

# Complexities Riddle Ward's Liquidation

*Plan Administrator Has its  
Hands Full*

by Francoise C. Arsenault

The death of Montgomery Ward & Co., one of the oldest retailers in the United States, has not been quick or painless. The company first filed for bankruptcy in 1997. Within two years, Ward emerged from Chapter 11 as a wholly owned subsidiary of GE Capital Corporation. By the end of 2000, however, the company was back in bankruptcy for the second and final time. Now, almost two years later, Judge Raymond T. Lyons has confirmed the third amended plan of liquidation filed by the official committee of unsecured creditors. The effective date of the plan was October 10, 2002.

The plan confirmation followed a battle between competing plans of reorganization filed by the creditors' committee and by GE Capital. Although the GE-sponsored plan provided for some degree of payout to unsecured creditors, it also included a release of GE Capital and its affiliates of any claims, real or imagined, that any party in the case might have against GE Capital. The creditors' committee plan was based on recovery from a lawsuit against GE Capital. As a result, it preserved the right to make claims against GE Capital, but also disclosed the possibility of little or no recovery for the creditors should the litigation against GE Capital prove unsuccessful. The voting on the competing plans was overwhelmingly in favor of the creditors' committee plan.

NHB Assignments, LLC, a wholly owned subsidiary of NachmanHaysBrownstein, Inc.(NHB), has been appointed Plan Administrator to oversee the continuing liquidation of Montgomery Ward and to distribute the remaining assets. These assets initially totaled over \$70 million, but are expected to grow to more than double that amount due to the recovery of funds from an overfunded pension plan and the anticipated recovery from preference avoidance actions. This estimate does not include the claims involved in the litigation against GE Capital, which could exceed hundreds of millions of dollars if the creditors are successful.

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NHB Principal Howard Brownstein, who leads the engagement, talked about a number of complexities in the wind-down of Ward. "One of the most obvious challenges is data organization and management. NHB has formulated a task matrix to keep track of and manage over 100 separate and ongoing activities, with over 60 individual contacts being maintained." NHB also is overseeing the closure of Ward's Chicago headquarters and is managing the wind-down of the company from its offices in Narberth, Penn.

Mr. Brownstein pointed out that the sheer number of professionals involved in the case presents its own interesting challenges. "Ongoing legal matters include preference recovery, contested claims, environmental claims, and other issues that may survive discharge under the Bankruptcy Code, pension plan reversion, settlement of lawsuits against insurance carriers, litigation with a former supplier relating to non-payment of royalties, recovery of past overpayments, and the sale of intellectual property," he explained. He noted that, given the ongoing and hotly contested litigation between the plan committee and GE Capital, his firm has had to work especially hard to assure the implementation of the plan and to protect the assets of the estate. The lawsuit against GE Capital, which was filed almost a year ago, seeks \$500 million in restitution and \$500 million in damages for misleading creditors and manipulating the financial structure of Ward to benefit GE Capital. According to Kathy Hershcopf, a partner with Kronish Live Weiner & Hellman LLP, the firm representing the Plan Committee in the suit against GE Capital, "discovery is proceeding and the trial is still scheduled for June 2003 before Judge Raymond Lyons." Despite the ongoing litigation, Mr. Brownstein is confident that everything will be accomplished in a timely manner in administering the plan.

