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**AD VALOREM TAX, INC.**  
1931 Rohlwing Road, Suite A  
Rolling Meadows, IL 60008  
Telephone Number: (847) 253-8262  
Facsimile Number: (847) 253-8814

NOV 19 1999

Property Tax Consultants for Montgomery Ward Holding Corp., Debtors.

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE**

**IN RE:** : **Case No. 97-1409 (PJW)**  
: **Chapter 11**  
**Montgomery Ward Holding Corp.,** : **Jointly Administered**  
**a Delaware corporation, et al.,** :  
**Debtors.** :

: **SECOND AND FINAL APPLICATION**  
: **OF AD VALOREM TAX, INC. FOR**  
: **INTERIM ALLOWANCE OF**  
: **COMPENSATION FOR THE PERIOD**  
: **NOVEMBER 1, 1997 THROUGH**  
: **AUGUST 2, 1999**

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**TO THE HONORABLE PETER J. WALSH, UNITED STATES BANKRUPTCY  
JUDGE, TO THE DEBTORS AND CREDITORS' COMMITTEE CHAIRPERSONS AND  
THEIR COUNSELS OF RECORD, THE OFFICE OF THE UNITED STATES TRUSTEE  
AND OTHER PARTIES IN INTEREST:**

5771

Pursuant to the Administrative Order Pursuant to Section 105 and 331 of the Bankruptcy Code Establishing Procedures for Compensation and Reimbursement of Expenses of Professionals, which was signed on July 8, 1997, the firm of Ad Valorem Tax, Inc. ("AVTI") hereby submits its Second and Final Application for Approval of Interim Compensation as Property Tax Consultants for the Debtors for the period November 1, 1997 through August 2, 1999 ("Final Application for Compensation"). AVTI respectfully represents:

I.

**INTRODUCTORY STATEMENT**

1. AVTI has been the property tax consultant for Montgomery Ward & Co., Incorporated, et al. (the "Debtors") since 1986. The property tax services provided by AVTI to the Debtors encompass the full range of activities related to managing the property taxes for a corporation in the normal course of business.

2. On July 7, 1997, Debtors filed their Voluntary Chapter 11 cases under Title 11 of the United States Code and an order for relief under Chapter 11 was entered simultaneously.

3. On August 27, 1997 an order effective as of July 8, 1997, was duly signed and entered by the Honorable Peter J. Walsh, United States Bankruptcy Judge, authorizing the retention and employment of AVTI as real and personal property tax consultants. A copy of this order is attached hereto as Exhibit "A" (the "Retention Order").

4. The current Property Tax Consulting Agreement (the "Contract") between AVTI and the Debtors is based on a flat fee for the services listed therein. A copy of the Contract is attached hereto as Exhibit "B". The fixed fee called for in the Contract is not part of this Application. It is AVTI's understanding that the Debtors filed a motion seeking an order of this court relieving AVTI of its obligation to file any future applications with respect to the fixed fee portion of AVTI's services.

5. AVTI and the Debtors have determined that the additional services necessary due to the Debtors' Chapter 11 filing are "...outside the scope of the responsibilities of AVTI as delineated in {the contract}." Please refer to the compensation portion of the contract, specifically the third paragraph of Section V.

6. This is AVTI's Second and Final Application for Compensation for professional services rendered on behalf of the Debtors. AVTI makes this Application pursuant to the provisions of 11 U.S.C. sections 327 through 331 and Rule 2016 of the Federal Rules of Bankruptcy Procedure, and this Court's Guidelines Pertaining To Requests For Compensation and Expense By Professionals.

## II

### SUMMARY OF SERVICES RENDERED

7. By this Application for Interim Compensation, AVTI seeks approval and payments for compensation for services rendered from November 1, 1997 through August 2, 1999. This is the second and final Application for interim compensation filed by AVTI.

8. In rendering the services for which compensation is sought, partners, associates and administrative assistants of AVTI spent 2,533.07 hours from November 1, 1997 through August 2, 1999 (AVTI spent 601.25 hours from July 8, 1997 through October 31, 1997 which was covered in our first Application). The time charges for such services, computed at AVTI's standard hourly rates were \$364,657.75 from November 1, 1997 through August 2, 1999 (\$62,467.50 from July 8, 1997 through October 31, 1997 which was covered in our first Application). Exhibit "C" annexed hereto contains a detailed description of the services rendered by each partner, associate and administrative assistant on a daily basis. AVTI has not incurred a large amount of additional expenses (separate from our normal services) in providing these services and, therefore, is not seeking any reimbursement for expenses at this time.

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\$427,125.25

9. The compensation AVTI seeks is reasonable and is for actual and necessary services rendered by AVTI. All of the services performed by AVTI have been beneficial to the Debtors and have assisted in the proceedings of this case.

10. The size and complexity of the Debtors' case involves numerous and complex property tax issues. As a consequence, the demands of this case have been such that AVTI's highly skilled professionals have devoted considerable time and effort to perform properly and expeditiously the required property tax functions.

11. During the period from November 1, 1997 through August 2, 1999, AVTI provided services of a general nature to the Debtors, as set forth on the following pages:

A. ACCOUNTS PAYABLE

AVTI has continued to work with Debtor's Accounts Payable department to update protocols to handle Pre – petition and Post – petition property tax requisitions.

