuit against the GE Entities by asking the creditors to accept a settlement that the Committee, which is familiar with the wealth of documentary evidence supporting the Committee Complaint, has already rejected as seriously deficient.

ARTICLE I

INTRODUCTION

Montgomery Ward, LLC (“Wards”), and its Subsidiaries and Affiliates (collectively, the “Subsidiaries and Affiliates” which, together with Montgomery Ward, LLC, is collectively the “Debtors”)¹ filed their petitions for relief under Chapter 11 of the United States Bankruptcy Code on December 28, 2000, in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”). The Debtors' chapter 11 cases (the "Chapter 11 Cases") have been pending in the Bankruptcy Court since that time.

The official committee of unsecured creditors of the Debtors (the "Committee") was appointed on January 12, 2001, by the United States Trustee under section 1102(a)(1) of the Bankruptcy Code. Since that time, the Committee has acted in these cases on behalf of unsecured creditors of the Debtors. On January 24, 2002, the Committee filed with the Bankruptcy Court its Plan of Liquidation of the Official Committee of Unsecured Creditors of Montgomery Ward, LLC *et al.* under Chapter 11 of the Bankruptcy Code dated January 24, 2002 (as subsequently amended, the “Creditors’ Plan”),² and the Disclosure Statement to Accompany the Plan of Liquidation of the Official Committee of Unsecured Creditors of Montgomery Ward, LLC *et al.*, under Chapter 11 of the Bankruptcy Code (as subsequently amended, the “Creditors’ Disclosure Statement”).³

The Committee submits this Creditors’ Disclosure Statement pursuant to Section 1125 of Title 11 of the United States Code (the “Bankruptcy Code”) to creditors of the Debtors (collectively, the “Creditors”) and holders of interests in the Debtors (collectively, the “Interests”) in connection with (i) the solicitation from the Creditors of acceptances of the Creditors’ Plan (a copy of the Creditors’ Plan is attached hereto as Exhibit A) proposed by the Committee and filed with the Bankruptcy Court and (ii) the hearing on confirmation of the Creditors’ Plan scheduled for July 12, 2002, at 10:00 a.m. Eastern Daylight Time (the “Confirmation Hearing”).

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.

³ The Creditors’ Disclosure Statement dated January 24, 2002, has been amended. All references to the Creditors’ Disclosure Statement shall hereafter be understood to refer to the Creditors’ Disclosure Statement as amended to date.

The 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 Creditors in accordance with the priorities established by the Bankruptcy Code. The 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, see Article II, Section C.11, and Article IV, Section A, of this Creditors' Disclosure Statement, and for a detailed description see the Committee Complaint attached as EXHIBIT B hereto.)

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, the recovery cannot be quantified in advance. It is possible that the Committee's lawsuit may not be successful or may generate less value than required to pay unsecured creditors in full.

As described in Article IV, Section A, of this Creditors' Disclosure Statement, the Committee unanimously believes that the Modified Plan of Liquidation filed by GE Capital on or about May 1, 2002, provides a recovery for unsecured creditors of the Debtors that is inadequate. Although GE Capital's Plan provides a 20% cash distribution to holders of Allowed General Unsecured Claims on the effective date of such plan, the Committee sees GE Capital's settlement offer as an attempt to avoid facing the merits of the Committee's lawsuit against the GE Entities by asking the creditors to accept a settlement that the Committee, which is familiar with the wealth of documentary evidence supporting the Committee Complaint, has already rejected as seriously deficient.