# Outstanding Turnaround Firms of 2002

<b>Firm</b>	<b>Senior Professionals</b>	<b>Outstanding Achievements</b>
AlixPartners, LLC Southfield, MI Tel. (248) 358-4420 Fax (248)358-1969	Ted Stenger, Jim Bonsall, Bettina Whyte, & Lisa Donahue	Served as CRO/CFO at WorldCom; CFO/Treasurer at Kmart; CRO/CFO of Exide Technologies; will assume control of LJM2, an Enron off-balance sheet partnership; completed Sunterra turnaround.
Alvarez & Marsal, Inc. New York, NY Tel. (212) 759-4433 Fax (212) 759-5532	Antonio C. Alvarez, II, Bryan P. Marsal, Joseph A. Bondi & Peter Cheston	Assignments included Chief Restructuring Advisor to Arthur Andersen LLP; CRO for Exodus Communications and SLI, Inc.; financial advisor to E-spire and Secured Lenders in Exide Corporation.
Brincko Associates, Inc. Los Angeles, CA Tel. (310) 553-4523 Fax (310) 553-6782	John Brincko Paul Meyaart Steve Sokol, Thora Thoroddsen	Appointed President/CEO and Board member, as well as EVP/CFO/Legal Officer of Consolidated Freightways; restructuring advisor for Esprit de Corps, XOXO; assignments for Lockheed Martin.
Carl Marks Consulting Group LLC New York, NY Tel. (212) 909-8400 Fax (212) 829-8065	Mark L Claster, Stanley B. Frieze, Marc Pfefferle, Duffield Meyercord	Completed the sale of Glenoit Mills; served as CRO of Griffin, LLC and Advanced Glassfiber Yams; CEO for Simpson Race Products; CFO for Gould Paper; CEO/CFO in Weigh Tronix (UK).
Crossroads Newport Beach, CA Tel. (949) 261-1600 Fax (949) 261-1655	Dennis Simon, Ruth Ford, Holly Etlin, Scott Avila	Interim manager for Dillingham Construction, a privately held \$1.25B company, and Farmland Industries, a \$12B/largest agri. coop. in US; advisor to Amerco (U-Haul), Excite@Home, NII (Nextel).
Development Specialists, Inc. Chicago, IL Tel. (312) 263-4141 Fax (312) 263-1180	William A. Brandt, Jr., Frederick R. Reed, Patrick J. O'Malley, Steven L Yictor	Financial advisor to Valeo Electrical Systems, Mergent, ARTRA Group; mgmt. consultants to BCP Mgmt.; Chapter II Trustee for iLogistix; Responsible Party for Nat'l. Refractories & Mineral.
FTI Consulting, Inc. Saddle Brook, NJ Tel. (20 I) 843-4900 Fax (20 I) 843-8044	Dominic DiNapoli, Robert Manzo, Michael Policano	Served as Financial Advisor to U.S. Airways Group, Enron Corp., and Kmart Corp.; representing the Unsecured Creditors of WorldCom, Inc.; acted as CRO of Senior Living Properties.
Glass & Associates, Inc. Canton, OH Tel. (330) 494-3252 Fax (330) 494-2420	Shaun K. Donnellan, Jack Stone Clyde Hamstreet, Deborah Midanek	Activities included serving as Chief Restructuring Advisor for Railworks Corporation and for Friede Goldman Halter; served as Chief Restructuring Officer for Southern States CoOp.
Goldin Associates, LLC. New York, NY Tel. (212) 593-2255 Fax (212) 888-2841	Harrison J. Goldin, David Pauker Seymour Preston, Jr., Mark R. Slane	Examiner for Enron's principal trading subsidiary; advisor to Intermedia bondholders (wholly owned WorldCom subsidiary); valuation/insolvency advisor to Sealed Air in the W.R. Grace litigation.
Huron Consulting Chicago, IL Tel. (312) 583-8700 Fax (312) 583-8701	Thomas J. Allison, William A. Wexler James L Ruane III, Thomas I. Halloran	Financial Advisor to Comdisco; Advisor to United Airlines, Global Crossing; Advisor to Creditors' Committee in Wamaco; Advisor to Lenders in 360 networks. Restructured Northland Cranberry.
Morris Anderson & Assoc., Ltd. Des Plaines, IL Tel. (847) 768-4400 Fax (847) 768-4421	Daniel F. Dooley Alan I. Glazer, Baker A. Smith	Served as CRO for ABC-NACO, Lightyear Communications, and Goldman Industrial Group; acted as Special Litigation Trustee in Xpedior; Financial Advisor to Dick Simon Transportation.
NachmanHaysBrownstein Narberth, PA Tel. (610) 660-0060 Fax (610) 664-7298	Harvey L Nachman, Thomas D. Hays, III, Howard Brod Brownstein, Leland B. Goldberg	Plan Administrator of Montgomery Ward; Financial Advisor to The Museum Company; CRO/CEO The Holt Group, leading operator of marine terminals & freight vessels on the East Coast and Puerto Rico.