B. APPROVAL WORK

AVTI's senior staff has continued to review the administrative staff's calculations of Pre – petition and Post – petition property tax amounts.

C. CALCULATION OF PRE-PETITION  
PROPERTY TAXES

AVTI periodically updated estimates of Pre – petition property tax amounts for real estate and personal property taxes per Debtor's request.

D. CASH FLOW ANALYSIS

AVTI periodically updated estimates of affects on cash flow per Debtor's request.

E. CLAIMS

AVTI reviewed and tracked each and every claim that pertained to property taxes.

F. DATABASE DEVELOPMENT & MAINTENANCE

AVTI created and maintained a comprehensive database that tracked pre and post petition property tax payments and provided updates to Debtor's real estate department utilized in their landlord claim reviews and settlements.

G. INTEREST & PENALTY RATE CALCLUATIONS

AVTI's updated report to Debtor of interest and penalty rates by state for late property tax payments.

H. LEASED EQUIPMENT

AVTI's continued special processing of Pre – petition and Post – petition property tax payments for leased equipment.

I. LECHMERE

AVTI prepared numerous reports and gathered extensive data related specifically to the Chapter 11 effects on the Lechmere properties and their disposition.

J. LETTERS

AVTI prepares all of the letters sent to landlords for their notification by Debtor of the non-payment of Pre – petition property tax amounts.

K. MEETINGS

AVTI personnel attended numerous meetings with Debtor's personnel and various outside counsel as directed by Debtor.

L. PAYMENT FORM

AVTI's administrative staff processes each property tax billing through our specially designed database in order to keep track of the timing and amounts of the Pre – petition and Post – petition calculations.

M. PHONE CALLS

Phone calls with various people for various items related to these Chapter 11 cases. The attached detailed spreadsheet lists the particulars.

N. SALE / LEASEBACK PROPERTIES

AVTI's work related to numerous Debtor properties that went through sale / leaseback transactions prior to the petition date. These properties required special handling due to the Chapter 11 filing.

O. SIGNATURE

AVTI prepared reports pertaining to the Chapter 11's affect on Signature's property taxes.

12. The time spent by partners and staff of AVTI, from November 1, 1997 through August 2, 1999, in performing the procedures described in paragraph 11, along with their hourly rates, is presented below:

	Hours	Rate	Amount
Partner	650.85	\$250	\$162,712.50
Senior Associate	164.90	\$200	\$ 32,980.00
Associate	535.55	\$150	\$ 80,332.50
Administrative Assistant	<u>1,181.77</u>	\$ 75	<u>\$ 88,632.75</u>
<b>TOTALS</b>	<b>2,533.07</b>		<b>\$364,657.75</b>

13. AVTI's time records are recorded contemporaneously with the rendition of professional services that are set forth in Exhibit "C". This exhibit contains full and complete detail of professional services performed on a daily basis for the Application period. AVTI's time records are maintained in five-hundredth of an hour (0.05) increments.

14. All duties and tasks that are performed by AVTI have been performed by the professional most qualified to render such services at his or her ordinary hourly charges.

15. There is no agreement or understanding between AVTI and any other person, other than the members, associates, and employees of AVTI, for the sharing of compensation received for services rendered in connection with these proceedings.

16. AVTI's professionals have delegated authority where appropriate to prevent duplication of effort. This has been done to ensure that associates were used whenever possible and to utilize the services of professionals who bill at lower hourly rates as much as possible.

17.— Where more than one person attended a meeting, such attendance was not a duplication of effort, but was necessary to adequately represent the interests of the Debtors and to have the appropriate expertise available.

18. For all the reasons set forth in this application, AVTI respectfully submits that the services it has rendered on behalf of the Debtors during this case have been reasonably expended in order to adequately represent and protect the interests of the Debtors in this case. AVTI submits further that it has provided such services in an economical and efficient manner. Accordingly, AVTI requests that the relief requested in this Application be granted in all respects.

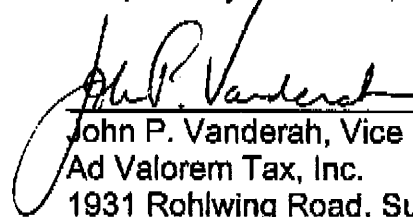
19. Prior to this application, applicant has received payments from the Debtors, as authorized by the Administrative Order, in the total amount of \$291,726.20 for the period November 1, 1997 through August 2, 1999.



WHEREFORE, Ad Valorem Tax, Inc. respectfully requests that this Court enter its order allowing Ad Valorem Tax, Inc. fees and expenses in the total amount of \$427,125.25 (\$364,657.75 for November 1, 1997 through August 2, 1999 plus \$62,467.50 for July 8, 1997 through October 31, 1997). The payment of such amounts requested to be reduced by the \$341,700.20 already received by Ad Valorem Tax, Inc., resulting in a balance payable for the period August 7, 1997 through August 2, 1999 of \$85,425.05.

Dated: November 22, 1999

Respectfully submitted,

  
John P. Vanderah, Vice President  
Ad Valorem Tax, Inc.  
1931 Rohlwing Road, Suite A  
Rolling Meadows, Illinois 60008  
(847) 253-8262

Sworn and subscribed to before me this 22 day of November 1999.

